

FULTON COUNTY SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2023

FULTON COUNTY SCHOOL DISTRICT TABLE OF CONTENTS

Introductory Section

Board of Education and Administrative Staff

Financial Section

Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements	
Balance Sheet – Governmental Funds	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	17
Statement of Net Position – Proprietary Funds.....	18
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds.....	19
Statement of Cash Flows – Proprietary Funds	20
Statement of Fiduciary Net Position – Fiduciary Funds	21
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	22
Notes to Financial Statements	23
Required Supplementary Information Section	
Statement of Budgetary Comparison – General Fund.....	59
Statement of Budgetary Comparison – Special Revenue Fund	60
Schedule of the District's Proportionate Share of the Net Pension Liability – County Employee's Retirement System	61
Schedule of the District's Pension Contributions – County Employee's Retirement System.....	62
Schedule of the District's Proportionate Share of the Net OPEB Liability – County Employee's Retirement System	63
Schedule of the District's OPEB Contributions – County Employee's Retirement System.....	64
Schedule of the Commonwealth of Kentucky's Proportionate Share of the Net Pension Liability Associated with Fulton County School District – Special Funding Situation – Kentucky Teachers' Retirement System	65
Schedule of the District's Pension Contributions – Kentucky Teachers' Retirement System	66
Schedule of the District's Proportionate Share of the Net OPEB Liability – Medical Insurance Fund – Special Funding Situation – Kentucky Teachers' Retirement System	67
Schedule of the District's OPEB Contributions – Medical Insurance Fund – Kentucky Teachers' Retirement System.....	68
Schedule of the Commonwealth of Kentucky's Proportionate Share of the Net OPEB Liability – Life Insurance Fund Associated with Fulton County School District – Special Funding Situation – Kentucky Teachers' Retirement System	69

FULTON COUNTY SCHOOL DISTRICT TABLE OF CONTENTS

Schedule of the District's OPEB Contributions – Life Insurance Fund – Kentucky Teachers' Retirement System.....	70
Notes to Required Supplementary Information.....	71
 Supplementary Information Section	
Combining Balance Sheet – Nonmajor Governmental Funds	75
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	76
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Special Revenue Student Activity Funds	77
Schedule of Expenditures of Federal Awards.....	78
Notes to Schedule of Expenditures of Federal Awards	80
 Internal Control and Compliance Section	
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 <i>Government Auditing Standards</i>	81
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance.....	83
Schedule of Findings and Questioned Costs.....	86
 Management Letter Points	
Independent Auditor's Transmittal Letter for Management Letter Points.....	87
Management Letter Points.....	88
 Summary Schedule of Prior Audit Findings	
Summary Schedule of Prior Management Letter Points.....	90

INTRODUCTORY SECTION

FULTON COUNTY SCHOOL DISTRICT

June 30, 2023

BOARD OF EDUCATION

Perry Turner, Chairperson
Kimberly Hagler, Vice-Chair
Barry Patrick, Member
Rob Garrigan, Member
Brian Emmons, Member

ADMINISTRATIVE STAFF

Patrice Chambers, Superintendent
Jennifer Davis, Finance Officer

FINANCIAL SECTION



Independent Auditor's Report

Kentucky State Committee for School District Audits
Fulton County Board of Education
Hickman, Kentucky

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 Fulton County School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Fulton County School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Fulton County School District as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Fulton County School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Fulton County School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of 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 Fulton County School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fulton County School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-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 information, pension information, OPEB information and notes to required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of

management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fulton County School District's basic financial statements. The combining nonmajor fund financial statements and combining statement of revenues and expenditures, and changes in fund balance – special revenue student activity funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and notes to schedule of expenditures of federal awards are presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also 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 nonmajor fund financial statements, combining statement of revenues and expenditures, and changes in fund balance – special revenue student activity funds, the schedule of expenditures of federal awards and related notes are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 28, 2024, on our consideration of the Fulton County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Fulton County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing*

Standards in considering Fulton County School District's internal control over financial reporting and compliance.

ATA, PLLC

Murray, Kentucky
May 28, 2024

FULTON COUNTY SCHOOLS

Proficiency, Positive Relationships, & Pilot Pride

2780 Moscow Avenue

Hickman, Kentucky 42050

Telephone: (270) 236-3923 Fax: (270) 236-2184 Site: www.fulton.kyschools.us

FULTON COUNTY SCHOOL DISTRICT – HICKMAN, KY MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) YEAR ENDED JUNE 30, 2023

The discussion and analysis of the Fulton County School District (District) provides a narrative overview and analysis of the District’s financial statements and activities for the fiscal year ended June 30, 2023. Readers are encouraged to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning cash balance for the District was \$4,745,470, and the ending cash balance was \$6,517,586. This total incorporates all funds. This is an increase of \$1,772,116. The General Fund cash balance at the beginning of the year was \$1,096,855. The General Fund cash balance at year-end was \$3,055,230, this is an increase of \$1,958,375. These increases are predominantly due to an increase of General Fund revenues of \$202,270 and Construction Fund revenues exceeding expenditures by \$912,524 related to ongoing construction projects throughout the District.
- The General Fund had \$6,254,599 in revenue, which primarily consisted of the state program (SEEK), property, franchise, utilities, and motor vehicle taxes, in which the local tax revenue decreased by \$79,339 while SEEK increased \$66,705. The General Fund expenditures were \$5,812,538 which was higher by \$415,727 over the previous year. This was due predominantly to payroll expenditure increases at the District.
- The total net position of governmental activities for the year was \$6,288,257 compared to \$3,090,322 last year. The change resulted directly from the \$2,775,797 of insurance proceeds received in relation to roof damage suffered by the school districts during a major storm.
- Governmental Capital Assets increased from \$9,417,758 to \$10,930,338. Other than depreciation expense, there were capital asset additions that included two new vehicles, erosion repair, an intercom system at the Four Rivers building and a welding booth. Business-type capital assets increased from \$53,050 to \$126,787 due to the purchase of various food service equipment items. All capital assets are listed net of accumulated depreciation.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These financial statements are organized so the reader can understand the Fulton County School District as a whole or as one operating entity (government-wide financial statements). The statements then proceed to provide an increasingly detailed look at the District’s operations by providing information about the District’s most significant funds (fund financial statements).

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the District's finances. These statements include the Statement of Net Position and the Statement of Activities. The District is divided into two distinct types of activities:

- **Governmental activities** – All of the District's programs and services are reported here, including instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities. Total Revenues for governmental activities are \$12,797,065. The sources of the revenue are; 60% State aid and state and federal grants, 15% Local Tax Revenue, 3%, indirect costs reimbursements, interest, and donations, and 22% insurance proceeds. Total Expenditures are \$9,599,130, comprised of 59% Instruction, 22% Student Support and Administration, 11% Plant Operations and Management, 5% Student Transportation and 3% Non-instructional and interest. Expenditures exceed revenues by \$3,197,935.
- **Proprietary (Business-Type) Activity** – This service is provided on a charge for goods or services basis to recover all the expenses on the goods or services provided. The Food Service enterprise fund is reported as a business activity. Total Revenues are \$946,285, with 80% being funded by the federal nutrition program, and 20% from A La Carte food items purchased, investment earnings, revenue for on behalf payments, and donations. Total Expenditures are \$907,388, with revenues exceeding expenditures by \$38,897.
- **General Fund Activity** – Total Revenues are \$6,254,599, with 70% being from State or federal sources, 29% being from Local Tax, and 1% from Interest and Donations. Total Expenditures are \$5,812,538, comprised of 48% Instruction, 33% Student Support and Administration, 19% Plant Operations and Management and Student Transportation, with revenues exceeding expenditures by \$442,061. The ending fund balance is \$3,154,654, with \$24,000 restricted for Sick Leave, \$54,070 Assigned for Encumbered purchase obligations, \$7,162 Nonspendable for Prepaid Expenses, and \$3,069,422 Unassigned at the end of the year.
- **Special Revenue Fund Activity** – The fund balance at June 30, 2023 was \$0, and there was a net change in fund balance for the year ended June 30, 2023 of \$0 as all revenues were offset by expenditures.
- **Construction Fund Activity** – The fund balance at June 30, 2023 was \$985,907, and the net change in fund balance for the year ended June 30, 2023 was \$912,524. This change was related to insurance proceeds received in relation to roof damage on District buildings and related expenditures to replace the roofs.
- **Student Activity Fund Activity** – The fund balance at June 30, 2023 was \$112,711, and the net change in fund balance for the year ended June 30, 2023 was \$(116).
- **District Activity Fund Activity** – The fund balance at June 30, 2023 was \$183,134, and the net change in fund balance for the year ended June 30, 2023 was \$15,398.
- **Capital Outlay Fund Activity** – The fund balance at June 30, 2023 was \$25,059, and the net change in fund balance for the year ended June 30, 2023 was \$0 as all revenues were offset by fund transfers out.
- **Building Fund Activity** – The fund balance at June 30, 2023 was \$5,434, and the net change in fund balance for the year ended June 30, 2023 was \$0 as all revenues were offset by fund transfers out.

- Debt Service Fund Activity – The fund balance at June 30, 2023 was \$3,326, and the net change in fund balance for the year ended June 30, 2023 was \$0 as all revenues were offset by fund transfers out.
- J. Coffey Memorial Scholarship Fund Activity – The fund balance at June 30, 2023 was \$114,707, and the net change in fund balance for the year ended June 30, 2023 was \$(1,017).

General Fund Budgetary Highlights: The District’s budget is prepared according to Kentucky law and is based on accounting for certain transactions on a cash basis for receipts, expenditures and encumbrances. The most significant budgeted fund is the General Fund. The Kentucky Department of Education requires a zero-based budget with any remaining fund balance to be shown as a contingency expenditure in the budgeting process. The budget is adjusted during the year as necessary. The main adjustments made during the year was related to increased local property taxes and state funding.

Budgeted Revenues were \$4,249,653 and Actual Revenues were \$4,486,013 with the variance being \$236,360. Budgeted Expenditures were \$5,385,121 and Actual Expenses were \$4,043,952 with the variance being \$1,341,169. \$1,284,764 was budgeted for as Contingency and for Miscellaneous Debt Service in case there was an emergent need. Budgeted line items fell in line with actual results within an immaterial amount.

Future Budgetary Implications: The District’s contingency amount for FY 23-24 is \$888,073 which exceeds the Kentucky minimum requirement of 2% of expenditures. Pay increases for classified employees are 1 ½% each year, and the certified employees pay scale increases accordingly with years of experience and rank. We are anticipating tax revenue to increase in the upcoming year due to an increase in the property assessment and the board took the compensating rate on property taxes. State SEEK funding is expected to remain constant. Enrollment numbers have been constant and we may see a slight increase in enrollment with changes in state law as to where students may attend school.

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

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. There is a state mandated uniform 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. Fund financial statements report the District’s operations in more detail than the government-wide statements by providing information about the District’s most significant funds. The only proprietary funds are our food service operations and the fiduciary funds include our school activity funds and private purpose trust funds. All other activities of the district are included in the governmental funds.

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 SCHOOL DISTRICT AS A WHOLE – GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Statement of Net Position provides the perspective of the District as a whole. Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,340,823 as of June 30, 2023.

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.

Capital Assets: The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, building and improvements, vehicles and furniture and equipment) less any related debt used to acquire those assets that is 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 capital assets total \$11,057,125. \$8,657,502 or 78% is Building and improvements. Comparatively last year total assets were \$9,470,808 with Building and improvements being \$9,100,334 or 96% of the total. Construction in Progress of \$1,863,273 as of June 30, 2023 is related to replacing roofs for multiple District buildings that suffered damage from the tornado that struck the area in December 2021.

Long-term Debt: The District's total of outstanding bonds is \$6,120,406, of which \$449,735 is current bonds and \$5,670,671 is noncurrent. \$1,739,972 is the amount the Kentucky School Construction Commission will pay. 97% of the debt is for Building Improvements and Renovations and 3% is KISTA bonds for buses. Long-term debt decreased due to regular bond payments being made.

Table 1 provides a comparison of the District's net position for 2023 and 2022:

Table 1

<u>Net Position as of June 30,</u>	<u>2023</u>	<u>2022</u>	<u>Change</u>
Assets			
Current assets	\$ 6,949,371	\$ 5,372,807	\$ 1,573,564
Capital assets	10,897,387	9,283,295	1,617,092
Property under capital lease	159,738	187,513	(27,775)
Total Assets	18,006,496	14,843,615	3,162,881
Deferred Outflows of Resources			
Deferred amount on refunding	25,925	32,839	(6,914)
Pension related	285,294	217,448	67,846
OPEB related	794,862	553,535	241,327
Total Deferred Outflows of Resources	1,106,081	803,822	302,259
Liabilities			
Current liabilities	2,696,642	2,475,906	220,736
Noncurrent liabilities	9,398,646	9,193,650	204,996
Total Liabilities	12,095,288	11,669,556	425,732
Deferred Inflows of Resources			
Pension related	15,597	216,517	(200,920)
OPEB related	660,869	657,373	3,496
Total Deferred Inflows of Resources	676,466	873,890	(197,424)
Net Position			
Net investment in capital assets	4,962,644	2,944,524	2,018,120
Restricted	314,336	298,938	15,398
Unrestricted	1,063,843	(139,471)	1,203,314
Total Net Position	\$ 6,340,823	\$ 3,103,991	\$ 3,236,832

The variance in current assets is due to the increase in cash as noted in the Financial Highlights section on page 4. The increase in capital assets is due to Construction in Progress that was noted on page 7. Changes in the deferred outflows and inflows line items represent year to year actuarial changes in the District's Pension and OPEB liabilities. The increase in current liabilities is due to an additional influx of ESSER grant funding in the Special Revenue fund during the year that remains unspent, along with other grant monies, as of June 30, 2023. The increase in noncurrent liabilities is due to increases in the net pension and OPEB liabilities in relation to updated pension amounts provided by the state.

