

**WHITLEY COUNTY
SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES**

For the year ended June 30, 2025

Prepared by:

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Whitley County School District
Williamsburg, Kentucky

And the State Committee for School District Audits

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Emphasis of Matter — Change in Accounting Principle

As described in Note A to the financial statements, during the fiscal year ended June 30, 2025, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences. The adoption of this statement resulted in a significant change in the method of calculating and reporting the District's compensated absences liability and affected the comparability of the financial statements with those of prior periods. 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 District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedules of the District's Proportionate Share of the Net Pension and OPEB Liability and Schedule of Contributions for CERS and TRS and Medical and Life and Health Insurance Plans comparison information as listed in the table of contents 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 District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

White & Associates, PSC

Richmond, Kentucky
December 31, 2025

WHITLEY COUNTY SCHOOL DISTRICT
WILLIAMSBURG, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2025

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

FINANCIAL HIGHLIGHTS

- The beginning General Fund balance for the District was \$13,401,085 and ended with \$12,958,208.
- General Fund revenues, excluding inter-fund transfers, totaled \$43.47 million, which primarily consisted of funding through the state's Support Education Excellence in Kentucky (SEEK) program and revenues from property, utilities, and motor vehicle taxes. General Fund revenues were \$42.08 in FY 2024.
- Excluding inter-fund transfers, General Fund expenditures totaled \$43.14 million. This compares to \$37.64 million in the prior year.
- Beginning net position was restated as of July 1, 2024 due to the implementation of GASB No. 101, Compensated Absences, which resulted in a \$4,360,361 decrease in beginning net position.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating. The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

In the government-wide financial statements, the District's activities are divided into two categories:

- **Governmental Activities** – Most of the District's basic services are included here, such as regular and special needs education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

WHITLEY COUNTY SCHOOL DISTRICT
WILLIAMSBURG, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2025

- Business-type activities – The District charges fees to help cover the cost of certain services it provides. The District's food service operations are included here.

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

The implementation of GASB Statement No. 101 did not have a material impact on the District's governmental fund balances, as the standard primarily affects long-term liabilities reported in the government-wide financial statements.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

The District's government-wide financial information for fiscal year 2025 reflects the implementation of GASB Statement No. 101, Compensated Absences. This standard was applied retroactively and resulted in a restatement of beginning net position as of July 1, 2024. As a result, comparisons between fiscal years should be made with consideration of this accounting change.

SEE SCHEDULE ON NEXT PAGE

WHITLEY COUNTY SCHOOL DISTRICT
WILLIAMSBURG, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2025

2025 District-Wide Governmental net position compared to 2024 as follows:

Table 1
Net Position
\$ (in Millions)

	Governmental Activities		Business-type Activities		Totals	
	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>
Current assets	\$ 17.81	\$ 17.81	\$ 1.09	\$ 0.91	\$ 18.90	\$ 18.72
Non-current assets	59.23	60.84	0.59	0.57	59.82	61.41
Total assets	77.04	78.65	1.68	1.48	78.72	80.13
Deferred outflows	10.59	8.03	0.35	0.25	10.94	8.28
Current liabilities	3.12	3.30	0.04	-	3.16	3.30
Non-current liabilities	42.40	42.88	0.85	0.77	43.25	43.65
Total liabilities	45.52	46.18	0.89	0.77	46.41	46.95
Deferred inflows	14.58	12.11	0.51	0.39	15.09	12.50
Net position:						
Invested in capital assets, net of debt	37.43	40.54	0.57	0.55	38.00	41.09
Restricted	3.05	3.26	0.06	0.02	3.11	3.28
Unrestricted (deficit)	(12.95)	(15.40)	-	-	(12.95)	(15.40)
Total net position	\$ 27.53	\$ 28.40	\$ 0.63	\$ 0.57	\$ 28.16	\$ 28.97

The increase in noncurrent liabilities and the resulting decrease in unrestricted net position is primarily attributable to the recognition of additional compensated absences liabilities required under GASB Statement No. 101. This increase does not represent new debt or a deterioration in current-year operating performance.

WHITLEY COUNTY SCHOOL DISTRICT
WILLIAMSBURG, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2025

GOVERNMENTAL ACTIVITIES

Ending net position was \$28.97 million for the District. This was an increase of \$5.17 million from the prior year.

Table 2
Changes in Net Position
(in millions)

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2024-2025
	2024	2025	2024	2025	2024	2025	
Revenues:							
Charges for services	\$ 0.77	\$ 0.63	\$ 0.13	\$ 0.09	\$ 0.90	\$ 0.72	-21%
Operating grants and contributions	30.14	24.00	5.25	5.38	35.39	29.38	-17%
Capital grants and contributions	2.63	2.93	-	-	2.63	2.93	11%
General revenues	33.33	34.32	(0.17)	(0.25)	33.16	34.07	3%
Total revenue	66.87	61.88	5.21	5.22	72.08	67.10	-7%
Expenses:							
Instruction	\$ 38.89	\$ 36.80	\$ -	\$ -	\$ 38.89	\$ 36.80	-5%
Student	1.62	1.69	-	-	1.62	1.69	4%
Instructional staff	1.32	1.84	-	-	1.32	1.84	39%
District administration	1.42	1.38	-	-	1.42	1.38	-3%
School administration	1.71	1.67	-	-	1.71	1.67	-2%
Business	0.83	1.08	-	-	0.83	1.08	30%
Plant operation & maintenance	4.68	4.00	-	-	4.68	4.00	-15%
Student transportation	4.04	3.88	-	-	4.04	3.88	-4%
Community services operations	0.04	0.64	-	-	0.04	0.64	1500%
Food Service Operations	-	-	5.29	5.21	5.29	5.21	-2%
Other non-instructional	-	0.01	-	-	-	0.01	0%
Depreciation/Amortization	2.54	2.81	0.07	0.08	2.61	2.89	11%
Interest on long-term debt	0.90	0.84	-	-	0.90	0.84	-7%
Total Expenses	\$ 57.99	\$ 56.64	\$ 5.36	\$ 5.29	\$ 63.35	\$ 61.93	-2%
Change in net position	\$ 8.88	\$ 5.24	\$ (0.15)	\$ (0.07)	\$ 8.73	\$ 5.17	-41%

Beginning net position was restated due to the implementation of GASB Statement No. 101, Compensated Absences, which requires governments to recognize compensated absences using a more consistent measurement approach and to record liabilities for leave that is attributable to services already rendered and is more likely than not to be used or paid.

GASB Statement No. 101 was implemented retroactively, resulting in an adjustment to beginning net position to reflect the updated recognition and measurement requirements. As a result of this implementation, beginning net position decreased by \$4,360,361. Although total net position increased by \$5.17 million from the prior year, approximately \$4.36 million of this change relates to a prior period adjustment of the retroactive implementation of GASB Statement No. 101. Excluding the impact of this accounting change, the District's financial results remained relatively consistent with prior year operations.

WHITLEY COUNTY SCHOOL DISTRICT
WILLIAMSBURG, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2025

This restatement did not impact current-year operating results but affects the comparability of financial information between periods. Additional information regarding this restatement can be found in **Note D** to the financial statements.

DEBT

Debt decreased from the prior year by \$1,653,189.

Table 4
Outstanding Debt at Year-End

	Government Activities	
	2024	2025
General Obligation Bonds	\$ 21,017,861	\$ 19,627,112
Finance Purchase Obligations	461,793	280,930
KSBIT	81,577	-
Total Obligations	\$ 21,561,231	\$ 19,908,042

CAPITAL ASSETS

At the end of fiscal year 2025, the District had \$61 million invested in capital assets, including land, buildings, buses, computers and other equipment. This amount represents an increase (including additions and deductions) of \$1.52 million from the prior year, largely due to the completion of construction projects throughout the district.

Capital Assets at Year-End
\$ (Net of Depreciation)

	Governmental Activities		Business-type Activities		Totals	
	2024	2025	2024	2025	2024	2025
Land	\$ 1,423,339	\$ 1,423,339	\$ -	\$ -	\$ 1,423,339	\$ 1,423,339
Land Improvements	3,220,272	5,490,115	-	-	3,220,272	5,490,115
Buildings	50,337,292	48,918,659	-	-	50,337,292	48,918,659
Technology	84,103	290,983	65	-	84,168	290,983
Vehicles	3,261,310	3,790,348	-	-	3,261,310	3,790,348
General Equipment	355,900	385,389	572,301	549,731	928,201	935,120
Infrastructure	143,147	114,475	-	-	143,147	114,475
Construction in Progress	19,015	-	-	-	19,015	-
Finance Purchases	60,292	34,054	-	-	60,292	34,054
Totals	\$ 58,904,670	\$ 60,447,361	\$ 572,366	\$ 549,731	\$ 59,477,036	\$ 60,997,092

WHITLEY COUNTY SCHOOL DISTRICT
WILLIAMSBURG, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2025

THE DISTRICT'S FUNDS

As the District completed the year, the General Fund reflected a fund balance of \$12,958,208 a decrease of \$442,877 from the prior year's fund balance of \$13,401,085. The unassigned portion of the fund balance as of June 30, 2025 is \$12,459,144.

The following table presents a summary of revenues and expenses for the District as a whole for the fiscal year ended June 30, 2025:

*Note This chart does not include beginning balances.

REVENUE	Fund 1	Fund 2	Fund 310	Fund 320	Fund 360	Fund 400	Fund 51
Local Revenue Sources	\$ 6,551,795	\$ 1,071,863	\$ -	\$ 585,465	\$ 4,941	\$ 89,197	\$ 85,809
State Revenue Sources	36,660,536	3,106,306	361,760	1,604,994	-	552,330	860,228
Federal Revenue Sources	259,966	9,620,049	-	-	-	406,780	4,522,931
Other	-	-	-	-	-	-	34,020
Transfers In	1,420,007	72,191	-	-	2,046,593	1,780,574	-
TOTALS	\$44,892,304	\$13,870,409	\$361,760	\$2,190,459	\$2,051,534	\$2,828,881	\$5,502,988
EXPENDITURES	Fund 1	Fund 2	Fund 310	Fund 320	Fund 360	Fund 400	Fund 51
Instruction	26,513,771	12,245,421	-	-	-	-	-
Student Support Services	1,663,565	25,216	-	-	-	-	-
Instructional Staff Support Services	1,312,600	526,131	-	-	-	-	-
District Admin Support	1,371,163	12,175	-	-	-	-	-
School Admin Support	1,602,171	54,760	-	-	-	-	-
Business Support Services	1,076,843	-	-	-	-	-	-
Plant Operation & Management	4,059,763	108,048	-	-	-	-	-
Student Transportation	5,030,077	13,201	-	-	-	-	-
Food Service Operations	-	-	-	-	-	-	5,208,859
Community Services	21,998	617,346	-	-	-	-	-
Land improvements	324,974	-	-	-	-	-	-
Building Acquisitions	-	-	-	-	-	-	-
Building Improvements	-	-	-	-	2,422,245	-	-
Depreciation	-	-	-	-	-	-	76,668
Debt Service	166,494	-	-	-	27,106	2,259,401	-
Transfers (Out)	2,191,762	268,111	361,760	2,190,459	-	-	280,166
TOTALS	\$45,335,181	\$13,870,409	\$361,760	\$2,190,459	\$2,449,351	\$2,259,401	\$5,565,693
Excess / (Deficit)	(442,877)	-	-	-	(397,817)	569,480	(62,705)

WHITLEY COUNTY SCHOOL DISTRICT
WILLIAMSBURG, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2025

Comments on Budget Comparisons

- The District's total revenue, including "On-behalf" payments and transfers in from other funds for the General Fund fiscal year ending June 30, 2025 was \$44,892,304. Transfers into general fund were \$1,420,007.
- The total cost of all General Fund programs and services for the year was \$45,335,181 including transfers and "on-behalf" payments.
- Actual General Fund revenues, excluding transfers, exceeded budgeted amounts by \$12,322,336, while expenditures, excluding transfers, were \$1,263,703 more than budgeted.

BUDGETARY IMPLICATIONS

By policy, the budget must have a minimum 2% contingency. The District adopted a tentative budget for 2025-2026 with a general fund contingency of \$1,817,841, or about 4%.

Issues which may impact future budgets include:

- Increased expenses to meet federal and state academic mandates
- Declining enrollment
- Expired federal funding related to COVID
- Potential federal funding changes due to uncertainty of US Department of Education
- Significant Board action such as potential employee raises, KETS matching funds, KISTA bus lease obligations and utilizing excess building fund and capital outlay monies for facility operations.

Questions regarding this report should be directed to the Finance Officer, Amy Brown or Superintendent, John Siler at (606) 549-7000 or by mail at Whitley County Board of Education, 300 Main Street, Williamsburg, KY 40769.

Whitley County School District
Statement of Net Position
June 30, 2025

	Primary Government		
	Governmental Activities	Business- type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 15,259,032	\$ 564,009	\$ 15,823,041
Receivables (net)	2,551,638	89,816	2,641,454
Inventories		254,271	254,271
Funded OPEB asset	395,650	22,213	417,863
Capital assets:			
Land and construction in progress	1,423,339		1,423,339
Other capital assets, net of depreciation	58,989,968	549,731	59,539,699
Net finance purchases	34,054		34,054
Total capital assets	60,447,361	549,731	60,997,092
Total assets	78,653,681	1,480,040	80,133,721
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	3,197,365	179,510	3,376,875
Deferred outflows related to OPEB CERS	1,232,893	69,219	1,302,112
Deferred outflows related to OPEB TRS	3,603,934		3,603,934
Total deferred outflows of resources	8,034,192	248,729	8,282,921
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	86,687,873	1,728,769	88,416,642
LIABILITIES			
Accounts payable and accrued expenses	850,336	80	850,416
Accrued interest payable	116,660		116,660
Unearned revenue	738,446		738,446
Long-term liabilities:			
Due within 1 year:			
Bond obligations	1,423,000		1,423,000
Finance purchase obligations	169,817		169,817
Total due within 1 year	1,592,817	-	1,592,817
Due in more than 1 year:			
Bond obligations	18,204,112		18,204,112
Finance purchase obligations	111,113		111,113
Compensated absences	5,551,444		5,551,444
Net pension liability	13,665,397	767,219	14,432,616
Net OPEB liability TRS	5,345,000		5,345,000
Total due in more than 1 year	42,877,066	767,219	43,644,285
Total liabilities	46,175,325	767,299	46,942,624
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	2,776,228	155,866	2,932,094
Deferred inflows related to OPEB CERS	4,231,296	237,558	4,468,854
Deferred inflows related to OPEB TRS	5,106,000		5,106,000
Total deferred inflows of resources	12,113,524	393,424	12,506,948
NET POSITION			
Net investment in capital assets	40,539,319	549,731	41,089,050
Restricted for:			
District activities	140,077		140,077
Student activities	374,354		374,354
Debt service	2,749,249		2,749,249
Food services		18,315	18,315
Unrestricted (deficit)	(15,403,975)		(15,403,975)
Total net position	28,399,024	568,046	28,967,070
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 86,687,873	\$ 1,728,769	\$ 88,416,642

See the accompanying notes to the financial statements.

