

**McCRACKEN COUNTY
BOARD OF EDUCATION**

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
With Independent Auditor's Reports**

YEAR ENDED JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School
District Audits
Members of the Board of Education
McCracken County Board of Education
Paducah, Kentucky

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the McCracken County Board of Education as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the McCracken County Board of Education'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 McCracken County Board of Education 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 the 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 McCracken County Board of Education and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the McCracken County Board of Education'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 judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the 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 McCracken County Board of Education'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 McCracken County Board of Education's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, and schedules of net pension and OPEB liabilities and contributions on pages 4 through 9 and 48 through 59 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 McCracken County Board of Education's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, combining and individual school activity fund financial statements, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented

for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, combining and individual school activity fund financial statements, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2023 on our consideration of the McCracken County Board of Education’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the McCracken County Board of Education’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 McCracken County Board of Education’s internal control over financial reporting and compliance.

Kemper CPA Group, LLP

Certified Public Accountants and Consultants
Paducah, Kentucky
October 26, 2023

McCracken County Public School District—Paducah, Kentucky
Management’s Discussion and Analysis (MD&A)
Year Ended June 30, 2023

As management of the McCracken County School District, we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their statement No. 34 “Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments” issued in June 1999.

FINANCIAL HIGHLIGHTS

- The government-wide beginning cash and cash equivalents balance for the District on July 1, 2022, was \$26,432,199. The government-wide ending cash and cash equivalents balance for the District on June 30, 2023, was \$36,984,498 which reflects both the revenue from bond proceeds and expenses related to construction projects.
- Investment income increased to a total of \$1,686,237 for all categories of funds. This is an 864% increase from the prior year due primarily to the revenue from construction bond proceeds and accounts with a favorable fixed interest rate.
- General Fund revenue accounted for \$74,190,601 in revenue, or 75% of all governmental revenues. Program specific revenues in the form of grants, construction, and other governmental units accounted for \$24,397,666, or 25% of total governmental revenues of \$98,588,267.
- The General Fund had almost \$74.2 million in revenue, which consisted primarily of the state program (SEEK), property, utility, and motor vehicle taxes, and revenue in lieu of taxes. Excluding inter-fund transfers, there were almost \$74.6 million in General Fund expenditures. On-behalf payments by the State of Kentucky for retirement and benefits totaled nearly \$22.8 million for employees paid from the General Fund during FY23, as well as for technology. The General Fund revenues net of on-behalf payments were over \$51.4 million and expenditures net of on-behalf payments were almost \$51.9 million.
- It is important to note that this is the seventh consecutive fiscal year that General Fund expenditures have exceeded General Fund revenues, although the gap is narrowing significantly. The excess expenditures have been one-time purchases of supplies and services, but also include significant pay raises for employees to help the district attract and retain staff in this challenging economic environment. The district has the one of the highest salary schedules of neighboring school districts, and is working to both generate revenue to offset those increased employee costs, and to identify operational savings and efficiencies that can reduce costs. One notable area of savings is the sale of the Farley Elementary School property during the fiscal year. The building had been vacant since May 2014, yet the district continued to spend General Fund dollars on recurring operational costs. While the sale was for less than the book value of the property, the resulting recurring savings in operational costs will be helpful to the financial operations of the district. This continued focus on operational savings should be evident in the FY24 financial statements, narrowing the gap further between General Fund revenues and expenditures, and increasing the General Fund balance.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are 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 financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities.) The governmental activities of the District include instruction, support services, district and school administration, business and plant operations, student transportation, community service activities, and capital leases for vehicles. Taxes and intergovernmental revenues also support fixed assets and related short- and long-term debt.

The government-wide financial statements can be found on pages 10-11 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated accounting system including a chart of accounts for all Kentucky public school districts. All Kentucky public school districts utilize the Municipal Information System (MUNIS) accounting software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: 1) governmental, 2) proprietary, and 3) fiduciary funds. Proprietary funds are our food service and daycare operations. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare, and teacher support. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 12-15 of this report.

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

The notes to the financial statements can be found on pages 19-47 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, government-wide assets exceeded government-wide liabilities by \$37.3 million as of June 30, 2023.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment, and construction in progress) less any related

outstanding debt used to acquire those assets. 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 the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

Summary of District's net position (in thousands of dollars):

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>%</u>
	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>22-23</u>
Current Assets	\$ 24,956	\$35,655	\$ 4,832	\$ 4,593	\$ 29,788	\$ 40,248	35%
Noncurrent Assets	<u>132,915</u>	<u>148,278</u>	<u>213</u>	<u>358</u>	<u>133,128</u>	<u>148,636</u>	<u>12%</u>
Total Assets	157,871	183,933	5,045	4,952	162,916	188,884	16%
Deferred Outflows of Resources	10,857	17,525	959	851	11,816	18,377	56%
Current Liabilities	9,478	11,841	22	6	9,500	11,847	25%
Noncurrent Liabilities	<u>112,940</u>	<u>142,686</u>	<u>4,729</u>	<u>4,919</u>	<u>117,669</u>	<u>147,605</u>	<u>25%</u>
Total Liabilities	122,418	154,527	4,751	4,925	127,169	159,452	25%
Deferred Inflows of Resources	13,238	10,069	1,025	421	14,263	10,490	-26%
Net Position					-	-	
Investment in capital assets, net of debt	49,882	43,758	213	358	50,095	44,116	-12%
Restricted	8,797	16,337	-	-	8,797	16,337	86%
Unrestricted	<u>(25,607)</u>	<u>(23,233)</u>	<u>15</u>	<u>98</u>	<u>(25,592)</u>	<u>(23,134)</u>	<u>-10%</u>
Total Net Position (Deficit)	\$ 33,071	\$36,863	\$ 228	\$ 457	\$ 33,300	\$ 37,319	12.1%

The district’s total net position increased by 12.1%, or about \$4 million, primarily due to an increase in capital assets offset by the debt related to bond obligations on those assets. The majority of the increase in capital assets is from the completion on the construction of a new Lone Oak Middle School, the renovation of the old Lone Oak Middle School to become Lone Oak Intermediate School, and completed work toward a district-wide Guaranteed Energy Savings Project. The sale of the Farley Elementary School property at a loss is still offset by the increased value of construction and facilities projects in process for the year ended June 30, 2023.

Summary of District's change in net position (in thousands of dollars):

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>% Change</u>
	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>22-23</u>
Revenues							
Program Revenues:							
Charges for Services	\$ 1,737	\$ 1,883	\$ 438	\$ 577	\$ 2,175	\$ 2,460	13%
Operating grants and contributions	14,211	13,155	7,331	6,841	21,542	19,996	-7%
Capital grants and contributions	2,778	3,157	-	-	2,778	3,157	14%
General Revenues:							
Property taxes	22,377	23,291	-	-	22,377	23,291	4%
Vehicle taxes	2,565	2,760	-	-	2,565	2,760	8%
Other taxes	6,198	7,677	-	-	6,198	7,677	24%
State sources	47,732	44,721	-	-	47,732	44,721	-6%
Transfers and Other	<u>1,209</u>	<u>1,495</u>	<u>(250)</u>	<u>(573)</u>	<u>959</u>	<u>922</u>	<u>-4%</u>
Total Revenues	98,807	98,139	7,519	6,845	106,326	104,984	-1%
Expenses							
School operations	93,333	91,121	-	-	93,333	91,121	-2%
School food services	-	-	5,460	6,333	5,460	6,333	16%
School daycare	-	-	371	284	371	284	-23%
Interest on debt	<u>2,710</u>	<u>3,226</u>	<u>-</u>	<u>-</u>	<u>2,710</u>	<u>3,226</u>	<u>19%</u>
Total Expenses	<u>96,043</u>	<u>94,348</u>	<u>5,831</u>	<u>6,617</u>	<u>101,874</u>	<u>100,965</u>	<u>-1%</u>
Change in Net Position	<u>\$ 2,765</u>	<u>\$ 3,791</u>	<u>\$ 1,688</u>	<u>\$ 228</u>	<u>\$ 4,452</u>	<u>\$ 4,019</u>	<u>-10%</u>

The decrease in revenues in governmental funds is due to reductions in state funding, as the formula provides less when local property values rise, and because the majority of the federal funding through the CARES Act, which provided ESSER funds to school districts to help address the effects of the COVID-19 pandemic, has already been spent as compared to prior fiscal years.

Looking ahead to FY24, while the state funding formula will increase from \$4,100 per student (based on Average Daily Attendance) to \$4,200 per student, a continued decrease in state funding is anticipated for the District. The two major components of the state funding formula are student attendance and property assessment. Since the COVID-19 pandemic, most districts across Kentucky have lost enrollment of students due to home school and private school options. McCracken County is no exception. While enrollment remains steady since those initial decreases, the numbers have not rebounded to pre-pandemic levels. KDE has provided funding based on pre-pandemic enrollment through FY23. The district has prepared for funding based on actual Average Daily Attendance for FY24 and forward. The local property assessment values continue to increase, providing an opportunity for additional local funding to help offset the reduction in state funding.

COMMENTS ON BUDGET COMPARISONS

- The District's total General Fund revenues for the fiscal year ended June 30, 2023, were just under \$74.2 million compared with budgeted revenues of \$50.2 million (net of beginning balance and fund transfers.)
- General Fund final budget compared to actual revenue varied from line item to line item with the ending actual balance being over \$23.9 million more than budget (favorable) primarily due to the recording of more than \$22.7 million in actual on-behalf payments from the state, which were not budgeted due to Kentucky Department of Education recommendations.
- The total cost of all programs and services to the General Fund was almost \$74.6 million, compared with budgeted expenses of \$60.4 million (net of fund transfers.) General Fund budget expenditures compared to actual expenditures varied by \$14.2 million (unfavorable), which was primarily due to not budgeting for over \$22.7 million in on-behalf expenditures that are recorded as adjusting journal entries after the fiscal year end. The net of the variance after excluding the on-behalf expenditures results in \$8.5 million less in expenditures than what was budgeted. This is due to not spending any contingency or reserve funds set aside in various areas of the budget.
- On-behalf payments include payments made by the Commonwealth of Kentucky for teacher retirement contributions and health and life insurance benefits. In fiscal year ending June 30, 2023, these amounts for the General Fund totaled \$22,580,135. Payments by the Kentucky Department of Education (KDE) for technology network support on behalf of the district were \$174,491. These amounts were reflected as both actual fund revenues and actual fund expenditures, but not budgeted as fund revenues and expenditures, as recommended by KDE.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Investment in capital assets, net of related debt, increased by \$15,508,228 or 11.6%, due primarily to the recording of construction projects in process for the new Lone Oak Middle School, the renovation of the old Lone Oak Middle School to become Lone Oak Intermediate School, and the district wide Guaranteed Energy Savings Project, which exceeded depreciation expense on other capital assets.

COMMITMENT AND RESTRICTION OF FUND BALANCES

With the implementation of GASB Statement No. 54 standards, the District is allowed to restrict a portion of the fund balance within the General Fund as legislation permits or to commit funds for a future purpose through Board action. These funds cannot be reclassified as unassigned without further Board action.

- Pursuant to Kentucky Revised Statute 161.155, up to 50% of the District's total sick leave liability for the current year may be escrowed to maintain funds necessary to pay employees who qualify for receipt of the benefit. The District restricted \$661,757 as of June 30, 2023, for this purpose.
- On June 15, 2023, the Board voted to allow Site Based Decision Making Councils to carry forward remaining funds from the FY23 allocation into FY24. This amount was \$323,792.
- On June 18, 2015, the Board voted to commit \$10,000 of the General Fund balance to future construction and related expenses. This commitment remains unchanged.

BUDGETARY IMPLICATIONS

In Kentucky, the public school fiscal year is July 1 through June 30; other programs (i.e. federal dollars) operate on a different fiscal calendar, but they are reflected in the district overall budget. By law, the working budget must have a minimum 2% contingency. The District adopted this budget with a contingency that exceeded the minimum state requirement.

Questions regarding this report should be directed to:

Johnna Lee DeJarnett
Assistant Superintendent
McCracken County Public Schools
5347 Benton Road
Paducah, KY 42003
270.538.4000
johnna.dejarnett@mccracken.kyschools.us

MCCRACKEN COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
GOVERNMENT WIDE
As of June 30, 2023

ASSETS	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current Assets			
Cash and cash equivalents	\$ 33,135,155	\$ 3,849,143	\$ 36,984,298
Receivables	2,519,575	635,297	3,154,872
Inventory	-	108,660	108,660
Total current assets	<u>35,654,730</u>	<u>4,593,100</u>	<u>40,247,830</u>
Noncurrent Assets			
Capital assets			
Nondepreciable	21,504,341	-	21,504,341
Depreciable, net of accumulated depreciation	126,773,834	358,217	127,132,051
Total noncurrent assets	<u>148,278,175</u>	<u>358,217</u>	<u>148,636,392</u>
Total assets	<u>183,932,905</u>	<u>4,951,317</u>	<u>188,884,222</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension related outflows	2,816,797	441,997	3,258,794
Deferred other post employment benefits outflows	14,297,363	409,416	14,706,779
Deferred charge on refunding	411,113	-	411,113
Total deferred outflows of resources	<u>17,525,273</u>	<u>851,413</u>	<u>18,376,686</u>
LIABILITIES			
Current Liabilities			
Accounts payable	4,138,789	6,384	4,145,173
Accrued interest payable	670,892	-	670,892
Current portion of accrued sick leave	254,519	-	254,519
Current portion of bond obligations	4,722,673	-	4,722,673
Current portion of financing leases	573,904	-	573,904
Unearned revenue	1,479,990	-	1,479,990
Total current liabilities	<u>11,840,767</u>	<u>6,384</u>	<u>11,847,151</u>
Noncurrent Liabilities			
Pension obligations	21,897,730	3,864,305	25,762,035
Other post employment benefits	24,027,086	1,054,780	25,081,866
Noncurrent portion of bond obligations	93,228,178	-	93,228,178
Noncurrent portion of financing leases	2,463,940	-	2,463,940
Noncurrent portion of accrued sick leave	1,068,994	-	1,068,994
Total noncurrent liabilities	<u>142,685,928</u>	<u>4,919,085</u>	<u>147,605,013</u>
Total liabilities	<u>154,526,695</u>	<u>4,925,469</u>	<u>159,452,164</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension related inflows	196,087	34,603	230,690
Deferred other post employment benefits inflows	9,872,876	386,272	10,259,148
Total deferred inflows of resources	<u>10,068,963</u>	<u>420,875</u>	<u>10,489,838</u>
NET POSITION			
Net invested in capital assets	43,757,984	358,217	44,116,201
Restricted for:			
KSFCC - Debt Service	2,668,468	-	2,668,468
Capital projects	13,007,006	-	13,007,006
Other purposes	661,757	-	661,757
Unrestricted (deficit)	<u>(23,232,695)</u>	<u>98,169</u>	<u>(23,134,526)</u>
Total net position	<u>\$ 36,862,520</u>	<u>\$ 456,386</u>	<u>\$ 37,318,906</u>

The notes to the financial statements are an integral part of this statement.

