



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

MAGOFFIN COUNTY
SCHOOL DISTRICT

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2024

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Magoffin County School District
Salyersville, Kentucky

And the State Committee for School District Audits

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Magoffin County School District (the 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 accompanying 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 Magoffin County School District as of June 30, 2024, and respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund and Special Revenue Fund for the year then ended in accordance with the 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 GAAS 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 GAAS 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 the *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions 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, the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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 as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is 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 January 31, 2025, on our consideration of the District's internal control over financial reporting and 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.

Handwritten signature in black ink that reads "BHM CPA Group". The letters are cursive and slightly slanted.

BHM CPA Group, Inc.
Portsmouth, Ohio
January 31, 2025

MAGOFFIN COUNTY SCHOOL DISTRICT – SALYERSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2024

As management of the Magoffin 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

- The beginning balance for the General Fund was \$6.59 million, the ending fund balance was \$7.59 million.
- The district constructs and renovates facilities with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations.
- The District continues to have strong financial position.
- The General Fund had \$19.32 million in revenue, including on behalf payments made by the state, which primarily consisted of the state program (SEEK), property, utility, and motor vehicle taxes. There were \$18.67 million in General Fund expenditures.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

MAGOFFIN COUNTY SCHOOL DISTRICT – SALYERSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2024

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 are also supported by taxes and intergovernmental revenues.

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

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

The basic governmental fund financial statements can be found in the table of contents of this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of Magoffin County Schools, assets exceeded liabilities by \$32,102,760 for Governmental Activities. Liabilities exceed assets by \$57,043 for Business Type Activities as of June 30, 2023. The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

MAGOFFIN COUNTY SCHOOL DISTRICT – SALYERSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2024

The 2024 government-wide net position compared to 2023 is as follows:

Table 1
Net position:
\$ (in Millions)

	Governmental Activities		Business-type Activities		Totals	
	2023	2024	2023	2024	2023	2024
Current assets	\$ 11.61	\$ 11.85	\$ 0.28	\$ 0.21	\$ 11.89	\$ 12.06
Non-current assets	59.05	64.58	0.17	0.16	59.22	64.74
Total assets	70.66	76.43	0.45	0.37	71.11	76.80
Deferred outflows	5.36	4.64	0.16	0.15	5.52	4.79
Current liabilities	3.63	3.58	0.01	0.10	3.64	3.68
Non-current liabilities	35.61	29.09	0.52	0.38	36.13	29.47
total liabilities	39.24	32.67	0.53	0.48	39.77	33.15
Deferred inflows	4.68	6.99	0.14	0.24	4.82	7.23
Net position:						
Invested in capital assets, net of debt	35.45	35.45	0.17	0.15	35.62	35.60
Restricted	3.59	3.59	-	-	3.59	3.59
Unrestricted (deficit)	(6.94)	2.37	(0.22)	(0.35)	(7.16)	2.02
Total net position	32.10	41.41	(0.05)	(0.20)	32.05	41.21

GOVERNMENTAL ACTIVITIES

Ending net position was \$41.41 million for the District. This was an increase of \$9.31 from last year.

See schedule next page

MAGOFFIN COUNTY SCHOOL DISTRICT – SALYERSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2024

Table 2
Changes in Net Position
(in millions)

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2023	2024	2023	2024	2023	2024	2023-2024
Revenues:							
Charges for services	\$ 0.52	\$ 0.61	\$ 0.04	\$ 0.05	\$ 0.63	\$ 0.66	0.05
Operating grants and contributions	14.47	14.47	1.68	1.64	16.15	16.11	(0.00)
Capital grants and contributions	3.38	3.38	-	-	3.38	3.38	-
General revenues	14.53	16.66	-	0.02	14.53	16.68	0.15
Total Revenue	32.90	35.12	1.72	1.71	34.69	36.83	0.06
Expenses:							
Instruction	14.53	14.19	-	-	14.53	14.19	(0.02)
Student	1.40	1.36	-	-	1.40	1.36	(0.03)
Instructional staff	1.23	1.20	-	-	1.23	1.20	(0.02)
District administration	0.84	0.88	-	-	0.84	0.88	0.05
School administration	1.53	1.19	-	-	1.53	1.19	(0.22)
Business	0.50	0.47	-	-	0.50	0.47	(0.06)
Plant operation & maintenance	2.69	1.87	-	-	2.69	1.87	(0.30)
Student transportation	2.56	1.85	-	-	2.56	1.85	(0.28)
Community services operations	0.45	0.35	-	-	0.45	0.35	(0.22)
Land improvements	0.03	-	-	-	0.03	-	(1.00)
Food service Operations	-	-	2.01	1.85	2.01	1.85	(0.08)
Depreciation/Amortization	1.67	1.72	0.02	0.01	1.69	1.73	0.02
Interest on long-term debt	0.82	0.75	-	-	0.82	0.75	(0.09)
Total Expenses	\$ 28.25	\$ 25.83	\$ 2.03	\$ 1.86	30.28	27.69	(0.09)
Change in net position	\$ 4.65	\$ 9.29	\$ (0.31)	\$ (0.15)	\$ 4.41	\$ 9.14	

CAPITAL ASSETS

At the end of fiscal year 2024, the District had \$64.42 million invested in capital assets, including land, buildings, buses, computers and other equipment. This amount represents a net increase (including additions, deductions construction in progress) of \$5.37 million from 2023.