Whitley County School District
Statement of Activities
Year ended June 30, 2025

<u>Functions/Programs</u>	Program Revenues					Net (Expense) Revenue and Changes in Net Position		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	Primary Government			
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
PRIMARY GOVERNMENT:								
Governmental activities:								
Instruction	\$ 36,800,969		\$ 17,142,547		\$ (19,658,422)			\$ (19,658,422)
Support services								
Student	1,690,874	628,550	716,461		(345,863)			(345,863)
Instructional staff	1,844,145		781,405		(1,062,740)			(1,062,740)
District administration	1,383,338		586,151		(797,187)			(797,187)
School administration	1,656,931		702,078		(954,853)			(954,853)
Business	1,076,843		456,282		(620,561)			(620,561)
Plant operation & maintenance	4,002,018		1,695,743	1,966,754	(339,521)			(339,521)
Student transportation	3,882,240		1,644,991		(2,237,249)			(2,237,249)
Other non-instructional	10,231		4,335		(5,896)			(5,896)
Community services operations	639,344		270,904		(368,440)			(368,440)
Interest on general long-term debt	844,338			959,110	114,772			114,772
Depreciation*	2,811,752				(2,811,752)			(2,811,752)
Total governmental activities	<u>56,643,023</u>	<u>628,550</u>	<u>24,000,896</u>	<u>2,925,864</u>	<u>(29,087,713)</u>			<u>(29,087,713)</u>
Business-type activities:								
Food service operations	5,208,859	84,924	5,383,159				259,224	259,224
Depreciation	76,668						(76,668)	(76,668)
Total business-type activities	<u>5,285,527</u>	<u>84,924</u>	<u>5,383,159</u>	<u>-</u>	<u>-</u>		<u>182,556</u>	<u>182,556</u>
Total primary government	<u>\$ 61,928,550</u>	<u>\$ 713,474</u>	<u>\$ 29,384,055</u>	<u>\$ 2,925,864</u>	<u>(29,087,713)</u>		<u>182,556</u>	<u>(28,905,157)</u>
General revenues:								
Taxes:								
Property taxes					3,612,618			3,612,618
Unmined minerals taxes					17,971			17,971
Motor vehicle taxes					1,193,844			1,193,844
Utility					1,360,007			1,360,007
In lieu					38,164			38,164
State and formula grants					25,645,961			25,645,961
Unrestricted investment earnings					832,299	34,020		866,319
Other local					1,338,838	885		1,339,723
Transfers					280,166	(280,166)		-
Total general revenues and transfers					<u>34,319,868</u>	<u>(245,261)</u>		<u>34,074,607</u>
Change in net position					5,232,155	(62,705)		5,169,450
Net position - beginning					27,527,230	630,751		28,157,981
Prior period adjustment					(4,360,361)			(4,360,361)
Restated net position - beginning					<u>23,166,869</u>	<u>630,751</u>		<u>23,797,620</u>
Net position - ending					<u>\$ 28,399,024</u>	<u>\$ 568,046</u>		<u>\$ 28,967,070</u>

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

See the accompanying notes to the financial statements.

Whitley County School District
Balance Sheet
Governmental Funds
June 30, 2025

Governmental Funds					
	General	Special Revenue	Debt Service	Other Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 11,993,167	\$ -	\$ 2,749,249	\$ 516,616	\$ 15,259,032
Receivables, net					
Interfund receivables	1,432,770			31,074	1,463,844
Taxes	197,938				197,938
Accounts	64,324	326,465		6,597	397,386
Intergovernmental-state		31,286			31,286
Intergovernmental-federal		1,925,028			1,925,028
Total assets	13,688,199	2,282,779	2,749,249	554,287	19,274,514
LIABILITIES					
Accounts payable	383,468	111,563		39,856	534,887
Accrued salaries & benefits payable	315,449				315,449
Interfund payable	31,074	1,432,770			1,463,844
Unearned revenue		738,446			738,446
Total liabilities	729,991	2,282,779	-	39,856	3,052,626
FUND BALANCE					
Restricted			2,749,249	513,831	3,263,080
Committed	455,396				455,396
Assigned	43,668			600	44,268
Unassigned	12,459,144				12,459,144
Total fund balance	12,958,208	-	2,749,249	514,431	16,221,888
TOTAL LIABILITIES AND FUND BALANCE	\$ 13,688,199	\$ 2,282,779	\$ 2,749,249	\$ 554,287	\$ 19,274,514

See the accompanying notes to the financial statements.

Whitley County School District
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
June 30, 2025

Fund balances-total governmental funds	\$	16,221,888
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.</p>		60,447,361
<p>Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, accrued interest payable, other accounts payable, and net pension obligations) are not due and payable in the current period and, therefore, are not reported in the funds, also Costs associated with bond issues and refundings are expensed in the fund financial statements because they are a use of current financial resources but are capitalized on the statement of net position using the economic resources focus</p>		
Accrued interest payable		(116,660)
Bonds payable		(19,627,112)
Finance purchase obligations		(280,930)
Compensated Absences		(5,551,444)
Net pension liability		(13,665,397)
Net OPEB liability		(5,345,000)
<p>Certain assets (OPEB asset) are not receivable in the fund financial statements but are accrued on the statement of net assets.</p>		395,650
<p>Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds</p>		
Deferred outflows related to OPEB		4,836,827
Deferred inflows related to OPEB		(9,337,296)
Deferred outflows related to pensions		3,197,365
Deferred inflows related to pensions		<u>(2,776,228)</u>
Net position of governmental activities	\$	<u><u>28,399,024</u></u>

See the accompanying notes to the financial statements.

Whitley County School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
Year ended June 30, 2025

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
From local sources					
Taxes					
Property	\$ 3,027,153	\$ -	\$ -	\$ 585,465	\$ 3,612,618
Motor vehicle	1,193,844				1,193,844
Unmined mineral	17,971				17,971
Utility tax	1,360,007				1,360,007
In lieu of tax	38,164				38,164
Earnings on investments	716,301	4,586	89,197	22,215	832,299
Student activities				628,550	628,550
Other local revenue	198,355	1,067,277		73,206	1,338,838
Intergovernmental - state	36,660,536	3,106,306	552,330	1,966,754	42,285,926
Intergovernmental - federal	259,966	9,620,049	406,780		10,286,795
Total revenues	<u>43,472,297</u>	<u>13,798,218</u>	<u>1,048,307</u>	<u>3,276,190</u>	<u>61,595,012</u>
EXPENDITURES					
Instruction	26,513,770	12,245,421		653,997	39,413,188
Support services					
Student	1,663,565	25,216		2,093	1,690,874
Instructional staff	1,312,600	526,131		5,414	1,844,145
District administration	1,371,163	12,175			1,383,338
School administration	1,602,171	54,760			1,656,931
Business	1,076,843				1,076,843
Plant operation & maintenance	4,059,763	108,048			4,167,811
Student transportation	5,030,077	13,201		5,855	5,049,133
Other non-instruction				10,231	10,231
Community services	21,998	617,346			639,344
Land improvements	324,974				324,974
Site improvement				2,422,245	2,422,245
Debt service	166,494		2,259,401		2,425,895
Total expenditures	<u>43,143,418</u>	<u>13,602,298</u>	<u>2,259,401</u>	<u>3,099,835</u>	<u>62,104,952</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	328,879	195,920	(1,211,094)	176,355	(509,940)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	1,420,007	72,191	1,780,574	2,210,599	5,483,371
Operating transfers (out)	(2,191,763)	(268,111)		(2,743,331)	(5,203,205)
Total other financing sources and (uses)	<u>(771,756)</u>	<u>(195,920)</u>	<u>1,780,574</u>	<u>(532,732)</u>	<u>280,166</u>
NET CHANGE IN FUND BALANCE	(442,877)	-	569,480	(356,377)	(229,774)
FUND BALANCE-BEGINNING	<u>13,401,085</u>	<u>-</u>	<u>2,179,769</u>	<u>870,808</u>	<u>16,451,662</u>
FUND BALANCE-ENDING	<u>\$ 12,958,208</u>	<u>\$ -</u>	<u>\$ 2,749,249</u>	<u>\$ 514,431</u>	<u>\$ 16,221,888</u>

See the accompanying notes to the financial statements.

Whitley County School District
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the
Statement of Activities**
Year ended June 30, 2025

Net change in fund balance-total governmental funds	\$	(229,774)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report district OPEB and pension contributions as expenditures. However in the Statement of Activities, the cost of the benefits earned net of employee contributions is reported as pension expense or revenue.</p>		2,707,179
<p>Bonds sold at a discount/premium is recorded as a other financing use on the fund financial statements but is netted against bond obligations and amortized to expense over the life of the bond in the statement of net position.</p>		(7,251)
<p>Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.</p>		1,542,691
<p>Bond and finance purchase payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.</p>		1,578,863
<p>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.</p>		
<p>Accrued interest payable</p>		9,945
<p>KSBIT payable</p>		81,577
<p>Noncurrent compensated absences</p>		(451,075)
		(451,075)
Change in net position of governmental activities	\$	<u><u>5,232,155</u></u>

See the accompanying notes to the financial statements.

Whitley County School District
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
Year ended June 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES				
From local sources				
Taxes				
Property	\$ 2,736,000	\$ 2,736,000	\$ 3,027,153	\$ 291,153
Motor vehicle	975,000	975,000	1,193,844	218,844
Unmined minerals	10,000	10,000	17,971	7,971
Utility tax	1,150,000	1,150,000	1,360,007	210,007
In lieu of tax	30,000	30,000	38,164	8,164
Earnings on investments	300,000	300,000	716,301	416,301
Other local revenue	95,000	95,000	198,355	103,355
Intergovernmental - state	25,406,057	25,673,961	36,660,536	10,986,575
Intergovernmental - federal	180,000	180,000	259,966	79,966
Total revenues	<u>30,882,057</u>	<u>31,149,961</u>	<u>43,472,297</u>	<u>12,322,336</u>
EXPENDITURES				
Instruction	23,203,896	23,260,959	26,513,770	(3,252,811)
Support services				
Student	2,099,397	2,099,397	1,663,565	435,832
Instructional staff	1,291,172	1,291,172	1,312,600	(21,428)
District administration	1,380,728	1,380,728	1,371,163	9,565
School administration	1,958,644	1,958,644	1,602,171	356,473
Business	939,642	939,642	1,076,843	(137,201)
Plant operation & maintenance	5,297,370	5,300,370	4,059,763	1,240,607
Student transportation	5,329,021	5,439,515	5,030,077	409,438
Food service operations	2,600	2,600		2,600
Community services operations	40,194	40,194	21,998	18,196
Land improvement			324,974	(324,974)
Debt service	166,494	166,494	166,494	-
Total expenditures	<u>41,709,158</u>	<u>41,879,715</u>	<u>43,143,418</u>	<u>(1,263,703)</u>
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	(10,827,101)	(10,729,754)	328,879	11,058,633
OTHER FINANCING SOURCES (USES)				
Operating transfers in	961,580	973,999	1,420,007	446,008
Operating transfers (out)	(78,000)	(78,000)	(2,191,763)	(2,113,763)
Total other financing sources and (uses)	<u>883,580</u>	<u>895,999</u>	<u>(771,756)</u>	<u>(1,667,755)</u>
NET CHANGE IN FUND BALANCE	(9,943,521)	(9,833,755)	(442,877)	9,390,878
FUND BALANCE BEGINNING	<u>12,627,635</u>	<u>12,868,598</u>	<u>13,401,085</u>	<u>532,487</u>
FUND BALANCE-ENDING	<u>\$ 2,684,114</u>	<u>\$ 3,034,843</u>	<u>\$ 12,958,208</u>	<u>\$ 9,923,365</u>

Note: The district did not budget \$10,405,209 of state on-behalf payments. This amount will be added to the variance for both revenue and expenditures.

Whitley County School District
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Special Revenue Fund
Year ended June 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
From local sources				
Earnings on investments	\$ -	\$ -	\$ 4,586	\$ 4,586
Other local revenue	1,057,983	1,108,287	1,067,277	(41,010)
Intergovernmental - state	1,862,163	2,299,933	3,106,306	806,373
Intergovernmental - federal	6,130,874	6,148,998	9,620,049	3,471,051
Total revenues	<u>9,051,020</u>	<u>9,557,218</u>	<u>13,798,218</u>	<u>4,241,000</u>
EXPENDITURES				
Instruction	8,442,170	8,374,420	12,245,421	(3,871,001)
Support services				
Student	27,035	27,035	25,216	1,819
Instructional staff	489,656	475,511	526,131	(50,620)
District administration			12,175	(12,175)
School administration	70,159	55,429	54,760	669
Business			-	-
Plant operations & maintenance	100,000	100,000	108,048	(8,048)
Student transportation			13,201	(13,201)
Community service		598,500	617,346	(18,846)
Total expenditures	<u>9,129,020</u>	<u>9,630,895</u>	<u>13,602,298</u>	<u>(3,971,403)</u>
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	(78,000)	(73,677)	195,920	269,597
OTHER FINANCING SOURCES (USES)				
Operating transfers (out)			(268,111)	(268,111)
Operating transfers in	78,000	78,000	72,191	(5,809)
Total other financing sources and (uses)	<u>78,000</u>	<u>78,000</u>	<u>(195,920)</u>	<u>(273,920)</u>
NET CHANGE IN FUND BALANCE	-	4,323	-	(4,323)
FUND BALANCE-BEGINNING	-	-	-	-
FUND BALANCE-ENDING	<u>\$ -</u>	<u>\$ 4,323</u>	<u>\$ -</u>	<u>\$ (4,323)</u>

See the accompanying notes to the financial statements.

Whitley County School District
Statement of Net Position
Proprietary Funds
June 30, 2025

	School Food Services
ASSETS	
Cash and cash equivalents	\$ 564,009
Inventories	254,271
Accounts receivable, net	89,816
Funded OPEB asset	22,213
Capital assets:	
Other capital assets, net of depreciation	549,731
Total assets	1,480,040
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	179,510
Deferred outflows related to OPEB	69,219
Total deferred outflows of resources	248,729
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	1,728,769
 LIABILITIES	
Accounts payable	80
Net pension liability	767,219
Total liabilities	767,299
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	155,866
Deferred inflows related to OPEB	237,558
Total deferred inflows of resources	393,424
 TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	1,160,723
 NET POSITION	
Net Investment in capital assets	549,731
Restricted	18,315
Total net position	568,046
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 1,728,769

See the accompanying notes to the financial statements.