**MCCRACKEN COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
GOVERNMENT WIDE
For the Year Ended June 30, 2023**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
Instruction	\$ 60,621,293	\$ 1,848,122	\$ 9,448,434	\$ -	\$ (49,324,737)	\$ -	\$ (49,324,737)
Support services:							
Student	3,210,888	-	127,130	-	(3,083,758)	-	(3,083,758)
Instruction staff	2,267,328	-	8,882	-	(2,258,446)	-	(2,258,446)
District administrative	1,468,120	-	-	-	(1,468,120)	-	(1,468,120)
School administrative	4,592,358	-	-	-	(4,592,358)	-	(4,592,358)
Business and central office	3,805,653	-	406,196	-	(3,399,457)	-	(3,399,457)
Plant operation and maintenance	8,780,081	34,979	404,368	-	(8,340,734)	-	(8,340,734)
Student transportation	5,460,850	-	1,826,326	-	(3,634,524)	-	(3,634,524)
Facilities acquisition and construction	-	-	-	2,407,054	2,407,054	-	2,407,054
Community service activities	914,807	-	933,633	-	18,826	-	18,826
Interest on long-term debt	3,226,129	-	-	749,709	(2,476,420)	-	(2,476,420)
Total governmental activities	<u>94,347,507</u>	<u>1,883,101</u>	<u>13,154,969</u>	<u>3,156,763</u>	<u>(76,152,674)</u>	<u>-</u>	<u>(76,152,674)</u>
Business-type Activities							
Food service	6,325,511	278,897	6,771,075	-	-	724,461	724,461
Day care	284,013	300,411	69,955	-	-	86,353	86,353
Total business-type activities	<u>6,609,524</u>	<u>579,308</u>	<u>6,841,030</u>	<u>-</u>	<u>-</u>	<u>810,814</u>	<u>810,814</u>
Total school district	<u>\$ 100,957,031</u>	<u>\$ 2,462,409</u>	<u>\$ 19,995,999</u>	<u>\$ 3,156,763</u>	<u>(76,152,674)</u>	<u>810,814</u>	<u>(75,341,860)</u>
		General Revenues					
					22,986,100	-	22,986,100
					304,462	-	304,462
					2,760,325	-	2,760,325
Deferral of current year bond discounts					3,369,410	-	3,369,410
					519,959	-	519,959
					3,787,205	-	3,787,205
					1,506,262	179,975	1,686,237
					44,721,308	-	44,721,308
					(1,135,856)	(1,199)	(1,137,055)
					363,209	-	363,209
					761,698	(761,698)	-
					<u>79,944,082</u>	<u>(582,922)</u>	<u>79,361,160</u>
					3,791,408	227,892	4,019,300
					33,071,112	228,494	33,299,606
					<u>\$ 36,862,520</u>	<u>\$ 456,386</u>	<u>\$ 37,318,906</u>

The notes to the financial statements are an integral part of this statement.

**MCCRACKEN COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2023**

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Capital Outlay Fund</u>	<u>Construction Fund</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash and cash equivalents	\$ 11,600,857	\$ 1,484,408	\$ 613,008	\$ 16,538,501	\$ 2,055,460	\$ 842,922	\$ 33,135,156
Other receivables	923,876	1,594,019	-	-	-	1,680	2,519,575
Due from other funds	1,570,029	-	-	-	-	-	1,570,029
Total assets	<u>\$ 14,094,762</u>	<u>\$ 3,078,427</u>	<u>\$ 613,008</u>	<u>16,538,501</u>	<u>\$ 2,055,460</u>	<u>\$ 844,602</u>	<u>\$ 37,224,760</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 564,523	\$ 28,408	\$ -	\$ 2,792,875	\$ -	\$ 14,360	\$ 3,400,166
Due to other funds	-	1,570,029	-	-	-	-	1,570,029
Unearned revenue	-	1,479,990	-	-	-	-	1,479,990
Total liabilities	<u>564,523</u>	<u>3,078,427</u>	<u>-</u>	<u>2,792,875</u>	<u>-</u>	<u>14,360</u>	<u>6,450,185</u>
Fund Balances							
Nonspendable							
Prepaid expenses	-	-	-	-	-	-	-
Restricted:							
Sick leave payable	661,757	-	-	-	-	-	661,757
KSFCC Debt Service	-	-	613,008	-	2,055,460	-	2,668,468
Capital projects	-	-	-	13,745,626	-	-	13,745,626
Committed:							
Student group and other	-	-	-	-	-	830,242	830,242
Site based carry forward	323,792	-	-	-	-	-	323,792
Future construction projects	10,000	-	-	-	-	-	10,000
Assigned	166,299	-	-	-	-	-	166,299
Unassigned	12,368,391	-	-	-	-	-	12,368,391
Total fund balances	<u>13,530,239</u>	<u>-</u>	<u>613,008</u>	<u>13,745,626</u>	<u>2,055,460</u>	<u>830,242</u>	<u>30,774,575</u>
Total liabilities and fund balances	<u>\$ 14,094,762</u>	<u>\$ 3,078,427</u>	<u>\$ 613,008</u>	<u>\$ 16,538,501</u>	<u>\$ 2,055,460</u>	<u>\$ 844,602</u>	<u>\$ 37,224,760</u>

The notes to the financial statements are an integral part of this statement.

**MCCRACKEN COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
As of June 30, 2023**

Total fund balances per fund financial statements		\$ 30,774,575
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.		
		148,278,175
Certain assets are not reported in this fund financial statement because they are not available to pay current-period expenditures, but they are reported in the statement of net position.		
Deferred pension related outflows	\$ 2,816,797	
Deferred other post employment benefits outflows	14,297,363	
Deferred charge on refunding	<u>411,113</u>	
		17,525,273
Certain liabilities are not reported in the fund financial statement because they are not due and payable with current resources, but they are presented in the statement of net position. These liabilities are as follows:		
Accrued interest payable	\$ 670,892	
Accrued construction retainage payable	738,624	
Accrued sick leave	1,323,513	
Bond obligations	97,950,851	
Financing leases	3,037,844	
Deferred pension related inflows	196,087	
Deferred other post employment benefits inflows	9,872,876	
Pension obligations	21,897,730	
Other post employment benefits	<u>24,027,086</u>	
		<u>(159,715,503)</u>
Net position for governmental activities		<u><u>\$ 36,862,520</u></u>

The notes to the financial statements are an integral part of this statement.

MCCRACKEN COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

Revenues	General Fund	Special Revenue	Capital Outlay Fund	Construction Fund	Building Fund	Other	Total
						Governmental Funds	Governmental Funds
From local sources							
Property taxes	\$ 17,982,325	\$ -	\$ -	\$ -	\$ 5,308,237	\$ -	\$ 23,290,562
Motor vehicle taxes	2,760,325	-	-	-	-	-	2,760,325
Utility taxes	3,369,410	-	-	-	-	-	3,369,410
Other taxes	519,959	-	-	-	-	-	519,959
Tuition and fees	108,725	-	-	-	-	-	108,725
Earnings on investments	625,452	25,768	55,181	683,838	76,978	39,045	1,506,262
Other local revenues	-	155,690	-	-	-	1,739,396	1,895,086
State sources							
SEEK	21,524,335	-	655,492	-	1,751,562	-	23,931,389
On-behalf payments	22,754,626	-	-	-	-	749,709	23,504,335
Other	226,396	3,414,666	-	-	-	-	3,641,062
Federal - indirect	215,951	9,740,305	-	-	-	-	9,956,256
Revenue in lieu of taxes	3,787,205	-	-	-	-	-	3,787,205
Other revenues	315,892	-	-	1,800	-	-	317,692
Total revenues	74,190,601	13,336,429	710,673	685,638	7,136,777	2,528,150	98,588,268
Expenditures							
Instruction	46,968,142	9,147,994	-	-	-	1,790,110	57,906,246
Support services							
Student	2,858,189	123,088	-	-	-	-	2,981,277
Instruction staff	2,223,634	8,600	-	-	-	-	2,232,234
District administration	1,028,336	393,280	-	-	-	-	1,421,616
School administration	4,539,076	-	-	-	-	-	4,539,076
Business and central office	2,822,053	-	-	-	-	-	2,822,053
Plant operation and maintenance	8,446,186	381,258	-	-	-	-	8,827,444
Student transportation	5,057,894	1,768,253	-	-	-	-	6,826,147
Facilities acquisition and construction	-	-	-	19,096,006	-	-	19,096,006
Community service activities	-	914,198	-	-	-	-	914,198
Debt service	707,997	-	-	430,934	-	7,035,647	8,174,578
Total expenditures	74,651,507	12,736,671	-	19,526,940	-	8,825,757	115,740,875
Excess (deficit) of revenues (uses)	(460,906)	599,758	710,673	(18,841,302)	7,136,777	(6,297,607)	(17,152,607)
Other Financing Sources (Uses)							
Proceeds from debt issues	-	-	-	23,750,000	-	-	23,750,000
Bond issuance premium	-	-	-	1,382,541	-	-	1,382,541
Operating transfers in	1,317,529	137,654	-	1,119,390	-	6,285,938	8,860,511
Operating transfers out	(137,654)	(737,412)	(937,810)	-	(6,285,938)	-	(8,098,814)
Total other financing sources (uses)	1,179,875	(599,758)	(937,810)	26,251,931	(6,285,938)	6,285,938	25,894,238
Net change in fund balances	718,969	-	(227,137)	7,410,629	850,839	(11,669)	8,741,631
Fund balance, July 1, 2022	12,811,270	-	840,145	6,334,997	1,204,621	841,911	22,032,944
Fund balance, June 30, 2023	\$ 13,530,239	\$ -	\$ 613,008	\$13,745,626	\$ 2,055,460	\$ 830,242	\$ 30,774,575

The notes to the financial statements are an integral part of this statement.

MCCRACKEN COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

Net change in total fund balances per fund financial statements	\$	8,741,631
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of net position and depreciated over their estimated economic lives. The difference is the amount by which capital outlays of \$21,479,083 exceeds depreciation expense of \$4,904,994 for the year.		16,574,089
In the statement of activities, only the loss on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of capital assets disposed.		(1,211,051)
The proceeds for the issuance of debt provide current financial resources and are reported in this fund financial statement but they are presented as liabilities in the statement of net position.		(23,750,000)
Bond and financing lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.		4,806,419
Governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts are as follows:		
Amortization of refunding costs	\$ (105,729)	
Amortization of bond discounts	(5,357)	
Amortization of bond premiums	194,454	
Deferral of current year bond discounts	255,334	
Deferral of current year bond premiums	<u>(1,382,540)</u>	(1,043,838)
Some expenses 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. These amounts are as follows:		
Accrued payables	\$ (62,366)	
Accrued other post employment benefits	(240,753)	
Accrued pension expense	53,651	
Accrued leave	<u>(76,374)</u>	<u>(325,842)</u>
Change in net position per statement of activities	\$	<u><u>3,791,408</u></u>

The notes to the financial statements are an integral part of this statement.

MCCRACKEN COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION -
PROPRIETARY FUNDS
As of June 30, 2023

ASSETS	Food Service Fund	Day Care Fund	Total
Current Assets			
Cash and cash equivalents	\$ 3,387,327	\$ 461,816	\$ 3,849,143
Other receivables	631,058	4,239	635,297
Inventory	108,660	-	108,660
Total current assets	<u>4,127,045</u>	<u>466,055</u>	<u>4,593,100</u>
Noncurrent Assets			
Capital assets, net of accumulated depreciation	349,526	8,690	358,216
Total noncurrent assets	<u>349,526</u>	<u>8,690</u>	<u>358,216</u>
Total assets	<u>4,476,571</u>	<u>474,745</u>	<u>4,951,316</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension related outflows	420,848	21,149	441,997
Deferred other post employment benefits outflows	360,473	48,943	409,416
Total deferred outflows of resources	<u>781,321</u>	<u>70,092</u>	<u>851,413</u>
LIABILITIES			
Current Liabilities			
Accounts payable	5,411	973	6,384
Total current liabilities	<u>5,411</u>	<u>973</u>	<u>6,384</u>
Total liabilities	<u>5,411</u>	<u>973</u>	<u>6,384</u>
Noncurrent Liabilities			
Per Deferral of current year bond discounts	3,349,064	515,241	3,864,305
Other post employment benefits	914,143	140,637	1,054,780
Total noncurrent liabilities	<u>4,263,207</u>	<u>655,878</u>	<u>4,919,085</u>
Total liabilities	<u>4,268,618</u>	<u>656,851</u>	<u>4,925,469</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension related inflows	29,990	4,613	34,603
Deferred other post employment benefits inflows	334,769	51,503	386,272
Total deferred inflows of resources	<u>364,759</u>	<u>56,116</u>	<u>420,875</u>
NET POSITION			
Net invested in capital assets	349,526	8,690	358,216
Unrestricted (deficit)	274,989	(176,820)	98,169
Total net position (deficit)	<u>\$ 624,515</u>	<u>\$ (168,130)</u>	<u>\$ 456,385</u>

The notes to the financial statements are an integral part of this statement.