Table 2 shows changes in net position for the fiscal years 2023 and 2022:

Table 2

<u>Statement of Activities for the</u> <u>year ended June 30,</u>	<u>2023</u>	<u>2022</u>	<u>Change</u>
Revenues			
Program Revenues:			
Charges for services	\$ 52,453	\$ 28,442	\$ 24,011
Operating grants and contributions	3,833,047	3,887,022	(53,975)
General Revenues:			
Local taxes	1,981,426	2,044,712	(63,286)
State revenues	4,727,648	4,414,243	313,405
Investment earnings	56,013	29,378	26,635
Other revenues	3,092,763	346,462	2,746,301
Total Revenues	13,743,350	10,750,259	2,993,091
Expenses			
Instruction	5,683,590	5,130,782	552,808
Support services:			
Student	275,074	204,114	70,960
Instructional staff	267,203	155,112	112,091
District administration	599,713	561,066	38,647
School administration	500,640	474,004	26,636
Business	422,978	364,173	58,805
Plant operations and management	1,066,712	1,065,770	942
Student transportation	453,898	370,505	83,393
Non-instructional	116,982	124,733	(7,751)
Interest on long-term debt	184,565	190,953	(6,388)
Amortization - unallocated	27,775	27,775	-
Food service	907,388	839,850	67,538
Total Expenses	10,506,518	9,508,837	997,681
Change in Net Position	\$ 3,236,832	\$ 1,241,422	\$ 1,995,410

The increase in state revenues from the prior year is predominantly due to an increase in SEEK funding. The increase in Other Revenues is due to insurance proceeds received in relation to storm damage that multiple District buildings had suffered in prior years. Instructional expenditures increased significantly due to purchases made with the special federal COVID-19 funding.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Table 3 provides a comparison of the District's General Fund Statement of Revenue, Expenditures, and Changes in Fund Balance for 2023 and 2022:

Table 3

**Table 3: General Fund: Statement of
Revenues, Expenditures and Changes in
Fund Balance for the year ended June 30,**

	2023	2022	Change
Revenues			
Taxes	\$1,830,958	\$1,910,685	\$ (79,727)
Earnings on investment	49,511	24,347	25,164
Other local revenue	18,838	98,177	(79,339)
Intergovernmental – State	4,308,268	4,006,729	301,539
Intergovernmental – Federal	47,024	12,391	34,633
Total Revenues	6,254,599	6,052,329	202,270
Expenditures			
Current			
Instruction	2,816,355	2,558,277	258,078
Support services			
Student	172,241	162,221	10,020
Instructional staff	264,825	156,141	108,684
District administration	594,655	527,871	66,784
School administration	483,202	510,505	(27,303)
Business	382,201	342,004	40,197
Plant operation and mgt.	663,744	682,039	(18,295)
Student transportation	435,315	457,753	(22,438)
Total Expenditures	5,812,538	5,396,811	415,727
Excess (Deficit) of Revenues Over Expenditures	442,061	655,518	(213,457)
Other Financing Sources (Uses)			
Capital lease proceeds	-	58,850	(58,850)
Transfers in	171,059	214,369	(43,310)
Transfers out	(57,875)	(83,256)	25,381
Indirect cost reimbursements	51,635	219,680	(168,045)
Total Other Financing Sources (Uses)	164,819	409,643	(244,824)
Net Change in Fund Balance	606,880	1,065,161	(458,281)
Fund Balance, July 1	2,547,774	1,482,613	1,065,161
Fund Balance, end of year	\$ 3,154,654	\$ 2,547,774	\$ 606,880

Questions regarding this report should be directed to Patrice Chambers, Superintendent or Jennifer Davis, Finance Officer, at (270) 236-3923 or by mail at 2780 Moscow Avenue, Hickman, KY 42050

BASIC FINANCIAL STATEMENTS

FULTON COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2023

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 6,184,418	\$ 333,168	\$ 6,517,586
Receivables			
Accounts	411,757	-	411,757
Intergovernmental - Federal	-	4,812	4,812
Prepaid expenses	7,162	-	7,162
Inventories	-	8,054	8,054
Capital assets not being depreciated			
Land	11,000	-	11,000
Construction in progress	1,863,273	-	1,863,273
Capital assets, net of accumulated depreciation			
Land improvements	67,895	-	67,895
Buildings and improvements	8,657,502	-	8,657,502
Technology equipment	32,981	-	32,981
Vehicles	125,546	-	125,546
General equipment	12,403	126,787	139,190
Property under capital lease	159,738	-	159,738
Total assets	<u>17,533,675</u>	<u>472,821</u>	<u>18,006,496</u>
Deferred Outflows of Resources			
Deferred amount on refunding	25,925	-	25,925
Pension related	228,033	57,261	285,294
OPEB related	753,340	41,522	794,862
Total deferred outflows of resources	<u>1,007,298</u>	<u>98,783</u>	<u>1,106,081</u>
Liabilities			
Accounts payable	65,563	27,549	93,112
Unearned revenue	2,067,549	-	2,067,549
Accrued interest	44,721	-	44,721
Long-term liabilities			
Portion due or payable within one year			
Bonds and leases	449,735	-	449,735
Accrued sick leave	41,525	-	41,525
Portion due or payable after one year			
Bonds and leases	5,670,671	-	5,670,671
Accrued sick leave	162,946	3,612	166,558
Pension liability	1,399,872	351,501	1,751,373
OPEB liability	1,714,101	95,943	1,810,044
Total liabilities	<u>11,616,683</u>	<u>478,605</u>	<u>12,095,288</u>
Deferred Inflows of Resources			
Pension related	12,467	3,130	15,597
OPEB related	623,566	37,303	660,869
Total deferred inflows of resources	<u>636,033</u>	<u>40,433</u>	<u>676,466</u>
Net Position			
Net investment in capital assets	4,835,857	126,787	4,962,644
Restricted for			
Accumulated sick leave	24,000	-	24,000
SFCC escrow	25,059	-	25,059
Future construction	991,341	-	991,341
District activity	183,134	-	183,134
Debt service	3,326	-	3,326
Unrestricted	225,540	(74,221)	151,319
Total net position	<u>\$ 6,288,257</u>	<u>\$ 52,566</u>	<u>\$ 6,340,823</u>

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

FULTON COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction	\$ 5,683,590	\$ -	\$ 2,945,717	\$ -	\$ (2,737,873)	\$ -	\$ (2,737,873)
Support services							
Student	275,074	-	-	-	(275,074)	-	(275,074)
Instructional staff	267,203	-	-	-	(267,203)	-	(267,203)
District administration	599,713	-	-	-	(599,713)	-	(599,713)
School administration	500,640	-	-	-	(500,640)	-	(500,640)
Business	422,978	-	-	-	(422,978)	-	(422,978)
Plant operations and management	1,066,712	-	-	-	(1,066,712)	-	(1,066,712)
Student transportation	453,898	-	-	-	(453,898)	-	(453,898)
Non-instructional services	116,982	-	-	-	(116,982)	-	(116,982)
Interest on long-term debt	184,565	-	-	-	(184,565)	-	(184,565)
Amortization - unallocated	27,775	-	-	-	(27,775)	-	(27,775)
Total governmental activities	<u>9,599,130</u>	<u>-</u>	<u>2,945,717</u>	<u>-</u>	<u>(6,653,413)</u>	<u>-</u>	<u>(6,653,413)</u>
Business-Type Activities							
Food service	<u>907,388</u>	<u>52,453</u>	<u>887,330</u>	<u>-</u>	<u>-</u>	<u>32,395</u>	<u>32,395</u>
Total business-type activities	<u>907,388</u>	<u>52,453</u>	<u>887,330</u>	<u>-</u>	<u>-</u>	<u>32,395</u>	<u>32,395</u>
Total primary government	<u>\$ 10,506,518</u>	<u>\$ 52,453</u>	<u>\$ 3,833,047</u>	<u>\$ -</u>	<u>(6,653,413)</u>	<u>32,395</u>	<u>(6,621,018)</u>
General revenues:							
Taxes							
Property					1,381,790	-	1,381,790
Motor vehicle					180,579	-	180,579
Utilities					367,595	-	367,595
Other					51,462	-	51,462
Investment earnings					49,511	6,502	56,013
Other local revenue					218,307	-	218,307
Indirect costs reimbursements					51,635	-	51,635
State aid - formula grants					4,727,648	-	4,727,648
Medicaid reimbursement					47,024	-	47,024
Insurance proceeds					2,775,797	-	2,775,797
Total general revenues					<u>9,851,348</u>	<u>6,502</u>	<u>9,857,850</u>
Change in net position					3,197,935	38,897	3,236,832
Net position, beginning of year					<u>3,090,322</u>	<u>13,669</u>	<u>3,103,991</u>
Net position, end of year					<u>\$ 6,288,257</u>	<u>\$ 52,566</u>	<u>\$ 6,340,823</u>

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

FULTON COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 3,055,230	\$ 1,813,617	\$ 985,907	\$ 329,664	\$ 6,184,418
Receivables					
Accounts	147,938	263,819	-	-	411,757
Prepaid expenditures	7,162	-	-	-	7,162
Total assets	<u>\$ 3,210,330</u>	<u>\$ 2,077,436</u>	<u>\$ 985,907</u>	<u>\$ 329,664</u>	<u>\$ 6,603,337</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 55,676	\$ 9,887	\$ -	\$ -	\$ 65,563
Unearned revenue	-	2,067,549	-	-	2,067,549
Total liabilities	<u>55,676</u>	<u>2,077,436</u>	<u>-</u>	<u>-</u>	<u>2,133,112</u>
Fund Balances					
Nonspendable	7,162	-	-	-	7,162
Restricted	24,000	-	985,907	216,953	1,226,860
Committed	-	-	-	112,711	112,711
Assigned	54,070	-	-	-	54,070
Unassigned	3,069,422	-	-	-	3,069,422
Total fund balances	<u>3,154,654</u>	<u>-</u>	<u>985,907</u>	<u>329,664</u>	<u>4,470,225</u>
Total liabilities and fund balances	<u>\$ 3,210,330</u>	<u>\$ 2,077,436</u>	<u>\$ 985,907</u>	<u>\$ 329,664</u>	<u>\$ 6,603,337</u>

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

FULTON COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2023

Total fund balances - governmental funds	\$	4,470,225
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets and inventories used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$20,524,659, and the accumulated depreciation is \$9,594,321.		10,930,338
Certain long-term assets related to deferred amounts on refunding bonds are not reported in the governmental funds because they are not available to pay current period expenditures. These assets are, however, included in the statement of net position.		25,925
Deferred outflows of resources related to pensions and OPEB are not reported in the governmental fund because the consumption of net position will occur in future periods.		981,373
Deferred inflows of resources related to pensions and OPEB are not reported in the governmental fund because the acquisition of net position will occur in future periods.		(636,033)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Accrued interest on the bonds	(44,721)	
Bonds and leases payable	(6,120,406)	
Accrued sick leave payable	(204,471)	
Pension liability	(1,399,872)	
OPEB liability	(1,714,101)	
	(9,483,571)	(9,483,571)
Total net position - governmental activities	\$	<u>6,288,257</u>

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

FULTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2023

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
From local sources					
Taxes					
Property	\$ 1,231,327	\$ -	\$ -	\$ 150,462	\$ 1,381,789
Motor vehicle	180,579	-	-	-	180,579
Utilities	367,595	-	-	-	367,595
Other	51,457	-	-	-	51,457
Earnings on investments	49,511	-	-	-	49,511
Other local revenues	18,838	3,306	-	234,884	257,028
Intergovernmental - State	4,308,268	632,884	-	419,381	5,360,533
Intergovernmental - Indirect Federal	47,024	2,263,430	-	-	2,310,454
Total revenues	<u>6,254,599</u>	<u>2,899,620</u>	<u>-</u>	<u>804,727</u>	<u>9,958,946</u>
Expenditures					
Current					
Instruction	2,816,355	2,298,390	-	228,534	5,343,279
Support Services					
Student	172,241	98,032	-	-	270,273
Instructional staff	264,825	-	-	-	264,825
District administration	594,655	(15,915)	-	-	578,740
School administration	483,202	-	-	-	483,202
Business	382,201	35,124	-	-	417,325
Plant operation and management	663,744	110,575	-	-	774,319
Student transportation	435,315	99,087	-	-	534,402
Non-instructional services	-	114,512	-	-	114,512
Facilities acquisition and construction	-	-	1,863,273	1,754	1,865,027
Debt service					
Debt service & miscellaneous	-	-	-	438,714	438,714
Interest & issuance costs	-	-	-	177,760	177,760
Total expenditures	<u>5,812,538</u>	<u>2,739,805</u>	<u>1,863,273</u>	<u>846,762</u>	<u>11,262,378</u>
Excess (deficit) of revenues over expenditures	<u>442,061</u>	<u>159,815</u>	<u>(1,863,273)</u>	<u>(42,035)</u>	<u>(1,303,432)</u>
Other Financing Sources (Uses)					
Donations	-	-	-	10,686	10,686
Building proceeds	-	-	2,775,797	-	2,775,797
Transfers in	171,059	11,244	-	374,344	556,647
Transfers out	(57,875)	(171,059)	-	(327,713)	(556,647)
Indirect cost reimbursements	51,635	-	-	-	51,635
Indirect cost transfers	-	-	-	-	-
Total other financing sources (uses)	<u>164,819</u>	<u>(159,815)</u>	<u>2,775,797</u>	<u>57,317</u>	<u>2,838,118</u>
Net change in fund balances	606,880	-	912,524	15,282	1,534,686
Fund balances, beginning of year	<u>2,547,774</u>	<u>-</u>	<u>73,383</u>	<u>314,382</u>	<u>2,935,539</u>
Fund balances, end of year	<u>\$ 3,154,654</u>	<u>\$ -</u>	<u>\$ 985,907</u>	<u>\$ 329,664</u>	<u>\$ 4,470,225</u>