Whitley County School District
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year ended June 30, 2025

		School Food Services
OPERATING REVENUES		
Lunchroom sales	\$	84,924
Other local		885
Total operating revenues		<u>85,809</u>
OPERATING EXPENSES		
Food service operations		
Salaries and benefits		2,705,839
Operational		2,503,020
Depreciation		76,668
Total operating expenses		<u>5,285,527</u>
Operating income (loss)		(5,199,718)
NONOPERATING REVENUES (EXPENSES)		
Federal grants		4,522,931
State grants		860,228
Transfers in (out)		(280,166)
Earnings from investments		34,020
Total nonoperating revenues (expenses)		<u>5,137,013</u>
CHANGE IN NET POSITION		(62,705)
NET POSITION-BEGINNING		<u>630,751</u>
NET POSITION-ENDING	\$	<u><u>568,046</u></u>

See the accompanying notes to the financial statements.

Whitley County School District
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2025

	<u>School Food Services</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 85,809
Payments to suppliers	(2,563,237)
Payments to employees	(2,705,839)
Net cash provided (used) by operating activities	<u>(5,183,267)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating grants and contributions	<u>5,383,159</u>
Net cash provided (used) by noncapital financing activities	<u>5,383,159</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Transfers	(280,166)
Purchase of capital assets	<u>(54,033)</u>
Net cash provided (used) by capital and related financing activities	<u>(334,199)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	<u>34,020</u>
Net cash provided (used) by investing activities	<u>34,020</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(100,287)
CASH AND CASH EQUIVALENTS-BEGINNING	<u>664,296</u>
CASH AND CASH EQUIVALENTS-ENDING	<u>\$ 564,009</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (5,199,718)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	76,668
Changes in assets and liabilities:	
Receivables	49,004
OPEB asset	(3,918)
Inventories	33,375
Outflow Deferrals	106,152
Inflow Deferrals	(118,377)
Net pension liability	(83,043)
Accrued liabilities	(43,410)
Net cash provided provided (used) by operating activities	<u>\$ (5,183,267)</u>

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the district received \$279,473 of food commodities from the U.S. Department of Agriculture.

During the year, the district recognized revenues and expenses for on-behalf payments relating to fringe benefits in the amount of \$836,186 for food services provided by state government.

See the accompanying notes to the financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2025

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Whitley County Board of Education (“Board”), a five-member group, is the level of government, which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Whitley 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 relevant to the operation of the Whitley 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 District 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 organization are included in the accompanying financial statements:

Blended Component Unit:

Whitley County Board Of Education Finance Corporation

The Board authorized establishment of the Whitley County Board Of Education Finance Corporation a non-stock, non-profit corporation pursuant to Section 162.385 of the School Bond Act and Chapter 273 and Section 58.180 of the Kentucky Revised Statutes (the “Corporation”) to act as an agency of the District for financing the costs of school building facilities. The Board of Directors of the Corporation shall be the same persons who are at any time the members of the Board of Education of the Whitley County Board of Education.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Fund Financial Statements – Fund financial statements report detailed information about the District. 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 fund balance. 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) General Fund

The General Fund is the main operating fund of the District. 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 always a major fund of the District.

(B) Special Revenue (Grant) Fund

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

(C) Special Revenue (District Activity) Fund

The Special Revenue (District Activity) Fund accounts for funds collected at individual schools for operation costs of the schools or school district that allows for more flexibility in the expenditures of those funds.

(D) Special Revenue (Student Activity) Fund

Special Revenue (Student Activity) Fund accounts for activities of student groups and other types of activities requiring clearing accounts.

(E) Capital Project Funds

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).

SEEK Capital Outlay Fund

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 as identified in the District's facility plan.

Building (FSPK) Fund

The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy that is 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.

Construction Fund

The Construction Fund accounts for proceeds from sale of bonds and other revenues to be used for authorized construction and/or remodeling.

(F) Debt Service Fund

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

II. Proprietary Funds (Enterprise Funds)

Food Service Fund

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The School 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. This is a major fund of the District.

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 Non-exchange 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 sixty days of the fiscal year-end. Non-exchange 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 resource 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.

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

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 the 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 unearned 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 cost, such as depreciation, are not recognized in governmental funds.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

Prepaid Assets

Payments made that will benefit periods beyond the fiscal period end are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and expenditure/expense is reported in the year in which services are consumed.

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 government funds. These assets are reported in the government activities column of the government-wide financial statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

Land and construction in progress are not depreciated. The other property, plant and equipment of the district are depreciated using the straight-line method over the following estimated useful lives:

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Right-of-Use Assets, Finance Purchases, Subscription-Based Information Technology Arrangements

The District records right-of-use, finance purchase assets in accordance with GASB 87 and subscription based information technology arrangement assets in accordance and GASB 96. These assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the asset into service. The assets are amortized on a straight-line basis over the life of the related lease.

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 judgment, the non-current portion of capital leases, compensated absences, contractually required pension and OPEB 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.

Compensated Absences

Employees of the District earn sick leave and other compensated absences in accordance with Board policy. Under GASB Statement No. 101, *Compensated Absences*, implemented in fiscal year 2025, a liability is recognized for leave attributable to services already rendered that accumulates or vests and is probable to be used or paid.

Fund Balances

Fund balance is divided into five categories as defined by GASB 54 as follows:

Non-spendable	Permanently non-spendable by decree of the donor, such as an endowment, or funds that are not in a spendable form, such as prepaid expenses or inventory on hand.
Restricted	Legally restricted under legislation, bond authority, or grantor contract.
Committed	Commitments of future funds for specific purposes passed by the Board.
Assigned	Funds that are intended by management to be used for a specific purpose, including encumbrances.
Unassigned	Funds available for any purpose; unassigned amounts are reported only in the General Fund unless a fund has a deficit.

The Board has adopted a GASB 54 spending policy which states that the spending order of funds is to first use restricted, committed, and assigned resources first, then unassigned resources as they are needed.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Net Position

The statement of net position presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net position. Net position are reported in three categories: 1) invested in capital assets net of related debt – consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of the assets; 2) restricted net position – resulting from constraints placed on net position by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation adopted by the School District; 3) unrestricted net position – those assets that do not meet the definition of restricted net position or invested in capital assets. It is the District's policy to first apply restricted net position and then unrestricted net position when an expense is incurred for which both restricted and unrestricted net position are available.

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 in 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 \$.399 per \$100 valuation of real property, \$.399 per \$100 valuation for tangible personal property and \$.552 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 gas.

Operating and Non-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.

Non-operating revenues are not generated directly from the primary activity of the proprietary funds. For the School District those revenues come in the form of grants (federal and state), donated commodities, and earnings from investments.

In-Kind

Local contributions, which include contributed services provided by individuals, private organizations and local governments, are used to match federal and state administered funding on various grants. The amount of such services and donated commodities are recorded in the accompanying financial statements at their estimated fair market values.

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 THE FINANCIAL STATEMENTS (CONTINUED)

Inter-fund Receivables/Payables

On fund financial statements, receivables and payables resulting from short-term inter-fund loans are classified as “inter-fund 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.

Inter-fund Transfers

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 inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds and after non-operating 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until the appropriate period. The District reports three types of deferred outflows – contributions to the CERS’s pension and OPEB plans after the measurement period and the unrecognized portion of a deferred loss on the refinancing of long-term debt.

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

Pensions

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 Non-Hazardous (“CERS”) and Teachers Retirement System of the State of Kentucky (“TRS”) and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits (OPEB)

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 the County Retirement System of Kentucky (CERS), and additions to/deductions from TRS’s/CERS’s fiduciary net position have been determined on the same basis as they are reported by TRS/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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Bond and Related Premiums, Discounts, and Issuance Costs

In the government-wide financial statements and in the proprietary fund financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when bonds are issued.

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

Estimates

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

Budgetary Process

The District prepares its budgets on the modified accrual basis of accounting, which is the same basis as used to prepare the Statements of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

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. The Kentucky Department of Education does not require the Capital Project Funds and Debt Service Funds to prepare budgets.

The District's General Fund expenditures exceeded budgeted appropriations by \$1,263,703. The District's Special Revenue Fund exceeded budgeted appropriations by \$3,971,403.

New Accounting Pronouncements

Implemented in Current Year:

GASB Statement No. 101 – Compensated Absences is effective for reporting periods beginning after December 15, 2023. GASB Statement No. 101 establishes recognition and measurement criteria for compensated absences when the leave is attributable to services already rendered, accumulates or vests, and it is probable the leave will be used or paid. The District implemented this Statement in the fiscal year ended June 30, 2025. Implementation resulted in an decrease in the beginning net position of governmental activities of \$4,360,361 See Note D for additional information regarding compensated absences.

GASB Statement No. 102- Issued in December 2023, this Statement improves financial reporting by requiring disclosure of certain concentrations and constraints that could expose a government to severe financial risk. The District implemented this Statement for the fiscal year ended June 30, 2025. Implementation did not have a

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

material impact on the financial statements, and management determined that no reportable concentrations or constraints exist as defined by the Statement.

Effective in Future Years:

The District is currently evaluating the potential impact of the following issued, but not yet effective, accounting standards:

GASB Statement No. 103- Issued in April 2024, GASB Statement No. 103, *Financial Reporting Model Improvements*, enhances key components of the governmental financial reporting model to improve the usefulness and comparability of financial statements. The objective of this Statement is to provide more relevant and consistent information for decision-making and accountability purposes. This Statement is effective for fiscal years beginning after June 15, 2025, and reporting periods thereafter. The District is currently evaluating the impact of this Statement on its financial reporting.

NOTE B – CASH AND CASH EQUIVALENTS

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

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

At year end the district's bank balances and U.S government securities were collateralized by securities held by the pledging bank's trust department in the District's name, fully backed by the full faith of the federal government, and FDIC insurance. At year end, the carrying amount of the District's cash and cash equivalents was \$15,823,041. The bank balance for the same time was \$18,935,991.

Due to the nature of the accounts and certain limitations imposed on the use of funds, each bank account within the following funds is considered to be restricted: SEEK Capital Outlay Fund, Facility Support Program (FSPK/Building) Fund, special Revenue (Grant Fund), Debt Service Fund, School Construction Fund, School Food Service Fund, and School Activity Fund.

NOTE C – CAPITAL ASSETS

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

<u>Governmental Activities</u>	<u>July 1, 2024</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2025</u>
Land-nondepreciable	\$ 1,423,339	\$ -	\$ -	\$ 1,423,339
Construction in progress	19,015	2,422,244	2,441,260	-
Land improvements	4,664,090	2,445,479	-	7,109,569
Buildings	82,627,057	394,667	-	83,021,724
Technology	1,292,612	274,538	-	1,567,150
Vehicles	8,854,425	1,166,893	-	10,021,318
General equipment	2,887,460	100,499	10,019	2,977,940
Infrastructure	601,840	-	-	601,840
Total at historical cost	\$ <u>102,369,838</u>	\$ <u>6,804,320</u>	\$ <u>2,451,279</u>	\$ <u>106,722,880</u>
Less: Accumulated depreciation				
Land improvements	\$ 1,443,818	\$ 175,636	\$ -	\$ 1,619,454
Buildings	32,289,765	1,813,301	-	34,103,065
Technology	1,208,508	67,658	-	1,276,167
Vehicles	5,593,115	637,855	-	6,230,970
General equipment	2,531,560	67,503	6,512	2,592,551
Infrastructure	458,694	28,672	-	487,366
Total accumulated depreciation	\$ <u>43,525,459</u>	\$ <u>2,790,625</u>	\$ <u>6,512</u>	\$ <u>46,309,572</u>
Finance Purchases				
General equipment	\$ 100,799	\$ -	\$ (8,541)	\$ 92,258
Less: Accumulated depreciation	<u>(40,507)</u>	<u>(21,127)</u>	<u>3,430</u>	<u>(58,204)</u>
Finance Purchases-net	\$ <u>60,292</u>	\$ <u>(21,127)</u>	\$ <u>(5,111)</u>	\$ <u>34,054</u>
<u>Governmental Activities</u>				
Capital Assets-net	\$ <u>58,904,670</u>	\$ <u>3,992,568</u>	\$ <u>2,439,656</u>	\$ <u>60,447,361</u>
<u>Business-Type Activities</u>	<u>July 1, 2024</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2025</u>
Technology	\$ 4,219	\$ -	\$ -	\$ 4,219
Vehicles	22,780	-	-	22,780
General equipment	1,578,554	54,033	-	1,632,587
Total at historical cost	\$ <u>1,605,553</u>	\$ <u>54,033</u>	\$ <u>-</u>	\$ <u>1,659,586</u>
Less: Accumulated depreciation				
Technology	\$ 4,154	\$ 65	\$ -	\$ 4,219
Vehicles	22,780	-	-	22,780
General equipment	1,006,253	76,603	-	1,082,856
Total accumulated depreciation	\$ <u>1,033,187</u>	\$ <u>76,668</u>	\$ <u>-</u>	\$ <u>1,109,856</u>
<u>Business-Type Activities</u>				
Capital Assets-net	\$ <u>572,366</u>	\$ <u>(22,635)</u>	\$ <u>-</u>	\$ <u>549,731</u>

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

NOTE D – LONG TERM DEBT OBLIGATIONS

Bonds

The amount shown in the accompanying financial statements as bonded debt and lease obligations represent the District’s future obligations to make payments relating to the bonds issued by the Whitley County School District Finance Corporation.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

The bonds payable are collateralized by education facilities constructed by the District with bond proceeds. Bondholders are protected against default by a mechanism whereby the Commonwealth of Kentucky would withhold state SEEK payments and remit required debt service payments directly to the debt service paying agent. All bonds are subject to federal arbitrage regulations.

