

FLEMING COUNTY SCHOOL DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2024

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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
Members of the Board of Education
Fleming County School District
Flemingsburg, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Fleming County School District (District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2024 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 of Opinions

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

as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules, and OPEB schedules as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or

historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, 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 November 12, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Maddox & Associates CPAs Inc.

Fort Thomas, Kentucky
November 12, 2024

As management of the Fleming County School District (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, 2024. We encourage readers to consider the information presented here in conjunction with additional information found within the body of this report.

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of the District were more than its liabilities and deferred outflows at the close of the most recent fiscal year by \$36,043,457 (net position). The unrestricted net position, which represents the amounts available to meet the District's ongoing obligations to citizens and creditors, was a deficit of (\$7,924,032). The District is committed to provide postemployment benefits to its employees. As a result, the District has recognized substantial liabilities in the financial statements for these benefits. As of year-end, the District has liabilities of for postemployment benefits of \$9,708,686 which caused the deficit balance in the unrestricted net position. The District's total net position increased by \$16,009,511

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) the notes to the financial statements.

Government-wide Financial Statements

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

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

The *statement of activities* presents information showing how the District 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 the related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements distinguish functions of the District that are principally supported by 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, and operation of non-instructional services. Fixed assets and debt is also supported by taxes and intergovernmental revenues. The government-wide financial statements can be found on pages 9-10 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 the state mandated accounting system including a chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. The proprietary fund is for food service operations. The fiduciary fund is a trust fund 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 11-20 of this report.

Notes to the Financial Statements

The notes provide additional information that is necessary to acquire 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 21-53 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position presents financial information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Net Position

	Governmental Activities		Business-Type Activities	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Assets				
Current assets	\$ 42,592,552	\$ 26,199,743	\$ 1,336,159	\$ 574,197
Noncurrent assets	45,874,031	9,329,007	189,486	34,538
Total assets	88,466,583	35,528,750	1,525,645	608,735
Deferred outflows	3,968,346	2,300,500	258,798	96,289
Liabilities				
Current liabilities	3,614,550	636,845	1,825	-
Noncurrent liabilities	47,190,432	10,568,455	1,090,743	189,599
Total liabilities	50,804,982	11,205,300	1,092,568	189,599
Deferred inflows	8,584,503	1,781,834	258,798	74,580
Net position				
Net investment in capital assets	6,955,856	3,035,883	166,017	34,538
Restricted	36,926,604	20,251,850	(80,988)	406,307
Unrestricted	(7,924,032)	1,554,383	-	-
Total net position	\$ 35,958,428	\$ 24,842,116	\$ 85,029	\$ 440,845

Change in Net Position

	Governmental Activities		Business-Type Activities	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Revenues:				
Local revenue sources	\$ 8,510,515	\$ 4,356,822	\$ 184,867	\$ 64,507
State revenue sources	29,261,524	28,842,192	18,761	42,571
Federal revenue sources	8,054,558	1,755,296	1,956,017	776,173
Total revenues	45,826,597	34,954,310	2,159,645	883,251
Expenses:				
Instruction	15,315,155	5,033,657	-	-
Student support	1,249,133	759,331	-	-
Instruction staff	185,550	1,365,344	-	-
District administrative	1,458,587	919,654	-	-
School administrative	1,463,790	714,843	-	-
Business support	77,333	208,379	-	-
Plant operations	3,505,182	1,286,586	-	-
Student transportation	3,594,208	31,121	-	-
Food service	137,410	-	1,751,674	822,526
Community services	238,932	164,172	-	-
Facility construction	-	1,857	-	-
Other non instructional	914,841	-	-	-
Building construction	1,002,299	-	-	-
Building improvements	-	-	-	-
Interest on long-term debt	1,082,637	165,324	-	-
Total expenses	30,225,057	10,650,268	1,751,674	822,526
Transfers	69,752	30,461	(69,752)	(30,461)
Change in net position	\$ 15,671,292	\$ 24,334,503	\$ 338,219	\$ 30,264

GOVERNMENTAL FUND FINANCIAL ANALYSIS

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the District's government funds reported combined fund balances of \$41,021,483 an increase of \$21,073,614 from the prior year. The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,558,420. The total general fund balance change by \$1,656,470.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the District had \$45,901,490 in capital assets net of depreciation. Net capital assets changed by \$36,537,945.

	Governmental Activities		Business-Type Activities	
	6/30/2024	6/30/2023	6/30/2024	6/30/2023
Land	\$ 1,104,745	\$ 391,300	\$ -	\$ -
Land and improvements	156,976	3,784	-	-
Buildings and improvements	41,287,639	6,515,635	-	-
Technology equipment	903,103	(122)	-	-
Vehicles	2,012,471	-	-	-
General equipment	270,539	7,292	166,017	34,538
Construction in progress	-	2,411,118	-	-
Total capital assets, net	\$ 45,735,473	\$ 9,329,007	\$ 166,017	\$ 34,538

Long-Term Obligations.

At the end of the fiscal year, the District had \$50,200,034 in long-term obligations. Long-term obligations changed by \$2,900,060.

	Governmental Activities		Business-Type Activities	
	6/30/2024	6/30/2023	6/30/2024	6/30/2023
Compensated absences	\$ 515,826	\$ 343,752	\$ -	\$ -
Operating leases	36,064	369,768	-	-
Financed purchases	1,159,841	1,293,985	-	-
Bonds payable	38,779,617	30,548,000	-	-
Net OPEB liability	3,649,000	6,922,169	-	385,669
Net pension liability	4,968,943	6,023,671	1,090,743	1,412,960
Total long-term liabilities	\$ 49,109,291	\$ 45,501,345	\$ 1,090,743	\$ 1,798,629

GENERAL FUND BUDGET

Kentucky state statutes and the Kentucky Department of Education require school districts to adopt a budget that has a minimum 2% contingency. The District adopted a general fund budget that had a contingency of 14%.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

General fund revenue for the District for 2025 is expected to be similar to 2024. Expenditures are expected to increase approximately \$1,400,000. The 2025 budget has an 18% contingency.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Finance Officer, Andy Plank, 211 W. Water St., Flemingsburg, KY 41041.

Fleming County School District
Statement of Net Position
June 30, 2024

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 41,916,909	\$ 1,307,772	\$ 43,224,681
Investments	-	-	-
Receivables	675,643	-	675,643
Inventory	-	28,387	28,387
Noncurrent assets			
Net OBEF asset - CERS	106,916	23,469	130,385
Right of use assets, net	31,642	-	31,642
Capital assets, net	45,735,473	166,017	45,901,490
Total assets	88,466,583	1,525,645	89,992,228
Deferred outflows of resources			
Loss on refunding	125,014	-	125,014
OPEB related	2,984,437	69,279	3,053,716
Pension related	858,895	189,519	1,048,414
Total deferred outflows of resources	3,968,346	258,798	4,227,144
Liabilities			
Current liabilities			
Accounts payable	48,974	1,825	50,799
Unearned revenue	1,522,095	-	1,522,095
Accrued interest payable	124,622	-	124,622
Lease liability	36,064	-	36,064
Financed purchases	135,968	-	135,968
Bonds payable	1,746,827	-	1,746,827
Noncurrent liabilities			
Compensated absences	515,826	-	515,826
Financed purchases	1,023,873	-	1,023,873
Bonds payable	37,032,790	-	37,032,790
Net OPEB liability - TRS	3,649,000	-	3,649,000
Net pension liability	4,968,943	1,090,743	6,059,686
Total liabilities	50,804,982	1,092,568	51,897,550
Deferred inflows of resources			
OPEB related	4,799,637	415,457	5,215,094
Pension related	871,882	191,389	1,063,271
Total deferred inflows of resources	5,671,519	606,846	6,278,365
Net position			
Net investment in capital assets	6,955,856	166,017	7,121,873
Restricted (deficit)	36,926,604	(80,988)	36,845,616
Unrestricted (deficit)	(7,924,032)	-	(7,924,032)
Total net position (deficit)	\$ 35,958,428	\$ 85,029	\$ 36,043,457

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

Fleming County School District
Statement of Activities
Year Ended June 30, 2024

	Expenses	Charges for Services	Operating Grants and Contribution	Capital Grants and Contributions	Revenue over Expenses
Governmental Activities					
Instruction	\$ 15,315,155	\$ -	\$ 10,899,847	\$ -	\$ (4,415,308)
Support services:					
Student	1,249,133	-	661,253	-	(587,880)
Instructional staff	185,550	-	48,855	-	(136,695)
District administration	1,458,587	-	379,789	-	(1,078,798)
School administration	1,463,790	-	524,551	-	(939,239)
Business	77,333	-	74,850	-	(2,483)
Plant operation	3,505,182	-	-	-	(3,505,182)
Student transportation	3,594,208	-	2,017,914	-	(1,576,294)
Other instructional	137,410	-	-	-	(137,410)
Community service	238,932	-	242,351	-	3,419
Other non instructional	914,841	-	-	-	(914,841)
Building construction	1,002,299	-	-	-	(1,002,299)
Interest on long-term debt	1,082,637	-	1,222,769	-	140,132
Total governmental activities	30,225,057	-	16,072,179	-	(14,152,878)
Business-Type Activities					
Food service	1,751,674	178,067	1,974,778	-	401,171
Total business-type activities	1,751,674	178,067	1,974,778	-	401,171
Total school district	\$ 31,976,731	\$ 178,067	\$ 18,046,957	\$ -	(13,751,707)
			Governmental Activities	Business-Type Activities	Total
Revenue over expenses			\$ (14,152,878)	\$ 401,171	\$ (13,751,707)
General Revenues					
Property taxes			3,262,989	-	3,262,989
Motor vehicle taxes			1,129,481	-	1,129,481
Utilities tax			749,101	-	749,101
State aid			9,529,281	-	9,529,281
SEEK			11,472,912	-	11,472,912
Federal direct revenue			241,710	-	241,710
Investment earnings			1,650,519	6,800	1,657,319
Other			1,191,030	-	1,191,030
Loss on asset disposal			527,395	-	527,395
Transfers			69,752	(69,752)	-
Total general revenues			29,824,170	(62,952)	29,761,218
Change in net position			15,671,292	338,219	16,009,511
Net position (deficit) - beginning of year, as restated			20,287,136	(253,190)	20,033,946
Net position (deficit) - end of year			\$ 35,958,428	\$ 85,029	\$ 36,043,457

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

Fleming County School District
Balance Sheet – Governmental Funds
June 30, 2024

	General Fund	Special Revenue Fund	Construction Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 5,289,791	\$ 1,201,111	\$ 28,060,520	\$ 6,908,225	\$ 457,262	\$ 41,916,909
Receivables	84,991	321,550	-	-	269,102	675,643
Interfund receivable	232,612	-	-	-	-	232,612
Total assets	\$ 5,607,394	\$ 1,522,661	\$ 28,060,520	\$ 6,908,225	\$ 726,364	\$ 42,825,164
Liabilities						
Accounts payable	\$ 48,974	\$ -	\$ -	\$ -	\$ -	\$ 48,974
Unearned revenue	-	1,522,095	-	-	-	1,522,095
Interfund payable	-	-	-	-	232,612	232,612
Total liabilities	48,974	1,522,095	-	-	232,612	1,803,681
Fund balances						
Restricted	-	1,464,107	28,060,520	6,908,225	493,752	36,926,604
Unassigned	5,558,420	(1,463,541)	-	-	-	4,094,879
Total fund balances	5,558,420	566	28,060,520	6,908,225	493,752	41,021,483
Total liabilities and fund balances	\$ 5,607,394	\$ 1,522,661	\$ 28,060,520	\$ 6,908,225	\$ 726,364	\$ 42,825,164

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

Fleming County School District
 Reconciliation of the Balance Sheet – Governmental Funds
 to the Statement of Net Position
 June 30, 2024

Total fund balances - governmental funds	\$ 41,021,483
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets	45,735,473
Right of use assets	31,642

Deferred outflow and inflow of resources are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows - loss on refunding	125,014
Deferred outflows - OPEB	2,984,437
Deferred outflows - pensions	858,895
Deferred inflows - OPEB	(4,799,637)
Deferred inflows - pension	(871,882)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Accrued interest payable	(124,622)
Lease liability	
Financed purchases	(1,159,841)
Bonds payable	(38,779,617)
Compensated absences	(551,890)
Net OPEB liability (asset)	(3,542,084)
Net pension liability	(4,968,943)

Net position of governmental activities	<u>\$ 35,958,428</u>
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The notes to the financial statements are an integral part of this statement.