MCCRACKEN COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
For the Year Ended June 30, 2023

	Food Service Fund	Day Care Fund	Total
Operating Revenues			
Food service sales	\$ 273,232	\$ -	\$ 273,232
Community service activities	-	294,402	294,402
Other operating revenues	5,665	6,009	11,674
Total operating revenues	<u>278,897</u>	<u>300,411</u>	<u>579,308</u>
Operating Expenses			
Salaries and wages	2,440,452	218,668	2,659,120
Professional and contract services	87,715	22,977	110,692
Supplies and materials	3,756,969	19,701	3,776,670
Depreciation	34,540	3,904	38,444
Other operating expenses	5,835	18,764	24,599
Total operating expenses	<u>6,325,511</u>	<u>284,014</u>	<u>6,609,525</u>
Operating income (loss)	<u>(6,046,614)</u>	<u>16,397</u>	<u>(6,030,217)</u>
Nonoperating revenues (expenses)			
Federal grants	5,454,604	-	5,454,604
Donated commodities	451,328	-	451,328
State grants	44,538	-	44,538
On-behalf state contributions	820,604	69,955	890,559
Loss on disposal of fixed assets	(1,199)	-	(1,199)
Interest income	162,301	17,674	179,975
Total nonoperating revenues (expenses)	<u>6,932,176</u>	<u>87,629</u>	<u>7,019,805</u>
Income (loss) before capital contributions and transfers	<u>885,562</u>	<u>104,026</u>	<u>989,588</u>
Transfers in	-	-	-
Transfers out	(761,697)	-	(761,697)
	<u>(761,697)</u>	<u>-</u>	<u>(761,697)</u>
Change in net position	123,865	104,026	227,891
Total net position (deficit), July 1, 2022	<u>500,650</u>	<u>(272,156)</u>	<u>228,494</u>
Total net position (deficit), June 30, 2023	<u>\$ 624,515</u>	<u>\$ (168,130)</u>	<u>\$ 456,385</u>

The notes to the financial statements are an integral part of this statement.

MCCRACKEN COUNTY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
For the Year Ended June 30, 2023

	Food Service Fund	Day Care Fund	Total
Cash Flows from Operating Activities			
Cash received from lunchroom sales	\$ 309,013	\$ -	\$ 309,013
Cash received from user charges	-	290,163	290,163
Cash received from other activities	5,665	6,009	11,674
Cash payments to employees for services	(1,937,067)	(137,672)	(2,074,739)
Cash payments to suppliers for goods and services	(3,371,153)	(49,511)	(3,420,664)
Cash payments for other operating activities	(5,835)	(18,764)	(24,599)
Net cash used for operating activities	<u>(4,999,377)</u>	<u>90,225</u>	<u>(4,909,152)</u>
Cash Flows from Capital Financing Activities			
Acquisition of capital assets	(184,833)	-	(184,833)
Net cash used for capital financing activities	<u>(184,833)</u>	<u>-</u>	<u>(184,833)</u>
Cash Flows from Noncapital Financing Activities			
Cash received from government grants	5,499,142	-	5,499,142
Transfer to other funds	(761,697)	-	(761,697)
Net cash provided by noncapital financing activities	<u>4,737,445</u>	<u>-</u>	<u>4,737,445</u>
Cash Flows from Investing Activities			
Interest on investments	162,301	17,674	179,975
Net cash flows provided by investing activities	<u>162,301</u>	<u>17,674</u>	<u>179,975</u>
Net increase (decrease) in cash and cash equivalents	(284,464)	107,899	(176,565)
Cash and cash equivalents - beginning	3,671,791	353,917	4,025,708
Cash and cash equivalents - ending	<u>\$ 3,387,327</u>	<u>\$ 461,816</u>	<u>\$ 3,849,143</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ (6,046,614)	\$ 16,397	\$ (6,030,217)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Depreciation	34,540	3,904	38,444
Donated commodities & on-behalf state contributions	1,271,932	69,955	1,341,887
Changes in assets and liabilities:			
Receivables	35,780	(4,239)	31,541
Inventory	30,857	-	30,857
Accounts payable	(8,654)	(6,832)	(15,486)
Accrued OPEB liabilities and related deferred inflows and outflows	5,513	9,501	15,014
Accrued pension liabilities and			
Net Cash Used for Operating Activities	<u>\$ (4,999,378)</u>	<u>\$ 90,226</u>	<u>\$ (4,909,152)</u>
Schedule of non-cash transactions:			
Donated commodities and on-behalf state contributions	<u>\$ 1,271,932</u>	<u>\$ 69,955</u>	<u>\$ 1,341,887</u>

The notes to the financial statements are an integral part of this statement.

**McCRACKEN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS**

NOTE A - ENTITY

Reporting Entity

The McCracken 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 McCracken County, Kentucky. The Board receives funding from local, state, and federal government sources and must comply with the commitment requirement of these funding source entities.

The accompanying financial statements present the Board's primary government and the component unit discussed below for which the Board exercises significant influence or financial accountability. Significant influence or financial accountability is based primarily on financial relationships with the Board (as distinct from legal relationships). Therefore, the financial statements presented herein do not include funds of certain legally separate groups and organizations associated with the school system, such as Booster Clubs, over which the Board does not exercise significant influence or financial accountability.

Blended Component Unit:

McCracken County School Board Finance Corporation – In 1981, the McCracken County, Kentucky, Board of Education resolved to authorize the establishment of the McCracken County School Board 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 McCracken County Board of Education also comprise the Corporation's Board of Directors. The financial transactions of this entity are included in the accounts and records of the McCracken County Board of Education.

There are no audited financial statements issued separately for this component unit.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the McCracken County Board of Education substantially comply with the rules prescribed by the Kentucky Department of Education for local school boards. The financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units.

Basis of Presentation

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the Board 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 Board 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.

**McCRACKEN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS**

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

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

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

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

Fund Accounting

The Board maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts which stands separate from the activities reported in other funds. A description for each class of funds, along with the associated restrictions, follows:

a. **Major Governmental Fund Types**

The *General Fund* is the primary operating fund of the Board. 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.

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

The Support Education Excellence in Kentucky (SEEK) *Capital Outlay Fund* receives those funds designated by the State as Capital Outlay Funds (unless authorized for retention in the General Fund) and is restricted for use in financing projects identified in the Board's facility plan.

The Facility Support Program of Kentucky (FSPK) *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 Board's facility plan.

**McCRACKEN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS**

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Accounting (continued)

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

1. The *Construction Fund* is a Capital Project Fund that accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

b. **Non-major Governmental Fund Types**

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

The *Student Activity Fund* accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with *Accounting Procedures for Kentucky School Activity Funds*.

c. **Proprietary Funds**

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

Other enterprise funds consist of Day Care and similar operations used to account for before and after school day care services.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental fund financial statements use the modified accrual basis of accounting. Proprietary and fiduciary fund financial statements 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, are 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 Board, available means expected to be received within forty-five days of the fiscal year-end.

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

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

**McCRACKEN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS**

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

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

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 the governmental fund statements.

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2023, to finance General Fund operations were \$.538 per \$100 valuation for real property, \$.538 per \$100 valuation for business personal property and \$.529 per \$100 valuation for motor vehicles.

The Board also levies a gross receipts license tax in the amount of 3% of the gross receipts derived from provision within the county of various telephonic, telegraphic and satellite communication services, electric power, water, and natural, artificial and mixed gases.

Board property tax revenues are recognized when levied to the extent that they result in current receivables.

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 re-appropriated in the next year. An assignment of fund balance equal to outstanding encumbrances at year end is provided at June 30, 2023.

Cash and Cash Equivalents

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

Accounts Receivable

Accounts receivable consist of various taxes, grants and other sources of revenues that are measurable and receipt is certain.

Inventories

Supplies and materials are charged to expenditures when purchased with the exception of the proprietary fund which records inventory on its balance sheet. On the government wide and fund financial statements, inventory is stated at cost.

**McCRACKEN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS**

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

General capital assets not specifically related to activities reported in the proprietary funds are reported in the governmental activities of the government wide statement of net position. 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 as assets 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 proprietary fund balance sheets.

All capital assets are capitalized at cost or estimated historical cost and updated for additions and retirements during the year. Capital assets donated are recorded at their fair market values at the date received. The Board currently follows the guidelines regarding capital assets as established by the Kentucky Department of Education. Assets with an economic life greater than one year and cost threshold of one thousand dollars are capitalized except for computers, digital cameras, and real property for which there is no threshold. The Board does not possess any infrastructure. Improvements adding value and economical life to an asset are capitalized. Normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not capitalized.

Capital assets are depreciated using the straight-line method over the following useful lives for both governmental and proprietary fund assets:

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

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2023 are recorded as prepaid items. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents the consumption of net position that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. The Board has two items that qualify for reporting in the category. These are deferred charge on refunding and deferred pension and other post-employment benefits (OPEB) related outflows reported in the statements of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

The deferred pension and OPEB outflows results from pension and OPEB contributions subsequent to the measurement date of the pension plan and various changes resulting from actuarial pension and OPEB measurements. The pension and OPEB contribution amounts are deferred and recognized as a component of the change in pension and OPEB plan liabilities in the next measurement period. The various changes resulting from actuarial pension and OPEB liability measurements are deferred and amortized in future periods as a component of the pension and OPEB expenses.

**McCRACKEN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS**

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows/Inflows of Resources (continued)

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. The Board has only one type of item related to the Board's participation in the County Employee Retirement System pension and OPEB plans that qualifies for reporting in this category – deferred pension and OPEB related inflows. The various changes resulting from actuarial pension and OPEB liability measurements are deferred and amortized in future periods as a component of the pension and OPEB expenses.

Interfund Activity

Each fund is a fiscal and accounting entity. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds.

Interfund receivables and payables for the Board arise generally when payments are made from a fund that does not have the legal liability for the expenditure, thus a payable from the fund having the legal liability is established at such time. For the year ended June 30, 2023, interfund receivables/payables consist of reimbursements of \$1,570,029 due to the general fund for special revenue project expenditures. All interfund receivables and payables have been eliminated on the government-wide statement of net position.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the Board an amount equal to 30% of the value of accumulated vested sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the Board's past experience of making termination payments.

The estimated entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the accrued sick leave payable is the amount earned by retired employees unpaid as of year-end expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the general fund.

Accrued Liabilities and Long-Term Obligations

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

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

**McCRACKEN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS**

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position

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

Fund Balance

Fund balances are reported pursuant to GASB Statement 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*", which defines how fund balances of the governmental funds, are presented in the financial statements. Fund balances are classified as follows:

Nonspendable fund balances are amounts that cannot be spent either because they are not in spendable form (such as inventory) or because they are legally or contractually required to be maintained intact.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed fund balances are those amounts that can only be used for specific purposes (such as future construction projects) pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of fund balance commitment.

Assigned fund balances are those amounts that are constrained by the government's intent to be used for specific purpose (such as encumbrances) but are neither restricted nor committed. Assigned fund balances also include 1) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted or committed and 2) amounts in the general fund that are intended to be used for a specific purpose.

Unassigned fund balances are the residual classification for the general fund. This classification represents fund balances that have not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

Revenues and Expenses

Operating revenues are those revenues generated directly from the primary activity of the proprietary funds. For the Board, operating revenues, within the School Food Service Fund, are primarily charges for student lunches and non-operating revenues are primarily reimbursements from federal and state agencies for meals provided by the various schools while the other enterprise fund's operating revenues are primarily charges for daycare services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Use of 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.

**McCRACKEN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS**

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Process

Budgetary Basis of Accounting: The budgetary process accounts for transactions on the same basis as the fund financial statements.

The budgetary process begins in October for the next fiscal year. As of May 30, a tentative working budget is submitted to each Board member for discussion and amendment. The Board must adopt a final budget and submit to the Kentucky Department of Education by September 30 of each fiscal year. Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end.

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

Pensions

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

Other Post-employment Benefits (OPEB)

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

New Accounting Guidance

During the fiscal year June 30, 2023, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 96 – *Subscription-Based Information Technology Arrangements*. The implementation of GASB Statement No. 96 had no significant impact on the financial statements of the District.

Subsequent Events

Management has evaluated subsequent events through October 26, 2023 the date which the financial statements were available to be issued.

**McCRACKEN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS**

NOTE C – DEPOSITS AND INVESTMENTS

Custodial credit risk for deposits and investments is the risk that in the event of a failure of the counterparty, the Board’s deposits and investments may not be returned or the Board will not be able to recover collateral securities in the possession of an outside party. The Board’s investment policy requires all investments are made in accordance with applicable legal requirements with consideration of investment safety.

Deposits are 100% secured with collateral valued at market or par, whichever is lower. However, some agency fund accounts are maintained at other financial institutions due to various Board locations in the County, and at times, demand deposits exceed depository insurance at these locations. The Board has incurred no losses in the past as a result of bank balances in excess of FDIC insurance coverage.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the Board’s investing activities are managed under the custody of the Board’s Finance Director. Investing is performed in accordance with investment policies adopted by the Board of Directors.

