

**CARTER COUNTY SCHOOL
DISTRICT**

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES**

For the year ended June 30, 2022

Prepared by:

Shad J. Allen, CPA, PLLC
PO Box 974
Richmond, Kentucky 40476
Phone (859) 806-5290 Fax (859) 349-0061

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Shad J. Allen, CPA, PLLC

PO Box 974
Richmond, Kentucky 40476
Phone 859-806-5290
Fax 859-349-0061

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Carter County School District
Grayson, KY

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 Carter County School District (District), as of and for the year ended June 30, 2022, 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, 20X1, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 discussed in Note T to the financial statements, in 2022 the District adopted new accounting guidance, *GASBS No. 87, Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, and 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 information on pages 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2022, 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.

Shad J. Allen, CPA, PLLC

Richmond, KY

November 8, 2022

Carter County School District
MANAGEMENT DISCUSSION & ANALYSIS
Year ended June 30, 2022

As management of the Carter County School District, we offer readers of our District's financial statements this narrative overview and analysis of the financial activities of the District for the Fiscal Year ended June 30, 2022. 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 unassigned fund balance for Governmental Activities was **\$5,142,078** ending the Fiscal Year on June 30, 2021.
- The ending unassigned fund balance for Governmental Activities increased **\$509,830** to a balance of **\$5,651,908** ending the Fiscal Year on June 30, 2022.
- An increase in unassigned fund balance is primarily due to Elementary and Secondary School Emergency Relief Funds received during the fiscal year.
- Beginning district-wide net assets including capital assets and related long term debt was **(\$1,807,147)** ending the Fiscal Year June 30, 2021.
- The ending district-wide net position increased **\$3,479,322** to **\$1,672,174** ending the Fiscal Year June 30, 2022.
- An increase in District-wide net position is attributable to Elementary and Secondary School Emergency Relief Funds received during the fiscal year, a decrease in Pension related liabilities, an increase in pension related assets, bond principal payments and contributions to a bond sinking fund.
- Due to COVID 19 and the use of virtual instruction average daily attendance was not used to calculate funding for the 2022 fiscal year. Enrollment for the Fiscal Year ended June 30, 2021 was **4,336**.
- Due to COVID 19 and the use of virtual instruction average daily attendance will not be used to calculate funding for the 2023 fiscal year. Enrollment for the Fiscal Year ended June 30, 2022 was **4,080**.
- During the 2022 Fiscal Year Carter County Board of Education expended **\$527,558** on capital assets; made principal payments for the retirement of debt in the amount of **\$2,080,000** and bond sinking fund contributions of **\$404,738**.

OVERVIEW OF FINANCIAL OF STATEMENTS

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

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

The statement of net assets presents information on all of the District's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent past fiscal year. All changes in net assets are reported 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.

Carter County School District
MANAGEMENT DISCUSSION & ANALYSIS
Year ended June 30, 2022

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

The governmental-wide financial statements can be found on pages **as listed in the table of contents** of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. 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 funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages **as listed in the table of contents** of this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by **\$1,672,174** million as of June 30, 2022.

The largest portion of the District's net assets 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.

Carter County School District
MANAGEMENT DISCUSSION & ANALYSIS
 Year ended June 30, 2022

Net Assets for the period ending June 30, 2021 June 30, 2022

Current Assets	\$13,774,483	\$16,148,286
Noncurrent Assets	<u>51,556,012</u>	<u>50,310,069</u>
Total Assets	65,330,495	68,458,355

Current Liabilities	3,159,583	3,331,849
Noncurrent Liabilities	<u>63,978,059</u>	<u>61,454,332</u>
Total Liabilities	67,137,642	64,786,181

Net Assets

Investment in capital assets (net of debt)	17,941,658	18,816,975
Restricted-Other	(1,854,955)	(1,551,279)
Restricted for Future Construction	2,835,948	3,740,766
Unrestricted	<u>(20,730,298)</u>	<u>(19,334,288)</u>
Total Net Asset	(1,807,147)	(1,672,174)

Comments on Budget Comparisons

- The District’s total revenue for the fiscal year ended June 30, 2022, net of Interfund transfers was **\$55,003,317**.
- General fund budget compared to actual revenue varied from line item to line item with the ending actual balance being **\$573,730** more than budget.
- General fund budget compared to actual expenditures varied from line item to line item with the ending actual balance being **\$13,282** more than budget.
- General fund budget compared to actual other financing sources (uses) varied from line item to line item with the ending balance being **\$67,052** less than budget.
- The net change in the general fund balance was **\$493,394** more favorable than budget.

The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2022, excluding fund transfers and fiduciary funds.

Carter County School District
MANAGEMENT DISCUSSION & ANALYSIS
 Year ended June 30, 2022

	<u>Amount</u>
Revenues:	
Taxes	\$ 7,653,385
State Aid Formula Grants	30,934,143
Operating Grants and Contributions	11,491,926
Capital Grant and Contributions	3,628,798
Charges for Services	102,535
Investment Earnings	167,238
Other	<u>1,025,292</u>
Total revenues	\$55,003,317
Expenses	
Instruction	\$28,613,481
Student Support Services	1,938,300
Staff Support	1,440,366
District Administration	1,019,992
School Administration	2,578,315
Business Support	759,288
Plant Operations	6,979,311
Student Transportation	3,238,251
Food Service Operations	3,246,774
Day Care Operations	234,256
Community Support	470,386
Interest on Long Term Debt	<u>1,005,275</u>
Total expenses	\$51,523,995
Revenue in Excess of Expense	<u>\$ 3,479,322</u>

Revenue

The majority of revenue was derived from state-aid formula grants, **56%**, with local taxes making up **14%** of total revenue.

School Allocation

Instruction accounts for **56%** for of the school level expenditures.

Carter County School District
MANAGEMENT DISCUSSION & ANALYSIS
Year ended June 30, 2022

BUDGETARY IMPLICATIONS

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal programs operate on a different fiscal calendar but are reflected in the district overall budget. State law requires the budget to contain a minimum of 2% in contingency. The district adopted a budget with **\$5,639,649** in contingency in the current **2023** school year.

Questions regarding this report should be directed to the Superintendent, Dr. Paul Green, **(606) 474-6696**, or to Jerry A. Lyons, Business Office Manager, **(606) 474-6696**, or by mail at 228 South Carol Malone Blvd., Grayson, KY 41143.

Carter County School District
Statement of Net Position
June 30, 2022

	Primary Government		
	Governmental Activities	Business- type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 9,240,513	967,079	\$ 10,207,592
Investments	3,633,555	-	3,633,555
Receivables (net)			-
Taxes	233,357	-	233,357
Accounts	1,147,279	345,033	1,492,312
Intergovernmental	-	56,808	56,808
Inventories			-
Prepaid expense	524,663	-	524,663
Capital assets:			-
Land, improvements, and construction in progress	1,683,811	-	1,683,811
Other capital assets, net of depreciation	40,208,623	153,142	40,361,765
Total capital assets	<u>41,892,434</u>	<u>153,142</u>	<u>42,045,576</u>
Total assets	<u>56,671,801</u>	<u>1,522,062</u>	<u>58,193,863</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	2,114,548	442,778	2,557,326
Deferred outflows related to OPEB	4,713,932	442,137	5,156,069
Deferred savings from refunding bonds	551,098	-	551,098
Total deferred outflows of resources	<u>7,379,578</u>	<u>884,915</u>	<u>8,264,493</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>64,051,379</u>	<u>2,406,977</u>	<u>66,458,355</u>
LIABILITIES			
Accounts payable	343,147	9,618	352,765
Unearned revenue	-	-	-
Unamortized Bond Premium	67,329	-	67,329
Accrued Payroll & Related Expenses	139,531	-	139,531
Long-term liabilities:			
Due within 1 year:			
Bond obligations	2,130,000	-	2,130,000
Capital Leases	3,507	-	3,507
Accrued Sick Leave	466,961	-	466,961
Interest Payable	171,756	-	171,756
Total due within 1 year	<u>2,772,224</u>	<u>-</u>	<u>2,772,224</u>
Due in more than 1 year:			
Bond obligations	24,730,000	-	24,730,000
Sick leave	1,160,767	-	1,160,767
Net pension liability	12,407,095	2,597,995	15,005,090
Net OPEB liability	9,615,594	779,915	10,395,509
Total due in more than 1 year	<u>47,913,456</u>	<u>3,377,910</u>	<u>51,291,366</u>
Total liabilities	<u>51,235,687</u>	<u>3,387,528</u>	<u>54,623,215</u>
DEFERRED INFLOWS OF RESOURCES			
Grant Revenue Received In Advance	300,646	-	300,646
Deferred inflows related to pensions	2,389,258	500,301	2,889,559
Deferred inflows related to OPEB	6,553,975	418,787	6,972,762
Total deferred inflows of resources	<u>9,243,879</u>	<u>919,088</u>	<u>10,162,967</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>60,479,566</u>	<u>4,306,616</u>	<u>64,786,182</u>
NET POSITION			
Net Investment in capital assets	18,663,832	153,142	18,816,975
Restricted for:			
Capital projects	3,740,766	-	3,740,766
Other	501,502	-	501,502
Defecit	(19,334,288)	(2,052,781)	(21,387,069)
Total net position	<u>3,571,813</u>	<u>(1,899,639)</u>	<u>1,672,174</u>
TOTAL LIABILITIES DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 64,051,379</u>	<u>\$ 2,406,977</u>	<u>\$ 66,458,355</u>

See the accompanying notes to the financial statements.

Carter County School District
Statement of Activities
Year Ended June 30, 2022

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
Instruction	\$ 28,613,481	6,453,111	\$ -	\$ -	\$ (22,160,370)	-	\$ (22,160,370)
Support Services							
Student	1,938,300	96,077	-	-	(1,842,223)	-	(1,842,223)
Instructional Staff	1,440,366	276,040	-	-	(1,164,326)	-	(1,164,326)
District Administration	1,019,992	53,000	-	-	(966,992)	-	(966,992)
School Administration	2,578,315	-	-	-	(2,578,315)	-	(2,578,315)
Business	759,288	47,656	-	-	(711,632)	-	(711,632)
Plant Operation & Maintenance	6,979,311	280,419	-	-	(6,698,892)	-	(6,698,892)
Student Transportation	3,238,251	169,224	-	-	(3,069,026)	-	(3,069,026)
Food Service Operations	7,744	-	-	-	(7,744)	-	(7,744)
Day Care Operations	2,725	-	-	-	(2,725)	-	(2,725)
Community Services Operations	470,386	417,315	-	-	(53,071)	-	(53,071)
Facility Acquisition & Construction	-	-	3,628,798	-	3,628,798	-	3,628,798
Interest on general long-term debt	1,005,275	-	-	-	(1,005,275)	-	(1,005,275)
Total governmental activities	<u>48,053,435</u>	<u>7,792,842</u>	<u>3,628,798</u>	<u>-</u>	<u>(36,631,795)</u>	<u>-</u>	<u>(36,631,795)</u>
Business-type activities:							
Food service operations	3,239,030	58,953	3,674,552	-		494,474	494,474
Day care operations	231,531	43,583	24,532	-	-	(163,416)	(163,416)
Total business-type activities	<u>3,470,561</u>	<u>102,536</u>	<u>3,699,084</u>	<u>-</u>	<u>-</u>	<u>331,058</u>	<u>331,058</u>
Total primary government	<u>\$ 51,523,996</u>	<u>\$ 7,895,378</u>	<u>\$ 7,327,882</u>	<u>\$ -</u>	<u>(36,631,795)</u>	<u>331,058</u>	<u>(36,300,737)</u>
General revenues:							
Taxes					7,653,385	-	7,653,385
State and formula grants					30,934,143	-	30,934,143
Investment Earnings					155,475	11,763	167,238
Miscellaneous					1,025,292	-	1,025,292
Total general revenues					<u>39,768,295</u>	<u>11,763</u>	<u>39,780,058</u>
Change in net position					3,136,500	342,821	3,479,321
Net position - beginning					435,313	(2,242,460)	(1,807,147)
Net position - ending					<u>\$ 3,571,813</u>	<u>\$ (1,899,639)</u>	<u>\$ 1,672,174</u>

See the accompanying notes to the financial statements.