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

FULTON COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

Total net change in fund balances - governmental funds	\$	1,534,686
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Capital outlays are reported in governmental funds as expenditures and capital dispositions are not recorded. However, in the statement of activities, the cost of assets purchased is allocated over their estimated useful lives as depreciation expense, amortization expense and the excess of the sales price, if any, over the net book value of dispositions are recorded as a gain (loss) on disposal of assets. This is the amount by which capital outlays (\$2,034,402) exceeds depreciation and amortization expense (\$521,822) in the period.</p>		1,512,580
<p>Governmental funds report the effect of discounts and deferred amounts on refunding bonds when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities as a component of interest expense. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		(6,914)
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>		106
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		438,717
<p>In the statement of activities, certain operating expenses - accumulated sick leave - are recognized when they are incurred during the year. In the governmental funds, however, expenditures for these items are limited to only those that use current financial resources.</p>		(12,707)
<p>The actuarially determined pension and OPEB expense does not consume current financial resources and, therefore, is not reported in the governmental funds. It is reported as expenses in the statement of activities.</p>		455,266
<p>Some expenses related to pension and OPEB reported in the statement of activities do not require the use of current financial resources, and, therefore, are not reported as expenditures in the governmental funds.</p>		(723,799)
Change in net position of governmental activities	\$	<u>3,197,935</u>

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

FULTON COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2023

	<u>Food Service Fund</u>
Assets	
Current Assets	
Cash and cash equivalents	\$ 333,168
Accounts receivable - Federal	4,812
Inventories	8,054
Total current assets	<u>346,034</u>
Noncurrent Assets	
Technology equipment	5,458
General equipment	251,098
Accumulated depreciation	(129,769)
Total noncurrent assets	<u>126,787</u>
Total assets	<u>472,821</u>
Deferred Outflows of Resources	
Pension related	57,261
OPEB related	41,522
Total deferred outflows of resources	<u>98,783</u>
Liabilities	
Current Liabilities	
Accounts payable	27,549
Total current liabilities	<u>27,549</u>
Long-term Liabilities	
Accrued sick leave	3,612
Pension liability	351,501
OPEB liability	95,943
Total long-term liabilities	<u>451,056</u>
Total liabilities	<u>478,605</u>
Deferred Inflows of Resources	
Pension related	3,130
OPEB related	37,303
Total deferred inflows of resources	<u>40,433</u>
Net Position	
Investment in capital assets	126,787
Unrestricted	(74,221)
Total net position	<u>\$ 52,566</u>

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

FULTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

For the Year Ended June 30, 2023

	<u>Food Service Fund</u>
Operating Revenues	
Lunchroom sales	\$ 50,779
Other	1,674
Total operating revenues	<u>52,453</u>
Operating Expenses	
Salaries, wages, and benefits	347,010
Contract services	18,776
Materials and supplies	481,669
Depreciation	8,298
Total operating expenses	<u>855,753</u>
Operating loss	<u>(803,300)</u>
Non-Operating Revenues (Expenses)	
Interest income	6,502
Donated commodities	33,384
Grants - child nutrition program	689,010
State funding - on-behalf payments	160,920
State matching	4,016
Transfer out only - indirect costs	<u>(51,635)</u>
Total non-operating revenues (expenses)	<u>842,197</u>
Change in net position	38,897
Total net position, beginning of year	<u>13,669</u>
Total net position, end of year	<u>\$ 52,566</u>

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

FULTON COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2023

	<u>Food Service Fund</u>
Cash Flows from Operating Activities	
Cash received from:	
Lunchroom sales	\$ 50,779
Other	1,674
Total cash received	<u>52,453</u>
Cash paid for:	
Salaries, wages and benefits	(318,050)
Contract services	(18,776)
Indirect costs	(51,635)
Materials and supplies	(421,384)
Total cash paid	<u>(809,845)</u>
Net cash used by operating activities	<u>(757,392)</u>
Cash Flows from Capital and Related Financing Activities	
Purchases of capital assets	<u>(82,035)</u>
Net cash used by capital and related financing activities	<u>(82,035)</u>
Cash Flows from Noncapital Financing Activities	
Federal grants received	760,963
State grants received	4,016
Net cash provided by noncapital financing activities	<u>764,979</u>
Cash Flows from Investing Activities	
Interest income	<u>6,502</u>
Net cash provided by investing activities	<u>6,502</u>
Net decrease in cash and cash equivalents	(67,946)
Cash and cash equivalents, beginning of year	<u>401,114</u>
Cash and cash equivalents, end of year	<u>\$ 333,168</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating loss	\$ (803,300)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	8,298
Commodities used	33,384
Transfers out only - indirect costs	(51,635)
Salaries, wages, and benefits (on-behalf payments)	160,920
Changes in assets and liabilities	
Inventories	(214)
Accounts payable	27,114
Accrued sick leave	(22,778)
Pension related - changes in deferred outflows/inflows and net pension liability	(91,016)
OPEB related - changes in deferred outflows/inflows and net OPEB liability	(18,165)
Net cash used by operating activities	<u>\$ (757,392)</u>
Noncash Noncapital Financing Activities	
Donated food commodities received from the U.S. Department of Agriculture	<u>\$ 33,384</u>
State funding - on-behalf payments	<u>\$ 160,920</u>

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

**FULTON COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2023**

	Private Purpose Trust Funds	Custodial Fund
Assets		
Cash and cash equivalents	\$ 113,690	\$ 1,856
Capital assets, net of accumulated depreciation	<u>-</u>	<u>66,798</u>
Total assets	<u>113,690</u>	<u>68,654</u>
Liabilities		
Due to Area Technology Center	<u>-</u>	<u>68,654</u>
Total liabilities	<u>-</u>	<u>\$ 68,654</u>
Net Position		
Assets held in trust	<u>113,690</u>	
Total net position	<u>\$ 113,690</u>	

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

FULTON COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2023

	Private Purpose Trust Funds	Custodial Fund
Additions		
Interest	\$ 1,883	\$ -
Donations	100	-
Total additions	1,983	-
Deductions		
Non-instructional services	(3,000)	-
Change in net position	(1,017)	-
Net position, beginning of year	114,707	-
Net position, end of year	\$ 113,690	\$ -

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

NOTES TO FINANCIAL STATEMENTS

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Fulton County School District substantially comply with the rules prescribed by the Kentucky Department of Education for local school districts.

A. Reporting Entity

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

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

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

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

Fulton County School District Finance Corporation – In 1993, the Fulton County, Kentucky, Board of Education resolved to authorize the establishment of the Fulton County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Fulton County Board of Education also comprise the Corporation's Board of Directors.

B. Basis of Presentation

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

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

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function of the governmental and business-type activities. Direct expenses are those that are specifically associated with a particular function. Program revenues include charges paid for goods or services offered by the program and grants and contributions that are restricted to meeting the financial 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 function is self-financing or is subsidized by the general revenues of the District. The District does not allocate indirect expenses.

Fund Financial Statements – Fund financial statements are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into three primary categories: governmental, business-type (proprietary), and fiduciary. An emphasis is placed on major funds within the governmental and business-type categories, and a fund is considered major if it meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of that individual fund are at least 5 percent of the corresponding total for all governmental and business-type funds combined.

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

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

2. The Special Revenue District Activity Fund includes funds restricted to expenditures for purposes specified by Redbook requirements. Project accounting is employed to maintain integrity for the various sources of funds.
 3. The Special Revenue Student Activity Fund accounts for activities of student groups such as donations and student fundraisers. These funds are accounted for in accordance with Uniform Program of Accounting for School Activity Funds. Project accounting is employed to maintain the integrity for the various sources of funds.
- c. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by proprietary funds).
1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
 2. The Facility Support Program of Kentucky Building Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
 3. The Construction Funds account for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- d. The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

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 and School Breakfast Program, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). This is a major fund of the District.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

III. Fiduciary Fund Type

- a. The Board also has the responsibility for custody and safekeeping of the Area Technology Center custodial fund.

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

- b. The Private Purpose Trust Fund is used to report trust arrangements which benefit individuals, private organizations, or other governments.

C. Basis of Accounting

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

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Property taxes levied to finance fiscal year 2023 are recorded when there is an enforceable legal claim and when the revenue is measurable and available. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, and, matching requirements, in which the District must provide local resources to be used for a specified purpose. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

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

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities received, payments made by the State on behalf of the District, and changes in accrued sick leave liability during the year are reported in the statement of cash flows of the proprietary fund as a noncash, noncapital financing activity.

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

D. Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are that revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP), and expenditures are recorded

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP). A reconciliation is provided on the budgetary statements when these differences are material.

An approved budget can be amended by the Board and all budget appropriations lapse at year-end.

E. 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 reappropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

F. Impact of Recently Issued Accounting Pronouncements

In May of 2020, the Governmental Accounting Standards Board issued GASB Statement No. 96 related to Subscription-Based Information Technology Arrangements. This Statement improves accounting and financial reporting by state and local governments for SBITAs and is effective for fiscal years beginning after June 15, 2022. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain SBITA assets and liabilities for SBITA that previously were recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model SBITA accounting based on the foundational principle that SBITA are financings of the right to use an underlying subscription-based asset. This implementation resulted in no impact on the current year financial statements.

G. Cash and Cash Equivalents

The Board considers demand deposits, money market accounts, and time deposits that are nonnegotiable, to be cash and cash equivalents, for the governmental, proprietary, and fiduciary funds. For purposes of the statement of cash flows, the District also considers all investments with a maturity of three months or less when purchased to be cash equivalents.

The District may invest funds in a bank depository selected by the Board, bonds of the United States, or instruments issued by political subdivisions of Kentucky, however, such investments must be approved by the Kentucky Department of Education.

H. Inventories

Inventories are stated at cost using the first-in, first-out method for both the governmental fund types and proprietary funds. Inventories are expensed when used in the government-wide financial statements and recorded as an expenditure in the governmental fund types when purchased.

Nonmonetary assistance is reported in the proprietary fund at the market value of the commodities received/used.

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and, when applicable, are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are recorded as expenditures when consumed rather than when purchased.

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

J. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are expensed as a current operating expenditure.

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

Description	Estimated Lives
Land improvements	20 years
Buildings and improvements	25-50 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	12 years
General equipment	10-20 years

K. Interfund Activity

Interfund transactions are reflected as loans or transfers. Loans are reported as receivables and payables as appropriate, and are referred to as either “due to/from other funds”. These loans are subject to elimination upon consolidation. Any residual balances outstanding between governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances”.

All other interfund transactions are treated as transfers. Transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

L. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports pension-related items, OPEB related items and deferred charges on refunding bonds in this category.

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District records pension-related items and OPEB related items as deferred inflows of resources.

M. Pensions

For the 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.

N. Other Post-Employment Benefits (OPEB)

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

O. Accrued and Long-Term Liabilities

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables and accrued liabilities, if any, payable from proprietary funds are reported in the proprietary fund financial statements. Bond premiums and discounts, as well as deferred amounts on refunding, are deferred and amortized over the life of the bond.

In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due. In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as issuance costs, during the current period.

P. Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

Nonspendable fund balance

This classification includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted fund balance

This classification includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted with the consent of resource providers.

Committed fund balance

This classification includes amounts that can only be used for the specific purposes determined by a formal action of the District's highest level of decision-making authority, the Board of Education of the Fulton County School District. Commitments may be changed or lifted only by the District taking the same formal action that imposed the constraint originally (for example: resolution).

Assigned fund balance

This classification includes amounts intended to be used by the District for specific purposes that are neither restricted nor committed. The Board and its designees (of which there are none) have the authority to assign amounts to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted, or committed.

Unassigned fund balance

This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Q. Net Position

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

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

R. Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. Property taxes are levied on the assessed value listed as of the prior January 1 for all real and personal property located in the District. Property taxes were levied on August 25, 2022, on the assessed values. Taxes were due with a discount by October 31 and without a discount from November 2 through December 31. Taxes become delinquent after December 31. Liens are assessed on April 16, 2023.

The property tax rates for the year ended June 30, 2023 to finance the General Fund operations were \$.569 per \$100 valuation for real property, \$.557 per \$100 valuation for business tangible personal property, and \$.557 per \$100 valuation for motor vehicles.

S. Estimates

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

NOTE 2 - DETAILED NOTES ON ACCOUNTS

A. Deposits

The District maintained deposits of public funds with depository institutions insured by FDIC as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institutions should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. As stipulated by KRS 41.240(4), all deposits are collateralized with eligible securities or other obligations having an aggregate current face value or current quoted market value at least equal to the deposits. The District does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4).

At fiscal year-end, the carrying amount of the District's deposits was \$6,633,132 and the bank balance was \$6,746,031. All bank balances were insured or collateralized as of June 30, 2023.

For purposes of the Statement of Cash Flows, the District considers all investments with a maturity of three months or less when purchased to be cash equivalents.

