

**HARLAN COUNTY**  
**SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS**  
**AND SUPPLEMENTAL SCHEDULES**

For the year ended June 30, 2024

Prepared by:

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Harlan County School District  
Harlan, Kentucky

And the State Committee for School District Audits

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Harlan 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 and the respective budgetary comparison for the General Fund and the Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

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

***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Schedules of the District's Proportionate Share of the Net Pension and OPEB Liability and Schedule of Contributions for CERS and TRS and Medical and Life and Health Insurance Plans comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 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.

***White & Associates, PSC***

Richmond, Kentucky  
November 15, 2024

**HARLAN COUNTY SCHOOL DISTRICT-HARLAN, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
Year ended June 30, 2024**

As management of the Harlan County School District, we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2024. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

- The beginning fund balance for the District was \$13,248,918 of which \$10,236,031 was General Fund, \$3,012,887 was in the restricted funds of Special Revenue, Debt Service, Capital Outlay, Building Fund and Construction Fund. Ending fund balance was \$17,349,484 of which \$11,903,542 was General Fund, 5,445,942 was in the restricted funds of Special Revenue, Capital Outlay, Building Fund, Construction Fund and Debt Service Fund.
- The ending cash balance was \$10,090,607 for General Fund.
- Excluding other financing sources and uses, General Fund Revenue totaled \$36,299,804 which primarily consists of state program funding (SEEK), property, utility and motor vehicle taxes. General Fund expenditures (excluding transfers) total \$33,466,046.
- Our District continues to look for outside funding sources through grants and other venues as a means of enhancing our efforts toward attaining student proficiency.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

**District-Wide Financial Statements** - The district-wide financial statements are designed to provide readers with a broad overview of the Harlan County School District’s finances, in a manner similar to a private-sector business.

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

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



**HARLAN COUNTY SCHOOL DISTRICT-HARLAN, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
Year ended June 30, 2024**

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

The district-wide financial statements can be found on the table of contents in this report.

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

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets plus deferred outflows exceeded liabilities and deferred inflows by \$38,062,450 as of June 30, 2024. The largest portion of the District’s net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

*SEE SCHEDULE ON NEXT PAGE*

**HARLAN COUNTY SCHOOL DISTRICT-HARLAN, KY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

**Year ended June 30, 2024**

2024 District-Wide Governmental net position compared to 2023 as follows:

**Net Position  
\$ (in Millions)**

	Governmental Activities		Business-type Activities		Totals	
	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>
Current assets	\$ 14.02	\$ 17.95	\$ 2.09	\$ 1.93	\$ 16.11	\$ 19.88
Non-current assets	62.10	71.27	0.12	0.19	62.22	71.46
<b>Total assets</b>	<b>76.12</b>	<b>89.22</b>	<b>2.21</b>	<b>2.12</b>	<b>78.33</b>	<b>91.34</b>
Deferred outflows	12.53	10.84	0.36	0.53	12.89	11.37
Current liabilities	4.99	4.50	0.02	0.01	5.01	4.51
Non-current liabilities	54.32	45.69	1.01	0.78	55.33	46.47
<b>Total liabilities</b>	<b>59.31</b>	<b>50.19</b>	<b>1.03</b>	<b>0.79</b>	<b>60.34</b>	<b>50.98</b>
Deferred inflows	7.75	13.03	0.22	0.47	7.97	13.50
Net position:						
Invested in capital assets, net of debt	33.15	42.94	0.12	0.17	33.27	43.11
Restricted	3.01	5.44	1.21	1.05	4.22	6.49
Unrestricted (deficit)	(14.58)	(11.54)	-	-	(14.58)	(11.54)
<b>Total net position</b>	<b>\$ 21.58</b>	<b>\$ 36.83</b>	<b>\$ 1.33</b>	<b>\$ 1.22</b>	<b>\$ 22.91</b>	<b>\$ 38.05</b>

**GOVERNMENTAL ACTIVITIES**

Ending net position was \$38.05 million for the District. This was an increase of 15.14 million from 2023.

**Table 2  
Changes in Net Position  
(in millions)**

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2023-2024
	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	
Revenues:							
Charges for services	\$ 1.25	\$ 1.35	\$ 0.60	\$ 0.96	\$ 1.85	\$ 2.31	25%
Operating grants and contributions	24.33	34.77	3.97	3.71	28.30	38.48	36%
Capital grants and contributions	5.94	3.64	-	-	5.94	3.64	-39%
General revenues	27.77	28.65	(0.16)	(0.10)	27.61	28.55	3%
<b>Total revenue</b>	<b>\$ 59.29</b>	<b>\$ 68.41</b>	<b>\$ 4.41</b>	<b>\$ 4.57</b>	<b>\$ 63.70</b>	<b>\$ 72.98</b>	<b>15%</b>
Expenses:							
Instruction	\$ 31.73	\$ 29.79	\$ -	\$ -	\$ 31.73	\$ 29.79	-6%
Student	2.60	2.49	-	-	2.60	2.49	-4%
Instructional staff	1.50	1.43	-	-	1.50	1.43	-5%
District administration	1.40	1.49	-	-	1.40	1.49	6%
School administration	2.43	2.28	-	-	2.43	2.28	-6%
Business	0.96	0.95	-	-	0.96	0.95	-1%
Plant operation & maintenance	5.64	6.57	-	-	5.64	6.57	16%
Student transportation	3.22	3.60	-	-	3.22	3.60	12%
Community services operations	0.64	0.55	-	-	0.64	0.55	-14%
Food Service Operations	0.26	0.07	3.95	4.64	4.21	4.71	12%
Depreciation/Amortization	2.86	3.12	0.03	0.03	2.89	3.15	9%
Non-instructional	0.32	-	-	-	0.32	-	-100%
Interest on long-term debt	0.72	0.81	-	-	0.72	0.81	13%
<b>Total Expenses</b>	<b>\$ 54.28</b>	<b>\$ 53.15</b>	<b>\$ 3.98</b>	<b>\$ 4.67</b>	<b>\$ 58.26</b>	<b>\$ 57.82</b>	<b>-1%</b>
<b>Change in net position</b>	<b>\$ 5.01</b>	<b>\$ 15.25</b>	<b>\$ 0.43</b>	<b>\$ (0.10)</b>	<b>\$ 5.44</b>	<b>\$ 15.14</b>	<b>179%</b>

**HARLAN COUNTY SCHOOL DISTRICT-HARLAN, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
Year ended June 30, 2024**

**CAPITAL ASSETS**

After depreciation, at the end of fiscal 2024, the District had \$71,117,842 million invested in capital assets, including land, buildings, buses, computers and other equipment. This amount represents a increase (including additions and deductions) of \$ 8.9 million from the prior year.

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

	Governmental Activities		Business-type Activities		Totals	
	2023	2024	2023	2024	2023	2024
Land	\$ 2,026,472	\$ 2,026,472	\$ -	\$ -	\$ 2,026,472	\$ 2,026,472
Land Improvements	81,832	43,842	-	-	81,832	43,842
Buildings	46,124,286	50,963,461	-	-	46,124,286	50,963,461
Technology Equipment	144,059	103,849	-	-	144,059	103,849
Vehicles	4,241,459	7,068,257	-	-	4,241,459	7,068,257
General Equipment	662,242	579,569	122,419	171,113	784,661	750,682
Construction in Progress	8,537,697	9,884,236	-	-	8,537,697	9,884,236
Finance Purchases	206,209	58,009	-	-	206,209	58,009
Right-of-Use Asset	70,879	205,216	-	-	70,879	205,216
<b>Totals</b>	<b>\$ 62,095,135</b>	<b>\$ 70,932,911</b>	<b>\$ 122,419</b>	<b>\$ 171,113</b>	<b>\$ 62,217,554</b>	<b>\$ 71,104,024</b>

**DEBT**

Finance purchases, right of use leased liabilities, workers’ compensation and general obligation debt totaled \$28,701,147 which is a decrease of \$1,108,570 million from FY 2023.

**Table 4  
Outstanding Debt at Year-End**

	Government Activities	
	2023	2024
General Obligation Bonds	\$ 28,474,127	\$ 27,651,151
Finance Purchase Obligation	421,124	220,215
Right of Use Leased Liabilities	51,145	139,275
Workers’ Compensation Liability	863,321	690,506
<b>Total Obligations</b>	<b>\$ 29,809,717</b>	<b>\$ 28,701,147</b>

**THE DISTRICT’S FUNDS**

As the District completed the year, the General Fund reflected a fund balance of \$11,903,542, which is more than last year’s fund balance of \$10,236,031. The unassigned portion of the fund balance at the end of fiscal year 2024 is \$11,123,227 compared to \$9,203,153 from the preceding year.

The following table presents a summary of revenue and expense for the District as a whole for the fiscal year ended June 30, 2024:

**HARLAN COUNTY SCHOOL DISTRICT-HARLAN, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
Year ended June 30, 2024**

\*Note This chart does not include beginning balances.

<b>REVENUES</b>	<b>Fund 1</b>	<b>Fund 2</b>	<b>Fund 310</b>	<b>Fund 320</b>	<b>Fund 360</b>	<b>Fund 400</b>	<b>Fund 51</b>
Local Revenue Sources	\$ 7,546,726	\$ 80,787	\$ -	\$ 510,319	\$ -	\$ -	\$ 1,017,936
State Revenue Sources	28,610,784	2,356,035	324,496	1,185,582	-	2,134,102	547,444
Federal Revenue Sources	142,294	22,468,862	-	-	-	-	3,157,905
Other	167,652	-	-	-	2,880,000	-	84,907
Transfers	994,625	135,622	-	-	7,588,802	2,243,066	-
<b>TOTALS</b>	<b>\$ 37,462,081</b>	<b>\$25,041,306</b>	<b>\$ 324,496</b>	<b>\$ 1,695,901</b>	<b>\$ 10,468,802</b>	<b>\$ 4,377,168</b>	<b>\$ 4,808,192</b>
<b>EXPENDITURES</b>	<b>Fund 1</b>	<b>Fund 2</b>	<b>Fund 310</b>	<b>Fund 320</b>	<b>Fund 360</b>	<b>Fund 400</b>	<b>Fund 51</b>
Instruction	\$ 18,935,476	\$ 9,899,457	\$ -	\$ -	\$ -	\$ -	\$ -
Student Support Services	1,374,577	1,117,499	-	-	-	-	-
Instructional Staff Support Services	611,871	813,987	-	-	-	-	-
District Admin Support	1,491,213	-	-	-	-	-	-
School Admin Support	2,278,027	-	-	-	-	-	-
Business Support Services	935,996	9,934	-	-	-	-	-
Plant Operation & Management	4,739,232	1,445,259	-	-	-	-	-
Student Transportation	3,045,383	4,763,905	-	-	-	-	-
Food Service Operations	-	65,677	-	-	-	-	4,643,326
Depreciation	-	-	-	-	-	-	27,113
Community Services	-	554,840	-	-	-	-	-
Building Improvements	-	-	-	-	7,966,733	-	-
Debt Service	54,271	-	-	-	79,533	4,377,168	-
Other	-	-	-	-	-	-	-
Transfers	2,328,524	6,370,748	324,496	1,695,901	-	-	242,445
<b>TOTALS</b>	<b>\$ 35,794,570</b>	<b>\$25,041,306</b>	<b>\$ 324,496</b>	<b>\$ 1,695,901</b>	<b>\$ 8,046,266</b>	<b>\$ 4,377,168</b>	<b>\$ 4,912,884</b>
Excess / (Deficit)	1,667,511	-	-	-	2,422,536	-	(104,692)

**Comments on Budget Comparisons**

- The District’s total general fund balance for the fiscal year ended June 30, 2024, is \$11,903,542, which is more than last year’s fund balance of \$10,236,031
- The District’s total revenue, including “On-behalf” payments for general fund fiscal year ending June 30, 2024 was \$36,299,804, net of other financing sources, transfers and uses. Transfers into general fund were \$994,625.

**BUDGETARY IMPLICATIONS**

In Kentucky the public school fiscal year is July1- June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By policy, the budget must have a minimum 2% contingency.

Issues which will impact future budgets include:

**HARLAN COUNTY SCHOOL DISTRICT-HARLAN, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
Year ended June 30, 2024**

- Increased expenses to meet federal and state academic mandates
- Declining federal funds, required health/life/admin fee/HRA insurance reimbursements from federal grants. Continued unfunded mandates such as the “shared” KTRS and employer contribution rates for CERS, initiatives moving from state-paid to district-paid such as Infinite Campus and MUNIS maintenance fees, the loss of Coal Severance funding, reduced property tax collections, reduced unmined mineral tax collections and additional anticipated reductions in funding continues to press the district’s ability to continue programs.
- Continued insufficient funding of the state transportation formula
- Continued maintenance on nine district school buildings
- Decrease of student population due to economy and movement of population in the area.

Questions regarding this report should be directed to the Finance Officer, Jody Gilliam or Superintendent, Brent Roark at (606) 573-4330 or by mail at Harlan County Board of Education, 251 Ball Park Road, Harlan, Kentucky 40831.