Carter County School District
Balance Sheet
Governmental Funds
June 30, 2022

	Governmental Funds					
	<u>General</u>	<u>Special Revenue</u>	<u>Building Fund</u>	<u>Debt Service Fund</u>	<u>Total Other Funds</u>	<u>Total</u>
ASSETS						
Cash and cash equivalents	\$ 5,665,371	\$ (669,476)	\$ 3,740,766	\$ 1,351	\$ 502,501	\$ 9,240,513
Investments	-	-	-	3,633,555	-	3,633,555
Receivables, net						
Taxes-current	233,357	-	-	-	-	233,357
Taxes-delinquent	-	-	-	-	-	-
Accounts	8,921	1,138,357	-	-	-	1,147,279
Prepaid Expenditures	501,355	23,308	-	-	-	524,663
Total assets	<u>6,409,005</u>	<u>492,189</u>	<u>3,740,766</u>	<u>3,634,905</u>	<u>502,501</u>	<u>14,779,366</u>
LIABILITIES						
Accounts payable	150,605	191,543	-	-	999	343,147
Accrued Payroll & Related Expenses	139,531	-	-	-	-	139,531
Advances From Grantors	-	300,646	-	-	-	300,646
Accrued Sick Leave	466,961	-	-	-	-	466,961
Total liabilities	<u>757,097</u>	<u>492,189</u>	<u>-</u>	<u>-</u>	<u>999</u>	<u>1,250,284</u>
FUND BALANCE						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	3,740,766	-	-	3,740,766
Restricted Debt Service	-	-	-	3,634,905	-	3,634,905
Restricted Other	-	-	-	-	501,502	501,502
Unassigned	5,651,908	-	-	-	-	5,651,908
Total fund balance	<u>5,651,908</u>	<u>-</u>	<u>3,740,766</u>	<u>3,634,905</u>	<u>501,502</u>	<u>13,529,082</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 6,409,005</u>	<u>\$ 492,189</u>	<u>\$ 3,740,766</u>	<u>\$ 3,634,905</u>	<u>\$ 502,501</u>	<u>\$ 14,779,366</u>

See the accompanying notes to the financial statements.

Carter County School District
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
June 30, 2022

Fund balances-total governmental funds	\$	13,529,082
<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>		41,892,434
<p>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>		551,098
<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</p>		
Accrued interest payable		(171,756)
Bonds payable		(26,860,000)
Sick leave liability		(1,160,767)
Net pension liability		(12,407,095)
Net OPEB liability		(9,615,594)
Unamortized bond premium		(67,329)
Capital lease liability		(3,507)
<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 pensions		2,114,548
Deferred outflows related to OPEB		4,713,932
Deferred inflows related to OPEB		(6,553,975)
Eferred inflows related to pensions		(2,389,258)
		(2,389,258)
Net position of governmental activities	\$	3,571,813

See the accompanying notes to the financial statements.

Carter County School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2022

	<u>General</u>	<u>Special Revenue</u>	<u>FSPK Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
From Local Sources						
Taxes	\$ 6,418,551	\$ -	\$ 1,234,834	\$ -	\$ -	\$ 7,653,385
Earnings on investments	66,377	-	-	84,286	4,812	155,475
Other local revenue	189,474	132,981	-	-	636,493	958,949
Intergovernmental - state	30,934,143	1,920,526	2,326,228	552,403	388,867	36,122,167
Intergovernmental - federal	199,220	5,739,336	-	361,405	-	6,299,960
Total revenues	<u>37,807,765</u>	<u>7,792,842</u>	<u>3,561,062</u>	<u>998,094</u>	<u>1,030,173</u>	<u>51,189,935</u>
EXPENDITURES						
Instruction	22,322,585	6,063,157	-	-	719,584	29,105,325
Support Services						
Student	1,879,829	96,077	-	-	-	1,975,906
Instructional Staff	1,191,242	276,040	-	-	806	1,468,088
District Administration	1,166,180	53,000	-	-	-	1,219,180
School Administration	2,628,481	-	-	-	-	2,628,481
Business	720,985	47,656	-	-	-	768,641
Plant Operation & Maintenance	4,811,963	280,419	-	-	472,555	5,564,936
Student Transportation	3,145,775	169,224	-	-	59,344	3,374,344
Food Service	7,761	-	-	-	-	7,761
Community Operations	63,464	417,315	-	-	-	480,779
Building Acquisitions & Construction	-	-	-	-	-	-
Debt Service	-	-	-	3,039,799	-	3,039,799
Total expenditures	<u>37,938,265</u>	<u>7,402,888</u>	<u>-</u>	<u>3,039,799</u>	<u>1,252,288</u>	<u>49,633,239</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(130,500)	389,955	3,561,062	(2,041,705)	(222,116)	1,556,696
OTHER FINANCING SOURCES (USES)						
Sale of equipment	-	-	-	-	-	-
Bond proceeds	-	-	-	-	-	-
Underwriters discount	-	-	-	-	-	-
Payment to escrow agent	-	-	-	-	-	-
Operating transfers in	801,964	86,640	-	2,444,905	664,528	3,998,037
Operating transfers (out)	(161,634)	(476,595)	(2,656,243)	-	(508,467)	(3,802,939)
Total other financing sources and (uses)	<u>640,330</u>	<u>(389,955)</u>	<u>(2,656,243)</u>	<u>2,444,905</u>	<u>156,061</u>	<u>195,099</u>
NET CHANGE IN FUND BALANCE	<u>509,830</u>	<u>-</u>	<u>904,819</u>	<u>403,200</u>	<u>(66,055)</u>	<u>1,751,794</u>
FUND BALANCE-BEGINNING	<u>5,142,078</u>	<u>-</u>	<u>2,835,948</u>	<u>3,231,705</u>	<u>567,557</u>	<u>11,777,288</u>
FUND BALANCE-ENDING	<u>\$ 5,651,908</u>	<u>\$ -</u>	<u>\$ 3,740,766</u>	<u>\$ 3,634,905</u>	<u>\$ 501,502</u>	<u>\$ 13,529,082</u>

See the accompanying notes to the financial statements.

Carter County School District
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities**
Year ended June 30, 2022

Net change in fund balances-total governmental funds	\$	1,751,794
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.</p>		
District pension contributions less costs of benefits earned net employee contributions		(115,354)
<p>Governmental funds report district OPEB contributions as expenditures. However in the Statement of Activities, the cost of OPEB benefits earned net of employee contributions is reported as pension expense.</p>		
District OPEB contributions less costs of benefits earned net employee contributions		835,050
<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>		
		(1,584,862)
<p>The difference in the issue amount of the refunding of bond proceeds and the amount for payment to the escrow account to pay the refunded bonds is amortized over the life of the refunding issue.</p>		
		(59,063)
<p>Bonds sold at a discount/premium are deducted/added to the related bond issues and amortized over the life of the bond in the government wide financial statements, but are recognized in the year the bonds are sold in the fund financial statements.</p>		
		8,879
<p>Bond and capital lease 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>		
		2,083,389
<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>		
Accrued interest payable		13,586
Noncurrent sick leave payable		203,082
		216,668
Change in net position of governmental activities	\$	<u><u>3,136,500</u></u>

See the accompanying notes to the financial statements.

Carter County School District
Statement of Fund Net Position
Proprietary Funds
June 30, 2022

	Enterprise Funds		
	School Food Services	Other Enterprise Fund	Total
ASSETS			
Cash and cash equivalents	\$ 967,079	-	\$ 967,079
Accounts receivable	345,033	-	345,033
Inventories	56,808	-	56,808
Capital assets:			-
Other capital assets, net of depreciation	153,142	-	153,142
Total assets	<u>1,522,062</u>	<u>-</u>	<u>1,522,062</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	420,969	21,168	442,137
Deferred outflows related to OPEB	421,579	21,199	442,778
	<u>842,548</u>	<u>42,367</u>	<u>884,915</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>2,364,610</u>	<u>42,367</u>	<u>2,406,977</u>
LIABILITIES			
Accounts payable	9,618	-	9,618
Net pension liability	2,473,612	124,383	2,597,995
Net OPEB liability	742,575	37,340	779,915
Total liabilities	<u>3,225,805</u>	<u>161,723</u>	<u>3,387,528</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	476,348	23,953	500,301
Deferred inflows related to OPEB	398,737	20,050	418,787
Total deferred inflows of resources	<u>875,085</u>	<u>44,003</u>	<u>919,088</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>4,100,890</u>	<u>205,726</u>	<u>4,306,616</u>
NET POSITION			
Net Investment in capital assets	153,142	-	153,142
Deficit	(1,889,422)	(163,359)	(2,052,781)
Total net position	<u>(1,736,280)</u>	<u>(163,359)</u>	<u>(1,899,639)</u>
TOTAL LIABILITIES DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 2,364,610</u>	<u>\$ 42,367</u>	<u>\$ 2,406,977</u>

See the accompanying notes to the financial statements.

Carter County School District
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2022

	Enterprise Funds		
	School Food Services	Other Enterprise Fund	Total
OPERATING REVENUES			
Lunchroom sales	\$ 58,953	\$ -	\$ 58,953
Day Care Fees		43,583	43,583
Total operating revenues	58,953	43,583	102,535
OPERATING EXPENSES			
Salaries, Wages, and Benefits	1,425,089	233,430	1,658,520
Contractual Services	71,872	50	71,922
Materials and Supplies	1,517,836	(10,224)	1,507,612
Depreciation	37,410		37,410
Total operating expenses	3,052,206	223,256	3,275,463
Operating income (loss)	(2,993,254)	(179,674)	(3,172,927)
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental revenues	3,674,552	24,532	3,699,084
Transfers	(197,824)	2,725	(195,099)
Interest on investments	11,706	57	11,763
Total nonoperating revenues (expenses)	3,488,434	27,315	3,515,749
CHANGE IN NET POSITION	495,180	(152,359)	342,821
NET POSITION-BEGINNING	(2,242,460)	-	(2,242,460)
NET POSITION-ENDING	\$ (1,747,280)	\$ (152,359)	\$ (1,899,639)

See the accompanying notes to the financial statements.

Carter County School District
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2022

Enterprise Funds

School
Food
Services

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$	102,535
Payments to suppliers		(1,416,730)
Payments to employees		(1,461,755)
Net cash provided (used) by operating activities		<u>(2,775,950)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Operating grants and contributions		3,045,931
Transfers		(195,099)
Net cash provided (used) by noncapital financing activities		<u>2,850,832</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of capital assets		(11,000)
Interest		11,763
Net cash provided (used) by investing activities		<u>763</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

75,645

CASH AND CASH EQUIVALENTS-BEGINNING

891,433

CASH AND CASH EQUIVALENTS-ENDING

\$ 967,078

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:

Decrease in net assets	\$	342,822
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation		37,409
Changes in assets and liabilities:		
Receivables		(278,314)
Inventory		16,571
Net OPEB activity		2,871
Net pension activity		(6,394)
Accounts payable		(28,320)
Capital assets		(11,000)
Net increase in cash and cash equivalents	\$	<u><u>75,645</u></u>

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the district received \$174,552 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 \$200,287 provided by state government.