Fleming County School District
Statement of Revenues, Expenditures and Changes in Fund
Balances – Governmental Funds
Year Ended June 30, 2024

	General Fund	Special Revenue Fund	Construction Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues						
From local sources:						
Property taxes	\$ 2,306,517	\$ -	\$ -	\$ -	\$ 956,472	\$ 3,262,989
Motor vehicle taxes	1,129,481	-	-	-	-	1,129,481
Utility taxes	749,101	-	-	-	-	749,101
Earnings on investments	91,884	-	899,414	659,221	-	1,650,519
Other local revenue	39,731	233,480	-	-	917,819	1,191,030
Intergovernmental state:						
SEEK	10,171,375	-	-	-	1,301,537	11,472,912
On-behalf	5,848,015	-	-	1,222,769	-	7,070,784
Other	-	1,217,828	9,500,000	-	-	10,717,828
Intergovernmental federal	-	7,812,848	-	-	-	7,812,848
Federal direct	241,710	-	-	-	-	241,710
Total revenues	20,577,814	9,264,156	10,399,414	1,881,990	3,175,828	45,299,202
Expenditures						
Instruction	12,029,017	6,660,961	-	-	576,684	19,266,662
Support services:						
Student	827,834	474,477	-	-	1,154	1,303,465
Instruction staff	163,746	48,855	-	-	-	212,601
District administrative	1,529,375	335	-	-	-	1,529,710
School administrative	1,521,465	-	-	-	-	1,521,465
Business support	77,333	-	-	-	-	77,333
Plant operation	2,448,756	-	-	-	-	2,448,756
Student transpiration	1,565,952	1,692,166	-	-	-	3,258,118
Other instructional	-	-	-	-	137,410	137,410
Community services	-	242,351	-	-	-	242,351
Other non instructional	-	-	-	-	168,630	168,630
Building construction	-	-	1,002,299	-	-	1,002,299
Bond issue expenditures	-	-	746,211	-	-	746,211
Debt service						
Principal	69,144	-	-	1,780,000	-	1,849,144
Interest	6,116	-	-	1,017,070	(18,052)	1,005,134
Total expenditures	20,238,738	9,119,145	1,748,510	2,797,070	865,826	34,769,289
Excess of revenues over (under) expenditures	339,076	145,011	8,650,904	(915,080)	2,310,002	10,529,913
Other financing sources (uses)						
Transfers in	829,261	39,262	-	1,574,301	-	2,442,824
Transfers out	(39,262)	(75,640)	-	-	(2,258,170)	(2,373,072)
Sale of assets	527,395	-	-	-	-	527,395
Bond premium	-	-	20,329	-	-	20,329
Bond discount	-	-	(3,775)	-	-	(3,775)
Bond proceeds	-	-	9,930,000	-	-	9,930,000
Total other financing sources (uses)	1,317,394	(36,378)	9,946,554	1,574,301	(2,258,170)	10,543,701
Net change in fund balances	1,656,470	108,633	18,597,458	659,221	51,832	21,073,614
Fund balances - beginning	3,901,950	(108,067)	9,463,062	6,249,004	441,920	19,947,869
Fund balances - end of year	\$ 5,558,420	\$ 566	\$ 28,060,520	\$ 6,908,225	\$ 493,752	\$ 41,021,483

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

Fleming County School District
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances – Governmental Funds
 to the Statement of Activities
 Year Ended June 30, 2024

Net change in fund balances - total governmental funds	\$ 21,073,614
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those asset is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	4,093,920
Depreciation expense	(2,174,442)

The issuance of long-term debt provides current financial resources to governmental funds, but the proceeds increase long-term liabilities in the statement of net position.	(9,946,554)
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Repayment of long-term debt are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,882,785
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Some expenses reported in the statement of activities do not require current financial resources and, therefore, are not reported as expenditures in the funds.

Amortization of bond refunding	(42,498)
Amortization of right-of-use assets	31,642
Change in beginning net position	(20,708)
Change in accrued interest payable	(72,635)
Change in compensated absences	(172,074)
Change in OPEB liabilities and deferred amounts	641,398
Change in pension liabilities and deferred amounts	376,844

Change in net position of governmental activities	\$ 15,671,292
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The notes to the financial statements are an integral part of this statement.

Fleming County School District
Statement of Net Position – Proprietary Fund
June 30, 2024

	Food Service
Assets	
Current assets	
Cash and cash equivalents	\$ 1,307,772
Inventories for consumption	28,387
Total current assets	1,336,159
Noncurrent assets	
Net OPEB asset - CERS	23,469
Capital assets, net	166,017
Total noncurrent assets	189,486
Total assets	1,525,645
Deferred outflows of resources	
OPEB related	69,279
Pension related	189,519
Total deferred outflows of resources	258,798
Liabilities	
Current liabilities	
Accounts payable	1,825
Total current liabilities	1,825
Long-term liabilities	
Net pension liability	1,090,743
Total long-term liabilities	1,090,743
Total liabilities	1,092,568
Deferred inflows of resources	
OPEB related	415,457
Pension related	191,389
Total deferred inflow of resources	606,846
Net position	
Net investment in capital assets	166,017
Restricted	(80,988)
Total net position (deficit)	\$ 85,029

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

Fleming County School District
Statement of Revenue, Expenses, and Changes
In Fund Net Position – Proprietary Fund
Year Ended June 30, 2024

	Food Service
Operating revenues	
Food service	\$ 150,815
Other operating revenue	27,252
Total operating revenues	178,067
Operating expenses	
Salaries and wages	526,016
Employee benefits	(103,807)
Purchased services	48,997
Materials and supplies	1,253,720
Other operating expenses	12,046
Depreciation	14,702
Total operating expenses	1,751,674
Operating loss	(1,573,607)
Non operating revenues	
Operating grants - state	18,761
Operating grants - federal	1,818,472
Donated commodities	137,545
Transfers out	(69,752)
Interest income	6,800
Total other financing sources (uses)	1,911,826
Net change in fund balances	338,219
Fund balances - beginning of year	(253,190)
Fund balances - end of year	\$ 85,029

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

Fleming County School District
Statement of Cash Flows – Proprietary Fund
Year Ended June 30, 2024

	Food Service
Cash flows from operating activities	
Cash received:	
From food service sales	\$ 178,067
Cash paid:	
To employees	(681,810)
To suppliers	(1,253,407)
For operating expenses	(61,043)
Cash transfer	(69,752)
Net cash used in operating activities	(1,887,945)
Cash flows from noncapital financing activities	
Non operating grants	1,974,778
Net cash provided by noncapital financing activities	1,974,778
Cash flows from investing activities	
Interest on investments	6,800
Net cash provided by investing activities	6,800
Net increase in cash	93,633
Cash - beginning of year	1,214,139
Cash - end of year	\$ 1,307,772
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (1,573,607)
Adjustments to reconcile operating loss to net cash in operating activities	
Depreciation	14,702
Transfers out	(69,752)
Changes in:	
Inventory	(1,512)
Payables	1,825
Deferred outflows	78,677
Deferred inflows	393,077
Net OPEB liability	(409,138)
Net pension liability	(322,217)
Net cash used in operating activities	\$ (1,887,945)
Noncash activities	
Commodities received from federal	\$ 137,545
On-behalf payments received state	\$ -

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

Fleming County School District
Statement of Net Position – Fiduciary Fund
June 30, 2024

	<u>Trust Fund</u>
Assets	
Cash and cash equivalents	\$ 221,257
Total assets	\$ 221,257
Net Position	
Restricted	\$ 221,257
Total net position	\$ 221,257

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

Fleming County School District
 Statement of Changes in Net Position – Fiduciary Fund
 Year Ended June 30, 2024

	<u>Trust Fund</u>
Additions	
Private donations	\$ 31,452
<u>Total operating revenues</u>	<u>31,452</u>
Deductions	
Community services	40,200
<u>Total operating expenses</u>	<u>40,200</u>
Change in net position	(8,748)
Net position - beginning of year	230,005
<u>Net position - end of year</u>	<u>\$ 221,257</u>

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

NOTE 1: ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

Fleming County Board of Education Finance Corporation – The Board authorized the establishment of the Fleming County Board of Education Finance Corporation (Corporation), (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation’s Board of Directors.

Basis of Presentation

The District’s basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government.

The statement of net position presents the financial condition of the District as a whole. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to determine legal compliance. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds, if any, are presented in a single column.

Governmental Fund Types

The *General Fund* is the primary operating fund of the District. This used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Kentucky. This is a major fund of the District.

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

The *District Activity Fund* is a special revenue fund that accounts for funds received at the school level.

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

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

The *Building Fund* is the Facility Support Program of Kentucky (FSPK) fund and accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.

The *Construction Fund* is used to account for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

The *Debt Service Fund* is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost, as required by state law.

Proprietary Fund Types (Enterprise Funds)

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

Fiduciary Fund Types

Fiduciary funds account for assets held by the District in a trustee capacity for the benefit of others and cannot be used to support District activities.

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The District also reports a fiduciary fund which focuses on net position and changes in net position.

Fund Financial Statements

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within sixty days of year end. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

However, debt service expenditures as well as expenditures related to long-term compensated absences and postemployment benefits are recorded only when payment is due.

Assets, Liabilities, Deferred Inflows/Outflows, and Net Position/Fund Balance

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an initial maturity date of ninety days or less.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

The District is authorized by state statute to invest in the following subject to additional requirements of KRS 66.480:

- Obligations of the United States and of its Agencies and instrumentalities
- Certificates of Deposit
- Bankers Acceptances
- Commercial Paper
- Bonds and Securities of other State and Local Governments
- Mutual Funds, Exchange Traded Funds, Individual Equity Securities and High-quality Corporate bonds managed by a professional investment manager

Investments

Investments with a maturity of less than one year are stated at cost. Investments with a maturity greater than one year are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

Receivables

Accounts receivables are presented, when necessary, net of an allowance for doubtful accounts. No allowance has been recorded for the current fiscal year.