At June 30, 2023, the Board’s deposits were in commercial bank demand deposit accounts. At year-end, the carrying amount and the bank balance of the Board’s cash and cash equivalents was \$36,984,298 and \$42,686,646, respectively. As of June 30, 2023, the Board’s bank balance was as follows:

<i>Governmental & Proprietary Funds</i>	
Balance covered by FDIC insurance	\$ 37,058,779
Collateral held by pledging financial institutions’ trust department not in the Board’s name	5,627,867
Uncollateralized	<u>-</u>
Total	<u>\$ 42,686,646</u>

NOTE D – ACCOUNTS RECEIVABLE

The summary of accounts receivable as of June 30, 2023 consist of the following:

<u>Description</u>	<u>General Fund</u>	<u>Special Revenue</u>	<u>Other Gov. Funds</u>	<u>Food Service</u>	<u>Day Care</u>	<u>Total</u>
Taxes:						
Property – current	\$ 346,135	\$ -	\$ -	\$ -	\$ -	\$ 346,135
Property – delinquent	35,239	-	-	-	-	35,239
Utilities	468,939	-	-	-	-	468,939
State grants	7,534	-	-	-	-	7,534
Federal grants	-	1,581,965	-	631,058	-	2,213,023
Other	<u>66,029</u>	<u>12,054</u>	<u>1,680</u>	<u>-</u>	<u>4,239</u>	<u>84,002</u>
Total	<u>\$ 923,876</u>	<u>\$1,594,019</u>	<u>\$ 1,680</u>	<u>\$ 631,058</u>	<u>\$ 4,239</u>	<u>\$3,154,872</u>

McCRACKEN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS

NOTE E – CAPITAL ASSETS

A summary of the capital asset activity for the fiscal year ended at June 30, 2023, was as follows:

Governmental Activities	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023
<u>Capital assets, not being depreciated:</u>				
Land	\$ 2,631,295	\$ -	\$ (56,750)	\$ 2,574,545
Construction in Progress	<u>38,254,977</u>	<u>19,217,031</u>	<u>(38,542,212)</u>	<u>18,929,796</u>
Total capital assets, not being depreciated:	<u>40,886,272</u>	<u>19,217,031</u>	<u>(38,598,962)</u>	<u>21,504,341</u>
<u>Capital assets, being depreciated:</u>				
Land improvements	8,897,451	-	(115,031)	8,782,420
Buildings and improvements	127,638,256	38,584,296	(3,896,180)	162,326,372
Technology equipment	8,531,092	433,536	(3,272,666)	5,691,962
Vehicles	10,762,159	1,077,947	(801,682)	11,038,424
General Equipment	<u>6,641,647</u>	<u>708,485</u>	<u>(250,491)</u>	<u>7,099,641</u>
Totals at historical cost	<u>162,470,605</u>	<u>40,804,264</u>	<u>(8,336,050)</u>	<u>194,938,819</u>
Less: Accumulated depreciation				
Land improvements	5,113,178	357,976	(104,729)	5,366,425
Buildings and improvements	46,566,578	2,690,937	(2,788,037)	46,469,478
Technology equipment	6,583,734	618,642	(3,248,041)	3,954,335
Vehicles	7,094,315	763,302	(796,087)	7,061,530
General Equipment	<u>5,083,935</u>	<u>474,137</u>	<u>(244,855)</u>	<u>5,313,217</u>
Total accumulated depreciation	<u>70,441,740</u>	<u>4,904,994</u>	<u>(7,181,749)</u>	<u>68,164,985</u>
Total capital assets, being depreciated, net:	<u>92,028,865</u>	<u>35,899,270</u>	<u>(1,154,301)</u>	<u>126,773,834</u>
Governmental Activities Capital Assets – Net	<u>\$ 132,915,137</u>	<u>\$ 55,116,301</u>	<u>\$ (39,753,263)</u>	<u>\$ 148,278,175</u>
Business-Type Activities	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023
<u>Food Service:</u>				
Food service and equipment	\$ 1,628,302	\$ 163,679	\$ (132,378)	\$ 1,659,603
Technology equipment	69,584	21,154	(52,344)	38,394
<u>Daycare Service:</u>				
Land improvements	29,080	-	-	29,080
Technology equipment	43,959	-	(8,978)	34,981
General equipment	<u>28,664</u>	<u>-</u>	<u>-</u>	<u>28,664</u>
Totals at historical cost	<u>1,799,589</u>	<u>184,833</u>	<u>(193,700)</u>	<u>1,790,722</u>
Less: Accumulated depreciation				
Food Service:				
Food service and equipment	1,435,847	30,680	(132,014)	1,334,513
Technology equipment	61,606	3,860	(51,509)	13,957
Daycare Service:				
Land improvements	24,839	1,454	-	26,293
Technology equipment	40,558	1,269	(8,978)	32,849
General equipment	<u>23,712</u>	<u>1,181</u>	<u>-</u>	<u>24,893</u>
Total accumulated depreciation	<u>1,586,562</u>	<u>38,444</u>	<u>(192,501)</u>	<u>1,432,505</u>
Business-Type Activities Capital Assets – Net	<u>\$ 213,027</u>	<u>\$ 146,389</u>	<u>\$ (1,199)</u>	<u>\$ 358,217</u>

**McCRACKEN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS**

NOTE E – CAPITAL ASSETS (continued)

Depreciation expense, by function, was as follows:

Instructional	\$ 2,943,104
Student	229,612
Instructional staff	35,094
District administration	46,503
School administration	53,282
Business and central office	9,744
Plant operation and maintenance	919,126
Student transportation	667,920
Community services	609
	<u>\$ 4,904,994</u>
Food Service	\$ 34,540
Daycare Service	3,904
	<u>\$ 38,444</u>

NOTE F – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A summary of change in deferred outflows/inflows of resources is as follows:

	<u>Balance</u>		<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
	<u>July 1, 2022</u>				<u>June 30, 2023</u>
<u>Governmental Activities</u>					
Deferred outflows of resources					
<i>Deferred charge on refunding</i>	\$ 516,841	\$ -	\$ (105,728)		\$ 411,113
Pensions					
<i>Deferred pension contributions</i>	\$ 1,877,810	\$ 2,138,238	\$ (1,877,810)		\$ 2,138,238
<i>Changes in proportionate share of contributions</i>	148,478	-	(54,709)		93,769
<i>Differences between expected and actual experience</i>	219,253	-	(195,841)		23,412
<i>Change of assumptions</i>	256,260	-	(256,260)		-
<i>Difference between projected and actuarial earnings</i>	-	3,110,331	(2,548,953)		561,378
<i>Pension related deferred outflows</i>	<u>\$ 2,501,501</u>	<u>\$ 5,248,569</u>	<u>\$ (4,933,573)</u>		<u>\$ 2,816,797</u>
Deferred inflows of resources					
<i>Changes in proportionate share of contributions</i>	\$ 8,675	\$ -	\$ (7,597)		\$ 1,078
<i>Differences between expected and actual experience</i>	185,317	149,756	(140,064)		195,009
<i>Difference between projected and actuarial earnings</i>	2,544,860	-	(2,544,860)		-
<i>Pension related deferred inflows</i>	<u>\$ 2,738,852</u>	<u>\$ 149,756</u>	<u>\$ (2,692,521)</u>		<u>\$ 196,087</u>
Other Post-Employment Benefits (OPEB)					
Deferred outflows of resources					
<i>Deferred OPEB contributions</i>	\$ 2,048,115	\$ 1,876,708	\$ (2,048,115)		\$ 1,876,708
<i>Changes in proportionate share of contributions</i>	500,036	5,526,000	(20,938)		6,005,098
<i>Change of assumptions</i>	4,388,628	797,000	(574,310)		4,611,318
<i>Differences between expected and actual experience</i>	901,338	-	(299,694)		601,644
<i>Difference between projected and actuarial earnings</i>	-	3,281,297	(2,078,702)		1,202,595
<i>OPEB related deferred outflows</i>	<u>\$ 7,838,117</u>	<u>\$ 11,481,005</u>	<u>\$ (5,021,759)</u>		<u>\$ 14,297,363</u>

**McCRACKEN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS**

NOTE F – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (continued)

A summary of change in deferred outflows/inflows of resources is as follows:

	Balance <u>July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2023</u>
Deferred inflows of resources				
<i>Changes in proportionate share of contributions</i>	\$ 192,747	\$ -	\$ (56,493)	\$ 136,254
<i>Differences between expected and actual experience</i>	8,234,345	1,270,286	(546,946)	8,957,685
<i>Change of assumptions</i>	5,330	979,001	(205,394)	778,937
<i>Difference between projected and actuarial earnings</i>	<u>2,066,671</u>	<u>-</u>	<u>(2,066,671)</u>	<u>-</u>
<i>OPEB related deferred inflows</i>	<u>\$ 10,499,093</u>	<u>\$ 2,249,287</u>	<u>\$ (2,875,504)</u>	<u>\$ 9,872,876</u>
<u>Business-Type Activities</u>				
Pensions				
Deferred outflows of resources				
<i>Deferred pension contributions</i>	\$ 261,608	\$ 322,251	\$ (261,608)	\$ 322,251
<i>Changes in proportionate share of contributions</i>	28,281	-	(11,734)	16,547
<i>Differences between expected and actual experience</i>	41,762	-	(37,630)	4,132
<i>Change of assumptions</i>	48,811	-	(48,811)	-
<i>Difference between projected and actuarial earnings</i>	<u>-</u>	<u>548,882</u>	<u>(449,815)</u>	<u>99,067</u>
<i>Pension related deferred outflows</i>	<u>\$ 380,462</u>	<u>\$ 871,133</u>	<u>\$ (809,598)</u>	<u>\$ 441,997</u>
Deferred inflows of resources				
<i>Changes in proportionate share of contributions</i>	\$ 1,653	\$ -	\$ (1,463)	\$ 190
<i>Difference between expected and actual experience</i>	35,298	26,427	(27,312)	34,413
<i>Difference between projected and actuarial earnings</i>	<u>484,735</u>	<u>-</u>	<u>(484,735)</u>	<u>-</u>
<i>Pension related deferred inflows</i>	<u>\$ 521,686</u>	<u>\$ 26,427</u>	<u>\$ (513,510)</u>	<u>\$ 34,603</u>
Other Post-Employment Benefits (OPEB)				
Deferred outflows of resources				
<i>Deferred OPEB contributions</i>	\$ 105,466	\$ 86,182	\$ (105,466)	\$ 86,182
<i>Changes in proportionate share of contributions</i>	12,007	-	(4,577)	7,430
<i>Differences between expected and actual experience</i>	171,683	-	(65,511)	106,172
<i>Change of assumptions</i>	289,453	-	(122,632)	166,821
<i>Difference between projected and actuarial earnings</i>	<u>-</u>	<u>203,170</u>	<u>(160,359)</u>	<u>42,811</u>
<i>OPEB related deferred outflows</i>	<u>\$ 578,609</u>	<u>\$ 289,352</u>	<u>\$ (458,545)</u>	<u>\$ 409,416</u>
Deferred inflows of resources				
<i>Changes in proportionate share of contributions</i>	\$ 5,666	\$ 1,262	\$ -	\$ 6,928
<i>Differences between expected and actual experience</i>	325,970	36,404	(120,489)	241,885
<i>Change of assumptions</i>	1,015	172,765	(36,321)	137,459
<i>Difference between projected and actuarial earnings</i>	<u>170,795</u>	<u>-</u>	<u>(170,795)</u>	<u>-</u>
<i>OPEB related deferred inflows</i>	<u>\$ 503,446</u>	<u>\$ 210,431</u>	<u>\$ (327,605)</u>	<u>\$ 386,272</u>

**McCRACKEN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS**

NOTE G – BOND OBLIGATIONS

The amount shown in the accompanying financial statements as bond obligations represents the Board’s future obligations to make payments relating to the bonds issued by the McCracken County School Board Finance Corporation.

Bonds

The Board, through the General Fund, the SEEK Capital Outlay Fund, and the Facility Support Program Levy Fund, is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the McCracken County School Board Finance corporation to construct school facilities.

The bond issues provide for a statutory mortgage lien on the school buildings and appurtenances in favor of the holders of the bonds and coupons.

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

<u>Issue Date</u>	<u>Original Amount/ Proceeds</u>	<u>Outstanding Balance</u>	<u>Rates</u>
June, 2014	\$ 52,260,000	\$ 35,960,000	2.000% - 5.000%
February, 2019A	2,520,000	2,170,000	3.125% - 5.000%
June, 2019B	34,785,000	34,120,000	3.000% - 5.000%
August, 2022	14,330,000	14,330,000	3.000% - 5.000%
February, 2023	9,420,000	9,420,000	3.000% - 5.000%
	<u>\$ 113,315,000</u>	<u>\$ 96,000,000</u>	

Call Provision

All bonds may be called prior to maturity at dates and subject to redemption premiums specified in each bond issue.

Schedule of Maturities of Obligations

During the fiscal years ended June 30, 2011, 2014, 2019 and 2023 the Board entered into “participation agreements” with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school boards in meeting school construction needs. The table below sets forth the amount to be paid by the Board and Commission for each year until maturity of all related bond issues. The liability for the total bond amount remains with the Board and, as such, the total principal outstanding has been recorded in the financial statements. For the year June 30, 2023, the Commission provided principal and interest payments of \$477,226 and \$272,483, respectively.

Assuming no issues are called prior to schedule maturity, the minimum obligation of the Board including amounts to be paid by the Commission, at June 30, 2023, for debt service (principal and interest) are as follows:

<u>Fiscal Year</u>	<u>McCracken County Board of Education</u>		<u>Kentucky School Facilities Construction Commission</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2023-2024	4,006,195	3,119,966	483,805	298,182	7,908,148
2024-2025	4,164,256	3,008,250	505,744	276,243	7,954,493
2025-2026	4,308,929	2,840,178	526,071	255,915	7,931,093
2026-2027	4,462,560	2,700,353	547,440	234,547	7,944,900
2027-2028	4,650,905	2,533,739	569,095	212,892	7,966,631
2029-2033	25,932,199	9,854,463	2,462,801	725,781	38,975,244
2034-2038	27,697,617	5,121,977	1,947,383	351,342	35,118,319
2039-2043	<u>12,826,023</u>	<u>1,093,856</u>	<u>908,977</u>	<u>68,156</u>	<u>14,897,012</u>
TOTALS	<u>\$88,048,684</u>	<u>\$30,272,782</u>	<u>\$ 7,951,316</u>	<u>\$2,423,058</u>	<u>\$128,695,840</u>

**McCRACKEN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS**

NOTE G – BOND OBLIGATIONS (continued)

Prior year defeasance of debt

In prior years, the Board has issued revenue refunding bonds by placing the proceeds of the new issue in an irrevocable trust account to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Board’s financial statements. As of June 30, 2023, none of these defeased bonds remain outstanding.

NOTE H – FINANCING LEASES PAYABLE

As of June 30, 2023, the Board has entered into ten lease agreements to purchase buses for student transportation. The financing lease liabilities are measured at a discount rate of 1.25% - 3.00%, which are the stated rate in the lease agreements. These buses, with a historical cost and accumulated amortization of \$6,732,123 and \$3,727,229, respectively, are reported with vehicles as capital assets.