The original amount of outstanding issues, the issue dates, interest rates, maturity dates, and outstanding balances, at June 30, 2025, are summarized below:

Bond Issues	Original Amount	Maturity Date	Interest Rates	2024 Bonds Outstanding	Additions	Retirements	2025 Bonds Outstanding
QZAB 2010	\$ 1,850,000	11/1/2029	5.25%	\$ 1,850,000	-	-	\$ 1,850,000
QSCB 2010	6,324,000	11/1/2029	5.25%	6,324,000	-	-	6,324,000
2013 Energy	1,020,000	6/1/2033	1.5-3.10%	685,000	-	55,000	630,000
2014	8,570,000	3/1/2034	2.80-4.00%	7,725,000	-	95,000	7,630,000
2015A Refunding	4,625,000	6/1/2026	2.50%	1,315,000	-	650,000	665,000
2015B Refunding	3,415,000	10/1/2026	2-2.50%	2,030,000	-	545,000	1,485,000
2020	890,000	6/1/2040	1.75-2.75%	740,000	-	40,000	700,000
2023	400,000.00	12/1/2043	4.0-5.0%	400,000	-	13,000	387,000
	<u>27,094,000</u>			<u>21,069,000</u>	-	<u>1,398,000</u>	<u>19,671,000</u>
Add:	Premium			5,090	-	1,972	3,118
Less:	Discount			(56,229)	-	(9,223)	(47,006)
				<u>\$ 21,017,861</u>	<u>\$ -</u>	<u>\$ 1,390,749</u>	<u>\$ 19,627,112</u>

The District has entered into “participation agreements” with the Kentucky School Facility Construction Commission. The Kentucky Legislature, for the purpose of assisting local school districts in meeting school construction needs, created the Commission. The table following sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

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

June 30th	Principal			Interest			Urgent Need	Principal		Interest	
	Local	KSFCC	Urgent Need	Local	KSFCC	Urgent Need		Total	Total		
2026	\$ 962,210	\$ 236,753	\$ 224,037	\$ 760,995	\$ 61,682	\$ 5,601	\$ 1,423,000	\$ 828,278			
2027	1,033,865	121,135	-	732,360	55,507	-	1,155,000	787,868			
2028	101,550	124,450	-	717,538	51,872	-	226,000	769,410			
2029	109,155	128,845	-	714,333	47,997	-	238,000	762,330			
2030	8,810,676.00	132,324.00	-	496,320.44	43,977.06	-	8,943,000	540,298			
2031-2035	6,557,732	644,268	-	657,966	150,062	-	7,202,000	808,029			
2036-2040	-	374,000	-	-	63,493	-	374,000	63,493			
2041-2044	-	110,000	-	-	10,350	-	110,000	10,350			
	<u>\$ 17,575,188</u>	<u>\$ 1,871,775</u>	<u>\$ 224,037</u>	<u>\$ 4,079,513</u>	<u>\$ 484,940</u>	<u>\$ 5,601</u>	<u>\$ 19,671,000</u>	<u>\$ 4,570,054</u>			

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Finance Purchases

The following is an analysis of the financed property under financed purchases by class:

	FINANCE PURCHASES KISTA Issues	Original Amount	Maturity Date	Interest Rates	2024 Lease Outstanding	Additions	Retirements	2025 Lease Outstanding
1	Series 2016	\$ 1,089,275	3/1/2026	2-2.625%	\$ 198,292	\$ -	\$ 97,815	\$ 100,477
2	Series 2018	547,056	3/1/2028	2-3%	216,706	-	57,095	159,611
5	WCMS Copiers	33,751	6/16/2025	2%	8,520	-	8,520	-
6	WEE Copiers	10,188	11/15/2027	2%	7,059	-	2,016	5,043
7	OGE Copiers	17,944	10/17/2027	2%	12,141	-	3,558	8,583
8	WCCPS Copiers	19,730	11/16/2025	2%	9,863	-	9,863	-
9	Postage Meter	10,645	8/19/2028	5%	9,212	-	1,996	7,216
					<u>\$ 461,793</u>	<u>\$ -</u>	<u>\$ 180,863</u>	<u>\$ 280,930</u>

The following is a schedule by years of the future minimum payments under finance purchases together with the present value of the net minimum payments as of June 30, 2025:

Fiscal Year Ended June 30th	Local Principal	Interest	Total Payments
2026	167,179	7,969	175,148
2027	57,622	3,342	60,964
2028	55,531	1,612	57,143
2029	598	7	605
	<u>\$ 280,930</u>	<u>\$ 12,930</u>	<u>\$ 293,860</u>

Total minimum payments	\$	293,860
Less: Amount representing interest		<u>(12,930)</u>
Present Value of Net Minimum Payments	\$	<u>280,930</u>

In order to secure the payment of all of the Board's obligations under a KISTA Lease, the Board grants to KISTA a security interest constituting a first lien on the Equipment and on all additions, attachments, accessories, and substitutions thereto, and on all proceeds therefrom. In the Event of Default, title to the Equipment shall immediately vest in KISTA, and the Board will immediately surrender possession of the Equipment to KISTA or to KISTA's order; by the execution of this Lease the Board agrees upon demand by KISTA or the Second Trustee, and without order of court, to execute a bill of sale or such other instrument as may be required in favor of KISTA or the Second Trustee in order to permit liquidation of the equipment in an Event of Default by the Board.

Compensated Absences

Employees of the District earn sick leave and other compensated absences in accordance with Board policy. Upon retirement from the school system, an employee is entitled to receive payment from the District equal to 30% of the value of accumulated sick leave.

Under GASB Statement No. 101, *Compensated Absences*, implemented during the fiscal year ended June 30, 2025, a liability is recognized for leave that is attributable to services already rendered, accumulates or vests, and is probable to be used or paid. The liability is measured using pay rates and applicable salary-related costs in effect at June 30, 2025, based on historical usage and payout experience.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The cumulative effect of adoption decreased the beginning net position of governmental activities by \$4,360,361.

The activity during fiscal year 2025 for compensated absences is as follows:

<u>2024 Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>2025 Outstanding Balance</u>
\$ 740,008	\$ 4,811,436	\$ -	\$ 5,551,444

KSBIT

The District elected to finance the worker’s compensation insurance deficit (KSBIT) with the now defunct Kentucky School Board Insurance Trust through the Kentucky Inter-local School Transportation Association (KISTA). The activity during fiscal year 2025 for the worker’s compensation and property and liability deficit are as follows:

<u>KSBIT Issues</u>	<u>Original Amount</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>2024 KSBIT Outstanding</u>	<u>Additions</u>	<u>Retirements</u>	<u>2025 KSBIT Outstanding</u>	<u>Total Interest Paid</u>
KSBIT	\$ 712,009	8/15/2024	2-3.25%	\$ 81,577	-	\$ 81,577	\$ -	\$ 1,326

Net Pension & OPEB Liability

The net pension liability is \$13,665,397 for governmental activities and \$767,219 for business-type activities for a total of \$14,432,616 as of June 30, 2025 (See Note E for additional information). The net OPEB liability is \$5,345,000 for governmental activities and \$0 for business-type activities for a total of \$5,345,000 as of June 30, 2025 (See Note F for additional information).

A summary of activity in bond obligations and other debts is as follows:

<u>Description</u>	<u>2024 Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>2025 Outstanding Balance</u>
Bonds, net of premium and discount	\$ 21,017,861	\$ -	\$ 1,390,749	\$ 19,627,112
Finance purchases	461,793	-	180,863	280,930
Compensated absences	740,008	4,811,436	-	5,551,444
KSBIT	81,577	-	81,577	-
Net pension liability	15,963,118	-	1,530,502	14,432,616
Net OPEB liability	6,619,000	-	1,274,000	5,345,000
Total	\$ <u>44,883,357</u>	\$ <u>4,365,992</u>	\$ <u>4,457,691</u>	\$ <u>44,791,658</u>

NOTE E – RETIREMENT PLANS

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Teachers Retirement System Kentucky (TRS)

Retirement Annuity Trust

Plan description

Teaching-certified employees of the Kentucky School District are provided pensions through the Teachers' Retirement System of the State of Kentucky—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 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 <http://www.trs.ky.gov/financial-reports-information>.

Benefits provisions

Definitions

“Final average salary” means the average of the five highest annual salaries which the member has received for service in a covered position and on which the member has made contributions or on which the public board, institution or agency has picked up the member contributions. For a member who retires after attaining age 55 with 27 years of service, “final average salary” means the average of the three highest annual salaries.

TRS Tier 1 and 2 Members

Condition of Allowance

Completion of 27 years of service or attainment of age 55 and 5 years of service.

Amount of Allowance

The annual retirement allowance is equal to:

- (a) 2% of final average salary multiplied by service before 7/1/1983, plus,
- (b) 2.5% of final average salary multiplied by service after 7/1/1983
- (c) For individuals who become members of the retirement system on or after 7/1/2002 and have less than 10 years of service at retirement, the retirement allowance is 2% of final average salary multiplied by service. If, however, they have 10 or more years, they receive a benefit percentage of 2.5% for all years of service up to 30 years.
- (d) For members retiring on or after 7/1/2004, the retirement allowance formula is 3% of final average salary for each year of service credit earned in excess of 30 years.

For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

The minimum annual service allowance for all members is \$440 multiplied by credited service.

TRS Tier 3 Members

Condition of Retirement

Completion of 27 years of service or attainment of age 60 and 5 years of service or attainment of age 55 and 10 years of service.

Amount of Allowance

The annual retirement allowance is equal to:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- (e) 1.7% of final average salary if service is 10 years or less.
- (f) 2 % of final average salary if service is greater than 10 years and no more than 20 years.
- (g) 2.3% of final average salary if service is greater than 20 years but no more than 26 years.
- (h) 2.5% of final average salary if service is greater than 26 years but no more than 30 years.
- (i) 3% of final average salary for each year of service credit earned in excess of 30 years.

For all members, the annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

TRS Tier 4 Members

Condition of Retirement

Completion of 27 years of service or attainment of age 60 and 5 years of service or attainment of age 55 and 10 years of service.

Amount of Allowance (Foundational Benefit)

The annual foundational benefit is equal to service times a multiplier times final average salary.

Age	Years of Service			
	5-9.99	10-19.99	20-29.99	30 or more
57-60	-	1.70%	1.95%	2.20%
61	-	1.74%	1.99%	2.24%
62	-	1.78%	2.03%	2.28%
63	-	1.82%	2.07%	2.32%
64	-	1.86%	2.11%	2.36%
65 & over	1.90%	1.90%	2.155	2.40%

The annual foundational benefit is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 30 years of service.

Supplemental Benefit

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

Disability Retirement Allowance

Condition for Allowance Totally and permanently incapable of being employed as a teacher and Under age 60 but after completing 5 years of service

Amount of Allowance The disability allowance is equal to the greater of the service retirement Allowance or 60% of the member’s final average salary. The disability Allowance is payable over an entitlement period equal to 25% of the service Credited to the member at the date of the disability or 5 years, whichever is Longer. After the disability entitlement period has expired and if the Member remains disabled, he will be retired under service retirement. The

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Service retirement allowance will be computed with service credit given For the period of disability retirement. The allowance will not be less than \$6,000 per year. The service retirement allowance will not be reduced for Commencement of the allowance before age 60 or the completion of 27 Years of service.

Benefits Payable on Separation

From Service

Any member who ceases to be in service is entitled to receive his Contributions with allowable interest. A member who has completed 5 Years of creditable service and leaves his contributions with the System May be continued in the membership of the System after separation from Service, and file application for service retirement after the attainment of Age 60.

Life Insurance

A separate Life Insurance fund has been created as June 30, 2000 to pay Benefits on behalf of deceased TRS active and retired members.

Death Benefits

A surviving spouse of an active member with less than 10 years of service May elect to receive an annual allowance of \$2,880 except that if income From other sources exceeds \$6,600 per year the annual allowance will be \$2,160.

A surviving spouse of an active member with 10 or more years of service May elect to receive an allowance which is the actuarial equivalent of the Allowance the deceased member would have received upon retirement. The allowance will commence on the date the deceased member would have Been eligible for service retirement and will be payable during the life of The spouse.

If the deceased member is survived by unmarried children under age 18 the following schedule of annual allowances applies:

Number of Children	Annual Allowance
1	\$ 2,400
2	\$ 4,080
3	\$ 4,800
4 or more	\$ 5,280

The allowances are payable until a child attains age 18, or age 23 if a Full-time student.

If the member has no eligible survivor, a refund of his accumulated Contributions is payable to his estate.

Options

In lieu of the regular Option 1, a retirement allowance payable in the Form of a life annuity with refundable balance, any member before Retirement may elect to receive a reduced allowance which is actuarially Equivalent to the full allowance, in one of the following forms:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Option 2. A single life annuity payable during the member's lifetime with Payments for 10 years certain.

Option 3. At the death of the member his allowance is continued throughout The life of the beneficiary.

Option 3(a). At the death of the beneficiary designated by the member Under Option 3, the member's benefit will revert to what would have been paid had he not selected an option.

Option 4. At the death of the member one half of his allowance is Continued throughout the life of the beneficiary.

Option 4(a). At the death of the beneficiary designated by the member Under Option 4, the member's benefit will revert to what would have been Paid had he not selected an option.

Post-Retirement Adjustments The retirement allowance of each retired member and of each beneficiary Shall be increased by 1.5% each July 1.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Contributions

Tier 1, entry before 7/1/2002, employee contribution is 12.855% and employer match is 16.105%

Tier 2, entry between 7/1/2002-6/30/2008, employee contribution is 12.855% and employer match is 16.105%

Tier 3, entry before 7/1/2008-12/31/2021, employee contribution is 12.855% and employer match is 17.105%

Tier 4, entry on or after 1/1/2022, employee contribution is 14.75% and employer match is 13.75%

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

The District did not report a liability for the District's proportionate share of the net pension liability, pension expense, and deferred inflows and outflows of resources because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The net pension liability that was associated with the District follows.

State's proportionate share of the TRS net pension liability associated with the District	\$ 76,768,771
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The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023. The District's proportion of the net pension liability 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. The District's proportion was 0.466900%.

Actuarial Methods and Assumptions

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

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Reporting Date	June 30, 2025
Inflation Rate	2.5%
Single Equivalent Interest Rate Prior	7.10%
Single Equivalent Interest Rate at Measurement Date	7.10%
Municipal Bond Index Rate Prior	3.66%
Municipal Bond Index Rate at Measurement Date	3.94%
Projected Salary Increase	3.0-7.5%, including inflation
Long-Term Expected Rate of Return	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,

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

adopted by the board on September 20, 2021. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

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

Target Allocations

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.

A summary of the target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, follows.

Asset Class	Target Allocation	Long-Term Expected Rates of Return
Large Cap US Equity	35.4 %	5.0 %
Small Cap Equity	2.6 %	5.5 %
Developed International Equity	15.7 %	5.5 %
Emerging Markets Equity	5.3 %	6.1 %
Fixed Income	15.0 %	1.9 %
High Yield Bonds	5.0 %	3.8 %
Other Additional Categories	5.0 %	3.6 %
Real Estate	7.0 %	3.2 %
Private Equity	7.0 %	8.0 %
Cash	2.0 %	1.6 %
Total	100 %	

Discount Rate

The discount rate used to measure the total pension liability as of the Measurement Date was 7.10%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at the Actuarially Determined Contribution (ADC) rates for all future fiscal years. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The following table presents the net pension liability of the Commonwealth associated with the District, calculated using the discount rate of 7.10%, as well as what the Commonwealth’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	6.10%	7.10%	8.10%
State's proportionate share of net pension liability	\$ 102,333,864	\$ 76,768,771	\$ 60,739,758

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued TRS financial report which is publicly available at <http://www.TRS.ky.gov/>.

County Employees Retirement System

Non-Hazardous

Plan description

Substantially all full-time classified employees of the District participate in the County Employees Retirement System (“CERS”). CERS is a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky General Assembly and overseen by the Kentucky Public Pensions Authority (KPPA). The plan covers substantially all regular full-time members employed in non-hazardous duty positions of the school board. The plan provides for retirement, disability and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at <https://kyret.ky.gov>.