See the accompanying notes to the financial statements.

Carter County School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2022

	<u>Trust Funds</u>
ASSETS	
Cash and cash equivalents	\$ 141,369
Investments	11,114
Total assets	<u>152,483</u>
NET POSITION HELD IN TRUST	<u><u>152,483</u></u>

See the accompanying notes to the financial statements.

Carter County School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2022

		<u>Enterprise Funds</u>
		<u>Trust Funds</u>
ADDITIONS		
Investment income	\$	1,046
Contributions/Donations		1,200
Total additions		<u>2,246</u>
DEDUCTIONS		
Community Services		6,006
Total Ductions		<u>6,006</u>
CHANGE IN NET POSITION		(3,760)
NET POSITION-BEGINNING		<u>156,243</u>
NET POSITION-ENDING	\$	<u><u>152,483</u></u>

See the accompanying notes to the financial statements.

CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Note 1 – Nature of Activities:

A. Reporting Entity

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

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

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

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements. Copies of component unit reports may be obtained from the District's Finance Office at 228 South Carol Malone Blvd., Grayson, KY 41143.

Carter County School District Finance Corporation - On August 14, 1989, the Carter County Board of Education resolved to authorize the establishment of the Carter County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Carter County Board of Education also comprise the Corporation's Board of Directors.

B. Summary of Significant Accounting Policies and Description of Funds

Basis of Presentation

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide Statements - Provide information about the primary government (the District). The statements include a statement of net position and a statement of activities. These statements report the financial activities of the overall government and business-type activities of the District. Governmental

CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Note 1 – Nature of Activities (Cont.):

activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include 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 - 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. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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

The District has the following funds:

I. Governmental Fund Types

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

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

CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Note 1 – Nature of Activities (Cont.):

Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

(C) Capital Project Funds are used to account for financial resources to be used for acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).

i. The Support Education Excellence in Kentucky (SEEK) Capital Outlay fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.

ii. The Facility Support Program of Kentucky Fund (FSPK) accounts for funds generated by the building tax levy and also participates in the Kentucky 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.

iii. The Construction Fund includes Capital Projects Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

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

II. Proprietary Fund Type (Enterprise Fund)

(A) 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 contributions of commodities from the USDA. The Food Service Fund is a major fund.

(B) The Day Care Fund is used to account for daycare activities offered to the community for the days school is in session.

III. Fiduciary Fund Type (includes Agency and Trust Funds)

The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the *Uniform Program of Accounting for School Activity Funds*.

The Private Purpose Trust Funds are used to report trust agreements under which principal and income benefit individuals, private organizations, or other governments.

CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Note 1 – Nature of Activities (Cont.):

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. Propriety 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.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the 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.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

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 school year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue.

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.

CARTER COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Note 1 – Nature of Activities (Cont.):

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are appropriated in the next year. A reservation of fund balance equal to outstanding encumbrances at year-end is provided for at June 30, 2022. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements related to encumbrance accounting. Encumbrances outstanding at year-end are reported in the appropriate fund balance category (restricted, committed or assigned) since they do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective fund. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized.

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

<u>Description</u>	Governmental Activities <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	12 years
Furniture and fixtures	20 years
Rolling stock	15 years
Other general equipment	10 years

CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Note 1 – Nature of Activities (Cont.):

Interfund Activity

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

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

Supplies and materials are charged to expenditures when purchased with the exception of the Proprietary Funds, which records inventory at cost, on the first-in, first-out basis, using the accrual basis of accounting.

Budgetary Process

The District is required by state law to adopt annual budgets for the general fund, special revenue fund, capital outlay fund and the food service fund. The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major difference between the budgetary basis and the GAAP basis is that on-behalf payments made by the state for the District are not budgeted. See Note 14 for these amounts which were not known by the District at the time the budget was adopted.

Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. The District's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business property located in the District. The assessed value of property upon which the levy for the 2022 fiscal year was based was \$1,018,695,524.

The tax rates assessed for the year ended June 30, 2022, to finance general fund operations were \$.481 on real estate and \$.47 on motor vehicles, per \$100 valuation.

Taxes are due on October 1 and become delinquent by February 1 following the October 1 levy date. Current tax collections for the year ended June 30, 2022, were approximately 95.99% of the tax levy.

CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Note 1 – Nature of Activities (Cont.):

Accrued Liabilities and Long-Term Obligations

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

Fund Balance Reserves

The District reserves those portions of fund balances which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion, which is available for appropriation in future periods. Fund balances reserves have been established for accrued sick leave. Unreserved fund balances are composed of designated and undesignated portions. The undesignated portion of the unreserved fund balance represents that portion of fund balance that is available for budgeting in future periods. Designated fund balances represent tentative plans for future use of financial resources.

Fund Equity

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- I. Nonspendable fund balances include amounts that cannot be spent because they are in a nonspendable form, such as inventory, or prepaid expense amounts, or they are legally or contractually required to be maintained intact, such as the corpus of a permanent fund.
- II. Restricted fund balances are restricted due to legal restrictions from creditors, grantors, or laws and regulations of other governments or by legally enforceable enabling legislation or constitutional provisions.
- III. Committed fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority, which for the county is the five-member School Board. Said specific purposes and amounts are recorded in the official Board minutes of the fiscal year ended June 30, 2021.

CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Note 1 – Nature of Activities (Cont.):

IV. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

V. Assigned fund balances are constrained by the intent to use funds for specific purposes, but are neither restricted nor committed. Intent can be expressed by the five-member School Board or by a body or official to which the School Board has delegated the authority to assign amounts to be used for specific purposes. By reporting particular amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, the Board has assigned those amounts to the purposes of the respective funds.

VI. Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In other funds, any negative fund balances would be unassigned.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the propriety funds. For the District, those revenues are primarily charges for meals provided by the various schools. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the foods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

Interfund Activity

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

Restricted Resources

Restricted resources should be applied first when an expense is incurred for purposes for which both restricted and unrestricted net position are available. If an expense is incurred for purposes for which committed, assigned and unassigned fund balances are all available, the fund balances should be reduced in the following order: committed, assigned, and then unassigned.

CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Note 1 – Nature of Activities (Cont.):

Deferred Outflow of Resources:

A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period.

Balances of deferred outflows of resources may be presented in the statement of net position or governmental fund balance sheet as aggregations of different types of deferred amounts. For the fiscal year ended June 30, 2022, the District reported deferred outflows of resources on the government-wide financial statements for deferred pension contributions, deferred pension and OPEB payments and advance refunding bond payments.

Deferred Inflow of Resources

A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period.

Balances of deferred inflows of resources may be presented in the statement of net position or governmental fund balance sheet as aggregations of different types of deferred amounts. For the fiscal year ended June 30, 2022, the District reported deferred inflows of resources on the government-wide financial statements for deferred pension investment earnings and deferred OPEB investment earnings.

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 (“KTRS”) 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.

Note 2 - Recent Accounting Pronouncements:

GASB issued Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments.

Revenue Fund and a new non-major governmental fund, Student Activity Funds. See also Note T.

GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, effective for the District’s fiscal year ending June 30, 2021.

GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No.61*, effective for the District’s fiscal year ending June 30, 2021.

GASB issued Statement No. 95, *Postponement of the Effective dates of Certain Authoritative Guidance*, effective for the District’s fiscal year ending June 30, 2021.

The adoption of GASB statement Numbers 88, 90, and 95 did not have an impact on the District’s financial position or results of operations.

The GASB has issued several reporting standards that will become effective for fiscal year 2022 and later years’ financial statements.

CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

GASB issued Statement No. 87, *Leases*, effective for the District’s fiscal year ending June 30, 2022. This statement was adopted by the District this fiscal year.

GASB issued Statement No. 89, *Accounting for Interest Costs Incurred before the End of a Construction Period*, effective for the District’s fiscal year ending June 30, 2022.

GASB issued Statement No. 91, *Conduit Debt Obligations*, effective for the District’s fiscal year ending June 30, 2023.

GASB issued Statement No. 92, *Omnibus 2020*, effective for the District’s fiscal year ending June 30, 2022.

GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*, effective for the District’s fiscal year ending June 30, 2022.

GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for the District’s fiscal year ending June 30, 2023.

GASB issued statement No. 96, *Subscription-Based Information Technology Agreements*, effective for the District’s fiscal year ended June 30, 2023.

GASB issued statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32, effective for the District’s fiscal year end June 30, 2022.

GASB issued statement No. 98, *The Annual Comprehensive Financial Report*, effective for the District’s fiscal year ended June 30, 2022.

GASB Statement No. 99, *Omnibus 2022*, effective for the District’s year ended June 30, 2023

GASB Statement No. 100, *Accounting Changes and Error Corrections*—an amendment of GASB

Statement No. 62 effective for the District’s year ended June 30, 2024

GASB Statement No. 101, *Compensated Absences*, effective for the District’s year ended June 30, 2025

The impact of these pronouncements on the District’s financial statement has not been determined

Note 3 – Estimates:

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

Note 4 – Cash and Cash Equivalents:

The funds of the District must be deposited and invested under the terms of a contract. The depository bank places approved pledged securities for safekeeping and trust with the District’s agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived

CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At June 30, 2022, the carrying amount of the Board's cash and cash equivalents was \$10,207,592 and the bank balances totaled \$13,362,135 including and trust funds. Of the total bank balances, \$250,000 was secured by Federal Depository insurance and the remaining amount was covered by a collateral agreement and collateral held by the pledging banks' trust departments in the District's name.

The cash deposits held at financial institutions can be categorized according to three levels of risk.

These three levels of risks are as follows:

Category 1 - Deposits, which are insured or collateralized with securities, held by the District or by its agent in the District's name.

Category 2 - Deposits, which are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 - Deposits, which are not collateralized or insured.

Based on these three levels of risk, the District's uninsured cash deposits are classified as Category 2.

General Fund cash and cash equivalents at June 30, 2022, consisted of an interest bearing checking account.

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) Fund, Education Building Fund, Special Revenue (Grant) Funds, Bond and Interest Redemption Fund, School Food Service Funds, and School Activity Funds.

Note 5 – Capital Assets:

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

<u>Governmental Activities</u>	Balance <u>July 1, 2021</u>	Additions	Deductions	Balance <u>June 30, 2022</u>
Land	\$ 1,683,811	\$ -	\$ -	\$ 1,683,811
Land Improvements	248,262	-	-	248,262
Buildings and Improvements	71,781,631	-	-	71,781,631
Technology Equipment	268,491	5,500	-	273,991
Machinery and Equipment	334,164	47,898	7,499	374,563
Vehicles	<u>6,553,348</u>	<u>463,160</u>	<u>197,472</u>	<u>6,819,036</u>
Total	\$80,869,707	\$ 516,558	\$ 204,972	\$81,181,294
Less: Accumulated Depreciation:				
Land Improvements	\$ 248,261	\$ -	\$ -	\$ 248,261
Buildings and Improvements	31,934,098	1,679,074	-	33,613,172
Technology Equipment	253,233	8,763	-	261,996
Machinery and Equipment	223,838,	17,866	7,499	234,204
Vehicles	<u>4,732,981</u>	<u>395,718</u>	<u>197,473</u>	<u>4,931,226</u>
Total	\$37,392,411	\$2,101,421	\$ 204,972	\$39,288,860
Governmental Activities Capital Assets - Net:	<u>\$43,477,296</u>	<u>(\$1,584,863)</u>	<u>\$ -</u>	<u>\$41,892,434</u>
 <u>Business-Type Activities</u>				
Food Service Equipment	\$ 956,822	\$ 11,000	\$ -	\$ 967,822
Less: Accumulated Depreciation:	<u>777,270</u>	<u>37,410</u>	<u>-</u>	<u>814,679</u>
Business-Type Activities Capital Assets – Net	<u>\$ 179,552</u>	<u>\$ (26,410)</u>	<u>\$ -</u>	<u>\$ 153,142</u>

Depreciation expense was allocated to governmental functions as follows:

Instructional	\$ 12,917
District administration	9,433
School administration	120
Plant operation and maintenance	1,708,766
Student transportation	<u>370,185</u>
Total	<u>\$ 2,101,421</u>

CARTER COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Note 6 – Debt Obligations:

The amount shown in the accompanying financial statements as debt obligations represents the District's future obligations to make lease payments relating to the bonds issued by the Carter County School District Financial Corporation and the Kentucky School Construction Commission aggregating \$26,860,000.