Reconciliation to Government-wide Statement of Net Position:	
Unrestricted cash, including time deposits	\$ 6,517,586
Fiduciary fund cash (not included in government-wide statement)	<u>115,546</u>
	<u>\$ 6,633,132</u>

These amounts are reported in the financial statements, as follows:	
Governmental activities	\$ 6,184,418

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

Business-type activities	333,168
Fiduciary funds	<u>115,546</u>
	<u><u>\$ 6,633,132</u></u>

B. Capital Assets

Changes in the capital assets during the year are summarized below:

	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023
Governmental Activities				
Non-depreciable				
Land	\$ 11,000	\$ -	\$ -	\$ 11,000
Construction in progress	<u>-</u>	<u>1,863,273</u>	<u>-</u>	<u>1,863,273</u>
Totals	<u>11,000</u>	<u>1,863,273</u>	<u>-</u>	<u>1,874,273</u>
Depreciable				
Land improvements	182,348	54,063	-	236,411
Buildings and improvements	16,641,789	-	-	16,641,789
Technology equipment	233,603	14,130	-	247,733
Vehicles	1,002,990	96,790	-	1,099,780
General equipment	139,392	6,146	-	145,538
Property under capital lease	<u>279,135</u>	<u>-</u>	<u>-</u>	<u>279,135</u>
Totals	<u>18,479,257</u>	<u>171,129</u>	<u>-</u>	<u>18,650,386</u>
Less: Accumulated depreciation				
Land improvements	\$ 165,712	\$ 2,804	\$ -	\$ 168,516
Buildings and improvements	7,541,455	442,832	-	7,984,287
Technology equipment	206,131	8,621	-	214,752
Vehicles	943,797	30,437	-	974,234
General equipment	123,782	9,353	-	133,135
Property under capital lease	<u>91,622</u>	<u>27,775</u>	<u>-</u>	<u>119,397</u>
Totals	<u>9,072,499</u>	<u>521,822</u>	<u>-</u>	<u>9,594,321</u>
Net Book Value	<u>9,406,758</u>	<u>(350,693)</u>	<u>-</u>	<u>9,056,065</u>
Governmental activities capital assets - net	<u><u>\$ 9,417,758</u></u>	<u><u>\$ 1,512,580</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 10,930,338</u></u>

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

<u>Business-Type Activities</u>	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2023</u>
Depreciable				
Technology equipment	\$ 5,458	\$ -	\$ -	\$ 5,458
General equipment	<u>169,063</u>	<u>82,035</u>	<u>-</u>	<u>251,098</u>
Totals	<u>174,521</u>	<u>82,035</u>	<u>-</u>	<u>256,556</u>
Less: Accumulated depreciation				
Technology equipment	5,458	-	-	5,458
General equipment	<u>116,013</u>	<u>8,298</u>	<u>-</u>	<u>124,311</u>
Totals	<u>121,471</u>	<u>8,298</u>	<u>-</u>	<u>129,769</u>
Business-type activities capital assets - net	<u>\$ 53,050</u>	<u>\$ 73,737</u>	<u>\$ -</u>	<u>\$ 126,787</u>
<u>Custodial Fund</u>	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2023</u>
Depreciable				
General equipment	\$ 226,585	\$ -	\$ -	\$ 226,585
Totals	<u>226,585</u>	<u>-</u>	<u>-</u>	<u>226,585</u>
Less: Accumulated depreciation				
General equipment	<u>129,385</u>	<u>30,402</u>	<u>-</u>	<u>159,787</u>
Totals	<u>129,385</u>	<u>30,402</u>	<u>-</u>	<u>159,787</u>
Custodial fund capital assets - net	<u>\$ 97,200</u>	<u>\$ (30,402)</u>	<u>\$ -</u>	<u>\$ 66,798</u>

Amortization expense of \$27,775 related to a capital lease was not allocated to governmental activities. It appears on the statement of activities as “unallocated”.

Depreciation expense has been recorded as a direct expense in the applicable governmental activity functions, as follows:

Instruction	\$ 120,443
Support services:	
District administration	14,045
Plant operations and management	344,019
Student transportation	<u>15,540</u>
	<u>\$ 494,047</u>

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

C. Long-Term Liabilities

The amount shown in the accompanying government-wide financial statements as bond and lease obligations represents the District's future obligations to make payments relating to the bonds and leases issued by the Fiscal Court of Fulton County and the Fulton County School Board Finance Corporation (the Finance Corporation) on behalf of the District for purposes of school facility construction. These amounts are not reflected on the fund financial statements. The District does not have any notes from direct borrowings or direct placement.

The District, through the General Fund, the SEEK Capital Outlay Fund, and the Facility Support Program Levy Fund, is obligated to make bond and lease payments. The agreements provide, among other things, for rentals sufficient to satisfy debt service requirements on bonds issued by the Fiscal Court and the Fulton County School Board Finance Corporation to construct school facilities. The District has the option to purchase the property under lease at any time by retiring the bonds then outstanding. Upon completion of such payments, the leased premises should become property of the District. The District is obligated to maintain adequate property insurance on the school facilities, and the school facilities have been pledged as security for the holders of the bonds.

The original amount of each bond issue, the bond issue dates, interest rates, and maturity dates are summarized below:

<u>Issue</u>	<u>Original Amount</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>
2015	3,350,000	2.00% - 3.00%	2035
2015	1,236,000	2.00% - 3.25%	2035
2016 (Refunding)	1,580,000	2.00% - 2.25%	2028
2017 (KISTA)	86,997	2.55%	2027
2019 (KISTA)	137,618	3.00%	2029
2019	1,955,000	2.00% - 3.25%	2039
2021	58,850	1.25% - 1.50%	2031

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 Fulton County Fiscal Court 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 KISTA project bonds provided funds for projects of the Board. The Board leases and rents the projects from KISTA on an annual basis. The semi-annual bond interest and principal payments constitute the lease payments. The Board is also obligated to maintain the projects in good repair over the life of the lease terms.

In 1998, the District entered into "participation agreements" with the Kentucky School Facilities Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs.

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

Changes in the bond issues during the year are summarized below:

Issue	Balance July 1, 2022	New Issues	Retirements	Balance June 30, 2023
2015	\$ 2,620,000	\$ -	\$ 185,000	\$ 2,435,000
2015	923,000	-	55,000	868,000
2017 KISTA	43,282	-	8,789	34,493
2016 Ref.	965,000	-	150,000	815,000
2019	1,900,000	-	20,000	1,880,000
2019 KISTA	94,845	-	13,555	81,290
2021 KISTA	52,367	-	6,372	45,995
	<u>\$ 6,598,494</u>	<u>\$ -</u>	<u>\$ 438,716</u>	<u>\$ 6,159,778</u>

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, 2023, for debt service (principal and interest) are as follows:

Year	Fulton County School District		Kentucky School Facilities Construction Commission		Total
	Principal	Interest	Principal	Interest	
2024	251,947	123,633	197,788	44,742	618,110
2025	260,986	118,378	201,447	40,483	621,294
2026	266,377	112,717	206,315	36,087	621,496
2027	279,045	106,670	211,382	31,493	628,590
2028	279,861	99,984	209,582	26,373	615,800
2029-2033	1,520,162	380,576	407,886	81,679	2,390,303
2034-2038	1,336,541	149,712	290,459	19,493	1,796,205
2039	224,887	7,308	15,113	492	247,800
	<u>\$ 4,419,806</u>	<u>\$ 1,098,978</u>	<u>\$ 1,739,972</u>	<u>\$ 280,842</u>	<u>\$ 7,539,598</u>

The KISTA school bus acquisition bonds provide for the title of the equipment (buses) to vest in the District subject to a first lien, and if nonrenewal or default occurs, the title will revert to KISTA. The District leases and rents the equipment from KISTA on an annual basis and has an exclusive option to renew this lease from year to year for the period of time of the pooled bond issue (approximately 10 years). The District has the option to terminate the lease by electing to not renew and surrendering the equipment to KISTA. The semi-annual bond interest and principal payments constitute the lease payments. The District is also obligated to keep the equipment in good repair and provide insurance coverage.

For GASB 87 purposes, the District's capitalization threshold is \$5,000 and the lease must be longer than one year including possible extension(s). The buses have a historical cost and accumulated amortization of \$279,135 and \$119,397, respectively, under the capital lease agreements. These amounts are included in the Property under capital lease line item amounts in Note 2B. Amortization is included in Amortization – unallocated on the Statement of Activities.

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

Future minimum lease payments at June 30, 2023, are as follows:

Fiscal Year	Principal	Interest	Total
2023-24	28,735	3,893	32,628
2024-25	29,433	3,174	32,607
2025-26	28,692	2,433	31,125
2026-27	29,427	1,712	31,139
2027-28	17,443	972	18,415
2028-2031	28,048	784	28,832
	<u>\$ 161,778</u>	<u>\$ 12,968</u>	<u>\$ 174,746</u>

Changes in the long-term liability accounts during the year are summarized below:

	Balance at July 1, 2022	Increases	Decreases	Balance at June 30, 2023	Due in One Year
Bonds	\$ 6,598,494	\$ -	\$ 438,716	\$ 6,159,778	\$449,735
Discount on bond issue	(54,644)	-	(3,214)	(51,430)	-
Premium on bond issue	15,273	-	3,215	12,058	-
	<u>6,559,123</u>	<u>-</u>	<u>438,717</u>	<u>6,120,406</u>	<u>449,735</u>
Accrued sick leave:					
Governmental activities	191,764	12,707	-	204,471	41,525
Proprietary activities	26,390	-	22,778	3,612	-
	<u>218,154</u>	<u>12,707</u>	<u>22,778</u>	<u>208,083</u>	<u>41,525</u>
	<u>\$ 6,777,277</u>	<u>\$ 12,707</u>	<u>\$ 461,495</u>	<u>\$ 6,328,489</u>	<u>\$491,260</u>

As explained in Note 1, payments on the District's bonds are made by the Debt Service Fund. The insurance assessment and compensated absences will be liquidated by the General Fund. In the past, these liabilities have been paid each year by the General Fund.

D. Compensated Absences and Accumulated Sick Leave

Certified and classified employees of the District are entitled to payment of 15 - 30%, depending on the employee's position, of the value of accumulated sick and personal days upon retirement. Kentucky Revised Statutes allow the District to restrict up to 50% of the accumulated benefits for all employees eligible to retire as of September 15, 2022. The total amount of accumulated benefits for all employees eligible to retire at this date is \$73,333. The District has a General Fund Balance restriction of \$24,000 at the balance sheet date. The District recognizes the expense of these benefits when payment is made by the governmental fund to a retiring employee.

Accrued sick leave benefits are estimated by the vesting method. This entire future obligation is reported in the government-wide financial statements.

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

E. Fund Balances

Amounts for specific purposes by fund and fund balance classifications for the year ended June 30, 2023, are as follows:

	General Fund	Special Revenue Fund	Student Activity Fund	District Activity Fund	Capital Outlay Fund	Building Fund	Construction Fund	Debt Service Fund
Nonspendable	\$ 7,162	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for:								
Sick leave	24,000	-	-	-	-	-	-	-
SFCC escrow	-	-	-	-	25,059	-	-	-
Future construction	-	-	-	-	-	5,434	985,907	-
Debt service	-	-	-	-	-	-	-	3,326
District Activity	-	-	-	183,134	-	-	-	-
	<u>31,162</u>	<u>-</u>	<u>-</u>	<u>183,134</u>	<u>25,059</u>	<u>5,434</u>	<u>985,907</u>	<u>3,326</u>
Assigned for:								
Encumbrances	\$ 54,070	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Committed	-	-	112,711	-	-	-	-	-
Unassigned	<u>3,069,422</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>\$ 3,154,654</u>	<u>\$ -</u>	<u>\$ 112,711</u>	<u>\$ 183,134</u>	<u>\$ 25,059</u>	<u>\$ 5,434</u>	<u>\$ 985,907</u>	<u>\$ 3,326</u>

F. Deficit Operating/Fund Balances

The following funds had operations that resulted in a current year deficit of revenues/transfers-in over expenditures/transfers-out:

Private Purpose Trust Funds	\$ 1,017
Student Activity Fund	\$ 116

G. Interfund Transactions

Transfers

The following transfers were made during the year:

From Fund	To Fund	Purpose	Amount
General Fund	Special Revenue	KETS Match	\$ 11,244
General Fund	Debt Service	Debt Service	46,631
Special Revenue	General Fund	Headstart	171,059
Building Fund	Debt Service	Debt Service	273,813
Capital Outlay	Debt Service	Debt Service	<u>53,900</u>
	Total governmental fund transfers		556,647
	Governmental fund transfer eliminations		<u>(556,647)</u>
	Net transfers reported on Statement of Activities		<u>\$ -</u>

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

Indirect cost transfers included in the District's annual financial reports are reported in these final statements as other financing sources and uses. The following indirect costs were paid during the year:

Food Service	General Fund	Indirect Costs	<u>\$ 51,635</u>
			<u>\$ 51,635</u>

H. On-Behalf Payments

The Kentucky State Department of Education has indicated the following amounts were contributed on-behalf of the District for the year ended June 30, :

Contributions to Kentucky Teachers' Retirement System	\$ 1,176,449
Health insurance, life insurance, flexible Spending accounts (includes administrative fee)	683,992
Technology	69,065
Debt Service	<u>242,130</u>
	<u>\$ 2,171,636</u>

The District does not include on-behalf payments in their budgets. The total of these payments, has been included in revenues and the applicable expenditure functions in these financial statements, as follows:

Governmental activities	
General Fund	\$ 1,768,586
Debt Service Fund	242,130
Business-type activities	<u>160,920</u>
	<u>\$ 2,171,636</u>

NOTE 3 - OTHER INFORMATION

A. Pension Plan

General Information about the Pension Plan

Plan description: All eligible District employees participate in the County Employees' Retirement System (CERS), a cost-sharing, multiple-employer defined benefit plan administered by the CERS Board of Trustees. CERS consists of two plans – Non-Hazardous and Hazardous. District employees participate in the Non-Hazardous plan only. Kentucky Public Pensions Authority issues a publicly available financial report that includes financial statements and supplementary information for CERS. That report can be obtained at <https://kyret.ky.gov>.

Benefits provided: CERS provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Kentucky Revised Statute 61.645 assigns the authority to establish and amend benefit provisions to the CERS Board of Trustees.

Cost of Living Adjustment (COLA): Prior to July 1, 2009, COLAs were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

the most recent calendar year, not to exceed 5% in any plan year. After July 1, 2009, the COLAs were limited to 1.50%. No COLA has been granted since July 1, 2011

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

Tier 2 plan members, who began participating on, or after, September 1, 2008, and before January 1, 2014, are required to contribute 6% of their annual creditable compensation, while 1% of these contributions are deposited to an account created for the payment of health insurance benefits under 25 USC Section 401(h) in the Pension Fund. These members are classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited.