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

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 573,904	\$ 74,010	\$ 647,914
2025	522,227	59,785	582,012
2026	472,913	46,830	519,743
2027	416,765	35,097	451,862
2028	350,549	24,892	375,441
2029-2032	<u>701,486</u>	<u>34,068</u>	<u>735,554</u>
Total minimum lease payments	<u>\$ 3,037,844</u>	<u>\$ 274,682</u>	<u>\$ 3,312,526</u>

NOTE I – CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
Revenue bonds	\$ 76,435,000	\$ 23,750,000	\$ (4,185,000)	\$ 96,000,000	\$ 4,490,000
Deferred amounts:					
Premiums	1,014,608	1,382,541	(194,454)	2,202,695	250,748
Discounts	<u>(1,867)</u>	<u>(255,334)</u>	<u>5,357</u>	<u>(251,844)</u>	<u>(18,075)</u>
Total bonds payable	77,447,741	24,877,206	(4,374,097)	97,950,851	4,722,673
Financing leases	3,659,263	-	(621,419)	3,037,844	573,904
Accumulated sick leave	<u>1,247,140</u>	<u>430,548</u>	<u>(354,175)</u>	<u>1,323,513</u>	<u>254,519</u>
Governmental activity					
Long-term liabilities	<u>\$ 82,354,144</u>	<u>\$ 25,307,754</u>	<u>\$ (5,349,691)</u>	<u>\$102,312,208</u>	<u>\$ 5,551,096</u>

**McCRACKEN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS**

NOTE J – RETIREMENT PLANS

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

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

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

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

Tier 1	Participation date Unreduced retirement Reduced retirement	Prior to September 1, 2008 27 years of service or 65 years old Minimum 5 years of service and 55 years old Minimum 25 years of service and any age
Tier 2	Participation date Unreduced retirement Reduced retirement	September 1, 2008 to December 31, 2013 Minimum 5 years of service and 65 years old Age of 57 or older and sum of service years plus age equal 87 Minimum 10 years of service and 60 years old
Tier 3	Participation date Unreduced retirement Reduced retirement	After December 31, 2013 Minimum 5 years of service and 65 years old Age of 57 or older and sum of service years plus age equal 87 Not available

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

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

	<u>Required Contribution</u>
Tier 1	5%
Tier 2	5% plus 1% for insurance
Tier 3	5% plus 1% for insurance

The District’s required contribution rate was 23.40% for the year ended June 30, 2023.

**McCRACKEN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS**

NOTE J – RETIREMENT PLANS (continued)

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

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

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

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

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

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

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

Contributions - Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.855% of their salaries to the System. University employees are required to contribute 8.185% of their salaries.

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

**McCRACKEN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS**

NOTE J – RETIREMENT PLANS (continued)

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 for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District’s proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District.

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

District’s proportionate share of the CERS net pension liability	\$	25,762,035
Commonwealth’s proportionate share of the KTRS net pension liability associated with the District		<u>170,415,689</u>
Total net pension liability associated with the District	\$	<u>196,177,724</u>

The net pension liability for each plan 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 that date.

The District’s proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2022, the District’s proportion was 0.356370 percent.

For the year ended June 30, 2023, the District recognized pension expense of \$2,191,068 related to CERS and \$6,215,702 related to KTRS. The District also recognized revenue of \$15,548,918 for KTRS support provided by the Commonwealth’s on-behalf payments. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion and differences between District contributions and proportionate share of contributions	\$ 110,317	\$ 1,268
Difference between expected and actual experience	27,543	229,422
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	660,445	-
District contributions subsequent to the measurement date	<u>2,460,489</u>	<u>-</u>
Total	<u>\$ 3,258,794</u>	<u>\$ 230,690</u>

The District reported \$2,460,489 as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	
2023	\$ 29,662
2024	\$ 22,600
2025	\$ (216,489)
2026	\$ 731,842

**McCRACKEN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS**

NOTE J – RETIREMENT PLANS (continued)

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

	CERS	KTRS
Inflation	2.30%	2.50%
Projected salary increases	3.30-10.30%	3.00-7.50%
Investment rate of return, net of investment expense & inflation	6.25%	7.10%

For CERS, the mortality table used for active members was Pub-2010 General Mortality table, for the Nonhazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for non-disabled 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 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The actuarial assumptions used were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2018.

For KTRS, 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 period July 1, 2015 – June 30, 2020.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2013 through 2018, is outlined in a report dated April 18, 2019. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were 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 then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Specialty Credit	10.00%	2.28%
Core Fixed Income	10.00%	0.28%
Real Estate	7.00%	3.67%
Opportunistic	0.00%	0.00%
Real Return	13.00%	4.07%
Cash	0.00%	(0.91)%
Total	100.00%	

**McCRACKEN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS**

NOTE J – RETIREMENT PLANS (continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	40.00%	4.20 - 4.70%
Non-U.S. Equity	22.00%	5.30 - 5.40%
Fixed Income	15.00%	(0.10)%
High Yield Bonds	2.00%	1.70%
Additional Categories	5.00%	2.20%
Real Estate	7.00%	4.00%
Private Equity	7.00%	6.90%
Cash	<u>2.00%</u>	(0.30%)
Total	<u>100.00%</u>	

Discount rate - For CERS, the discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For KTRS, the discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. 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 employees. The Single Equivalent Interest Rate (SEIR) of 7.10% was calculated using the Municipal Bond Index Rate (3.37%) as of the measurement date.

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	5.25%	6.25%	7.25%
District’s proportionate share of net pension liability	\$ 32,199,348	\$ 25,762,035	\$ 20,437,844
KTRS	6.10%	7.10%	8.10%
District’s proportionate share of net pension liability	\$ -	\$ -	\$ -

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

**McCRACKEN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS**

NOTE J – RETIREMENT PLANS (continued)

The McCracken County Board of Education makes available 401(k) and 403(b) defined contribution pension plans for all employees. Employees are allowed to contribute to the Plans up to the Internal Revenue Code maximum allowable amount. The McCracken County Board of Education does not contribute to these Plans.

NOTE K – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan description – Teaching-certified employees of the District are provided OPEBs through the Teachers’ Retirement System of the State of Kentucky (KTRS)—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. KTRS 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). KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth’s financial statements. KTRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information>.

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

KTRS Medical Insurance Plan

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

Benefits provided – To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS 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. KTRS 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 KTRS 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 KTRS Medicare Eligible Health Plan.

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

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

At June 30, 2023, the District reported a liability of \$18,050,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the District’s proportion was .727076 percent, which was an increase of .215861 from its proportion measured as of June 30, 2021.

**McCRACKEN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS**

NOTE K – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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

District’s proportionate share of the KTRS medical insurance liability	\$ 18,050,000
Commonwealth’s proportionate share of the KTRS medical insurance liability associated with the District	<u>5,930,000</u>
Total KTRS medical insurance liability associated with the District	<u>\$ 23,980,000</u>

For the year ended June 30, 2023, the District recognized OPEB expense of \$907,669 and revenue of \$316,931 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 7,587,000
Changes in assumptions	3,666,000	-
Net difference between projected and actual earnings on pension plan investments	960,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	5,963,000	97,000
District contributions subsequent to the measurement date	<u>1,341,703</u>	<u>-</u>
Total	<u>\$ 11,930,703</u>	<u>\$ 7,684,000</u>

The District reported \$1,341,703 as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date which will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows related to OPEB will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	
2023	\$ (58,000)
2024	\$ 39,000
2025	\$ 153,000
2026	\$ 1,266,000
2027	\$ 1,060,000
Thereafter	\$ 445,000

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

Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.00% – 7.50%, including inflation
Inflation rate	2.50%
Healthcare cost trend rates	
Under 65	7.00% for FY 2022 decreasing to an ultimate rate of 4.50% by FY 2032
Ages 65 and Older	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
Municipal Bond Index Rate	3.37%
Discount Rate	7.10%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including inflation.

**McCRACKEN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS**

NOTE K – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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 period July 1, 2015 – June 30, 2020.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2022 valuation were based on a review of recent plan experience done concurrently with the June 30, 2021 valuation.

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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

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

Discount rate - The discount rate used to measure the total OPEB liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
KTRS	6.10%	7.10%	8.10%
District proportionate share of net OPEB liability	\$ 22,647,000	\$ 18,050,000	\$ 14,244,000

**McCRACKEN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS**

NOTE K – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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 Discount Rate	1% Increase
KTRS	6.10%	7.10%	8.10%
District’s proportionate share of net OPEB liability	\$ 13,531,000	\$ 18,050,000	\$ 23,669,000

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

CERS Medical Insurance Plan

Plan description – The District contributes to the Kentucky Retirement Systems Insurance fund (Insurance Fund), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the Kentucky Retirement Systems (KRS). The Insurance Fund was established to provide hospital and medical insurance for members for receiving benefits from the Kentucky Employees Retirement Systems (KERS), the County Employees Retirement System (CERS), and the State Police Retirement System (SPRS).

Benefits provided – The Insurance Fund pays a prescribed contribution for whole or partial payments of required premiums to purchase hospital and medical insurance, based on years of service, for retirees and certain eligible beneficiaries. The authority to establish and amend benefit provisions rests with the Kentucky General Assembly. KRS issues a publicly available financial report that can be obtained at www.kyret.ky.gov.

Contributions – Per Kentucky Revised Statutes 78.545 (33), contribution requirements are established and may be amended by the KRS Board. The District was required to contribute at actuarially determined rates of 3.39% of covered payroll for the fiscal years ended June 30, 2023.

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

At June 30, 2023, the District reported a liability for its proportionate share of the net OPEB liability for the CERS Insurance Trust. 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 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 0.356312 percent.

The amount recognized by the District as its proportionate share of the OPEB liability that was associated with the District was as follows:

District’s proportionate share of the CERS medical insurance liability	\$	7,031,866
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**McCRACKEN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS**

NOTE K – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

For the year ended June 30, 2023, the District recognized OPEB expense of \$895,420. 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
Difference between expected and actual experience	\$ 707,816	\$ 1,612,570
Changes in assumptions	1,112,139	916,396
Net difference between projected and actual earnings on pension plan investments	285,406	-
Changes in proportion and differences between District contributions and proportionate share of contributions	49,527	46,181
District contributions subsequent to the measurement date	<u>621,187</u>	<u>-</u>
Total	<u>\$ 2,776,075</u>	<u>\$ 2,575,147</u>

The District reported \$621,187, including implicit subsidies of \$253,528, as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date which will be recognized as a reduction of the net OPEB liability in the plan year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	
2023	\$ (2,177)
2024	\$ (25,538)
2025	\$ (420,942)
2026	\$ 28,398
2027	\$ -

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

Investment rate of return	6.25%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.30% - 10.30%, varies by service CERS non-hazardous
Inflation rate	2.30%
Healthcare cost trend rates	
Under 65	6.40% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Ages 65 and Older	6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Municipal Bond Index Rate	3.69%
Discount Rate	5.70%
Single Equivalent Interest Rate	5.80%, net of OPEB plan investment expense, including inflation

The mortality table used for active members was Pub-2010 General Mortality table, for the Nonhazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for non-disabled 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 2019.

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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**McCRACKEN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS**

NOTE K – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Specialty Credit/High Yield	10.00%	2.28%
Core Bonds	10.00%	0.28%
Real Estate	7.00%	3.67%
Opportunistic	0.00%	0.00%
Real Return	13.00%	4.07%
Cash	0.00%	(0.91%)
Total	<u>100.00%</u>	

Discount rate - The discount rate used to measure the total OPEB liability was 5.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the District’s proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.70%, as well as what the District’s proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.70%) or 1-percentage-point higher (6.70%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	4.70%	5.70%	6.70%
District’s proportionate share of net OPEB liability	\$ 9,400,483	\$ 7,031,866	\$ 5,073,808

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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	4.70%	5.70%	6.70%
District’s proportionate share of net OPEB liability	\$ 5,228,036	\$ 7,031,866	\$ 9,197,925

**McCRACKEN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS**

NOTE K – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Life Insurance Plan

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

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

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

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

At June 30, 2023, the District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to KTRS 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 KTRS life insurance liability	\$	-
Commonwealth’s proportionate share of the KTRS life insurance liability associated with the District		<u>295,000</u>
Total KTRS life insurance liability associated with the District	\$	<u>295,000</u>

For the year ended June 30, 2023, the District recognized OPEB expense of \$22,511 and revenue of \$22,511 for support provided by the State.

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

Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.00% – 7.50%, including inflation
Inflation rate	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Municipal Bond Index Rate	3.37%
Discount Rate	7.10%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including inflation.

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-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 period July 1, 2015 – June 30, 2020.

**McCRACKEN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS**

NOTE K – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2022 valuation were based on a review of recent plan experience done concurrently with the June 30, 2021 valuation.

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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

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

Discount rate - The discount rate used to measure the total OPEB liability for life insurance was 7.10%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
KTRS	6.10%	7.10%	8.10%
District’s proportionate share of net OPEB liability	\$ -	\$ -	\$ -

OPEB plan fiduciary net position - Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued financial reports of both CERS and KTRS.

**McCRACKEN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS**

NOTE L – DEFERRED COMPENSATION

The McCracken County Board of Education offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administrative involvement and who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The McCracken County Board of Education therefore does not show these assets and liabilities on its financial statements.

NOTE M – CONTINGENCIES

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

In addition, during the fiscal year ended June 30, 2023, the Board received \$3,787,205 of revenue in lieu of taxes through the State of Kentucky primarily collected from two entities within the county. Due to recent economic changes, collection from this source of revenue may be significantly affected in future periods. Loss of this revenue would significantly impact the Board.

NOTE N – INTEREST EXPENSE

For the year ended June 30, 2023, cash expenditures for interest totaled \$2,664,742. Expenditures consist of interest expenditures on financing leases of \$86,578 and interest expenditures on bond issues of \$2,578,164.

For the year ended June 30, 2023, amortization expense of deferred charge on refunding, bond issue discounts and call premiums reflected as components of interest expense in the statement of net position were \$105,728, \$5,357 and (\$194,454), respectively.