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

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
2011	12,590,000	1.00% to 5.00%
2011	7,665,000	5.00%
2012	3,460,000	1.00% to 3.625%
2013	3,805,000	2.00% to 2.25%
2014	655,000	4.00%
2015	5,300,000	2.00% to 2.25%
2015	3,130,000	2.00% to 3.25%
2018	8,635,000	1.25% to 3.00%
2021	1,200,000	2.00% to 2.10%
	\$ 46,440,000	

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Carter County School District Financial Corporation and the Kentucky School Construction Commission 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 proceeds from certain refunding issues have been placed in escrow accounts to be used to service the related debt.

In prior years The Carter County School Finance Corporation issued Qualified School Construction Bonds (QSCBs). The QSCB is a federal program that provides bond holders with annual tax credits that are approximately equal to the interest that states and communities would ordinarily pay to the holders of taxable bonds. Sequestration affected the subsidy received from July 1, 2021 through June 30, 2022 by reducing payments from the Federal Government by 5.7% (\$21,845). The District was responsible to the bond holder for the reduction.

CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Note 6 – Debt Obligations (Cont.):

At June 30, 2022 the District had a balance of \$3,633,555 in a QSCB sinking fund as required by bond indentures. Future required deposits of \$320,636 is due annually until the bond is payable in full December 1, 2030.

The changes in the general long-term debt for the year ended June 30, 2022, were as follows:

	Balance <u>July 1, 2021</u>	<u>New Issues</u>	<u>Retirements</u>	Balance <u>June 30, 2022</u>
Revenue Bonds	\$ 28,940,000	\$ -	\$ 2,080,000	\$ 26,860,000
Accrued Sick Leave	1,712,221	152,341	236,834	1,627,728
Total	\$ <u>30,652,221</u>	\$ <u>152,341</u>	\$ <u>2,316,834</u>	\$ <u>28,487,728</u>

The District has entered into "participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2022, for debt service (principal and interest) are as follows:

Year	<u>Carter County School District</u>		<u>Kentucky School Facilities Construction Commission</u>		Total Principal
	Principal	Interest	Principal	Interest	
2023	1,686,474	421,097	443,526	108,877	2,130,000
2024	1,720,918	383,345	454,082	98,323	2,175,000
2025	1,764,053	341,767	465,947	86,457	2,230,000
2026	1,811,573	297,947	478,427	73,977	2,290,000
2027-2031	14,463,174	894,793	1,616,826	206,095	16,080,000
2031-2035	<u>1,663,337</u>	<u>110,998</u>	<u>291,663</u>	23,754	1,955,000
Total	<u>\$23,109,529</u>	<u>\$ 2,449,947</u>	<u>\$ 3,750,471</u>	<u>\$ 597,482</u>	<u>\$26,860,000</u>

Note 7 – Accumulated Unpaid Sick Leave Benefits:

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments. The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accrued sick leave" in the general fund. The noncurrent portion of the liability is not reported in the fund financial statements.

CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Note 8 – Interfund Transfers:

Interfund transfers at June 30, 2022, consisted of the following:

<u>Type</u>	<u>From</u>	<u>To</u>	<u>Purpose</u>	<u>Amount</u>
Operating	General	Special Revenue	Technology	\$ 81,640
Operating	General	Special Revenue	Community Education	5,000
Operating	General	Student Activity	Operating	2,269
Operating	General	Day Care	Operating	2,725
Operating	Special Revenue	Construction	Operating	472,555
Operating	Special Revenue	General	Indirect Cost	4,040
Operating	Capital Outlay	General	Operating	388,762
Operating	Building	General	Operating	211,338
Operating	Building	Debt Service	Debt Service	2,444,905
Operating	Food Service	General	Indirect Cost	197,824

CARTER COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Note 9 – Retirement Plans:

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

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

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

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

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

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

CARTER COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Note 9 – Retirement Plans (Cont.):

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

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

General information about the Teachers’ Retirement System of the State of Kentucky (“KTRS”)

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

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

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

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Note 9 – Retirement Plans (Cont.):

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

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

Contributions—Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.855% of their salaries to the System. University employees are required to contribute 9.895% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 7.68% of their salary to KTRS.

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

Medical Insurance Plan

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

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

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

CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Note 9 – Retirement Plans (Cont.):

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

At June 30, 2022, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District’s proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District’s proportionate share of the CERS net pension liability	\$ 15,005,090
Commonwealth’s proportionate share of the KTRS net pension liability associated with the District	\$ 66,707,186

The net pension liability for each plan was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District’s proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2021, the District’s proportion was 0.235345% percent.

For the year ended June 30, 2022, the District recognized pension expense of \$1,858,232 related to CERS. The District also recognized revenue and expense of \$5,730,319 for KTRS support provided by the Commonwealth. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected		
Experience	\$ 172,304	\$ 145,635
Changes of assumptions	201,386	
Net difference between actual projected and		
Actual earnings on pension plan investments	582,098	2,582,024
Changes in proportion and differences between		
District contributions and proportionate share of contributions	272,908	161,900
District contributions subsequent to the measurement date	<u>1,328,630</u>	
–	<u>2,557,326</u>	<u>2,889,559</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 9 – Retirement Plans (Cont.):

The \$1,328,630 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred (inflows) related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2022	(226,138)
2023	(367,779)
2024	(440,672)
2025	(626,274)
2026	0
Thereafter	0

Actuarial assumptions—The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>CERS</u>	<u>KTRS</u>
Inflation	2.30%	2.5000%
Salary increases	3.30-10.30%	3.00-7.50%
Investment rate of return, net of investment expense & inflation	6.25%	7.10%

For CERS, the mortality table used for active members was a Pub-2010 General Mortality table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table on mortality experience from 2013-2018 projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was a PUB-2010 Disabled Mortality table, with a 4-year set forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

For KTRS, Mortality rates were based Pub-2010 (Teachers Benefits-Weighted). Table projected generationally with MO-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 by the results of an actuarial experience study for the 5-year ending June 30, 2020 adopted by the board on September 20, 2021.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 9 – Retirement Plans (Cont.):

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Core Bonds	10.00%	0%
Cash	1.50%	-.60%
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A%
Real Return	<u>10.00%</u>	4.55%
	100.00%	

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap U.S Equity	37.4%	4.2%
Small Cap U.S Equity	2.6%	4.7%
Developed International Equity	16.5%	5.3%
Emerging Markets Equity	5.5%	5.4%
Fixed Income	15.0%	(0.1)%
High Yield Bonds	2.0%	1.7%
Other Additional Categories	5.0%	2.2%
Real Estate	7.0%	4.0%
Private Equity	7.0%	6.9%
Cash	<u>2.0%</u>	(0.3)%
	100%	

Discount rate-For CERS, the discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that the funds receive the required employer contributions each future year. The future contributions are projected in accordance with the current funding policy, as most recently revised by House Bill 8, passed during the 2021 legislative session. The assumed future employer contributions reflect the provisions of House Bill 362 passed during the 2018 legislative session, which limits the employer contribution rates to 12% over the prior fiscal year through June 30, 2028.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 9 – Retirement Plans (Cont.):

Discount rate—For KTRS, the discount rate used to measure the total pension liability 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 rates for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	5.25	6.25%	7.25%
District proportionate share			
Of net pension liability	\$19,244,739	\$15,005,090	\$11,496,879
KTRS	6.10	7.10%	8.10%
District proportionate share			
Of net pension liability	-	-	-

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 10 – Other Postemployment Benefit (OPEB) Plans:

Kentucky Teachers Retirement System OPEB Plans

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

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

Medical Insurance Plan

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to KTRS Medical Insurance Plan

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 10 – Other Postemployment Benefit (OPEB) Plans Cont.):

At June 30, 2022, the District reported a liability of \$10,395,509 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021, the District's proportion was 0.274559% percent. The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the CERS net OPEB liability	\$ 4,504,509
Commonwealth's proportionate share of the KTRS net OPEB liability associated with the District	<u>5,891,000</u>
	<u>10,395,509</u>

For the year ended June 30, 2021, the District recognized OPEB revenue and expense of \$395,785 for support provided by the State. At June 30, 2022, 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 actual and expected Experience	\$ 708,335	\$ 4,847,897
Changes of assumptions	2,735,231	4,189
Net difference between actual projected and Actual earnings on pension plan investments	226,950	1,559,618
Changes in proportion and differences between District contributions and proportionate share of contributions	224,354	561,058
District contributions subsequent to the measurement date	<u>1,261,199</u>	
	<u>5,156,069</u>	<u>6,972,762</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$1,261,199 is resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2023.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 10 – Other Postemployment Benefit (OPEB) Plans Cont.):

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

	<u>Year ending June 30:</u>
2022	(647,960)
2023	(757,956)
2024	(680,950)
2025	(835,027)
2026	(162,000)
Thereafter	(6)

Actuarial assumptions - The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.00%-7.50%, including inflation
Inflation rate	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Healthcare cost trend rates	
Under 65	7.00%, for FY2020 decreasing to an ultimate rate of 4.50% by FY2031
Ages 65 and Older	5.00%, for FY2022 decreasing to an ultimate rate of 4.50% by FY2024
Medicare Part B Premiums	4.40% for FY2021 with an ultimate rate of 4.50% by FY2034
Municipal Bond Index Rate	2.13%
Discount Rate	7.10%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including inflation

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

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2020 valuation were based on a review of recent plan experience done concurrently with the June 30, 2020 valuation.