Tier 3 plan members, who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute 5% of their annual creditable compensation, and an additional 1% to the health insurance fund (401(h) account) which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the CERS Board of Trustees based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

Interest is paid into the Tier 3 members' account. The account currently earns 4% interest credit on the member's account balance as of June 30 of the previous year. The members' account may be credited with additional interest if the system's five-year Geometric Average Net Investment Return (GANIR) exceeded 4%. If the member was actively employed and participating in the fiscal year, and if the system's GANIR for the previous five years exceeds 4%, then the members' account will be credited with 75% of the amount of the returns over 4% on the account balance as of June 30 of the previous year (Upside Sharing Interest). The Upside Sharing Interest is credited to both the member contribution balance and Employer Pay Credit Balance.

The District is required to contribute at an actuarially determined rate. As of June 30, 2023, the District's required contribution rate was 23.40% (non-hazardous) of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by the CERS Board of Trustees. Contributions to CERS from the District were \$173,910 for non-hazardous employees for the year ended June 30, 2023.

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

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

At June 30, 2023, the District reported a liability of \$1,751,373 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of June 30, 2021 and rolled-forward using generally accepted actuarial principles. The District's proportion of the collective net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the District's proportion was 0.024227% for non-hazardous employee pensions, an increase of 0.001024% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$185,986 for non-hazardous employee pensions. The net pension expense in aggregate for all plans was \$1,337,383, with revenue of \$1,151,397 for support provided by the State, for the year ended June 30, 2023. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,872	\$ 15,597
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	44,898	-
Changes in proportion and differences between District contributions and proportionate share of contributions	64,614	-
District contributions subsequent to the measurement date	173,910	-
	\$ 285,294	\$ 15,597

Of the total amount reported as deferred outflows of resources related to pensions, \$173,910 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 pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the District's pension expense as follows:

Year ended June 30:	
2024	\$ 35,890
2025	24,863
2026	(14,718)
2027	49,752

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

Actuarial assumptions: There have been no actuarial assumption or method changes since June 30, 2021. Additionally, there have been no plan provision changes that would materially impact the total pension liability since June 30, 2021. The total pension liability as of June 30, 2021 was determined using the following updated assumptions:

Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increases	3.30% to 10.30%, varies by service for non-hazardous
Investment Rate of Return	6.25%

The mortality table used for active members was a PUB-2010 General Mortality table, for the Non-Hazardous System, and PUB-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rate from the MP-2014 improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2020. The mortality table used for the disabled members was PUB-2010 Disable Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	60.00%	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Fixed Income	20.00%	
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	(0.91)%
Inflation Protected	20.00%	
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
 Expected Real Return	 100.00%	 5.00%
 Long Term Inflation Assumption		 2.30%
 Expected Nominal Return for Portfolio		 6.58%

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

Discount rate: The projection of cash flows used to determine the discount rate of 6.25% assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in statute as last amended by House Bill 362 (passed in 2018). The discount rate determination does not use a municipal bond rate.

Sensitivity of the District's proportionate share of the collective net pension liability to changes in the discount rate: The following presents the District's proportionate share of the collective net pension liability calculated using the discount rate of 6.25%, as well as what the District's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.25%) or one percentage point higher (7.25%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	5.25%	6.25%	7.25%
CERS District's proportionate share of net pension liability	\$ 2,188,999	\$ 1,751,373	\$ 1,389,420

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued Kentucky Public Pensions Authority financial report.

Teachers' Retirement System of the Commonwealth of Kentucky

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

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

1. Attain age 55 and complete five years of Kentucky service, or
2. Complete 27 years of Kentucky service

Non-university members with an account established prior to July 1, 2002 receive monthly payments equal to 2 percent (service prior to July 1, 1983) and 2.5 percent (service after July 1, 1983) of their final average salaries for each year of credited service. New members, (including second retirement accounts) after July 1, 2002 receive monthly benefits equal to 2 percent of the final average salary for each year of service if, upon retirement, their total service is less than ten years. In addition, members 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 percent to 3.0 percent to be used in their benefit calculation.

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

Final average salary is defined as the member's five highest annual salaries for those with less than 27 years of service. Members at least age 55 with 27 or more years of service may use their three highest annual salaries to compute their final average salary. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all member is \$440 multiplied by credited service.

For members who established an account on or after July 1, 2008, and before January 1, 2022, members become vested when they complete five years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

1. Attain age 60 and complete five years of Kentucky service, or
2. Complete 27 years of Kentucky service, or
3. Attain age 55 and complete 10 years of Kentucky service.

The annual retirement allowance for non-university members is equal to: (a) 1.7% of final average salary for each year of credited service if their service is 10 years or less; (b) 2% of final average salary for each year of credited if their service is greater than 10 years but no more than 20 years; (c) 2.3% of final average salary for each year of credited service if the service is grater than 20 years but no more than 26 years; (d) 2.5% of final average salary for each year of credited service if the service is greater than 26 years but no more than 30 years; (e) 3% of final average salary for each year of credited service greater than 30 years.

Final average salary is defined as the member's five highest annual salaries for those with less than 27 years of service. Members at least age 55 with 27 or more years of service may use their three highest annual salaries to compute their final average salary. For all members, the annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

For members who established an account on or after January 1, 2022, to qualify for monthly retirement benefits, payable for life, members must either:

1. Attain age 57 and complete 10 years of Kentucky service, or
2. Attain age 65 and complete 5 years of Kentucky service.

The annual foundational benefit is equal to service times a multiplier time final average salary. The multiplier ranges from 1.70% to 2.40%, depending on age and years of service. The final average salary is the member's five highest annual salaries. The annual foundational benefit is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 30 years of service.

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

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

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

Contributions: Contribution rates are established by Kentucky Revised Statutes (KRS). Members are required to contribute 12.855 percent of their salaries to TRS. The Commonwealth of Kentucky, as a non-employer contributing entity, contributes 13.105 percent of salary for those who joined before July 1, 2008, and 14.105 percent for those who joined on or after July 1, 2008, and before January 1, 2022. For members who began participating on or after January 1, 2022, non-university members contribute 14.75% of the salaries to the system. The Commonwealth of Kentucky, as a non-employer contributing entity, contributes 10.75% of salary.

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

At June 30, 2023, the District did not report a liability for the District's proportionate share of the collective net pension liability because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District.

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

District's proportionate share of the net Pension liability	\$ -
State's proportionate share of the net Pension	
Liability associated with the District	<u>12,619,243</u>
Total	\$ <u>12,619,243</u>

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 and rolled-forward using standard actuarial techniques. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2022, the District's proportion was 0 percent, no change from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$1,157,397 and revenue of \$1,157,397 for support provided by the State.

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

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

Inflation	2.5 percent
Salary increases, including inflation	3.00 – 7.50 percent
Long-Term Investment Rate of Return, net of pension plan investment expense, including inflation	7.10 percent
Municipal Bond Index Rate:	
Prior Measurement Date	2.13 percent
Measurement Date	3.37 percent
Year FNP is projected to be depleted	n/a
Single Equivalent Interest Rate, net of pension plan investment expense, including inflation:	
Prior Measurement Date	7.10 percent
Measurement Date	7.10 percent
Post-Retirement Benefit Increases	1.50 percent annually

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members. The actuarial assumptions used were based on the results of an actuarial experience study for the 5-year period ending June 30, 2020, adopted by the board on September 20, 2021. The assumed long-term investment rate of return was changed from 7.50 percent to 7.10 percent and the price inflation assumption was lowered from 3.0 percent to 2.5 percent. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

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

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

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equity	37.40%	4.20%
Small Cap U.S. Equity	2.60%	4.70%
Developed International Equity	16.50%	5.30%
Emerging Markets Equity	5.50%	5.40%
Fixed Income	15.00%	(.10)%
High Yield Bonds	2.00%	1.70%
Other Additional Categories	5.00%	2.20%
Real Estate	7.0%	4.00%
Private Equity	7.0%	6.90%
Cash	2.0%	(0.30)%
Total	100%	

Discount rate: The discount rate used to measure the total pension liability as of the measurement date was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67 and assumed that member contributions will be made at the current contribution rates and that employer contributions will be made at the actuarially determined contribution rates for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued Teachers' Retirement System of the Commonwealth of Kentucky financial report.

B. Postemployment Benefits Other Than Pensions (OPEB)

General Information about the OPEB Plan

Plan description: In addition to the pension benefits described in Note 3, Kentucky Public Pensions Authority provides postemployment healthcare benefits through the Kentucky Retirement Systems Insurance Trust Fund (Insurance Fund), a cost-sharing, multiple-employer defined benefit plan. The Insurance Fund was established by KRS 61.701 to provide hospital and medical insurance for those receiving benefits from the Kentucky Employees' Retirement System (KERS), the County Employees' Retirement System (CERS), and the State Police Retirement System (SPRS). The responsibility for the general administration and operation of the Insurance Fund is vested with the KRS and CERS Board of Trustees.

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

Benefits Provided: The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. For the fiscal year ended June 30, 2022 (the date of the latest available information), insurance premiums withheld from benefit payments for members of CERS were \$24.0 million and \$3.7 million for non-hazardous and hazardous employees, respectively. For the fiscal year ended June 30, 2021, insurance premiums withheld from benefit payments for members of CERS were \$24.3 million and \$3.3 million for non-hazardous and hazardous employees, respectively. The Insurance Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous employees killed in the line of duty.

The amount of contributions paid by the Insurance Fund is based on years of service. For employees participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are shown below:

<u>Years of Service</u>	<u>% Paid by Insurance Fund</u>
20 or more	100%
15 - 19	75%
10 - 14	50%
4 - 9	25%
Less than 4	0 %

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for those who began participating on or after July 1, 2003. Once employees reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003 earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on or after July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. This benefit is not protected under the inviolable contract provisions of Kentucky Revised Statute 16.652, 61.692, and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

Contributions: The District is required to contribute at an actuarially determined rate. As of June 30, 2023, the District's required contribution rate was 3.39% (non-hazardous) and 6.78% (hazardous) of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by the CERS Board of Trustees. Contributions to the Insurance Fund from the District were \$25,186 (not including implicit subsidies reported in the amount of \$17,235 for non-hazardous employees for the year ended June 30, 2023. As described in Note 3, Tier 2 and Tier 3 employees contribute 1% of their annual creditable compensation to the Insurance Fund; Tier 1 employees are not required to contribute.

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

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

At June 30, 2023, the District reported a liability of \$478,044 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of June 30, 2021 and rolled-forward using generally accepted actuarial principles. The District's proportion of 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, 2022, the District's proportion was 0.024223% for non-hazardous employee OPEB, an increase of 0.001026% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the District recognized OPEB expense of \$70,663 for non-hazardous employee OPEB. The net OPEB expense in aggregate for all plans was \$70,663, with revenue of \$65,283 for support provided by the State, for the year ended June 30, 2023. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 48,119	\$ 109,627
Changes of assumptions	75,606	62,299
Net difference between projected and actual earnings on pension plan investments	19,403	-
Changes in proportion and differences between District contributions and proportionate share of contributions	21,340	13,943
Contributions subsequent to the measurement date	25,186	-
Implicit subsidy	17,235	-
	\$ 206,889	\$ 185,869

Of the total amount reported as deferred outflows of resources related to OPEB, the implicit subsidy and \$25,186 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, 2024. 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 follow:

Year ended June 30:	
2024	\$ (2,722)
2025	240
2026	(24,330)
2027	5,411

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

Actuarial assumptions –The total OPEB liability as of June 30, 2022, was determined using the following actuarial assumptions:

Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increases	3.30% to 10.30%, varies by service for non-hazardous
Investment Rate of Return	6.25%
Healthcare trend rates	
Pre-65	Initial trend starting at 6.20% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Post 65	Initial trend starting at 9.00% at January 1, 2024, and decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

The single discount rates used to calculate the total OPEB liability within each plan changed since the prior year. The assumed increase in future healthcare costs, or trend assumption, was reviewed during the June 30, 2021, valuation process and was updated to better reflect the plan's anticipated long-term healthcare costs. There were no other material assumption changes.

Senate Bill 209 passed during the 2022 legislative session and increased the insurance dollar contribution for members hired on or after July 1, 2003, by \$5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023. Senate Bill 2090 also allows members receiving the insurance dollar contribution to participate in a medical insurance reimbursement plan that would provide the reimbursement of premiums for health plans other than those administered by KPPA.

The total OPEB liability as of June 30, 2022, is determined using these updated benefit provisions. There were no other material plan provision changes.

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 below.

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	60.00%	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Fixed Income	20.00%	
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	(0.91)%
Inflation Protected	20.00%	
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
 Expected Real Return	 100.00%	 4.28%
 Long Term Inflation Assumption		 2.30%
 Expected Nominal Return for Portfolio		 6.58%

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

Discount rate: Single discounts rates of 5.70% were used to measure the total OPEB liability as of June 30, 2022. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.69%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2022. 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 current plan members. However, the cost associated with the implicit employer subsidy was not included in the calculation of the system’s actuarially determined contributions, and any cost associated with the implicit subsidy will not be paid out of the system’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the discount rate: The following presents the District's proportionate share of the collective net OPEB liability calculated using the discount rate of 5.70% (non-hazardous), 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 one percentage point lower 4.70% or one percentage point higher 6.70% than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	4.70%	5.70%	6.70%
District's proportionate share of net OPEB liability	\$ 639,069	\$ 478,044	\$ 344,930

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 355,415	\$ 478,044	\$ 625,298

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Kentucky Public Pensions Authority financial statements.

Teachers' Retirement System of the State of Kentucky (TRS)

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

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 OPEB plans:

Medical Insurance Plan

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

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

Contributions: In order to fund the post-retirement healthcare benefit, 7.50% of the gross annual payroll of members is contributed. Three and three quarters percent (3.75%) is paid by member contributions and 0.75% from State appropriation and 3.00% from the employer. The State contributes the net cost of

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. The District's contributions to KTRS for the year ended June 30, 2023 were \$79,973.