MAGOFFIN COUNTY SCHOOL DISTRICT – SALYERSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2024

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

	Governmental Activities		Business-Type Activities		Totals	
	2023	2024	2023	2024	2023	2024
Land	\$ 6,265,450	\$ 6,265,450	\$ -	\$ -	\$ 6,265,450	\$ 6,265,450
Land Improvements	(1,550)	17,260	-	-	(1,550)	17,260
Buildings	42,945,220	41,528,961	-	-	42,945,220	41,528,961
Technology Equipment	868,273	868,884	-	-	868,273	868,884
Vehicles	1,488,367	1,646,427	-	-	1,488,367	1,646,427
General Equipment	300,906	259,268	167,420	152,708	468,326	411,976
Construction in Progress	7,189,070	13,835,298	-	-	7,189,070	13,835,298
Totals	\$59,055,736	\$64,421,548	\$167,420	\$152,708	\$59,223,156	\$ 64,574,256

DEBT

The following describes our outstanding obligation for the fiscal year 2024.

**Capital Assets at Year-End
Outstanding Debt at Year-End
(in Millions)**

	Government Activities	
	2023	2024
General Obligation Bonds	\$ 22.57	\$ 22.37
Finance Purchase Obligations	1.04	1.80
KSBIT Obligations	0.40	0.35
Total Obligations	\$ 24.01	\$ 24.52

MAGOFFIN COUNTY SCHOOL DISTRICT – SALYERSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2024

THE DISTRICT'S FUNDS

As the District completed the year, its General Fund reflected a fund balance of \$8.70 million, which is an increase of \$1,108,063. The unassigned portion of the fund balance in fiscal year 2024 was \$8.55 million, compared to the \$7.59 million from the preceding year. The amount of local taxes collected in 2024 was \$2.62 million and the amount collected for 2023 was \$2.72 million. The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2024 for selected funds.

	Fund 1	Fund 2	Fund 310	Fund 320	Fund 360	Fund 400	Fund 51
Local Revenue Sources	\$ 2,665,809	\$ -	\$ -	\$ 407,162	\$ -	\$ -	\$ -
State Revenue Sources	15,391,636	949,875	174,305	-	-	1,774,289	151,233
Federal Revenue Sources	187,874	6,310,872	-	1,363,780	-	-	1,489,798
Other	206,616	60,519	-	-	5,355,530	-	50,191
Transfers	-	33,157	-	-	2,069,730	1,460,057	-
Total	18,451,935	7,354,423	174,305	1,770,942	7,425,260	3,234,346	1,691,222
Expenditures							
Instruction	9,643,405	4,226,301	-	-	-	-	-
Student Support Services	927,191	428,198	-	-	-	-	-
Instructional Staff Support Services	598,760	596,334	-	-	-	-	-
District Admin Support	775,557	104,581	-	-	-	-	-
School Admin Support	1,059,925	422,762	-	-	-	-	-
Business Support Services	348,242	124,466	-	-	-	-	-
Plant Operation & Management	2,073,503	533,186	-	-	-	-	-
Student Transportation	1,609,742	532,721	-	-	-	-	-
Food Service Operations	-	-	-	-	-	-	1,834,666
Community Services	5,302	385,874	-	-	-	-	-
Debt Service	269,088	-	-	-	-	3,234,346	-
Land Improvements	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-
Building Acquisitions & Construction	-	-	-	-	6,646,228	-	-
Transfers	33,157	-	-	1,460,057	2,069,730	-	-
Totals	17,343,872	7,354,423	-	1,460,057	8,715,958	3,234,346	1,834,666
Excess/(Deficit)	\$ 1,108,063	\$ -	\$ 174,305	\$ 310,885	\$ (1,290,698)	\$ -	\$ (143,444)

MAGOFFIN COUNTY SCHOOL DISTRICT – SALYERSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2024

COMMENTS ON BUDGET COMPARISONS

- Actual General Fund revenue was less than the budget by \$328,844. This does include the on-behalf payments made by the state for insurances, teachers' retirement, etc. for the benefit of the district and its employees. General Fund budget compared to actual revenue varied slightly in most line items. The line item that varied most significantly was property tax and state revenue.
- Actual General Fund expenditures were less than the budget by \$6,881,641.

FUTURE BUDGETARY IMPLICATIONS

In Kentucky, the public schools' fiscal year is July 1 - June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget for 2023-2024 with a 4% contingency as calculated by the Kentucky Department of Education. Significant Board action that impacts the finances continued funding of Board initiatives such as Study Island and MAP testing.

Issues which will impact future budgets include:

- Increased staffing and expenses to meet federal and state academic mandates
- Declining federal funds and federal funding not maintaining the pace of mandated pay increases
- Insufficient funding of the state transportation formula

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Questions regarding this report should be directed to the Finance Officer, Kevin Owens at 606-349-6117 or by mail at Magoffin County Board of Education, P.O. Box 109, Salyersville, KY 41465.