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

All reported capital assets are depreciated except for land. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	50 Years
Improvements	20 Years
Infrastructure	40 Years
Vehicles	7 Years
General equipment	7 Years

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows

Deferred outflows of resources represent a consumption of net position that applies to a future period, and therefore, are deferred until that time. The District recognized deferred outflows of resources related to pensions and other postemployment benefits on the government-wide financial statements.

Payables and Accrued Liabilities

All payables and accrued liabilities are reported on the government-wide financial statements and fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences, contractually required pension and OPEB contributions that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and other long-term obligations are recognized as a liability on the governmental fund financial statements when due.

Compensated Absences

Compensated absences are payments to employees for accumulated sick leave. These amounts also include the related employer's share of applicable taxes and retirement contributions. District employees may accumulate unused sick leave up to a specified amount depending on their date of hire. Sick leave is payable to employees upon termination or retirement at 30.00% of the current rate of pay on the date of termination or retirement. The District uses the termination method to calculate the compensated absences amounts. The entire compensated absence liability is reported on the government-wide financial statements. The current portion is the amount estimated to be used in the following year. An expenditure is recognized in the governmental fund as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

Long-Term Obligations

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. Long-term debt consists of bonds, notes, and lease liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds. Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as an other financing source and payment of principal and interest are reported as expenditures.

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 Employee Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis of as they are reported by CERS. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Other Post Employment Benefits (OPEB)

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

Deferred Inflows

Deferred inflows of resources represent an acquisition of net position that applies to a future period and, are therefore, deferred until that time. The District recognized deferred inflows of resources related to pension and other postemployment benefits on the government-wide financial statements. In the governmental funds, certain revenue transactions have been reported as unavailable revenue. Revenue that is earned but not available is reported as a deferred inflow of resources until such time as the revenue becomes available.

Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted net position consists of restricted net assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use by external parties or by law through enabling legislation.

Unrestricted net position is the amount of net amount of assets, deferred outflows, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable. Amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Restricted. Amounts that can be spent only for specific purposes because of constitutional provisions, enabling legislation, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed. Amounts that can be used only for specific purposes determined by a formal action by District Council ordinance.

Assigned. Amounts that are designated for a specific purpose but are not spendable until a budget ordinance is passed or a there is majority passed vote by District Council.

Unassigned. All amounts not included in other spendable classifications.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the District's policy is to first apply the expenditure toward restricted fund balance, and then to committed, assigned, and unassigned fund balances in that order.

Revenues and Expenditures/Expenses

Property Taxes

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

The District levies a utility gross receipts license tax on telephone communication services, cablevision services, electric power, water, and gas furnished within the District's boundaries.

Revenues

Amounts reported as program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided or fines imposed by a given function or segment, and (2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Expenses/Expenditures

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

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Interfund Activity

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

Interfund Balances

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

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates.

Budgetary Process

An annual budget is adopted for each governmental fund by ordinance prior to July 1. The budget can be amended by a subsequent ordinance. Expenditures may not legally exceed budgeted appropriations at the function level.

Subsequent Events

The District evaluated subsequent events for potential recognition and disclosure through November 12, 2024, the date the financial statements were available to be issued.

NOTE 2: CASH AND INVESTMENTS

At year end, the District’s bank balance was \$45,367,790 and the carrying amount was \$43,446,147. The bank balance was fully covered by FDIC insurance and collateralized securities held by the financial institution, but not in the District’s name.

Cash and cash equivalents at year-end consisted of the following:

Fund	Bank Account				Total
	Peoples Bank	Community Trust	US Bank	BNY Mellon	
General	\$ 5,289,791	\$ -	\$ -	\$ -	\$ 5,289,791
Special revenue	1,201,111	-	-	-	1,201,111
District activity	13,184	-	-	-	13,184
Student activity	39,089	403,333	-	-	442,422
Capital outlay	1,656	-	-	-	1,656
Building	-	-	-	-	-
Construction	9,661,107	-	18,399,413	-	28,060,520
Debt service	-	-	-	6,908,225	6,908,225
Food service	1,261,730	46,042	-	-	1,307,772
Trust	217,054	4,203	-	-	221,257
Total funds	\$ 17,684,722	\$ 453,578	\$ 18,399,413	\$ 6,908,225	\$ 43,445,938
Bank balance	\$ 19,574,837	\$ 485,315	\$ 18,399,413	\$ 6,908,225	\$ 45,367,790
Outstanding items	(1,890,115)	(31,737)	-	-	(1,921,852)
Book balance	\$ 17,684,722	\$ 453,578	\$ 18,399,413	\$ 6,908,225	\$ 43,445,938
Governmental funds					\$ 41,916,909
Proprietary fund					1,307,772
Fiduciary fund					221,257
Total funds					\$ 43,445,938

Custodial credit risk. This is the risk that, in the event of a bank failure, the District’s deposits may not be returned to it. The District’s deposit policy for custodial credit risk requires compliance with state statute depository restrictions.

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year is summarized below:

	Balance 7/1/2023	Additions	Disposals	Balance 6/30/2024
Governmental Activities				
Land	\$ 1,104,745	\$ -	\$ -	\$ 1,104,745
Land and improvements	1,277,878	20,600	-	1,298,478
Buildings and improvements	61,462,875	1,495,962	-	62,958,837
Technology equipment	1,647,618	484,941	-	2,132,559
Vehicles	2,470,139	1,829,563	-	4,299,702
General equipment	310,462	262,854	-	573,316
Construction in progress	-	-	-	-
Total at historical cost	68,273,717	4,093,920	-	72,367,637
Less accumulated depreciation				
Land and improvements	1,116,556	24,946	-	1,141,502
Buildings and improvements	20,230,356	1,440,842	-	21,671,198
Technology equipment	1,065,848	163,608	-	1,229,456
Vehicles	1,757,744	529,487	-	2,287,231
General equipment	287,219	15,558	-	302,777
Total accumulated depreciation	24,457,723	2,174,441	-	26,632,164
Capital assets - net	\$ 43,815,994	\$ 1,919,479	\$ -	\$ 45,735,473

	Balance 7/1/2023	Additions	Disposals	Balance 6/30/2024
Business-type Activities				
General equipment	\$ 698,908	\$ -	\$ -	\$ 698,908
Total at historical cost	698,908	-	-	698,908
Less accumulated depreciation				
General equipment	518,189	14,702	-	532,891
Total accumulated depreciation	518,189	14,702	-	532,891
Capital assets - net	\$ 180,719	\$ (14,702)	\$ -	\$ 166,017

NOTE 3: CAPITAL ASSETS - CONTINUED

Depreciation was charged to following government functions:

	<u>Governmental</u>	<u>Business-type</u>
Instruction	\$ 538,471	\$ -
Plant operations	1,130,815	-
Student transportation	505,155	
Food service	-	14,702
<u>Depreciation expense</u>	<u>\$ 2,174,441</u>	<u>\$ 14,702</u>

NOTE 4: LONG-TERM LIABILITIES

Long-term liability activity for the year is summarized below:

	Balance			Amount		
Governmental Activities	July 1, 2023	Additions	Reductions	Balance June 30, 2024	Due Within One Year	Long- Term
Bonds payable	\$ 30,548,000	\$ 9,946,554	\$ 1,714,937	\$ 38,779,617	\$ 1,746,827	\$ 37,032,790
Financed purchases	1,293,985	-	134,144	1,159,841	135,968	1,023,873
Operating leases	69,768	-	33,704	36,064	36,064	-
Compensated absences	343,752	172,074	-	515,826	-	515,826
Net OPEB liability	6,922,169	-	3,273,169	3,649,000	-	3,649,000
Net pension liability	6,023,671	-	1,054,728	4,968,943	-	4,968,943
<u>Total long-term liabilities</u>	<u>\$ 45,201,345</u>	<u>\$ 10,118,628</u>	<u>\$ 6,210,682</u>	<u>\$ 49,109,291</u>	<u>\$ 1,918,859</u>	<u>47,190,432</u>

	Balance			Amount		
Business-type Activities	July 1, 2023	Additions	Reductions	Balance June 30, 2024	Due Within One Year	Long- Term
Net OPEB liability	\$ 385,669	\$ -	\$ 385,669	\$ -	\$ -	\$ -
Net pension liability	1,412,960	-	322,217	1,090,743	-	1,090,743
<u>Total long-term liabilities</u>	<u>\$ 1,798,629</u>	<u>\$ -</u>	<u>\$ 707,886</u>	<u>\$ 1,090,743</u>	<u>\$ -</u>	<u>1,090,743</u>

NOTE 4: LONG-TERM LIABILITIES - CONTINUED

Bonds Payable

The District issues general obligations bonds to provide funds for the acquisition of equipment and the construction of facilities. The bonds are direct obligations and pledge the full faith and credit of the District. General obligations outstanding at year end are as follows:

	Proceeds	Rates	Balance June 30, 2024
2011QSCB	\$ 11,918,000	4.65%	\$ 11,918,000
2012	2,820,000	0.5000% - 2.400%	320,000
2013	4,500,000	1.400% - 3.000%	3,425,000
2016	14,890,000	2.000% - 3.000%	10,085,000
2016Ref	960,000	2.000% - 2.250%	285,000
2017	1,815,000	2.000% - 3.000%	1,025,000
2020	2,415,000	1.000% - 1.850%	1,775,000
2024	330,000	3.250% - 4.000%	330,000
2024B	9,600,000	4.000% - 4.250%	9,600,000
Total	<u>\$ 49,248,000</u>		<u>38,763,000</u>
Bond discounts			(3,712)
Bond premiums			<u>20,329</u>
Bonds payable, net			<u><u>\$ 38,779,617</u></u>

Bond activity for the year is summarized below:

Issue	Balance			Balance June 30, 2024	Amount	
	July 1, 2023	Additions	Reductions		Due Within One Year	Long- Term
Series 2011QSCB	\$ 11,918,000	\$ -	\$ -	\$ 11,918,000	\$ -	\$ 11,918,000
Series 2012	690,000	-	370,000	320,000	320,000	-
Series 2013	3,585,000	-	160,000	3,425,000	165,000	3,260,000
Series 2016	10,770,000	-	685,000	10,085,000	700,000	9,385,000
Series 2016R	385,000	-	100,000	285,000	105,000	180,000
Series 2017	1,220,000	-	195,000	1,025,000	195,000	830,000
Series 2020	1,980,000	-	205,000	1,775,000	205,000	1,570,000
Series 2024	-	330,000	-	330,000	11,000	319,000
Series 2024B	-	9,600,000	-	9,600,000	45,000	9,555,000
Total bonds	<u>\$ 30,548,000</u>	<u>\$ 9,930,000</u>	<u>\$ 1,715,000</u>	<u>\$ 38,763,000</u>	<u>\$ 1,746,000</u>	<u>\$ 37,017,000</u>
Bond discounts	-	(3,775)	(63)	(3,712)	(189)	(3,523)
Bond premiums	-	20,329	-	20,329	1,016	19,313
Bonds payable, net	<u>\$ 30,548,000</u>	<u>\$ 9,946,554</u>	<u>\$ 1,714,937</u>	<u>\$ 38,779,617</u>	<u>\$ 1,746,827</u>	<u>\$ 37,032,790</u>