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

At June 30, 2023, the District reported a liability of \$1,332,000 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of June 30, 2021 and rolled-forward using standard actuarial techniques. The District's proportion of 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, 2022, the District's proportion was 0.053662 percent, which was an increase of 0.008375 percent from its proportion measured as of June 30, 2021.

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

District's proportionate share of the net OPEB liability	\$ 1,332,000
State's proportionate share of the net OPEB liability associated with the District	<u>438,000</u>
Total	<u>\$ 1,770,000</u>

For the year ended June 30, 2023, the District recognized OPEB expense of \$142,456 and revenue of \$25,052 for support provided by the State. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 422,000
Changes of assumptions	204,000	-
Net difference between projected and actual earnings on pension plan investments	53,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	251,000	53,000
Contributions subsequent to the measurement date	<u>79,973</u>	<u>-</u>
	<u>\$ 587,973</u>	<u>\$ 475,000</u>

Of the total amount reported as deferred outflows of resources related to OPEB, 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, 2024. 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:

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

<u>Year ended June 30:</u>	
2024	(83,845)
2025	(79,399)
2026	(71,531)
2027	15,656
2028	789
Thereafter	251,330

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:

Inflation	2.50%
Real wage growth	0.25%
Wage inflation	2.75%
Salary increases	3.00% - 7.50%, including wage inflation
Long-term investment rate of return	7.10%, net of investment expense, including inflation
Healthcare care trend rates	
Pre-65	7.00% for FY 2022 decreasing to an ultimate rate of 4.50% by FY 2032
Post-65	5.125% for FY 2022* decreasing to an ultimate rate of 4.50% by FY 2025
Medicare Part B Premiums	6.97% for FY 2022 with an ultimate rate of 4.50% by 2034

*Based on known expected increase in Medicare-eligible cost in the year following the valuation date, an increase rate of 20.00% was used for FYE 2021.

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

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

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends) used in the June 30, 2021 valuation of the Medical Insurance Plan were based on a review of recent plan experience done concurrently with the June 30, 2021 valuation. The health care cost trend assumption was updated for the June 30, 2021 valuation and was shown as an assumption change in the total OPEB liability roll forward, while the change in initial per capital claims costs were included with experience in the total OPEB roll forward.

The long-term expected rate of return on OPEB plan investments was determined using a long-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Global Equity	58.00%	5.10%
Fixed Income	9.00%	(0.10)%
Real Estate	6.50%	4.00%
Private Equity	8.50%	6.90%
Additional Category: High Yield	8.00%	1.70%
Other Additional Categories	9.00%	2.20%
Cash (LIBOR)	1.00%	(0.30)%
Total	100.00%	

Discount rate: The discount rate used to measure the total OPEB liability as of the measurement date was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection's basis was an actuarial valuation performed as of June 30, 2021. 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.

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the discount rate: The following table presents the District's proportionate share of the collective net OPEB liability 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 one percentage point lower (6.10 percent) or one percentage-point higher (8.10 percent) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of net OPEB liability	6.10%	7.10%	8.10%
	\$ 1,671,000	\$ 1,332,000	\$ 1,051,000

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 are one percentage point lower or one percentage point higher than the current healthcare cost trend rates.

Current Healthcare

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

	1% Decrease	Cost Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 999,000	\$ 1,332,000	\$ 1,747,000

OPEB plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Teachers' Retirement System of the Commonwealth of Kentucky financial report.

Life Insurance Plan

Plan description: 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 to the life insurance plan may be made by the TRS Board of Trustees and the General Assembly.

Benefits provided: TRS provides a life insurance benefit of five thousand dollars payable for members who retire based on service or disability if hired prior to January 1, 2022, and ten thousand dollars is hired on or after January 1, 2022.. TRS provides a life insurance benefit of two thousand dollars payable for its active contributing members if hired prior to January 1, 2022, and five thousand dollars if hired on or after January 1, 2022. 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 OPEB

At June 30, 2023, the District did not report a liability for the District's proportionate share of the collective net OPEB liability because the Commonwealth of Kentucky provides the OPEB support directly to TRS on behalf of the District.

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

District's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the District	<u>22,000</u>
Total	<u>\$ 22,000</u>

The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021 and rolled-forward using standard roll actuarial techniques. 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 System as determined by the actuary. At June 30, 2022, the District's proportion was 0.000000 percent, no change from its proportion measured as of June 30, 2021.

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:

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

Inflation	2.50%
Real wage growth	0.25%
Wage inflation	2.75%
Salary increases	3.00% - 7.50%, including wage inflation
Long-term investment rate of return	7.10%, net of 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-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members.

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

The long-term expected rate of return on OPEB 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 asset class, as provided by TRS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
U.S. Equity	40.00%	4.40%
International Equity	23.00%	5.60%
Fixed Income	18.00%	(0.10)%
Real Estate	6.00%	4.00%
Private Equity	5.00%	6.90%
Additional Categories	6.00%	2.10%
Cash (LIBOR)	2.00%	(0.30)%
Total	100.00%	

Discount rate: The discount rate used to measure the total OPEB liability as of the measurement date was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection's basis was an actuarial valuation performed as of June 30, 2021. 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

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

OPEB plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Teachers' Retirement System of the Commonwealth of Kentucky financial report.

C. Commitments and Contingencies

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

D. Insurance and Related Activities

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

E. 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. The District purchases general and auto liability, physical damage insurance, errors and omissions, and general liability coverage from EMC Insurance. The District purchases worker's compensation insurance through EMC Insurance. The District pays an annual premium to each fund for coverage.

The District purchases unemployment insurance through the Kentucky School Boards Association; however, risk has not been transferred to such fund. In addition, 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.

F. COBRA

All terminated employees have been notified of available continuing insurance coverage as mandated under COBRA.

G. COVID-19 Grants

During fiscal years 2021 and 2022, the District was awarded COVID-19 grants through the CARES Act Education Stabilization Fund of the U.S. Department of Education, passed through the Kentucky Department of Education. These awards consisted of the Elementary and Secondary School Emergency Relief Fund Award (ESSER) in the amount of \$4,554,256. \$6,200 of the grants was

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

required to be spent by June 30, 2022. \$256,253 of the grants must be spent or encumbered by September 30, 2022. \$702 of the grants must be spent or encumbered by June 30, 2023. \$1,355,247 of the grants must be spent or encumbered by September 30, 2023. \$2,935,854 of the grants must be spent or encumbered by September 30, 2024. As of June 30, 2023, a total of \$2,649,146 of these funds had been spent. The District estimates the remainder of these grants will be spent by the respective deadlines to fulfill the needs of the District.

H. SUBSEQUENT EVENTS

On July 27, 2023, the District approved a bid for the construction of a new bus garage. The expected construction completion timeline for the new garage is Summer 2024. All funding for the project is coming from the West Kentucky Safe Grant. The District has been allotted \$1,515,000 for the project.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

FULTON COUNTY SCHOOL DISTRICT
STATEMENT OF BUDGETARY COMPARISON - GENERAL FUND
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
From local sources				
Taxes				
Property	\$ 1,058,000	\$ 1,159,000	\$ 1,231,327	\$ 72,327
Motor vehicle	160,000	160,000	180,579	20,579
Utilities	250,000	280,000	367,595	87,595
Other	80,000	120,000	51,457	(68,543)
Earnings on investments	18,000	20,000	49,511	29,511
Other local revenues	-	-	18,838	18,838
Intergovernmental - State	2,283,696	2,500,653	2,539,682	39,029
Intergovernmental - Indirect Federal	20,000	10,000	47,024	37,024
Total revenues	<u>3,869,696</u>	<u>4,249,653</u>	<u>4,486,013</u>	<u>236,360</u>
Expenditures				
Current				
Instruction	1,832,334	1,761,489	1,814,736	(53,247)
Support Services				
Student	147,953	192,782	107,258	85,524
Instructional staff	98,335	150,213	169,866	(19,653)
District administration	419,553	450,834	462,837	(12,003)
School administration	341,520	329,923	316,803	13,120
Business	207,527	209,118	207,961	1,157
Plant operations and management	719,773	675,259	630,160	45,099
Student transportation	260,875	330,739	334,331	(3,592)
Debt service and miscellaneous	500,000	800,000	-	800,000
Contingency	356,550	484,764	-	484,764
Total expenditures	<u>4,884,420</u>	<u>5,385,121</u>	<u>4,043,952</u>	<u>1,341,169</u>
Excess (deficit) of revenues over expenditures	<u>(1,014,724)</u>	<u>(1,135,468)</u>	<u>442,061</u>	<u>1,577,529</u>
Other Financing Sources (Uses)				
Transfers in	158,071	171,059	171,059	-
Transfers out	(83,347)	(75,591)	(57,875)	17,716
Indirect cost reimbursements	40,000	40,000	51,635	11,635
Total other financing sources (uses)	<u>114,724</u>	<u>135,468</u>	<u>164,819</u>	<u>29,351</u>
Net change in fund balances	(900,000)	(1,000,000)	606,880	1,606,880
Fund balances, beginning of year	900,000	1,000,000	2,547,774	1,547,774
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,154,654</u>	<u>\$ 3,154,654</u>
Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures				
Inflows/revenues:				
Actual amounts (budgetary basis)			\$ 4,486,013	
Differences - budget to GAAP:				
On-behalf payments recorded under GAAP basis not included in budget amounts				1,768,586
Total revenues as reported on statement of revenues, expenditures, and changes in fund balances - governmental funds				\$ 6,254,599
Outflows/expenditures:				
Actual amounts (budgetary basis)			\$ 4,043,952	
Differences - budget to GAAP:				
On-behalf payments recorded under GAAP basis not included in budget amounts				1,768,586
Total expenditures as reported on statement of revenues, expenditures, and changes in fund balances - governmental funds				\$ 5,812,538

See independent auditor's report.

FULTON COUNTY SCHOOL DISTRICT
STATEMENT OF BUDGETARY COMPARISON - SPECIAL REVENUE FUND
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary</u>	<u>Final Budget</u>
			<u>Basis)</u>	<u>Positive</u>
				<u>(Negative)</u>
Revenues				
From local sources				
Other local revenues	\$ -	\$ -	\$ 3,306	\$ 3,306
Intergovernmental - State	563,861	2,766,361	632,884	(2,133,477)
Intergovernmental - Indirect Federal	1,070,128	1,106,820	2,263,430	1,156,610
Total revenues	<u>1,633,989</u>	<u>3,873,181</u>	<u>2,899,620</u>	<u>(973,561)</u>
Expenditures				
Current				
Instruction	1,052,978	1,333,016	2,298,390	(965,374)
Support Services				
Student	43,095	145,253	98,032	47,221
District Admin	-	-	(15,915)	15,915
School Admin	15,286	-	-	-
Business	3,307	-	35,124	(35,124)
Plant operation and management	202,852	59,033	110,575	(51,542)
Student transportation	-	242,210	99,087	143,123
Non-instructional services	181,082	92,610	114,512	(21,902)
Total expenditures	<u>1,498,600</u>	<u>1,872,122</u>	<u>2,739,805</u>	<u>(867,683)</u>
Excess (deficit) of revenues over expenditures	<u>135,389</u>	<u>2,001,059</u>	<u>159,815</u>	<u>(1,841,244)</u>
Other Financing Sources (Uses)				
Transfers in	22,682	-	11,244	11,244
Transfers out	(158,071)	(2,001,059)	(171,059)	1,830,000
Total other financing sources (uses)	<u>(135,389)</u>	<u>(2,001,059)</u>	<u>(159,815)</u>	<u>1,841,244</u>
Net change in fund balances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report.

**FULTON COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY**

County Employee's Retirement System

Last Fiscal Years Ended June 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.024227%	0.023203%	0.022809%	0.022219%	0.023059%	0.025250%	0.37443%	0.05683%	0.04042%
District's proportionate share of the net pension liability (asset)	<u>\$1,751,373</u>	<u>\$1,479,373</u>	<u>\$1,749,431</u>	<u>\$1,562,672</u>	<u>\$1,404,363</u>	<u>\$1,477,960</u>	<u>\$1,843,532</u>	<u>\$2,443,246</u>	<u>\$1,311,353</u>
District's covered-employee payroll	<u>\$678,771</u>	<u>\$598,111</u>	<u>\$586,788</u>	<u>\$560,909</u>	<u>\$638,282</u>	<u>\$619,637</u>	<u>\$762,499</u>	<u>\$885,780</u>	<u>\$941,782</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	258.02%	247.34%	298.14%	278.60%	220.02%	238.52%	241.78%	275.83%	139.24%
Plan fiduciary net position as a percentage of the total pension liability	52.42%	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%

The amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

FULTON COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PENSION CONTRIBUTIONS
County Employee's Retirement System
Fiscal Years Ending June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 173,910	\$ 143,767	\$ 114,362	\$ 113,250	\$ 90,509	\$ 83,887	\$ 86,438	\$ 101,331	\$ 127,222	\$ 113,763
Contributions in relation to the contractually required contributor	<u>(173,910)</u>	<u>(143,767)</u>	<u>(114,362)</u>	<u>(113,250)</u>	<u>(90,509)</u>	<u>(83,887)</u>	<u>(86,438)</u>	<u>(101,331)</u>	<u>(156,224)</u>	<u>(175,164)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (29,002)</u>	<u>\$ (61,401)</u>
District's covered-employee payroll	<u>\$ 743,205</u>	<u>\$ 678,771</u>	<u>\$ 598,111</u>	<u>\$ 586,788</u>	<u>\$ 560,909</u>	<u>\$ 638,282</u>	<u>\$ 619,637</u>	<u>\$ 762,499</u>	<u>\$ 885,780</u>	<u>\$ 941,782</u>
Contributions as a percentage of covered-employee payroll	23.40%	21.17%	19.12%	19.30%	16.14%	13.14%	13.95%	13.29%	14.36%	12.08%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

FULTON COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
County Employee's Retirement System
 Last Fiscal Year Ended June 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	
District's proportion of the net OPEB liability (asset)	0.024223%	0.023197%	0.022802%	0.022213%	0.023058%	0.025250%	per KRS spreadsheet
District's proportionate share of the net OPEB liability (asset)	<u>\$ 478,044</u>	<u>\$ 444,095</u>	<u>\$ 550,599</u>	<u>\$ 373,613</u>	<u>\$ 409,390</u>	<u>\$ 507,611</u>	per KRS spreadsheet
District's covered-employee payroll	<u>\$ 678,771</u>	<u>\$ 598,111</u>	<u>\$ 586,788</u>	<u>\$ 560,909</u>	<u>\$ 638,282</u>	<u>\$ 619,637</u>	Per P-5 PY
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	70.43%	74.25%	93.83%	66.61%	64.14%	81.92%	calculated
Plan fiduciary net position as a percentage of the total OPEB liability	60.95%	62.91%	51.67%	60.44%	57.62%	52.40%	per actuary report

The amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

FULTON COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
County Employee's Retirement System
Fiscal Years Ending June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	
Contractually required contribution	\$ 25,186	\$ 39,258	\$ 28,205	\$ 27,931	\$ 29,351	\$ 27,221	\$ 42,641	calculated
Contributions in relation to the contractually required contribution	(25,186)	(39,258)	(28,205)	(27,931)	(29,351)	(27,221)	(42,641)	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
District's covered employee payroll	<u>\$ 743,205</u>	<u>\$ 678,771</u>	<u>\$ 598,111</u>	<u>\$ 586,788</u>	<u>\$ 560,909</u>	<u>\$ 638,282</u>	<u>\$ 619,637</u>	per P-5
Contributions as a percentage of covered-employee payroll	3.39%	5.78%	4.72%	4.76%	5.23%	4.26%	6.88%	calculated

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

See independent auditor's report and notes to the required supplementary information.