Benefits provided

Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents.

Contributions

Funding for CERS:

Tier I plan is provided by members, who contribute 5.00% of their creditable compensation.

Tier II plan members hired after September 1, 2008 contribute 6.00% of their creditable compensation. Further, 1% of these contributions are deposited to an account created for the payment of health insurance benefits.

Tier III plan members, who began participating on or after January 1, 2014, are required to contribute to the Cash Balance Plan. That plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Employee contributions to the plan are the same as the Tier II

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

contributions. Tier III member accounts are also credited with an employer pay credit in the amount of 4% of the member’s creditable compensation.

For the year ending June 30, 2025, employers were required to contribute 19.71% of the member’s salary. The District contributed \$1,507,197 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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

At June 30, 2025, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024 on an actuarial valuation as of that date. The District’s proportion of the net pension liability, \$14,432,616 was based on contributions to CERS during the fiscal year ended June 30, 2024. The District’s proportion was 0.241331%.

Deferred Inflows and Outflows of Resources, and Pension Expense included in the Schedule of Pension Amounts include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule of Pension Amounts does not include deferred outflow/inflows of resources for changes in the employer’s proportionate share of contribution or employer contributions made subsequent to the measurement date. The net pension liability as of June 30, 2025, is based on the June 30, 2022, actuarial valuation rolled forward. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are amortized over a closed five-year period.

The District recognized pension revenue of \$705,360 and reported deferred outflows of resources and deferred inflows of resources related to pensions as follows.

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 698,565	\$	-
Changes of assumptions	-		652,071
Net difference between projected and actual earnings on pension plan investments	991,196		1,919,136
Changes in proportion and differences between District contributions and proportionate share of contributions	179,917		360,888
District contributions subsequent to the measurement date	<u>1,507,197</u>		<u>-</u>
	\$ <u>3,376,875</u>	\$	<u>2,932,094</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The \$1,507,197 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 following year.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the average service life of all members. These will be recognized in pension expense as follows:

	Year Ended June	
	30, 2025	
	<hr/>	
Year 1	\$	(625,949)
Year 2		127,046
Year 3		(356,711)
Year 4		<hr/> (206,802) <hr/>
	\$	<hr/> <u>(1,062,416)</u> <hr/>

Actuarial Valuation

KPPA’s actuary, Gabriel, Roeder, Smith & Co., completed the actuarial valuation for the calculation of the employer contribution rates for CERS and the Insurance Fund.

Summary of Actuarial Assumptions

The results of the actuarial valuation are based upon the assumptions and funding policies adopted by the Board and statutory funding requirements. The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year:

Valuation Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	20% of the difference between the market value of assets And the expected actuarial value of assets recognized
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30-year closed period at June 30, 2019, Gains/losses After 2019 will be amortized over separate closed 20-year Amortization bases
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
Phase-In Provision	Board certified rate is phased into the actuarially Determined in accordance with HB 362 enacted in 2018
Inflation	2.30%
Payroll Growth Rate	2.0%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.5%

Discount rate

A single discount rate of 6.5% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments.

Sensitivity of the District’s proportionate share of net pension liability to changes in the discount rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 6.5%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5%) or 1-percentage-point higher (7.5%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	5.50%	6.50%	7.50%
District's proportionate share of net pension liability	\$ 18,606,001	\$ 14,432,616	\$ 10,969,807

The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the table below for CERS Pension and Insurance Funds:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity		
Public Equity	50 %	4.15 %
Private Equity	10 %	9.10 %
Fixed Income		
Core Fixed Income	10 %	2.85 %
Specialty Credit	10 %	3.82 %
Cash	0 %	1.70 %
Inflation Protected		
Real Estate	7 %	4.90 %
Real Return	13 %	5.35 %

Expected Real Return is 4.69%. Long Term Inflation Assumption is 2.5%. Expected Nominal Return of Portfolio is 7.19%.

Pension plan fiduciary net position

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report which is publicly available at <https://kyret.ky.gov>.

Payables to the pension plan

There are no payables to CERS.

NOTE F – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The District's employees participate in retirement systems of either TRS or CERS as described earlier. The following describes the other postemployment benefits for both systems.

TRS – General Information about the OPEB Plans

Health Insurance Trust (Medical Insurance Fund)

Plan description

In addition to the retirement annuity plan as described earlier, KRS 161.675 requires TRS to provide postemployment healthcare benefits to eligible members and dependents. The TRS Health Insurance Trust is funded by employer and member contributions. Changes made to the medical plans provided through the trust may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

Medical coverage through TRS is funded by a combination of contributions from employees, the state and other employers. Coverage is provided through an account established pursuant to 26 U.S.C. sec. 401(h) and 115 trust fund that went into effect on July 1, 2010. The insurance trust fund includes employer and retired member contributions required under KRS 161.550 and KRS 161.675(4) (b).

Benefits provided

To be eligible for medical benefits, the member must have retired either for service or disability and a required amount of service credit. The TRS medical plan offers members who are not eligible for Medicare and under age 65 coverage through the Kentucky Employees Health Plan (KEHP) administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are eligible for Medicare, coverage is obtained through the TRS Medicare Eligible Health Plan (MEHP) administered by TRS.

Contributions

Contributions are made on behalf of TRS retired members toward payment of health insurance premiums. The amount of the member's contribution is based on a table approved by the TRS board. Retired members pay premiums in excess of the monthly contribution. The Commonwealth of Kentucky bears risk for excess claims expenses that exceed the premium equivalents charged for the KEHP. The member postemployment medical contribution is 3.75% of salary. The employer postemployment medical contribution is 0.75% of member salaries.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Effective July 1, 2010, retirees under the age of 65 began a three-year phase-in of the Shared Responsibility Contribution. Effective July 1, 2012, the full Shared Responsibility Contribution equals the Standard Medicare Part B premium paid by retirees ages 65 and older.

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

The District reported a liability of \$5,345,000 for its proportionate share of the collective net OPEB liability (NOL). The collective net OPEB liability was valued as of June 30, 2023, and the total OPEB liability used to calculate the 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 employees, actuarially determined. The District’s proportion was .239774%.

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 as follows:

District's proportionate share of TRS net OPEB liability	\$	5,345,000
State's proportionate share of the TRS net OPEB liability associated with the District		<u>4,761,000</u>
	\$	<u><u>10,106,000</u></u>

The District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,605,000
Changes of assumptions	1,361,000	-
Net difference between projected and actual earnings on pension plan investments	-	171,000
Changes in proportion and differences between District contributions and proportionate share of contributions	1,665,000	3,330,000
District contributions subsequent to the measurement date	<u>577,934</u>	<u>-</u>
	\$ <u><u>3,603,934</u></u>	\$ <u><u>5,106,000</u></u>

The \$577,934 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 collective

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

net OPEB liability for the year. 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, 2025
		<hr/>
Year 1	\$	(642,000)
Year 2		(253,000)
Year 3		(249,000)
Year 4		(453,000)
Year 5		(410,000)
Thereafter		<hr/> (73,000) <hr/>
	\$	<hr/> <u>(2,080,000)</u> <hr/>

Actuarial Methods and Assumptions

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

Valuation Date	June 30, 2023
Discount Rate	7.10%
Inflation	2.5%
Real Wage Growth	.25%
Wage Inflation	2.75%
Salary Increase	3-7.5%, including wage inflation
Long-term Rate of Return	7.10%
Municipal Bond Index	3.94%
Single Equivalent Interest Rate	7.10%
Health Care Cost Trends	
Medical	6.5% at June 30, 2024, decreasing to an ultimate rate of 4.5% by June 30, 2031
Medicare Part B	5.92% at June 30, 2024 with an ultimate rate of 4.5% by June 30, 2035

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

Target Allocations

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Large Cap US Equity	35.4 %	5.0 %
Small Cap US Equity	2.6 %	5.5 %
Developed International Equity	15.0 %	5.5 %
Emerging Markets Equity	5.0 %	6.1 %
Fixed Income	9.0 %	1.9 %
High Yield Bonds	8.0 %	3.8 %
Other Additional Categories	9.0 %	3.7 %
Real Estate	6.5 %	3.2 %
Private Equity	8.5 %	8.0 %
Cash	1.0 %	1.6 %
Total	100 %	

Discount Rate

The discount rate used to measure the TOL as of the measurement date was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB Statement No. 75. The projection's basis was an actuarial valuation performed as of June 30, 2023. In addition to actuarial methods and assumptions were used in the projection of cash flows:

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

To reflect these adjustments, open group projections were used and assumed an equal, pro rata reduction to the current statutory amount in the years if the health trust is projected to achieve a funded ratio of 100% or more. Here, the current statutory amounts are adjusted to achieve total contributions equal to the Actuarially Determined Contribution (ADC), as determined by the prior year's valuation and in accordance with the Health Trust's funding policy. As the specific methodology to be used for the adjustments has yet to be determined, there may be differences

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

between the projected results and future experience. This may also include any changes to retiree contributions for KEHP coverage pursuant to KRS 161.675(4)(b).

In developing the adjustments to the statutory contributions in future years the following was assumed:

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

Based on these assumptions, the Health Insurance Trust’s fiduciary net position (FNP) was not projected to be depleted.

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

	1% Decrease	Current Discount Rate	1% Increase
	6.10%	7.10%	8.10%
District's proportionate share of net OPEB liability	\$ 7,100,000	\$ 5,345,000	\$ 3,889,000

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

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 3,610,000	\$ 5,345,000	\$ 7,499,000

Life Insurance Trust

Plan description and benefits provided

TRS administers the Life Insurance Trust as provided by KRS 161.655 to provide life insurance benefits to retired and active members. The benefit is financed by actuarially determined contributions from the 207 participating employers. The benefit is \$5,000 for members who are retired for service or disability, and \$2,000 for active contribution members.

Note: Members employed on a substitute or part-time basis and working at least 69% of a full contract year in a single fiscal year will be eligible for a life insurance benefit for the balance of the fiscal year or the immediately succeeding fiscal year under certain conditions. For non-vested members employed on

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

a substitute or part-time basis, the life insurance benefit is provided if death occurs as the result of a physical injury on the job. For vested members employed on a substitute or part-time basis, death does not have to be the result of a physical injury on the job for life insurance benefits to be provided.

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.

Net OPEB Liability

The District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District as follows:

State's proportionate share of the TRS net OPEB liability associated with the District	\$	109,000
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Actuarial Assumptions

A summary of the actuarial assumptions as of the latest actuarial valuation is shown below.

Valuation Date	June 30, 2023
Discount Rate	7.10%
Inflation	2.5%
Real Wage Growth	.25%
Wage Inflation	2.75%
Salary Increase	3-7.5%, including wage inflation
Long-term Rate of Return	7.10%
Municipal Bond Index	3.94%
Single Equivalent Interest Rate	7.10%
Health Care Cost Trends	
Medical	6.5% at June 30, 2024, decreasing to an ultimate rate of 4.5% by June 30, 2031
Medicare Part B	5.92% at June 30, 2024 with an ultimate rate of 4.5% by June 30, 2035

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

Target Allocations

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
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

US Equity	40.0 %	5.2 %
Developed International Equity	15.0 %	5.5 %
Emerging Markets Equity	5.0 %	6.1 %
Fixed Income	21.0 %	1.9 %
Other Additional Categories	5.0 %	4.0 %
Real Estate	7.0 %	3.2 %
Private Equity	5.0 %	8.0 %
Cash	2.0 %	1.6 %
Total	<u>100 %</u>	

As the Life Trust investment policy is to change, the above reflects the pension allocation and returns that achieve the targeted 8.00% long-term rate of return.

Discount Rate

The discount rate used to measure the total OPEB liability (TOL) as of the measurement date was 7.1%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB Statement No. 75. The projection’s basis was an actuarial valuation performed as of June 30, 2023. In addition to actuarial methods and assumptions of the June 30, 2023, actuarial valuation, the following actuarial methods and assumptions were used in the projection of the life insurance cash flows:

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

Based on these assumptions, the Life Insurance Trust’s fiduciary net position (FNP) was not projected to be depleted.

Revenue or Expenses for TRS OPEB plans

For the year ended June 30, 2025, the District recognized OPEB revenue in the amount of \$977,363 for support provided on-behalf of the State.

CERS – General Information about the OPEB Plans

Employees’ Health Plan

Plan description

The Insurance Fund was established to provide hospital and medical insurance for eligible members receiving benefits. CERS Non-hazardous Insurance Plan is a cost-sharing multiple employer defined

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

benefit Other Postemployment Benefits (OPEB) plan. The plan covers all regular full-time members employed in non-hazardous duty positions of the school board. OPEB may be extended to beneficiaries of plan members under certain circumstances.

Benefits provided

The Plan provides hospital and medical insurance for eligible members receiving benefits. The Insurance Fund will pay the cost of insurance premium for participating members prior to July 1, 2003 greater than 4 years of service, 25%, greater than 10 years of service, 50%, greater than 15 years of service, 75%, and greater than 20 years of service, 100%. For participating members after July 1, 2003 the benefit paid by the Insurance Fund is based on years of service the dollar amount per year of service is \$13.99 to be applied to the current cost premium.

Contributions

Requirements for medical benefits are a portion of the actuarially determined rates of covered payroll, as disclosed above. Current employees pay 1% toward the insurance fund.

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

The District reported an asset of \$417,863 for its proportionate share of the collective net OPEB liability which is .241567%.

Deferred Inflows and Outflows of Resources, and OPEB Expense included in the Schedules of OPEB Amounts include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedules of OPEB Amounts do not include deferred outflow/inflows of resources for changes in the employer’s proportionate share of contributions or employer contributions made subsequent to the measurement date. The total OPEB liability, net OPEB liability (NOL), and sensitivity information are based on an actuarial valuation date of June 30, 2023. The total OPEB liability was rolled forward from the valuation date to the plan’s fiscal year ended June 30, 2024, using generally accepted actuarial principles.

The District recognized OPEB revenue of \$1,123,641. The District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources.

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 231,826	\$	3,287,758
Changes of assumptions	378,634		294,846
Net difference between projected and actual earnings on pension plan investments	367,312		748,637
Changes in proportion and differences			

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

between District contributions and proportionate share of contributions	118,609	137,613
District contributions subsequent to the measurement date	<u>205,731</u>	<u>-</u>
	\$ <u><u>1,302,112</u></u>	\$ <u><u>4,468,854</u></u>

The \$205,731 (includes \$113,271 Implicit Subsidy) 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 collective net OPEB liability for the following year. 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, 2025
Year 1	\$ (1,363,131)
Year 2	(1,033,936)
Year 3	(919,277)
Year 4	<u>(56,129)</u>
	\$ <u><u>(3,372,473)</u></u>

Implicit Employer Subsidy for non-Medicare retirees- The fully-insured premiums KRS pays for the Kentucky Employees’ Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. GASB 74 and 75 requires that the liability associated with this implicit subsidy be included in the calculation of the total OPEB liability.