BASIC
FINANCIAL STATEMENTS

MAGOFFIN COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2024

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 9,669,632	\$ -	\$ 9,669,632
Receivables (net)	2,183,643	165,062	2,348,705
Inventories	-	48,148	48,148
Net OPEB Asset	157,951	8,107	166,058
Capital assets:			
Land and construction in progress	20,100,748	-	20,100,748
Other capital assets, net of depreciation	44,320,800	152,708	44,473,508
Capital assets, net	<u>64,421,548</u>	<u>152,708</u>	<u>64,574,256</u>
Total assets	<u>76,432,774</u>	<u>374,025</u>	<u>76,806,799</u>
Deferred outflows of resources:			
Deferred outflows related to pensions	2,108,232	108,211	2,216,443
Deferred outflows related to OPEB CERS	772,803	39,667	812,470
Deferred outflows related to OPEB TRS	1,655,436	-	1,655,436
Deferred savings from refunding bonds	102,067	-	102,067
Total deferred outflows of resources	<u>4,638,538</u>	<u>147,878</u>	<u>4,786,416</u>
Total assets and deferred outflows of resources	<u>81,071,312</u>	<u>521,903</u>	<u>81,593,215</u>
Liabilities:			
Accounts payable and accrued expenses	282,787	19,561	302,348
Accrued salaries and benefit payables	52,329	-	52,329
Accrued interest payable	202,873	-	202,873
Interfund Liability	-	84,359	84,359
Unearned revenue	176,693	-	176,693
Long-term liabilities:			
Due within 1 year:			
Bond obligations	2,665,000	-	2,665,000
Finance purchase obligations	145,319	-	145,319
Workers compensation payable	53,137	-	53,137
Total due within 1 year	<u>2,863,456</u>	<u>-</u>	<u>2,863,456</u>
Due in more than 1 year:			
Bond obligations	17,702,566	-	17,702,566
Finance purchase obligations	713,238	-	713,238
Workers compensation payable	298,938	-	298,938
Sick leave	319,249	-	319,249
Net pension liability	7,340,857	376,791	7,717,648
Net OPEB liability TRS	2,715,000	-	2,715,000
Total due in more than 1 year	<u>29,089,848</u>	<u>376,791</u>	<u>29,466,639</u>
Total liabilities	<u>32,667,986</u>	<u>480,711</u>	<u>33,148,697</u>
Deferred inflows of resources:			
Deferred inflows related to pensions	1,745,916	89,614	1,835,530
Deferred inflows related to OPEB CERS	2,962,595	152,065	3,114,660
Deferred inflows related to OPEB TRS	2,285,000	-	2,285,000
Total deferred inflows of resources	<u>6,993,511</u>	<u>241,679</u>	<u>7,235,190</u>
Net position:			
Net investment in capital assets	35,448,659	152,708	35,601,367
Restricted for:			
Capital projects	3,275,920	-	3,275,920
School activities	162,367	-	162,367
Sick leave	156,269	-	156,269
Unrestricted (deficit)	2,366,600	(353,195)	2,013,405
Total net position	<u>\$ 41,409,815</u>	<u>\$ (200,487)</u>	<u>\$ 41,209,328</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 81,071,312</u>	<u>\$ 521,903</u>	<u>\$ 81,593,215</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAGOFFIN COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Primary Government:							
Governmental activities:							
Instructional staff	\$ 14,187,959	\$ -	\$ 8,715,737	\$ -	\$ (5,472,222)	\$ -	\$ (5,472,222)
Support services:							
Student	1,355,389	614,642	719,471	-	(21,276)	-	(21,276)
Instructional staff	1,195,094	-	627,429	-	(567,665)	-	(567,665)
District administration	880,138	-	430,897	-	(449,241)	-	(449,241)
School administration	1,187,304	-	785,930	-	(401,374)	-	(401,374)
Business	472,708	-	255,902	-	(216,806)	-	(216,806)
Plant operation & maintenance	1,863,827	-	1,377,303	1,615,284	1,128,760	-	1,128,760
Student transportation	1,847,080	-	1,311,426	-	(535,654)	-	(535,654)
Community services operations	346,638	-	230,954	-	(115,684)	-	(115,684)
Land improvements	-	-	15,592	-	15,592	-	15,592
Interest on long-term debt	752,480	-	-	1,766,932	1,014,452	-	1,014,452
Depreciation	1,727,897	-	-	-	(1,727,897)	-	(1,727,897)
Total governmental activities	<u>25,816,514</u>	<u>614,642</u>	<u>14,470,641</u>	<u>3,382,216</u>	<u>(7,349,015)</u>	<u>-</u>	<u>(7,349,015)</u>
Business-type activities:							
Food service operations	1,834,666	47,266	1,641,031	-	-	(146,369)	(146,369)
Depreciation	14,712	-	-	-	-	(14,712)	(14,712)
Total business-type activities	<u>1,849,378</u>	<u>47,266</u>	<u>1,641,031</u>	<u>-</u>	<u>-</u>	<u>(161,081)</u>	<u>(161,081)</u>
Totals	<u>\$ 27,665,892</u>	<u>\$ 661,908</u>	<u>\$ 16,111,672</u>	<u>\$ 3,382,216</u>	<u>\$ (7,349,015)</u>	<u>\$ (161,081)</u>	<u>\$ (7,510,096)</u>
- General revenues:							
Property taxes levied for:							
Property taxes					1,468,661	-	1,468,661
- Motor vehicle taxes					621,639	-	621,639
- Franchise					185,637	-	185,637
Utility taxes					751,237	-	751,237
State and formula grants					13,455,254	-	13,455,254
Other local revenue					111,655	-	111,655
Sale of equipment					8,063	-	8,063
Unrestricted investment earnings					53,924	2,925	56,849
Total general revenues					<u>16,656,070</u>	<u>2,925</u>	<u>16,658,995</u>
Change in net position					9,307,055	(158,156)	9,148,899
Net position at beginning of year					<u>32,102,760</u>	<u>(57,043)</u>	<u>32,045,717</u>
- Net position at end of year					<u>\$ 41,409,815</u>	<u>\$ (215,199)</u>	<u>\$ 41,194,616</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAGOFFIN COUNTY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30,2024