NOTE O - LITIGATION

The Board is subject to various legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management and its legal counsel do not anticipate that there will be any material effect on the combined financial statements as a result of the cases presently in progress.

NOTE P – ON-BEHALF PAYMENTS

Payments are made by the Kentucky Department of Education for the benefit of the Board's students and employees. On-behalf payments consist of employee fringe benefits for health insurance and flex spending accounts of \$7,582,335, KTRS retirement and other post-employment benefit contributions of \$15,548,918 and \$339,442, technology support of \$174,491 and donated commodities of \$451,328. These non-monetary amounts are reflected within the general fund, special fund, and the business-type activities in the statements as on-behalf payment state revenues and instructional/support expenses. In accordance with Kentucky Department of Education guidelines, these revenues and expenditures are not budgeted by the Board.

Debt service payments are made by the Kentucky School Facility Construction Commission for school construction related bond issues for part of the Board's bond principal and interest debt service. Non-monetary principal and interest payments of \$749,709 are reflected within the debt service fund as on-behalf payment state revenues and debt service expenses. These revenues and expenditures are not budgeted by the Board.

**McCRACKEN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS**

NOTE Q – TRANSFER OF FUNDS

The following inter-fund transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Matching	General	Special Revenue	KETS & other projects	\$ 137,654
Operating	Food Service	General	Indirect cost allocation	\$ 261,698
Operating	Food Service	Construction	Construction projects	\$ 500,000
Operating	Capital Outlay	General	Capital funds request	\$ 937,809
Operating	Special Revenue	Construction	Construction projects	\$ 619,390
Operating	Special Revenue	General	Indirect cost allocation	\$ 118,021
Operating	Building	Debt Service	Debt service	\$ 6,285,938

NOTE R – CONSTRUCTION COMMITMENTS

The District has two major construction project for the year ended June 30, 2023. The construction commitment is as follows:

	<u>Cumulative Costs to Date</u>	<u>Estimated Total Cost</u>
Guaranteed Energy Savings Contract	\$ 5,009,360	\$ 9,919,731
LOMS to LOIS Renovation	\$ 12,362,832	\$ 17,421,372

REQUIRED SUPPLEMENTAL INFORMATION

MCCRACKEN COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET TO ACTUAL
GENERAL FUND
For the Year Ended June 30, 2023

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
From local sources				
Property taxes	\$ 17,520,912	\$ 18,470,912	\$ 17,982,325	\$ (488,587)
Motor vehicle taxes	2,422,159	1,922,159	2,760,325	838,166
Utility taxes	2,886,897	2,886,897	3,369,410	482,513
Other taxes	360,378	360,378	519,959	159,581
Tuition and fees	107,467	98,467	108,725	10,258
Earnings on investments	76,023	476,023	625,452	149,429
State sources				
SEEK	21,499,629	21,524,335	21,524,335	-
On-behalf payments	-	-	22,754,626	22,754,626
Other	54,000	219,000	226,396	7,396
Federal - indirect	175,000	205,000	215,951	10,951
Revenue in lieu of taxes	1,808,800	3,783,599	3,787,205	3,606
Other revenues	199,350	274,545	315,892	41,347
Total revenues	<u>47,110,615</u>	<u>50,221,315</u>	<u>74,190,601</u>	<u>23,969,286</u>
Expenditures				
Instruction	30,139,943	31,766,223	46,968,142	(15,201,919)
Support services				
Student	2,155,383	2,177,365	2,858,189	(680,824)
Instruction staff	1,398,766	1,416,752	2,223,634	(806,882)
District administration	5,597,611	7,190,710	1,028,336	6,162,374
School administration	2,958,801	3,010,555	4,539,076	(1,528,521)
Business and central office	2,622,307	2,721,579	2,822,053	(100,474)
Plant operation and maintenance	6,941,346	7,447,532	8,446,186	(998,654)
Deferral of current year bond discounts	4,441,936	3,980,537	5,057,894	(1,077,357)
Debt service	707,997	707,997	707,997	-
Total expenditures	<u>56,964,090</u>	<u>60,419,250</u>	<u>74,651,507</u>	<u>(14,232,257)</u>
Excess (deficit) of revenues over expenditures	<u>(9,853,475)</u>	<u>(10,197,935)</u>	<u>(460,906)</u>	<u>9,737,029</u>
Other Financing Sources (Uses)				
Proceeds from debt issues	-	-	-	-
Operating transfers in	225,372	1,163,182	1,317,529	154,347
Operating transfers out	(100,000)	(100,000)	(137,654)	(37,654)
Total other financing sources (uses)	<u>125,372</u>	<u>1,063,182</u>	<u>1,179,875</u>	<u>116,693</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>(9,728,103)</u>	<u>(9,134,753)</u>	<u>718,969</u>	<u>9,853,722</u>
Net change in fund balances	(9,728,103)	(9,134,753)	718,969	9,853,722
Fund balance, July 1, 2022	12,811,270	12,811,270	12,811,270	-
Fund balance, June 30, 2023	<u>\$ 3,083,167</u>	<u>\$ 3,676,517</u>	<u>\$ 13,530,239</u>	<u>\$ 9,853,722</u>

See Accompanying Independent Auditor's Report.

MCCRACKEN COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET TO ACTUAL
SPECIAL REVENUE FUND
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance
	Original	Final		with Final Budget Favorable (Unfavorable)
Revenues				
From local sources				
Earnings on investments	\$ 3,000	\$ (2,805)	\$ 25,768	\$ 28,573
Other local revenues	-	62,511	155,690	93,179
State sources				
Other	2,445,390	3,461,879	3,414,666	(47,213)
Federal - indirect	5,063,100	5,501,451	9,740,305	4,238,854
Total revenues	<u>7,511,490</u>	<u>9,023,036</u>	<u>13,336,429</u>	<u>4,313,393</u>
Expenditures				
Instruction	6,568,646	7,843,188	9,147,994	(1,304,806)
Support services				
Student	104,623	227,089	123,088	104,001
Instruction staff	8,600	8,600	8,600	-
District administration	-	-	393,280	(393,280)
Plant operation and maintenance	177,439	386,322	381,258	5,064
Student transportation	137,441	137,441	1,768,253	(1,630,812)
Community service activities	614,741	631,245	914,198	(282,953)
Total expenditures	<u>7,611,490</u>	<u>9,233,885</u>	<u>12,736,671</u>	<u>(3,502,786)</u>
Excess (deficit) of revenues over expenditures	<u>(100,000)</u>	<u>(210,849)</u>	<u>599,758</u>	<u>810,607</u>
Other Financing Sources (Uses)				
Operating transfers in	100,000	137,654	137,654	-
Operating transfers out	-	-	(737,412)	(737,412)
Total other financing sources (uses)	<u>100,000</u>	<u>137,654</u>	<u>(599,758)</u>	<u>(737,412)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>-</u>	<u>(73,195)</u>	<u>-</u>	<u>73,195</u>
Net change in fund balances	-	(73,195)	-	73,195
Fund balance, July 1, 2022	-	-	-	-
Fund balance, June 30, 2023	<u>\$ -</u>	<u>\$ (73,195)</u>	<u>\$ -</u>	<u>\$ 73,195</u>

See Accompanying Independent Auditor's Report.

**MCCRACKEN COUNTY BOARD OF EDUCATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
KENTUCKY TEACHERS' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS***

Year Ended June 30	District's Proportion of the net pension liability	District's proportionate share of the net pension liability (asset)	State's proportionate share of the net pension liability (asset) associated with the District	Total	District's covered employee payroll	District's share of the net pension liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2023	0.0000%	\$ -	\$170,415,689	\$170,415,689	\$ 24,514,185	0.0000%	56.4062%
2022	0.0000%	\$ -	\$124,885,179	\$124,885,179	\$ 31,746,540	0.0000%	65.5912%
2021	0.0000%	\$ -	\$134,340,998	\$134,340,998	\$ 31,096,386	0.0000%	58.2723%
2020	0.0000%	\$ -	\$130,016,783	\$130,016,783	\$ 30,740,956	0.0000%	58.7649%
2019	0.0000%	\$ -	\$124,606,924	\$124,606,924	\$ 30,600,934	0.0000%	59.2776%
2018	0.0000%	\$ -	\$257,357,367	\$257,357,367	\$ 30,053,078	0.0000%	39.8317%
2017	0.0000%	\$ -	\$280,225,950	\$280,225,950	\$ 29,247,837	0.0000%	35.2198%
2016	0.0000%	\$ -	\$217,292,028	\$217,292,028	\$ 28,490,275	0.0000%	42.4918%
2015	0.0000%	\$ -	\$179,915,337	\$179,915,337	\$ 27,437,530	0.0000%	45.5907%

* The amounts presented were determined as of the measurement date June 30 of the prior year.

The schedule is intended to eventually show information for 10 years. Additional years will be displayed as they become available.

**MCCRACKEN COUNTY BOARD OF EDUCATION
SCHEDULE OF DISTRICT'S CONTRIBUTIONS - PENSION PLAN
KENTUCKY TEACHERS' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS***

Year Ended June 30	Contractually required contribution	Contributions relative to contractually required contribution	Contribution deficiency (excess)	District's covered employee payroll	Contributions as a percentage of covered employee payroll
2023	\$ 15,548,918	\$ 15,548,918	\$ -	\$ 35,390,539	43.9352%
2022	\$ 9,968,757	\$ 9,968,757	\$ -	\$ 34,514,185	28.8831%
2021	\$ 9,723,878	\$ 9,723,878	\$ -	\$ 31,746,540	30.6297%
2020	\$ 9,784,487	\$ 9,784,487	\$ -	\$ 31,096,386	31.4650%
2019	\$ 9,028,718	\$ 9,028,718	\$ -	\$ 30,740,956	29.3703%
2018	\$ 9,143,753	\$ 9,143,753	\$ -	\$ 30,600,934	29.8806%
2017	\$ 4,610,872	\$ 4,610,872	\$ -	\$ 30,053,078	15.3424%
2016	\$ 4,493,895	\$ 4,493,895	\$ -	\$ 29,247,837	15.3649%
2015	\$ 4,239,759	\$ 4,239,759	\$ -	\$ 28,490,275	14.8814%

* The schedule is intended to eventually show information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information
For the Year Ended June 30, 2023**

Changes of Benefit Terms:

None

Changes of assumptions:

Municipal Bond Index Rate used in determining the discount rate changed from 2.13% to 3.37%.

The discount rate remained unchanged at 7.10% from the prior measurement date.

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.

See Accompanying Independent Auditor's Report.

**MCCRACKEN COUNTY BOARD OF EDUCATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE MEDICAL INSURANCE LIABILITY
KENTUCKY TEACHERS' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS***

Year Ended June 30	District's Proportion of the medical insurance liability	District's proportionate share of the medical ins. liability (asset)	State's proportionate share of the medical ins. liability (asset) associated with the District	Total	District's covered employee payroll	District's share of the medical ins. liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total medical insurance liability
2023	0.7271%	\$ 18,050,000	\$ 5,930,000	\$ 23,980,000	\$ 34,514,185	52.2973%	47.7550%
2022	0.5112%	\$ 10,969,000	\$ 8,908,000	\$ 19,877,000	\$ 31,746,540	34.5518%	51.7408%
2021	0.5075%	\$ 12,807,000	\$ 10,259,000	\$ 23,066,000	\$ 31,096,386	41.1849%	39.0461%
2020	0.5075%	\$ 14,854,000	\$ 11,996,000	\$ 26,850,000	\$ 30,740,956	48.3199%	32.5750%
2019	0.4911%	\$ 17,040,000	\$ 14,685,000	\$ 31,725,000	\$ 30,600,934	55.6846%	25.5425%
2018	0.5029%	\$ 17,934,000	\$ 14,649,000	\$ 32,583,000	\$ 30,053,078	59.6744%	21.1838%

* The amounts presented were determined as of the measurement date June 30 of the prior year.

The schedule is intended to eventually show information for 10 years. Additional years will be displayed as they become available.

**MCCRACKEN COUNTY BOARD OF EDUCATION
SCHEDULE OF DISTRICT'S CONTRIBUTIONS - MEDICAL INSURANCE FUND
KENTUCKY TEACHERS' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS***

Year Ended June 30	Contractually required contribution	Contributions relative to contractually required contribution	Contribution deficiency (excess)	District's covered employee payroll	Contributions as a percentage of covered employee payroll
2023	\$ 1,341,703	\$ 1,341,703	\$ -	\$ 35,390,539	3.7911%
2022	\$ 1,360,348	\$ 1,360,348	\$ -	\$ 34,514,185	3.9414%
2021	\$ 1,180,277	\$ 1,180,277	\$ -	\$ 31,746,540	3.7178%
2020	\$ 1,130,280	\$ 1,130,280	\$ -	\$ 31,096,386	3.6348%
2019	\$ 1,106,608	\$ 1,106,608	\$ -	\$ 30,740,956	3.5998%
2018	\$ 1,118,239	\$ 1,118,239	\$ -	\$ 30,600,934	3.6543%

* The schedule is intended to eventually show information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information
For the Year Ended June 30, 2023**

Changes of Benefit Terms:

None

Changes of assumptions:

The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2022:

Valuation date	June 30, 2021
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	21 years, Closed
Asset valuation method	Five-year smoothed value
Payroll growth rate	3.00% - 7.50%, including wage inflation
Investment Return	7.10%, net of OPEB plan investment expense, including inflation
Inflation	2.50%
Real Wage Growth	0.25%
Single discount rate	7.10%, net of OPEB plan investment expense, including price inflation
Mortality	The 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.
Healthcare trend rates (Pre-65)	7.00% for fiscal year 2022 and decreasing to an ultimate trend rate of 4.50% by fiscal year 2032
Healthcare trend rates (Post-65)	5.125% for fiscal year 2022 and decreasing to an ultimate trend rate of 4.50% by fiscal year 2025
Medicare Part B Premiums	6.97% for fiscal year 2022 with an ultimate trend rate of 4.50% by 2034

See Accompanying Independent Auditor's Report.