Changes of Benefit Terms

None

Actuarial Methods and Assumptions to Determine the Total OPEB Liability and the Net OPEB Liability

For financial reporting, the actuarial valuation as of June 30, 2023, was performed by Gabriel Roeder Smith (GRA). The total OPEB liability, net OPEB liability, and sensitivity information, were based on an actuarial valuation as of June 30, 2021. The total OPEB liability was rolled-forward from the valuation to the plan’s fiscal year ending June 30, 2023, using the generally accepted actuarial principles.

The following actuarial assumptions were used in performing the actuarial valuation:

Valuation Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets recognized

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Amortization Method	Level Percent of Pay
Amortization Period	30-year closed period at June 30, 2019, Gains/losses incurring After 2019 will be amortized over separate closed 20-year Amortization bases
Mortality	System-specific mortality table based on mortality experience From 2013-2018, projected with the ultimate rates from MP2014 mortality improvement scale using a base year of 2019
Phase-In Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018
Inflation	2.30%
Payroll Growth Rate	2.0%
Salary Increase	3.30% to 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 Trend Rates	
Pre-65	Initial trend starting at 6.3% at January 1, 2023, gradually Decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the Valuation and were incorporated into the liability Measurement.
Post-65	Initial trend starting at 6.3% at January 1, 2023, gradually Decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the Valuation and were incorporated into the liability Measurement.

Senate Bill 209 passed in the 2022 legislative session increased the insurance dollar contribution for members hired on or after July 1, 2003 by \$5 for each year of service each member attains over certain thresholds, depending on a member’s retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member’s applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023. House Bill 506 adjusted the minimum required separation period before a retiree may become reemployed and continue to receive their retirement allowance from three months to one month under all circumstances.

Discount rate

Single discount rates of 5.99% were used to measure the total OPEB liability as of June 30, 2024. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.5%, and a municipal bond rate of 3.97%, as reported in Fidelity Index’s “20 Year Municipal GO AA Index”. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan’s fiduciary net position on future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plans trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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

The following table presents the Net OPEB Liability calculated using the discount rate of 5.99%, as well as what the District’s 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
	4.99%	5.99%	6.99%
District's proportionate share of net OPEB (asset) liability	\$ 564,998	\$ (417,863)	\$ (1,244,254)

Health Care Trend Rate Sensitivity

The following presents the health care sensitivity rate of the District’s proportionate share of the net pension liability:

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of net OPEB (asset) liability	\$ (1,005,328)	\$ (417,863)	\$ 266,492

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 G – COMMITMENTS

The District has commitments of \$174,778 as of June 30, 2025, for future construction projects. The District has committed fund balance for the General Fund of \$159,396 for other lease obligations and \$296,000 for compensated absences.

NOTE H - CONTINGENCIES

The District receives funding from Federal, State and Local governmental agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor’s review indicates that the funds have not been used for the intended purpose, the grantors may request a refund

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and un-reimbursed disbursements, if any, is not expected to be significant. Continuation of the District’s grant programs is predicated upon the grantors’ satisfaction the funds provided are being spent as intended and the grantors’ intent to continue their program.

NOTE I - LITIGATION

The District has no pending or threatened litigation involving amounts exceeding \$10,000 individually or in the aggregate as of June 30, 2025.

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, illegal acts, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies, which are retrospectively rated and includes Workers’ Compensation insurance.

NOTE K – RISK MANAGEMENT

The District is exposed to various risks of loss related to illegal acts, torts, theft, damage, or destruction of assets, errors and omissions, injuries to employees, and natural disasters. To obtain insurance for unemployment, errors and omissions, and general liability coverage, the District purchased commercial insurance policies and participates in a self-insured workers’ compensation plan. Settled claims have not exceeded coverage in any of the past three fiscal years, and there has been no significant reduction in insurance coverage during the current year.

The District evaluated potential concentrations and constraints as defined in GASB Statement No. 102, Certain Risk Disclosures, effective for the fiscal year ended June 30, 2025. Concentrations are exposures that could make the District vulnerable to the risk of a severe impact, and constraints are limitations that restrict the District’s ability to raise resources. Management determined that no concentrations or constraints exist at June 30, 2025 that meet the criteria for disclosure under GASB 102.

NOTE L – DEFICIT FUND AND OPERATING BALANCES

The following funds had an operating deficit at the end of the fiscal year causing a reduction in the fund balance/net position.

<u>Fund</u>	<u>Change in Net Position/ Net Change in Fund Balance</u>	<u>Fund Balance/ Net Position</u>
Construction Fund	\$ (397,817)	-
Food Service Fund	\$ (62,705)	-

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).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE N – TRANSFER OF FUNDS

The following transfers were made during the year:

<u>Type</u>	<u>From</u>	<u>To</u>	<u>Purpose</u>	<u>Amount</u>
Operations	Capital Outlay	General Fund	Operations	\$ 361,760
Operations	Building Fund	General Fund	Operations	482,864
Debt Service	Building Fund	Debt Service	Debt Payments	1,707,595
Special Rev	General Fund	Special Revenue	KETS Matching	72,191
Operations	Food Service	General Fund	Indirect Costs	280,166
Operations	Special Rev	General Fund	Indirect Costs	268,111
Operations	Student Activity	District Activity	Operations	164,006
Construction	General Fund	Construction	Construction	2,015,519
Construction	Construction	General Fund	Construction	27,106
Debt Service	General Fund	Debt Service	Debt Payments	\$ 72,979

NOTE O – ON-BEHALF PAYMENTS

For fiscal year 2025, the Commonwealth of Kentucky contributed estimated payments on behalf of the District as follows:

<u>Plan/Description</u>	<u>Amount</u>
Kentucky Teachers Retirement System (GASB 68 &75)	\$ 5,446,558
Health Insurance	6,577,082
Life Insurance	8,498
Administrative Fee	67,812
HRA/Dental/Vision	310,100
Federal Reimbursement	(680,069)
Technology	71,075
SFCC Debt Service Payments	552,330
Total	\$ <u>12,353,386</u>

These amounts are included in the financial statements as state revenue and an expense allocated to the different functions in the same proportion as full-time employees.

NOTE P- PRIOR PERIOD ADJUSTMENT

During the fiscal year ended June 30, 2025, the District implemented GASB Statement No. 101, Compensated Absences, which establishes new recognition and measurement guidance for leave benefits attributable to services already rendered that accumulate or vest and are probable to be used or paid. The District previously recognized compensated absences using the termination payment method in accordance with GASB 16. The cumulative effect of implementation of GASB 101 was recorded as an adjustment to beginning net position of the governmental activities as of July 1, 2024.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The restatement is summarized as follows:

<u>Net Position: Government-wide Statements</u>	<u>June 30, 2024 as Previously Reported</u>	<u>Change in Accounting Principle</u>	<u>June 30, 2025 as Restated</u>
Governmental Activities	\$ 27,527,230	\$ (4,360,361)	\$ 23,166,869
Business-type Activities	630,751	-	630,751
Total primary government	\$ <u>28,157,981</u>	\$ <u>(4,360,361)</u>	\$ <u>23,797,620</u>

Implementation of GASB 101 had no effect on the fund financial statements, as compensated absences are recognized in the governmental funds only to the extent they are due and payable at year-end.

NOTE Q – RESTRICTED FUNDS

The following funds had restricted fund balances:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Student Activity	\$ 374,354	Student Activities
District Activity	139,477	District Activities
Food Service	18,315	School Food Service
Debt Service	2,749,249	Debt Service Payments

NOTE R – SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 31, 2025, the date of the audit report.

WHITLEY COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
CERS and TRS
For the Year Ended June 30, 2025

	Reporting Fiscal Year (Measurement Date) 2025 (2024)	Reporting Fiscal Year (Measurement Date) 2024 (2023)	Reporting Fiscal Year (Measurement Date) 2023 (2022)	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)	Reporting Fiscal Year (Measurement Date) 2017 (2016)	Reporting Fiscal Year (Measurement Date) 2016 (2015)
COUNTY EMPLOYEE'S RETIREMENT SYSTEM (CERS):										
Districts' proportion of the net pension liability	0.24133%	0.24878%	0.23964%	0.23641%	0.24104%	0.24635%	0.25026%	0.25198%	0.261490%	0.26766%
District's proportionate share of the net pension liability	\$ 14,432,616	\$ 15,963,118	\$ 17,323,608	\$ 15,072,992	\$ 18,487,185	\$ 17,325,905	\$ 15,241,658	\$ 14,749,340	\$ 12,874,610	\$ 11,508,280
State's proportionate share of the net pension liability associated with the District	-	-	-	-	-	-	-	-	-	-
Total	\$ 14,432,616	\$ 15,963,118	\$ 17,323,608	\$ 15,072,992	\$ 18,487,185	\$ 17,325,905	\$ 15,241,658	\$ 14,749,340	\$ 12,874,610	\$ 11,508,280
District's covered-employee payroll	\$ 7,702,255	\$ 7,220,831	\$ 6,709,094	\$ 6,037,864	\$ 6,256,530	\$ 3,690,807	\$ 3,705,438	\$ 3,869,517	\$ 3,757,553	\$ 3,725,574
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	187.38%	221.07%	258.21%	249.64%	295.49%	469.43%	411.33%	381.17%	342.63%	308.90%
Plan fiduciary net position as a percentage of the total pension liability	61.61%	57.48%	52.42%	57.33%	47.81%	50.54%	53.54%	53.30%	59.00%	59.97%
KENTUCKY TEACHER'S RETIREMENT SYSTEM (TRS):										
Districts' proportion of the net pension liability	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	76,768,771	87,608,455	89,807,616	69,300,521	78,470,501	79,086,418	77,335,740	156,076,827	174,562,169	135,871,569
Total	\$ 76,768,771	\$ 87,608,455	\$ 89,807,616	\$ 69,300,521	\$ 78,470,501	\$ 79,086,418	\$ 77,335,740	\$ 156,076,827	\$ 174,562,169	\$ 135,871,569
District's covered-employee payroll	\$ 22,856,650	\$ 22,121,265	\$ 21,190,858	\$ 20,244,073	\$ 20,328,918	\$ 10,686,578	\$ 10,983,190	\$ 11,086,694	\$ 11,321,645	\$ 11,076,722
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Plan fiduciary net position as a percentage of the total pension liability	60.36%	57.68%	56.41%	65.59%	58.27%	58.80%	59.30%	39.80%	35.22%	42.29%

See the accompanying notes to the required supplementary information.

WHITLEY COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CONTRIBUTIONS
CERS and TRS
For the Year Ended June 30, 2025

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
COUNTY EMPLOYEE'S RETIREMENT SYSTEM (CERS):										
Contractually required contribution	\$ 1,507,197	\$ 1,693,713	\$ 1,851,616	\$ 1,420,356	\$ 1,179,943	\$ 1,207,541	\$ 1,002,795	\$ 904,385	\$ 1,157,563	\$ 1,080,418
Contributions in relation to the contractually required contributions	<u>1,507,197</u>	<u>1,693,713</u>	<u>1,851,616</u>	<u>1,420,356</u>	<u>1,179,943</u>	<u>1,207,541</u>	<u>1,002,795</u>	<u>904,385</u>	<u>1,157,563</u>	<u>1,080,418</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>						
District's covered-employee payroll	\$ 8,114,789	\$ 7,702,255	\$ 7,220,831	\$ 6,709,094	\$ 6,037,864	\$ 6,256,530	\$ 6,214,482	\$ 6,222,323	\$ 6,202,208	\$ 6,333,075
District's contributions as a percentage of it's covered-employee payroll	18.57%	21.99%	25.64%	21.17%	19.54%	19.30%	16.14%	14.53%	18.66%	17.06%
KENTUCKY TEACHER'S RETIREMENT SYSTEM (TRS):										
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>						
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>						
District's covered-employee payroll	\$ 23,473,839	\$ 22,856,650	\$ 22,121,265	\$ 21,190,858	\$ 20,244,073	\$ 20,328,918	\$ 20,810,169	\$ 21,070,304	\$ 20,510,275	\$ 20,795,404
District's contributions as a percentage of it's covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

See the accompanying notes to the required supplementary information.

WHITLEY COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS

For the year ended June 30, 2025

Teachers Retirement System (TRS)

Retirement Annuity Trust

Changes of Benefit Terms

A new benefit tier was added for members joining the System on and after January 1, 2022. A description of the benefit provisions applicable to these members can be found in Schedule D of the 2023 Actuary Report of the TRS.

Changes of assumptions

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

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

In 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%.

Actuarial Methods and Assumptions

The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated as of June 30 on the 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 that schedule.

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

Valuation Date	June 30, 2022
Actuarial Cost Method	Entry age
Inflation Rate	2.5%
Single Equivalent Interest Rate	7.10%
Municipal Bond Index Rate	3.66%
Projected Salary Increase	3.0-7.5%, including inflation
Investment Rate of Return	7.10%, net of pension plan investment expense, including inflation.

WHITLEY COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS

For the year ended June 30, 2025

County Employee Retirement System (CERS)

Non-Hazardous

Changes of Benefit Terms

None.

Changes of assumptions

None.

Actuarial Methods and Assumptions

Based on the actuarial valuation report, the actuarial methods and assumptions used to calculate the contribution rates are as follows.