The long-term expected rate of return on OPEB plan investments will be determined based on the allocation of assets by the asset class and by the mean and variance returns.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 10 – Other Postemployment Benefit (OPEB) Plans Cont.):

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	5.10%
Fixed Income	9.0%	(0.10%)
Real Estate	6.5%	4.00%
Additional Category; High Yield	8.0%	1.70%
Private Equity	8.5%	6.90%
Other Additional Categories	9.0%	2.20%
Cash (LIBOR)	<u>1.0%</u>	(0.30%)
	100%	

Discount rate - The discount rate used to measure the total OPEB liability 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 statutorily required rates. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total

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

	<u>6.10%</u>	<u>7.10%</u>	<u>8.10%</u>
District's proportionate share of net OPEB liability	\$ 7,542,000	\$ 5,891,000	\$ 4,526,000

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

	1% <u>Decrease</u>	Current <u>Trend Rate</u>	1% <u>Increase</u>
District's proportionate share of net OPEB liability	\$ 4,280,000	\$ 5,891,000	\$ 7,896,000

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 10 – Other Postemployment Benefit (OPEB) Plans Cont.):

Life Insurance Plan

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

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

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to KTRS Life Insurance Plan

At June 30, 2022, the District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of net OPEB liability	\$ -
Commonwealth's proportionate share of the net OPEB liability associated with the District	64,000

The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the actual liability of the employees and former employees relative to the total liability of the Commonwealth as determined by the actuary. At June 30, 2021, the District's proportion was 0.486411

For the year ended June 30, 2022, the District recognized OPEB expense and revenue of \$9,747 for support provided by the State.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 10 – Other Postemployment Benefit (OPEB) Plans (Cont.):

Actuarial assumptions - The total OPEB liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.00%-7.50%, including inflation
Inflation rate	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Healthcare cost trend rates	
Under 65	7.00%, for FY2020 decreasing to an ultimate rate of 4.50% by FY2031
Ages 65 and Older	5.00%, for FY2022 decreasing to an ultimate rate of 4.50% by FY2024
Medicare Part B Premiums	4.40% for FY2021 with an ultimate rate of 4.50% by FY2034
Municipal Bond Index Rate	2.13%
Discount Rate	7.10%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including inflation

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

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2020 valuation were based on a review of recent plan experience done concurrently with the June 30, 2020 valuation.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
U. S. Equity	40.0%	4.40%
International Equity	23.0%	5.60%
Fixed Income	18.0%	(0.10%)
Real Estate	6.0%	4.00%
Private Equity	5.0%	6.90%
Other Additional Categories	6.0%	2.10%
Cash (LIBOR)	2.0%	(0.30%)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 10 – Other Postemployment Benefit (OPEB) Plans (Cont.):

Discount rate - The discount rate used to measure the total OPEB liability for life insurance was 7.50%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

District's proportionate share of net OPEB liability	\$ 0	<u>6.10%</u>	0	<u>7.10%</u>	<u>8.10%</u>
					0

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

County Employees Retirement Systems OPEB Plan

Plan description: The County Employees Retirement System ("CERS") Insurance Fund was established to provide post-employment healthcare benefits to eligible members and dependents. The CERS Insurance Fund is a cost-sharing, multiple employer defined benefit plan administered by the Kentucky Retirement Systems' (KRS) board of trustees.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 10 – Other Postemployment Benefit (OPEB) Plans (Cont.):

Percentage of contribution ranges from 0% for less than 4 years of service to 100% for 20 years or more of service. For members who initiated participation in the CERS system after July 1, 2003 until August 31, 2008, members must have 120 months of service in a state-administered retirement system to qualify for participation in the KRS health plans. Members who began participating with KRS on or after September 1, 2008, must have 180 months of service upon retirement to participate in the KRS health plans. Non-hazardous retirees receive \$10 toward the monthly premium for each full year of service.

Contributions: CERS allocates a portion of the employer contributions to the health insurance benefit plans. For the year ending June 30, 2018, CERS allocated 4.70% of the 19.18% actuarially required contribution rate paid by employers for funding the healthcare benefit. In addition, 1.00% of the contributions by employees hired after September 1, 2008 are allocated to the health insurance plan. During the year ending June 30, 2018, the District contributed \$197,450 to the CERS Insurance Fund. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

Implicit Subsidy: 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. This implicit subsidy is included in the calculation of the total OPEB liability.

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

At June 30, 2022, the District reported a liability its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020. The total OPEB liability was rolled forward from the valuation date to the plan's fiscal year ending June 30, 2021 using generally accepted actuarial principles. The District's proportion of the net OPEB liability was based on contributions to CERS during the fiscal year ended June 30, 2021. At June 30 2021, the District's proportion was 0.235290%.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 10 – Other Postemployment Benefit (OPEB) Plans (Cont.):

At June 30, 2020, 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 actual and expected Experience	\$ 708,335	\$ 1,344,897
Changes of assumptions	1,194,231	4,189
Net difference between actual projected and Actual earnings on pension plan investments	226,950	931,618
Changes in proportion and differences between District contributions and proportionate share of contributions	61,354	138,058
District contributions subsequent to the measurement date	<u>362,753</u>	
	<u>2,553,623</u>	<u>2,418,762</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$362,753 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2023.

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 OPEB expense as follows:

	<u>Year ending June 30:</u>
2022	79,040
2023	(27,956)
2024	(27,950)
2025	(251,027)
2026	0
Thereafter	0

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 10 – Other Postemployment Benefit (OPEB) Plans (Cont.):

Actuarial Methods and Assumptions - The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	30 years, closed
Asset Valuation Method	20.00% of the difference between the market value of assets and
the expected actuarial value of assets is recognized	
Healthcare Trend Rates	Pre-65 Initial trend starting at 6.25% and gradually decreasing to an
ultimate trend rate of 4.05% over a period of 13 years	
	Post-65 Initial trend starting at 5.50% and gradually decreasing
	to an ultimate trend rate of 4.05% over a period of 14 years
Payroll Growth	2.00%
Inflation	2.30%
Salary Increase	3.30% to 10.30%
Investment Rate of Return	6.25%

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement. The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the below tables.

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

<u>Asset Class</u>	<u>Allocation</u>	<u>Real Rate of Return</u>
U. S. Equity*	21.75%	5.70%
International Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Core Bonds	10.00%	(0.00%)
Cash	1.50%	(0.60%)
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	<u>10.00%</u>	<u>4.55%</u>
Total & Expected real return	100.00%	5.00%

**Long-term Expected Real Rates of Return may vary by plans depending on the risk tolerance of the plan*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 10 – Other Postemployment Benefit (OPEB) Plans (Cont.):

Discount rate - The discount rate used to measure the total OPEB liability was 5.20%. The projection of cash flows used to determine the single discount rate assumed that local employers would contribute each future year as determined by the current funding policy established in the Statute as last amended by House Bill 8. This includes the phase-in provisions from House Bill 362. The discount rate determination used an expected rate of return of 1.92%, and a municipal bond rate of 2.45%, as reported in Fidelity Index's "20 -Year Municipal GO AA Index" as of June 30, 2021. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan's fiduciary net position and 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 retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the System's actuarial determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the Plan's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.34%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1 - percentage-point lower or 1 -percentage-point higher than the current rate:

District's proportionate share of net OPEB liability	<u>4.20%</u>	<u>5.20%</u>	<u>6.20%</u>
	\$4,504,509	\$4,504,509	\$3,125,669

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

District's proportionate share of net OPEB liability	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
	\$3,242,711	\$4,504,509	\$6,027,519

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 11 – Contingencies:

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

The District is subject to certain legal proceedings arising from normal business activities. Administrative officials believe that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the accompanying financial statements.

Note 12 – Risk Management:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, the District carries their insurance with Kentucky Employers' Mutual Insurance (KEMI), which is located in Lexington Kentucky. KEMI is a mutual insurance company regulated by the Kentucky Department of Insurance. The District pays annual premiums for their coverage. The premium for workers' compensation is based on a formula. The District is assigned a classification code for their industry and each classification code has a corresponding rate. Multiplying the rate times the estimated payroll for operations then dividing by 100 will give the base premium, in some cases, modifiers may also be added, based on eligibility, which may increase or decrease the premium. In other cases, additional coverage may be requested that increase the premium.

The District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 13 – COBRA:

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

Note 14 – On-Behalf Payments:

For fiscal year 2022, the Commonwealth of Kentucky contributed payments on behalf of the Carter County School District as follows:

<u>Plan/Description</u>	<u>Amount</u>
Kentucky Teachers Retirement System	\$ 5,730,318
Health & Life Insurance	4,732,413
Technology	159,151
Debt Service	<u>552,403</u>
Total	\$11,174,285

These amounts are included the Government-wide Statement of Activities as State Revenue and an expense allocated to the different functions in the same proportion as full-time employees.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 15 – Fund Balance:

The detailed components of the various fund balance categories as of June 30, 2022, are as follows:

Fund Balance	General Current Expense Fund	District and Student Activity Funds	Capital Outlay and Building Funds	Construction Fund	Debt Service Fund	Total Governmental Funds
Assigned to:						
Capital Expenditures	\$		3,740,766	\$	\$ -	\$ 3,740,766
Nonspendable	501,355		-	-	-	501,355
Restricted:						
Future Construction	-		-	-	-	-
Other	-	501,502	-	-	3,634,905	4,136,407
Unassigned	5,150,553		-	-	-	5,150,553
Total Fund Balance	<u>\$5,651,908</u>	\$501,502	\$3,740,766	<u>\$ -</u>	<u>\$3,634,905</u>	<u>\$ 13,529,081</u>

Note 16 – Encumbrances:

The District had no encumbrances as of June 30, 2022.

Note 17 – Commitments, Contingencies, and Subsequent Events:

All commitments, contingencies, and subsequent events have been evaluated by management and have been properly disclosed up through November 8, 2022, the date the financial statements were available to be issued.

Carter County School District
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
From Local Sources				
Taxes	5,697,802	6,225,306	6,418,551	193,245
Earnings on investments	25,000	10,000	66,377	56,377
Intergovernmental - state	30,067,355	30,709,729	30,934,143	224,414
Intergovernmental - federal	251,624	243,000	199,220	(43,780)
Other Sources	66,000	46,000	189,474	143,474
Total revenues	<u>36,107,781</u>	<u>37,234,035</u>	<u>37,807,765</u>	<u>573,730</u>
EXPENDITURES				
Instruction	23,154,598	23,080,421	22,322,585	757,836
Support Services				
Student	1,966,695	1,900,535	1,879,829	20,706
Instructional Staff	1,317,292	1,295,775	1,191,242	104,532
District Administration	801,206	845,275	1,166,180	(320,904)
School Administration	2,604,405	2,475,508	2,628,481	(152,974)
Business	631,112	646,091	720,985	(74,894)
Plant Operation & Maintenance	4,233,482	4,377,127	4,811,963	(434,835)
Student Transportation	3,266,243	3,247,101	3,145,775	101,326
Food Service	4,606	3,990	7,761	(3,771)
Day Care Operations		53,160	63,464	(10,304)
Total expenditures	<u>37,979,639</u>	<u>37,924,982</u>	<u>37,938,265</u>	<u>(13,283)</u>
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	(1,871,858)	(690,947)	(130,500)	560,447
OTHER FINANCING SOURCES (USES)				
Sale of equipment	5,000	5,000	-	(5,000)
Operating transfers in	747,309	787,383	801,964	14,581
Operating transfers (out)	(137,327)	(85,000)	(161,634)	(76,634)
Total other financing sources and (uses)	<u>614,982</u>	<u>707,383</u>	<u>640,330</u>	<u>(67,052)</u>
NET CHANGE IN FUND BALANCE	(1,256,876)	16,436	509,830	493,394
FUND BALANCE-BEGINNING	<u>3,287,237</u>	<u>5,142,160</u>	<u>5,142,078</u>	<u>(82)</u>
FUND BALANCE-ENDING	<u>\$ 2,030,361</u>	<u>\$ 5,158,596</u>	<u>\$ 5,651,908</u>	<u>\$ 493,312</u>

See the accompanying notes to the financial statements.

Carter County School District
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Special Revenue Fund
Year Ended June 30, 2022

	<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				
Other local revenue	\$ -	\$ -	\$ -	\$ -
Earnings on investments	-	-	-	-
Intergovernmental - state	1,682,814	1,924,072	1,920,526	(3,546)
Intergovernmental - federal	3,987,742	4,076,707	5,739,336	1,662,629
Other Sources	-	96,807	132,981	
Total revenues	<u>5,670,556</u>	<u>6,097,586</u>	<u>7,792,842</u>	<u>1,659,082</u>
EXPENDITURES				
Instruction	4,869,364	5,132,367	6,063,157	(930,789)
Support Services				
Student	32,907	52,319	96,077	(43,758)
Instructional Staff	196,652	239,326	276,040	(36,714)
District Administration	-	-	53,000	-
Business Support Services	25,000	27,200	47,656	-
Plant Operation & Maintenance	164,998	164,044	280,419	(116,375)
Student Transportation	-	122,816	169,224	(46,408)
Community Services Operations	437,816	443,058	417,315	25,743
Total expenditures	<u>5,726,737</u>	<u>6,181,130</u>	<u>7,402,888</u>	<u>(1,148,302)</u>
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	(56,181)	(83,544)	389,955	510,780
OTHER FINANCING SOURCES (USES)				
Operating transfers in	59,178	85,000	86,640	1,640
Operating transfers (out)	(2,997)	(1,456)	(476,595)	(475,139)
Total other financing sources and (uses)	<u>56,181</u>	<u>83,544</u>	<u>(389,955)</u>	<u>(473,499)</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE-BEGINNING	-	-	-	-
FUND BALANCE-ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying notes to the financial statements.