NOTE 4: LONG-TERM LIABILITIES - CONTINUED

Debt service requirements for the District’s general obligation bonds are as follows:

	Fleming County School District		School Facility Finance Commission		US Treasury	Total Debt
	Principal	Interest	Principal	Interest	Interest	Service
2025	\$ 892,040	\$ 526,047	\$ 853,960	\$ 298,610	\$ 554,187	\$ 3,124,844
2026	833,166	514,006	872,834	285,737	554,187	3,059,930
2027	858,647	496,611	858,353	263,429	554,187	3,031,227
2028	882,787	477,638	795,213	243,341	554,187	2,953,166
2029	903,783	457,518	789,217	222,666	554,187	2,927,371
2030-2034	15,925,749	1,953,610	3,906,251	772,476	831,281	23,389,367
2035-2039	3,730,484	1,313,894	1,897,516	219,381	-	7,161,275
2040-2044	4,264,963	545,700	498,037	63,214	-	5,371,914
	<u>\$ 28,291,619</u>	<u>\$ 6,285,024</u>	<u>\$ 10,471,381</u>	<u>\$ 2,368,854</u>	<u>\$ 3,602,216</u>	<u>\$ 51,019,094</u>
					Total principal payments	\$ 38,763,000
					Total interest payments	<u>12,256,094</u>
					Total debt service	<u>\$ 51,019,094</u>

Financed Purchases

The District financed the purchase of technology equipment. The financed purchase is a direct obligation, and it pledges the full faith and credit of the District. Financed purchase activity is summarized below.

Finance Date	Balance			Balance June 30, 2024	Due Within One Year	Long- Term
	July 1, 2023	Additions	Reductions			
2012	\$ 755,000	\$ -	\$ 45,000	\$ 710,000	\$ 45,000	\$ 665,000
2013	250,000	-	20,000	230,000	20,000	210,000
2014	80,162	-	39,442	40,720	40,720	-
2020	208,823	-	29,702	179,121	30,248	148,873
Financed Purchases	<u>\$ 1,293,985</u>	<u>\$ -</u>	<u>\$ 134,144</u>	<u>\$ 1,159,841</u>	<u>\$ 135,968</u>	<u>\$ 1,023,873</u>

NOTE 4: LONG-TERM LIABILITIES – CONTINUED

Debt service requirements for the District’s financed purchases are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 135,968	\$ 33,995	\$ 169,963
2026	130,886	30,308	161,194
2027	131,524	26,629	158,153
2028	137,162	22,811	159,973
2029	131,877	18,821	150,698
2030	137,424	14,811	152,235
2031	110,000	10,594	120,594
2032	120,000	6,844	126,844
2033	<u>125,000</u>	<u>2,691</u>	<u>127,691</u>
	<u>\$ 1,159,841</u>	<u>\$ 167,504</u>	<u>\$ 1,327,345</u>

Operating Leases

Leases in which the District has entered that are classified as operating leases – Type B are detailed below.

Right-of-use assets reported in the statement of net position for leases are as follows:

Right-of-use equipment	\$ 158,218
Accumulated amortization	<u>126,576</u>
	<u>\$ 31,642</u>

Remaining future payments under lease contracts are as follows:

2025	<u>\$ 38,588</u>
Total remaining payments	38,588
Less interest component	<u>2,524</u>
	<u>\$ 36,064</u>

NOTE 4: LONG-TERM LIABILITIES – CONTINUED

Operating Leases – Continued

A summary of lease costs and other lease information is as follows:

Operating lease cost \$ 38,588

Cash paid for amounts included in the measurement of lease liabilities:

Operating leases \$ 38,588

Weighted-average remaining lease term
1 year

Weighted-average discount rate
7.00%

Compensated absences

Upon retirement from the school system, employees will receive from the District an amount equal to 30.00% of the value of accumulated sick leave. The compensated absences at year end is \$515,826.

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NOTE 5: PENSION PLANS

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

General Information about the CERS Pension Plan

Plan Description

CERS is a cost-sharing multi-employer public employee retirement system which covers substantially all regular full-time employees of each county, city, and school board and any additional eligible local agencies electing to participate in the Plan. The Plan is administered by the CERS Board of Trustees and is divided into a divided into non-hazardous duty and hazardous duty classifications.

Benefits Provided

CERS provides retirement, death, and disability benefits to plan members. Retirement benefits maybe extended to beneficiaries under certain circumstances. Employees are vested in the plan after five years of service.

For retirement purposes, non-hazardous employees are grouped into three tiers based on hire date:

Tier 1	Participation date Unreduced retirement Reduced retirement	Before September 1, 2008 27 years service or 65 years old At least 5 years service and 55 years old, or 25 years service and any age
Tier 2	Participation date Unreduced retirement Reduced retirement	September 1, 2008 to December 31, 2013 At least 5 years service and 65 years old, or age 57+ with sum of service years plus age equal At least 10 years service and 60 years old
Tier 3	Participation date Unreduced retirement Reduced retirement	On or after January 1, 2014 At least 5 years service and 65 years old, or age 57+ with sum of service years plus age equal Not available

Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 2, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce cost-of-living adjustments if, in its judgment, the welfare of the Commonwealth so demands.

NOTE 5: PENSION PLANS – CONTINUED

Contributions

Employees – Tier 1 plan members are required to contribute 5% of their creditable compensation. Employees who begin participation on or after September 1, 2008 (Tier 2 and Tier 3) are required to contribute an additional 1%.

Employers – The contribution rate for the current year was 23.34%.

The District made all required contributions for fiscal year in the amount of \$646,742.

General Information about the TRS Pension Plan

Plan Description

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

Benefits Provided

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

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

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

retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

NOTE 5: PENSION PLANS – CONTINUED

Benefits Provided - Continued

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

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

Contributions

Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.855% of their salaries to the System. University employees are required to contribute 10.400% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 8.185% of their salary to KTRS.

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

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

CERS

At June 30, 2024, the District reported a liability of \$6,059,686 for its proportionate share of the net pension liability for CERS. The net pension liability for the plan was measured as of June 30, 2023, 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 0.0250%.

For the year ended June 30, 2024, the District recognized pension expense of (\$22,194) related to CERS.

NOTE 5: PENSION PLANS – CONTINUED

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

TRS

The District did not report a liability for the District’s proportionate share of the net pension liability for TRS because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The State’s proportionate share of the TRS net pension liability associated with the district is

For the year ended June 30, 2024, the District recognized pension expense of \$3,144,440 related to TRS. The District also recognized revenue of \$3,144,440 for TRS support provided by the Commonwealth.

At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CERS		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 313,698	\$ 16,466	
Change of assumptions	-	555,374	
Change in investment experience	-	82,657	
Change in proportionate share of contributions	87,974	408,774	
	401,672	<u>\$ 1,063,271</u>	<u>\$ (661,599)</u>
Subsequent contributions	646,742		
Total	<u>\$ 1,048,414</u>		

The contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. The net deferral will be recognized in pension expense as follows:

Year ending June 30	Net Deferral
2025	\$ (327,365)
2026	(410,847)
2027	135,277
2028	<u>(58,664)</u>
	<u>\$ (661,599)</u>

NOTE 5: PENSION PLAN (CONTINUED)

Actuarial assumptions

CERS

The total pension liability, net pension liability, and sensitivity information as of June 30, 2023 were based on an actuarial valuation date of June 30, 2021. The total pension liability was rolled forward from the valuation date to the plan’s fiscal year ending June 30, 2023, using generally accepted actuarial principles

There was a change in the investment return assumption from 6.25% to 6.50%. The total pension liability as of June 30, 2023 was determined using these updated assumptions.

The actuarial assumptions are:

Employer fiscal year end	2024
Plan year end	2023
Actuarial valuation date	June 30, 2021
Actuarial cost method	Entry age normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method	Level percent of pay
Amortization period	30-year closed period at June 30, 2019
Payroll growth rate	2.00%
Investment return	6.25%
Inflation	2.30%
Salary increase - nonhazardous	3.30% to 10.30%
Salary increase - hazardous	3.55% to 19.05%
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from P-2014 mortality improvement scale using a base year of 2019
Phase-in provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018

TRS

The total pension liability, net pension liability, and sensitivity information as of June 30, 2023 were based on an actuarial valuation date of June 30, 2022. The total pension liability was rolled forward from the valuation date to the plan’s fiscal year ending June 30, 2023, using generally accepted actuarial principles

There were no changes in the assumptions effecting the total pension liability as of June 30, 2023.

NOTE 5: PENSION PLAN (CONTINUED)

Actuarial assumptions - Continued

TRS - Continued

The actuarial assumptions are:

Employer fiscal year end	2024
Plan year end	2023
Actuarial valuation date	June 30, 2022
Inflation	2.50%
Salary increases, including inflation	3.00% - 7.50%
Investment return	7.10%
Municipal bond index rate:	
Prior measurement date	3.37%
Measurement date	3.66%
Year FNP is expected to be depleted	NA
Single equivalent interest rate:	
Prior measurement date	7.10%
Measurement date	7.10%
Post-retirement benefit increases	1.50% annually
Mortality	

Rates based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members. The actuarial assumptions used were based on the results of an actuarial experience study for the 5-year period ending June 30, 2020, adopted by the board on September 20, 2021. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

Long-term expected rate of return

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

NOTE 5: PENSION PLAN (CONTINUED)

Long-term expected rate of return – continued

CERS

Asset Class	Target Allocation	Long-term Expected Nominal Return
Public equity	50.00%	5.90%
Private Equity	10.00%	11.73%
Core bonds	10.00%	2.45%
Specialty credit/high yield	10.00%	3.65%
Cash	0.00%	1.39%
Real estate	7.00%	4.99%
Real return	13.00%	5.15%
Expected real return	100.00%	5.75%
Long-term inflation assumption		2.50%

TRS

Asset Class	Target Allocation	Long-term Expected Nominal Return
Large Cap US Equity	35.40%	5.00%
Small Cap US Equity	2.60%	5.50%
Developed International Equity	15.70%	5.50%
Emerging Markets Equity	5.30%	6.10%
Fixed Income	15.00%	1.90%
High Yield Bonds	5.00%	3.80%
Additional categories	5.00%	3.60%
Real Estate	7.00%	3.20%
Private Equity	7.00%	8.00%
Cash	2.00%	1.60%
Expected real return	100.00%	7.10%
Long-term inflation assumption		2.50%

NOTE 5: PENSION PLAN (CONTINUED)

Discount rate

A single discount rate of 6.50% and 7.10% was used to measure the total pension liability for CERS and TRS, respectively, for the fiscal year ending June 30, 2023. The single discount rate is based on the expected rate of return on pension plan investments for each plan. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the non-hazardous and hazardous pension plans' fiduciary net position and future contributions were separately projected and were each sufficient to finance all the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for each plan.