	<u>General</u>	<u>Special Revenue</u>	<u>Construction</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:						
Cash and cash equivalents	\$ 6,058,727	\$ 975,968	\$ -	\$ -	\$ 2,815,523	\$ 9,850,218
Receivables:						
Interfund receivables	2,643,486	-	-	-	-	2,643,486
Taxes	227,318	-	-	-	-	227,318
Accounts	61,853	-	-	-	-	61,853
Intergovernmental-federal	-	1,894,472	-	-	-	1,894,472
Total assets	<u>\$ 8,991,384</u>	<u>\$ 2,870,440</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,815,523</u>	<u>14,677,347</u>
Liabilities:						
Accounts payable	231,374	50,261	1,152	-	-	282,787
Accrued salaries & benefits payable	52,329	-	-	-	-	52,329
Interfund payables	-	2,643,486	180,584	-	-	2,824,070
Unearned revenue	-	176,693	-	-	-	176,693
Total liabilities	<u>283,703</u>	<u>2,870,440</u>	<u>181,736</u>	<u>-</u>	<u>-</u>	<u>3,335,879</u>
Fund balances:						
Restricted	-	-	-	-	2,815,523	2,815,523
Committed:	156,269	-	-	-	-	156,269
Unassigned (deficit)	8,551,412	-	(181,736)	-	-	8,369,676
Total fund balances	<u>8,707,681</u>	<u>-</u>	<u>(181,736)</u>	<u>-</u>	<u>2,815,523</u>	<u>11,341,468</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 8,991,384</u>	<u>\$ 2,870,440</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,815,523</u>	<u>\$ 14,677,347</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAGOFFIN COUNTY SCHOOL DISTRICT

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
June 30,2024

Total governmental fund balances	\$	11,341,468
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets are not reported in the fund financial statement because they are not current financial resources, but they are reported in the statemtn of net position		64,421,548
Costs associated with bond issues and refundings are expensed in the fund financial statements because they are a use of current finacnial resources but are capitalized on the statement of net position using the economic resources focus		102,067
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 interst payable		(202,873)
Bonds payable		(20,367,566)
Finance purchase payable		(858,557)
Workers comp payable		(352,075)
Sick leave liability		(319,249)
Net OPEB liability		(2,557,049)
Net Pension liability		(7,340,857)
Deferred outflows and inflows or resouces related to pensions are applicable to future periods and therefore, are not reported in the funds		
Deferred outflows related to net pensions		2,108,230
Deferred outflows related to OPEB		2,428,239
Deferred inflows related to net pensions		(1,745,916)
Deferred inflows related to OPEB		(5,247,595)
Net position of governmental activities	\$	<u>41,409,815</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAGOFFIN COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	<u>General</u>	<u>Special Revenue</u>	<u>Construction</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
From local sources:						
Taxes						
Property	\$ 1,061,499	\$ -	\$ -	\$ -	\$ 407,162	1,468,661
Motor vehicle	621,639	-	-	-	-	621,639
Franchise	185,637	-	-	-	-	185,637
Utilities	751,237	-	-	-	-	751,237
Earnings on investments	45,797	-	8,127	-	-	53,924
Other local revenue	206,616	60,519	5,000,000	-	-	5,267,135
Student activities	-	-	-	-	614,642	614,642
Intergovernmental - state	15,391,636	949,875	-	1,774,289	1,538,085	19,653,885
Intergovernmental - federal	187,874	6,310,872	-	-	-	6,498,746
Payment in lieu of taxes	-	-	-	-	-	-
Total revenues	<u>18,451,935</u>	<u>7,321,266</u>	<u>5,008,127</u>	<u>1,774,289</u>	<u>2,559,889</u>	<u>35,115,506</u>
Expenditures:						
Instruction	9,643,405	4,226,301	-	-	613,634	14,483,340
Support services:						
Student	927,191	428,198	-	-	-	1,355,389
Instructional staff	598,760	596,334	-	-	-	1,195,094
District administration	775,557	104,581	-	-	-	880,138
School administration	1,059,925	422,762	-	-	-	1,482,687
Business	348,242	124,466	-	-	-	472,708
Plant operation & maintenance	2,073,503	533,186	-	-	-	2,606,689
Student transportation	1,609,742	532,721	-	-	-	2,142,463
Building acquisitions & construction	-	-	6,646,228	-	-	6,646,228
Land improvements	-	-	-	-	-	-
Community services operations	5,302	385,874	-	-	-	391,176
Debt service	269,088	-	-	3,234,346	-	3,503,434
Total expenditures	<u>17,310,715</u>	<u>7,354,423</u>	<u>6,646,228</u>	<u>3,234,346</u>	<u>613,634</u>	<u>35,159,346</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,141,220</u>	<u>(33,157)</u>	<u>(1,638,101)</u>	<u>(1,460,057)</u>	<u>1,946,255</u>	<u>(43,840)</u>
Other financing sources (uses):						
Sale of bonds	-	-	347,403	-	-	347,403
Sale of assets	8,063	-	-	-	-	8,063
Operating transfers in	-	33,157	2,069,730	1,460,057	-	3,562,944
Operating transfers (out)	(33,157)	-	(2,069,730)	-	(1,460,057)	(3,562,944)
Total other financing sources (uses)	<u>(25,094)</u>	<u>33,157</u>	<u>347,403</u>	<u>1,460,057</u>	<u>(1,460,057)</u>	<u>355,466</u>
Net change in fund balances	1,116,126	-	(1,290,698)	-	486,198	311,626
Fund balances at beginning of year	<u>7,591,555</u>	<u>-</u>	<u>1,108,962</u>	<u>-</u>	<u>2,329,325</u>	<u>11,029,842</u>
Fund balances at end of year	<u>\$ 8,707,681</u>	<u>\$ -</u>	<u>\$ (181,736)</u>	<u>\$ -</u>	<u>\$ 2,815,523</u>	<u>\$ 11,341,468</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAGOFFIN COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Net change in fund balances - total governmental funds	\$	311,626
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
District pension contributions less costs of benefits earned net employee contributions		385,943
Governmental funds report district OPEB contributions as expenditures. However in the Statement of Activities, the cost of OPEB benefits earned net of employee contributions is reported as pension expense.		
District OPEB contributions less costs of benefits earned net employee contributions		795,587
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.		5,365,810
The sale of bonds is recognized as receipts of current financial resources in the fund financial statement but are additions of liabilities in the statement of net position.		(370,000)
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.		(8,455)
The discount on the sale of bonds is reported as an expenditure by current financial resources but it is deferred and amortized over the life of the bond on the statement of net position		(19,425)
Bond and finance purchase payment are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.		2,770,379
Generally, expenditures recognized in the fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when incurred.		
Accrued interest payable		30,832
Workers comp payable		51,469
Noncurrent sick leave payable		(6,711)
		311,626
Change in net position of governmental activities	\$	9,307,055