**MCCRACKEN COUNTY BOARD OF EDUCATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE LIFE INSURANCE LIABILITY
KENTUCKY TEACHERS' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS***

Year Ended June 30	District's Proportion of the net pension liability	District's proportionate share of the net pension liability (asset)	State's proportionate share of the net pension liability (asset) associated with the District	Total	District's covered employee payroll	District's share of the net pension liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2023	0.0000%	\$ -	\$ 295,000	\$ 295,000	\$ 34,514,185	0.0000%	73.9689%
2022	0.0000%	\$ -	\$ 118,000	\$ 118,000	\$ 31,746,540	0.0000%	89.1473%
2021	0.0000%	\$ -	\$ 310,000	\$ 310,000	\$ 31,096,386	0.0000%	71.5662%
2020	0.0000%	\$ -	\$ 279,000	\$ 279,000	\$ 30,740,956	0.0000%	73.4041%
2019	0.0000%	\$ -	\$ 252,000	\$ 252,000	\$ 30,600,934	0.0000%	74.9707%
2018	0.0000%	\$ -	\$ 196,000	\$ 196,000	\$ 30,053,078	0.0000%	79.9892%

* The amounts presented were determined as of the measurement date June 30 of the prior year.

The schedule is intended to eventually show information for 10 years. Additional years will be displayed as they become available.

**MCCRACKEN COUNTY BOARD OF EDUCATION
SCHEDULE OF DISTRICT'S CONTRIBUTIONS - LIFE INSURANCE FUND
KENTUCKY TEACHERS' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS***

Year Ended June 30	Contractually required contribution	Contributions relative to contractually required contribution	Contribution deficiency (excess)	District's covered employee payroll	Contributions as a percentage of covered employee payroll
2023	\$ 22,511	\$ 22,511	\$ -	\$ 35,390,539	0.0636%
2022	\$ 18,148	\$ 18,148	\$ -	\$ 34,514,185	0.0526%
2021	\$ 14,937	\$ 14,937	\$ -	\$ 31,746,540	0.0471%
2020	\$ 11,783	\$ 11,783	\$ -	\$ 31,096,386	0.0379%
2019	\$ 8,748	\$ 8,748	\$ -	\$ 30,740,956	0.0285%
2018	\$ 8,617	\$ 8,617	\$ -	\$ 30,600,934	0.0282%

* The schedule is intended to eventually show information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information
For the Year Ended June 30, 2023**

Changes of Benefit Terms:

None

Changes of assumptions:

The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2022:

Valuation date	June 30, 2021
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	26 years, Closed
Asset valuation method	Five-year smoothed value
Investment Rate of Return	7.10%, net of OPEB plan investment expense, including inflation
Inflation	2.50%
Payroll growth rate	0.25%
Wage inflation	2.75%
Salary increase	3.00% - 7.50%, including wage inflation
Single discount rate	7.10%

See Accompanying Independent Auditor's Report.

MCCRACKEN COUNTY BOARD OF EDUCATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS*

Year Ended June 30	District's Proportion of the net pension liability	District's proportionate share of the net pension liability (asset)	District's covered employee payroll	District's share of the net pension liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2023	0.3564%	\$ 25,762,035	\$ 10,176,682	253.1477%	52.4175%
2022	0.3565%	\$ 22,730,499	\$ 9,407,459	241.6221%	57.3282%
2021	0.3550%	\$ 27,226,902	\$ 9,409,775	289.3470%	47.8139%
2020	0.3565%	\$ 25,073,226	\$ 9,110,243	275.2202%	50.4470%
2019	0.3490%	\$ 21,254,859	\$ 8,788,147	241.8583%	53.5420%
2018	0.3440%	\$ 20,136,958	\$ 8,501,563	236.8618%	53.3249%
2017	0.3450%	\$ 16,987,252	\$ 8,304,705	204.5497%	55.5028%
2016	0.3474%	\$ 14,909,110	\$ 8,131,408	183.3521%	59.9684%
2015	0.3468%	\$ 11,271,399	\$ 8,059,434	139.8535%	66.8010%

* The amounts presented were determined as of the measurement date June 30 of the prior year.

The schedule is intended to eventually show information for 10 years. Additional years will be displayed as they become available.

**MCCRACKEN COUNTY BOARD OF EDUCATION
SCHEDULE OF DISTRICT'S CONTRIBUTIONS - PENSION PLAN
COUNTY EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS***

Year Ended June 30	Contractually required contribution	Contributions relative to contractually required contribution	Contribution deficiency (excess)	District's covered employee payroll	Contributions as a percentage of covered employee payroll
2023	\$ 2,460,489	\$ 2,460,489	\$ -	\$ 10,662,277	23.0766%
2022	\$ 2,301,906	\$ 2,301,906	\$ -	\$ 10,176,682	22.6194%
2021	\$ 1,813,040	\$ 1,813,040	\$ -	\$ 9,407,459	19.2724%
2020	\$ 1,789,811	\$ 1,789,811	\$ -	\$ 9,409,755	19.0208%
2019	\$ 1,476,125	\$ 1,476,125	\$ -	\$ 9,110,243	16.2029%
2018	\$ 1,272,520	\$ 1,272,520	\$ -	\$ 8,788,147	14.4800%
2017	\$ 1,185,685	\$ 1,185,685	\$ -	\$ 8,501,563	13.9467%
2016	\$ 1,022,424	\$ 1,022,424	\$ -	\$ 8,304,705	12.3114%
2015	\$ 1,035,311	\$ 1,035,311	\$ -	\$ 8,131,408	12.7322%

* The schedule is intended to eventually show information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information
For the Year Ended June 30, 2023**

Changes of Benefit Terms:

None

Methods and assumptions used in the actuarially determined contributions:

The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2022:

Valuation date	June 30, 2020
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	30 year closed period at June 30, 2019
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Payroll growth rate	2.00%
Investment Return	6.25%
Inflation	2.30%
Single discount rate	6.25%
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019

See Accompanying Independent Auditor's Report.

**MCCRACKEN COUNTY BOARD OF EDUCATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET MEDICAL
INSURANCE PLAN - COUNTY EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS***

Year Ended June 30	District's Proportion of the net medical plan liability	District's proportionate share of the net medical plan liability (asset)	District's covered employee payroll	District's share of the net medical plan liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total medical plan liability
2023	0.3563%	\$ 7,031,866	\$ 10,176,682	69.0978%	60.9476%
2022	0.3564%	\$ 6,823,655	\$ 9,407,459	72.5345%	62.9072%
2021	0.3549%	\$ 8,569,393	\$ 9,409,755	91.0692%	51.6704%
2020	0.3564%	\$ 5,994,706	\$ 9,110,243	65.8018%	60.4382%
2019	0.3490%	\$ 6,196,088	\$ 8,788,147	70.5051%	57.6218%
2018	0.3440%	\$ 6,916,119	\$ 8,501,563	81.3511%	52.3940%

* The amounts presented were determined as of the measurement date June 30 of the prior year.

The schedule is intended to eventually show information for 10 years. Additional years will be displayed as they become available.

**MCCRACKEN COUNTY BOARD OF EDUCATION
SCHEDULE OF DISTRICT'S CONTRIBUTIONS - MEDICAL INSURANCE PLAN
COUNTY EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS***

Year Ended June 30	Contractually required contribution	Contributions relative to contractually required contribution	Contribution deficiency (excess)	District's covered employee payroll	Contributions as a percentage of covered employee payroll
2023	\$ 367,659	\$ 367,659	\$ -	\$ 10,662,277	3.4482%
2022	\$ 406,219	\$ 406,219	\$ -	\$ 10,176,682	3.9917%
2021	\$ 447,045	\$ 447,045	\$ -	\$ 9,407,459	4.7520%
2020	\$ 441,316	\$ 441,316	\$ -	\$ 9,409,755	4.6900%
2019	\$ 478,748	\$ 478,748	\$ -	\$ 9,110,243	5.2551%
2018	\$ 413,048	\$ 413,048	\$ -	\$ 8,788,147	4.7001%

* The schedule is intended to eventually show information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information
For the Year Ended June 30, 2023**

Changes of Benefit Terms:

None

Methods and assumptions used in the actuarially determined contributions:

The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2022:

Valuation date	June 30, 2020
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	30 year closed period at June 30, 2019
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Payroll growth rate	2.00%
Investment Return	6.25%
Inflation	2.30%
Single discount rate	Increased from 5.20% to 5.70%
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Healthcare trend rates (Pre-65)	Initial trend starting at 6.40% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Healthcare trend rates (Post-65)	Initial trend starting at 6.30% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

See Accompanying Independent Auditor's Report.

OTHER SUPPLEMENTAL INFORMATION

**MCCRACKEN COUNTY BOARD OF EDUCATION
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 As of June 30, 2023**

	Student Activity Fund	Debt Service Fund	Total Nonmajor Govt. Funds
ASSETS			
Cash and cash equivalents	\$ 842,922	\$ -	\$ 842,922
Accounts receivable	1,680	-	1,680
Total assets	\$ 844,602	\$ -	\$ 844,602
 LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 14,360	\$ -	\$ 14,360
Total liabilities	14,360	-	14,360
 Fund Balances			
Committed			
Student group and other	830,242	-	830,242
Total fund balances	830,242	-	830,242
Total liabilities and fund balances	\$ 844,602	\$ -	\$ 844,602

See Accompanying Independent Auditor's Report.

MCCRACKEN COUNTY BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

	Student Activity Fund	Debt Service Fund	Total Nonmajor Govt. Funds
Revenues			
From local sources			
Property taxes	\$ -	\$ -	\$ -
Earnings on investments	39,045	-	39,045
Other local revenues	1,739,396	-	1,739,396
State sources			
On-behalf payments	-	749,709	749,709
Other revenues	-	-	-
Total revenues	1,778,441	749,709	2,528,150
Expenditures			
Instruction	1,790,110	-	1,790,110
Debt service	-	7,035,647	7,035,647
Total expenditures	1,790,110	7,035,647	8,825,757
Excess (deficit) of revenues over expenditures	(11,669)	(6,285,938)	(6,297,607)
Other Financing Sources (Uses)			
Operating transfers in	-	6,285,938	6,285,938
Operating transfers out	-	-	-
Total other financing sources (uses)	-	6,285,938	6,285,938
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(11,669)	-	(11,669)
Net change in fund balances	(11,669)	-	(11,669)
Fund balance, July 1, 2022	841,911	-	841,911
Fund balance, June 30, 2023	\$ 830,242	\$ -	\$ 830,242

See Accompanying Independent Auditor's Report.

**MCCRACKEN COUNTY BOARD OF EDUCATION
SCHOOL ACTIVITY FUNDS**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND AMOUNTS DUE TO STUDENT GROUPS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

	Cash Balances 7/1/2022	Receipts	Disburse- ments	(Interfund Transfers)		Cash Balances 6/30/2023	Accounts Receivable 6/30/2023	Accounts Payable 6/30/2023	Amounts Due to Student Groups 6/30/2023
				To	From				
High Schools									
McCracken County	\$ 615,452	\$ 1,117,987	\$ 1,157,696	\$ 330,129	\$ (330,129)	\$ 575,743	\$ 1,500	\$ 13,971	\$ 563,272
Middle Schools									
Heath	41,730	138,167	128,425	1,888	(1,888)	51,472	-	-	51,472
Lone Oak	46,968	184,294	169,529	200	(200)	61,733	180	26	61,887
Reidland	18,156	82,157	71,614	19,484	(19,484)	28,699	-	-	28,699
Intermediate Schools									
Lone Oak	32,480	27,865	38,570	95	(95)	21,775	-	363	21,412
Reidland	8,910	37,283	35,698	13,086	(13,086)	10,495	-	-	10,495
Elementary Schools									
Concord	9,090	38,419	44,621	8,102	(8,102)	2,888	-	-	2,888
Heath	35,991	21,986	25,271	4,395	(4,395)	32,706	-	-	32,706
Hendron Lone Oak	17,091	72,205	71,278	39,126	(39,126)	18,018	-	-	18,018
Lone Oak	21,234	37,049	38,961	200	(200)	19,322	-	-	19,322
Reidland	22,275	21,213	23,417	79	(79)	20,071	-	-	20,071
Totals	<u>\$ 869,377</u>	<u>\$ 1,778,625</u>	<u>\$ 1,805,080</u>	<u>\$ 416,784</u>	<u>\$ (416,784)</u>	<u>\$ 842,922</u>	<u>\$ 1,680</u>	<u>\$ 14,360</u>	<u>\$ 830,242</u>

See Accompanying Independent Auditor's Report.