Sensitivity of District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease	Current	1% Increase
	5.50%	Discount Rate	7.50%
	<u>5.50%</u>	<u>6.50%</u>	<u>7.50%</u>
District's proportionate share of the CERS net pension liability	\$ 7,650,720	\$ 6,059,686	\$ 4,737,748

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS and TRS financial report.

NOTE 6: OPEB PLAN

General Information about the CERS Plan

Plan Description

The CERS Insurance fund is a cost-sharing, multiple-employer defined benefit OPEB plan which provides group health insurance benefits for plan members that are regular full-time members employed in positions of each participating county, District, and school board, and any additional eligible local agencies electing to participate in the System. OPEB benefits may be extended to beneficiaries of plan members under certain circumstances. The Plan is administered by the CERS Board of Trustees and is divided into a divided into non-hazardous duty and hazardous duty classifications.

Benefits Provided

The CERS Insurance hospital and medical benefits to eligible plan members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. Premium payments are submitted to DEI. The KRS board contracts with Humana to provide health care benefits to the eligible Medicare retirees. The CERS Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

For health insurance purposes, employees are grouped into three tiers based on hire date:

Tier 1	
Participation date	Before July 1, 2003
Insurance eligibility	10 years of service credit required
Benefit	Set percentage of single coverage health insurance based on service credit accrued at retirement
Tier 2	
Participation date	After September 1, 2008 and before December 31, 2013
Insurance eligibility	15 years of service credit required
Benefit	Set dollar amount based on service credit accrued, increased annually
Tier 3	
Participation date	After December 31, 2013
Insurance eligibility	15 years of service credit required
Benefit	Set dollar amount based on service credit accrued, increased annually

Contributions

Employee Contributions. Tier 1 plan members are not required to contribute. Employees who begin participation on or after September 1, 2008 (Tier 2 and Tier 3) are required to contribute 1.0% of creditable compensation to an account created for payment of health insurance benefits.

Employer Contributions – The contribution rate for the current year was 0.00%. The District made all required contributions for the fiscal year in the amount of \$0.

NOTE 6: OPEB PLAN (CONTINUED)

General Information about the TRS Plan

Plan Description

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

Benefits Provided

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

Contributions

In order to fund the post-retirement healthcare benefit, six percent (6%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three percent (3%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and two and one quarter percent (2.25%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. The District made all required contributions for the fiscal year in the amount of \$300,835.

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

CERS

At June 30, 2024, the District reported an asset of \$130,385 for its proportionate share of the net OPEB liability for CERS. The net OPEB liability for the plan was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

The District's proportion of the net OPEB liability was based on the District's share of 2023 contributions to the OPEB plan relative to the 2023 contributions of all participating employers, actuarially determined. At June 30, 2023 the District's proportionate share was 0.00250% related to CERS.

NOTE 6: OPEB PLAN (CONTINUED)

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

TRS

At June 30, 2024, the District reported a liability of \$3,649,000 for its proportionate share of the net OPEB liability for TRS . The net OPEB liability for the plan was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

The District’s proportion of the net OPEB liability was based on the District’s share of 2023 contributions to the OPEB plan relative to the 2023 contributions of all participating employers, actuarially determined. At June 30, 2023 the District’s proportionate share was 0.07401% related to TRS.

CERS and TRS

At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CERS		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 90,898	\$ 1,851,332	
Change of assumptions	256,588	178,816	
Change in investment experience	-	30,260	
Change in proportionate share of contributions	37,395	247,686	
	<u>384,881</u>	<u>\$ 2,308,094</u>	<u>\$ (1,923,213)</u>
Subsequent contributions	-		
Total	<u>\$ 384,881</u>		

	TRS		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ -	\$ 1,237,000	
Change of assumptions	830,000	-	
Change in investment experience	68,000	-	
Change in proportionate share of contributions	1,470,000	1,670,000	
	<u>2,368,000</u>	<u>\$ 2,907,000</u>	<u>\$ (539,000)</u>
Subsequent contributions	300,835		
Total	<u>\$ 2,668,835</u>		

NOTE 6: OPEB PLAN (CONTINUED)

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

	Total		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 90,898	\$ 3,088,332	
Change of assumptions	1,086,588	178,816	
Change in investment experience	68,000	30,260	
Change in proportionate share of contributions	1,507,395	1,917,686	
	2,752,881	\$ 5,215,094	\$ (2,462,213)
Subsequent contributions	300,835		
Total	\$ 3,053,716		

The subsequent contributions will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. The net deferral will be recognized as pension expense as follows:

Year ending June 30	Net Deferral
2025	\$ (722,452)
2026	(761,421)
2027	(375,520)
2028	(334,820)
2028	(111,000)
Thereafter	(157,000)
	\$ (2,462,213)

Implicit Subsidy

The fully-insured premiums paid for the Kentucky Employees' Health plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. This implicit subsidy is included in the calculation of the total OPEB liability.

NOTE 6: OPEB PLAN (CONTINUED)

Actuarial assumptions

CERS

The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2023 were based on an actuarial valuation date of June 30, 2021. The total OPEB liability was rolled forward from the valuation date to the plan’s fiscal year ending June 30, 2023, using generally accepted actuarial principles

There was a change in the investment return assumption from 5.70% to 5.93%. The total pension liability as of June 30, 2023 was determined using these updated assumptions.

Employer fiscal year end	2024
Plan year end	2023
Actuarial valuation date	June 30, 2021
Actuarial cost method	Entry age normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method	Level percent of pay
Amortization period	30-year closed period at June 30, 2019
Payroll growth rate	2.00%
Investment return	6.25%
Inflation	2.30%
Salary increase - nonhazardous	3.30% to 10.30%
Salary increase - hazardous	3.55% to 19.05%
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates form P-2014 mortality improvement scale using a base year of 2019
Healthcare trend rates:	
Pre-65	Initial trend starting at 6.30% at January 1, 2023, gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post-65	Initial trend starting at 6.30% at January 1, 2023, gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were incorporated into the liability measurement.

NOTE 6: OPEB PLAN (CONTINUED)

Actuarial assumptions – continued

TRS

Employer fiscal year end	2024
Plan year end	2023
Actuarial valuation date	June 30, 2022
Inflation	2.50%
Real wage growth	0.25%
Wage inflation	2.75%
Salary increases, including inflation	3.00% - 7.50%
Investment return	
Health trust	7.10%
Life trust	7.10%
Municipal bond index rate:	3.66%
Year FNP is expected to be depleted	
Health trust	NA
Life trust	NA
Single equivalent interest rate:	
Health trust	7.10%
Life trust	7.10%
Health trust health care cost trends	
Medical trend	6.75% for FYE 2023 decreasing to an ultimate rate of 4.50% by FYE 2032
Medicare Part B premiums	1.55% for FYE 2023 with an ultimate rate of 4.50% by FYE 2034

Long-term expected rate of return

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

NOTE 6: OPEB PLAN (CONTINUED)

Long-term expected rate of return - continued

CERS

Asset Class	Target Allocation	Long-term Expected Nominal Return
Public equity	50.00%	5.90%
Private Equity	10.00%	11.73%
Core bonds	10.00%	2.45%
Specialty credit/high yield	10.00%	3.65%
Cash	0.00%	1.39%
Real estate	7.00%	4.99%
Real return	13.00%	5.15%
Expected real return	100.00%	5.75%
Long-term inflation assumption		2.50%

TRS - MIF

Asset Class	Target Allocation	Long-term Expected Nominal Return
Large Cap US Equity	35.40%	5.00%
Small Cap US Equity	2.60%	5.50%
Developed International Equity	15.00%	5.50%
Emerging Markets Equity	5.00%	6.10%
Fixed Income	9.00%	1.90%
High Yield Bonds	8.00%	3.80%
Additional categories	9.00%	3.70%
Real Estate	6.50%	3.20%
Private Equity	8.50%	8.00%
Cash	1.00%	1.60%
Expected real return	100.00%	7.10%
Long-term inflation assumption		2.50%

NOTE 6: OPEB PLAN (CONTINUED)

Long-term expected rate of return - continued

TRS - LIF

Asset Class	Target Allocation	Long-term Expected Nominal Return
US Equity	40.00%	5.20%
Developed International Equity	15.00%	5.50%
Emerging Markets Equity	5.00%	6.10%
Fixed Income	21.00%	1.90%
Additional categories	5.00%	4.00%
Real Estate	7.00%	3.20%
Private Equity	5.00%	8.00%
Cash	2.00%	1.60%
Expected real return	100.00%	7.10%
Long-term inflation assumption		2.50%

Discount rate

Single discount rates of 5.93% and 7.10% for CERS and TRS respectively were used to measure the total OPEB liability as of June 30, 2023. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25%, and a municipal bond rate of 3.66%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2023. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan’s fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans actuarially determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plan trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. Future contributions are projected assuming that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy.

NOTE 6: OPEB PLAN (CONTINUED)

Sensitivity of District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

	1% Decrease	Current	1% Increase
	4.93%	Discount Rate	6.93%
		5.93%	
District's proportionate share of the CERS net OPEB liability (asset)	\$ 244,682	\$ (130,385)	\$ (444,457)
	1% Decrease	Current	1% Increase
	6.10%	Discount Rate	8.10%
		7.10%	
District's proportionate share of the TRS net OPEB liability	\$ 4,694,000	\$ 3,649,000	\$ 27,860,000
Total	\$ 4,938,682	\$ 3,518,615	\$ 27,415,543

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the District's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current	1% Increase
		Trend Rate	
District's proportionate share of the CERS net OPEB liability (asset)	\$ (417,906)	\$ (130,385)	\$ 222,808
District's proportionate share of the TRS net OPEB liability	2,627,000	3,649,000	4,922,000
Total	\$ 2,209,094	\$ 3,518,615	\$ 5,144,808

OPEB plan fiduciary net position

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

NOTE 7: ON-BEHALF

For the year ended June 30, 2024, payments made by the Commonwealth of Kentucky on behalf of the District for insurance benefits, retirement benefits, technology, and debt service. The following amounts were recorded in the Statement of Activities and the Statement of Revenue, Expenditures, and Changes in Fund Balance:

Fund	
General	\$ 5,848,015
Debt service	1,222,769
Food service	-
	<u>\$ 7,070,784</u>

Type	
Retirement	\$ 3,144,440
Health insurance less federal reimbursement	2,477,948
Life insurance	3,586
Administrative fee	28,628
HRA/Dental/Vision insurance	118,563
Technology	74,850
Debt service	1,222,769
	<u>\$ 7,070,784</u>

NOTE 8: FUND TRANSFERS

The following transfers were made during the year:

From	To	Purpose	Amount
General fund	Special revenue	Technology Match	\$ 39,262
Special revenue	General fund	Indirect costs	75,640
Building	General fund	Projects	202,331
Capital outlay	General fund	Projects	481,538
Building	Debt service	Debt service	1,574,301
Food service	General fund	Indirect costs	69,752
		<u>Total transfers</u>	<u>\$ 2,442,824</u>

Transfers were recorded in the financial statements as follows:

	Transfers In	Transfers Out	Net Transfer
Governmental funds	\$ 2,442,824	\$ 2,373,072	\$ 69,752
Proprietary fund	-	69,752	(69,752)
	<u>\$ 2,442,824</u>	<u>\$ 2,442,824</u>	<u>\$ -</u>

NOTE 9: CONTINGENCIES

Grants. The District receives funding from federal and state agencies in the form of grants. These funds are to be used for designated purposes only. If the federal or state grantor finds that funds have not been used for the intended purposes, the grantor may request a refund of monies advanced or refuse to reimburse the District for its expenditures. The amount of such future refunds and unreimbursed expenditures, if any, is not expected to be significant. Continuation of the District’s grant programs is contingent upon the grantors satisfaction that the funds provided are being spent as intended and the grantors intent to continue their programs.