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAGOFFIN COUNTY SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
From local sources:				
Taxes				
Property	\$ 935,500	\$ 935,500	\$ 1,061,499	\$ 125,999
Motor vehicle	475,000	475,000	621,639	146,639
Franchise tax	225,000	225,000	185,637	(39,363)
Utilities	625,000	625,000	751,237	126,237
Earnings on investments	2,500	2,500	45,797	43,297
Other local revenue	194,575	194,575	206,616	12,041
Intergovernmental - state	16,213,204	16,213,204	15,391,636	(821,568)
Intergovernmental - federal	110,000	110,000	187,874	77,874
Total revenues	<u>18,780,779</u>	<u>18,780,779</u>	<u>18,451,935</u>	<u>(328,844)</u>
Expenditures:				
Current:				
Instruction	11,621,170	11,621,170	9,643,405	1,977,765
Support services:				
Student	1,441,459	1,441,459	927,191	514,268
Instruction staff	1,059,625	1,059,625	598,760	460,865
District administration	1,937,340	1,937,340	775,557	1,161,783
School administration	1,524,467	1,524,467	1,059,925	464,542
Business	515,304	515,304	348,242	167,062
Plant operation & maintenance	3,184,682	3,184,682	2,073,503	1,111,179
Student transportation	2,549,038	2,549,038	1,609,742	939,296
Land improvements	-	-	-	-
Community services operations	38,733	38,733	5,302	33,431
Debt service	320,538	320,538	269,088	51,450
Total expenditures	<u>24,192,356</u>	<u>24,192,356</u>	<u>17,310,715</u>	<u>6,881,641</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,411,577)</u>	<u>(5,411,577)</u>	<u>1,141,220</u>	<u>6,552,797</u>
Other financing sources (uses):				
Operating transfers (out)	-	-	(33,157)	(33,157)
Capital lease proceeds	-	-	-	-
Sale of assets	7,754	7,754	8,063	309
Total other financing sources (uses)	<u>7,754</u>	<u>7,754</u>	<u>(25,094)</u>	<u>(32,848)</u>
Net change in fund balance	(5,403,823)	(5,403,823)	1,116,126	6,519,949
Fund balance at beginning of year	<u>7,591,555</u>	<u>7,591,555</u>	<u>7,591,555</u>	<u>-</u>
Fund balance at end of year	<u>\$ 2,187,732</u>	<u>\$ 2,187,732</u>	<u>\$ 8,707,681</u>	<u>\$ 6,519,949</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAGOFFIN COUNTY SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 SPECIAL REVENUE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Other local revenue	\$ 656,974	\$ 656,974	\$ 118,523	\$ (538,451)
Intergovernmental - state	969,287	969,287	1,018,130	48,843
Intergovernmental - federal	2,469,022	2,469,022	4,473,063	2,004,041
Total revenue	<u>4,095,283</u>	<u>4,095,283</u>	<u>5,609,716</u>	<u>1,514,433</u>
Expenditures:				
Current:				
Instructional staff	3,211,059	3,211,059	4,224,878	(1,013,819)
Support services:				
Student	43,095	43,095	428,198	(385,103)
Instructional staff	345,309	345,309	598,051	(252,742)
District administration	-	-	104,581	(104,581)
School administration	58,180	58,180	422,762	(364,582)
Business	60,966	60,966	124,467	(63,501)
Plant operations and maintenance	-	-	533,186	(533,186)
Student transportation	26,975	26,975	532,721	(505,746)
Community services operations	386,928	386,928	385,984	944
Total expenditures	<u>4,132,512</u>	<u>4,132,512</u>	<u>7,354,828</u>	<u>(3,222,316)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(37,229)</u>	<u>(37,229)</u>	<u>(1,745,112)</u>	<u>(1,707,883)</u>
Other financing sources (uses):				
Operating transfers (out)	-	-	(967,284)	(967,284)
Operating transfers in	37,229	37,229	33,157	(4,072)
Total other financing sources (uses)	<u>37,229</u>	<u>37,229</u>	<u>(934,127)</u>	<u>(971,356)</u>
Net change in fund balance	-	-	(2,679,239)	(2,679,239)
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,679,239)</u>	<u>\$ (2,679,239)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAGOFFIN COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION
 PROPRIETARY FUND