Harlan County School District  
**Statement of Net Position**  
June 30, 2024

**Primary Government**

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 14,385,806	\$ 1,357,820	\$ 15,743,626
Investments	2,855,994	250,000	3,105,994
Receivables (net)	712,860	5,200	718,060
Inventories		317,121	317,121
Funded OPEB asset	322,184	16,713	338,897
Capital assets:			
Land and construction in progress	11,910,709		11,910,709
Other capital assets, net of depreciation	58,758,977	171,113	58,930,090
Net finance purchases	58,009		58,009
Net intangible right-of-use assets	205,216		205,216
Total capital assets	<u>70,932,911</u>	<u>171,113</u>	<u>71,104,024</u>
Total assets	<u>89,209,755</u>	<u>2,117,967</u>	<u>91,327,722</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	4,806,392	249,322	5,055,714
Deferred outflows related to OPEB CERS	2,008,621	104,193	2,112,814
Deferred outflows related to OPEB TRS	3,302,647		3,302,647
Deferred savings from refunding bonds	724,551		724,551
Total deferred outflows of resources	<u>10,842,211</u>	<u>353,515</u>	<u>11,195,726</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>100,051,966</u>	<u>2,471,482</u>	<u>102,523,448</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	193,433	7,432	200,865
Accrued interest payable	314,710		314,710
Payroll taxes payable	292,931		292,931
Accrued salaries and benefit payable	118,812		118,812
Long-term liabilities:			
Due within 1 year:			
Bond obligations	3,395,000		3,395,000
Finance purchase obligations	63,195		63,195
Right-of-use liabilities	54,030		54,030
Total due within 1 year	<u>3,512,225</u>	<u>-</u>	<u>3,512,225</u>
Due in more than 1 year:			
Bond obligations	24,256,151		24,256,151
Finance purchase obligations	157,020		157,020
Right-of-use liabilities	85,245		85,245
Net pension liability	14,973,741	776,734	15,750,475
Net OPEB liability TRS	5,196,000		5,196,000
Workers compensation liability	690,506		690,506
Sick leave	401,719		401,719
Total due in more than 1 year	<u>45,760,382</u>	<u>776,734</u>	<u>46,537,116</u>
Total liabilities	<u>50,192,493</u>	<u>784,166</u>	<u>50,976,659</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	3,242,200	168,183	3,410,383
Deferred inflows related to OPEB CERS	5,762,838	298,936	6,061,774
Deferred inflows related to OPEB TRS	4,026,000		4,026,000
Total deferred inflows of resources	<u>13,031,038</u>	<u>467,119</u>	<u>13,498,157</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<u>63,223,531</u>	<u>1,251,285</u>	<u>64,474,816</u>
<b>NET POSITION</b>			
Net investment in capital assets	42,922,270	171,113	43,093,383
Restricted for:			
Capital projects	5,037,353		5,037,353
District activities	8,485		8,485
School activities	400,104		400,104
Food services		1,049,084	1,049,084
Unrestricted (deficit)	<u>(11,539,777)</u>		<u>(11,539,777)</u>
Total net position	<u>36,828,435</u>	<u>1,220,197</u>	<u>38,048,632</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 100,051,966</u>	<u>\$ 2,471,482</u>	<u>\$ 102,523,448</u>

See the accompanying notes to the financial statements.

Harlan County School District  
**Statement of Activities**  
For the year ended June 30, 2024

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>PRIMARY GOVERNMENT:</b>							
Governmental activities:							
Instruction	\$ 29,803,777	\$ -	\$ 22,059,068	\$ -	\$ (7,744,709)	\$ -	\$ (7,744,709)
Support services							
Student	2,492,076	1,349,405	1,630,353		487,682		487,682
Instructional staff	1,425,858		932,818		(493,040)		(493,040)
District administration	1,491,213		975,574		(515,639)		(515,639)
School administration	2,278,027		1,490,319		(787,708)		(787,708)
Business	945,930		618,841		(327,089)		(327,089)
Plant operation & maintenance	6,571,320		4,299,055	1,510,078	(762,187)		(762,187)
Student transportation	3,604,875		2,358,363		(1,246,512)		(1,246,512)
Community services operations	554,840		362,985		(191,855)		(191,855)
Food service operations	65,677		42,967		(22,710)		(22,710)
Interest on general long-term debt	811,280			2,134,102	1,322,822		1,322,822
Depreciation*	3,117,143				(3,117,143)		(3,117,143)
Total governmental activities	<u>53,162,016</u>	<u>1,349,405</u>	<u>34,770,343</u>	<u>3,644,180</u>	<u>(13,398,088)</u>		<u>(13,398,088)</u>
Business-type activities:							
Food service operations	4,643,326	959,485	3,705,349			21,508	21,508
Depreciation	27,113					(27,113)	(27,113)
Total business-type activities	<u>4,670,439</u>	<u>959,485</u>	<u>3,705,349</u>	<u>-</u>	<u>-</u>	<u>(5,605)</u>	<u>(5,605)</u>
Total primary government	<u>\$ 57,832,455</u>	<u>\$ 2,308,890</u>	<u>\$ 38,475,692</u>	<u>\$ 3,644,180</u>	<u>(13,398,088)</u>	<u>(5,605)</u>	<u>(13,403,693)</u>
General revenues:							
Taxes:							
Property taxes					4,296,567		4,296,567
Motor vehicle taxes					864,990		864,990
Unmined minerals					71,606		71,606
Utility taxes					1,531,720		1,531,720
State and formula grants					20,264,910		20,264,910
Unrestricted investment earnings					902,574	84,907	987,481
Other local revenue					470,376	58,451	528,827
Transfers					242,445	(242,445)	-
Total general revenues and transfers					<u>28,645,188</u>	<u>(99,087)</u>	<u>28,546,101</u>
Change in net position					15,247,100	(104,692)	15,142,408
Net position - beginning					<u>21,581,335</u>	<u>1,324,889</u>	<u>22,906,224</u>
Net position - ending					<u>\$ 36,828,435</u>	<u>\$ 1,220,197</u>	<u>\$ 38,048,632</u>

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

See the accompanying notes to the financial statements.

Harlan County School District  
**Balance Sheet - Governmental Funds**  
June 30, 2024

	Governmental Funds						
	General	Special Revenue	FSPK	Construction	Debt Service	Other Governmental Funds	Total
<b>ASSETS</b>							
Cash and cash equivalents	\$ 10,090,607	\$ -	\$ 1,274,247	\$ 2,610,815	\$ -	\$ 410,137	\$ 14,385,806
Investments	1,703,703		1,152,291				2,855,994
Receivables							
Interfund receivable	511,052						511,052
Taxes	129,452						129,452
Accounts						2,360	2,360
Intergovernmental - federal		581,048					581,048
Total assets	12,434,814	581,048	2,426,538	2,610,815	-	412,497	18,465,712
<b>LIABILITIES</b>							
Accounts payable	119,529	69,996				3,908	193,433
Accrued salaries & benefits payable	118,812						118,812
Payroll taxes payable	292,931						292,931
Interfund payable		511,052					511,052
Total liabilities	531,272	581,048	-	-	-	3,908	1,116,228
<b>FUND BALANCE</b>							
Restricted			2,426,538	2,610,815		408,589	5,445,942
Committed	700,860						700,860
Assigned	79,455						79,455
Unassigned	11,123,227						11,123,227
Total fund balance	11,903,542	-	2,426,538	2,610,815	-	408,589	17,349,484
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 12,434,814</b>	<b>\$ 581,048</b>	<b>\$ 2,426,538</b>	<b>\$ 2,610,815</b>	<b>\$ -</b>	<b>\$ 412,497</b>	<b>\$ 18,465,712</b>

See the accompanying notes to the financial statements.



Harlan County School District  
**Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position**  
June 30, 2024

<b>Fund balance-total governmental funds</b>	\$	17,349,484
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.		70,932,911
Costs associated with bond issues and refundings are expensed in the fund financial statements because they are a use of current financial resources but are capitalized on the statement of net position using the economic resources focus		724,551
Certain assets (OPEB asset) are not receivable in the current period, therefore, are not reported in the fund financial statements.		322,184
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, accrued interest payable, other accounts payable, and net pension obligations) are not due and payable in the current period and, therefore, are not reported in the funds		
Accrued interest payable		(314,710)
Bonds payable		(27,651,151)
Finance purchase obligations		(220,215)
Right-of-use liabilities		(139,275)
Self insurance payable		(690,506)
Sick leave liability		(401,719)
Net pension liability		(14,973,741)
Net OPEB liability		(5,196,000)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		
Deferred outflows of resources related to pensions		4,806,392
Deferred outflows of resources related to OPEB		5,311,268
Deferred inflows of resources related to pensions		(3,242,200)
Deferred inflows of resources related to OPEB		(9,788,838)
<b>Net position of governmental activities</b>	<b>\$</b>	<b><u>36,828,435</u></b>

See the accompanying notes to the financial statements.

Harlan County School District  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds**  
For the year ended June 30, 2024

	<u>General</u>	<u>Special Revenue</u>	<u>FSPK</u>	<u>Construction</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>							
From local sources							
Taxes							
Property	\$ 3,786,248	\$ -	\$ 510,319	\$ -	\$ -	\$ -	\$ 4,296,567
Motor vehicle	864,990						864,990
Unmined minerals	71,606						71,606
Utilities	1,531,720						1,531,720
Earnings on investments	897,521	5,053					902,574
Other local revenue	394,641	75,734					470,375
Student activities						1,349,405	1,349,405
Intergovernmental - state	28,610,784	2,356,035	1,185,582		2,134,102	324,496	34,610,999
Intergovernmental - federal	142,294	22,468,862					22,611,156
Total revenues	<u>36,299,804</u>	<u>24,905,684</u>	<u>1,695,901</u>	<u>-</u>	<u>2,134,102</u>	<u>1,673,901</u>	<u>66,709,392</u>
<b>EXPENDITURES</b>							
Instruction	18,935,476	9,899,457				1,338,886	30,173,819
Support services							
Student	1,374,577	1,117,499					2,492,076
Instructional staff	611,871	813,987					1,425,858
District administration	1,491,213						1,491,213
School administration	2,278,027						2,278,027
Business	935,996	9,934					945,930
Plant operation & maintenance	4,739,232	1,445,259					6,184,491
Student transportation	3,045,383	4,763,905					7,809,288
Food service operation		65,677					65,677
Community services operations		554,840					554,840
Building improvements				7,966,733			7,966,733
Debt service	54,271			36,070	4,377,168		4,467,509
Total expenditures	<u>33,466,046</u>	<u>18,670,558</u>	<u>-</u>	<u>8,002,803</u>	<u>4,377,168</u>	<u>1,338,886</u>	<u>65,855,461</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	2,833,758	6,235,126	1,695,901	(8,002,803)	(2,243,066)	335,015	853,931
<b>OTHER FINANCING SOURCES (USES)</b>							
Bond principal proceeds				2,880,000			2,880,000
Bond discount				(43,463)			(43,463)
Right of use lease proceeds	167,652						167,652
Operating transfers in	994,625	135,622		7,588,802	2,243,066		10,962,115
Operating transfers (out)	(2,328,524)	(6,370,748)	(1,695,901)			(324,496)	(10,719,669)
Total other financing sources and (uses)	<u>(1,166,247)</u>	<u>(6,235,126)</u>	<u>(1,695,901)</u>	<u>10,425,339</u>	<u>2,243,066</u>	<u>(324,496)</u>	<u>3,246,635</u>
<b>NET CHANGE IN FUND BALANCE</b>	1,667,511	-	-	2,422,536	-	10,519	4,100,566
<b>FUND BALANCE-BEGINNING</b>	10,236,031	-	2,426,538	188,279	-	398,070	13,248,918
<b>FUND BALANCE-ENDING</b>	<u>\$ 11,903,542</u>	<u>\$ -</u>	<u>\$ 2,426,538</u>	<u>\$ 2,610,815</u>	<u>\$ -</u>	<u>\$ 408,589</u>	<u>\$ 17,349,484</u>

See the accompanying notes to the financial statements.

Harlan County School District  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities**  
For the year ended June 30, 2024

<b>Net change in fund balance-total governmental funds</b>	\$	4,100,566
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report district OPEB and pension contributions as expenditures. However in the Statement of Activities, the cost of the benefits earned net of employee contributions is reported as pension expense or revenue.</p>		1,421,809
<p>Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.</p>		8,837,776
<p>The difference in the issue amount of the refunding of bond proceeds and the amount for payment to the escrow account to pay the refunded bonds is amortized over the life of the refunding issue.</p>		(213,861)
<p>The premium/discount on the sale of bonds is reported as revenue/expense by current financial resources but is unearned, therefore it is deferred and amortized over the life of the bond on the statement of net position.</p>		57,976
<p>Bond and finance purchase payments/proceeds are recognized as expenditures/revenues of current financial resources in the fund financial statement but are reductions/additions of liabilities in the statement of net position.</p>		877,779
<p>Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.</p>		
<p>Accrued interest payable</p>		9,668
<p>Self insurance payable</p>		172,815
<p>Noncurrent sick leave payable</p>		(17,428)
		(17,428)
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>15,247,100</b>

See the accompanying notes to the financial statements.

Harlan County School District  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
For the year ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
From local sources				
Taxes				
Property	\$ 2,632,000	\$ 2,632,000	\$ 3,786,248	\$ 1,154,248
Motor vehicle	800,000	800,000	864,990	64,990
Unmined minerals	50,000	50,000	71,606	21,606
Utilities	1,300,000	1,300,000	1,531,720	231,720
Earnings on investments	4,000	4,000	897,521	893,521
Other local revenue			394,641	394,641
Intergovernmental - state	28,779,382	28,771,810	28,610,784	(161,026)
Intergovernmental - federal	110,000	110,000	142,294	32,294
Total revenues	<u>33,675,382</u>	<u>33,667,810</u>	<u>36,299,804</u>	<u>2,631,994</u>
<b>EXPENDITURES</b>				
Instruction	20,429,099	20,444,099	18,935,476	1,508,623
Support services				
Student	1,543,019	1,543,019	1,374,577	168,442
Instructional staff	788,090	788,090	611,871	176,219
District administration	1,478,187	1,478,187	1,491,213	(13,026)
School administration	2,223,727	2,223,727	2,278,027	(54,300)
Business	683,158	683,158	935,996	(252,838)
Plant operation & maintenance	5,156,172	5,156,172	4,739,232	416,940
Student transportation	3,484,870	3,484,870	3,045,383	439,487
Debt service	130,000	130,000	54,271	75,729
Total expenditures	<u>35,916,322</u>	<u>35,931,322</u>	<u>33,466,046</u>	<u>2,465,276</u>
<b>EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES</b>	(2,240,940)	(2,263,512)	2,833,758	5,097,270
<b>OTHER FINANCING SOURCES (USES)</b>				
Leased right of use proceeds			167,652	167,652
Operating transfers in	205,000	205,000	994,625	789,625
Operating transfers (out)	(222,669)	(222,669)	(2,328,524)	(2,105,855)
Total other financing sources and (uses)	<u>(17,669)</u>	<u>(17,669)</u>	<u>(1,166,247)</u>	<u>(1,148,578)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(2,258,609)	(2,281,181)	1,667,511	3,948,692
<b>FUND BALANCE-BEGINNING</b>	<u>9,570,977</u>	<u>9,543,885</u>	<u>10,236,031</u>	<u>692,146</u>
<b>FUND BALANCE-ENDING</b>	<u>\$ 7,312,368</u>	<u>\$ 7,262,704</u>	<u>\$ 11,903,542</u>	<u>\$ 4,640,838</u>

See the accompanying notes to the financial statements.

Harlan County School District  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Special Revenue Fund**  
For the year ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
From local sources				
Other local revenue	\$ -	\$ -	\$ 75,734	\$ 75,734
Earnings from investments			5,053	5,053
Intergovernmental - state	2,375,175	2,424,468	2,356,035	(68,433)
Intergovernmental - federal	6,570,133	6,881,496	22,468,862	15,587,366
Total revenues	<u>8,945,308</u>	<u>9,305,964</u>	<u>24,905,684</u>	<u>15,599,720</u>
<b>EXPENDITURES</b>				
Instruction	7,501,272	7,855,456	9,899,457	(2,044,001)
Support services				
Student	170,573	173,239	1,117,499	(944,260)
Instructional staff	524,137	527,942	813,987	(286,045)
Business			9,934	(9,934)
Plant operations & maintenance	122,476	122,476	1,445,259	(1,322,783)
Student transportation	50,443	50,443	4,763,905	(4,713,462)
Food service			65,677	(65,677)
Community services	576,407	576,408	554,840	21,568
Total expenditures	<u>8,945,308</u>	<u>9,305,964</u>	<u>18,670,558</u>	<u>(9,364,594)</u>
<b>EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES</b>	-	-	6,235,126	6,235,126
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in			135,622	135,622
Operating transfers (out)			(6,370,748)	(6,370,748)
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>(6,235,126)</u>	<u>(6,235,126)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-	-
<b>FUND BALANCE-BEGINNING</b>	-	-	-	-
<b>FUND BALANCE-ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying notes to the financial statements.

Harlan County School District  
**Statement of Net Position Proprietary Fund**  
June 30, 2024

		<b>School Food Services</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$	1,357,820
Investments		250,000
Receivables		5,200
Inventories		317,121
Funded OPEB asset		16,713
Capital assets:		
Other capital assets, net of depreciation		171,113
Total assets		<u>2,117,967</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to pensions		249,322
Deferred outflows related to OPEB		104,193
Total deferred outflows of resources		<u>353,515</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		<u>2,471,482</u>
<b>LIABILITIES</b>		
Accounts payable		7,432
Net pension liability		776,734
Total liabilities		<u>784,166</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to pensions		168,183
Deferred inflows related to OPEB		298,936
Total deferred inflows of resources		<u>467,119</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>		<u>1,251,285</u>
<b>NET POSITION</b>		
Net Investment in capital assets		171,113
Restricted		1,049,084
Total net position		<u>1,220,197</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$</b>	<u>2,471,482</u>

See the accompanying notes to the financial statements.

Harlan County School District  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Fund**  
For the year ended June 30, 2024

		<u>Enterprise Funds</u>
		<u>School Food Services</u>
<b>OPERATING REVENUES</b>		
Lunchroom sales	\$	959,485
Other revenue from local sources		58,451
Total operating revenues		<u>1,017,936</u>
<b>OPERATING EXPENSES</b>		
Depreciation		27,113
Food service operations		
Employee services		1,591,200
Operational expenses		3,052,126
Total operating expenses		<u>4,670,439</u>
Operating income (loss)		<u>(3,652,503)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Federal grants		3,157,905
State grants		547,444
Transfers in (out)		(242,445)
Earnings from investments		84,907
Total nonoperating revenues (expenses)		<u>3,547,811</u>
<b>CHANGE IN NET POSITION</b>		(104,692)
<b>NET POSITION-BEGINNING</b>		<u>1,324,889</u>
<b>NET POSITION-ENDING</b>	\$	<u><u>1,220,197</u></u>

See the accompanying notes to the financial statements.

Harlan County School District  
**Statement of Cash Flows Proprietary Fund**  
For the year ended June 30, 2024

	<b>Enterprise Fund</b>
	<b>School Food Services</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 1,017,936
Payments to suppliers	(3,112,986)
Payments to employees	(1,591,200)
Net cash provided (used) by operating activities	(3,686,250)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers to other funds	(242,445)
Operating grants and contributions	3,705,349
Net cash provided (used) by noncapital financing activities	3,462,904
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>	
Purchase of capital assets	(75,807)
Net cash provided (used) by capital financing activities	(75,807)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest	84,907
Net cash provided (used) by investing activities	84,907
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(214,246)
<b>CASH AND CASH EQUIVALENTS-BEGINNING</b>	1,572,066
<b>CASH AND CASH EQUIVALENTS-ENDING</b>	\$ 1,357,820
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	\$ (3,652,503)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	27,113
Changes in assets and liabilities:	
Inventory	(49,771)
Receivables	(5,200)
OPEB asset	(16,713)
Outflow Deferrals	4,422
Inflow Deferrals	250,821
Pension liability	(16,392)
OPEB liability	(216,485)
Payables	(11,542)
Net cash provided (used) by operating activities	\$ (3,686,250)

**NONCASH NONCAPITAL FINANCING ACTIVITIES**

During the year, the district received \$123,391 of food commodities from the U.S. Department of Agriculture.

During the year, the district recognized revenues and expenses for on-behalf payments relating to fringe benefits in the amount of \$547,444 provided by state government.

See the accompanying notes to the financial statements.



HARLAN COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2024

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

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

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

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

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

Blended Component Unit

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

Basis of Presentation

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

The District has the following funds:

### I. Governmental Fund Types

#### (A) General Fund

The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is always a major fund of the District.

#### (B) Special Revenue (Grant) Fund

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### (C) Special Revenue (District Activity) Fund

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

### (D) Special Revenue (Student Activity) Fund

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

### (E) Capital Project Funds

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

#### SEEK Capital Outlay Fund

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

#### Building (FSPK) Fund

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

#### Construction Fund

The Construction Fund accounts for proceeds from sale of bonds and other revenues to be used for authorized construction and/or remodeling. This is a major fund of the District.

### (F) Debt Service Fund

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

## II. Proprietary Funds (Enterprise Funds)

### Food Service Fund

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund.

The District applies all GASB pronouncements to proprietary funds.

### Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end. Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Unearned revenue – Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### Cash and Cash Equivalents

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

### Investments

Investments are reported at fair value which is determined using selected bases. Short-term investments are stated at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates, and investments that do not have an established market are reported at estimated fair value. Cash deposits are reported at carrying value, which reasonably estimates fair value.

### Inventories

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

### Prepaid Assets

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

### Capital Assets

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Other	10 years

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

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

### Accrued Liabilities and Long-Term Obligations

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

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

### Accumulated Unpaid Sick Leave Benefits

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

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

### Fund Balances

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

Non-spendable	Permanently non-spendable by decree of the donor, such as an endowment, or funds that are not in a spendable form, such as prepaid expenses or inventory on hand.
Restricted	Legally restricted under legislation, bond authority, or grantor contract.
Committed	Commitments of future funds for specific purposes passed by the Board.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Assigned	Funds that are intended by management to be used for a specific purpose, including encumbrances.
Unassigned	Funds available for any purpose; unassigned amounts are reported only in the General Fund unless a fund has a deficit.

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

### Net Position

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

### Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing.

The property tax rates assessed for the year ended June 30, 2024, to finance the General Fund operations were \$.548 per \$100 valuation of real property, \$.548 per \$100 valuation for tangible personal property and \$.464 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

### Operating and Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

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

### In-Kind

Local contributions, which include contributed services provided by individuals, private organizations and local governments, are used to match federal and state administered funding on various grants. The

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

amounts of such services and donated commodities are recorded in the accompanying financial statements at their estimated fair market values.

### Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

### Interfund Receivables/Payables

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

### Interfund Transfers

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

### Deferred Outflows/Inflows of Resources

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

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

### Pensions

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



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### Other Postemployment Benefits (OPEB)

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

### Bond and Related Premiums, Discounts, and Issuance Costs

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

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

### Estimates

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

### Budgetary Process

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

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end. The Kentucky Department of Education does not require the Capital Project Funds and Debt Service Funds to prepare budgets.

The District's Special Revenue Fund Expenditures exceeded budgeted appropriations by \$9,364,594.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### New Accounting Pronouncements

GASB Statement No. 100- In June, 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections—An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The Statement is effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

There is no effect on current year financial statements for newly adopted accounting pronouncements.

### Effective in Future Years:

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

GASB Statement No. 101- In June, 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The Statement is effective for reporting periods beginning after December 15, 2023, and all reporting periods thereafter.

GASB Statement No. 102- In December, 2023, the GASB issued Statement No. 101, *Certain Risk Disclosures*. The objectives of this Statement is to improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The Statement is effective for fiscal years beginning after June 15, 2024, and reporting periods thereafter.

GASB Statement No. 103- In April in 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement is effective for fiscal years beginning after June 15, 2025, and reporting periods thereafter.

## **NOTE B – CASH AND INVESTMENTS**

### Deposits and Investments

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

Risks and Uncertainties – the District's investments are exposed to various risks such as interest rate risk, credit risk, concentration of credit risk, and custodial credit risk. Due to the level or risk associated with certain investments, it is at least reasonably possible that changes in the values of the investment will occur in the near term and that such changes could materially affect the account balances and the amounts reported in the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Interest Rate Risk- interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. In accordance with the District's investment policy, the District manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature concurrent with the anticipated cash requirements for ongoing operations and investing funds primarily in shorter-term securities or similar investment pools and limiting the average maturity of the portfolio.

Investment Type	Investment maturities (in years)			
	Fair Value	Less than 1	1 to 5	6 to 10
Certificates of deposit	951,401	594,000	357,401	-
U.S. agency securities	2,154,592	743,814	1,410,778	-
Total investments	\$ 3,105,994	\$ 1,337,814	\$ 1,768,179	\$ -

Credit Risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Under Kentucky Revised Statutes Section 66.480, the District is authorized to invest in obligations of the United States and its agencies and instrumentalities, obligations and contracts for future delivery of purchase obligations backed by the full fair and credit of the United States or its agencies, obligations of any corporation of the United States government, certificates of deposit, commercial paper rated in one of the three highest categories by nationally recognized rating agencies and securities in mutual funds shall be eligible investments pursuant to this section. The District has no investment policy that would further limit its investment choices. The District's investments consist of 69% U.S. agency securities with a moody rating of AAA. The remaining 31% is invested in certificates of deposit with no rating.

Concentration of Credit Risk – The concentration of credit risk is the risk of loss that may be caused by the District's investment in a single issuer. The District places no limit on the amount the District may invest in any one issuer. The District's investments consist of 31% certificates of deposit and 69% U.S. agency securities.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law. The District's certificate of deposit investments are 100% FDIC insured and the balance of the investments are secured as US Government Bonds.

Fair Value Measurement – The District's investments are measured and reported at fair value and classified according to the following hierarchy:

- Level 1 – Investments reflect prices quoted in active markets.
- Level 2 – Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in market that are not considered to be active.
- Level 3 – Investments reflect prices based upon unobservable sources.

As of June 30, 2024, the District's investments totaling \$3,105,994 were measured as follows:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Investment Type	Fair Value Measurements			
	Fair Value	Level I	Level II	Level III
<b>Debt Securities</b>				
Certificates of deposit	\$ 951,401	\$ 951,401	\$ -	\$ -
U.S. agency securities	2,154,592	-	2,154,592	-
Total investments by fair value level	\$ 3,105,994	\$ 951,401	\$ 2,154,592	\$ -

Cash and Cash Equivalents

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

At year end the District's bank balances were collateralized by securities held by the pledging bank's trust department in the District's name and FDIC insurance. At year end, the carrying amount of the District's cash and cash equivalents was \$15,743,626. The bank balance for the same time was \$17,853,689.

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

**NOTE C – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2024, was as follows:

SEE SCHEDULE NEXT PAGE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

<b>Governmental Activities</b>	<b>July 1, 2023</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2024</b>
Land	\$ 2,026,472	\$ -	\$ -	\$ 2,026,472
Land improvements	1,301,811	-	-	1,301,811
Buildings	79,536,297	6,620,194	-	86,156,490
Technology equipment	4,387,840	-	-	4,387,840
Vehicles	13,120,111	4,204,413	6,411,615	10,912,909
General equipment	1,468,837	-	-	1,468,837
Construction in progress	8,537,697	7,966,733	6,620,194	9,884,236
<b>Total at historical cost</b>	<b>\$ 110,379,065</b>	<b>\$ 18,791,340</b>	<b>\$ 13,031,809</b>	<b>\$ 116,138,596</b>
Less: Accumulated depreciation				
Land improvements	\$ 1,219,979	\$ 37,990	\$ -	\$ 1,257,968
Buildings	33,412,010	1,781,019	-	35,193,030
Technology equipment	4,243,781	40,210	-	4,283,991
Vehicles	8,878,652	990,786	6,024,786	3,844,652
General equipment	806,595	82,673	-	889,268
<b>Total accumulated depreciation</b>	<b>\$ 48,561,018</b>	<b>\$ 2,932,678</b>	<b>\$ 6,024,786</b>	<b>\$ 45,468,909</b>
Finance Purchases				
General equipment	\$ 461,064	\$ -	\$ -	\$ 461,064
Less: Accumulated depreciation	(254,855)	(148,200)	-	(403,055)
	<b>\$ 206,209</b>	<b>\$ (148,200)</b>	<b>\$ -</b>	<b>\$ 58,009</b>
Right-of-Use Asset				
Leased equipment	\$ 277,106	\$ 167,652	\$ 174,433	\$ 270,325
Less: Accumulated amortization	(206,227)	(33,315)	(174,433)	(65,109)
Right-of-Use Asset-net	<b>\$ 70,879</b>	<b>\$ 134,337</b>	<b>\$ -</b>	<b>\$ 205,216</b>
<b>Governmental Activities</b>				
Capital Assets-net	<b>\$ 62,095,135</b>	<b>\$ 15,844,799</b>	<b>\$ 7,007,023</b>	<b>\$ 70,932,911</b>
<b>Business-Type Activities</b>	<b>July 1, 2023</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2024</b>
Technology equipment	\$ 77,540	\$ -	\$ -	\$ 77,540
Vehicles	110,896	-	-	110,896
General equipment	1,019,749	75,807	-	1,095,556
<b>Total at historical cost</b>	<b>\$ 1,208,185</b>	<b>\$ 75,807</b>	<b>\$ -</b>	<b>\$ 1,283,992</b>
Less: Accumulated depreciation				
Technology equipment	77,540	-	-	77,540
Vehicles	110,896	-	-	110,896
General equipment	897,329	27,113	-	924,443
<b>Total accumulated depreciation</b>	<b>\$ 1,085,766</b>	<b>\$ 27,113</b>	<b>\$ -</b>	<b>\$ 1,112,879</b>
<b>Business-Type Activities</b>				
Capital Assets-net	<b>\$ 122,419</b>	<b>\$ 48,694</b>	<b>\$ -</b>	<b>\$ 171,113</b>

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

**NOTE D – LONG TERM DEBT OBLIGATIONS**

Bonds

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

The original amount of outstanding issues, the issue dates, interest rates, maturity dates, and outstanding balances, at June 30, 2024, are summarized below:

<u>Bond Issue</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>2023</u>			<u>2024</u>
				<u>Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding Balance</u>
2012R	2,990,000	6/1/2024	.90 - 2.0%	\$ 320,000	\$ -	\$ 320,000	\$ -
2015R	26,635,000	8/1/2026	2.0 - 3.0%	10,665,000	-	2,480,000	8,185,000
2016R	4,225,000	8/1/2030	2-2.5%	3,095,000	-	190,000	2,905,000
2012B R	1,955,000	12/1/2024	1.0 - 2.125%	335,000	-	220,000	115,000
2012 Second Series	1,145,000	8/1/2032	1.0 - 3.0%	630,000	-	55,000	575,000
2019	3,920,000	5/1/2029	3.0-3.125%	3,560,000	-	115,000	3,445,000
2020	6,080,000	2/1/2040	2-2.375%	5,460,000	-	215,000	5,245,000
2020R	2,135,000	6/1/2031	1.7-1.8%	2,045,000	-	25,000	2,020,000
2021R	2,440,000	4/1/2033	1.75-2.05%	2,385,000	-	25,000	2,360,000
2023	2,880,000	11/1/2036	4.25-4.5%	-	2,880,000	-	2,880,000
				\$28,495,000	\$2,880,000	\$ 3,645,000	\$ 27,730,000
Add:	Premium			107,974	-	(27,242)	80,732
Less:	Discount			(128,847)	(43,463)	12,729	(159,581)
Totals				\$28,474,127	\$2,836,537	\$ 3,630,487	\$ 27,651,151

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

The bonds may be called prior to maturity at dates and redemption premiums specified in each issue. Assuming no issues are called prior to maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2024, for debt service, (principal and interest) are as follows:

SEE SCHEDULE NEXT PAGE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fiscal Year Ended	Principal		Interest		Total	
	Local	SFCC	Local	SFCC	Principal	Interest
	30-Jun					
2025	\$ 1,807,924	\$ 1,587,076	\$ 513,734	\$ 190,997	\$ 3,395,000	\$ 704,731
2026	1,890,654	1,639,346	459,537	146,772	3,530,000	606,309
2027	1,940,486	1,384,514	402,881	105,681	3,325,000	508,561
2028	1,553,797	456,203	365,120	82,244	2,010,000	447,364
2029	1,588,465	316,535	332,566	74,012	1,905,000	406,579
2030-2034	6,462,906	1,467,094	1,137,588	267,690	7,930,000	1,405,278
2035-2039	3,890,144	1,294,856	331,034	123,344	5,185,000	454,378
2040	172,561	277,439	4,098	6,589	450,000	10,688
	<u>\$ 19,306,937</u>	<u>\$ 8,423,063</u>	<u>\$ 3,546,558</u>	<u>\$ 997,329</u>	<u>\$ 27,730,000</u>	<u>\$ 4,543,887</u>

Finance Purchases

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

Finance Purchases	Original Amount	Maturity Dates	Interest Rates	2023			2024
				Outstanding			Outstanding
				Balance	Additions	Retirements	Balance
2018 Kista	465,306	3/1/2028	2-3%	231,645	-	47,322	184,323
Food Service Evarts-Kyocera	16,768	4/1/2028	2%	16,208	-	3,226	12,982
004i,7003i,308ci,liiuci	45,830	5/30/2026	2%	34,030	-	11,120	22,910
Rosspoint Modular	398,466	6/18/2024	2%	139,241	-	139,241	-
Totals				<u>\$ 421,124</u>	<u>\$ -</u>	<u>\$ 200,909</u>	<u>\$ 220,215</u>

The following is a schedule by years of the future minimum payments under finance purchases together with the present value of the net minimum payments as of June 30, 2024:

Fiscal Year Ended	Principal	Interest	Total
30-Jun	Local	Local	Payments
2025	\$ 63,195	\$ 6,218	\$ 69,413
2026	65,042	4,467	69,509
2027	45,628	2,664	48,292
2028	46,350	1,330	47,680
	<u>\$ 220,215</u>	<u>\$ 14,679</u>	<u>\$ 234,894</u>

Total minimum payments	\$ 234,894
Less: Amount representing interest	(14,679)
Present Value of Net Minimum Payments	\$ <u>220,215</u>

In order to secure the payment of all of the Board's obligations under a KISTA Lease, the Board grants to KISTA a security interest constituting a first lien on the Equipment and on all additions, attachments, accessories, and substitutions thereto, and on all proceeds therefrom. In the Event of Default, title to the Equipment shall immediately vest in KISTA, and the Board will immediately surrender possession of the

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Equipment to KISTA or to KISTA's order; by the execution of this Lease the Board agrees upon demand by KISTA or the Second Trustee, and without order of court, to execute a bill of sale or such other instrument as may be required in favor of KISTA or the Second Trustee in order to permit liquidation of the equipment in an Event of Default by the Board.

Right-of-Use Assets

The following is an analysis of the operating leases under right-of-use assets by class as of June 30, 2024:

<u>Operating Leases (ROU)</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>2023</u>			<u>2024</u>
				<u>Outstanding</u>		<u>Retirements</u>	<u>Outstanding</u>
				<u>Balance</u>	<u>Additions</u>		<u>Balance</u>
Dpp copier	\$ 7,887	11/1/2025	2%-3%	\$ 3,772	\$ -	\$ 1,595	\$ 2,177
Cawood copiers	26,449	7/31/2027	2%-3%	-	26,449	6,810	19,639
Cumberland	77,291	9/6/2024	2%-3%	18,249	-	18,249	-
Evarts	49,409	9/27/2023	2%-3%	-	-	-	-
High School	74,507	7/31/2026	2%-3%	-	74,507	25,329	49,178
Jaces	37,065	3/5/2025	2%-3%	12,747	-	7,597	5,150
Tech Dept	7,991	8/22/2024	2%-3%	1,797	-	1,657	140
Title 1	12,298	3/25/2023	2%-3%	-	-	-	-
Wallins	23,769	3/22/2024	2%-3%	-	-	-	-
Finance copiers	11,047	2/5/2025	2%-3%	3,612	-	2,268	1,344
Title 1	11,693	5/15/2028	2%-3%	10,968	-	2,144	8,824
Wallins	29,282	4/15/2029	2%-3%	-	29,282	6,091	23,191
Black Mountain	\$ 37,414	8/11/2028	2%-3%	-	37,414	7,782	2632
Totals				\$ 51,145	\$ 167,652	\$ 79,522	\$ 139,275

The following is a schedule by years of the future minimum payments for the Right-of-Use assets together with the present value of the net minimum payments as of June 30, 2024:

<u>Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>30-Jun</u>	<u>Local</u>	<u>Local</u>	<u>Payments</u>
2025	\$ 54,030	\$ 2,661	\$ 56,691
2026	47,232	1,671	48,903
2027	22,286	737	23,023
2028	15,727	486	16,213
	\$ 139,275	\$ 5,555	\$ 144,830

Accumulated Sick Leave

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. The activity during the fiscal year 2024 for accumulated sick leave is as follows:

	<u>2023 Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>2024 Outstanding Balance</u>
Sick Leave	\$ 384,291	\$ 17,428	\$ -	\$ 401,719



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Workers Compensation Liability

The District participates in a self-insurance plan for worker’s compensation. The District provides coverage up to the retention factor of \$450,000 per occurrence. Claims in excess of that amount are covered 100% by an outside insurer for workers’ compensation claims. The activity during fiscal year 2024 for workers compensation liability is as follows:

	2023 Outstanding Balance	Claims & Changes In Estimates Additions	Claim Payments Retirements	2024 Outstanding Balance
Workers Compensation Liability	\$ 863,321	\$ 31,674	\$ 204,489	\$ 690,506

Net Pension & OPEB Liability

The net pension liability is \$14,973,741 for governmental activities and \$776,734 for business-type activities for a total of \$15,750,475 as of June 30, 2024. (See Note E for additional information) The net OPEB liability is \$5,196,000 for governmental activities and \$0 for business-type activities for a total of \$5,196,000 as of June 30, 2024. (See Note F for additional information)

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

Description	2023 Outstanding Balance	Additions	Retirements	2024 Outstanding Balance	Amount Due in One Year
Bonds, Net of Premium and Discount	\$ 28,474,127	\$ 2,836,537	3,630,487	\$ 27,651,151	\$ 3,395,000
Finance Purchases	421,124	-	200,909	220,215	63,195
Right-of-Use Asset	51,145	167,652	79,522	139,275	54,030
Sick Leave	384,291	17,428	-	401,719	-
Workers Compensation Liability	863,321	31,674	204,489	690,506	-
Net Pension Liability	16,927,603	-	1,177,128	15,750,475	-
Net OPEB Liability	12,105,410	-	6,909,410	5,196,000	-
Totals	\$ 59,227,021	\$ 3,053,291	\$ 12,201,945	\$ 50,049,341	\$ 3,512,225

**NOTE E – RETIREMENT PLANS**

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

**Teachers Retirement System Kentucky (TRS)**

*Retirement Annuity Trust*

**Plan description**

Teaching-certified employees of the Kentucky School District are provided pensions through the Teachers’ Retirement System of the State of Kentucky—a cost-sharing multiple-employer defined

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <http://www.trs.ky.gov/financial-reports-information>.

### **Benefits provisions**

**For Members before July 1, 2008:** Members become vested when they complete five years of credited service. To qualify for monthly benefits, payable for life, members must either:

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

Non-university members receive monthly payments equal to 2% (service prior to July 1, 1983) and 2.5% (service after July 1, 1983) of their final average salaries for each year of credited service. Non-university members who became members on or after July 1, 2002, will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than 10 years. New members after July 1, 2002, who retire with 10 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 10 years. In addition, non-university members who retire July 1, 2004, and later with more than 30 years of service will have a multiplier for all years over 30 of 3%.

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

**For Members On or After July 1, 2008:** Members become vested when they complete five years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

1. Attain age 60 and complete 5 years of Kentucky service, or
2. Complete 27 years of Kentucky service, or
3. Attain age 55 and complete 10 years of Kentucky service.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

is greater than 26 years but no more than 30 years; (e) 3% of final average salary for years of credited service greater than 30 years.

The final average salary is the member's five highest annual salaries except members at least age 55 with 27 or more years of service may use their three highest annual salaries. For all members, the annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

**For Members on and after January 1, 2022:**

Condition for Retirement                      Attainment of age 57 and 10 years of service or attainment of age 65  
And 5 years of service.

Amount of Allowance

Foundational Benefit                              The annual foundational benefit for members is equal to service times  
A multiplier times final average salary.

Age	Years of Service							
	5-9.99		10-19.99		20-29.99		30 or More	
57-60	-	%	1.70	%	1.95	%	2.20	%
61	-	%	1.74	%	1.99	%	2.24	%
62	-	%	1.78	%	2.03	%	2.28	%
63	-	%	1.82	%	2.07	%	2.32	%
64	-	%	1.86	%	2.11	%	2.36	%
65 and over	1.90	%	1.90	%	2.15	%	2.40	%

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

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

Disability Retirement Allowance

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

Amount of Allowance

The disability allowance is equal to the greater of the service retirement Allowance or 60% of the member's final average salary. The disability Allowance is payable over an entitlement period equal to 25% of the service

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Credited to the member at the date of the disability or 5 years, whichever is Longer. After the disability entitlement period has expired and if the Member remains disabled, he will be retired under service retirement. The Service retirement allowance will be computed with service credit given For the period of disability retirement. The allowance will not be less than \$6,000 per year. The service retirement allowance will not be reduced for Commencement of the allowance before age 60 or the completion of 27 Years of service.

Benefits Payable on Separation  
From Service

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

Life Insurance

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

Death Benefits

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

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

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

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

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

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

Options

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Equivalent to the full allowance, in one of the following forms:

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

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

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

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

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

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

Member Contributions

Members before 1/1/2022 9.105% of salary to the Retirement System.

Members on and after 1/1/2022 9% of salary to the Retirement System and an additional 2% of salary to the Supplemental benefit account. Employers also contributes 2%.

**Contributions**

Contribution rates are established by Kentucky Revised Statutes (KRS). Employees are required to contribute 9.105% of their salaries to the system. Members after January 1, 2022 contribute 7.00% of salary to the system. The state, as a non-employer contributing entity, pays matching contributions in the amount of 13.105% of salaries for local school district employees hired before July 1, 2008 and 14.105% for those who joined thereafter. Contributions for local school district 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, Deferred Outflows of Resources and Deferred Inflows of Resources Related to TRS**

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

State's proportionate share of the TRS net pension

liability associated with the District \$ 69,005,460

The net pension liability 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 June 30, 2022. The District's proportion of the net pension liability was based on the actual liability of the employees and former

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

employees relative to the total liability of the System as determined by the actuary. The District's proportion was 0.405000%.

### **Actuarial Methods and Assumptions**

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

Valuation Date	June 30, 2022
Prior Measurement Date	June 30, 2022
Measurement Date	June 30, 2023
Reporting Date	June 30, 2024
Actuarial Cost Method	Entry age
Inflation Rate	2.5%
Single Equivalent Interest Rate Prior	7.10%
Single Equivalent Interest Rate at Measurement Date	7.10%
Municipal Bond Index Rate Prior	3.37%
Municipal Bond Index Rate at Measurement Date	3.66%
Projected Salary Increase	3.0-7.5%, including inflation
Long-Term Expected Rate of Return	7.10

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

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

### **Target Allocations**

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Asset Class	Target Allocation	Long-Term Expected Rates of Return
Large Cap US Equity	35.4 %	5.0 %
Small Cap Equity	2.6 %	5.5 %
Developed International Equity	15.7 %	5.5 %
Emerging Markets Equity	5.3 %	6.1 %
Fixed Income	15.0 %	1.9 %
High Yield Bonds	5.0 %	3.8 %
Other Additional Categories	5.0 %	3.6 %
Real Estate	7.0 %	3.20 %
Private Equity	7.0 %	8.0 %
Cash	2.0 %	1.6 %
Total	100 %	

**Discount Rate**

The discount rate used to measure the total pension liability as of the Measurement Date was 7.10%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at the Actuarially Determined Contribution (ADC) rates for all future fiscal years. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease	Current Discount Rate	1% Increase
	6.10%	7.10%	8.10%
State's proportionate share of net pension liability	\$ 88,664,278	\$ 69,005,460	\$ 52,626,243

**Pension plan fiduciary net position**

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

**County Employees Retirement System**

*Non-Hazardous*

**Plan description**

Substantially all full-time classified employees of the District participate in the County Employees Retirement System (“CERS”). CERS is a cost-sharing, multiple-employer defined benefit pension plan

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

administered by the Kentucky General Assembly and overseen by the Kentucky Public Pensions Authority (KPPA). The plan covers substantially all regular full-time members employed in non-hazardous duty positions of the school board. The plan provides for retirement, disability and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances.

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

### **Benefits provided**

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

### **Contributions**

Funding for CERS:

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

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

*Tier III* plan members, who began participating on or after January 1, 2014, are required to contribute to the Cash Balance Plan. That plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Employee contributions to the plan are the same as the Tier II contributions. Tier III member accounts are also credited with an employer pay credit in the amount of 4% of the member's creditable compensation.

For the year ending June 30, 2024, employers were required to contribute 23.34% of the member's salary, 23.34% pension and 0% for insurance. The District contributed \$1,627,640 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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

At June 30, 2024, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023 on an actuarial valuation as of that date. The District's proportion of the net pension liability, \$15,750,475 was based on contributions to CERS during the fiscal year ended June 30, 2024. The District's proportion was 0.245468%.

Deferred Inflows and Outflows of Resources, and Pension Expense included in the Schedule of Pension Amounts include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule of Pension Amounts does not include deferred outflow/inflows of resources for changes in the employer's proportionate share of contribution or employer contributions made subsequent to the measurement date.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The net pension liability as of June 30, 2024, is based on the June 30, 2023, actuarial valuation rolled forward. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are amortized over a closed five-year period.

The District recognized pension expense of \$73,632 and reported deferred outflows of resources and deferred inflows of resources related to pensions as follows.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual		
experience	\$ 815,372	\$ 42,799
Changes of assumptions	-	1,443,542
Net difference between projected and actual		
earnings on pension plan investments	1,701,497	1,916,342
Changes in proportion and differences		
between District contributions and proportionate		
share of contributions	911,206	7,701
District contributions subsequent to the		
measurement date	<u>1,627,640</u>	<u>-</u>
	<u>\$ 5,055,714</u>	<u>\$ 3,410,385</u>

The \$1,627,640 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the following year.

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

Year 1	\$ 182,847
Year 2	(364,290)
Year 3	351,614
Year 4	<u>(152,480)</u>
	<u>\$ 17,691</u>

**Actuarial Valuation**

KPPA's actuary, Gabriel, Roeder, Smith & Co., completed the actuarial valuation for the calculation of the employer contribution rates for CERS and the Insurance Fund for the period ended June 30, 2023.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**Summary of Actuarial Assumptions**

The results of the actuarial valuation are based upon the assumptions and funding policies adopted by the Board and statutory funding requirements. The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2023:

Valuation Date	June 30, 2021
Experience Study	July 1, 2018 to June 30, 2022
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets recognized
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30-year closed period at June 30, 2019, Gains/losses incurring After 2019 will be amortized over separate closed 20-year Amortization bases
Asset Valuation Method	Actuarial value of assets is recognized
Mortality	System-specific mortality table based on mortality experience From 2013-2018, projected with the ultimate rates from MP2014
Phase-In Provision	Mortality improvement scale using a base year of 2019 Board certified rate is phased into the actuarially determined rate In accordance with HB 362 enacted in 2018
Inflation	2.30%
Payroll Growth Rate	2.0%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Phase-in Provision	HB 362 enacted in 2018

**Discount rate**

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
	5.50%	6.50%	7.50%
District's proportionate share of net pension liability	\$ 19,885,926	\$ 15,750,475	\$ 12,313,760

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
<b>Equity</b>		
Public Equity	50 %	5.9 %
Private Equity	10 %	11.73 %
<b>Fixed Income</b>		
Core Fixed Income	10 %	2.45 %
Specialty Credit	10 %	3.65 %
Cash	0 %	1.39 %
<b>Inflation Protected</b>		
Real Estate	7 %	4.99 %
Real Return	13 %	5.15 %

Expected Real Return is 5.75%. Long Term Inflation Assumption is 2.5%. Expected Nominal Return of Portfolio is 8.25%.

**Pension plan fiduciary net position**

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

**Payables to the pension plan**

There are no payables to CERS.

**NOTE F – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

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

**TRS – General Information about the OPEB Plans**

*Health Insurance Trust (Medical Insurance Fund)*

**Plan description**

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**Benefits provided**

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

**Contributions**

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

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

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

The District reported a liability of \$5,196,000 for its proportionate share of the collective net OPEB liability (NOL). The collective net OPEB liability was valued as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportion was .213317%.

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

District's proportionate share of TRS net OPEB liability	\$	5,196,000
State's proportionate share of the TRS net OPEB liability associated with the District		<u>4,379,000</u>
	\$	<u><u>9,575,000</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,761,000
Changes of assumptions	1,181,000	-
Net difference between projected and actual earnings on pension plan investments	97,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,620,000	2,265,000
District contributions subsequent to the measurement date	<u>404,647</u>	<u>-</u>
	<u>\$ 3,302,647</u>	<u>\$ 4,026,000</u>

The \$404,647 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the collective net OPEB liability for the year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

	<u>Year Ended June 30,</u>
Year 1	\$ (387,000)
Year 2	(324,000)
Year 3	25,000
Year 4	(24,000)
Year 5	(197,000)
Thereafter	<u>(221,000)</u>
	<u>\$ (1,128,000)</u>

**Actuarial Methods and Assumptions**

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

Actuarial Cost Method	Entry age normal
Valuation Date	June 30, 2022
Discount Rate	7.10%
Amortization Period	Level percentage of payroll
Amortization Method	21 years, closed
Asset Valuation Method	Market Value of Assets
Price Inflation	2.5%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Real Wage Growth	2.75%
Wage Inflation	2.75%
Salary Increase	7.5%, 1 year of service to 3.0%, greater than 17 years of service
Health Care Cost Trends	
Medical	6.75% at June 30, 2023, decreasing to an ultimate rate of 4.5% by June 30, 2034
Medicare Part B	1.55% at June 30, 2023 with an ultimate rate of 4.5% by June 30, 2034

Mortality rates were based on the Teachers Mortality Table, and set forward two years for males and multiplied by 102%. Rates for females are set forward 2 years and multiplied by 101%. Disabled male members are set forward 1 year and multiplied by 96%. Rates for female members are set back 2 years and multiplied by 94%.

**Target Allocations**

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

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

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

**Discount Rate**

The discount rate used to measure the TOL as of the measurement date was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB Statement No. 74. The

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

projection's basis was an actuarial valuation performed as of June 30, 2022. In addition to actuarial methods and assumptions were used in the projection of cash flows:

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

To reflect these adjustments, open group projections were used and assumed an equal, pro rata reduction to the current statutory amount in the years if the health trust is projected to achieve a funded ratio of 100% or more. Here, the current statutory amounts are adjusted to achieve total contributions equal to the Actuarially Determined Contribution (ADC), as determined by the prior year's valuation and in accordance with the Health Trust's funding policy. As the specific methodology to be used for the adjustments has yet to be determined, there may be differences between the projected results and future experience. This may also include any changes to retiree contributions for KEHP coverage pursuant to KRS 161.675(4)(b).

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
	6.10%	7.10%	8.10%
District's proportionate share of net OPEB liability	\$ 6,683,000	\$ 5,196,000	\$ 3,967,000

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

	<b>1% Decrease</b>	<b>Current Trend Rate</b>	<b>1% Increase</b>
District's proportionate share of net OPEB liability	\$ 3,740,000	\$ 5,196,000	\$ 7,008,000

***Life Insurance Trust***

**Plan description and benefits provided**

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

Note: Members employed on a substitute or part-time basis and working at least 69% of a full contract year in a single fiscal year will be eligible for a life insurance benefit for the balance of the fiscal year or the immediately succeeding fiscal year under certain conditions. For non-vested members employed on a substitute or part-time basis, the life insurance benefit is provided if death occurs as the result of a physical injury on the job. For vested members employed on a substitute or part-time basis, death does not have to be the result of a physical injury on the job for life insurance benefits to be provided.

**Contributions**

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

**Net OPEB Liability**

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

State's proportionate share of the TRS net OPEB liability associated with the District	\$ 108,000
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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### Actuarial Assumptions

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

Actuarial Cost Method	Entry age normal
Valuation Date	June 30, 2022
Discount Rate	7.10%
Amortization Period	Level percentage of payroll
Amortization Method	21 years, closed
Asset Valuation Method	Market Value of Assets
Price Inflation	2.5%
Real Wage Growth	2.75%
Wage Inflation	2.75%
Salary Increase	7.5%, 1 year of service to 3.0%, greater than 17 years of service
Health Care Cost Trends	
Medical	6.75% at June 30, 2023, decreasing to an ultimate rate of 4.5% by June 30, 2034
Medicare Part B	1.55% at June 30, 2023 with an ultimate rate of 4.5% by June 30, 2034

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB, and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2019 valuation were based on the results of the most recent actuarial experience studies for the system, which covered the five year period ending June 30, 2015.

The remaining actuarial assumptions used in the June 30, 2019, valuation of the health trust were based on a review of recent plan experience done concurrently with the June 30, 2019, valuation. The health care cost trend rate assumption was updated for the June 30, 2019, valuation and was shown as an assumption change in the total OPEB liability (TOL) roll forward while the change in initial per capital claims costs were included with experience in the TOL roll forward.

The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20 year Municipal Bond index pushed weekly by the Board of Governors of the Federal Reserve System.

### Target Allocations

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Asset Class	Target Allocation		Long Term Expected Real Rate of Return	
US Equity	40.0	%	5.2	%
Developed International Equity	15.0	%	5.5	%
Emerging Markets Equity	5.0	%	6.1	%
Fixed Income	21.0	%	1.9	%
Other Additional Categories	5.0	%	4.0	%
Real Estate	7.0	%	3.2	%
Private Equity	5.0	%	8.0	%
Cash	2.0	%	1.6	%
Total	100	%		

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

### Discount Rate

The discount rate used to measure the total OPEB liability (TOL) as of the measurement date was 7.1%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB Statement No. 74. The projection's basis was an actuarial valuation performed as of June 30, 2021. In addition to actuarial methods and assumptions of the June 30, 2021, actuarial valuation, the following actuarial methods and assumptions were used in the projection of the life insurance cash flows:

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

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

### Revenue or Expenses for TRS OPEB plans

For the year ended June 30, 2023, the District recognized OPEB revenue in the amount of \$606,312 for support provided on-behalf of the State.

### CERS – General Information about the OPEB Plans

#### Employees' Health Plan

#### Plan description

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Insurance Fund was established to provide hospital and medical insurance for eligible members receiving benefits. CERS Non-hazardous Insurance Plan is a cost-sharing multiple employer defined benefit Other Postemployment Benefits (OPEB) plan. The plan covers all regular full-time members employed in non-hazardous duty positions of the school board. OPEB may be extended to beneficiaries of plan members under certain circumstances.

### **Benefits provided**

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

### **Contributions**

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

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

The District reported an asset of \$338,897 for its proportionate share of the collective net OPEB liability which is .245459%.

Deferred Inflows and Outflows of Resources, and OPEB Expense included in the Schedules of OPEB Amounts include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedules of OPEB Amounts do not include deferred outflow/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The total OPEB liability, net OPEB liability (NOL), and sensitivity information are based on an actuarial valuation date of June 30, 2021. The total OPEB liability was rolled forward from the valuation date to the plan's fiscal year ended June 30, 2023, using generally accepted actuarial principles.

For the year ended June 30, 2024, the District recognized OPEB revenue of \$883,476. The District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 236,263	\$ 4,812,001
Changes of assumptions	666,926	464,780
Net difference between projected and actual earnings on pension plan investments	634,233	712,884
Changes in proportion and differences between District contributions and proportionate share of contributions	364,852	72,109
District contributions subsequent to the measurement date	<u>210,541</u>	<u>-</u>
	\$ <u>2,112,814</u>	\$ <u>6,061,774</u>

The \$210,541 (includes \$110,692 Implicit Subsidy) reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the collective net OPEB liability for the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows.

	<u>Year Ended June 30,</u>
Year 1	\$ (1,036,900)
Year 2	(1,277,689)
Year 3	(956,105)
Year 4	<u>(888,806)</u>
	\$ <u>(4,159,501)</u>

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

**Changes of Benefit Terms**

None

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

Valuation Date	June 30, 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 recognized
Amortization Method	Level Percent of Pay
Amortization Period	30-year closed period at June 30, 2019, Gains/losses incurring After 2019 will be amortized over separate closed 20-year Amortization bases
Mortality	System-specific mortality table based on mortality experience From 2013-2018, projected with the ultimate rates from MP2014 Mortality improvement scale using a base year of 2019
Phase-In Provision	Board certified rate is phased into the actuarially determined rate In accordance with HB 362 enacted in 2018
Inflation	2.30%
Payroll Growth Rate	2.0%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Mortality	System-specific mortality table based on mortality experience From 2013-2018, projected with the ultimate rates from MP-2014 Mortality improvement scale using a base year of 2019.
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.3% at January 1, 2023, gradually Decreasing to an ultimate trend rate of 4.05% over a period of 13 Years. The 2022 premiums were known at the time of the Valuation and were incorporated into the liability measurement.
Post-65	Initial trend starting at 6.3% at January 1, 2023, gradually Decreasing to an ultimate trend rate of 4.05% over a period of 13 Years. The 2022 premiums were known at the time of the Valuation and were incorporated into the liability measurement.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**Discount rate**

Single discount rates of 5.93% 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 6.5%, and a municipal bond rate of 3.86%, 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, the plan’s fiduciary net position on future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plans trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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

The following table presents the Net OPEB Liability calculated using the discount rate of 5.93%, as well as what the District’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.93%) or 1-percentage-point higher (6.93%) than the current rate:

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
	4.93%	5.93%	6.93%
District's proportionate share of net OPEB liability	\$ 635,980	\$ (338,897)	\$ (1,155,238)

**Health Care Trend Rate Sensitivity**

The following presents the health care sensitivity rate of the District’s proportionate share of the net pension liability calculated using the discount rate of 5.93%, 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 (4.93%) or 1-percentage-point higher (6.93%) than the current rate:

	<b>1% Decrease</b>	<b>Current Trend Rate</b>	<b>1% Increase</b>
District's proportionate share of net OPEB liability	\$ (1,086,224)	\$ (338,897)	\$ 579,124

**OPEB plan fiduciary net position**

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE G – COMMITMENTS

The District has commitments for construction projects of \$2,594,383 as of June 30, 2024. In addition, the District has made a commitment for sick leave in the general fund of \$200,860 and \$500,000 for Self-Insurance claims.

### NOTE H – RESTRICTED FUND BALANCES

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Construction	\$ 2,610,815	Future Construction
FSPK	2,426,538	School Facilities Construction Commission Requirement
Student Activity	400,104	Student Activity
District Activity	8,485	School Activity
Food Service	\$ 1,049,084	School Food Service Operations

### NOTE I – CONTINGENCIES

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

### NOTE J - LITIGATION

The District is self-insured for workers compensation and is subject to various legal actions in different stages of litigation in relation to this. During the audit period pending litigation was defended by the District's insurance carrier, Liberty Mutual, limiting the District's financial liability in relation to these claims to a deductible owed to the insurance carrier not yet determined but anticipated to be immaterial. As of June 30, 2024, the District's risk of financial exposure relating to active litigation(s) not yet ruled on is low. The District has no other pending or threatened litigation as of June 30, 2024.

### NOTE K – INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, illegal acts, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies.

### NOTE L – DEFICIT FUND AND OPERATING BALANCES

The following funds had a deficit change in fund balance/net position and/or deficit fund balance/net position:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

<u>Fund</u>	<u>Change in Net Position/ Net Change in Fund Balance</u>	<u>Fund Balance/ Net Position</u>
School Food Services	(104,692)	-
District Activity	\$ (520)	-

**NOTE M – COBRA**

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

**NOTE N – TRANSFER OF FUNDS**

The following transfers were made during fiscal year 2024:

<u>Type</u>	<u>From</u>	<u>To</u>	<u>Purpose</u>	<u>Amount</u>
Operations	General Fund	Special Revenue Fund	Community Ed	\$ 135,622
Construction	General Fund	Construction Fund	Construction	1,970,234
Construction	Special Revenue	Construction Fund	Construction	5,618,568
Debt Service	General Fund	Debt Service Fund	Debt Payments	222,669
Debt Service	Capital Outlay Fund	Debt Service Fund	Debt Payments	324,496
Debt Service	Building Fund	Debt Service Fund	Debt Payments	1,695,901
Operations	Special Revenue Fund	General Fund	Indirect Costs	752,180
Operations	Food Service Fund	General Fund	Indirect Costs	\$ 242,445

**NOTE O – ON-BEHALF PAYMENTS**

For fiscal year 2024, the Commonwealth of Kentucky contributed estimated payments on behalf of the District as follows:

<u>Plan/Description</u>	<u>Amount</u>
Kentucky Teachers Retirement System (GASB 68 & 75)	\$ 4,502,226
Health Insurance	5,226,335
Life Insurance	7,531
Administrative Fee	60,352
HRA/Dental/Vision	281,925
Federal Reimbursement	(1,496,436)
Technology	125,659
KSITA Capital Lease Payments	-
SFCC Debt Service Payments	<u>2,134,102</u>
Total	<u>\$ 10,841,694</u>

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

**NOTE P– SUBSEQUENT EVENTS**

The District has evaluated subsequent events through November 15, 2024, the date the financial statements were available to be issued.



HARLAN COUNTY SCHOOL DISTRICT  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**CERS and TRS**  
For the year ended June 30, 2024

	Reporting Fiscal Year (Measurement Date) 2024 (2023)	Reporting Fiscal Year (Measurement Date) 2023 (2022)	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)	Reporting Fiscal Year (Measurement Date) 2017 (2016)	Reporting Fiscal Year (Measurement Date) 2016 (2015)
<b>COUNTY EMPLOYEE'S RETIREMENT SYSTEM (CERS):</b>									
Districts' proportion of the net pension liability	0.245468%	0.234162%	0.215960%	0.221435%	0.22591%	0.22708%	0.23100%	0.235920%	0.24140%
District's proportionate share of the net pension liability	\$ 15,750,475	\$ 16,927,603	\$ 13,769,144	\$ 16,983,881	\$ 15,888,421	\$ 13,829,681	\$ 13,520,848	\$ 11,615,978	\$ 10,443,302
State's proportionate share of the net pension liability associated with the District	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 15,750,475</b>	<b>\$ 16,927,603</b>	<b>\$ 13,769,144</b>	<b>\$ 16,983,881</b>	<b>\$ 15,888,421</b>	<b>\$ 13,829,681</b>	<b>\$ 13,520,848</b>	<b>\$ 11,615,978</b>	<b>\$ 10,443,302</b>
District's covered-employee payroll	\$ 6,480,768	\$ 6,480,699	\$ 4,938,247	\$ 5,672,001	\$ 5,699,300	\$ 5,631,180	\$ 5,627,919	\$ 5,711,804	\$ 5,528,321
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	243.03%	261.20%	278.83%	299.43%	278.78%	245.59%	240.25%	203.37%	188.91%
Plan fiduciary net position as a percentage of the total pension liability	57.48%	52.42%	57.33%	47.81%	50.54%	53.54%	53.30%	59.00%	59.97%
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM (TRS):</b>									
State's proportion of the net pension liability	0.2455%	0.4153%	0.4226%	0.4227%	0.430%	0.440%	0.458%	0.454%	0.457%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	69,005,460	70,363,724	54,999,050	59,902,160	57,726,962	57,669,901	123,534,828	133,984,475	106,334,109
<b>Total</b>	<b>\$ 69,005,460</b>	<b>\$ 70,363,724</b>	<b>\$ 54,999,050</b>	<b>\$ 59,902,160</b>	<b>\$ 57,726,962</b>	<b>\$ 57,669,901</b>	<b>\$ 123,534,828</b>	<b>\$ 133,984,475</b>	<b>\$ 106,334,109</b>
District's covered-employee payroll	\$ 18,551,048	\$ 18,551,048	\$ 16,818,071	\$ 16,599,383	\$ 16,672,673	\$ 16,503,511	\$ 17,226,254	\$ 17,201,367	\$ 16,830,584
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Plan fiduciary net position as a percentage of the total pension liability	57.68%	56.41%	65.59%	58.27%	58.80%	59.30%	39.80%	35.22%	42.29%

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

See the accompanying notes to the required supplementary information.

HARLAN COUNTY SCHOOL DISTRICT  
**REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CONTRIBUTIONS**  
**CERS and TRS**  
For the year ended June 30, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>COUNTY EMPLOYEE'S RETIREMENT SYSTEM (CERS):</b>									
Contractually required contribution	\$ 1,627,640	\$ 1,837,585	\$ 1,677,748	\$ 1,118,974	\$ 1,285,803	\$ 1,165,930	\$ 1,029,296	\$ 1,065,710	\$ 974,431
Contributions in relation to the contractually required contributions	<u>1,627,640</u>	<u>1,837,585</u>	<u>1,677,748</u>	<u>1,118,974</u>	<u>1,285,803</u>	<u>1,165,930</u>	<u>1,029,296</u>	<u>1,065,710</u>	<u>974,431</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 7,286,992	\$ 6,480,768	\$ 6,480,699	\$ 4,938,247	\$ 5,672,001	\$ 5,699,300	\$ 5,631,180	\$ 5,627,919	\$ 5,711,804
District's contributions as a percentage of it's covered-employee payroll	22.34%	28.35%	25.89%	22.66%	22.67%	20.46%	18.28%	18.94%	17.06%
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM (TRS):</b>									
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 18,601,554	\$ 18,551,048	\$ 18,551,048	\$ 16,818,071	\$ 16,599,383	\$ 16,672,673	\$ 16,503,511	\$ 17,226,254	\$ 17,201,367
District's contributions as a percentage of it's covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

See the accompanying notes to the required supplementary information.

HARLAN COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS

For the year ended June 30, 2024

**Teachers Retirement System (TRS)**

**Retirement Annuity Trust**

*Changes of Benefit Terms*

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

*Changes of assumptions*

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

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

In the 2016 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2016 valuation, the Assumed Salary Scale, Price Inflation, and Wage Inflation were adjusted to reflect a decrease. In addition, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.88% to 4.20%.

In 2017, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.20% to 4.49%.

In 2018, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.49% to 7.50%.

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

*Actuarial Methods and Assumptions*

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

HARLAN COUNTY SCHOOL DISTRICT  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS**

For the year ended June 30, 2024

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

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

HARLAN COUNTY SCHOOL DISTRICT  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS**  
 For the year ended June 30, 2024

**County Employee Retirement System (CERS)**

**Non-Hazardous**

*Changes of Benefit Terms*

None.

*Changes of assumptions*

None.

*Actuarial Methods and Assumptions*

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

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

HARLAN COUNTY SCHOOL DISTRICT  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**MEDICAL AND LIFE INSURANCE PLANS - TEACHERS' RETIREMENT SYSTEM**  
Year ended June 30, 2024

	Reporting Fiscal Year (Measurement Date) 2024 (2023)	Reporting Fiscal Year (Measurement Date) 2023 (2022)	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
<b>MEDICAL INSURANCE PLAN</b>							
District's proportion of the collective net OPEB liability (asset)	0.213317%	0.301525%	0.226351%	0.227735%	0.23060%	0.22841%	0.24268%
District's proportionate share of the collective net OPEB liability (asset)	\$ 5,196,000	\$ 7,485,000	\$ 4,857,000	\$ 5,747,000	\$ 6,749,000	\$ 7,925,000	\$ 8,653,000
State's proportionate share of the collective net OPEE liability (asset) associated with the District	<u>4,379,000</u>	<u>2,459,000</u>	<u>3,944,000</u>	<u>4,604,000</u>	<u>5,450,000</u>	<u>6,830,000</u>	<u>7,069,000</u>
Total	<u>\$ 9,575,000</u>	<u>\$ 9,944,000</u>	<u>\$ 8,801,000</u>	<u>\$ 10,351,000</u>	<u>\$ 12,199,000</u>	<u>\$ 14,755,000</u>	<u>\$ 15,722,000</u>
District's covered-employee payroll	\$ 18,551,048	\$ 18,551,048	\$ 16,818,071	\$ 16,599,383	\$ 16,672,673	\$ 16,503,511	\$ 17,226,254
District's proportionate share of the collective net OPEE liability (asset) as a percentage of its covered-employee payroll	28.01%	40.35%	28.88%	34.62%	40.48%	48.02%	50.23%
Plan fiduciary net position as a percentage of the total OPEB liability	52.97%	47.75%	39.05%	39.10%	32.60%	25.50%	21.20%
<b>LIFE INSURANCE PLAN</b>							
District's proportion of the collective net OPEB liability (asset)	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
District's proportionate share of the collective net OPEB liability (asset)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the collective net OPEE liability (asset) associated with the District	<u>108,000</u>	<u>122,000</u>	<u>52,000</u>	<u>139,000</u>	<u>127,000</u>	<u>117,000</u>	<u>95,000</u>
Total	<u>\$ 108,000</u>	<u>\$ 122,000</u>	<u>\$ 52,000</u>	<u>\$ 139,000</u>	<u>\$ 127,000</u>	<u>\$ 117,000</u>	<u>\$ 95,000</u>
District's covered-employee payroll	\$ 18,551,048	\$ 18,551,048	\$ 16,818,071	\$ 16,599,383	\$ 16,672,673	\$ 16,503,511	\$ 17,226,254
District's proportionate share of the collective net OPEE liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	76.91%	73.97%	71.57%	71.60%	73.40%	75.00%	80.00%

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

See the accompanying notes to the required supplementary information.

HARLAN COUNTY SCHOOL DISTRICT  
**REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CONTRIBUTIONS**  
**MEDICAL AND LIFE INSURANCE PLANS**  
**TEACHERS' RETIREMENT SYSTEM**  
Year ended June 30, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>MEDICAL INSURANCE PLAN</b>							
Contractually required contribution	\$ 404,647	\$ 398,335	\$ 399,409	\$ 401,775	\$ 402,243	\$ 402,096	\$ 406,867
Contributions in relation to the contractually required contribution	<u>404,647</u>	<u>398,335</u>	<u>399,409</u>	<u>401,775</u>	<u>402,243</u>	<u>402,096</u>	<u>406,867</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 18,601,554	\$ 18,551,048	\$ 18,551,048	\$ 16,818,071	\$ 16,599,383	\$ 16,672,673	\$ 16,503,511
District's contributions as a percentage of it's covered-employee payroll	2.18%	2.15%	2.15%	2.39%	2.42%	2.41%	2.47%
<b>LIFE INSURANCE PLAN</b>							
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 18,601,554	\$ 18,551,048	\$ 18,551,048	\$ 16,818,071	\$ 16,599,383	\$ 16,672,673	\$ 16,503,511
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

See the accompanying notes to the required supplementary information.

HARLAN COUNTY SCHOOL DISTRICT  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - HEALTH INSURANCE PLAN**  
**COUNTY EMPLOYEE RETIREMENT SYSTEM**  
Year ended June 30, 2024

	Reporting Fiscal Year (Measurement Date) 2024 (2023)	Reporting Fiscal Year (Measurement Date) 2023 (2022)	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
<b>HEALTH INSURANCE PLAN</b>							
District's proportion of the collective net OPEB liability (asset)	0.245459%	0.234121%	0.216636%	0.221371%	0.22587%	0.22707%	0.23100%
District's proportionate share of the collective net OPEB liability (asset)	\$ (338,897)	\$ 4,620,410	\$ 4,147,388	\$ 5,345,436	\$ 3,799,065	\$ 4,031,565	\$ 4,643,790
State's proportionate share of the collective net OPEB liability (asset) associated with the District	-	-	-	-	-	-	-
Total	<u>\$ (338,897)</u>	<u>\$ 4,620,410</u>	<u>\$ 4,147,388</u>	<u>\$ 5,345,436</u>	<u>\$ 3,799,065</u>	<u>\$ 4,031,565</u>	<u>\$ 4,643,790</u>
District's covered-employee payroll	\$ 6,480,768	\$ 6,480,699	\$ 4,938,247	\$ 5,672,001	\$ 5,699,300	\$ 5,631,180	\$ 5,627,919
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	-5.23%	71.29%	83.99%	94.24%	66.66%	71.59%	82.51%
Plan fiduciary net position as a percentage of the total OPEB liability	104.23%	60.95%	62.91%	51.67%	60.44%	57.62%	13.00%

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

See the accompanying notes to the required supplementary information.



HARLAN COUNTY SCHOOL DISTRICT  
**REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CONTRIBUTIONS - HEALTH INSURANCE PLAN**  
**COUNTY EMPLOYEE RETIREMENT SYSTEM**  
Year ended June 30, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>HEALTH INSURANCE PLAN</b>							
Contractually required contribution	\$ 210,541	\$ 279,312	\$ 239,389	\$ 199,832	\$ 160,451	\$ 123,309	\$ 107,518
Contributions in relation to the contractually	<u>210,541</u>	<u>279,312</u>	<u>239,389</u>	<u>199,832</u>	<u>160,451</u>	<u>123,309</u>	<u>107,518</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 7,286,992	\$ 6,480,768	\$ 6,480,699	\$ 4,938,247	\$ 5,672,001	\$ 5,699,300	\$ 5,631,180
District's contributions as a percentage of it's covered-employee payroll	2.89%	4.31%	3.69%	4.05%	2.83%	2.16%	1.91%

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

See the accompanying notes to the required supplementary information.

HARLAN COUNTY SCHOOL DISTRICT  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-OPEB**

For the year ended June 30, 2024

**Teachers Retirement System (TRS)**

**Health Insurance Trust**

*Changes of Benefit Terms*

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

*Changes of Assumptions*

None.

*Actuarial Methods and Assumptions*

The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated as of June 30, 2019. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of the schedule.

Actuarial Cost Method	Entry age normal
Valuation Date	June 30, 2022
Discount Rate	7.10%
Amortization Period	Level percentage of payroll
Amortization Method	21 years, closed
Asset Valuation Method	Market Value of Assets
Price Inflation	2.5%
Real Wage Growth	2.75%
Wage Inflation	2.75%
Salary Increase	7.5%, 1 year of service to 3.0%, greater than 17 years of service
Health Care Cost Trends	
Medical	6.75% at June 30, 2023, decreasing to an ultimate rate of 4.5% by June 30, 2034
Medicare Part B	1.55% at June 30, 2023 with an ultimate rate of 4.5% by June 30, 2034

**Life Insurance Trust**

*Changes of Benefit Terms*

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

*Changes of Assumptions*

None.

*Actuarial Methods and Assumptions*

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

Actuarial Cost Method	Entry age normal
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HARLAN COUNTY SCHOOL DISTRICT  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-OPEB**

For the year ended June 30, 2024

Valuation Date	June 30, 2022
Discount Rate	7.10%
Amortization Period	Level percentage of payroll
Amortization Method	21 years, closed
Asset Valuation Method	Market Value of Assets
Price Inflation	2.5%
Real Wage Growth	2.75%
Wage Inflation	2.75%
Salary Increase	7.5%, 1 year of service to 3.0%, greater than 17 years of service
Health Care Cost Trends	
Medical	6.75% at June 30, 2023, decreasing to an ultimate rate of 4.5% by June 30, 2034
Medicare Part B	1.55% at June 30, 2023 with an ultimate rate of 4.5% by June 30, 2034

HARLAN COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-OPEB

For the year ended June 30, 2024

**County Employee Retirement System (CERS)**

**Non-Hazardous**

*Changes of Benefit Terms*

None

*Changes of assumptions*

None.

*Actuarial Methods and Assumptions*

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

Valuation Date	June 30, 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 recognized
Amortization Method	Level Percent of Pay
Amortization Period	30-year closed period at June 30, 2019, Gains/losses incurring After 2019 will be amortized over separate closed 20-year Amortization bases
Mortality	System-specific mortality table based on mortality experience From 2013-2018, projected with the ultimate rates from MP2014 Mortality improvement scale using a base year of 2019
Phase-In Provision	Board certified rate is phased into the actuarially determined rate In accordance with HB 362 enacted in 2018
Inflation	2.30%
Payroll Growth Rate	2.0%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Mortality	System-specific mortality table based on mortality experience From 2013-2018, projected with the ultimate rates from MP-2014 Mortality improvement scale using a base year of 2019.
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.3% at January 1, 2023, gradually Decreasing to an ultimate trend rate of 4.05% over a period of 13 Years. The 2022 premiums were known at the time of the Valuation and were incorporated into the liability measurement.
Post-65	Initial trend starting at 6.3% at January 1, 2023, gradually Decreasing to an ultimate trend rate of 4.05% over a period of 13 Years. The 2022 premiums were known at the time of the Valuation and were incorporated into the liability measurement.

Harlan County School District  
**Combining Balance Sheet - Nonmajor Governmental Funds**  
 June 30, 2024

	<b>Other Governmental Funds</b>			
	<b>Special Revenue Student Activity</b>	<b>Capital Outlay</b>	<b>Special Revenue District Activity</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 401,652	\$ -	\$ 8,485	\$ 410,137
Receivables	2,360			2,360
Total assets	404,012	-	8,485	412,497
<b>Liabilities</b>				
Accounts payable	3,908			3,908
Total liabilities	\$ 3,908	\$ -	\$ -	\$ 3,908
<b>Fund Balance</b>				
Restricted	400,104		8,485	408,589
Total fund balance	400,104	-	8,485	408,589
<b>Total liabilities &amp; fund balance</b>	\$ 404,012	\$ -	\$ 8,485	\$ 412,497

Harlan County School District  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds**  
For the year ended June 30, 2024

	<u>Other Governmental Funds</u>			
	<u>Special Revenue Student Activity</u>	<u>Capital Outlay</u>	<u>Special Revenue District Activity</u>	<u>Total</u>
<b>Revenues</b>				
Intergovernmental - state	\$ -	\$ 324,496	\$ -	\$ 324,496
Student activities	1,349,405			1,349,405
<b>Total revenues</b>	<u>1,349,405</u>	<u>324,496</u>	<u>-</u>	<u>1,673,901</u>
<b>Expenditures</b>				
Instruction	1,338,366		520	1,338,886
<b>Total expenditures</b>	<u>1,338,366</u>	<u>-</u>	<u>520</u>	<u>1,338,886</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<u>11,039</u>	<u>324,496</u>	<u>(520)</u>	<u>335,015</u>
<b>Other Financing Sources (Uses)</b>				
Operating transfers (out)		(324,496)		(324,496)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>(324,496)</u>	<u>-</u>	<u>(324,496)</u>
<b>Net change in Fund Balances</b>	<u>11,039</u>	<u>-</u>	<u>(520)</u>	<u>10,519</u>
<b>Fund Balance Beginning</b>	<u>389,065</u>	<u>-</u>	<u>9,005</u>	<u>398,070</u>
<b>Fund Balance Ending</b>	<u>\$ 400,104</u>	<u>\$ -</u>	<u>\$ 8,485</u>	<u>\$ 408,589</u>

Harlan County School District  
**Combining Balance Sheet**  
**School Activity Funds**  
June 30, 2024

**SCHOOL ACTIVITY FUNDS**

	<u>HARLAN COUNTY HIGH SCHOOL</u>	<u>BLACK MTN ELEMENTARY</u>	<u>CAWOOD ELEMENTARY</u>	<u>CUMBERLAND ELEMENTARY</u>	<u>EVARTS ELEMENTARY</u>	<u>GREEN HILLS ELEMENTARY</u>	<u>JAMES A CAWOOD ELEMENTARY</u>	<u>ROSSPOINT ELEMENTARY</u>	<u>WALLINS ELEMENTARY</u>	<u>TOTALS</u>
<b>ASSETS</b>										
Cash and cash equivalents	\$ 105,726	\$ 8,321	\$ 7,389	\$ 45,010	\$ 36,784	\$ 39,245	\$ 49,429	\$ 66,328	\$ 43,420	\$ 401,652
Accounts receivable				360	2,000					2,360
Total assets	<u>105,726</u>	<u>8,321</u>	<u>7,389</u>	<u>45,370</u>	<u>38,784</u>	<u>39,245</u>	<u>49,429</u>	<u>66,328</u>	<u>43,420</u>	<u>404,012</u>
<b>LIABILITIES</b>										
Accounts payable				388	2,720			800		3,908
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>388</u>	<u>2,720</u>	<u>-</u>	<u>-</u>	<u>800</u>	<u>-</u>	<u>3,908</u>
<b>FUND BALANCE</b>										
School activities	<u>105,726</u>	<u>8,321</u>	<u>7,389</u>	<u>44,982</u>	<u>36,064</u>	<u>39,245</u>	<u>49,429</u>	<u>65,528</u>	<u>43,420</u>	<u>400,104</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 105,726</u>	<u>\$ 8,321</u>	<u>\$ 7,389</u>	<u>\$ 45,370</u>	<u>\$ 38,784</u>	<u>\$ 39,245</u>	<u>\$ 49,429</u>	<u>\$ 66,328</u>	<u>\$ 43,420</u>	<u>\$ 404,012</u>

Harlan County School District  
**Combining Statement of Revenues, Expenses, and Changes in Fund Balance - School Activity Funds**  
For the year ended June 30, 2024

<b>SCHOOL ACTIVITY FUNDS</b>										
	<u>HARLAN COUNTY HIGH SCHOOL</u>	<u>BLACK MTN ELEMENTARY</u>	<u>CAWOOD ELEMENTARY</u>	<u>CUMBERLAND ELEMENTARY</u>	<u>EVARTS ELEMENTARY</u>	<u>GREEN HILLS ELEMENTARY</u>	<u>JAMES A CAWOOD ELEMENTARY</u>	<u>ROSSPOINT ELEMENTARY</u>	<u>WALLINS ELEMENTARY</u>	<u>TOTALS</u>
<b>REVENUES</b>										
Student revenues	\$ 693,389	\$ 83,957	\$ 56,662	\$ 109,188	\$ 111,869	\$ 43,794	\$ 74,624	\$ 91,301	\$ 84,621	\$ 1,349,405
<b>EXPENSES</b>										
Student activities	661,714	95,353	67,582	117,910	102,016	37,561	79,711	87,809	88,710	1,338,366
<b>Excess (Deficit) of Revenues Over Expenses</b>	31,675	(11,396)	(10,920)	(8,722)	9,853	6,233	(5,087)	3,492	(4,089)	11,039
<b>Fund balance, beginning</b>	<u>74,051</u>	<u>19,717</u>	<u>18,309</u>	<u>53,704</u>	<u>26,211</u>	<u>33,012</u>	<u>54,516</u>	<u>62,036</u>	<u>47,509</u>	<u>389,065</u>
<b>Fund balance, ending</b>	<u>\$ 105,726</u>	<u>\$ 8,321</u>	<u>\$ 7,389</u>	<u>\$ 44,982</u>	<u>\$ 36,064</u>	<u>\$ 39,245</u>	<u>\$ 49,429</u>	<u>\$ 65,528</u>	<u>\$ 43,420</u>	<u>\$ 400,104</u>



Harlan County School District  
**Statement of Revenues, Expenses, and Changes in Fund Balance - Harlan County High School**  
For the year ended June 30, 2024

	<u>FUND BALANCE</u> <u>BEGINNING</u>	<u>REVENUES</u>	<u>EXPENSES</u>	<u>TRANSFERS</u>	<u>FUND BALANCE</u> <u>ENDING</u>
GENERAL FUND	\$ 2,384	\$ 21,879	\$ 21,087	\$ (1,000)	\$ 2,176
BLACK BEAR PHOTOGRAPHY	116		100		16
HCHS AMATEUR RADIO CLUB	8,360		5,548		2,812
CONTINGENCY	7		1		6
DUAL CREDIT COLLEGE TOURS	1,228		1,053		175
SCHOOL PICTURES	2,045	2,864	3,583		1,326
SENIOR PICTURES	24				24
1ST PRIORITY	34	4,516	3,690	850	1,710
GIRLS SOCCER	-	19,787	11,257		8,530
1ST PRIORITY AQUARIUM	-				-
PEP CLUB	451	779	499		731
COMMUNITY PROBLEM SOLVING	39		1		38
ECLRP TEAM	43				43
ANATOMY FUNDS	422				422
FISHING TEAM	-	2,639	2,779		-
SCHOOL CONCESSION	1		1	140	-
LETTERMAN JACKET	581	11,224	11,727		78
HARLAN COUNTY WRESTLING	5	1,413	978		440
TECHNOLOGY STUDENT ASSOC	1,411	13,566	12,923	(850)	1,204
TEACHER VENDING	55	8,127	8,028	(106)	48
ESPORTS	1,549	1,507	898		2,158
HOMELESS	-	750			750
BLACKBEAR CAFÉ	-	826	136		690
PARKING	256	2,699	2,410		545
ATHLETICS	113	127,077	110,801	1,610	17,999
DECA	299	215	482		32
CHEERLEADING	2,370	71,428	68,637		5,161
DANCE TEAM	4,505	13,417	15,092		2,830
FOOTBALL	5,345	57,637	60,139	430	3,273
GIRLS BASKETBALL	673	2,167	2,473		367
BOYS BASKETBALL	507	70,603	67,410		3,700
MIDDLE SCHOOL SOFTBALL	-	3,895	2,883		1,012
SOFTBALL	3,731	36,862	38,408	100	2,285
BASEBALL	2,037	21,663	23,419	100	381
GOLF	86	13,139	2,638		10,587
BOYS SOCCER	487	1,331	1,390		428
TENNIS	209	3,136	3,231		114
ARCHERY	273	80	250		103
VOLLEYBALL	332	20,801	17,658	144	3,619
ACADEMIC TEAM	80	1,476	514		1,042
ART CLUB	1,148		286		862
AP/SAT PLAN	116				116
HCHS FEEDER BAND	141				141
BAND	635	2,581	3,145		71
BETA CLUB	5,264	4,637	6,188		3,713
BLACK BEAR STORE	2,886	15,852	15,822		2,916
CROSS COUNTRY/TRACK	4,923	36,721	38,221		3,423
CHORUS	27	2,181	1,643		565
DRAMA CLUB	4,032	9,208	9,043		4,197
FBLA	5	333	154		184
FCCLA	291	322	120		493
FFA-FUTURE FARMERS	122	3,237	4,107	750	2
FFA-GREENHOUSE	1,683	7,936	6,891	(488)	2,240
FUTURE EDUCATORS	52				52
HOME EC/MCCORMICK	252	3,110	3,017		345
JROTC	688	12,199	12,175	(294)	418
LIBRARY	280	178	145	(65)	248
NATIONAL HONORS	827	3,366	3,164	(156)	873
GEAR UP	269	1,674	1,606		337
PEP CLUB	10				10
PROM	3,333	14,750	16,808	(1,230)	45
SPECIAL NEEDS	-	4,060	4,010		50
YEARBOOK	6,523	21,250	23,047	130	4,856
SPANISH CLASS	12				12
SPANISH HONOR SOCIETY	29	2,328	1,667		690
YOUTH SERVICE CENTER	343	10,074	8,443	(65)	1,909
GUIDANCE OFFICE FUND	100				100
<b>TOTALS</b>	<b>\$ 74,051</b>	<b>\$ 693,500</b>	<b>\$ 661,826</b>	<b>\$ -</b>	<b>\$ 105,726</b>

HARLAN COUNTY SCHOOL DISTRICT  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year ended June 30, 2024

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Program or Award Amount	Expenditures
US Department of Agriculture					
Passed Through State Department of Education					
<b>School Breakfast Program</b>	10.553				
Fiscal Year 23		7760005 23	-	\$ N/A	\$ 198,561
Fiscal Year 24		7760005 24	-	N/A	760,813
<b>National School Lunch Program</b>	10.555				
Fiscal Year 23		7750002 23	-	N/A	354,160
Fiscal Year 24		7750002 24	-	N/A	1,418,735
Fiscal Year 23		9980000 23	-	N/A	107,990
<b>Fruit &amp; Vegetable Program</b>	10.582				
Fiscal Year 23		7720012 23	-	N/A	10,012
Fiscal Year 24		7720012 24	-	N/A	91,323
Child Nutrition Cluster Subtotal					<u>2,941,594</u>
<b>Summer Food Program</b>	10.559				
Fiscal Year 23		7740023 23	-	N/A	32,755
Fiscal Year 24		7740023 24	-	N/A	3,369
					<u>36,124</u>
<b>Child &amp; Adult Care Food Program</b>	10.558				
Fiscal Year 23		7790021 23	-	N/A	1,954
Fiscal Year 24		7790021 24	-	N/A	13,440
Fiscal Year 23		7800016 23	-	N/A	36
Fiscal Year 24		7800016 24	-	N/A	614
					<u>16,044</u>
<b>State Administrative Grant for Nutrition</b>	10.560				
Fiscal Year 22		7700001 23	-	N/A	21,205
Passed Through State Department of Agriculture					
<b>Food Donation-Commodities</b>	10.565				
Fiscal Year 23		510.4950	-	N/A	123,091
Total US Department of Agriculture					<u>3,138,058</u>
US Department of Education					
Passed Through State Department of Education					
<b>Title I Grants to Local Educational Agencies</b>	84.010A				
Fiscal Year 22		3100002 21	-	30,157	3,900
Fiscal Year 23		3100002 22	-	2,947,191	1,425,241
Fiscal Year 24		3100002 23	-	3,205,592	2,425,045
					<u>3,854,186</u>
* <b>Special Education Grants to States</b>	84.027A				
Fiscal Year 23		3810002 22	-	1,081,835	199,685
Fiscal Year 24		3810002 23	-	1,150,526	989,222
* <b>Special Education - Preschool Grants</b>	84.173A				
Fiscal Year 22		3800002 21	-	97,445	154
Fiscal Year 23		3800002 22	-	99,258	16,222
Fiscal Year 24		3800002 23	-	100,290	100,290
Special Education Cluster Subtotal					<u>1,305,573</u>
<b>Vocation Education - Basic Grants to States</b>	84.048				
Fiscal Year 23		3710002 22	-	73,327	7,846
Fiscal Year 24		3710002 23	-	85,970	84,403
					<u>92,249</u>
<b>Rural Education</b>	84.358B				
Fiscal Year 22		3140002 21	-	83,592	19,060
Fiscal Year 23		3140002 22	-	100,872	85,751
					<u>104,811</u>
<b>Improving Teacher Quality State Grants</b>	84.367A				
Fiscal Year 23		3230002 22	-	266,728	267,583
<b>Title IV Part A</b>	84.424				
Fiscal Year 23		3420002 22	-	230,000	49,383
Fiscal Year 24		3420002 23	-	233,057	171,632
					<u>221,015</u>

HARLAN COUNTY SCHOOL DISTRICT  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2024

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Program or Award Amount	Expenditures
* <b>COVID-19- ESSER</b>	84.425D				
FY21 ESSER Funds II		4200002 21	-	10,197,496	3,186,612
* <b>COVID-19- ARP ESSER</b>	84.425U				
FY21 ARP ESSER Funds		4300002 21	-	21,984,227	12,405,277
FY23 Kentucky Virtual Library Reimbursement		4300003-21	-	N/A	4,152
FY23-24 Digital Learning Coaches		4300005-21	-	N/A	1,415
Post-School Predictor Implementation Project		4300005-21	-	300,000	140,822
Educational Cooperative ARP ESSER Deeper Learning		563J	-	53,202	19,460
* <b>COVID-19- ARP Homeless Children and Youth</b>	84.425W				
Fiscal Year 22 Phase II		4980002-21	-	314,660	226,763
Educational Stabilization Fund					<u>15,984,501</u>
<b>Office of Innovation and Improvement</b>	84.215J				
Full Service Community Schools		518KJ	-	N/A	70,380
Passed Through Berea College					
* <b>GEAR UP</b>	84.334A				
Fiscal Year 22		379I	-	1,101	1,101
Fiscal Year 23		379J	-	622,750	232,502
Fiscal Year 24		379K	-	622,750	597,976
					<u>831,579</u>
Total US Department of Education					<u><u>22,731,877</u></u>
US Department of Defense					
Passed directly from the US Department of the Army					
<b>ROTC</b>	12.000				
Fiscal Year 23		Direct	-	N/A	71,401
Total US Department of the Army					<u>71,401</u>
<b>Total Expenditure of Federal Awards</b>					<b>\$ <u>25,941,336</u></b>

\* Major program

HARLAN COUNTY SCHOOL DISTRICT  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year ended June 30, 2024

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Harlan County School District under the 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 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 Harlan County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

**NOTE B – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE C – FOOD DISTRIBUTION**

Non-monetary assistance is reported in the schedule at the fair value of the commodities received and disbursed. For the year ended June 30, 2024, the District received food commodities totaling \$123,091.

**NOTE D – INDIRECT COST RATE**

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

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

To the Board of Education of the Harlan County School District  
Harlan, Kentucky

And the State Committee for School District Audits

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits, in the *Auditor Responsibilities and State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit /Contract and requirements, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Harlan 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, and have issued our report thereon dated November 15, 2024.

**Report on Internal Control over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an

opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated November 15, 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.

*White & Associates, PSC*

Richmond, Kentucky

November 15, 2024

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

To the Board of Education of the Harlan County School District  
Harlan, Kentucky

And the State Committee for School District Audits

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Harlan 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 federal 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 Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Auditor Responsibilities and State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of 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 for the Audit of Compliance***

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

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

*White & Associates, PSC*

Richmond, Kentucky

November 15, 2024

HARLAN COUNTY SCHOOL DISTRICT  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
 Year ended June 30, 2024

**SUMMARY OF AUDITOR’S RESULTS**

What type of report was issued for the financial statements?	Unmodified
Were there significant deficiencies in internal control disclosed? If so, was any significant deficiencies material (GAGAS)?	None Reported N/A
Was any material noncompliance reported (GAGAS)?	No
Were there material weaknesses in internal control disclosed For major programs?	No
Were there any significant deficiencies in internal control disclosed that were not considered to be material weaknesses?	None Reported
What type of report was issued on compliance for major programs?	Unmodified
Did the audit disclose findings as it relates to major programs that Is required to be reported as described in the Uniform Guidance?	No
Major Programs	Educational Stabilization Fund [ALN 84.425D, 84.425U, & 84.425W] Special Education Cluster [ALN 84.027A, 84.173A] GEAR UP [ ALN 84.334A]
Dollar threshold of Type A and B programs	\$77: .462
Low risk auditee?	Yes

**FINDINGS - FINANCIAL STATEMENT AUDIT**

No findings at the financial statement level.

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

No major federal award findings.

HARLAN COUNTY SCHOOL DISTRICT  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
Year ended June 30, 2024

There were no prior audit findings.

**MANAGEMENT LETTER POINTS**

Harlan County School District  
Harlan, Kentucky

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

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the District's internal control in our report dated November 15, 2024. This letter does not affect our report dated November 15, 2024, on the financial statements of the Harlan County School District. The conditions observed are as follows:

CAWOOD ELEMENTARY

1-24

Statement of Condition: Both invoices and purchase orders are not being attached to the checks.

Recommendation for Correction: Review Redbook procedures for guidance and corrective action.

Management Response to the Recommendation: Finance officer will meet with the principal and secretary to discuss with them the correct procedure for creating an approved purchase order. Will ensure both the invoice and purchase orders are attached to the checks. They will be told this must be done every time. Redbook procedures will be discussed at principal meeting with superintendent in order to correct this matter.

CUMBERLAND ELEMENTARY

2-24

Statement of Condition: Purchase orders are being utilized; however, there were instances of the purchase orders being approved after the obligation of funds or purchase being made.

Recommendation for Correction: Review Redbook procedures for guidance and corrective action.

Management Response to the Recommendation: Principal will be told to discuss with secretary that no invoice or order can be made without an approved PO signed by the

principal. Redbook procedures will be discussed at principal meeting with superintendent in order to correct these matters.

EVARTS ELEMENTARY

3-24

Statement of Condition: Bank statements are not consistently being reviewed.

Recommendation for Correction: Review Redbook procedures for guidance and corrective action.

Management Response to the Recommendation: Finance officer will meet with principal and secretary to discuss the importance of consistently dating the bank statements and properly turning them in each month dated to central office. Redbook procedures will be discussed at principal meeting with superintendent in order to correct this matter.

JAMES A CAWOOD ELEMENTARY

4-24

Statement of Condition: Receipt forms are not being signed.

Recommendation for Correction: Review Redbook procedures for guidance and corrective action.

Management Response to the Recommendation: Finance officer, principal and secretary will have meeting to discuss why ballgame receipt forms were not signed and be directed to make sure the receipts forms are always signed when receiving money. Redbook procedure will be discussed at principal meeting with superintendent in order to correct this matter.

All prior year conditions have been implemented and corrected. Brent Roark, Superintendent, is the person responsible for initiation of the corrective action plan for the above conditions which will be implemented immediately, if any. The corrective action plan is the management response for each condition.

We would like to thank the Finance Officer, Jody Gilliam, and their department for their support and assistance during our audit.

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

*White & Associates, PSC*

White & Associates, PSC  
Richmond, Kentucky  
November 15, 2024