Litigation. The District is party to various legal proceedings which normally occur in governmental operations. It is neither possible to determine the outcome of these proceedings nor possible to estimate the effects adverse decisions may have on the future expenditures or revenue sources of the District. In the opinion of District management and its legal counsel these legal proceedings are not likely to have a material adverse impact on the accompanying financial statements. Therefore, no provision for any liability that may result upon adjudication of any cases has been made in the accompanying financial statements

NOTE 10: RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The District has obtained insurance coverage through a commercial insurance company. In addition, the District has effectively managed risk through various employee education and prevention programs. All risk general liability management activities are accounted for in the General Fund. Expenditures and claims are recognized when probable that a loss has occurred, and the amount of loss can be reasonably estimated.

Management estimates that the amount of actual or potential claims against the District as of June 30, 2024, will not materially affect the financial condition of the District. Therefore, the General Fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal year.

NOTE 11: ADJUSTMENTS TO AND RESTATEMENTS OF BEGINNING BALANCES

During the fiscal year ended June 30, 2024, an error correction resulted in adjustments to and restatements of beginning net position and fund balances as follows:

	<u>Government-Wide</u> Governmental Activities
June 30, 2023 net position, as previously reported	\$ 20,336,195
Accrued interest payable	(42,577)
Right-of-use assets	(6,482)
June 30, 2023 net position, as restated	<u>\$ 20,287,136</u>

REQUIRED SUPPLEMENTARY INFORMATION

Fleming County School District
 Budgetary Comparison Schedule – Special Revenue Fund
 Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance
	Original	Final		Final to Actual
Revenues				
From local sources:				
Property taxes	\$ 2,625,000	\$ 2,625,000	\$ 2,306,517	\$ (318,483)
Motor vehicle taxes	615,000	615,000	1,129,481	514,481
Utility taxes	635,000	635,000	749,101	114,101
Earnings on investments	1,500	1,500	91,884	90,384
Other local revenue	10,000	10,000	39,731	29,731
Intergovernmental state:				
SEEK	10,055,000	10,055,000	10,171,375	116,375
On-behalf	5,325,000	5,325,000	5,848,015	523,015
Other	22,000	22,000	-	(22,000)
Federal direct	125,000	125,000	241,710	116,710
Total revenues	19,413,500	19,413,500	20,577,814	1,164,314
Expenditures				
Instruction	10,985,734	10,985,734	12,029,017	(1,043,283)
Support services:				
Student	925,232	925,232	827,834	97,398
Instruction staff	347,828	347,828	163,746	184,082
District administrative	1,186,073	1,186,073	1,529,375	(343,302)
School administrative	1,302,792	1,302,792	1,521,465	(218,673)
Business support	195,677	195,677	77,333	118,344
Plant operation and maintenance	2,982,714	2,982,714	2,448,756	533,958
Student transportation	1,847,445	1,847,445	1,565,952	281,493
Debt service				
Principal	73,000	73,000	69,144	3,856
Interest	-	-	6,116	(6,116)
Contingency	3,265,005	3,265,005	-	3,265,005
Total expenditures	23,111,500	23,111,500	20,238,738	2,872,762
Excess of revenues over (under) expenditures	(3,698,000)	(3,698,000)	339,076	4,037,076
Other financing sources (uses)				
Transfers in	393,000	393,000	829,261	436,261
Transfers out	(187,000)	(187,000)	(39,262)	147,738
Sale of assets	-	-	527,395	-
Total other financing sources (uses)	206,000	206,000	1,317,394	583,999
Net change in fund balances	(3,492,000)	(3,492,000)	1,656,470	4,621,075
Fund balances - beginning	3,492,000	3,492,000	3,901,950	409,950
Fund balances - end of year	\$ -	\$ -	\$ 5,558,420	\$ 5,031,025

Fleming County School District
 Budgetary Comparison Schedule – Special Revenue Fund
 Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance
	Original	Final		Final to Actual
Revenues				
From local sources:				
Other local revenue	\$ -	\$ -	\$ 233,480	\$ 233,480
Intergovernmental state:				
SEEK	543,043	543,043	-	(543,043)
On-behalf	1,153,167	1,153,167	-	(1,153,167)
Other	-	-	1,217,828	1,217,828
Intergovernmental federal	2,215,484	2,215,484	7,812,848	5,597,364
Total revenues	3,911,694	3,911,694	9,264,156	5,352,462
Expenditures				
Instruction	3,264,425	3,264,425	6,660,961	(3,396,536)
Support services:				
Student	393,826	393,826	474,477	(80,651)
Instruction staff	-	-	48,855	(48,855)
District administrative	-	-	335	(335)
School administrative	11,000	11,000	-	11,000
Student transportation	-	-	1,692,166	(1,692,166)
Community services	242,350	242,350	242,351	(1)
Total expenditures	3,911,601	3,911,601	9,119,145	(5,207,544)
Excess of revenues over (under) expenditures	93	93	145,011	144,918
Other financing sources (uses)				
Transfers in	39,262	39,262	39,262	-
Transfers out	-	-	(75,640)	(75,640)
Total other financing sources (uses)	39,262	39,262	(36,378)	(75,640)
Net change in fund balances	39,355	39,355	108,633	69,278
Fund balances - beginning	-	-	(108,067)	(108,067)
Fund balances - end of year	\$ 39,355	\$ 39,355	\$ 566	\$ (38,789)

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

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

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

In accordance with state law, the District prepares a general school budget based upon the amount of revenue to be raised by local taxation, including the rate of levy and from estimates of other Local, State and Federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay and other necessary expenses. The budget must be approved by the Board.

The District must formally and publicly examine estimated revenues and expenditures for the subsequent fiscal year by January 31 of each calendar year.

The District must prepare an annual allocation to schools by March 1 of each year for the following fiscal year. This allocation must include the amount for certified and classified staff based on the District's staffing policy and the amount for instructional supplies, materials, travel and equipment.

The District must adopt a tentative working budget for the subsequent fiscal year by May 30 of each year. This budget must contain a minimum 2.00% contingency.

Finally, the District must adopt a final working budget and submit it to the Kentucky Department of Education by September 30 of the current fiscal year.

The Board has the ability to amend the working budget.

Fleming County School District
 Schedule of District's Share of Net Pension Liability and Contributions – CERS
 June 30, 2024

Schedule of District's Proportionate Share of the Net Pension Liability - CERS

Year ended June 30	Measurement period June 30	District's proportion of the net pension liability	District's proportionate share of the net pension liability	District's covered payroll	District's proportionate share of the net pension liability as a percentage covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2024	2023	0.9444%	\$ 6,059,686	\$ 2,783,209	217.72%	57.48%
2023	2022	0.1029%	\$ 7,436,631	\$ 2,783,209	267.20%	52.42%
2022	2021	0.0992%	\$ 6,326,627	\$ 2,717,288	232.83%	55.95%
2021	2020	0.1050%	\$ 8,056,941	\$ 2,687,377	299.81%	47.81%
2020	2019	0.1113%	\$ 7,824,614	\$ 2,807,305	278.72%	50.45%
2019	2018	0.1997%	\$ 7,306,234	\$ 2,952,952	247.42%	53.54%
2018	2017	0.1200%	\$ 7,023,793	\$ 3,055,283	229.89%	53.32%
2017	2016	0.1150%	\$ 5,659,482	\$ 2,950,016	191.85%	55.50%
2016	2015	0.1186%	\$ 5,097,567	\$ 2,749,346	185.41%	59.97%
2015	2014	0.1210%	\$ 3,931,000	\$ 2,779,719	141.42%	66.80%

Schedule of District's Contributions - CERS

Year ended June 30	Contractually required contribution	Actual contribution	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
2024	\$ 646,742	\$ 646,742	\$ -	\$ 2,770,960	23.34%
2023	\$ 651,271	\$ 651,271	\$ -	\$ 2,783,209	23.40%
2022	\$ 575,250	\$ 575,250	\$ -	\$ 2,717,288	21.17%
2021	\$ 519,313	\$ 519,313	\$ -	\$ 2,687,377	19.32%
2020	\$ 455,184	\$ 455,184	\$ -	\$ 2,807,305	16.21%
2019	\$ 430,536	\$ 430,536	\$ -	\$ 2,952,952	14.58%
2018	\$ 442,405	\$ 442,405	\$ -	\$ 3,055,283	14.48%
2017	\$ 411,644	\$ 411,644	\$ -	\$ 2,950,016	13.95%
2016	\$ 341,460	\$ 341,460	\$ -	\$ 2,749,346	12.42%
2015	\$ 352,182	\$ 352,182	\$ -	\$ 2,762,066	12.75%

Fleming County School District
 Schedule of District's Share of Net Pension Liability and Contributions - TRS
 June 30, 2024

Schedule of District's Proportionate Share of the Net Pension Liability - TRS

Year ended June 30	Measurement period June 30	District's proportion of the net pension liability	District's proportionate share of the net pension liability	State's proportionate share of the net pension liability associated with the District	District's covered payroll	District's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2024	2023	0.0000%	\$ -	\$ 48,171,360	\$ 10,027,833	0.00%	57.68%
2023	2022	0.0000%	\$ -	\$ 49,916,708	\$ 9,461,867	0.00%	56.41%
2022	2021	0.0000%	\$ -	\$ 35,375,439	\$ 9,402,833	0.00%	65.59%
2021	2020	0.0000%	\$ -	\$ 38,420,781	\$ 9,317,600	0.00%	58.27%
2020	2019	0.0000%	\$ -	\$ 39,223,666	\$ 9,914,577	0.00%	58.76%
2019	2018	0.0000%	\$ -	\$ 38,050,808	\$ 9,848,088	0.00%	59.30%
2018	2017	0.0000%	\$ -	\$ 77,414,842	\$ 9,624,161	0.00%	39.83%
2017	2016	0.0000%	\$ -	\$ 81,042,991	\$ 9,438,832	0.00%	35.22%
2016	2015	0.0000%	\$ -	\$ 66,127,682	\$ 9,340,475	0.00%	42.49%
2015	2014	0.0000%	\$ -	\$ 63,007,387	\$ 11,466,263	0.00%	45.59%