CARTER COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
CERS and TRS
For the year ended June 30, 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:							
Districts' proportion of the net pension liability (ass	0.23535%	0.15957%	0.15375%	0.16017%	0.16477%	0.16767%	0.16939%
District's proportionate share of the net pension lia \$	15,005,090	\$ 11,382,311	\$ 10,813,025	\$ 9,754,841	\$ 9,644,436	\$ 8,255,576	\$ 7,283,086
State's proportionate share of the net pensio liability (asset) associated with the Distric	-	-	-	-	-	-	-
Total	<u>\$ 15,005,090</u>	<u>\$ 11,382,311</u>	<u>\$ 10,813,025</u>	<u>\$ 9,754,841</u>	<u>\$ 9,644,436</u>	<u>\$ 8,255,576</u>	<u>\$ 7,283,086</u>
District's covered-employee payroll	\$ 6,183,940	\$ 3,801,299	\$ 3,576,288	\$ 3,973,000	\$ 4,017,598	\$ 3,999,811	\$ 3,952,293
District's proportionate share of the net pensio liability (asset) as a percentage of it: covered-employee payroll	242.65%	299.43%	302.35%	245.53%	240.05%	206.40%	184.27%
Plan fiduciary net position as a percentage of th total pension liability (asset	57.33%	47.81%	50.54%	53.40%	53.30%	59.00%	59.97%
KENTUCKY TEACHER'S RETIREMENT SYSTEM:							
Districts' proportion of the net pension liability (ass	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
District's proportionate share of the net pension lia \$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pensio liability (asset) associated with the Distric	66,707,186	52,971,915	51,873,848	50,850,207	105,942,079	116,532,506	91,110,678
Total	<u>\$ 66,707,186</u>	<u>\$ 52,971,915</u>	<u>\$ 51,873,848</u>	<u>\$ 50,850,207</u>	<u>\$ 105,942,079</u>	<u>\$ 116,532,506</u>	<u>\$ 91,110,678</u>
District's covered-employee payroll	\$ 18,950,089	\$ 12,922,900	\$ 12,830,543	\$ 13,029,458	\$ 12,925,599	\$ 12,940,309	\$ 12,485,277
District's proportionate share of the net pensio liability (asset) as a percentage of it: covered-employee payroll	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Plan fiduciary net position as a percentage of th total pension liability (asset	65.59%	58.27%	58.80%	59.30%	39.80%	35.22%	42.29%

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

CARTER COUNTY SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS
CERS and TRS
For the year ended June 30, 2022

	2022	2021	2020	2019	2018	2017	2016
COUNTY EMPLOYEE'S RETIREMENT SYSTEM:							
Contractually required contribution	\$ 1,328,630	\$ 889,228	\$ 861,730	\$ 799,218	\$ 728,252	\$ 750,487	\$ 682,368
Contributions in relation to the contractually required contribution	<u>1,328,630</u>	<u>889,228</u>	<u>861,730</u>	<u>799,218</u>	<u>728,252</u>	<u>\$ 750,487</u>	<u>\$ 682,368</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 6,183,940	\$ 3,695,874	\$ 3,801,299	\$ 3,576,288	\$ 3,973,000	\$ 4,017,598	\$ 3,999,811
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	21.49%	24.06%	22.67%	22.35%	18.33%	18.68%	17.06%
KENTUCKY TEACHER'S RETIREMENT SYSTEM:							
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 18,950,089	\$ 12,859,956	\$ 12,922,900	\$ 12,830,543	\$ 13,029,458	\$ 12,925,599	\$ 12,940,309
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%

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

**ROCKCASTLE COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION**

For the year ended June 30, 2022

(1) CHANGES OF BENEFITS

There were no changes of benefit terms for TRS or CERS.

(2) CHANGES OF ASSUMPTIONS

TRS

The following represents assumptions and changes of assumptions from the prior valuation to the valuation performed as of June 30, 2020:

- Remaining amortization period changed to 26.5 years
- Single Equivalent interest rate changed to 7.1%
- Municipal bond rate index changed to 2.13%
- Projected salary increase changed to 3.0 – 7.5%
- Investment rate of return changed to 7.1%

CERS

The following represents assumptions and changes of assumptions from the prior valuation to the valuation performed as of June 30, 2019:

- Remaining amortization period increased to 30 years
- Salary increase changed to 3.30 to 10.30%

(3) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

TRS

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

Valuation Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	26.5 years
Asset Valuation Method	5-year smoothed market value
Single Equivalent Interest Rate	7.1%
Municipal Bond Index Rate	2.13%
Inflation	2.5%
Projected Salary Increase	3.0 – 7.5% including inflation
Investment Rate of Return	7.1%, net of pension plan investment expense, including inflation

ROCKCASTLE COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION

For the year ended June 30, 2022

CERS

The Board of Trustees uses this actuarial valuation to certify the employer contribution rates for CERS for the fiscal year beginning July 1, 2021 and ending June 30, 2022. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of that schedule:

Valuation Date	June 30, 2019
Experience Study	July 1, 2013 to June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization	Period 30 years , Closed <i>Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases</i>
Payroll Growth Rate	2.0%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service for CERS Nonhazardous;
Investment Rate of Return	6.25% for CERS Nonhazardous and Hazardous,
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018 for

CARTER COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
MEDICAL AND LIFE INSURANCE PLANS - TEACHERS' RETIREMENT SYSTEM
For the year ended June 30, 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					
Districts' proportion of the net OPEB liability (asset)	0.27456%	0.20180%	0.20427%	0.20194%	0.20862%
District's proportionate share of the net OPEB liability (asset) \$	4,504,509	5,093,000	5,979,000	7,007,000	7,439,000
State's proportionate share of the collective net OPEB liability (asset) associated with the District	<u>5,891,000</u>	<u>4,080,000</u>	<u>4,828,000</u>	<u>6,038,000</u>	<u>6,076,000</u>
Total	<u>\$ 10,395,509</u>	<u>\$ 9,173,000</u>	<u>\$ 10,807,000</u>	<u>\$ 13,045,000</u>	<u>\$ 13,515,000</u>
District's covered-employee payroll	\$ 18,950,089	\$ 12,922,900	\$ 12,830,543	\$ 13,029,458	\$ 12,925,599
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	23.77%	39.41%	46.60%	53.78%	57.55%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	51.74	39.10%	32.60%	25.50%	21.20%
LIFE INSURANCE PLAN					
Districts' proportion of the net OPEB liability (asset)	0.000%	0.000%	0.000%	0.000%	0.000%
District's proportionate share of the net OPEB liability (asset) \$	-	-	-	-	-
State's proportionate share of the net OPEB liability (asset) associated with the District	<u>64,000</u>	<u>123,000</u>	<u>112,000</u>	<u>104,000</u>	<u>81,000</u>
Total	<u>\$ 64,000</u>	<u>\$ 123,000</u>	<u>\$ 112,000</u>	<u>\$ 104,000</u>	<u>\$ 81,000</u>
District's covered-employee payroll	\$ 18,950,089	\$ 12,922,900	\$ 12,830,543	\$ 13,029,458	\$ 12,925,599
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	0.000%	0.000%	0.000%	0.000%	0.000%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	89.15%	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.

See the accompanying notes to the required supplementary information.

CARTER COUNTY SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS
MEDICAL AND LIFE INSURANCE PLANS
TEACHERS' RETIREMENT SYSTEM
For the year ended June 30, 2022

	2022	2021	2020	2019	2018
MEDICAL INSURANCE PLAN					
Contractually required contribution	\$ 898,446	\$ 347,922	\$ 356,425	\$ 355,690	\$ 359,713
Contributions in relation to the contractually required contribution	<u>898,446</u>	<u>347,922</u>	<u>356,425</u>	<u>355,690</u>	<u>359,713</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 18,950,089	\$ 12,859,956	\$ 12,922,900	\$ 12,830,543	\$ 13,029,458
District's proportionate share as a percentage of it's covered-employee payroll	4.74%	2.71%	2.76%	2.77%	2.76%
LIFE INSURANCE PLAN					
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 18,950,089	\$ 12,859,956	\$ 12,922,900	\$ 12,830,543	\$ 13,029,458
District's proportionate share as a percentage of it's covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%

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

See the accompanying notes to the required supplementary information.

CARTER COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - HEALTH INSURANCE PLAN
COUNTY EMPLOYEE RETIREMENT SYSTEM
For the year ended June 30, 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					
Districts' proportion of the net OPEB liability (asset)	0.27456%	0.15370%	0.15371%	1.60160%	0.16477%
District's proportionate share of the net OPEB liability (asset) \$	4,504,509	3,582,419	2,585,282	2,843,679	3,312,420
State's proportionate share of the collective net OPEB liability (asset) associated with the District	-	-	-	-	-
Total	<u>\$ 4,504,509</u>	<u>\$ 3,582,419</u>	<u>\$ 2,585,282</u>	<u>\$ 2,843,679</u>	<u>\$ 3,312,420</u>
District's covered-employee payroll	\$ 6,183,940	\$ 3,801,299	\$ 3,576,288	\$ 3,973,000	\$ 4,017,598
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	72.84%	94.24%	72.29%	71.58%	82.45%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	73.08%	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.

See the accompanying notes to the required supplementary information.

CARTER COUNTY SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS - HEALTH INSURANCE PLAN
COUNTY EMPLOYEE RETIREMENT SYSTEM
For the year ended June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
MEDICAL INSURANCE PLAN					
Contractually required contribution	\$ 362,753	\$ 180,942	\$ 108,373	\$ 85,818	\$ 76,400
Contributions in relation to the contractually required contribution	<u>362,753</u>	<u>180,942</u>	<u>108,373</u>	<u>85,818</u>	<u>76,400</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 6,183,940	\$ 3,695,874	\$ 3,801,299	\$ 3,576,288	\$ 3,973,000
District's proportionate share as a percentage of it's covered-employee payroll	5.87%	4.90%	2.85%	2.40%	1.92%

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

See the accompanying notes to the required supplementary information.

CARTER COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-OPEB

Year ended June 30, 2022

TRS

(1) CHANGES OF BENEFIT TERMS

There were no changes of benefit terms for the medical insurance fund or the life insurance fund.

(2) CHANGES OF ASSUMPTIONS

- In the 2020 experience study, rates of withdrawal, retirement, disability, mortality and 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
- The assumed long-term investment rate of return was changed from 8% to 7.1%. The price inflation assumption was
- The rates of member participation and spousal participation were adjusted to reflect actual experience more closely.

(3) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

Medical Insurance Fund

The actuarially determined contribution rates, as a percentage of payroll used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2018:

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of payroll
Remaining Amortization	26 years, closed
Asset Valuation Method	5-year smoothed fairvalue
Inflation	3.0%
Real wage growth	0.5%
Wage inflation	3.5%
Salary Increase	3.5 to 7.2%, including inflation
Discount rate	7.5%

CERS

Other Pension Benefit Programs-Employees' Health Plan

(1) CHANGES OF BENEFIT TERMS

There were no changes of benefit terms.