June 30, 2024

	Enterprise Funds
	School Food Services
Assets:	
Accounts receivable, net	\$ 165,062
Inventories	48,148
Net OPEB Asset	8,107
Other capital assets, net of depreciation	152,708
Total assets	374,025
Deferred outflows of resources:	
Deferred outflows related to pensions	108,211
Deferred outflows related to OPEB	39,667
Total deferred outflows of resources	147,878
Total Assets and Deferred Outflows of Resources	521,903
Liabilities:	
Accounts payable	19,561
Intrafund Payable	84,359
Net pension liability	376,791
Total liabilities	480,711
Deferred inflows of resources:	
Deferred inflows related to pensions	89,614
Deferred inflows related to OPEB	152,065
Total deferred inflows of resources	241,679
Net position:	
Net investment in capital assets	152,708
Unrestricted	(353,195)
Total net position	\$ (200,487)
Total Liabilities, Deferred Inflows of Resources and Net Position	521,903

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAGOFFIN COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Enterprise Funds
	School Food Services
Operating revenues:	
Lunchroom sales	\$ 47,266
Total operating revenues	47,266
Operating expenses:	
Depreciation	14,712
Food service operations	
Employee services	826,568
Operational expenses	993,386
Total operating expenses	1,834,666
Operating income (loss)	(1,787,400)
Nonoperating revenues (expenses):	
Federal grants	1,489,798
State grants	151,233
Earnings from investments	2,925
Total nonoperating revenues (expenses)	1,643,956
Change in net position	(143,444)
Net position at beginning of year	(57,043)
Net position at end of year	\$ (200,487)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAGOFFIN COUNTY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Enterprise Funds
	School Food Services
Cash flows from operating activities:	
Receipts from customers	\$ 47,266
Payments to suppliers	(746,490)
Payments to employees	(1,068,907)
	(1,768,131)
Net cash provided by (used) by operating activities	(1,768,131)
Cash flows from noncapital financing activities:	
Intergovernmental revenue	1,641,031
	1,641,031
Net cash provided by noncapital financing activities	1,641,031
Cash flows from investing activities:	
Interest	2,925
	2,925
Net cash provided by investing activities	2,925
Net increase (decrease) in cash and cash equivalents	(124,175)
Cash and cash equivalents at beginning of year	124,175
Cash and cash equivalents at end of year	\$ -
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ (1,787,400)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	14,712
Changes in assets and liabilities:	
Receivables	(57,511)
Payables	(817)
Outflow Deferrals	10,932
Inflow Deferrals	(104,662)
Pension liability	35,278
OPEB liability	120,617
	120,617
Net cash provided by (used) by operating activities	\$ (1,768,851)

Noncash Noncapital Financing Activities

During the year, the district received \$70,841 of food commodities from the U.S. Department of Agriculture.

During the year, the district recognized revenues and expenses for on-behalf payme relating to fringe benefits in the amount of \$155,744 provided by state government.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAGOFFIN 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 Magoffin 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 Magoffin 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 Magoffin 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

Magoffin County Board of Education Finance Corporation

The Board authorized establishment of the Magoffin 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 Magoffin County Board of Education.

Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2024

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

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

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

The District has the following funds:

I. Governmental Fund Types

(A) General Fund

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

(B) Special Revenue (Grant) Fund

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

(C) Special Revenue (Student Activity) Fund

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

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2024

(D) 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.

(E) Debt Service Fund

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

II. Proprietary Funds (Enterprise Funds)

Food Service Fund

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

The District applies all GASB pronouncements to proprietary funds.

Basis of Accounting

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

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

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

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

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

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

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 June 30, 2024, 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.

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
 For the year ended June 30, 2024

Capital Assets

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
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 noncurrent 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.

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2024

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:

Nonspendable	Permanently nonspendable 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.

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

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. 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 \$.599 per \$100 valuation of real property, \$.620 per \$100 valuation for business personal property and \$.576 per \$100 valuation for motor vehicles.

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2024

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

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital 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 interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental and business-type activities columns of the statements of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Interfund Transfers

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

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2024

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.

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 Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2024

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy, all amendments require Board approval. 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.

Special Revenue Fund Expenditures exceeded budgeted appropriations by \$3,222,316.

New Accounting Pronouncements

GASB Statement No. 100-In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The Statement is effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting period 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 April, 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement I 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, 2024, the 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

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;

**MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

For the year ended June 30, 2024

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 collateralized by securities held by the pledging bank's trust department in the District's name and FDIC insurance. At year end, the carrying amount of the District's cash and cash equivalents was \$9,418,654. The bank balance for the same time was \$9,676,827.

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:

Governmental Activities	July 1, 2023	Additions	Deductions	June 30, 2024
Land - nondepreciable	\$ 6,265,450	\$ -	\$ -	\$ 6,265,450
Construction in progress-				
nondepreciable	7,189,070	6,646,228	-	13,835,298
Land improvements	127,265	18,975	-	146,240
Buildings	61,498,351	-	-	61,498,351
Technology equipment	1,392,124	8,775	-	1,400,899
Vehicles	3,975,099	419,729	-	4,394,828
General equipment	1,724,475	-	-	1,724,475
Total at historical cost	<u>82,171,834</u>	<u>7,093,707</u>	<u>-</u>	<u>89,265,541</u>
Less: Accumulated depreciation				
Land improvements	(128,815)	(165)	-	(128,980)
Buildings	(18,553,131)	(1,416,259)	-	(19,969,390)
Technology equipment	(523,850)	(8,165)	-	(532,015)
Vehicles	(2,486,732)	(261,669)	-	(2,748,401)
General equipment	(1,423,568)	(41,639)	-	(1,465,207)
Total accumulated depreciation	<u>(23,116,096)</u>	<u>(1,727,897)</u>	<u>-</u>	<u>(24,843,993)</u>
Governmental Activities				
Capital Assets-net	<u>59,055,738</u>	<u>5,365,810</u>	<u>-</u>	<u>64,421,548</u>

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2024

Business-Type Activities

General equipment	589,684	-	-	589,684
Total at historical cost	589,684	-	-	589,684
Less: Accumulated depreciation				
General equipment	(422,264)	(14,712)	-	(436,976)
Total accumulated depreciation	(422,264)	(14,712)	-	(436,976)
Business-Type Activities				
Capital Assets-net	167,420	(14,712)	-	152,708

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 Magoffin 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 Magoffin 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.

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2024

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

Bond Issue	Original Amount	Maturity Date	Interest Rates	2023			2024
				Outstanding Balance	Additions	Retirements	Outstanding Balance
2014	\$ 16,000,000	2035	2.00%-2.50%	\$ 11,660,000	\$ -	\$ 655,000	\$ 11,005,000
2015R	8,185,000	2027	2.00%-3.625%	6,160,000	-	1,535,000	4,625,000
2015R	1,650,000	2035	2.00%-3.50%	1,230,000	-	70,000	1,160,000
2019R	5,005,000	2029	2.00%-3.00%	3,705,000	-	330,000	3,375,000
2023	370,000	2044	4.00%-4.50%	-	370,000	-	370,000
	<u>\$ 31,210,000</u>			<u>22,755,000</u>	<u>370,000</u>	<u>2,590,000</u>	<u>20,535,000</u>
Less:		Discount		(186,859)	-	(19,425)	(167,434)
Totals				<u>\$ 22,568,141</u>	<u>\$ 370,000</u>	<u>\$ 2,570,575</u>	<u>\$ 20,367,566</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 amounts to be paid by the Commission, at June 30, 2024, for debt service, (principal and interest) are as follows:

Fiscal Year Ended June 30th	Principal		Interest		Principal	Interest
	Local	KSFCC	Local	KSFCC	Total	Total
	2025	\$ 1,117,565	\$ 1,547,435	\$ 368,448	\$ 219,146	\$ 2,665,000
2026	1,150,123	1,589,877	337,913	180,105	2,740,000	518,018
2027	1,189,161	1,410,839	306,437	142,706	2,600,000	449,143
2028	1,217,482	687,518	282,606	116,200	1,905,000	398,806
2029	1,252,086	707,914	249,514	96,942	1,960,000	346,456
2030-2034	4,992,371	1,927,629	705,099	249,799	6,920,000	954,898
2035-2044	1,317,266	427,734	76,104	7,753	1,745,000	83,857
	<u>\$ 12,236,054</u>	<u>\$ 8,298,946</u>	<u>\$ 2,326,121</u>	<u>\$ 1,012,651</u>	<u>\$ 20,535,000</u>	<u>\$ 3,338,772</u>

Finance Purchases

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

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2024

KISTA Issue	Original Amount	Maturity Date	Interest Rates	2023			2024
				Outstanding Balance	Additions	Retirements	Outstanding Balance
2014	\$ 337,452	2024	2.00%-3.00%	\$ 31,482	\$ -	\$ 31,482	\$ -
2017	256,609	2027	3.00%	101,741	-	26,597	75,144
2019	179,111	3/1/2029	3.00%	105,799	-	18,126	87,673
2020	277,758	3/11/2030	2.00%	191,235	-	27,200	164,035
2021	458,455	3/1/2031	1.25%-1.50%	356,807	-	44,880	311,927
2022	283,844	3/1/2032	3.00%	251,872.00	-	32,094	219,778
Totals	\$ 1,793,229			\$ 1,038,936	\$ -	\$ 180,379	\$ 858,557

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

Fiscal Year Ended June 30th	Principal Local	Interest Local	Total Payments
2025	\$ 145,319	\$ 18,517	\$ 163,836
2026	144,254	15,351	159,605
2027	147,362	12,216	159,578
2028	120,152	9,007	129,159
2029	117,489	6,521	124,010
2030-2032	183,981	6,905	190,886
	\$ 858,557	\$ 68,517	\$ 927,074

Total minimum payments	\$ 927,074
Less: Amount representing interest	<u>(68,517)</u>

Present Value of Net Minimum Payments	\$ <u>858,557</u>
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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.