FULTON COUNTY SCHOOL DISTRICT
SCHEDULE OF THE COMMONWEALTH OF KENTUCKY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY ASSOCIATED WITH FULTON COUNTY
SCHOOL DISTRICT - SPECIAL FUNDING SITUATION
Kentucky Teachers' Retirement System
Last Fiscal Years Ended June 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
District's proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	<u>12,619,243</u>	<u>11,120,966</u>	<u>12,536,887</u>	<u>11,331,215</u>	<u>10,292,917</u>	<u>22,609,381</u>	<u>23,408,041</u>	<u>18,135,244</u>	<u>17,049,945</u>
Total proportionate share of the net pension liability (asset)	<u>\$ 12,619,243</u>	<u>\$ 11,120,966</u>	<u>\$ 12,536,887</u>	<u>\$ 11,331,215</u>	<u>\$ 10,292,917</u>	<u>\$ 22,609,381</u>	<u>\$ 23,408,041</u>	<u>\$ 18,135,244</u>	<u>\$ 17,049,945</u>
District's covered-employee payroll	<u>\$ 2,608,600</u>	<u>\$ 2,673,672</u>	<u>\$ 2,766,844</u>	<u>\$ 2,527,153</u>	<u>\$ 2,378,428</u>	<u>\$ 2,490,211</u>	<u>\$ 2,333,156</u>	<u>\$ 2,265,618</u>	<u>\$ 2,470,576</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	56.41%	65.59%	58.27%	58.80%	59.30%	39.83%	35.22%	42.29%	45.59%

The amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 of years information is available.

FULTON COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
Kentucky Teachers' Retirement System
Fiscal Years Ending June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	<u>\$ 2,665,767</u>	<u>\$ 2,608,600</u>	<u>\$ 2,673,672</u>	<u>\$ 2,766,844</u>	<u>\$ 2,527,153</u>	<u>\$ 2,378,428</u>	<u>\$ 2,490,211</u>	<u>\$ 2,333,156</u>	<u>\$ 2,265,618</u>	<u>\$ 2,470,576</u>
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

FULTON COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY - MEDICAL INSURANCE FUND
SPECIAL FUNDING SITUATION
Kentucky Teachers' Retirement System
Last Fiscal Year Ended June 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability (asset)	0.053662%	0.045287%	0.047049%	0.043960%	0.040302%	0.043937%
District's proportionate share of the net OPEB liability (asset)	\$ 1,332,000	\$ 972,000	\$ 1,187,399	\$ 1,287,000	\$ 1,398,000	\$ 1,567,000
State's proportionate share of the net OPEB liability (asset) associated with the District	<u>438,000</u>	<u>789,000</u>	<u>951,000</u>	<u>1,039,000</u>	<u>1,205,000</u>	<u>1,280,000</u>
Total proportionate share of the net OPEB liability (asset)	<u>\$ 1,770,000</u>	<u>\$ 1,761,000</u>	<u>\$ 2,138,399</u>	<u>\$ 2,326,000</u>	<u>\$ 2,603,000</u>	<u>\$ 2,847,000</u>
District's covered-employee payroll	<u>\$ 2,608,600</u>	<u>\$ 2,673,672</u>	<u>\$ 2,766,844</u>	<u>\$ 2,527,153</u>	<u>\$ 2,378,428</u>	<u>\$ 2,490,211</u>
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	51.06%	36.35%	42.92%	50.93%	58.78%	62.93%
Plan fiduciary net position as a percentage of the total OPEB liability	47.75%	51.74%	39.05%	32.58%	25.50%	21.18%

The amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

FULTON COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS - MEDICAL INSURANCE FUND
Kentucky Teachers' Retirement System
Fiscal Years Ending June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	
Contractually required contribution	\$ 79,973	\$ 78,377	\$ 79,979	\$ 83,006	\$ 76,683	\$ 71,353	\$ 74,706	per P-5 - 3% only
Contributions in relation to the contractually required contribution	<u>(79,973)</u>	<u>(78,377)</u>	<u>(79,979)</u>	<u>(83,006)</u>	<u>(76,683)</u>	<u>(71,353)</u>	<u>(74,706)</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Board's covered employee payroll	<u>\$2,665,767</u>	<u>\$2,608,600</u>	<u>\$2,673,672</u>	<u>\$2,766,844</u>	<u>\$2,527,153</u>	<u>\$2,378,428</u>	<u>\$2,490,211</u>	per P-5 - regular wages
Contributions as a percentage of covered-employee payroll	3.00%	3.00%	3.00%	3.00%	3.03%	3.00%	3.00%	calculated

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

FULTON COUNTY SCHOOL DISTRICT
SCHEDULE OF THE COMMONWEALTH OF KENTUCKY'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY - LIFE INSURANCE FUND ASSOCIATED WITH
FULTON COUNTY SCHOOL DISTRICT - SPECIAL FUNDING SITUATION
Kentucky Teachers' Retirement System
Last Fiscal Year Ended June 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	
District's proportion of the net OPEB liability (asset)	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	
District's proportionate share of the net OPEB liability (asset)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	per TB
State's proportionate share of the net OPEB liability (asset) associated with the District	<u>22,000</u>	<u>10,000</u>	<u>29,000</u>	<u>24,000</u>	<u>21,000</u>	<u>17,000</u>	
Total proportionate share of the net OPEB liability (asset)	<u>\$ 22,000</u>	<u>\$ 10,000</u>	<u>\$ 29,000</u>	<u>\$ 24,000</u>	<u>\$ 21,000</u>	<u>\$ 17,000</u>	
District's covered-employee payroll	<u>\$ 2,608,600</u>	<u>\$ 2,673,672</u>	<u>\$ 2,766,844</u>	<u>\$ 2,527,153</u>	<u>\$ 2,378,428</u>	<u>\$ 2,490,211</u>	Per P-5 PY regular only
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	calculated
Plan fiduciary net position as a percentage of the total OPEB liability	73.97%	89.15%	71.57%	73.40%	75.00%	79.99%	per actuary report

The amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

FULTON COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS - LIFE INSURANCE FUND
Kentucky Teachers' Retirement System
Fiscal Years Ending June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	per P-5
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Board's covered employee payroll	<u>\$ 2,665,767</u>	<u>\$ 2,608,600</u>	<u>\$ 2,673,672</u>	<u>\$ 2,766,844</u>	<u>\$ 2,527,153</u>	<u>\$ 2,378,428</u>	<u>\$ 2,490,211</u>	per P-5 regular only
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00% calculated

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2023

Pension Plan

County Employees Retirement System

Changes of benefit terms: During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final pay rate to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of member's final pay to 50% of average pay for one child, 65% over average pay for two children, of 75% of average pay for three children. The Total Pension Liability beginning June 30, 2018 is determined using these updated benefit provisions

Changes of assumptions: In the June 30, 2019, 2017 and 2015 actuarial valuations, the following changes in actuarial assumptions were made:

	<u>June 30,</u> <u>2019</u>	<u>June 30,</u> <u>2017</u>	<u>June 30,</u> <u>2015</u>	<u>June 30,</u> <u>2014</u>
Inflation	2.30%	2.30%	3.25%	3.50%
Payroll Growth	2.00%	0.75%	0.75%	1.00%
Salary Increases	3.30% to 10.30%	3.05%	4.00%	4.50%
Investment Rate of Return	6.25%	6.25%	7.50%	7.75%

In the June 30, 2019 actuarial valuation, the mortality table used for active members was a PUB-2010 General Mortality table, for the Non-Hazardous System, and PUB-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disable 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.

Beginning with the June 30, 2015 actuarial valuation, 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 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.

For periods prior to the June 30, 2015 actuarial valuation, the rates of mortality for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward five years was used for the period after disability retirement.

FULTON COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2023

Kentucky Teachers' Retirement System

Pension Plan

Changes of benefit terms: In 2022, a new benefit tier was added for members joining the System on or after January 1, 2022. A description of the benefit provisions applicable to these members can be found in Note 3 of this report.

Changes of assumptions:

- In 2014, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.16% to 5.23%.
- In 2015, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.23% to 4.88%.
- In the 2016 valuation, rates of withdrawal, retirement, disability, and mortality were adjusted to more closely reflect actual experience and the assumed salary scale, price inflation, and wage inflation were adjusted to reflect a decrease. In addition, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.88% to 4.20%.
- In 2017, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.20% to 4.49%.
- In 2018, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.49% to 7.50%.
- In the 2020 experience study, rates of withdrawal, retirement disability, mortality, and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the PUB 2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and actives. The assumed long-term investment rate of return was changed from 7.50 percent to 7.10 percent and the price inflation assumption was lowered from 3.00 percent to 2.50 percent. In addition, the calculation of the SEIR in an assumption change from 7.5 percent to 7.10 percent.

Other Post-Employment Benefits

County Employee's Retirement System

Changes of benefit terms: Senate Bill 209 passed during the 2022 legislative session and increased the insurance dollar contribution for members hired on or after July 1, 2003, by \$5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023. Senate Bill 2090 also allows members receiving the insurance dollar contribution to participate in a medical insurance reimbursement plan that would provide the reimbursement of premiums for health plans other than those administered

See independent auditor's report

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2023

by KPPA. The total OPEB liability as of June 30, 2022, is determined using these updated benefit provisions.

Changes of assumptions: In the June 30, 2019 actuarial valuation, the following changes in actuarial assumptions were made:

	<u>June 30,</u> <u>2019</u>	<u>June 30,</u> <u>2017</u>
Inflation	2.30%	2.30%
Payroll Growth	2.00%	0.75%
Salary Increases	3.30% to 10.30%	3.05%
Investment Rate of Return	6.25%	6.25%

In the June 30, 2019 actuarial valuation, the mortality table used for active members was a PUB-2010 General Mortality table, for the Non-Hazardous System, and PUB-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disable 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.

Beginning with the June 30, 2017 actuarial valuation, 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 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.

Kentucky Teachers Retirement System

Medical Insurance Plan

Changes of benefit terms: In 2022, a new benefit tier was added for members joining the System on or after January 1, 2022. A description of the benefit provisions applicable to these members can be found in Note 3 of this report.

The following changes were made by the General Assembly and reflected in the valuation performed as of June 30, 2016:

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

Changes of assumptions:

- In 2022, health care cost trend rates were updated to reflect future anticipated experience.

See independent auditor’s report

FULTON COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2023

- In 2020, health care cost trend rates were updated.
- In the 2020 experience study, rates of withdrawal, retirement disability, mortality, and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and actives. The assumed long-term investment rate of return was changed from 8.00 percent to 7.10 percent and the price inflation assumption was lowered from 3.00 percent to 2.50 percent. The rates of member participation and spousal participation were adjusted to reflect actual experience more closely.

Life Insurance Plan

Changes of benefit terms – In 2022, a new benefit tier was added for members joining the System on or after January 1, 2022. A description of the benefit provisions applicable to these members can be found in Note 3 of this report.

Changes of assumptions :

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

SUPPLEMENTARY INFORMATION

**FULTON COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2023**

	Student Activity Fund	District Activity Fund	Capital Outlay Fund	Building Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Assets						
Cash and cash equivalents	\$ 112,711	\$ 183,134	\$ 25,059	\$ 5,434	\$ 3,326	\$ 329,664
Receivables						
Accounts	-	-	-	-	-	-
Total assets	\$ 112,711	\$ 183,134	\$ 25,059	\$ 5,434	\$ 3,326	\$ 329,664
Liabilities and Fund Balances						
Due to other funds						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balances						
Restricted	\$ -	\$ 183,134	\$ 25,059	\$ 5,434	\$ 3,326	\$ 216,953
Committed	112,711	-	-	-	-	112,711
Total fund balances	112,711	183,134	25,059	5,434	3,326	329,664
Total liabilities and fund balances	\$ 112,711	\$ 183,134	\$ 25,059	\$ 5,434	\$ 3,326	\$ 329,664

See independent auditor's report.