(2) CHANGES OF ASSUMPTIONS

- Amortization period increased to 30.
- Salary increase changed from 3.30 – 11.55% to 3.30 – 10.30%
- Mortality methodology changed from RP-2000 to MP-2014
- Health care trend rates Pre-65 changed to having an initial trend rate of 6.25% decreasing to

CARTER COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-OPEB

Year ended June 30, 2022

- 4.05% over 13 years
- Health care trend rates Post-65 changed to having an initial trend rate of 5.5% decreasing to 4.05% over 11 years

(3) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

Recipients of CERS retirement benefits may elect to participate in a voluntary hospital/medical group insurance plan for themselves and their dependents. The cost of participation for their dependents is borne by the retiree. The retirement system will pay a portion of the cost of participation for the retiree based on years of service as follows: Less than 4 years – 0%, 4-9 years – 25%, 10-14 years – 50%, 15-19 years – 75% and 20 or more years – 100%.

Contributions requirements for medical benefits are a portion of the actuarially determined rates of covered payroll, as disclosed above.

Actuarial Valuations as Of	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	20% of difference between the market value of assets and the expected actuarial value of assets.
Amortization Method	Level percent of pay
Amortization Period	30 years, closed at June 30, 2019
Payroll Growth	2.00%
Investment Return	6.25%
Price Inflation	2.30%
Salary Increase	3.30 – 10.30%, varies by service
Mortality	MP-2014 mortality improvement scale using a base year of 2019
Healthcare Trend Rates (Pre-65)	Initial trend starting at 6.25% and gradually decreasing to an ultimate trend rate of 4.05% over period of 13 years.
Healthcare Trend Rates (Post 65)	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 4.05% over period of 11 years.
Healthcare Trend Rates (Phase-In)	Board certified rate is phased into the actuarially determined rate in accordance with HB362 enacted in 2018.

Carter County School District
Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2022

	<u>District Activity</u>	<u>Student Activity Fund</u>	<u>Capital Outlay</u>	<u>Construction</u>	<u>Total</u>
Assets					
Cash and Cash Equivalents	\$ 110,262	\$ 392,240	\$ -	\$ -	\$ 502,501
Total Assets	<u>110,262</u>	<u>392,240</u>	<u>-</u>	<u>-</u>	<u>502,501</u>
Liabilities					
Accounts Payable	\$ 126	\$ 874	\$ -	\$ -	\$ 999
Total Liabilities	<u>126</u>	<u>874</u>	<u>-</u>	<u>-</u>	<u>999</u>
Fund Balance					
Restricted	110,136	391,366	-	-	501,502
Total Fund Balance	<u>\$ 110,262</u>	<u>\$ 392,240</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 502,501</u>

See the accompanying notes to the financial statements.

Carter County School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
Year ended June 30, 2022

	<u>District Activity</u>	<u>Student Activity Fund</u>	<u>Capital Outlay</u>	<u>Construction</u>	<u>Total</u>
Revenues					
From Local Sources					
Student Activities	\$ 60,925	\$ 496,855			\$ 557,780
Earnings on Investments	1,067	3,745			4,812
Other Local Revenue	2,577	76,136			78,713
Intergovernmental	105		388,762		388,867
	<u>64,674</u>	<u>576,736</u>	<u>388,762</u>	<u>-</u>	<u>1,030,173</u>
Total Revenues					
	<u>64,674</u>	<u>576,736</u>	<u>388,762</u>	<u>-</u>	<u>1,030,173</u>
Expenditures					
Instruction	66,116	653,468			719,584
Instructional Staff Support Services	806	-			806
Student Transportation	2,298	57,046			59,344
Building Improvements				472,555	472,555
	<u>69,220</u>	<u>710,514</u>	<u>-</u>	<u>472,555</u>	<u>1,252,288</u>
Total Expenditures					
	<u>69,220</u>	<u>710,514</u>	<u>-</u>	<u>472,555</u>	<u>1,252,288</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(4,546)</u>	<u>(133,778)</u>	<u>388,762</u>	<u>(472,555)</u>	<u>(222,116)</u>
Other Financing Sources (Uses)					
Transfers In		191,974		472,555	664,528
Transfers Out		(119,705)	(388,762)		(508,467)
	<u>-</u>	<u>72,269</u>	<u>(388,762)</u>	<u>472,555</u>	<u>156,061</u>
Total Other Financing Sources (Uses)					
	<u>-</u>	<u>72,269</u>	<u>(388,762)</u>	<u>472,555</u>	<u>156,061</u>
Net Change in Fund Balances	(4,546)	(61,509)	-	-	(66,055)
Fund Balance Beginning	<u>114,681</u>	<u>452,876</u>			<u>567,557</u>
Fund Balance Ending	<u>\$ 110,136</u>	<u>\$ 391,366</u>	<u>-</u>	<u>-</u>	<u>\$ 501,502</u>

See the accompanying notes to the financial statements.

Carter County School District
Combining Balance Sheet of Fiduciary Fund - School Activity Funds
 June 30, 2022

SCHOOL ACTIVITY FUNDS

	WEST CARTER HIGH SCHOOL	EAST CARTER HIGH SCHOOL	WEST CARTER MIDDLE SCHOOL	EAST CARTER MIDDLE SCHOOL	CARTER CITY ELEMENTARY	HERITAGE ELEMENTARY	STAR ELEMENTARY	TYGART CREEK ELEMENTARY	PRICHARD ELEMENTARY	OLIVE HILL ELEMENTARY	CARTER COUNTY CAREER & TECHNICAL	TOTAL
ASSETS												
Cash and cash equivalents	\$ 92,882	87,748	19,728	54,012	10,506	14,133	6,665	21,502	30,183	28,860	\$ 26,020	392,239
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-	-
Total Assets	<u>92,882</u>	<u>87,748</u>	<u>19,728</u>	<u>54,012</u>	<u>10,506</u>	<u>14,133</u>	<u>6,665</u>	<u>21,502</u>	<u>30,183</u>	<u>28,860</u>	<u>26,020</u>	<u>392,239</u>
LIABILITIES												
Accounts payable	874	-	-	-	-	-	-	-	-	-	-	874
FUND BALANCE												
School activities	92,009	87,748	19,728	54,012	10,506	14,133	6,665	21,502	30,183	28,860	26,020	391,366
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 92,882</u>	<u>\$ 87,748</u>	<u>\$ 19,728</u>	<u>\$ 54,012</u>	<u>\$ 10,506</u>	<u>\$ 14,133</u>	<u>\$ 6,665</u>	<u>\$ 21,502</u>	<u>\$ 30,183</u>	<u>\$ 28,860</u>	<u>\$ 26,020</u>	<u>\$ 392,239</u>

See the accompanying notes to the financial statements.

Carter County School District
Combining Statement of Revenues, Expenses and Changes In Fund Balance
 - School Activity Fund
 Year ended June 30, 2022

SCHOOL ACTIVITY FUNDS

	<u>WEST CARTER HIGH SCHOOL</u>	<u>EAST CARTER HIGH SCHOOL</u>	<u>WEST CARTER MIDDLE SCHOOL</u>	<u>EAST CARTER MIDDLE SCHOOL</u>	<u>CARTER CITY ELEMENTARY</u>	<u>HERITAGE ELEMENTARY</u>	<u>STAR ELEMENTARY</u>	<u>TYGART CREEK ELEMENTARY</u>	<u>PRICHARD ELEMENTARY</u>	<u>OLIVE HILL ELEMENTARY</u>	<u>CARTER COUNTY CAREER & TECHNICAL</u>	<u>TOTAL</u>
Revenues												
Student/Trust revenues	\$ 218,872	196,850	33,674	52,929	5,311	40,333	2,056	4,246	4,956	2,202	\$ 15,308	576,737
Expenses												
Student/Trust activities	<u>266,216</u>	<u>267,677</u>	<u>32,310</u>	<u>65,475</u>	<u>3,796</u>	<u>41,528</u>	<u>78</u>	<u>12,115</u>	<u>822</u>	<u>8,165</u>	<u>12,332</u>	<u>710,514</u>
Excess (Deficit) of Revenues Over Expenses	(47,344)	(70,827)	1,364	(12,546)	1,515	(1,195)	1,978	(7,869)	4,134	(5,963)	2,976	(133,777)
Fund Balance Beginning	<u>106,033</u>	<u>132,885</u>	<u>12,905</u>	<u>58,759</u>	<u>8,991</u>	<u>15,328</u>	<u>4,687</u>	<u>29,372</u>	<u>25,979</u>	<u>32,053</u>	<u>25,883</u>	<u>452,875</u>
Fund Balance Ending	\$ <u>58,689</u>	\$ <u>62,058</u>	\$ <u>14,269</u>	\$ <u>46,213</u>	\$ <u>10,506</u>	\$ <u>14,133</u>	\$ <u>6,665</u>	\$ <u>21,503</u>	\$ <u>30,113</u>	\$ <u>26,090</u>	\$ <u>28,859</u>	\$ <u>319,098</u>

See the accompanying notes to the financial statements.

Carter County School District
Statement of Revenues, Expenses and Changes in the Fund Balance - East Carter High School
 Year ended June 30, 2022

	FUND BALANCE BEGINNING	REVENUES	EXPENSES	TRANSFERS	FUND BALANCE ENDING
A.P.E.S.	123	122.50	-		246
AP CLUB	8,727	13,459	11,348		10,839
ARCHERY	781	781	455		1,107
ATHLETICS	575	32,030	37,865		(5,260)
BAND	3,697	19,782	15,385		8,094
BASEBALL	-	8,983	11,868		(2,885)
BASKETBALL-BOYS	7,158	29,015	23,902		12,271
BASKETBALL-GIRLS	5,368	18,840	18,840		5,368
BETA CLUB	897	6,088	5,540		1,446
CENTRAL	7,321	9,006	5,731		10,595
CHEERLEADERS	3,390	14,680	7,456		10,613
COMMUNITY TRANSITION	125	125	100		150
CLASS OF 2020	791	-	-		791
CLASS OF 2021	742	742	600		884
CLASS OF 2022	1,365	8,740	7,688		2,417
CLASS OF 2023	805	8,984	3,884		5,905
CLASS OF 2024	-	555	-		555
CLASS OF 2025	-	620	-		620
CROSS COUNTRY	5,065	8,681	5,954		7,792
CULINARY	-	78	78		-
DRAMA CLUB	74	74	74		74
FBLA	6,274	17,555	13,993		9,836
FCCLA	2,907	4,107	1,748		5,266
FFA	13,392	34,361	24,619		23,133
FISHING	429	2,039	1,275		1,193
FMD	718	718	76		1,360
FOOTBALL	12,795	59,399	52,537		19,657
FRENCH ACCOUNT	140	4,231	4,230		141
GOLF	-	3,479	2,597		882
GOLF - BOYS	250	-	300		(50)
GOLF - GIRLS	75	-	-		75
GUIDANCE	5,547	5,547	3,258		7,837
JROTC	5,650	8,676	6,332		7,994
LIBRARY	877	13,254	9,820		4,311
MATH DEPT	457	457	-		914
RADD UNITE	1,648	1,648	-		3,296
SOCCER-GIRLS	3,105	6,233	3,132		6,206
SOCCER-BOYS	2,972	10,607	7,192		6,387
SOFTBALL	46	7,331	6,669		708
SPECIAL EDUCATION	1,768	1,768	369		3,167
TEACHERS LOUNGE	610	806	578		838
TENNIS	11,376	19,242	10,723		19,895
TRACK	5,363	13,639	6,939		12,063
TRACK-GIRLS	-	450	212		238
TSA	465	-	-		465
UNIFIED CLUB	795	2,279	1,277		1,797
VOLLEYBALL	10,374	13,969	11,222		13,121
YEARBOOK	2,766	4,413	3,983		3,196
TOTALS	<u>\$ 137,803</u>	<u>\$ 417,592</u>	<u>\$ 329,845</u>	<u>\$ -</u>	<u>\$ 225,551</u>

Completed

See the accompanying notes to the financial statements.