**MCCRACKEN COUNTY BOARD OF EDUCATION
MCCRACKEN COUNTY HIGH SCHOOL ACTIVITY FUNDS**

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND AMOUNTS DUE TO STUDENT GROUPS

YEAR ENDED JUNE 30, 2023

	Cash		Disburse- ments	(Interfund Transfers)		Cash Balances 6/30/2023	Accounts Receivable 6/30/2023	Accounts Payable 6/30/2023	Amounts Due to Student Groups 6/30/2023
	Balances 7/1/2022	Receipts		To	From				
AP / PSAT Exams	\$ 38,619	\$ 250	\$ (5)	\$ -	\$ -	\$ 38,874	\$ -	\$ -	\$ 38,874
Academic	969	5,261	5,134	-	(272)	824	-	-	824
Art Club	3,306	6,669	7,399	-	(980)	1,596	-	-	1,596
Archery	3,663	8,606	8,145	1,000	(668)	4,456	-	-	4,456
Athletics	163,506	441,337	280,125	10,216	(237,927)	97,007	1,500	10,027	88,480
Band	3,387	1,933	10,835	6,000	-	485	-	-	485
Band - Boosters	8,076	-	2,265	-	-	5,811	-	-	5,811
Baseball	291	870	8,297	7,733	-	597	-	-	597
Youth Basketball - Boys	1,000	-	1,000	-	-	-	-	-	-
Basketball - Boys	2,683	1,557	12,995	9,475	-	720	-	-	720
Youth Basketball - Girls	4,440	9,365	10,237	-	-	3,568	-	-	3,568
Basketball - Girls	2,671	-	10,055	8,500	-	1,116	-	-	1,116
Basketball Boosters - Girls	192	-	-	-	-	192	-	-	192
Basketball Boosters - Boys	33	-	-	-	-	33	-	-	33
Bass Fishing	1,607	-	1,722	2,500	-	2,385	-	-	2,385
Beta Club	635	2,650	2,679	-	-	606	-	-	606
Biology Club	4,891	-	-	-	(4,891)	-	-	-	-
Bowling	3,654	10,775	13,540	1,500	-	2,389	-	-	2,389
Bio Medical Science Club	220	-	-	-	(220)	-	-	-	-
Cheerleading	17,872	21,151	33,330	1,500	(848)	6,345	-	-	6,345
Cheerleading - COED	8,223	115,700	104,265	2,500	-	22,158	-	1,241	20,917
Chess Club	980	265	80	-	-	1,165	-	-	1,165
Choir	2,102	50,121	51,720	-	-	503	-	-	503
Classroom Activity	-	24,498	-	-	(24,498)	-	-	-	-
Color Guard	610	500	1,893	1,000	-	217	-	-	217
Cross Country	1,491	-	2,510	2,682	-	1,663	-	-	1,663
Daily Living Skills	3,092	3,305	3,364	-	-	3,033	-	-	3,033
Dance Team	969	21,025	23,336	2,000	-	658	-	-	658
District Tournament	689	-	-	-	-	689	-	-	689
Drama	25,940	62,992	65,840	-	-	23,092	-	-	23,092
Every Mustang Matters	-	1,579	72	-	-	1,507	-	-	1,507
Environmental Club	1,000	480	577	-	-	903	-	-	903
FACS	1,743	9,945	14,427	3,240	-	501	-	-	501
Faculty Fund	1,477	1,035	1,811	-	-	701	-	-	701
FBLA	614	1,030	1,265	-	-	379	-	-	379
FCCLA	6,803	8,950	9,699	-	-	6,054	-	-	6,054
FCA	411	917	1,149	-	-	179	-	-	179
FFA	53,781	26,653	36,091	-	(24,381)	19,962	-	-	19,962
Field Trips	26,751	23,402	24,680	-	-	25,473	-	-	25,473
Football	4,277	11,731	30,607	25,395	-	10,796	-	260	10,536
General Fund	57,662	32,339	19,299	11,946	(4,240)	78,408	-	-	78,408
Golf - Boys	745	798	4,793	3,250	-	-	-	-	-
Golf - Girls	175	-	2,743	5,000	-	2,432	-	-	2,432
Greenhouse	-	44,555	19,160	15,904	-	41,299	-	-	41,299
HOSA Club	1,996	14,521	11,248	-	(2,672)	2,597	-	-	2,597
Intramural Sports	-	-	173	173	-	-	-	-	-
History Club	127	-	-	-	(127)	-	-	-	-
Jazz Band	1,029	1,820	1,596	-	-	1,253	-	916	337
Library	2,170	1,278	2,158	-	-	1,290	-	-	1,290
Media Club	-	1,400	-	100	-	1,500	-	-	1,500
Memorial Fund	6,150	-	-	-	-	6,150	-	-	6,150
Mustang Madness	15,045	-	-	-	(5,293)	9,752	-	-	9,752
Mountain Biking	-	-	-	1,000	-	1,000	-	-	1,000
Merchandise	12,329	44,362	35,499	455	-	21,647	-	1,347	20,300
Mustangs on a Mission	6,708	-	-	-	(6,708)	-	-	-	-
National Honor Society	2,266	2,370	711	-	-	3,925	-	-	3,925
Newspaper	396	-	250	-	-	146	-	-	146
Pep Club	2,276	-	401	-	-	1,875	-	-	1,875
Ping Pong	62	-	-	-	-	62	-	-	62
Project Graduation	5,767	30,790	35,767	210	-	1,000	-	-	1,000
School Dance/Activities	5,312	27,076	28,782	-	(210)	3,396	-	-	3,396
Soccer - Boys	153	-	6,671	7,500	-	982	-	-	982
Soccer - Boys Boosters	732	-	-	-	-	732	-	-	732
Soccer - Girls	22	-	4,371	5,500	-	1,151	-	180	971
Soccer - Girls Boosters	9,537	-	896	-	-	8,641	-	-	8,641
Softball	4,091	-	3,516	6,670	-	7,245	-	-	7,245
Softball Boosters	8,344	-	-	-	-	8,344	-	-	8,344
Student Government	533	-	188	-	-	345	-	-	345

See Accompanying Independent Auditor's Report.

**MCCRACKEN COUNTY BOARD OF EDUCATION
MCCRACKEN COUNTY HIGH SCHOOL ACTIVITY FUNDS**

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND AMOUNTS DUE TO STUDENT GROUPS

YEAR ENDED JUNE 30, 2023

	Cash	Disburse-	(Interfund Transfers)		Cash	Accounts	Accounts	Amounts	
	Balances		Receipts	To	From			Balances	Receivable
	7/1/2022				6/30/2023	6/30/2023	6/30/2023	Groups	
								6/30/2023	
Sweep	-	-	170,794	170,795	1	-	-	1	
Swim Team	560	-	350	-	210	-	-	210	
Swim Team Boosters	4,474	419	1,512	-	3,381	-	-	3,381	
Tennis	1,494	-	2,300	3,000	2,194	-	-	2,194	
Indoor Tennis Facility	35,201	18,080	1,915	-	51,366	-	-	51,366	
Tech Student Association	81	120	48	-	153	-	-	153	
Track	1,930	1,998	7,472	5,885	2,341	-	-	2,341	
Trap Team	100	-	-	-	100	-	-	100	
Volleyball	3,618	12,600	5,416	2,500	(8,700)	4,602	-	4,602	
World Language Club	1,396	501	707	-	1,190	-	-	1,190	
Wrestling	232	-	4,893	5,000	339	-	-	339	
Year Book	18,442	5,361	1,159	-	(7,494)	15,150	-	15,150	
Youth Services Center	1,629	3,047	1,769	-	2,907	-	-	2,907	
Totals	\$ 615,452	\$ 1,117,987	\$ 1,157,696	\$ 330,129	\$ (330,129)	\$ 575,743	\$ 1,500	\$ 13,971	\$ 563,272

**MCCRACKEN COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Federal Expenditures *</u>	<u>Totals</u>
U.S. Department of Education				
Passed through State Department of Education:				
Title I - Grants to Local Educational Agencies	84.010	3100002 19	\$ 1,372	
	84.010	3100002 20	76,621	
	84.010	3100002 21	681,656	
	84.010	3100002 22	828,125	
	84.010	3100102 21	1,100	
	84.010	3100102 22	<u>87,768</u>	\$ 1,676,642
Special Education Cluster (IDEA):				
Special Education - Grant to States	84.027	3810002 20	8,070	
	84.027	3810002 21	13,831	
	84.027	3810002 22	1,517,234	
	84.027	4980002 21	621	
	84.027	4910002 21	<u>19,378</u>	1,559,134
Special Education - Preschool Grants	84.173	3800002 20	13,250	
	84.173	3800002 21	105,056	
	84.173	3800002 22	<u>69</u>	<u>118,375</u>
Total Special Education Cluster				1,677,509
Education for Homeless Children and Youth	84.196	316I	21,200	
	84.196	316J	<u>41,253</u>	62,453
Twenty-First Century Community Learning Centers	84.287	3400002 20	117,064	
	84.287	3400002 21	<u>877,661</u>	994,725
Student Support and Academic Enrichment Program	84.424	3420002 20	28,571	
	84.424	3420002 21	108,962	
	84.424	3420002 22	<u>5,373</u>	142,906
Education Stabilization Fund Under The Coronavirus Aid, Relief, and Economic Security Act	84.425	GEER	116,884	
	84.425	4000002 20	24,504	
	84.425	4000002 21	205,076	
	84.425	4300005 21	15,774	
	84.425	4300002 21	<u>4,515,192</u>	4,877,430
Passed through Workforce Development Cabinet:				
Career and Technology Education - Basic Grants to States	84.048	3710002 20	6,217	
	84.048	3710002 21	6,948	
	84.048	3710002 22	<u>75,215</u>	88,380
English Language Acquisition Grants	84.365	345I	6,664	
	84.365	345J	<u>2,884</u>	9,548
Passed through Health and Human Services:				
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	493F	<u>300</u>	300
Child Care and Development Block Grant	93.575		<u>10,252</u>	<u>10,252</u>
Total U.S Department of Education				<u>9,540,145</u>

* The District did not pass-through any federal awards to subrecipients.

**MCCRACKEN COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Federal Expenditures *</u>	<u>Totals</u>
U.S. Department of Justice				
Public Safety Partnership and Community Policing Grants	16.710	437GS	200,160	200,160
U.S. Department of Agriculture				
Passed through State Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	7760005 22	260,975	
	10.553	7760005 23	954,421	1,215,396
National School Lunch Program	10.555	7750002 22	724,169	
	10.555	7750002 23	2,847,885	3,572,054
Passed through State Department of Agriculture:				
National School Lunch Program:				
Non-Monetary Food Distribution (Note B)	10.555	2023	451,328	451,328
Passed through State Department of Education:				
Summer Food Service Program for Children				
	10.559	7740023 22	170,768	
	10.559	7690024 22	4,002	174,770
Total Child Nutrition Cluster				5,413,548
Child Nutrition Discretionary Grants Limited Availability	10.579	7840027 20	32,800	32,800
Child and Adult Care Food Program	10.558	7790021 22	55,598	
	10.558	7800016 22	4,139	
	10.558	7790021 23	391,648	451,385
State Administrative Expenses for Child Nutrition	10.560	7700001 22	8,199	8,199
Total U.S. Department of Agriculture				<u>5,905,932</u>
Total Federal Awards				<u><u>\$ 15,646,237</u></u>

* The District did not pass-through any federal awards to subrecipients.

See accompanying notes to schedule of expenditures of federal awards.

**McCRACKEN COUNTY BOARD OF EDUCATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARD
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of McCracken County Board of Education and is presented on the accrual method of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Negative amounts reflected in the schedule represent adjustments or credits resulting from the normal course of activity to amounts reported as expenditures in prior years.

NOTE B – COMMODITIES

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and used.

NOTE C – RECONCILIATION OF FEDERAL AWARDS TO THE FINANCIAL STATEMENTS

Total Federal Awards per Schedule of Expenditures of Federal Awards	<u>\$ 15,646,237</u>
Federal Awards Revenues Reported by Fund	
Special Revenue Fund – Federal - indirect	\$ 9,740,305
Proprietary Fund – Federal and donated commodities	<u>5,905,932</u>
 Total Federal Awards Revenues Reported	 <u>\$ 15,646,237</u>

Federal revenues of \$215,951 were reflected in the general fund for reimbursements for Medicaid claims and accordingly, were not included in the Schedule of Expenditures of Federal Awards.

NOTE D – INDIRECT COST RATE

The District has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.



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

Kentucky State Committee for School
District Audits
Members of the Board of Education
McCracken County Board of Education
Paducah, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District audits in *Kentucky Public School Districts' Audit Contract and Requirements*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the McCracken County Board of Education as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the McCracken County Board of Education's basic financial statements, and have issued our report thereon dated October 26, 2023.

Report on Internal Control over Financial Reporting

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

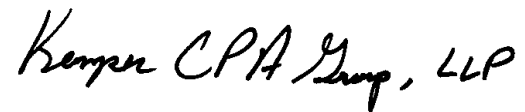
As part of obtaining reasonable assurance about whether McCracken County Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulation identified in *Kentucky Public School Districts' Audit Contract and Requirements*.

We noted certain other matters that we reported to management of the McCracken County Board of Education in a separate letter dated October 26, 2023.

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.

A handwritten signature in black ink that reads "Kemper CPA Group, LLP". The signature is written in a cursive, flowing style.

Certified Public Accountants and Consultants
Paducah, Kentucky
October 26, 2023



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

Kentucky State Committee for School
District Audits
Members of the Board of Education
McCracken County Board of Education
Paducah, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited McCracken County Board of Education'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 McCracken County Board of Education's major federal programs for the year ended June 30, 2023. McCracken County Board of Education'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, McCracken County Board of Education 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 McCracken County Board of Education 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 McCracken County Board of Education'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 McCracken County Board of Education'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 McCracken County Board of Education'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, *Governmental 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 McCracken County Board of Education's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Governmental 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 McCracken County Board of Education'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 McCracken County Board of Education'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 McCracken County Board of Education's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

Our consideration of the 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Kemper CPA Group, LLP

Certified Public Accountants and Consultants
Paducah, Kentucky
October 26, 2023

**McCRACKEN COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

Summary of Auditor’s Results

1. The independent auditor’s report expresses an unmodified opinion on whether the financial statements of the McCracken County Board of Education were prepared in accordance with generally accepted accounting principles.
2. No significant deficiencies relating to the audit of the financial statements are reported. No material weaknesses relating to the audit of the financial statements are reported.
3. No instances of noncompliance material to the financial statements of the McCracken County Board of Education, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs are reported. No material weaknesses in internal control over major federal award programs are reported.
5. The auditor’s report on compliance for the major federal award programs for the McCracken County Board of Education expresses an unmodified opinion on all major federal programs.
6. There are no findings to be reported in accordance with 2 CFR Section 200.516(a) in this schedule.
7. The programs tested as major programs included:

<u>Name</u>	<u>CFDA</u>
Special Education Cluster:	
Special Education – Grants to States	84.027
Special Education – Preschool Grants	84.173
Twenty-First Century Community Learning Center	84.287
Education Stabilization Fund Under the Coronavirus Aid, Relief and Economic Security Act	84.425

8. The threshold used for distinguishing Types A and B programs was \$750,000.
9. The McCracken County Board of Education did qualify to be audited as a low-risk auditee.

Findings – Financial Statements Audit

There are no findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

Findings and Questioned Costs – Major Federal Awards Programs

There are no findings or questioned costs related to the major federal programs which are required to be reported in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Award* (Uniform Guidance).

**McCRACKEN COUNTY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2023**

Findings – Financial Statements Audit

There were no prior year findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

Findings and Questioned Costs – Major Federal Awards Programs

There were no prior year findings or questioned costs related to the major federal programs which are required to be reported in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance).