

**KNOX COUNTY
SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES**

For the year ended June 30, 2024

Prepared by:

WHITE & ASSOCIATES, PSC
CERTIFIED PUBLIC ACCOUNTANTS
1407 Lexington Road
Richmond, Kentucky 40475
Phone (859) 624-3926 Fax (859) 625-0227

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Knox County School District
Barbourville, 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 Knox 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

**KNOX COUNTY SCHOOL DISTRICT-BARBOURVILLE, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2024**

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

FINANCIAL HIGHLIGHTS

- Finished the year with a General Fund balance of \$10.81 million.
- The General Fund had \$42.36 million in revenues which primarily consisted of the SEEK program, property, utility and motor vehicle taxes. There were \$41.54 million expenditures in General Fund.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

Refer to the table of contents to find the government-wide financial statements.

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

**KNOX COUNTY SCHOOL DISTRICT-BARBOURVILLE, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2024**

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 the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the district are included in the governmental funds.

Refer to the table of contents to find the basic governmental fund financial statements.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. To find the notes to the financial statements please refer to the table of contents.

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, the net position was \$31,747,603 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 are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

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

SEE SCHEDULE ON NEXT PAGE

**KNOX COUNTY SCHOOL DISTRICT-BARBOURVILLE, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2024**

**Table 1
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	\$ 21.71	\$ 25.73	\$ 1.68	\$ 1.45	\$ 23.39	\$ 27.18
Non-current assets	61.87	62.29	0.49	0.54	62.36	62.83
Total assets	83.58	88.02	2.17	1.99	85.75	90.01
Deferred outflows	13.09	10.39	0.23	0.19	13.32	10.58
Current liabilities	4.98	6.20	0.01	0.01	4.99	6.21
Non-current liabilities	59.34	46.33	0.75	0.49	60.09	46.82
Total liabilities	64.32	52.53	0.76	0.50	65.08	53.03
Deferred inflows	9.50	15.18	0.17	0.34	9.67	15.52
Net position:						
Invested in capital assets, net of debt	32.30	34.92	0.49	0.52	32.79	35.44
Restricted	11.00	12.10	0.98	-	11.98	12.10
Unrestricted (deficit)	(20.44)	(16.62)	-	0.82	(20.44)	(15.80)
Total net position	\$ 22.86	\$ 30.40	\$ 1.47	\$ 1.34	\$ 24.33	\$ 31.74

GOVERNMENTAL ACTIVITIES

Ending net position was \$31.74 million for the district. This was an increase of \$7.41 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	\$ 0.84	\$ 1.15	\$ 0.09	\$ 0.08	\$ 0.93	\$ 1.23	32%
Operating grants and contributions	31.41	35.48	3.64	3.41	35.05	38.89	11%
Capital grants and contributions	3.41	3.19	-	-	3.41	3.19	-6%
General revenues	30.78	31.39	(0.09)	(0.04)	30.69	31.35	2%
Total revenue	66.44	71.21	3.64	3.45	70.08	74.66	7%
Expenses:							
Instruction	\$ 39.70	\$ 39.70	\$ -	\$ -	\$ 39.70	\$ 39.70	0%
Student	3.75	3.80	-	-	3.75	3.80	1%
Instructional staff	1.78	1.57	-	-	1.78	1.57	-12%
District administration	0.82	0.83	-	-	0.82	0.83	1%
School administration	3.30	3.26	-	-	3.30	3.26	-1%
Business	1.43	1.41	-	-	1.43	1.41	-1%
Plant operation & maintenance	5.18	5.05	-	-	5.18	5.05	-3%
Student transportation	3.41	3.71	-	-	3.41	3.71	9%
Community services operations	0.80	0.76	-	-	0.80	0.76	-5%
Food Service Operations	0.09	-	1.33	3.54	1.42	3.54	149%
Other non-instructional services	0.08	0.07	-	-	-	0.07	100%
Depreciation/Amortization	2.46	2.47	0.05	0.04	2.51	2.51	0%
Interest on long-term debt	1.09	1.00	-	-	1.09	1.00	-8%
Total Expenses	\$ 63.89	\$ 63.63	\$ 1.38	\$ 3.58	\$ 65.27	\$ 67.21	3%
Change in net position	\$ 2.55	\$ 7.58	\$ 2.26	\$ (0.13)	\$ 4.81	\$ 7.45	-55%

**KNOX COUNTY SCHOOL DISTRICT-BARBOURVILLE, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2024**

CAPITAL ASSETS

At the end of fiscal 2024, the District had \$62,488,614 invested in capital assets (Net of Depreciation), including land, buildings, buses, computers and other equipment. This amount represents a increase (including additions and deductions) of \$132,683 from last year.

	Capital Assets at Year-End \$ (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Totals	
	2023	2024	2023	2024	2023	2024
Land	\$ 2,147,788	\$ 2,147,788	\$ -	\$ -	\$ 2,147,788	\$ 2,147,788
Land Improvements	819,710	777,202	-	-	819,710	777,202
Buildings	50,221,292	48,389,574	398,296	375,393	50,619,588	48,764,967
Technology	114,992	57,540	-	-	114,992	57,540
Vehicles	2,593,006	2,550,303	-	-	2,593,006	2,550,303
General Equipment	344,406	496,433	89,179	150,300	433,585	646,733
Construction in Progress	5,613,725	7,544,081	-	-	5,613,725	7,544,081
Subscription Assets	13,536	-	-	-	13,536	-
Totals	\$ 61,868,456	\$ 61,962,921	\$ 487,475	\$ 525,693	\$ 62,355,931	\$ 62,488,614

DEBT

Finance purchase obligations and general obligation debt decreased \$0.22 million from FY 2023.

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

	Government Activities	
	2023	2024
General Obligation Bonds	\$ 29,222,069	\$ 26,886,423
Financed Purchase Obligations	337,698	158,341
Subscription IT Liabilities	13,536	-
Total Obligations	\$ 29,573,303	\$ 27,044,764

THE DISTRICT’S FUNDS

As the District completed the year, the General Fund reflected a fund balance of \$10,813,885, a \$1,328,106 increase from prior year’s fund balance of 9,485,779. The unassigned portion of the fund balance at the end of fiscal year 2024 is \$9,417,743, compared to \$8,423,142 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:

**KNOX COUNTY SCHOOL DISTRICT-BARBOURVILLE, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2024**

*Note This chart does not include beginning balances.

REVENUES	Fund 1	Fund 2	Fund 310	Fund 320	Fund 360	Fund 400	Fund 51
Local Revenue Sources	\$ 8,593,910	\$ 244,210	\$ -	\$ 626,956	\$ 2,172	\$ -	\$ 75,633
State Revenue Sources	33,510,811	4,019,655	366,115	1,232,908	-	1,589,687	268,773
Federal Revenue Sources	256,195	16,691,656	-	-	-	-	3,145,458
Other	-	-	-	-	827,121	-	48,573
Transfers	1,202,566	66,674	-	-	2,131,585	2,416,120	-
TOTALS	\$43,563,482	\$21,022,195	\$366,115	\$1,859,864	\$2,960,878	\$4,005,807	\$3,538,437
EXPENDITURES	Fund 1	Fund 2	Fund 310	Fund 320	Fund 360	Fund 400	Fund 51
Instruction	23,978,483	14,635,875	-	-	-	-	-
Student Support Services	3,084,414	716,504	-	-	-	-	-
Instructional Staff Support Services	1,119,461	424,742	-	-	-	-	-
District Admin Support	832,103	-	-	-	-	-	-
School Admin Support	3,130,977	126,031	-	-	-	-	-
Business Support Services	1,047,320	358,751	-	-	-	-	-
Plant Operation & Management	4,795,206	504,617	-	-	-	-	-
Student Transportation	3,360,434	622,494	-	-	-	-	-
Food Service Operations	-	3,058	-	-	-	-	3,531,840
Community Services	1,000	755,380	-	-	-	-	-
Depreciation	-	-	-	-	-	-	43,394
Building improvements	-	-	-	-	2,032,234	-	-
Debt Service	188,109	-	-	-	16,775	4,005,807	-
Land/site acquisitions	-	-	-	-	(12,180)	-	-
Transfers	697,869	2,874,743	369,408	1,784,925	-	-	90,000
TOTALS	\$42,235,376	\$21,022,195	\$369,408	\$1,784,925	\$2,036,829	\$4,005,807	\$3,665,234
Excess / (Deficit)	1,328,106	-	(3,293)	74,939	924,049	-	(126,797)

BUDGETARY IMPLICATIONS

In Kentucky, the public-school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district’s overall budget. By law the budget must have a minimum 2.0% contingency. The District adopted a Tentative Final Working budget for 2023-2024 with a general fund contingency amount of \$2,740,958.

Issues which may impact future budgets, general fund balance, and contingency include:

- a) Increased expenses to meet federal and state academic mandates
- b) Declining federal funding related to COVID (ESSER I, II, and III)
- c) Board actions for significant financial expenses such as employee raises and bus purchases

Questions regarding this report should be directed to the Superintendent of Schools, Jeremy Ledford, or the Finance Officer, Gertrude Smith at (606) 645-2830 or by mail at 200 Daniel Boone Dr, Barbourville, KY 40906.

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

	Primary Government		
	Governmental Activities	Business- type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 20,086,391	\$ 1,379,473	\$ 21,465,864
Certificates of deposit	1,292,666		1,292,666
Receivables (net)	4,358,480	4,719	4,363,199
Inventories		68,174	68,174
Funded OPEB asset	322,415	10,519	332,934
Capital assets:			
Land and construction in progress	9,691,869		9,691,869
Other capital assets, net of depreciation	52,271,052	525,693	52,796,745
Net subscription IT asset			-
Total capital assets	61,962,921	525,693	62,488,614
Total assets	88,022,873	1,988,578	90,011,451
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	4,084,570	133,264	4,217,834
Deferred outflows related to OPEB CERS	1,761,254	57,463	1,818,717
Deferred outflows related to OPEB TRS	4,169,856		4,169,856
Deferred savings from refunding bonds	373,739		373,739
Total deferred outflows of resources	10,389,419	190,727	10,580,146
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	98,412,292	2,179,305	100,591,597
LIABILITIES			
Accounts payable and accrued expenses	2,742,179	7,873	2,750,052
Accrued interest payable	208,510		208,510
Unearned revenue	290,038		290,038
Long-term liabilities:			
Due within 1 year:			
Bond obligations	2,884,000		2,884,000
Finance purchase obligations	78,108		78,108
Total due within 1 year	2,962,108	-	2,962,108
Due in more than 1 year:			
Bond obligations	24,002,423		24,002,423
Finance purchase obligations	80,233		80,233
Sick leave	412,338		412,338
Net pension liability	14,984,647	488,891	15,473,538
Net OPEB liability TRS	6,848,000		6,848,000
Total due in more than 1 year	46,327,641	488,891	46,816,532
Total liabilities	52,530,476	496,764	53,027,240
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	4,229,986	138,008	4,367,994
Deferred inflows related to OPEB CERS	6,184,000	201,760	6,385,760
Deferred inflows related to OPEB TRS	5,063,000		5,063,000
Total deferred inflows of resources	15,476,986	339,768	15,816,754
NET POSITION			
Net investment in capital assets	34,918,157	525,693	35,443,850
Restricted for:			
Capital projects	11,362,291		11,362,291
Scholarships	5,739		5,739
Sick leave	206,169		206,169
District activities	742		742
Student activities	528,402		528,402
Food services		817,080	817,080
Unrestricted (deficit)	(16,616,670)	1,342,773	(16,616,670)
Total net position	30,404,830	1,342,773	31,747,603
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 98,412,292	\$ 2,179,305	\$ 100,591,597

See the accompanying notes to the financial statements.

Knox County School District
Statement of Activities
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
PRIMARY GOVERNMENT:							
Governmental activities:							
Instruction	\$ 39,703,614	\$ 7,475	\$ 23,047,832	\$ -	\$ (16,648,307)	\$ -	\$ (16,648,307)
Support services							
Student	3,802,103	1,133,797	2,310,142		(358,164)		(358,164)
Instructional staff	1,566,449		951,768		(614,681)		(614,681)
District administration	832,103		505,582		(326,521)		(326,521)
School administration	3,257,008		1,978,945		(1,278,063)		(1,278,063)
Business	1,406,071		854,323		(551,748)		(551,748)
Plant operation & maintenance	5,049,481		3,068,044	1,599,023	(382,414)		(382,414)
Student transportation	3,711,842		2,255,300		(1,456,542)		(1,456,542)
Other non-instructional	75,272		45,735		(29,537)		(29,537)
Community services operations	756,380		459,573		(296,807)		(296,807)
Food service activities	3,058	13,310	1,858		12,110		12,110
Interest on general long-term debt	1,009,317			1,589,687	580,370		580,370
Depreciation*	2,467,976				(2,467,976)		(2,467,976)
Total governmental activities	<u>63,640,674</u>	<u>1,154,582</u>	<u>35,479,102</u>	<u>3,188,710</u>	<u>(23,818,280)</u>		<u>(23,818,280)</u>
Business-type activities:							
Food service operations	3,531,840	75,633	3,414,231			(41,976)	(41,976)
Depreciation	43,394					(43,394)	(43,394)
Total business-type activities	<u>3,575,234</u>	<u>75,633</u>	<u>3,414,231</u>	<u>-</u>	<u>-</u>	<u>(85,370)</u>	<u>(85,370)</u>
Total primary government	<u>\$ 67,215,908</u>	<u>\$ 1,230,215</u>	<u>\$ 38,893,333</u>	<u>\$ 3,188,710</u>	<u>(23,818,280)</u>	<u>(85,370)</u>	<u>(23,903,650)</u>
General revenues:							
Taxes:							
Property taxes					4,963,251		4,963,251
Unmined mineral					7,655		7,655
Gas & Oil					334,563		334,563
Motor vehicle taxes					1,104,891		1,104,891
Franchise taxes					423,389		423,389
Utility					1,398,517		1,398,517
State and formula grants					21,727,504		21,727,504
Unrestricted investment earnings					697,584	48,573	746,157
Other local					645,099		645,099
Transfers					90,000	(90,000)	-
Total general revenues and transfers					<u>31,392,453</u>	<u>(41,427)</u>	<u>31,351,026</u>
Change in net position					7,574,173	(126,797)	7,447,376
Net position (deficit) - beginning					22,855,657	1,469,570	24,325,227
Prior period adjustment					(25,000)		(25,000)
Restated net position - beginning					<u>22,830,657</u>	<u>1,469,570</u>	<u>24,300,227</u>
Net position - ending					<u>\$ 30,404,830</u>	<u>\$ 1,342,773</u>	<u>\$ 31,747,603</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.

Knox County School District
Balance Sheet
Governmental Funds
June 30, 2024

Governmental Funds

	<u>General</u>	<u>Special Revenue</u>	<u>Construction</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS						
Cash and cash equivalents	\$ 7,744,404	\$ -	\$ 11,231,247	\$ -	\$ 1,110,740	\$ 20,086,391
Certificates of deposit	1,110,517		182,149			1,292,666
Receivables, net						
Interfund receivables	2,836,842					2,836,842
Taxes	220,090					220,090
Accounts	120,520	74,234	32,640		400	227,794
Intergovernmental-state		256,133				256,133
Intergovernmental-federal		3,654,463				3,654,463
Total assets	<u>12,032,373</u>	<u>3,984,830</u>	<u>11,446,036</u>	<u>-</u>	<u>1,111,140</u>	<u>28,574,379</u>
LIABILITIES						
Accounts payable	232,774	857,950	662,225		3,516	1,756,465
Accrued salaries & benefit payable	985,714					985,714
Interfund payable		2,836,842				2,836,842
Unearned revenue		290,038				290,038
Total liabilities	<u>1,218,488</u>	<u>3,984,830</u>	<u>662,225</u>	<u>-</u>	<u>3,516</u>	<u>5,869,059</u>
FUND BALANCE						
Non-spendable	42,342					42,342
Restricted	211,908		10,783,811		1,107,624	12,103,343
Committed	950,000					950,000
Assigned	191,892					191,892
Unassigned	9,417,743					9,417,743
Total fund balance	<u>10,813,885</u>	<u>-</u>	<u>10,783,811</u>	<u>-</u>	<u>1,107,624</u>	<u>22,705,320</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 12,032,373</u>	<u>\$ 3,984,830</u>	<u>\$ 11,446,036</u>	<u>\$ -</u>	<u>\$ 1,111,140</u>	<u>\$ 28,574,379</u>

See the accompanying notes to the financial statements.

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

Fund balance-total governmental funds	\$	22,705,320
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.		61,962,921
Certain assets (OPEB asset) are not receivable in the current period and, therefore, are not reported in the fund financial statements.		322,415
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		373,739
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		(208,510)
Bonds payable		(26,886,423)
Finance purchase obligations		(158,341)
Sick leave liability		(412,338)
Net pension liability		(14,984,647)
Net OPEB liability		(6,848,000)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		
Deferred outflows related to OPEB		5,931,110
Deferred inflows related to OPEB		(11,247,000)
Deferred outflows related to pensions		4,084,570
Deferred inflows related to pensions		(4,229,986)
		30,404,830
Net position of governmental activities	\$	<u><u>30,404,830</u></u>

See the accompanying notes to the financial statements.

Knox County School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
Year ended June 30, 2024

	<u>General</u>	<u>Special Revenue</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
From local sources						
Taxes						
Property	\$ 4,336,295	\$ -	\$ -	\$ -	\$ 626,956	\$ 4,963,251
Motor vehicle	1,104,891					1,104,891
Unmined minerals	7,655					7,655
Gas & Oil	334,563					334,563
Franchise tax	423,389					423,389
Utility	1,398,517					1,398,517
Tuition	7,475					7,475
Earnings on investments	691,120	185	2,172		4,107	697,584
Food service	935	1,558			10,817	13,310
Student activities					1,133,797	1,133,797
Other local revenue	289,070	242,467			113,562	645,099
Intergovernmental - state	33,510,811	4,019,655		1,589,687	1,599,023	40,719,176
Intergovernmental - federal	256,195	16,691,656				16,947,851
Total revenues	<u>42,360,916</u>	<u>20,955,521</u>	<u>2,172</u>	<u>1,589,687</u>	<u>3,488,262</u>	<u>68,396,558</u>
EXPENDITURES						
Instruction	23,978,483	14,635,875			1,025,819	39,640,177
Support services						
Student	3,084,414	716,504			1,185	3,802,103
Instructional staff	1,119,461	424,742			22,246	1,566,449
District administration	832,103					832,103
School administration	3,130,977	126,031				3,257,008
Business	1,047,320	358,751				1,406,071
Plant operation & maintenance	4,795,206	504,617				5,299,823
Student transportation	3,360,434	622,494			59,495	4,042,423
Other non-instruction					75,272	75,272
Food services operation		3,058				3,058
Community services	1,000	755,380				756,380
Debt service	188,109			4,005,807		4,210,691
Land/site acquisitions				(12,180)		(12,180)
Building improvement			2,032,234			2,032,234
Total expenditures	<u>41,537,507</u>	<u>18,147,452</u>	<u>2,036,829</u>	<u>4,005,807</u>	<u>1,184,017</u>	<u>66,911,612</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	823,409	2,808,069	(2,034,657)	(2,416,120)	2,304,245	1,484,946
OTHER FINANCING SOURCES (USES)						
Bond proceeds			825,000			825,000
Bond premium			2,121			2,121
Operating transfers in	1,202,566	66,674	2,131,585	2,416,120	17,700	5,834,645
Operating transfers (out)	(697,869)	(2,874,743)			(2,172,033)	(5,744,645)
Total other financing sources and (uses)	<u>504,697</u>	<u>(2,808,069)</u>	<u>2,958,706</u>	<u>2,416,120</u>	<u>(2,154,333)</u>	<u>917,121</u>
NET CHANGE IN FUND BALANCE	1,328,106	-	924,049	-	149,912	2,402,067
FUND BALANCE-BEGINNING	<u>9,485,779</u>	<u>-</u>	<u>9,859,762</u>	<u>-</u>	<u>957,712</u>	<u>20,303,253</u>
FUND BALANCE-ENDING	<u>\$ 10,813,885</u>	<u>\$ -</u>	<u>\$ 10,783,811</u>	<u>\$ -</u>	<u>\$ 1,107,624</u>	<u>\$ 22,705,320</u>

See the accompanying notes to the financial statements.

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

Net change in fund balance-total governmental funds	\$	2,402,067
Amounts reported for governmental activities in the statement of activities are different because:		
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.		2,728,290
Bonds sold at a discount/premium is recorded as a other financing use on the fund financial statements but is netted against bond obligations and amortized to expense over the life of the bond in the statement of net position.		(7,233)
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.		133,001
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.		(142,874)
Bond and finance purchase payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.		2,522,236
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.		
Accrued interest payable		2,124
Noncurrent sick leave payable		(63,438)
		<hr/>
Change in net position of governmental activities	\$	<u><u>7,574,173</u></u>

See the accompanying notes to the financial statements.

Knox County School District
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
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>		
REVENUES				
From local sources				
Taxes				
Property	\$ 4,279,826	\$ 4,279,826	\$ 4,336,295	\$ 56,469
Motor vehicle	772,680	772,680	1,104,891	332,211
Unmined minerals			7,655	7,655
Gas & Oil			334,563	334,563
Franchise tax			423,389	423,389
Utility	1,362,029	1,362,029	1,398,517	36,488
Tuition			7,475	7,475
Earnings on investments	43,045	43,045	691,120	648,075
Food service	300	300	935	635
Other local revenue	278,079	280,361	289,070	8,709
Intergovernmental - state	35,897,049	33,411,400	33,510,811	99,411
Intergovernmental - federal	169,427	169,427	256,195	86,768
Total revenues	<u>42,802,435</u>	<u>40,319,068</u>	<u>42,360,916</u>	<u>2,041,848</u>
EXPENDITURES				
Instruction	27,378,908	25,792,412	23,978,483	1,813,929
Support services				
Student	3,522,987	3,270,249	3,084,414	185,835
Instructional staff	1,569,305	1,427,419	1,119,461	307,958
District administration	945,313	929,695	832,103	97,592
School administration	3,325,739	3,173,271	3,130,977	42,294
Business	1,254,983	1,207,444	1,047,320	160,124
Plant operation & maintenance	5,755,346	5,758,349	4,795,206	963,143
Student transportation	4,264,345	4,297,579	3,360,434	937,145
Community services	450	2,450	1,000	1,450
Debt service	188,109	188,109	188,109	-
Total expenditures	<u>48,205,485</u>	<u>46,046,977</u>	<u>41,537,507</u>	<u>4,509,470</u>
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	(5,403,050)	(5,727,909)	823,409	6,551,318
OTHER FINANCING SOURCES (USES)				
Operating transfers in	459,440	459,440	1,202,566	743,126
Operating transfers out	(706,195)	(706,195)	(697,869)	8,326
Total other financing sources and (uses)	<u>(246,755)</u>	<u>(246,755)</u>	<u>504,697</u>	<u>751,452</u>
NET CHANGE IN FUND BALANCE	(5,649,805)	(5,974,664)	1,328,106	7,302,770
FUND BALANCE BEGINNING	<u>8,390,763</u>	<u>8,667,277</u>	<u>9,485,779</u>	<u>818,502</u>
FUND BALANCE-ENDING	<u>\$ 2,740,958</u>	<u>\$ 2,692,613</u>	<u>\$ 10,813,885</u>	<u>\$ 8,121,272</u>

See the accompanying notes to the financial statements.

Knox County School District
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Special Revenue Fund
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>		
REVENUES				
Earnings on investments	\$ 6	\$ 118	\$ 185	\$ 67
Food service			1,558	1,558
Other local revenue	70,108	186,753	242,467	55,714
Intergovernmental - state	3,955,762	4,001,096	4,019,655	18,559
Intergovernmental - federal	5,793,235	7,178,163	16,691,656	9,513,493
Total revenues	<u>9,819,111</u>	<u>11,366,130</u>	<u>20,955,521</u>	<u>9,589,391</u>
EXPENDITURES				
Instruction	8,127,985	9,184,303	14,635,875	(5,451,572)
Support services				
Student	350,512	632,191	716,504	(84,313)
Instructional staff	320,726	321,988	424,742	(102,754)
School administration	126,165	126,165	126,031	
Business	54,200	52,844	358,751	(305,907)
Plant operation & maintenance	121,686	121,486	504,617	(383,131)
Student transportation	89,561	90,872	622,494	(531,622)
Food service operations			3,058	(3,058)
Community services operations	699,951	747,949	755,380	(7,431)
Total expenditures	<u>9,890,786</u>	<u>11,277,798</u>	<u>18,147,452</u>	<u>(6,869,788)</u>
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	(71,675)	88,332	2,808,069	2,719,603
OTHER FINANCING SOURCES (USES)				
Operating transfers (out)	(3,325)	(3,287)	(2,874,743)	(2,871,456)
Operating transfers in	75,000	66,674	66,674	-
Total other financing sources and (uses)	<u>71,675</u>	<u>63,387</u>	<u>(2,808,069)</u>	<u>(2,871,456)</u>
NET CHANGE IN FUND BALANCE	-	151,719	-	(151,719)
FUND BALANCE-BEGINNING	-	-	-	-
FUND BALANCE-ENDING	<u>\$ -</u>	<u>\$ 151,719</u>	<u>\$ -</u>	<u>\$ (151,719)</u>

See the accompanying notes to the financial statements.

Knox County School District
Statement of Net Position
Proprietary Funds
June 30, 2024

		School Food Services
ASSETS		
Cash and cash equivalents	\$	1,379,473
Inventories		68,174
Accounts receivable, net		4,719
Funded OPEB asset		10,519
Capital assets:		
Other capital assets, net of depreciation		525,693
Total assets		<u>1,988,578</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions		133,264
Deferred outflows related to OPEB		57,463
Total deferred outflows of resources		<u>190,727</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		<u><u>2,179,305</u></u>
LIABILITIES		
Accounts payable		7,873
Net pension liability		488,891
Net OPEB liability		
Total liabilities		<u>496,764</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions		138,008
Deferred inflows related to OPEB		201,760
Total deferred inflows of resources		<u>339,768</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		<u>836,532</u>
NET POSITION		
Net Investment in capital assets		525,693
Restricted		817,080
Total net position		<u>1,342,773</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$	<u><u>2,179,305</u></u>

See the accompanying notes to the financial statements.

Knox County School District
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year ended June 30, 2024

		School Food Services
OPERATING REVENUES		
Lunchroom sales	\$	75,633
Total operating revenues		<u>75,633</u>
OPERATING EXPENSES		
Food service operations		
Salaries and benefits		1,184,179
Operational		2,347,661
Depreciation		43,394
Total operating expenses		<u>3,575,234</u>
Operating income (loss)		(3,499,601)
NONOPERATING REVENUES (EXPENSES)		
Federal grants		3,145,458
State grants		268,773
Transfers in (out)		(90,000)
Earnings from investments		48,573
Total nonoperating revenues (expenses)		<u>3,372,804</u>
CHANGE IN NET POSITION		(126,797)
NET POSITION-BEGINNING		<u>1,469,570</u>
NET POSITION-ENDING	\$	<u><u>1,342,773</u></u>

See the accompanying notes to the financial statements.

Knox County School District
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2024

	<u>School Food Services</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 75,633
Payments to suppliers	(2,401,349)
Payments to employees	(1,184,179)
Net cash provided (used) by operating activities	<u>(3,509,895)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating grants and contributions	<u>3,414,231</u>
Net cash provided (used) by noncapital financing activities	<u>3,414,231</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Transfers	(90,000)
Purchase of capital assets	(81,612)
Net cash provided (used) by capital and related financing activities	<u>(171,612)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	<u>48,573</u>
Net cash provided (used) by investing activities	<u>48,573</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(218,703)
CASH AND CASH EQUIVALENTS-BEGINNING	<u>1,598,176</u>
CASH AND CASH EQUIVALENTS-ENDING	<u>\$ <u>1,379,473</u></u>
Reconciliation of operating income (loss) to net cash provided (used)	
by operating activities:	
Operating income (loss)	\$ (3,499,601)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	43,394
Changes in assets and liabilities:	
Receivables	8,090
Funded OPEB asset	(10,519)
Inventories	173
Outflow Deferrals	42,862
Inflow Deferrals	167,048
Net pension liability	(98,968)
Net OPEB liability	(160,488)
Accrued liabilities	(1,886)
Net cash provided provided (used) by operating activities	<u>\$ (3,509,895)</u>

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the district received \$195,444 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 \$245,671 for food services provided by state government.

See the accompanying notes to the financial statements.

KNOX 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 Knox 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 Knox 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 Knox 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:

Knox County Board Of Education Finance Corporation

The Board authorized establishment of the Knox 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 Knox 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

Fund Financial Statements – 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 fund balance. 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

(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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; 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 Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. This is a major fund of the District.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

Cash and Cash Equivalents

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

Inventories

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 five 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
Audio-visual equipment	15 years
Food service equipment	10-12 years

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Furniture and fixtures	7 years
Other	10 years

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.
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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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) invested in capital assets net of related debt – 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 invested 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. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited in the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2024, to finance the General Fund operations were \$.541 per \$100 valuation of real property, \$.541 per \$100 valuation for business personal property and \$.502 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 amount of such services and donated commodities are recorded in the accompanying financial statements at their estimated fair market values.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

Inter-fund 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.

Inter-fund 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 inter-fund transfers. Inter-fund 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 exceeded budgeted appropriations by \$6,869,788.

New Accounting Pronouncements

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT

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.

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

At year end the District's bank balances were fully 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

of the District’s cash and cash equivalents and certificates of deposit was \$22,758,531. The bank balance for the same time was \$23,408,122.

The General Fund and Construction Fund had \$1,110,518 and \$ 182,149, respectively, in certificates of deposit at June 30, 2024, to maximize interest earned for the fund. Non-negotiable certificates of deposit are stated at cost which approximates fair value.

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:

<u>Governmental Activities</u>	<u>July 1, 2023</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2024</u>
Land-nondepreciable	\$ 2,147,788	\$ -	\$ -	\$ 2,147,788
Construction in progress- nondepreciable	5,613,725	2,020,054	89,697	7,544,081
Land improvements	4,269,608	-	-	4,269,608
Buildings	80,884,374	34,122	-	80,918,496
Technology	1,321,259	-	-	1,321,259
Vehicles	8,677,580	420,279	-	9,097,859
General equipment	1,054,232	216,220	-	1,270,452
Total at historical cost	<u>\$ 103,968,567</u>	<u>\$ 2,690,674</u>	<u>\$ 89,697</u>	<u>\$ 106,569,543</u>
Less: Accumulated depreciation				
Land improvements	\$ 3,474,898	\$ 17,508	\$ -	\$ 3,492,406
Buildings	30,663,081	1,865,841	-	32,528,923
Technology	1,206,267	57,452	-	1,263,719
Vehicles	6,084,575	462,981	-	6,547,556
General equipment	709,826	64,193	-	774,019
Total accumulated depreciation	<u>\$ 42,138,647</u>	<u>\$ 2,467,975</u>	<u>\$ -</u>	<u>\$ 44,606,623</u>
Subscription Asset				
Leased subscription	\$ 27,444	\$ -	\$ -	\$ 27,444
Less: Accumulated amortization	<u>(13,908)</u>	<u>(13,536)</u>	<u>-</u>	<u>(27,444)</u>
Subscription Asset-net	<u>\$ 13,536</u>	<u>\$ (13,536)</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Governmental Activities</u>	<u>\$ 61,843,456</u>	<u>\$ 209,163</u>	<u>\$ 89,697</u>	<u>\$ 61,962,921</u>
<u>Business-Type Activities</u>	<u>July 1, 2023</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2024</u>
Buildings	\$ 1,684,374	\$ -	\$ -	\$ 1,684,374
General equipment	1,333,463	81,612	-	1,415,076
Total at historical cost	<u>\$ 3,017,837</u>	<u>\$ 81,612</u>	<u>\$ -</u>	<u>\$ 3,099,450</u>
Less: Accumulated depreciation				
Buildings	\$ 1,286,078	\$ 22,903	\$ -	\$ 1,308,981
General equipment	1,244,284	20,492	-	1,264,776
Total accumulated depreciation	<u>\$ 2,530,362</u>	<u>\$ 43,395</u>	<u>\$ -</u>	<u>\$ 2,573,757</u>
<u>Business-Type Activities</u>	<u>\$ 487,475</u>	<u>\$ 38,218</u>	<u>\$ -</u>	<u>\$ 525,693</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 Knox County School District Finance Corporation.

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 Knox 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 Date</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>	<u>Outstanding Balance</u>
2012R	16,340,000	12/1/2025	2.625-2.750%	\$ 3,760,000	\$ -	\$ 1,695,000	\$ 2,065,000	\$ 2,065,000
2012E	9,580,000	10/1/2032	3%	7,845,000	-	295,000	7,550,000	\$ 7,550,000
2013	3,195,000	6/1/2033	2.5-3.850%	1,800,000	-	155,000	1,645,000	\$ 1,645,000
2016	1,445,000	2/1/2036	2-3.125%	1,025,000	-	65,000	960,000	\$ 960,000
2016R	7,185,000	9/1/2027	3.00%	4,440,000	-	560,000	3,880,000	\$ 3,880,000
2017R	3,040,000	2/1/2028	2-2.250%	1,940,000	-	230,000	1,710,000	\$ 1,710,000
2018E	4,675,000	4/1/2038	3-3.50%	4,085,000	-	155,000	3,930,000	\$ 3,930,000
2021	540,000	12/1/2041	1.375-2.375%	535,000	-	10,000	525,000	\$ 525,000
2022	3,935,000	8/1/2033	3-3.250%	3,935,000.00	-	5,000	3,930,000	\$ 3,930,000
24	825,000	2/1/2044	3.25-4%	-	825,000	-	825,000	\$ 825,000
	<u>50,760,000</u>			<u>29,365,000</u>	<u>825,000</u>	<u>3,170,000</u>	<u>27,020,000</u>	<u>27,020,000</u>
Add	Premium			122,386	2,121	(24,583)	99,924	99,924
Less	Discount			(265,317)	-	31,816	(233,501)	(233,501)
Totals				<u>\$ 29,222,069</u>	<u>\$ 827,121</u>	<u>\$ 3,177,233</u>	<u>\$ 26,886,423</u>	<u>\$ 26,886,423</u>

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

amounts to be paid by the Commission, at June 30, 2024, for debt service, (principal and interest) are as follows:

Fiscal Year Ended 30-Jun	Local Principal	Sfcc Principal	Local Interest	Sfcc Interest	Total Principal	Total Interest
2025	\$ 1,856,648	\$ 1,027,352	\$ 568,451	\$ 217,712	\$ 2,884,000	\$ 786,164
2026	1,939,308	1,057,692	515,089	188,260	2,997,000	703,349
2027	1,882,186	1,086,814	465,070	158,405	2,969,000	623,475
2028	1,975,204	993,796	411,021	129,322	2,969,000	540,344
2029	1,756,252	343,748	352,508	106,488	2,100,000	458,996
2030-2034	8,887,645	1,684,355	915,646	343,174	10,572,000	1,258,820
2035-2039	1,464,508	675,492	141,382	113,372	2,140,000	254,754
2040-2044	120,000	269,000	4,275	32,880	389,000	37,155
	<u>\$ 19,881,751</u>	<u>\$ 7,138,249</u>	<u>\$ 3,373,443</u>	<u>\$ 1,289,614</u>	<u>\$ 27,020,000</u>	<u>\$ 4,663,057</u>

Finance Purchases

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

Finance Purchases <u>KISTA</u>	Original Amount	Maturity Date	Interest Rates	2023			2024
				Outstanding Balance	Additions	Retirements	Outstanding Balance
2014	\$ 940,040	3/1/2024	2-3%	\$ 87,700	\$ -	\$ 87,700	\$ -
2016	\$ 869,813	3/1/2026	5.31%	249,998	-	91,657	\$ 158,341
Totals				<u>\$ 337,698</u>	<u>\$ -</u>	<u>\$ 179,357</u>	<u>\$ 158,341</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:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year Ended 30-Jun	Local Principal	Local Interest	Total
2025	\$ 78,108	\$ 4,059	\$ 82,167
2026	80,233	2,106	82,339
	<u>\$ 158,341</u>	<u>\$ 6,165</u>	<u>\$ 164,506</u>

Total minimum payments	\$	164,506
Less: Amount representing interest		<u>(6,165)</u>
Present Value of Net Minimum Payments	\$	<u>158,341</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 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.

Subscription Assets

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

<u>ROU Sub</u>	<u>Original Amount</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>2023 Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>2024 Outstanding Balance</u>
2023	27,444	11/14/2023	2%	\$ 13,536	\$ -	\$ 13,536	\$ -

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 fiscal year 2023 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	\$ 348,900	\$ 63,438-	\$ -	\$ 412,338

Net Pension & OPEB Liability

The net pension liability is \$14,984,647 for governmental activities and \$488,891 for business-type activities for a total of \$15,473,538 as of June 30, 2024 (See Note E for additional information). The

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

net OPEB liability is \$6,848,000 for governmental activities and \$0 for business-type activities for a total of \$6,848,000 as of June 30, 2024 (See Note F for additional information).

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

<u>Description</u>	<u>2023 Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>2024 Outstanding Balance</u>	<u>Current</u>
Bonds, net of premium and discount	\$ 29,222,069	\$ 827,121	\$ 3,177,233	\$ 26,886,423	\$ 2,884,000
Finance purchases	337,698	-	179,357	158,341	78,108
Subscription assets	13,536	-	13,536	-	-
Sick leave	348,900	63,438	-	412,338	-
Net pension liability	18,708,470		3,234,932	15,473,538	-
Net OPEB liability	<u>14,817,493</u>	<u>-</u>	<u>7,969,493</u>	<u>6,848,000</u>	<u>-</u>
Total	\$ <u>63,448,166</u>	\$ <u>890,559</u>	\$ <u>14,574,551</u>	\$ <u>49,778,640</u>	\$ <u>2,962,108</u>

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 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 of r 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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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
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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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	91,059,222
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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 employees relative to the total liability of the System as determined by the actuary. The District's proportion was 0.534400%.

Actuarial Methods and Assumptions

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

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 %

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 %
	<hr/>	
Total	<u>100 %</u>	

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	\$ 117,000,889	\$ 91,059,222	\$ 69,445,298

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 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, 2023, employers were required to contribute 26.95% of the member's salary, 22.78% pension and 4.17% for insurance. The District contributed \$1,723,526 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, 2023, 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, \$15,473,538 was based on contributions to CERS during the fiscal year ended June 30, 2023. The District's proportion was 0.241152%.

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. The net pension liability as of June 30, 2024, is based on the June 30, 2023, actuarial valuation rolled forward. Deferred outflows

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 revenue of \$999,456 and reported deferred outflows of resources and deferred inflows of resources related to pensions as follows.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 801,035	\$ 42,046
Changes of assumptions	-	1,418,160
Net difference between projected and actual earnings on pension plan investments	1,671,580	1,882,648
Changes in proportion and differences between District contributions and proportionate share of contributions	21,693	1,025,140
District contributions subsequent to the measurement date	<u>1,723,526</u>	<u>-</u>
	<u>\$ 4,217,834</u>	<u>\$ 4,367,994</u>

The \$1,723,526 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	\$ (1,102,563)
Year 2	(966,756)
Year 3	345,432
Year 4	<u>(149,799)</u>
	<u>\$ (1,873,686)</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 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%
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	\$ 19,536,277	\$ 15,473,538	\$ 12,097,250

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity		
Public Equity	50 %	5.9 %
Private Equity	10 %	11.73 %
Fixed Income		
Core Fixed Income	10 %	2.45 %
Specialty Credit	10 %	3.65 %
Cash	0 %	1.39 %
Inflation Protected		
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 publically 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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).

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 \$6,848,000 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 .281148%.

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	6,848,000
State's proportionate share of the TRS net OPEB liability associated with the District	<u>5,772,000</u>
	<u><u>12,620,000</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflow of Resource</u>
Differences between expected and actual experience	\$ -	\$ 2,321,000
Changes of assumptions	1,557,000	-
Net difference between projected and actual earnings on pension plan investments	128,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,931,000	2,742,000
District contributions subsequent to the measurement date	<u>553,856</u>	<u>-</u>
	\$ <u>4,169,856</u>	\$ <u>5,063,000</u>

The \$553,856 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 Ende June 30,</u>
Year 1	\$ (481,000)
Year 2	(426,000)
Year 3	36,000
Year 4	(54,000)
Year 5	(255,000)
Thereafter	<u>(267,000)</u>
	\$ <u>(1,447,000)</u>

Actuarial Methods and Assumptions

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 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 Allocati	Long Term Expecte Real Rate of Return
Large Cap US Equity	3.0 %	5.5 %
Small Cap US Equity	2.6 %	5.5 %
Developed International Equity	15.0 %	6.1 %
Emerging Markets Equity	5.0 %	1.9 %
Fixed Income	9.0 %	3.8 %
High Yield Bonds	8.0 %	3.7 %
Other Additional Categories	9.0 %	3.2 %
Real Estate	6.5 %	8.0 %
Private Equity	8.5 %	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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:

	1% Decrease	Current Discount Rate	1% Increase
	6.10%	7.10%	8.10%
District's proportionate share of net OPEB liability	\$ 8,808,000	\$ 6,848,000	\$ 5,228,000

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:

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 4,930,000	\$ 6,848,000	\$ 9,236,000

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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	143,000
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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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Revenue or Expenses for TRS OPEB plans

For the year ended June 30, 2023, the District recognized OPEB revenue in the amount of \$767,337 for support provided on-behalf of the State.

CERS – General Information about the OPEB Plans

Employees' Health Plan

Plan description

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 \$332,934 for its proportionate share of the collective net OPEB liability which is .241140%.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, 2023, the District recognized OPEB revenue of \$1,021,561. The District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 232,105	\$ 4,727,331
Changes of assumptions	655,191	456,602
Net difference between projected and actual earnings on pension plan investments	623,073	700,341
Changes in proportion and differences between District contributions and proportionate share of contributions	93,873	501,486
District contributions subsequent to the measurement date	<u>214,475</u>	<u>-</u>
	\$ <u>1,818,717</u>	\$ <u>6,385,760</u>

The \$214,475 (includes \$108,744 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	\$ (1,210,817)
Year 2	(1,439,718)
Year 3	(1,152,199)
Year 4	<u>(978,784)</u>
	\$ <u>(4,781,518)</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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

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:

	1% Decrease	Current Discount Rate	1% Increase
	4.93%	5.93%	6.93%
District's proportionate share of net OPEB liability	\$ 624,790	\$ (332,934)	\$ (1,134,911)

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:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	1% Decrease	Current Tre Rate	1% Increase
District's proportionate share of net OPEB liability	\$ (1,067,112)	\$ (332,934)	\$ 568,934

OPEB plan fiduciary net position

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

NOTE G – COMMITMENTS

The District has commitments of \$19,542,622 as of June 30, 2024 for future construction projects. The District has committed fund balance for the General Fund of \$950,000.

NOTE H - 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 I - LITIGATION

The District has no pending or threatened litigation involving amounts exceeding \$10,000 individually or in the aggregate as of June 30, 2024.

NOTE J – 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, which are retrospectively rated and includes Workers' Compensation insurance.

NOTE K – RISK MANAGEMENT

The District is exposed to various risks of loss related to illegal acts, torts, theft/damage/destruction of assets, errors and omissions, injuries to employees, and natural disasters. To obtain insurance for workers' compensation, errors and omission, and general liability coverage, the District purchased commercial insurance policies.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The District purchases unemployment insurance through the Kentucky School Districts Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

NOTE L – DEFICIT FUND AND OPERATING BALANCES

The following funds had an operating deficit at the end of the fiscal year causing a reduction in the fund balance/net position.

<u>Fund</u>	<u>Change in Net Position/ Net Change in Fund Balance</u>	<u>Fund Balance/ Net Position</u>
Food Service	(126,797)	
Capital Outlay	\$ (3,293)	-

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 the year:

<u>Type</u>	<u>From</u>	<u>To</u>	<u>Purpose</u>	<u>Amount</u>
Special Rev	General Fund	Special Revenue	KETS Matching	\$ 66,674
Debt Service	General Fund	Debt Service	Debt Payments	631,195
Debt Service	Building Fund	Debt Service	Debt Payments	1,784,925
Operations	Special Revenue	General Fund	Indirect Costs	746,451
Operations	Food Service	General Fund	Indirect Costs	90,000
Construction	Special Revenue	Construction	Construction	2,128,292
Operations	Student Activity	District Activity	Operations	17,700
Operations	Capital Outlay	General Fund	Operations	366,115
Operations	Capital Outlay	Construction	Construction	\$ 3,293

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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)	\$	5,940,542
Health Insurance		6,136,184
Life Insurance		8,831
Administrative Fee		70,408
HRA/Dental/Vision		365,929
Federal Reimbursement		(825,129)
Technology		112,871
SFCC Debt Service Payments		<u>1,589,687</u>
Total	\$	<u><u>13,399,323</u></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 – RESTRICTED FUNDS

The following funds had restricted fund balances.

<u>Fund</u>		<u>Amount</u>	<u>Purpose</u>
General Fund	\$	211,908	Sick Leave
Food Service		817,080	School Food Services
FSPK		482,544	School Facilities Construction Commission Requirement
Capital Outlay		95,936	School Facilities Construction Commission Requirement
Student Activity		528,402	Student Activities
District Activity		742	District Activities
Construction Fund	\$	10,783,811	Future Construction Projects

NOTE Q – PRIOR PERIOD ADJUSTMENTS

A prior period adjustment to Governmental Activities in the amount of \$25,000 was made to reduce the beginning net position of \$22,855,657 by this amount due to an error in the prior period resulting in an overstatement of capital assets. The restated beginning net position is \$22,830,657.

NOTE R – SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 15, 2024, the date of the audit report.

KNOX 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)
COUNTY EMPLOYEE'S RETIREMENT SYSTEM (CERS):									
Districts' proportion of the net pension liability	0.24115%	0.25880%	0.27000%	0.26000%	0.26000%	0.27000%	0.26000%	0.270000%	0.28000%
District's proportionate share of the net pension liability	\$ 15,473,538	\$ 18,708,470	\$ 17,081,300	\$ 19,565,038	\$ 17,953,464	\$ 16,725,134	\$ 15,501,665	\$ 13,413,472	\$ 11,883,261
State's proportionate share of the net pension liability associated with the District	-	-	-	-	-	-	-	-	-
Total	\$ 15,473,538	\$ 18,708,470	\$ 17,081,300	\$ 19,565,038	\$ 17,953,464	\$ 16,725,134	\$ 15,501,665	\$ 13,413,472	\$ 11,883,261
District's covered-employee payroll	\$ 6,989,529	\$ 7,197,443	\$ 6,947,519	\$ 6,633,681	\$ 3,690,807	\$ 3,705,438	\$ 3,869,517	\$ 3,757,553	\$ 3,725,574
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	221.38%	259.93%	245.86%	294.93%	486.44%	451.37%	400.61%	356.97%	318.96%
Plan fiduciary net position as a percentage of the total pension liability	57.68%	52.42%	57.33%	47.81%	50.54%	53.54%	53.30%	59.00%	59.97%
KENTUCKY TEACHER'S RETIREMENT SYSTEM (TRS):									
Districts' proportion of the net pension liability	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	91,059,222	91,875,700	73,700,913	79,882,633	76,588,609	76,651,440	157,279,448	178,279,477	140,308,750
Total	\$ 91,059,222	\$ 91,875,700	\$ 73,700,913	\$ 79,882,633	\$ 76,588,609	\$ 76,651,440	\$ 157,279,448	\$ 178,279,477	\$ 140,308,750
District's covered-employee payroll	\$ 23,624,858	\$ 12,324,243	\$ 11,766,070	\$ 9,139,880	\$ 10,686,578	\$ 10,983,190	\$ 11,086,694	\$ 11,321,645	\$ 11,076,722
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	57.48%	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.

KNOX 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>
COUNTY EMPLOYEE'S RETIREMENT SYSTEM (CERS):									
Contractually required contribution	\$ 1,723,526	\$ 1,805,458	\$ 1,523,699	\$ 1,323,818	\$ 1,280,302	\$ 1,061,068	\$ 1,003,222	\$ 1,222,663	\$ 1,122,559
Contributions in relation to the contractually required contributions	<u>1,723,526</u>	<u>1,805,458</u>	<u>1,523,699</u>	<u>1,323,818</u>	<u>1,280,302</u>	<u>1,061,068</u>	<u>1,003,222</u>	<u>1,222,663</u>	1,122,559
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	\$ 7,837,421	\$ 6,989,529	\$ 7,197,443	\$ 6,947,519	\$ 6,633,681	\$ 6,541,720	\$ 6,928,329	\$ 6,545,303	\$ 6,580,078
District's contributions as a percentage of it's covered-employee payroll	21.99%	25.83%	21.17%	19.05%	19.30%	16.22%	14.48%	18.68%	17.06%
KENTUCKY TEACHER'S RETIREMENT SYSTEM (TRS):									
Contractually required contribution	\$ -	\$ -	\$ 5,883,053	\$ 5,782,070	\$ 5,763,720	\$ 5,553,977	\$ 5,588,043	\$ 2,933,432	\$ 2,901,778
Contributions in relation to the contractually required contributions	<u>-</u>	<u>-</u>	<u>5,883,053</u>	<u>5,782,070</u>	<u>5,763,720</u>	<u>5,553,977</u>	<u>5,588,043</u>	<u>2,933,432</u>	<u>2,901,778</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	\$ 24,984,676	\$ 23,624,858	\$ 12,324,243	\$ 11,766,070	\$ 9,139,880	\$ 10,686,578	\$ 10,983,190	\$ 11,086,694	\$ 11,321,645
District's contributions as a percentage of it's covered-employee payroll	0.00%	0.00%	47.74%	49.14%	63.06%	51.97%	50.88%	26.46%	25.63%

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.

KNOX 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.

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%

KNOX COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS

For the year ended June 30, 2024

Projected Salary Increase	3.0-7.5%, including inflation
Investment Rate of Return	7.10%, net of pension plan investment expense, including inflation.

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%

KNOX 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)
MEDICAL INSURANCE PLAN							
District's proportion of the collective net OPEB liability (asset)	0.281148%	0.391146%	0.300000%	0.300000%	0.300000%	0.300000%	0.310000%
District's proportionate share of the collective net OPEB liability (asset)	\$ 6,848,000	\$ 9,710,000	\$ 6,484,000	\$ 7,530,000	\$ 8,768,000	\$ 10,498,000	\$ 10,978,000
State's proportionate share of the collective net OPEB liability (asset) associated with the District	<u>5,772,000</u>	<u>3,190,000</u>	<u>5,266,000</u>	<u>6,112,000</u>	<u>7,081,000</u>	<u>9,047,000</u>	<u>8,967,000</u>
Total	<u>\$ 12,620,000</u>	<u>\$ 12,900,000</u>	<u>\$ 11,750,000</u>	<u>\$ 13,642,000</u>	<u>\$ 15,849,000</u>	<u>\$ 10,203,000</u>	<u>\$ 19,945,000</u>
District's covered-employee payroll	\$ 23,624,858	\$ 12,324,243	\$ 11,766,070	\$ 9,139,880	\$ 10,686,578	\$ 10,983,190	\$ 11,086,694
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	28.99%	78.79%	55.11%	82.39%	82.05%	95.58%	99.02%
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%
LIFE INSURANCE PLAN							
District's proportion of the collective net OPEB liability (asset)	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%
District's proportionate share of the collective net OPEB liability (asset)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the collective net OPEB liability (asset) associated with the District	<u>143,000</u>	<u>159,000</u>	<u>70,000</u>	<u>185,000</u>	<u>164,000</u>	<u>155,000</u>	<u>120,000</u>
Total	<u>\$ 143,000</u>	<u>\$ 159,000</u>	<u>\$ 70,000</u>	<u>\$ 185,000</u>	<u>\$ 164,000</u>	<u>\$ 155,000</u>	<u>\$ 120,000</u>
District's covered-employee payroll	\$ 23,624,858	\$ 12,324,243	\$ 11,766,070	\$ 9,139,880	\$ 10,686,578	\$ 10,983,190	\$ 11,086,694
District's proportionate share of the collective net OPEB 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.

KNOX 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>
MEDICAL INSURANCE PLAN							
Contractually required contribution	\$ 553,856	\$ 513,519	\$ 708,473	\$ 687,425	\$ 647,547	\$ 630,886	\$ 639,274
Contributions in relation to the contractually required contribution	<u>553,856</u>	<u>513,519</u>	<u>708,473</u>	<u>687,425</u>	<u>647,547</u>	<u>630,886</u>	<u>639,274</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 24,984,676	\$ 23,624,858	\$ 12,324,243	\$ 11,766,070	\$ 9,139,880	\$ 10,686,578	\$ 10,983,190
District's contributions as a percentage of it's covered-employee payroll	2.22%	2.17%	5.75%	5.84%	7.08%	5.90%	5.82%
LIFE INSURANCE PLAN							
Contractually required contribution	\$ -	\$ -	\$ 10,728	\$ 8,899	\$ 6,995	\$ 5,390	\$ 5,275
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>10,728</u>	<u>8,899</u>	<u>6,995</u>	<u>5,390</u>	<u>5,275</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 24,984,676	\$ 23,624,858	\$ 12,324,243	\$ 11,766,070	\$ 9,139,880	\$ 10,686,578	\$ 10,983,190
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.

KNOX 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)
HEALTH INSURANCE PLAN							
District's proportion of the collective net OPEB liability (asset)	0.241140%	0.258802%	0.270000%	0.260000%	0.26000%	0.27000%	0.26000%
District's proportionate share of the collective net OPEB liability (asset)	\$ (332,934)	\$ 5,107,493	\$ 5,127,797	\$ 6,158,465	\$ 4,292,467	\$ 4,875,610	\$ 5,324,109
State's proportionate share of the collective net OPEB liability (asset) associated with the District	-	-	-	-	-	-	-
Total	<u>\$ (332,934)</u>	<u>\$ 5,107,493</u>	<u>\$ 5,127,797</u>	<u>\$ 6,158,465</u>	<u>\$ 4,292,467</u>	<u>\$ 4,875,610</u>	<u>\$ 5,324,109</u>
District's covered-employee payroll	\$ 6,989,529	\$ 7,197,443	\$ 6,947,519	\$ 6,633,681	\$ 3,690,807	\$ 3,705,438	\$ 3,869,517
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	-4.76%	70.96%	73.81%	92.84%	116.30%	131.58%	137.59%
Plan fiduciary net position as a percentage of the total OPEB liability	104.23%	60.95%	51.67%	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.

KNOX 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>
HEALTH INSURANCE PLAN							
Contractually required contribution	\$ 214,475	\$ 294,902	\$ 430,407	\$ 326,495	\$ 315,764	\$ 344,095	\$ 325,631
Contributions in relation to the contractually	<u>214,475</u>	<u>294,902</u>	<u>430,407</u>	<u>326,495</u>	<u>315,764</u>	<u>344,095</u>	<u>325,631</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 7,837,421	\$ 6,989,529	\$ 7,197,443	\$ 6,947,519	\$ 6,633,681	\$ 6,541,720	\$ 3,705,438
District's contributions as a percentage of it's covered-employee payroll	2.74%	4.22%	5.98%	4.70%	4.76%	5.26%	8.79%

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.

KNOX 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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KNOX 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

KNOX 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.

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

Other Governmental Funds					
	Special Revenue Student Activity	Capital Outlay	FSPK Fund	Special Revenue District Activity	Total
Assets					
Cash and cash equivalents	\$ 531,518	\$ 95,936	\$ 482,544	\$ 742	\$ 1,110,740
Accounts receivable	400				400
Total assets	531,918	95,936	482,544	742	1,111,140
Liabilities					
Accounts payable	3,516				3,516
Total liabilities	3,516	-	-	-	3,516
Fund Balance					
Restricted	528,402	95,936	482,544	742	1,107,624
Total fund balance	528,402	95,936	482,544	742	1,107,624
TOTAL LIABILITIES AND FUND BALANCE	\$ 531,918	\$ 95,936	\$ 482,544	\$ 742	\$ 1,111,140

Knox County School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds
Year ended June 30, 2024

	Other Governmental Funds				
	Special Revenue Student Activity	Capital Outlay	FSPK Fund	Special Revenue District Activity	Total
Revenues					
Property taxes	\$ -	\$ -	\$ 626,956	\$ -	\$ 626,956
Earnings on investments	4,107				4,107
Student activities	1,133,797				1,133,797
Food Service	10,817				10,817
Other local revenue	113,562				113,562
Intergovernmental - state		366,115	1,232,908		1,599,023
Total revenues	1,262,283	366,115	1,859,864	-	3,488,262
Expenditures					
Instruction	1,008,228			17,591	1,025,819
Support Services					
Student	1,185				1,185
Instructional Staff	22,246				22,246
Student Transportation	59,495				59,495
Other Non-Instruction	75,272				75,272
Total expenditures	1,166,426	-	-	17,591	1,184,017
Excess (Deficit) of Revenues Over Expenditures	95,857	366,115	1,859,864	(17,591)	2,304,245
Other Financing Sources (Uses)					
Operating transfers (out)	(17,700)	(369,408)	(1,784,925)		(2,172,033)
Operating transfers in				17,700	17,700
Total other financing sources (uses)	(17,700)	(369,408)	(1,784,925)	17,700	(2,154,333)
Net Change in Fund Balance	78,157	(3,293)	74,939	109	149,912
Fund Balance Beginning	450,245	99,229	407,605	633	957,712
Fund Balance Ending	\$ 528,402	\$ 95,936	\$ 482,544	\$ 742	\$ 1,107,624

Knox County School District
Combining Balance Sheet of
School Activity Funds
 June 30, 2024

	KNOX CENTRAL HIGH SCHOOL	LYNN CAMP MIDDLE/HIGH	LYNN CAMP ELEMENTARY	KNOX MIDDLE	CENTRAL ELEMENTARY	DEWITT ELEMENTARY	FLAT LICK ELEMENTARY
ASSETS							
Cash and cash equivalents	\$ <u>249,576</u>	\$ <u>108,485</u>	\$ <u>12,459</u>	\$ <u>89,769</u>	\$ <u>6,447</u>	\$ <u>1,797</u>	\$ <u>19,369</u>
Total assets	<u>249,576</u>	<u>108,485</u>	<u>12,459</u>	<u>89,769</u>	<u>6,447</u>	<u>1,797</u>	<u>19,369</u>
FUND BALANCE							
School activities	<u>249,576</u>	<u>108,485</u>	<u>12,459</u>	<u>89,769</u>	<u>6,447</u>	<u>1,797</u>	<u>19,369</u>
Total liabilities & fund balance	\$ <u>249,576</u>	\$ <u>108,485</u>	\$ <u>12,459</u>	\$ <u>89,769</u>	\$ <u>6,447</u>	\$ <u>1,797</u>	\$ <u>19,369</u>

Knox County School District
**Combining Balance Sheet of
 School Activity Funds (Continued)**
 June 30, 2023

	<u>GIRDLER ELEMENTARY</u>	<u>G.R. HAMPTON ELEMENTARY</u>	<u>JESSE D. LAY ELEMENTARY</u>	<u>TECHNICAL CENTER</u>	<u>LEARNING ACADEMY</u>	<u>LYNN CAMP GAMING</u>	<u>SCHOOL ACTIVITY FUNDS TOTAL</u>
ASSETS							
Cash and cash equivalents	\$ 23,582	\$ 1,819	\$ 10,520	\$ 7,092	\$ 367	\$ 236	\$ 531,518
Total assets	<u>23,582</u>	<u>1,819</u>	<u>10,520</u>	<u>7,092</u>	<u>367</u>	<u>236</u>	<u>531,518</u>
FUND BALANCE							
School activities	<u>23,582</u>	<u>1,819</u>	<u>10,520</u>	<u>7,092</u>	<u>367</u>	<u>236</u>	<u>531,518</u>
Total liabilities & fund balance	\$ <u>23,582</u>	\$ <u>1,819</u>	\$ <u>10,520</u>	\$ <u>7,092</u>	\$ <u>367</u>	\$ <u>236</u>	\$ <u>531,518</u>

Knox County School District
Combining Statement of Revenues, Expenses and Changes in Fund Balance
School Activity Funds (Continued)
Year ended June 30, 2023

	<u>KNOX CENTRAL HIGH SCHOOL</u>	<u>LYNN CAMP MIDDLE/HIGH</u>	<u>LYNN CAMP ELEMENTARY</u>	<u>KNOX MIDDLE</u>	<u>CENTRAL ELEMENTARY</u>	<u>DEWITT ELEMENTARY</u>	<u>FLAT LICK ELEMENTARY</u>
REVENUES							
Student revenues	\$ 569,166	\$ 266,251	\$ 53,272	\$ 210,656	\$ 13,086	\$ 18,918	\$ 27,606
Total revenues	<u>569,166</u>	<u>266,251</u>	<u>53,272</u>	<u>210,656</u>	<u>13,086</u>	<u>18,918</u>	<u>27,606</u>
EXPENDITURES							
Student activities	560,788	221,440	52,649	191,774	13,315	18,032	22,667
Total expenditures	<u>560,788</u>	<u>221,440</u>	<u>52,649</u>	<u>191,774</u>	<u>13,315</u>	<u>18,032</u>	<u>22,667</u>
Excess (Deficit) of Revenues Over Expenditures	8,378	44,811	623	18,882	(229)	886	4,939
FUND BALANCE - BEGINNING	<u>241,198</u>	<u>63,674</u>	<u>11,836</u>	<u>67,772</u>	<u>6,676</u>	<u>911</u>	<u>14,430</u>
FUND BALANCE - ENDING	<u>\$ 249,576</u>	<u>\$ 108,485</u>	<u>\$ 12,459</u>	<u>\$ 86,654</u>	<u>\$ 6,447</u>	<u>\$ 1,797</u>	<u>\$ 19,369</u>

Knox County School District
Combining Statement of Revenues, Expenses and Changes in Fund Balance
School Activity Funds (Continued)
Year ended June 30, 2023

	GIRDLER ELEMENTARY	G.R. HAMPTON ELEMENTARY	JESSE D. LAY ELEMENTARY	TECHNICAL CENTER	LEARNING ACADEMY	LYNN CAMP GAMING	SCHOOL ACTIVITY FUNDS TOTAL
REVENUES							
Student revenues	\$ 54,582	\$ 5,827	\$ 34,629	\$ 3,403	\$ 441	\$ 4,446	\$ 1,262,283
Total revenues	<u>54,582</u>	<u>5,827</u>	<u>34,629</u>	<u>3,403</u>	<u>441</u>	<u>4,446</u>	<u>1,262,283</u>
EXPENDITURES							
Student activities	51,529	5,841	37,768	3,266	440	4,617	1,184,126
Total expenditures	<u>51,529</u>	<u>5,841</u>	<u>37,768</u>	<u>3,266</u>	<u>440</u>	<u>4,617</u>	<u>1,184,126</u>
Excess (Deficit) of Revenues Over Expenditures	3,053	(14)	(3,139)	137	1	(171)	78,157
FUND BALANCE - BEGINNING	<u>20,529</u>	<u>1,833</u>	<u>13,659</u>	<u>6,955</u>	<u>366</u>	<u>406</u>	<u>450,245</u>
FUND BALANCE - ENDING	<u>\$ 23,582</u>	<u>\$ 1,819</u>	<u>\$ 10,520</u>	<u>\$ 7,092</u>	<u>\$ 367</u>	<u>\$ 235</u>	<u>\$ 528,402</u>

Knox County School District
Statement of Revenues, Expenses and Changes in Fund Balance - Knox Central High School
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>
ACADEMIC	\$ 391	\$ 1,396	\$ 1,124	\$ (3)	660
ATHLETIC	4,731	12,809	12,591	1,535	6,485
ART	302	-	-	-	302
ARCHERY BOYS/GIRLS	(333)	800	1,101	1,000	366
BAND	1,125	-	27	(1,000)	98
BASEBALL	683	56,258	34,598	-	22,343
BASKETBALL_BOYS	16,294	30,311	29,214	(1,185)	16,207
BASKETBALL_GIRLS	3,349	18,973	19,185	(765)	2,372
NATIONAL HONORS	20	-	-	-	20
BLUE & GOLD	-	1,600	2,609	1,855	845
BOWLING	(1)	(1)	-	2	0
COOKING CLUB	65	-	-	-	65
CHOIR	828	5,118	4,997	-	949
CROSS COUNTRY	478	457	616	-	319
DANCE TEAM	527	10,214	10,039	-	702
DECA	220	5,367	6,769	2,117	935
ESPORTS	3	1,652	-	(125)	1,530
FIRST PRIORITY	1,583	1,035	1,503	-	1,115
FISHING	1,822	2,050	3,039	-	832
FCCLA	1,761	715	1,335	-	1,142
FOOTBALL	14,684	20,473	24,093	(275)	10,789
BIO-MED	3,657	2,022	3,762	-	1,917
FUTURE BUSINESS LEADERS	2,117	-	-	(2,117)	-
FUTURE EDUCATORS AMERICA	70	-	-	-	70
FUTURE FARMERS	56	4,003	4,058	-	0
GUIDANCE	704	36	-	-	740
GOLF_BOYS	1,931	795	2,000	-	726
GOLF_GIRLS	750	-	171	-	580
HORTICULTURE	535	1,590	1,655	-	469
HOSA	50	1,003	480	-	573
JAG	-	1,515	1,235	-	280
JROTC	1,279	1,300	639	-	1,940
KC BOOKSTORE	53,202	35,462	44,411	-	44,252
KYA	756	-	-	-	756
KUNA	264	-	-	-	264
LETTERMAN CLUB	-	10,366	10,366	-	-
LIBRARY	99	1,089	418	-	770
LINK CREW	1,375	825	1,069	-	1,130
DRAMA CLUB	4,839	1,197	3,300	-	2,736
LOCKERS	11,694	-	-	-	11,694
MISCELLANEOUS	7,650	2,366	2,484	-	7,531
MEDIA CLUB/STLP CLUB	630	3,996	1,460	(2,855)	311
JOURNALISM (YEARBOOK)	2,572	1,631	1,743	-	2,460
ODYSSEY OF THE MIND	300	9,016	9,307	-	10
PARKING	8,265	-	-	-	8,265
PLANNERS	4,764	-	-	-	4,764
READ_LEARN_SERVE	204	-	-	-	204
SCIENCE OLYMPIAD	2,092	1,799	2,398	-	1,494
SENIORS 2023	3,965	-	(530)	(3,964)	531
SENIORS 2024	5,958	161,491	163,094	(1,067)	3,287
SOPHMORE CLASS FIELD TRIP	232	7,305	2,163	-	5,374
SENIOR SCHOLARSHIP FUND	25	-	-	-	25
SOCCER BOYS	1,171	1,207	1,120	(75)	1,182
SENIORS 2025	5,552	7,305	16,353	5,031	1,535
SOCCER GIRLS	2,428	3,499	5,134	-	794
SOFTBALL	7,418	20,862	24,867	46	3,459
SPANISH	190	-	-	-	190
STAR UP MONEY	-	1,500	1,500	-	-
STUDENT VENDING	790	704	803	(134)	558
SWIMMING	636	182	120	-	698
TEACHER FUND	692	3,636	2,920	-	1,408
TENNIS	7,091	1,572	1,092	-	7,570
TEXTBOOK	2,420	-	-	-	2,420
THE PANTHER PRIDE	34,715	89,063	80,656	(945)	42,177
TRACK	511.12	2,329	2,417	-	423
TSA	822	2,031	1,245	-	1,608
VOLLEYBALL	6,161	3,628	4,351	-	5,438
WRESTLING	32	13,065	6,026	31	7,102
YOUTH SERVICE CENTER	268	550	768	-	50
DAF ATHLETICS	-	-	2,893	2,893	-
DAF BUILDING/GROUNDS M&R	1,730	-	-	-	1,730
	<u>\$ 241,198</u>	<u>\$ 569,166</u>	<u>\$ 560,788</u>	<u>\$ -</u>	<u>\$ 249,576</u>

Knox County School District
Statement of Revenues, Expenses and Changes in Fund Balance - Lynn Camp Middle/High School
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>
STUDENT GENERATED	\$ 46	\$ 461	\$ 109	\$ (50)	350
AUTISM PENNY WAR	47	-	-	-	47
PEP CLUB	-	120	-	-	120
HOTWHEELS	-	420	420	-	-
DISTINGUISHED WRITERS CLUB	27	-	-	-	27
NON-STUDENT GENERATED	1,798	2,436	2,967	-	1,267
HOBY STUDENT GENERATED	295	395	-	-	690
HIGH SCHOOL EMD	-	818	496	100	421
JAG	881	1,611	1,411	-	1,081
BOOK FEES	373	-	-	(373)	-
GENERAL FUND	1,837	794	1,015	(939)	677
ART FUND MS/HS	(108)	-	-	1,312	1,203
STUDENT LOCKERS	1,985	-	-	-	1,985
STUDENT PARKING FEES	1,053	-	282	-	771
START UP CHANGE	-	1,000	1,000	-	-
GENERAL ATHLETICS	623	55,758	39,135	17,432	34,678
FOOTBALLOVARSITY	1,060	4,317	4,687	33	723
MS SOFTBALL	1,141	3,736	4,480	-	397
BASKETBALL BOYS VARSITY	1,533	4,867	6,169	-	230
MIDLE SCHOOL FOOTBALL	1,962	5,444	5,027	811	3,191
BAKETSBALL BOYS MS	3,272	806	3,285	-	793
GIRLS VARSITY BASKETBALL	211	10,501	10,326	-	386
MS GIRLS BASKETBALL	258	2,782	2,309	(87)	644
VOLLEYBALL PROGRAM	4,208	6,995	8,272	87	3,018
BASEBALL DISTRICT	-	2,036	405	(1,631)	-
TOURNAM GOLF	500	-	-	-	500
TENNIS - HS	1,481	1,089	1,453	-	1,117
CROSS COUNTRY BOYS & GIRL	5,906	4,724	5,301	-	5,328
SOFTBALL - HS	2,626	26,892	19,680	-	9,838
SOFTBALL DISTRICT TOURN	-	9,434	3,228	(6,206)	-
BASEBALL - HS	2,938	10,619	9,600	-	3,957
5TH/6TH GRADE FOOTBALL	-	3,890	3,079	(811)	-
51ST DIST BASKETBALL TOUR	-	19,178	4,670	(14,508)	-
MARKETING EDUCATION	29	1,873	1,528	-	375
FCCLA	1,258	586	1,690	-	154
AGRICULTURE EDUCATION	508	17,299	15,897	-	1,909
GREENHOUSE	-	3,679	-	-	3,679
MUSIC	1,843	7,074	6,305	-	2,612
VIDEO GAMING	275	-	-	-	275
VARSITY CHEER	2,979	10,802	8,678	-	5,102
HS DANCE	963	15,328	12,409	-	3,882
MS PBIS	500	-	171	-	329
MIDDLE SCHOOL FUNDRAISING	1,540	3,027	3,102	-	1,465
BASS FISHING	111	2,297	2,654	246	(0)
ARCHERY	3,656	7,171	5,740	-	5,088
SPANISH HONOR SOCIETY	336	-	252	-	84
NATIONAL BETA CLUB	2,069	-	-	-	2,069
YEARBOOK MS-HS	50	-	-	-	50
SENIOR TRIP FUND	4,773	7,897	11,755	586	1,500
LIBRARY FUND MIDDLE/HIGH	216	2,996	2,876	-	335
2019 SENIOR ACCOUNT	96	-	-	(96)	-
FIRST PRIORITY HS	13	-	-	-	13
FIRST PRIORITY MS	11	-	-	-	11
FIRST ROBOTICS	597	-	-	-	597
PRESCHOOL	0	-	-	-	0
SPECIAL EDUCATION EBD	1	-	-	-	1
SPECIAL EDUCATION FMD	226	1,913	1,572	(50)	516
7TH 8TH AG CLUB	407	-	-	-	407
BOOK CLUB	12	285	296	-	1
PRIDEFUL CATS	90	-	-	-	90
ART CLUB	140	-	-	-	140
WILDCAT PROUD	68	-	-	-	68
SENIOR CLASS 2020	490	-	-	(490)	-
DAF ATHLETICS (INC-TRANS)	-	-	4,634	4,634	-
PROM	4,465	2,901	3,073	-	4,294
	<u>\$ 63,674</u>	<u>\$ 266,251</u>	<u>\$ 221,441</u>	<u>\$ -</u>	<u>\$ 108,485</u>

Knox 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:					
School Breakfast Program					
Fiscal Year 23	10.553	7760005 23	\$ -	\$ -	N/A
Fiscal Year 24		7760005 24	-	-	N/A
National School Lunch Program					
Fiscal Year 23	10.555	7750002 23	-	-	N/A
Fiscal Year 24		7750002 24	-	-	N/A
Summer Food Service Program					
Fiscal Year 23	10.559	7740023 23	-	-	N/A
Fiscal Year 24		7690024 23	-	-	N/A
Fruit & Vegetable Program					
Fiscal Year 23	10.582	7720012 23	-	-	N/A
Fiscal Year 24		7720012 24	-	-	N/A
Child Nutrition Cluster Subtotal					<u>2,950,598</u>
State Administrative Expenses for Child Nutrition					
Fiscal Year 23	10.560	7700001 23	-	-	N/A
Passed Through State Department of Agriculture:					
Food Donation-Commodities					
Fiscal Year 23	10.565	510.4950	-	-	N/A
Total US Department of Agriculture					<u>3,153,548</u>
US Department of Education					
Passed Through State Department of Education					
Title I Grants to Local Educational Agencies					
Fiscal Year 22	84.010A	3100002 21	-	3,699,308	69,337
Fiscal Year 23		3100002 22	-	3,622,980	230,819
Fiscal Year 24		3100002 23	-	3,592,912	3,244,013
Fiscal Year 23		3100102-22	-	87,870	2,868
Fiscal Year 24		3100102-23	-	83,476	72,709
Fiscal Year 24		3100202-22	-	233,175	233,175
					<u>3,852,921</u>
Title I Neglected and Delinquent Children					
Fiscal Year 23	84.013	3100102-22	-	26,200	7,552
Fiscal Year 24		3100102-23	-	30,000	25,480
					<u>33,032</u>
Special Education Grants to States					
Fiscal Year 22	84.027A	3810002 21	-	1,096,459	32,389
Fiscal Year 23		3810002 22	-	1,119,803	129,131
Fiscal Year 24		3810002 23	-	1,153,626	1,069,974
COVID-19- ARP Individuals with Disabilities Education Act					
Fiscal Year 22	84.027X	4910002 21	-	240,732	115,134
Special Education - Preschool Grants					
Fiscal Year 21	84.173A	3800002 20	-	76,303	1,063
Fiscal Year 24		3810002 23	-	79,605	79,380
COVID-19- ARP Individuals with Disabilities Education Act- Preschool					
Fiscal Year 22	84.173X	4900002 21	-	33,392	22,760
Special Education Cluster Subtotal					<u>1,449,831</u>
Vocation Education - Basic Grants to States					
Fiscal Year 24	84.048	3710002 23	-	106,690	100,419
Title IV Part A					
Fiscal Year 22	84.424A	3420002 21	-	278,073	51,822
Fiscal Year 23		3420002 22	-	250,199	164,844
Fiscal Year 24		3420002 23	-	237,794	227,195
					<u>443,861</u>
Rural Education					
Fiscal Year 22	84.358B	3140002 21	-	132,461	14,769
Fiscal Year 23		3140002 22	-	147,035	130,658
					<u>145,427</u>
Office of Innovation and Improvement					
Fiscal Year 24	84.215J	518KJ	-	35,500	35,222
Fiscal Year 24		518KN	-	103,394	103,394
					<u>138,616</u>
Title II, Improving Teacher Quality State Grants					
Fiscal Year 23	84.367A	3230002 22	-	23,860	12,373
* COVID-19- GEER					
Fiscal Year 21	84.425C	564GF	-	100,000	27,621
* COVID-19- ESSER					
Fiscal Year 21	84.425D	4200002 21	-	12,081,473	1,845,855
* COVID-19- ARP ESSER					
FY21 ARP Emergency Relief Fund		4300002 21	-	26,045,790	8,108,273
Digital Learning Coach		4300005-21	-	5,028	5,028
FY23 Educational Cooperative ARP ESSER Deeper Learning		4300005-21	-	56,350	20,554
FY24 ARP ESSER Deeper Learning Supplemental		4300005-21	-	7,500	7,500
* COVID-19- ARP ESSER Homeless Children and Youth I					
Fiscal Year 22	84.425W	4980002-21	-	101,041	19,975
Educational Stabilization Fund Subtotal					<u>10,034,806</u>
Passed through Berea College					
Gaining Early Awareness and Readiness for Undergraduate Programs					
Fiscal Year 22	84.334A	P334A1800004 23	-	675,510	114,311
		379KO	-	526,440	364,252
					<u>478,563</u>
Total US Department of Education					<u>16,689,849</u>
Corporation for National and Community Service					
AmeriCorps State and National					
Fiscal Year 24	94.006	Direct	-	4,026	4,026
Total Corporation for National and Community Service					<u>4,026</u>
Total Expenditure of Federal Awards					<u>\$ 19,847,423</u>

* Major program

KNOX COUNTY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the 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 Knox 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 Knox County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE B – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities received and disbursed. For the year ended June 30, 2024, the District received food commodities totaling \$195,444.

NOTE D – INDIRECT COST RATE

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

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

To the Board of Education of the Knox County School District
Barbourville, 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 Knox 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

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 Knox County School District
Barbourville, 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 Knox 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

KNOX 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 Program Educational Stabilization Fund [ALN 84.425C, 84.425D, 84.425U, 84.425W]	
Dollar threshold of Type A and B programs	\$750,000
Low risk auditee?	Yes

FINDINGS - FINANCIAL STATEMENT AUDIT

No findings at the financial statement level.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

No findings at the major federal award programs level.

KNOX COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended June 30, 2024

There were no prior audit findings.

MANAGEMENT LETTER POINTS

Knox County School District
Barbourville, Kentucky

In planning and performing our audit of the financial statements of the Knox 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.

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 Knox County School District.

During the audit process we communicated orally to district responsible persons conditions that we think will improve the effectiveness of internal controls. We have documented those communications in our work papers for future reference. Those items we do not believe rise to the nature to be written and have a management response. If improvements are not made in successive audits the communication will be written.

Jeremy Ledford, Superintendent is the person responsible for initiation of any corrective action plan communicated written, or orally. We would like to thank the Finance Officer, Gertrude Smith, and her 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