FULTON COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

	Student Activity Fund	District Activity Fund	Capital Outlay Fund	Building Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues						
From local sources						
Taxes						
Property	\$ -	\$ -	\$ -	\$ 150,462	\$ -	\$ 150,462
Other Local Revenue	201,447	33,437	-	-	-	234,884
Intergovernmental - State	-	-	53,900	123,351	242,130	419,381
Total revenues	<u>201,447</u>	<u>33,437</u>	<u>53,900</u>	<u>273,813</u>	<u>242,130</u>	<u>804,727</u>
Expenditures						
Current						
Instruction						
Purchased professional and technical services	26,434	15,000	-	-	-	41,434
Supplies	175,129	11,971	-	-	-	187,100
Facilities acquisition and construction	-	1,754	-	-	-	1,754
Debt service						
Debt service & miscellaneous	-	-	-	-	438,714	438,714
Interest & issuance costs	-	-	-	-	177,760	177,760
Total expenditures	<u>201,563</u>	<u>28,725</u>	<u>-</u>	<u>-</u>	<u>616,474</u>	<u>846,762</u>
Excess (deficit) of revenues over expenditures	<u>(116)</u>	<u>4,712</u>	<u>53,900</u>	<u>273,813</u>	<u>(374,344)</u>	<u>(42,035)</u>
Other Financing Sources (Uses)						
Donations	-	10,686	-	-	-	10,686
Transfers in	-	-	-	-	374,344	374,344
Transfers out	-	-	(53,900)	(273,813)	-	(327,713)
Total other financing sources (uses)	<u>-</u>	<u>10,686</u>	<u>(53,900)</u>	<u>(273,813)</u>	<u>374,344</u>	<u>57,317</u>
Net change in fund balances	(116)	15,398	-	-	-	15,282
Fund balances, beginning of year	112,827	167,736	25,059	5,434	3,326	314,382
Fund balances, end of year	<u>\$ 112,711</u>	<u>\$ 183,134</u>	<u>\$ 25,059</u>	<u>\$ 5,434</u>	<u>\$ 3,326</u>	<u>\$ 329,664</u>

See independent auditor's report.

FULTON COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES AND EXPENDITURES
SPECIAL REVENUE STUDENT ACTIVITY FUNDS
For the Year Ended June 30, 2023

Fund	July 1, 2022	Revenues	Expenditures	June 30, 2023
Activity Funds				
Fulton County High School				
Annual	\$ 3,020	\$ 2,858	\$ 2,602	\$ 3,276
Athletic	14,882	30,939	31,784	14,037
Bass Fishing Club	679	490	130	1,039
Charles Speed scholarship	2,928	651	250	3,329
Class of 2022	2,407	9,500	11,907	-
Cross country	1,156	745	1,506	395
Faculty snacks	972	214	766	420
FEA	446	-	-	446
Four Rivers scholarship	-	38,499	25,566	12,933
Future Farmers of America	9,658	26,394	27,830	8,222
General Fund	844	2,043	1,518	1,369
Golf	4,015	200	1,633	2,582
High school baseball	5	555	488	72
High school beta club	916	5,642	5,533	1,025
High school cheerleaders	424	6,945	5,583	1,786
High school football	6,817	11,317	17,591	543
High school volleyball	1,469	1,355	1,525	1,299
JAM	2,802	-	47	2,755
Joey Bumpus scholarship	373	200	500	73
Jones never stop learning scholarship	-	250	250	-
Lady pilot basketball	8,666	6,033	4,408	10,291
Lady pilot softball	225	1,637	654	1,208
Library grant	191	-	-	191
Life Skills	2,516	1,793	2,231	2,078
Maurice Tucker scholarship	2,331	-	750	1,581
McWhirt Scholarship	1,750	500	1,250	1,000
Mike Hayden Scholarship	50	-	-	50
Pilot army	324	-	-	324
Pilot basketball	3,697	2,100	2,457	3,340
Prom	450	7,464	5,839	2,075
Track team	-	1,690	1,545	145
Vending	1,441	1,579	2,691	329
Wilson Minority Scholarship	1,000	-	500	500
Class of 2023	1,830	6,528	7,645	713
Technology fees	535	-	-	535
Class of 2024	3,879	5,165	4,238	4,806
Pink out shirts	44	-	-	44
Jamie Alexander Scholarship	800	-	500	300
Class of 2025	3,625	2,802	2,082	4,345
Drama Club	-	1,534	431	1,103
Class of 2026	-	2,984	1,940	1,044
	87,167	180,606	176,170	91,603
Less: inter-fund transfers	-	10,320	10,320	-
Total Fulton County High School	87,167	170,286	165,850	91,603
Fulton County Elementary and Middle School	25,660	31,161	35,713	21,108
Total student activity funds	112,827	201,447	201,563	112,711

See independent auditor's report.

FULTON COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

Federal Grantor/ Pass-Through Grantor/ALN Program Title	Federal ALN Number	Pass-Through Grantor Number	Program or Award Amount	Expenditures
U.S. Department of Education				
Passed Through State Department of Education:				
Title I Grants to Local Educational Agencies	84.010	3100002-22	\$ 392,777	\$ 392,777
Title I Grants to Local Educational Agencies	84.010	3100002-21	387,784	14,641
			<u>780,561</u>	<u>407,418</u>
 Title I Grants to Local Educational Agencies - Title I School Improvement Funds	 84.010A	 3100202-21	 92,725	 65,541
			<u>92,725</u>	<u>65,541</u>
 Total Title I			 <u>873,286</u>	 <u>472,959</u>
Special Education Cluster:				
Special Education_Grants to States _ ARP	84.027A	3810002-22	187,664	180,307
Special Education_Grants to States	84.027A	3810002-21	178,063	10,884
			<u>365,727</u>	<u>191,191</u>
 Special Education_Preschool Grants	 84.173A	 3800002-22	 27,881	 23,450
Special Education_Preschool Grants	84.173X	4900002-21	4,646	1,182
Special Education_Preschool Grants	84.327A	3800002-21	25,246	17,672
			<u>57,773</u>	<u>42,304</u>
 Total Special Education Cluster			 <u>423,500</u>	 <u>233,495</u>
 Career and Technical Education_Basic Grants to States	 84.048	 3710002-22	 10,496	 810
			<u>10,496</u>	<u>810</u>
 Rural and Low Income Education	 84.358B	 3140002-22	 15,948	 15,413
Rural and Low Income Education	84.358B	3140002-21	13,216	562
			<u>29,164</u>	<u>15,975</u>
 Student Support and Academic Enrichment Program	 84.424A	 3140002-22	 29,787	 29,787
 Supporting Effective Instruction State Grants	 84.367A	 3230002-22	 41,470	 41,470
Supporting Effective Instruction State Grants	84.367A	3230002-21	38,508	456
			<u>79,978</u>	<u>41,926</u>
COVID-19:				
COVID-19 - Education Stabilization Fund	84.425U	4000002-21	2,921,703	747,790
COVID-19 - Education Stabilization Fund	84.425U	4300002-21	1,042	1,042
COVID-19 - Education Stabilization Fund	84.425U	4000005-21	702	682
COVID-19 - Education Stabilization Fund	84.425W	4980002-21	15,138	4,600
COVID-19 - Education Stabilization Fund	84.425D	4200003-21	38,616	38,616
COVID-19 - Education Stabilization Fund	84.425D	4200002-21	1,355,247	342,107
			<u>4,332,448</u>	<u>1,134,837</u>
 Passed Through West KY Education Cooperative				
COVID-19-Education Stabilization Fund	84.425C	CARE-21	100,000	50,233
 Total COVID-19			 <u>4,432,448</u>	 <u>1,185,070</u>
 Total U.S. Department of Education			 <u>5,862,711</u>	 <u>1,980,022</u>

*See independent auditor's report.
The accompanying notes are an integral part of this schedule.*

FULTON COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

Federal Grantor/ Pass-Through Grantor/ALN Program Title	Federal ALN Number	Pass-Through Grantor Number	Program or Award Amount	Expenditures
U.S. Department of Agriculture				
Passed Through State Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	7760005	228,770	228,770
National School Lunch Program	10.555	7750002	456,147	456,147
National School Lunch Program - Donated Commodities	10.555	4002244	33,384	33,384
			<u>718,301</u>	<u>718,301</u>
Summer Food Service Program for Children	10.559	7740023	7,024	7,024
Fresh Fruit and Vegetable Program	10.582	7720012	2,912	2,912
			<u>728,237</u>	<u>728,237</u>
National School Lunch Program - Equipment Assistance	10.579	7840027	22,681	22,681
Pandemic EBT Administrative Costs for Child Nutrition	10.649	999000	614	614
State Administrative Expenses for Child Nutrition	10.560	7700001	1,281	1,281
Passed Through Murray Independent Board of Education				
Child and Adult Care Food Program	10.558	04CH011242-01	7,104	7,104
Total U.S. Department of Agriculture			<u>759,917</u>	<u>759,917</u>
U.S. Department of Health and Human Services				
Passed Through Murray Independent Board of Education:				
Head Start	93.600	04CH011242-01	171,059	171,059
Total federal awards			<u>\$ 6,793,687</u>	<u>\$ 2,910,998</u>

Reconciliation of Expenditures of Federal Awards to Special Revenue Total Expenditures

Total expenditures of federal awards	\$ 2,910,998
Total expenditures of state and local awards	588,724
Expenditure of federal awards in the food service fund	<u>(759,917)</u>
Total expenditures as reported in the special revenue fund on statement of revenues, expenditures, and changes in fund balance - governmental funds	<u>\$ 2,739,805</u>

FULTON COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Fulton County School District under programs of the federal government for the year ended June 30, 2023. 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 Fulton County School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Fulton County School District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE 3 - INDIRECT COST RATE

Fulton County School District has not elected to use the 10-percent de minimus indirect rate allowed under the Uniform Guidance.

NOTE 4 - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of commodities received and disbursed.

INTERNAL CONTROL AND COMPLIANCE SECTION



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

Kentucky State Committee for School District Audits
Members of the Fulton County Board of Education
Hickman, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fulton County School District as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the Fulton County School District's basic financial statements and have issued our report thereon dated May 28, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fulton 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 Fulton County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Fulton 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 Fulton County School District's financial statements are free of 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 other matters that we reported to management of Fulton County School District in a separate letter dated May 28, 2024, as required by the auditor's contract with the Kentucky Department of Education.

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.

ATA, PLLC

Murray, Kentucky
May 28, 2024



**Independent Auditor's Report on Compliance for Each Major Federal Program and
Report on Internal Control over Compliance Required by the *Uniform Guidance***

Kentucky State Committee for School District Audits
Members of the Fulton County Board of Education
Hickman, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Fulton County School District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Fulton County School District's major federal programs for the year ended June 30, 2023. Fulton 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, Fulton 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, 2023.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Fulton 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 Fulton 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 Fulton 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.

ATA, PLLC

Murray, Kentucky
May 28, 2024

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

unmodified

Internal control over financial reporting:

Material weakness(es) identified?

 yes x no

Significant deficiency(ies) identified?

 yes x none reported

Noncompliance material to financial statements noted?

 yes x no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

 yes x no

Significant deficiency(ies) identified?

 yes x none reported

Type of auditor's report issued on compliance for major federal programs:

unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 x yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425	Education Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 x yes no

FINDINGS - FINANCIAL STATEMENT AUDIT

None reported

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

MANAGEMENT LETTER POINTS



Patrice Chambers, Superintendent
Fulton County Board of Education
Hickman, Kentucky

In planning and performing our audit of the financial statements of Fulton County School District as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, we considered the District's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the District's 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 deficiencies in internal control other than significant deficiencies and material weaknesses as well as matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated May 28, 2024, on the financial statements of Fulton County School District.

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

This communication is intended solely for the information and use of management of Fulton County School District and others within the District, and is not intended to be, and should not be, used by anyone other than those specified parties.

Sincerely,

ATA, PLLC

Murray, Kentucky
May 28, 2024

**FULTON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS**

June 30, 2023

MANAGEMENT LETTER POINTS

I. Condition: ATA noted that the Transfer Forms were not completed for transfers made between activity fund accounts in the High School Activity Fund.

Criteria: Per the KDE Redbook, all transfers between activity fund accounts should be accompanied by the standard transfer form.

Cause: The activity fund treasurer erroneously omitted this form for all activity fund transfers.

Effect: The high school activity fund is not in full compliance with the KDE Redbook requirements.

Recommendation: We recommend that the activity fund treasurer complete the standard transfer form for any transfer between accounts within the activity fund.

Response: The high school activity fund treasurer will complete transfer forms for all transfers going forward.

II. Condition: ATA noted two month's property taxes were not remitted in a timely manner to the District by the Sheriff's office.

Criteria: KRS 134.191 states that the sheriff shall provide monthly reports and payments of taxes collected by the 10th day of each month.

Cause: Late remittance by the Sheriff's office.

Effect: Noncompliance with KRS.

Recommendation: Report the late remittances to the appropriate regulatory agency.

Response: The District agrees with recommendation.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FULTON COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2023

FINANCIAL STATEMENT FINDINGS

None reported

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

FULTON COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR MANAGEMENT LETTER POINTS
June 30, 2023

MANAGEMENT LETTER POINTS

I. Condition: ATA noted that two out of four donations received by the high school activity fund were not accompanied by donation acceptance forms.

Criteria: Per the KDE Redbook, all donations received by the activity fund should be accompanied by the standard donation acceptance form.

Cause: The activity fund treasurer erroneously omitted this form for these particular donations.

Effect: The high school activity fund is not in full compliance with the KDE Redbook requirements.

Current Status: The finding was not repeated in the current year.

II. Condition: ATA noted one month's property taxes were not remitted in a timely manner to the District by the Sheriff's office. ATA also noted that for one month's property taxes and one month's franchise taxes, the sheriff's commission fee was withheld from the gross collections. Commission fees are not allowed to be withheld.

Criteria: KRS 134.191

Cause: Late remittance by the Sheriff's office and improper withholding of commission fees by the sheriff's office.

Effect: Noncompliance with KRS.

Current Status: This issue was repeated in the current year except that the sheriff's commission fee was not withheld from the gross collections.