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Schedule of District's Contributions - TRS

Year ended June 30	Contractually required contribution	Actual contribution	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
2024	\$ -	\$ -	\$ -	\$ 10,027,833	0.00%
2023	\$ -	\$ -	\$ -	\$ 9,461,867	0.00%
2022	\$ -	\$ -	\$ -	\$ 9,402,833	0.00%
2021	\$ -	\$ -	\$ -	\$ 9,317,600	0.00%
2020	\$ -	\$ -	\$ -	\$ 9,914,577	0.00%
2019	\$ -	\$ -	\$ -	\$ 9,848,088	0.00%
2018	\$ -	\$ -	\$ -	\$ 9,624,161	0.00%
2017	\$ -	\$ -	\$ -	\$ 9,438,832	0.00%
2016	\$ -	\$ -	\$ -	\$ 9,340,475	0.00%
2015	\$ -	\$ -	\$ -	\$ 9,618,989	0.00%

Fleming County School District
 Schedule of District's Share of Net OPEB Liability and Contributions - CERS
 June 30, 2024

Schedule of District's Proportionate Share of the Net OPEB Liability - CERS

Year ended June 30	Measurement period June 30	District's proportion of the net OPEB liability	District's proportionate share of the net OPEB liability (asset)	District's covered payroll	District's proportionate share of the net OPEB liability as a percentage covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2024	2023	0.9444%	\$ (130,385)	\$ 2,783,156	-4.68%	104.23%
2023	2022	0.1029%	\$ 2,029,838	\$ 2,717,288	74.70%	60.95%
2022	2021	0.0992%	\$ 1,899,249	\$ 2,687,377	70.67%	58.41%
2021	2020	0.1310%	\$ 3,163,710	\$ 2,807,305	112.70%	51.67%
2020	2019	0.1334%	\$ 2,243,358	\$ 2,952,952	75.97%	60.44%
2019	2018	0.1325%	\$ 2,351,677	\$ 3,055,283	76.97%	57.62%
2018	2017	0.1293%	\$ 2,598,870	\$ 3,055,283	85.06%	52.39%

Schedule of District's Contributions - CERS

Year ended June 30	Contractually required contribution	Actual contribution	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
2024	\$ -	\$ -	\$ -	\$ 2,770,960	0.00%
2023	\$ 94,349	\$ 94,349	\$ -	\$ 2,783,156	3.39%
2022	\$ 157,060	\$ 157,060	\$ -	\$ 2,717,288	5.78%
2021	\$ 128,079	\$ 128,079	\$ -	\$ 2,687,377	4.77%
2020	\$ 180,145	\$ 180,145	\$ -	\$ 2,807,305	6.42%
2019	\$ 165,165	\$ 165,165	\$ -	\$ 2,952,952	5.59%
2018	\$ 143,562	\$ 143,562	\$ -	\$ 3,055,283	4.70%

Fleming County School District
 Schedule of District's Share of Net OPEB Liability and Contributions – TRS Medical Insurance Plan
 June 30, 2024

Schedule of District's Proportionate Share of the Net OPEB Liability - TRS Medical Insurance Plan

Year ended June 30	Measurement period June 30	District's proportion of the net OPEB liability	District's proportionate share of the net OPEB liability	State's proportionate share of the net OPEB liability associated with the District	District's covered payroll	District's proportionate share of the net OPEB liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2024	2023	0.1498%	\$ 3,649,000	\$ 3,076,000	\$ 10,027,833	36.39%	52.97%
2023	2022	0.2126%	\$ 5,278,000	\$ 1,734,000	\$ 9,461,867	55.78%	47.75%
2022	2021	0.1449%	\$ 3,109,000	\$ 2,525,000	\$ 9,402,833	33.06%	51.47%
2021	2020	0.1992%	\$ 3,670,000	\$ 2,940,000	\$ 9,317,600	39.39%	32.58%
2020	2019	0.2004%	\$ 4,487,000	\$ 3,624,000	\$ 9,780,192	45.88%	32.58%
2019	2018	0.1966%	\$ 5,206,000	\$ 4,487,000	\$ 9,914,577	52.51%	25.54%
2018	2017	0.1990%	\$ 5,398,000	\$ 4,409,000	\$ 8,644,667	62.44%	21.18%

Schedule of District's Contributions - TRS Medical Insurance Plan

Year ended June 30	Contractually required contribution	Actual contribution	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
2024	\$ 300,835	\$ 300,835	\$ -	\$ 10,027,833	3.00%
2023	\$ 283,856	\$ 283,856	\$ -	\$ 9,461,867	3.00%
2022	\$ 282,085	\$ 282,085	\$ -	\$ 9,402,833	3.00%
2021	\$ 256,793	\$ 256,793	\$ -	\$ 9,317,600	2.76%
2020	\$ 266,972	\$ 266,972	\$ -	\$ 9,780,192	2.73%
2019	\$ 266,972	\$ 266,972	\$ -	\$ 9,914,577	2.69%
2018	\$ 267,285	\$ 267,285	\$ -	\$ 8,909,500	3.00%
2017	\$ 129,713	\$ 129,713	\$ -	\$ 4,543,022	2.86%

Fleming County School District
 Schedule of District's Share of Net OPEB Liability and Contributions – TRS Life Insurance Plan
 June 30, 2024

Schedule of District's Proportionate Share of the Net OPEB Liability - TRS Life Insurance Plan

Year ended June 30	Measurement period June 30	District's proportion of the net OPEB liability	District's proportionate share of the net OPEB liability	State's proportionate share of the net OPEB liability associated with the District	District's covered payroll	District's proportionate share of the net OPEB liability as a percentage covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2024	2023	0.0000%	\$ -	\$ 76,000	\$ 10,027,833	0.00%	76.91%
2023	2022	0.0000%	\$ -	\$ 86,000	\$ 9,461,867	0.00%	73.97%
2022	2021	0.0000%	\$ -	\$ 34,000	\$ 9,402,833	0.00%	89.15%
2021	2020	0.0000%	\$ -	\$ 89,000	\$ 9,317,600	0.00%	71.57%
2020	2019	0.0000%	\$ -	\$ 84,000	\$ 9,780,192	0.00%	73.40%
2019	2018	0.0000%	\$ -	\$ 77,000	\$ 9,914,577	0.00%	74.97%
2018	2017	0.0000%	\$ -	\$ 59,000	\$ 4,670,750	0.00%	79.99%

Schedule of District's Contributions - TRS Life Insurance Plan

Year ended June 30	Contractually required contribution	Actual contribution	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
2024	\$ -	\$ -	\$ -	\$ 10,027,833	0.00%
2023	\$ -	\$ -	\$ -	\$ 9,461,867	0.00%
2022	\$ -	\$ -	\$ -	\$ 9,402,833	0.00%
2021	\$ -	\$ -	\$ -	\$ 9,317,600	0.00%
2020	\$ -	\$ -	\$ -	\$ 9,780,192	0.00%
2019	\$ -	\$ -	\$ -	\$ 9,914,577	0.00%
2018	\$ -	\$ -	\$ -	\$ 8,909,500	0.00%

SUPPLEMENTARY INFORMATION

Fleming County School District
Combining Balance Sheet – Nonmajor Funds
June 30, 2024

	District Activity Fund	Student Activity Fund	Capital Outlay Fund	Building Fund	Non-Major Governmental Funds
Assets					
Cash and cash equivalents	\$ 13,184	\$ 442,422	\$ 1,656	\$ -	\$ 457,262
Receivables	-	-	-	269,102	269,102
Total assets	\$ 13,184	\$ 442,422	\$ 1,656	\$ 269,102	\$ 726,364
Liabilities					
Interfund payable	\$ -	\$ -	\$ -	\$ 232,612	\$ 232,612
Total liabilities	-	-	-	232,612	232,612
Fund balances					
Restricted	13,184	442,422	1,656	36,490	493,752
Total fund balances	13,184	442,422	1,656	36,490	493,752
Total liabilities and fund balances	\$ 13,184	\$ 442,422	\$ 1,656	\$ 269,102	\$ 726,364

Fleming County School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance – Nonmajor Funds
Year Ended June 30, 2024

	District Activity Fund	Student Activity Fund	Capital Outlay Fund	Building Fund	Total Non-Major Governmental Funds
Revenues					
From local sources:					
Property taxes	\$ -	\$ -	\$ -	\$ 956,472	\$ 956,472
Other local revenue	100	917,719	-	-	917,819
Intergovernmental state:					
SEEK	-	-	202,331	1,099,206	1,301,537
Total revenues	100	917,719	202,331	2,055,678	3,175,828
Expenditures					
Instruction	2,405	574,279	-	-	576,684
Support services:					
Student	1,154	-	-	-	1,154
Other instructional	-	137,410	-	-	137,410
Community services	-	-	-	-	-
Other non instructional	-	168,630	-	-	168,630
Interest	-	-	-	(18,052)	(18,052)
Total expenditures	3,559	880,319	-	(18,052)	865,826
Excess of revenues over (under) expenditures	(3,459)	37,400	202,331	2,073,730	2,310,002
Other financing sources (uses)					
Transfers out	-	-	(202,331)	(2,055,839)	(2,258,170)
Total other financing sources (uses)	-	-	(202,331)	(2,055,839)	(2,258,170)
Net change in fund balances	(3,459)	37,400	-	17,891	51,832
Fund balances - beginning	16,643	405,022	1,656	18,599	441,920
Fund balances - end of year	\$ 13,184	\$ 442,422	\$ 1,656	\$ 36,490	\$ 493,752

Fleming County School District
 Combining Statement of School Activity Funds
 Year Ended June 30, 2024

	Cash Balance July 1, 2023	Receipts	Expenditure	Cash Balance June 30, 2024
Fleming County High School	\$ 256,833	\$ 566,312	\$ 574,277	\$ 248,868
Simons Middle School	57,608	155,486	137,410	75,684
Hillsboro Elementary	36,092	41,569	38,572	39,089
Ewing Elementary	18,859	33,527	40,119	12,267
Flemingsburg Elementary	35,630	120,825	89,941	66,514
	<u>\$ 405,022</u>	<u>\$ 917,719</u>	<u>\$ 880,319</u>	<u>\$ 442,422</u>

Fleming County School District
Statement of School Activity Funds
Highlands High School
Year Ended June 30, 2024