Valuation Date	June 30, 2023
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets recognized
Amortization Method	Level Percent of Pay
Amortization Period	30-year closed period at June 30, 2019, Gains/losses incurring After 2019 will be amortized over separate closed 20-year Amortization bases
Mortality	System-specific mortality table based on mortality experience From 2013-2018, projected with the ultimate rates from MP2014 Mortality improvement scale using a base year of 2019
Phase-In Provision	Board certified rate is phased into the actuarially determined rate In accordance with HB 362 enacted in 2018
Inflation	2.30%
Payroll Growth Rate	2.0%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%

WHITLEY COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
MEDICAL AND LIFE INSURANCE PLANS - TEACHERS' RETIREMENT SYSTEM
Year Ended June 30, 2025

	Reporting Fiscal Year (Measurement Date) 2025 (2024)	Reporting Fiscal Year (Measurement Date) 2024 (2023)	Reporting Fiscal Year (Measurement Date) 2023 (2022)	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
MEDICAL INSURANCE PLAN								
District's proportion of the collective net OPEB liability (asset)	0.239774%	0.271755%	0.386851%	0.286873%	0.300067%	0.31218%	0.30804%	0.55132%
District's proportionate share of the collective net OPEB liability (asset)	\$ 5,345,000	\$ 6,619,000	\$ 9,604,000	\$ 6,155,000	\$ 7,573,000	\$ 9,137,000	\$ 10,688,000	\$ 10,996,000
State's proportionate share of the collective net OPEB liability (asset) associated with the District	<u>4,761,000</u>	<u>5,579,000</u>	<u>3,155,000</u>	<u>4,999,000</u>	<u>6,066,000</u>	<u>7,379,000</u>	<u>9,211,000</u>	<u>8,982,000</u>
Total	<u>\$ 10,106,000</u>	<u>\$ 12,198,000</u>	<u>\$ 12,759,000</u>	<u>\$ 11,154,000</u>	<u>\$ 13,639,000</u>	<u>\$ 16,516,000</u>	<u>\$ 10,203,000</u>	<u>\$ 19,978,000</u>
District's covered-employee payroll	\$ 22,856,650	\$ 22,121,265	\$ 21,190,858	\$ 20,244,073	\$ 20,328,918	\$ 10,686,578	\$ 10,983,190	\$ 11,086,694
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	23.38%	29.92%	45.32%	30.40%	37.25%	85.50%	97.31%	99.18%
Plan fiduciary net position as a percentage of the total OPEB liability	59.81%	52.97%	47.75%	39.05%	39.10%	32.60%	25.50%	21.20%
LIFE INSURANCE PLAN								
District's proportion of the collective net OPEB liability (asset)	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
District's proportionate share of the collective net OPEB liability (asset)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the collective net OPEB liability (asset) associated with the District	<u>109,000</u>	<u>138,000</u>	<u>157,000</u>	<u>66,000</u>	<u>183,000</u>	<u>171,000</u>	<u>158,000</u>	<u>120,000</u>
Total	<u>\$ 109,000</u>	<u>\$ 138,000</u>	<u>\$ 157,000</u>	<u>\$ 66,000</u>	<u>\$ 183,000</u>	<u>\$ 171,000</u>	<u>\$ 158,000</u>	<u>\$ 120,000</u>
District's covered-employee payroll	\$ 22,856,650	\$ 22,121,265	\$ 21,190,858	\$ 20,244,073	\$ 20,328,918	\$ 10,686,578	\$ 10,983,190	\$ 11,086,694
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	80.56%	76.91%	73.97%	71.57%	71.60%	73.40%	75.00%	80.00%

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

See the accompanying notes to the required supplementary information.

WHITLEY COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CONTRIBUTIONS
MEDICAL AND LIFE INSURANCE PLANS
TEACHERS' RETIREMENT SYSTEM
Year Ended June 30, 2025

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
MEDICAL INSURANCE PLAN								
Contractually required contributor	\$ 577,934	\$ 482,571	\$ 508,585	\$ 509,202	\$ 529,939	\$ 543,593	\$ 548,721	\$ 546,838
Contributions in relation to the contractually required contribution	<u>577,934</u>	<u>482,571</u>	<u>508,585</u>	<u>509,202</u>	<u>529,939</u>	<u>543,593</u>	<u>548,721</u>	<u>546,838</u>
Contribution deficiency (excess)	<u>-</u>							
District's covered-employee payroll	\$ 23,473,839	\$ 22,856,650	\$ 22,121,265	\$ 21,190,858	\$ 20,244,073	\$ 20,328,918	\$ 20,810,169	\$ 10,983,190
District's contributions as a percentage of it's covered-employee payroll	2.46%	2.11%	2.30%	2.40%	2.62%	2.67%	2.64%	4.98%
LIFE INSURANCE PLAN								
Contractually required contributor	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>							
Contribution deficiency (excess)	<u>-</u>							
District's covered-employee payroll	\$ 23,473,839	\$ 22,856,650	\$ 22,121,265	\$ 21,190,858	\$ 20,244,073	\$ 20,328,918	\$ 20,810,169	\$ 10,983,190
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

See the accompanying notes to the required supplementary information.

WHITLEY COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY -HEALTH INSURANCE PLAN
COUNTY EMPLOYEE RETIREMENT SYSTEM
Year Ended June 30, 2025

	Reporting Fiscal Year (Measurement Date) 2025 (2024)	Reporting Fiscal Year (Measurement Date) 2024 (2023)	Reporting Fiscal Year (Measurement Date) 2023 (2022)	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
HEALTH INSURANCE PLAN								
District's proportion of the collective net OPEB liability (asset)	0.241567%	0.248773%	0.239599%	0.236354%	0.240966%	0.24629%	0.25025%	0.25198%
District's proportionate share of the collective net OPEB liability (asset)	\$ (417,863)	\$ (343,473)	\$ 4,728,519	\$ 4,524,879	\$ 5,818,596	\$ 4,142,420	\$ 4,413,175	\$ 5,065,720
State's proportionate share of the collective net OPEB liability (asset) associated with the District	-	-	-	6,709,094	6,037,864	6,256,530	6,214,482	6,222,323
Total	\$ (417,863)	\$ (343,473)	\$ 4,728,519	\$ 11,233,973	\$ 11,856,460	\$ 10,398,950	\$ 10,627,657	\$ 11,288,043
District's covered-employee payroll	\$ 7,702,255	\$ 7,220,831	\$ 6,709,094	\$ 6,037,864	\$ 6,256,530	\$ 3,690,807	\$ 3,705,438	\$ 3,869,517
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	-5.43%	-4.76%	70.48%	74.94%	93.00%	112.24%	119.10%	130.91%
Plan fiduciary net position as a percentage of the total OPEB liability	104.89%	57.48%	60.95%	51.67%	51.67%	60.44%	57.62%	13.00%

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

See the accompanying notes to the required supplementary information.

WHITLEY COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CONTRIBUTIONS - HEALTH INSURANCE PLAN COUNTY EMPLOYEE RETIREMENT SYSTEM
 Year Ended June 30, 2025

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
HEALTH INSURANCE PLAN								
Contractually required contribution	\$ 205,731	\$ 216,089	\$ 284,071	\$ 387,785	\$ 290,941	\$ 297,746	\$ 291,527	\$ 293,476
Contributions in relation to the contractually	<u>205,731</u>	<u>216,089</u>	<u>284,071</u>	<u>387,785</u>	<u>290,941</u>	<u>297,746</u>	<u>291,527</u>	<u>293,476</u>
Contribution deficiency (excess)	<u>-</u>							
District's covered-employee payroll	\$ 8,114,789	\$ 7,702,255	\$ 7,220,831	\$ 6,709,094	\$ 6,037,864	\$ 6,256,530	\$ 6,214,482	\$ 3,705,438
District's contributions as a percentage of it's covered-employee payroll	2.54%	2.81%	3.93%	5.78%	4.82%	4.76%	4.69%	7.92%

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

See the accompanying notes to the required supplementary information.

WHITLEY COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB

For the year ended June 30, 2025

Teachers Retirement System (TRS)

Health Insurance Trust

Changes of Benefit Terms

None.

Changes of Assumptions

None.

Actuarial Methods and Assumptions

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

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

Valuation Date	June 30, 2023
Discount Rate	7.10%
Inflation	2.5%
Real Wage Growth	.25%
Wage Inflation	2.75%
Salary Increase	3-7.5%, including wage inflation
Long-term Rate of Return	7.10%
Municipal Bond Index	3.94%
Single Equivalent Interest Rate	7.10%
Health Care Cost Trends	
Medical	6.5% at June 30, 2024, decreasing to an ultimate rate of 4.5% by June 30, 2031
Medicare Part B	5.92% at June 30, 2024 with an ultimate rate of 4.5% by June 30, 2035

Life Insurance Trust

Changes of Benefit Terms

None.

Changes of Assumptions

None.

Actuarial Methods and Assumptions

The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of the schedule.

Valuation Date	June 30, 2023
Discount Rate	7.10%
Inflation	2.5%
Real Wage Growth	.25%
Wage Inflation	2.75%

WHITLEY COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB

For the year ended June 30, 2025

Salary Increase	3-7.5%, including wage inflation
Long-term Rate of Return	7.10%
Municipal Bond Index	3.94%
Single Equivalent Interest Rate	7.10%
Health Care Cost Trends	
Medical	6.5% at June 30, 2024, decreasing to an ultimate rate of 4.5% by June 30, 2031
Medicare Part B	5.92% at June 30, 2024 with an ultimate rate of 4.5% by June 30, 2035

WHITLEY COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB

For the year ended June 30, 2025

County Employee Retirement System (CERS)

Non-Hazardous

Changes of Benefit Terms

None

Changes of assumptions

None.

Actuarial Methods and Assumptions

Based on the actuarial valuation report, the actuarial methods and assumptions used to calculate the contribution rates are as follows.

Valuation Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets recognized
Amortization Method	Level Percent of Pay
Amortization Period	30-year closed period at June 30, 2019, Gains/losses incurring After 2019 will be amortized over separate closed 20-year Amortization bases
Mortality	System-specific mortality table based on mortality experience From 2013-2018, projected with the ultimate rates from MP2014 Mortality improvement scale using a base year of 2019
Phase-In Provision	Board certified rate is phased into the actuarially determined rate In accordance with HB 362 enacted in 2018
Inflation	2.30%
Payroll Growth Rate	2.0%
Salary Increase	3.30% to 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 Trend Rates	
Pre-65	Initial trend starting at 6.3% at January 1, 2023, gradually Decreasing to an ultimate trend rate of 4.05% over a period of 13 Years. The 2022 premiums were known at the time of the Valuation and were incorporated into the liability measurement.
Post-65	Initial trend starting at 6.3% at January 1, 2023, gradually Decreasing to an ultimate trend rate of 4.05% over a period of 13 Years. The 2022 premiums were known at the time of the Valuation and were incorporated into the liability measurement.

Whitley County School District
Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2025

	Other Governmental Funds					
	Special Revenue Student Activity	Capital Outlay	FSPK Fund	Construction	Special Revenue District Activity	Total
Assets						
Cash and cash equivalents	\$ 380,899	\$ -	\$ -	\$ 1,750	\$ 133,967	\$ 516,616
Accounts receivable	487				6,110	6,597
Interfund receivable				31,074		31,074
Total assets	<u>381,386</u>	<u>-</u>	<u>-</u>	<u>32,824</u>	<u>140,077</u>	<u>554,287</u>
Liabilities						
Accounts payable	7,032			32,824		39,856
Total liabilities	<u>7,032</u>	<u>-</u>	<u>-</u>	<u>32,824</u>	<u>-</u>	<u>39,856</u>
Fund Balance						
Restricted	374,354				139,477	513,831
Assigned					600	600
Total fund balance	<u>374,354</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>140,077</u>	<u>514,431</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 381,386</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,824</u>	<u>\$ 140,077</u>	<u>\$ 554,287</u>

Whitley County School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds
Year ended June 30, 2025

	Other Governmental Funds					
	Special Revenue Student Activity	Capital Outlay	FSPK Fund	Construction	Special Revenue District Activity	Total
Revenues						
Property taxes	\$ -	\$ -	\$ 585,465	\$ -	\$ -	\$ 585,465
Student activities	601,870				26,680	628,550
Earnings from investments	17,274			4,941		22,215
Other local revenue	64,660				8,546	73,206
Intergovernmental - state		361,760	1,604,994			1,966,754
Total revenues	683,804	361,760	2,190,459	4,941	35,226	3,276,190
Expenditures						
Instruction	475,552				178,445	653,997
Student support	2,093					2,093
Instructional staff support	5,414					5,414
Other non-instructional	10,231					10,231
Site improvement				2,422,245		2,422,245
Student Transportation	5,701				154	5,855
Total expenditures	498,991	-	-	2,422,245	178,599	3,099,835
Excess (Deficit) of Revenues Over Expenditures	184,813	361,760	2,190,459	(2,417,304)	(143,373)	176,355
Other Financing Sources (Uses)						
Operating transfers (out)	(164,006)	(361,760)	(2,190,459)	(27,106)		(2,743,331)
Operating transfers in				2,046,593	164,006	2,210,599
Total other financing sources (uses)	(164,006)	(361,760)	(2,190,459)	2,019,487	164,006	(532,732)
Net Change in Fund Balance	20,807	-	-	(397,817)	20,633	(356,377)
Fund Balance Beginning	353,547	-	-	397,817	119,444	870,808
Fund Balance Ending	\$ 374,354	\$ -	\$ -	\$ -	\$ 140,077	\$ 514,431

Whitley County School District
**Combining Balance Sheet of
School Activity Funds**
June 30, 2025

	<u>WHITLEY CO HIGH</u>	<u>WHITLEY CO MIDDLE</u>	<u>OAK GROVE ELEMENTARY</u>	<u>NORTH ELEMENTARY</u>	<u>PLEASANT VIEW ELEMENTARY</u>	<u>CENTRAL ELEMENTARY</u>	<u>BOSTON ELEMENTARY</u>
ASSETS							
Cash and cash equivalents	\$ 138,639	\$ 100,504	\$ 18,472	\$ 1,130	\$ 14,328	\$ 24,173	\$ 11,308
Accounts receivable	189	298	-	-	-	-	-
Total assets	<u>138,828</u>	<u>100,802</u>	<u>18,472</u>	<u>1,130</u>	<u>14,328</u>	<u>24,173</u>	<u>11,308</u>
LIABILITIES							
Accounts payable	2,921	2,788	-	-	-	90	722
FUND BALANCE							
School activities	<u>135,907</u>	<u>98,014</u>	<u>18,472</u>	<u>1,130</u>	<u>14,328</u>	<u>24,083</u>	<u>10,586</u>
Total liabilities & fund balance	<u>\$ 138,828</u>	<u>\$ 100,802</u>	<u>\$ 18,472</u>	<u>\$ 1,130</u>	<u>\$ 14,328</u>	<u>\$ 24,173</u>	<u>\$ 11,308</u>

Whitley County School District
Combining Balance Sheet of
School Activity Funds (Continued)
 June 30, 2025

	<u>WHITLEY CO</u> <u>INTERMEDIATE</u>	<u>EAST</u> <u>ELEMENTARY</u>	<u>TOTAL</u>
ASSETS			
Cash and cash equivalents	\$ 46,660	\$ 25,685	\$ 380,899
Accounts receivable	-	-	487
	<u>46,660</u>	<u>25,685</u>	<u>381,386</u>
Total assets	<u>46,660</u>	<u>25,685</u>	<u>381,386</u>
LIABILITIES			
Accounts payable	-	511	7,032
FUND BALANCE			
School activities	<u>46,660</u>	<u>25,174</u>	<u>374,354</u>
Total liabilities & fund balance	<u>\$ 46,660</u>	<u>\$ 25,685</u>	<u>\$ 381,386</u>

Whitley County School District
Combining Statement of Revenues, Expenses and Changes in Fund Balance
School Activity Funds
Year ended June 30, 2025