Carter County School District
Statement of Revenues, Expenses and Changes in the Fund Balance - West Carter High School
 Year ended June 30, 2022

	FUND BALANCE BEGINNING	REVENUES	EXPENSES	TRANSFERS	FUND BALANCE ENDING	Completed
16TH REGION PRINCIPAL	2,674	2,674	-		5,348	
3D ARCHERY	80	80	-		160	
4-H	156	156	-		312	
ACADEMIC TEAM	35	35	-		70	
ACT	317	317	135		499	
ADVANCED KY	855	990	1,117		728	
AP CLUB	266	265	98		434	
ARCHERY TEAM	298	297	245		350	
ART	149	149	-		298	
ATHLETICS	2,073	40,966	37,550		5,489	
BAND	1,063	4,387	4,121		1,329	
BASEBALL	2,728	9,546	8,091		4,183	
BASKETBALL-BOYS	10,839	37,028	24,397		23,470	
BASKETBALL-GIRLS	6,395	32,891	28,255		11,030	
BD	209	210	-		419	
BETA CLUB	-	449	106		343	
BIOLOGY CLUB	19	19	19		19	
BOOK CLUB	624	624	624		624	
BUY THE DRESS	981	982	-		1,963	
CCR	242	242	242		242	
CENTRAL	1,130	5,547	5,061		1,616	
CHEERLEADERS	3,134	18,968	16,940		5,162	
CLASS OF 2020	2,169	-	-		2,169	
CLASS OF 2021	1,790	1,187	1,187		1,790	
CLASS OF 2022	1,228	9,873	9,201		1,900	
CLASS OF 2023	585	2,179	500		2,264	
CLASS OF 2024	-	45	-		45	
CLASS OF 2025	-	2,169	2,169			
CROSS COUNTRY	865	866	857		873	
DANCE	1	0	0		1	
EKC TOURNAMENT-WES	-	-	-		-	
FAMILY RESOURCE	6,200	7,950	-		14,150	
FBLA	-	3,159	2,807		351	
FCA	-	426	426			
FCCLA	3,485	4,146	2,351		5,280	
FFA	28,802	70,931	50,981		48,752	
FISHING	370	1,879	160		2,089	
FLOWER FUND	27	520	-		547	
FMD	1,509	1,509	368		2,650	
FOOTBALL	-	16,431	16,463		(32)	
GAMING	120	120	120		120	
GOLF-BOYS	45	3,795	2,590		1,250	
GOLF-GIRLS	-	-	-		-	
IT	45	45	-		90	
KHSAA CHEER	-	-	-		-	
JROTC	1,611	6,146	4,378		3,380	
LIBRARY	25	61	-		86	
MATH DEPARTMENT	185	300	165		320	
MOCK TRIAL	120	120	-		240	
PEP CLUB	736	736	-		1,472	
PROM ACCOUNT	937	2,436	1,366		2,007	
SENIOR FAREWELL	1,617	33,557	33,351		1,823	
SENIOR SPOTLIGHT	-	1,725	1,450		275	
SOCCER-BOYS	1,427	4,220	3060.73		2,586	
SOCCER-GIRLS	1,394	4,807	3537.14		2,663	
SOFTBALL	-	9,648	10293.74		(646)	
SPANISH CLUB	680	680	679.94		680	
SPECIAL ED.	55	55	-		110	
SPORTS MEDICINE	875	2,375	748.62		2,501	
TEACHERS LOUNGE	12	317	164.00		165	
TEEN WRITERS	-	-	-		-	
TENNIS	476	2,160	2,306.65		330	
TEXTBOOKS	94	-	-		94	
THOMAS K. BONZO	22	58	-		80	
TRACK	-	76	57.62		18	
TRACK-BOYS	2,585	4,966	4,223.95		3,327	
VOLLEYBALL	1,548	13,076	8,933.05		5,691	
WCYSC	2,229	-	-		2,229	
WRESTLING	-	812	439.18		373	
Y-CLUB	1,860	13,957	13,957.49		1,860	
YEARBOOK	10,956	14,777	2,811.65		22,921	
TOTALS	\$ 79,819	\$ 401,115	\$ 309,106	\$ -	\$ 171,828	

See the accompanying notes to the financial statements.

Ashland Independent School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Expenditures
US Department of Agriculture				
Passed Through State Department of Education				
* National School Lunch Program	10.555			
Fiscal Year 21		7750002 21	\$ -	\$ 305,774
Fiscal Year 22		7750002 22	-	1,769,436
Fiscal Year 21		7970000 21	-	140,910
Fiscal Year 21		9990000 21	-	
Fiscal Year 22		9980000 22	-	102,739
* Summer Food Service Program	10.559			
Fiscal Year 21		7690024 21	-	5,982
Fiscal Year 21		7740023 21	-	58,411
* National School Breakfast Program	10.553			
Fiscal Year 21		7760005 21	-	116,629
Fiscal Year 22		7760005 22	-	766,729
Child Nutrition Cluster Subtota				<u>3,266,610</u>
State Administrative Grant for Nutrition	10.560			
Fiscal Year 21		7700001 21	-	5,818
Passed Through State Department of Agriculture				
Food Donation-Commodities	10.565			
Fiscal Year 22		510.4950	-	174,552
Total US Department of Agriculture				<u>3,446,980</u>
US Department of Education				
Passed Through State Department of Education				
Title I Grants to Local Educational Agencies	84.010	3100002 19	-	1,354
Title I Grants to Local Educational Agencies	84.010	3100002 20	-	164,415
Title I Grants to Local Educational Agencies	84.010	3100002 21	-	1,926,552
				<u>2,092,321</u>
Special Education Grants to States	84.027	3810002 19	-	22,115
Special Education Grants to States	84.027	3810002 20	-	5,479
Special Education Grants to States	84.027	3810002 21	-	969,266
Special Education Grants to States COVID	84.027	4910002 21	-	179,644
Special Education - Preschool Grants	84.173	3800003 21	-	6,116
Special Education - Preschool Grants	84.173	3800002 21	-	55,064
Special Education Cluster Subtota				<u>1,237,684</u>
Stiving Readers	84.323	84.371C	-	14,661
Vocation Education - Basic Grants to States	84.048	3710002 20	-	18,139
Vocation Education - Basic Grants to States	84.048	3710002 21	-	73,439
				<u>91,578</u>
Rural Education	84.358	3140002 21	-	75,557
Improving Teacher Quality	84.367	320002 20	-	13,026
Improving Teacher Quality	84.367	320002 21	-	224,208
				<u>237,234</u>
Title IV Part A	84.424	3420002 20	-	11,795
Title IV Part A	84.424	3420002 21	-	151,766
				<u>163,561</u>
* Elementary and Secondary School Emergency Relief Fund - COVID	84.425	420023 21	-	434,569
* Elementary and Secondary School Emergency Relief Fund - COVID	84.425	4200003 21	-	58,094
* Elementary and Secondary School Emergency Relief Fund - COVID	84.425	400000 20	-	253,801
* American Rescue Plan Emergency & Secondary Funds	84.425U	4300002 21	-	1,025,502
* American Rescue Plan Emergency & Secondary Funds	84.425GD	4300005 21	-	5,103
				<u>1,777,069</u>
Total US Department of Education				<u>5,689,665</u>
US Department of Health & Human Services				
Child Care Development Block Grant	93.575	N/A	-	14,132
TOTALUS Department of Health & Human Services				<u>14,132</u>
US Department of Defense				
ROTC	12.000	504I	-	103,885
Total U.S. Department of Defense				<u>103,885.00</u>
Total Expenditure of Federal Awards				<u>\$ 9,254,662</u>

* Major program

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

CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2022

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Carter County School District under the programs of the federal government for the year ended June 30, 2021. 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 Carter 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, 2022, the District received food commodities totaling \$174,552.

NOTE D – INDIRECT COST RATE

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

Shad J. Allen, CPA, PLLC

PO Box 974
Richmond, Kentucky 40476
Phone 859-806-5290
Fax 859-349-0061

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 Carter County School District
Mt. Vernon, KY

We have audited, in accordance with the 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 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 Carter County School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Carter County School District's basic financial statements, and have issued our report thereon dated November 8, 2022

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or 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 Carter County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial

statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated November 8, 2022.

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.

Shad J. Allen, CPA, PLLC

Richmond, KY

November 8, 2022

Shad J. Allen, CPA, PLLC

PO Box 974
Richmond, Kentucky 40476
Phone 859-806-5290
Fax 859-349-0061

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 Carter County School District
Mt. Vernon, KY

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Carter 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 Carter County School District's major federal programs for the year ended June 30, 2022. Carter County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Carter County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Carter County

School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will not 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 Carter County School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the 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, 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 Carter County School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Carter County School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Carter County School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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.

Shad J. Allen, CPA, PLLC

Richmond, KY

November 8, 2022

CARTER COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year ended June 30, 2022

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:

Elementary and Secondary School Emergency Relief Fund – COVID 19 [CFDA 84.425]
 American Rescue Plan Emergency & Secondary Funds [CFDA 84.425]
 Child Nutrition Clustter [CFDA 10.555, 10.559, 10.553]

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.

CARTER COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended June 30, 2021

There were no prior year findings.

Shad J. Allen, CPA, PLLC

PO Box 974
Richmond, Kentucky 40476
Phone 859-806-5290
Fax 859-349-0061

MANAGEMENT LETTER

Carter County School District
Grayson, Kentucky

In planning and performing our audit of the financial statements of the Carter County School District for the year ended June 30, 2022, 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.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the District's internal control in our report dated November 8, 2022. This letter does not affect our report dated November 8, 2022, on the financial statements of the Carter County School District. The conditions observed are as follows:

CARTER ELEMENTARY SCHOOL

Condition: Multiple receipts were identified that were over \$100 and were not deposited timely per Redbook.

Recommendation for Correction: Deposit receipts within the timeframe specified by RedBook.

Management Response to the Recommendation: Bank receipts with supporting documentation not limited to the receipt issued to each teacher or sponsor and the deposit ticket initialed by the principal shall be scanned and submitted to the finance officer for review after each deposit is made to verify timeliness of deposit.

HERITAGE ELEMENTARY SCHOOL

No conditions identified.

OLIVE HILL ELEMENTARY SCHOOL

No conditions identified.

PRICHARD ELEMENTARY SCHOOL

No conditions identified.

STAR ELEMENTARY SCHOOL

No conditions identified.

TYGART ELEMENTARY SCHOOL

No conditions identified.

EAST MIDDLE SCHOOL

No conditions identified.

WEST MIDDLE SCHOOL

No conditions.

EAST CARTER HIGH SCHOOL

1-22

Multiple receipts were identified that were over \$100 and were not deposited timely per Redbook.

Recommendation for Correction: Deposit receipts within the timeframe specified by RedBook.

Management Response to the Recommendation: Receipts will be deposited the day received as evidenced by an administrator initialing each deposit ticket.

WEST CARTER HIGH SCHOOL

No conditions identified.

CARTER COUNTY CAREER TECHNICAL SCHOOL

No conditions identified.

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

Dr. Paul Green, Superintendent, is the person responsible for initiation of the corrective action plan for the above conditions which will be implemented immediately. The corrective action plan is the management response for each condition.

We would like to thank the Finance Officer, Mr. Andy Lyons, and their 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.

Shad J. Allen, CPA, PLLC

Shad J. Allen, CPA, PLLC

Richmond, Kentucky

November 8, 2022