Fund Name	Cash Balance				Cash Balance June 30, 2024
	July 1, 2023	Receipts	Expenditure	Transfers	
General Office	\$ 1,921	\$ 5,064	\$ 3,617	\$ 74	\$ 3,442
Lost Lock	55	-	-	-	55
Interest	5,587	11,343	665	(3,289)	12,976
Staff	755	200	683	(55)	217
CBI-FMD	164	80	796	1,637	1,085
JR/SR Prom	2,921	7,610	5,683	-	4,848
FC Virtual Academy	275	-	-	-	275
Summer Acceleration	5,086	2,373	2,373	(5,086)	-
ACT Bootcamp donation	148	-	-	-	148
Math	12	50	-	-	62
JAG	-	-	232	1,046	814
Winter Formal	-	4,640	2,154	(2,486)	-
Youth Service Center	6	-	-	-	6
AP Testing	1,915	1,932	1,647	-	2,200
Certification Test	188	-	-	-	188
Auto Mechanics	3	8,402	8,151	(25)	229
Bass Fishing	354	2,412	2,595	-	171
Eductors Rising	155	130	192	-	93
Academic Team	2,461	5,292	5,815	-	1,938
Archery	11,682	11,778	14,123	867	10,204
Welding Projects	14,277	7,460	9,163	(25)	12,549
Panther Bullying	1	-	-	(1)	-
Culinary	4,544	8,332	8,080	542	5,338
Gearup	71	-	327	256	-
Justice- Special Ed	100	-	-	-	100
Sources of Strength	333	-	-	-	333
Cap and Gowns	54	-	-	(54)	-
Soar	1,475	-	576	-	899
Chesney- English	147	-	-	171	318
Fry- English	146	-	110	257	293
Puzzle Club	25	-	-	(25)	-
Gearup reimbursement	-	4,499	3,471	(986)	42
Library	50	1,154	1,134	171	241
Time Travelers Club	-	-	-	437	437
Pepsi-Faculty	762	2,189	2,675	(198)	78
Picture Fund	56	783	485	45	399
National Art Honor Society	880	215	394	100	801

Fleming County School District
Statement of School Activity Funds
Highlands High School
Year Ended June 30, 2024

	Cash Balance July 1, 2022	Receipts	Expenditure	Transfers	Cash Balance June 30, 2023
Game Club	147	-	-	-	147
Trap Shooting Team	-	3,350	720	-	2,630
Swim Team	765	950	1,428	(85)	202
Bowling	5,614	40	2,186	437	3,905
Girls Soccer	5,965	2,911	4,636	(307)	3,933
Boys Soccer	3,576	2,839	3,634	143	2,924
Baseball	18,423	15,251	27,013	3,818	10,479
Boys Basketball	19,825	16,822	29,878	328	7,097
JR Pro Basketball	262	16,501	9,012	(300)	7,451
Lake Kelly Classic	-	-	2,420	2,420	-
Cheerleading	22,897	57,249	80,032	4,988	5,102
Intermural Cheerleading	522	6,470	4,429	(1,105)	1,458
Cross Country	571	5,125	1,085	-	4,611
Track	421	4,762	4,497	-	686
Football	7,552	22,442	25,854	(507)	3,633
Intermural Football	1,187	8,040	4,146	-	5,081
Girls Basketball	12,395	10,219	17,331	166	5,449
Intermural Girls Basketball	5,121	3,998	4,721	-	4,398
Boys Golf	1,653	22,592	15,046	(50)	9,149
Girls Golf	417	3,972	3,009	635	2,015
Girls Softball	2,838	995	2,871	846	1,808
Athletics Special Fund	570	-	-	(570)	-
Startup for Athletics	2,005	6,200	6,200	-	2,005
Athletics	5,469	53,732	47,825	4,985	16,361
Concessions	6,082	9,465	18,020	16,455	13,982
District Games	-	2,055	677	(1,378)	-
Concession Commission	-	34,679	-	(34,679)	-
Volleyball	4,202	16,643	19,174	(945)	726
Brandi Trent- English	395	-	175	257	477
Yearbook Sales	22,456	115	6,236	-	16,335
English- Halsey	1,080	-	280	86	886
FCA	265	-	-	-	265
FFA	9,850	28,639	27,253	(20)	11,216
Barn Account	2,615	5,701	7,437	(50)	829
FBLA	9	26,181	24,656	226	1,760
FCCLA	2,534	1,179	967	257	3,003
Ag-Floral Design	6,022	13,275	13,759	305	5,843

Fleming County School District
Statement of School Activity Funds
Highlands High School
Year Ended June 30, 2024

	Cash Balance				Cash Balance
	July 1, 2022	Receipts	Expenditure	Transfers	June 30, 2023
Harvest Box	8,200	54	356	-	7,898
HOSA	2,895	12,437	9,849	(300)	5,183
Skills USA	216	-	336	336	216
Pep Club	65	-	-	(65)	-
Skills USA Handy	-	117	73	-	44
Guidance Office	17	-	-	-	17
Science	254	-	68	-	186
Senior Class	410	43,755	50,693	10,092	3,564
Beta Club	2,622	1,065	841	(69)	2,777
Spanish Club	982	-	62	-	920
Student Council	230	5,608	5,024	70	884
STLP	306	513	-	-	819
TSA	371	50	652	231	-
Choir	3,145	3,137	5,296	-	986
Boys Volleyball Club	-	283	300	219	202
Drama Club	1,801	1,203	2,099	161	1,066
Band	3,478	1,765	3,528	-	1,715
Panther Parent Program	134	-	-	-	134
Panther Stop and Shop	1,393	7,995	3,352	(404)	5,632
	<u>\$ 256,833</u>	<u>\$ 566,312</u>	<u>\$ 574,277</u>	<u>\$ -</u>	<u>\$ 248,868</u>

Fleming County School District
 Schedule of Federal Expenditures
 Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistanc Listing	Pass Through Grantor's Number	Federal Expenditures for FYE 6/30/2024	
U.S. Department of Education				
<i>Passed through Kentucky Department of Education</i>				
Special Education Cluster (IDEA)				
Special Education_Grants to States (IDEA, Part B)	84.027	3810002 21	\$ 24,221	
	84.027	3810002 22	214,305	
	84.027	3810002 23	218,646	
Special Education_Preschool Grants (IDEA, Preschool)	84.173	3800002 21	17,119	
	84.173	3800002 22	25,336	
	84.173	3800002 23	382	500,009
<hr/> Career and Technical Education	84.048	3710002 23	45,742	45,742
Title I Grants to Local Educational Agencies	84.010	3100002 21	33,478	
	84.010	3100002 22	370,844	
	84.010	3100002 23	944,688	1,349,010
<hr/> Gaining Early Awareness and Readiness	84.334		6,699	6,699
<hr/> Rural Education	84.358	3140002 23	36,298	36,298
Title II Supporting Effective Instruction State Grants	84.367	3230002 21	18,019	
	84.367	3230002 22	7,208	
	84.367	3230002 23	24,121	49,348
<hr/> Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act	84.425D	4000003 20	13,380	
	84.425U	4200002 22	3,690,290	
	84.425W	4980002 23	21,838	
	84.027X	4910002 21	81,930	3,807,438
Total U.S Department of Education				<hr/> 5,794,544 <hr/>

Fleming County School District
 Schedule of Federal Expenditures
 Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal ASSISTANC - Listing	Pass Through Grantor's Number	Federal Expenditures for FYE 6/30/2024	
<u>U.S. Department of Justice</u>				
Stop School Violence	16.839	2020-YS-BX-0068	156,196	
	16.839	2020-YS-BX-0027	169,912	326,108
Total U.S Department of Justice				326,108
<u>U.S. Environmental Protection Agency</u>				
Clean Bus Program	66.045		1,692,166	1,692,166
Total U.S Environmental Protection Agency				1,692,166
<u>U.S. Department of Agriculture</u>				
<i>Passed through Kentucky Department of Education</i>				
Child Nutrition Cluster				
School Breakfast Program	10.553	7760005 23	80,137	
	10.553	7760005 24	480,979	
National School Lunch Program	10.555	7750002 23	180,135	
	10.555	7750002 24	998,607	
Commodities	10.555	9980000 23	69,754	
	10.555		137,575	1,947,187
Child and Adult Care Food Program	10.558	7790021 23	149	
	10.558	7790021 24	3,362	
	10.558	7800016 23	10	
	10.558	7800016 24	233	3,754
State Administrative Expenses for Child Nutrition	10.560	7700001 23	5,106	5,106
Total U.S Department of Agriculture				1,956,047
Total Expenditures of Federal Awards				\$9,768,865

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Fleming County School District (District) under programs of the federal government for the year ended June 30, 2024. 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). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3: INDIRECT COST RATE

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

NOTE 4: SUBRECIPIENTS

The District did not provide federal funds to subrecipients for the year ended June 30, 2024.

NOTE 5: COMMODITIES

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

NOTE 6: FEDERAL AWARDS RECONCILIATION

Federal revenues reported on the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	\$ 7,812,848
Federal grants reported on the Statement or Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund	1,818,472
Donated commodities reported on the Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund	137,545
Schedule of expenditures of federal awards	<u>\$ 9,768,865</u>



Kentucky State Committee for School District Audits
Members of the Board of Education
Fleming County School District
Flemingsburg, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Fleming County School District (District) as of and for the year ended June 30, 2024 and the related notes to the financial statements, which collectively comprise the District basic financial statements and have issued our report thereon dated November 12, 2024.

Report Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 may exist that have not been identified.

Report on Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated November 12, 2024.

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.

Maddox & Associates CPAs Inc.

Fort Thomas, Kentucky

November 12, 2024

Kentucky State Committee for School District Audits
Members of the Board of Education
Fleming County School District
Flemingsburg, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Program

We have audited Fleming County School District's (District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2024. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major programs for the year ended June 30, 2024.

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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities of 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 the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance and the audit requirements prescribed by the Kentucky State Committee for School District Audits, in the *Auditor Responsibilities and State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements, we:

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

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

Report on Internal Control over Compliance

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

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

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

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

Maddox & Associates CPAs Inc.

Fort Thomas, Kentucky
November 12, 2024

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None reported

Type of report the auditor issued on compliance with major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance (2 CFR 500.516(a))?

_____ Yes X None reported

Identification of Major Programs

ALN	Name of Federal Program or Cluster
84.425C, 84.425U, 84.425W	Elementary and Secondary Education Relief Fund
66.045	Clean Bus Program

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

\$ 750,000

Auditee qualified as low-risk auditee

 X Yes _____ No

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

NO PRIOR FINDINGS

Fleming County School District
Management Letter
Year Ended June 30, 2024

Kentucky State Committee for School District Audits
Members of the Board of Education
Fleming County School District
Flemingsburg, Kentucky

In planning and performing our audit of the financial statements of Fleming County School District (District) for the year ended June 30, 2024, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of matters that our opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and recommendations regarding these matters. Any uncorrected comments from the prior year have been listed in this letter. A separate report dated November 12, 2024 contains our report on the District's internal control. This letter does not affect our report dated November 12, 2024 on the financial statements of the District.

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

Maddox & Associates CPAs Inc.

November 12, 2024

Fleming County High School

2024-01 Several student organization accounts with balances at year-end had no activity during the year and are considered inactive. Accounting Procedures for Kentucky School Activity Funds (Redbook) require these accounts to be closed and transferred to the organization designated by the inactive account sponsor or transferred to the general activity fund if no designation is made. This is a repeat of prior year comment 2023.01.

Simons Middle School

2024-02 During our testing of school activity fund expenditures, we noted that club sponsors are not approving expenditures as required by Redbook.

District Response

Redbook procedures will be reviewed with the appropriate staff.

Prior Year Comments

Prior year comment 2023.01 was repeated as current year comment 2024-01.