	<u>WHITLEY CO HIGH</u>	<u>WHITLEY CO MIDDLE</u>	<u>OAK GROVE ELEMENTARY</u>	<u>NORTH ELEMENTARY</u>	<u>PLEASANT VIEW ELEMENTARY</u>	<u>CENTRAL ELEMENTARY</u>	<u>BOSTON ELEMENTARY</u>
REVENUES							
Student revenues	\$ 344,092	\$ 185,550	\$ 47,051	\$ 9,202	\$ 14,720	\$ 14,955	\$ 12,821
Total revenues	<u>344,092</u>	<u>185,550</u>	<u>47,051</u>	<u>9,202</u>	<u>14,720</u>	<u>14,955</u>	<u>12,821</u>
EXPENDITURES							
Student activities	340,896	156,940	39,099	9,404	15,939	16,218	12,491
Total expenditures	<u>340,896</u>	<u>156,940</u>	<u>39,099</u>	<u>9,404</u>	<u>15,939</u>	<u>16,218</u>	<u>12,491</u>
Excess (Deficit) of Revenues Over Expenditures	3,196	28,610	7,952	(202)	(1,219)	(1,263)	330
FUND BALANCE - BEGINNING	<u>132,711</u>	<u>69,404</u>	<u>10,520</u>	<u>1,332</u>	<u>15,547</u>	<u>25,346</u>	<u>10,256</u>
FUND BALANCE - ENDING	<u>\$ 135,907</u>	<u>\$ 98,014</u>	<u>\$ 18,472</u>	<u>\$ 1,130</u>	<u>\$ 14,328</u>	<u>\$ 24,083</u>	<u>\$ 10,586</u>

Whitley County School District
Combining Statement of Revenues, Expenses and Changes in Fund Balance
School Activity Funds (Continued)
Year ended June 30, 2025

	WHITLEY CO INTERMEDIATE	EAST ELEMENTARY	TOTAL
REVENUES			
Student revenues	\$ 35,598	\$ 19,815	\$ 683,804
Total revenues	35,598	19,815	683,804
EXPENDITURES			
Student activities	47,113	24,897	662,997
Total expenditures	47,113	24,897	662,997
Excess (Deficit) of Revenues			
Over Expenditures	(11,515)	(5,082)	20,807
FUND BALANCE - BEGINNING			
	58,175	30,256	353,547
FUND BALANCE - ENDING			
	\$ 46,660	\$ 25,174	\$ 374,354

WHITLEY COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES , EXPENSES, AND CHANGES IN FUND BALANCE -
WHITLEY COUNTY HIGH SCHOOL
Year ended June 30, 2025

	<u>FUND BALANCE BEGINNING</u>	<u>REVENUES</u>	<u>EXPENDITURES</u>	<u>TRANSFERS</u>	<u>FUND BALANCE ENDING</u>
GENERAL	\$ 1,587	\$ 6,339	\$ 38	\$ (7,431)	\$ 456
STUDENT ACTIVITY FEES	984	11,669	9,528	(1,555)	1,570
START-UP FUND	-	1,500	1,500	-	-
DUAL COURSES FEE	-	-	-	-	-
TEXTBOOKS	1,069	-	513	-	556
SPECIAL EVENTS	71	1,135	443	(315)	448
TRANSPORTATION FUND	-	-	-	-	-
TEST FEES	1,586	-	1,580	-	6
SCHOLARSHIP	-	-	-	-	-
PEPSI	191	120	582	315	44
TEACHER'S PEPSI	501	920	1,222	-	199
COLONEL PLAYERS	7,034	9,535	8,361	(1,611)	6,597
ARBITER	-	200	37,900	38,700	1,000
FOOTBALL	4,859	27,242	16,868	(15,137)	96
BOYS BASKETBALL	5,572	19,365	5,012	(19,700)	225
GIRLS BASKETBALL	12,335	6,864	1,524	(11,220)	6,455
BASEBALL	212	6,400	998	(5,050)	564
SOFTBALL	13,742	40,822	24,303	(21,920)	8,341
TRACK	317	8,475	6,626	867	3,033
TENNIS	1,674	7,400	5,204	(200)	3,670
BOYS GOLF	2,838	7,920	999	(8,402)	1,357
GIRLS GOLF	4,032	-	1,262	1,000	3,770
VOLLEYBALL	1	9,523	794	(8,100)	630
CHEERLEADERS	5,345	23,713	15,526	4,300	17,832
WRESTLING	196	13,972	13,754	(345)	69
BOYS SOCCER	8,218	8,377	8,243	(2,627)	5,725
GIRLS SOCCER	17,011	20,396	16,710	(11,603)	9,094
SWIM	387	7,358	3,770	(2,352)	1,623
MATH	42	1,060	890	-	212
ACADEMIC TEAM	222	-	-	-	222
ART	1,106	235	-	-	1,341
BETA CLUB	868	1,850	1,098	-	1,620
DECA	250	-	28	-	222
FFA	2,835	13,147	8,572	(2,614)	4,796
FCCLA	994	2,596	1,220	(234)	2,136
EDUCATORS RISING	1,515	731	350	(275)	1,621
NHS	51	825	825	-	51
KY JUNIOR HISTORICAL	1,131	-	-	-	1,131
BAND	1	2,079	550	(263)	1,267
CHOIR	-	-	-	-	-
HORTICULTURE	15,153	16,151	17,336	(9,340)	4,628
JROTC	8,472	1,200	5,769	1,500	5,403
BOYS CROSS COUNTRY	647	200	807	900	940
GIRLS CROSS COUNTRY	794	826	1,331	900	1,189
BASS FISHING	90	4,339	1,377	(2,893)	159
SKILLS USA-ELECTRICITY	-	-	-	-	-
YEARBOOK	695	2,560	2,600	90	745
HOSA	1,472	4,552	1,811	(1,692)	2,521
JUNIOR CLASS INCENTIVES	245	-	-	-	245
SENIORS	1,670	8,833	9,557	-	946
ELECTRICITY	781	90	199	-	672
NON-REVENUE SPORTS	495	35,000	-	(15,500)	19,995
WELDING	175	7,128	258	(436)	6,609
E-SPORTS	700	-	53	500	1,147
ENGINEERING	1,917	1,080	-	(1,080)	1,917
SKILLS USA WELDING	628	325	150	-	803
DISTRICT ACTIVITY SWEEP	-	-	102,813	102,823	10
SKILLS USA-CARPENTRY	-	90	90	-	-
Totals	\$ 132,711	\$ 344,092	\$ 340,896	\$ -	\$ 135,907

Whitley County School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2025

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Expenditures
U.S. Department of Agriculture				
Passed Through State Department of Education				
* School Breakfast Program	10.553			
Fiscal Year 24		7760005 24	-	\$ 169,826
Fiscal Year 25		7760005 25	-	781,310
* National School Lunch Program	10.555			
Fiscal Year 24		7750002 24	-	403,311
Fiscal Year 25		7750002 25	-	1,855,625
* Summer Food Service	10.559			
Fiscal Year 24		7740023 24	-	432,035
Fiscal Year 25		7740023 25	-	6,774
Fiscal Year 24		7690024 24	-	44,215
Fiscal Year 25		7690024 25	-	696
* Fresh Fruit & Vegetable Program	10.582			
Fiscal Year 24		7720012 24	-	15,761
Fiscal Year 25		7720012 25	-	156,888
Child Nutrition Cluster Subtotal				<u>3,866,441</u>
State Administrative Expense (SAE) Funds	10.560			
Fiscal Year 24		7700001 24	-	9,454
Supper Program	10.558			
Fiscal Year 24		7800016 24	-	5,345
Fiscal Year 25		7800016 25	-	19,208
Fiscal Year 24		7790021 24	-	84,588
Fiscal Year 25		7790021 25	-	316,649
				<u>425,790</u>
Passed Through State Department of Agriculture				
Food Donation-Commodities	10.565			
Fiscal Year 25		510.4950	-	279,473
Total U.S. Department of Agriculture				<u>4,581,158</u>
US Department of Education				
Passed Through State Department of Education				
Title I Grants to Local Educational Agencies	84.010A			
Fiscal Year 24		3100002 23	-	877,855
Fiscal Year 25		3100002 24	-	1,880,419
				<u>2,758,274</u>
Special Education Grants to States	84.027A			
Fiscal Year 24		3810002 23	-	292,508
Fiscal Year 25		3810002 24	-	1,089,072
Special Education - Preschool Grants	84.173A			
Fiscal Year 25		3800002 24	-	43,347
Special Education Cluster Subtotal				<u>1,424,927</u>
Homeless Children & Youth	84.196			
Fiscal Year 24		3990002-23	-	47,360
Fiscal Year 25		3990002-24	-	44,303
				<u>91,663</u>
Passed through Laurel County Literacy Council:				
Adult Education Recruitment, Retention and Results	84.002			
Fiscal Year 25		373L	-	13,298
Vocation Education - Basic Grants to States	84.048			
Fiscal Year 23		3710002 22	-	112
Fiscal Year 24		3710002 23	-	5,356
Fiscal Year 25		3710002 24	-	97,535
Passed Through Partners for Rural Impact				<u>103,003</u>
* Full Service Community Schools	84.215J			
Fiscal Year 24		518KJ	-	658,553
Fiscal Year 25		518LJ	-	335,940
				<u>994,493</u>
Office of Innovation and Improvement				
Partners for Rural Impact (PRI)	84.215J			

See the accompanying notes to the schedule of expenditures of federal awards.

Whitley County School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Year Ended June 30, 2025

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Expenditures
Fiscal Year 25		645L	-	\$ 5,000
* 21st Century Community Learning Centers Program	84.287A			
Fiscal Year 24		3400002 23	-	92,126
Fiscal Year 25		3400002 24	-	715,385
				<u>807,511</u>
Rural Education	84.358			
Fiscal Year 24		3140002 23	-	65,769
Fiscal Year 25		3140002 24	-	63,587
				<u>129,356</u>
KYCL: Kentucky Comprehensive Literacy Grant Round 2	84.371C			
Fiscal Year 22		3220002-21	-	46,133
Fiscal Year 23		3220002-22	-	25,343
Fiscal Year 24		3220002-23	-	261,753
				<u>333,229</u>
Title IV Part A	84.424			
Fiscal Year 23		3420002 22	-	81,404
Fiscal Year 24		3420002 23	-	168,406
Fiscal Year 25		3420002 24	-	134,698
				<u>384,508</u>
Improving Teacher Quality	84.367A			
Fiscal Year 24		3230002 23	-	89,573
Fiscal Year 25		3230002 24	-	175,228
				<u>264,801</u>
COVID-19- ARP ESSER	84.425U			
FY21 ARP Emergency Relief Fund		4300002-21	-	1,401,495
FY22 Deeper Learning		4300005-21	-	34,810
COVID-19- ARP ESSER Homeless Children and Youth I	84.425W			
Fiscal Year 22		4980002-21	-	77,508
Education Stabilization Funds Subtotal				<u>1,513,813</u>
Stronger Connection Grant Program	84.424F			
Fiscal Year 24		3860002-22	-	328,064
Passed Through Appalachian Educational Service Agency				
GEAR UP	84.334A			
Fiscal Year 24		P334A170041-17A	-	74,300
Fiscal Year 25		P334A170041-17A	-	131,848
				<u>206,148</u>
Total U.S. Department of Education				<u>9,358,088</u>
U.S. Department of Defense				
ROTC	12.000			
Fiscal Year 25		Direct	-	51,964
Total U.S. Department of Defense				<u>51,964</u>
U.S. Department of Health & Human Services				
Preschool Development Grant Birth through Five	93.434			
Fiscal Year 25		646LB		205,100
Total U.S. Department of Health & Human Services				<u>205,100</u>
Corporation for National and Community Service Passed Through Partners for Rural Impact				
Americorps Volunteer Generation Grant	94.021			
Fiscal Year 24		640K	-	10,000
Fiscal Year 25		640L	-	10,000
				<u>20,000</u>
Total Expenditure of Federal Awards				<u>\$ 14,216,310</u>

* Major program

WHITLEY COUNTY SCHOOL DISTRICT
NOTES TO THE 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 includes the federal grant activity of the Whitley County School District under the 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 the Whitley County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE B – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities received and disbursed. For the year ended June 30, 2025, the District received food commodities totaling \$279,473.

NOTE D – INDIRECT COST RATE

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

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*

To the Board of Education of the Whitley County School District
Williamsburg, Kentucky

And the State Committee for School District Audits

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits, in the *Auditor Responsibilities and State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit /Contract and requirements, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Whitley County School District, (District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated December 31, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

We have issued a separate letter dated December 31, 2025, addressing matters required to be reported to management of the District under the Kentucky Department of Education's Audit Requirements for Local School Districts.

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.

White & Associates, PSC

Richmond, Kentucky

December 31, 2025

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

To the Board of Education of the Whitley County School District
Williamsburg, Kentucky

And the State Committee for School District Audits

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Whitley County School District's, (District), compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of District's major federal programs for the year ended June 30, 2025. 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, District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of 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 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 District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on 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 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of 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 District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

White & Associates, PSC

Richmond, Kentucky

December 31, 2025

WHITLEY COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year ended June 30, 2025

SUMMARY OF AUDITOR’S RESULTS

What type of report was issued for the financial statements?	Unmodified
Were there significant deficiencies in internal control disclosed? If so, was any significant deficiencies material (GAGAS)?	None Reported N/A
Was any material noncompliance reported (GAGAS)?	No
Were there material weaknesses in internal control disclosed for major programs?	No
Were there any significant deficiencies in internal control disclosed that were not considered to be material weaknesses?	None Reported
What type of report was issued on compliance for major programs?	Unmodified
Did the audit disclose findings as it relates to major programs that Is required to be reported as described in the Uniform Guidance?	No
Major Programs	Child Nutrition Cluster [ALN 10.553, 10.555, & 10.559] 21st Century Community Learning Centers Program [ALN 84.287] Full Service Community Schools [ALN 84.215J]
Dollar threshold of Type A and B programs	\$750,000
Low risk auditee?	Yes

FINDINGS - FINANCIAL STATEMENT AUDIT

No findings at the financial statement level.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

No findings at the major federal award programs level.

WHITLEY COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended June 30, 2025

There were no prior audit findings.

MANAGEMENT LETTER POINTS

Whitley County School District
Williamsburg, Kentucky

In planning and performing our audit of the financial statements of the Whitley County School District for the year ended June 30, 2025, we considered the District's internal controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

We previously reported on the District's internal control in our report dated December 31, 2025. This letter does not affect our report dated December 31, 2025, on the financial statements of the Whitley County School District.

During the audit process we communicated orally to district responsible persons conditions that we think will improve the effectiveness of internal controls. We have documented those communications in our work papers for future reference. Those items we do not believe rise to the nature to be written and have a management response. If improvements are not made in successive audits the communication will be written.

John L. Siler, Superintendent is the person responsible for initiation of any corrective action plan communicated written, or orally. We would like to thank the Finance Officer, Amy Brown, and her department for their support and assistance during our audit.

This report is intended solely for the information and use of the Board of Education, management, and others within the district and is not intended to be and should not be used by anyone other than these specified parties.

White & Associates, PSC

White & Associates, PSC
Richmond, Kentucky
December 31, 2025