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Accumulated Sick Leave Liability

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 2024 for accumulated sick leave is as follows:

	2023 Outstanding Balance	Additions	Retirements	2024 Outstanding Balance
Sick Leave	\$ 312,538	\$ 6,711	\$ -	\$ 319,249

KSBIT

The District elected to finance the worker’s compensation insurance deficit (KSBIT) with the now defunct Kentucky School Board Insurance Trust through the Kentucky Inter-local School Transportation Association (KISTA). The activity during fiscal year 2024 for the worker’s compensation and property and liability deficit are as follows:

	2023 Outstanding Balance	Additions	Retirements	2024 Outstanding Balance
Insurance Fund				
Worker's Compensation	\$ 403,544	\$ -	\$ 51,469	\$ 352,075

The minimum payments are as follows:

Fiscal Year Ended	Principal	Interest	Total
June 30th			
2025	\$ 53,137	\$12,821	\$ 65,958
2026	55,102	10,855	65,957
2027	57,351	8,606	65,957
2028	59,692	6,266	65,958
2029	62,049	3,866	65,915
2030	64,744	1,256	66,000
	\$352,075	\$43,670	\$395,745

Net Pension & OPEB Liability

The net pension liability is \$8,028,165 governmental activities and \$412,069 for business-type activities for a total of \$8,440,234 as of June 30, 2023 (See Note E for additional information). The net OPEB liability is \$6,080,982 for governmental activities and \$112,510 for business-type activities for a total of \$6,193,492 as of June 30, 2023 (See Note F for additional information).

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2024

<u>Description</u>	2023			2024	
	<u>Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding Balance</u>	<u>Amount Due in One Year</u>
Bonds, Net of Premium and Discount	\$ 22,568,141	\$ 370,000	\$ 2,570,575	\$ 20,367,566	\$ 1,486,013
Finance Purchases	1,038,936	-	180,379	858,557	145,319
Sick Leave	312,538	6,711	-	319,249	-
KSBIT	403,544	-	51,469	352,075	53,137
Net Pension Liability	8,440,234	-	1,099,377	7,340,857	-
Net OPEB Liability	6,193,492	-	3,478,492	2,715,000	-
Totals	<u>\$ 38,956,885</u>	<u>\$ 376,711</u>	<u>\$ 7,380,292</u>	<u>\$ 31,953,304</u>	<u>\$ 1,684,469</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
- 2.) Complete 27 years of Kentucky service.

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2024

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

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

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

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

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

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2024

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.

		Years of Service						
Age	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

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
 For the year ended June 30, 2024

Options	<p>The allowances are payable until a child attains age 18, or age 23 if a Full-time student.</p> <p>If the member has no eligible survivor, a refund of his accumulated Contributions is payable to his estate.</p> <p>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:</p> <p>Option 2. A single life annuity payable during the member's lifetime with Payments for 10 years certain.</p> <p>Option 3. At the death of the member his allowance is continued Throughout the life of the beneficiary.</p> <p>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.</p> <p>Option 4. At the death of the member one half of his allowance is Continued throughout the life of the beneficiary.</p> <p>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.</p>
Post-Retirement Adjustments	<p>The retirement allowance of each retired member and of each beneficiary Shall be increased by 1.5% each July 1.</p>
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 12.855% of their salaries to the system effective July 1, 2015. 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.

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2024

TRS

State's proportionate share of the TRS net pension liability associated with the District \$ 36,000,812

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 0.2113%.

Actuarial Methods and Assumptions

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

Valuation Date	June 30, 2022
Prior Measurement Date	June 30, 2022
Measurement Date	June 30, 2023
Reporting Date	June 30, 2024
Actuarial Cost Method	Entry age
Inflation Rate	2.5%
Single Equivalent Interest Rate Prior	7.10%
Single Equivalent Interest Rate at Measurement Date	7.10%
Municipal Bond Index Rate Prior	2.13%
Municipal Bond Index Rate at Measurement Date	3.37%
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.

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2024

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	37.4 %	5.0 %
Small Cap Equity	2.6 %	5.5 %
Developed International Equity	17.7 %	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 %	3.2 %
Private Equity	7.0 %	8.0 %
Cash	<u>2.0 %</u>	1.6 %
 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:

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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TRS	1% Decrease	Current Discount Rate	1% Increase
	6.10%	7.10%	8.10%
State's proportionate share of net pension liability	\$ 45,850,234	\$ 36,008,812	\$ 27,214,179

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 publically 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 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.

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2024

For the year ending June 30, 2024, employers were required to contribute 26.95% of the member’s salary, 22.78% pension and 4.17% for insurance. The District contributed \$835,206 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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

At June 30, 2024, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023 on an actuarial valuation as of that date. The District’s proportion of the net pension liability, \$7,717,648 was based on contributions to CERS during the fiscal year ended June 30, 2023. The District’s proportion was 0.120278%.

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 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 \$405,753 and reported deferred outflows of resources and deferred inflows of resources related to pensions as follows.

	Deferred Outflows of Resources	Deferred Inflows of Resources
CERS		
Differences between expected and actual experience	\$ 399,528	\$ 20,971
Changes of Assumptions	-	707,328.00
Net difference between projected and actual earnings on pension plan investments	833,725	938,998
Changes in proportionate and differences between District contributions and proportionate share of contributions	147,984	168,233
District contributions subsequent to the measurement date	899,252	-
	\$ 2,280,489	\$ 1,835,530

The \$899,252 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.

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2024

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 Ended June 30th
Year 1	\$ (330,658)
Year 2	(221,210)
Year 3	172,289
Year 4	<u>(74,714)</u>
	<u>\$ (454,293)</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.

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. Assumptions and funding policies are reviewed against actual plan experience every 5 years. In general, the assumptions and methods, used in the June 30, 2023 valuation are based on the most recent actuarial experience study for the five year period ending June 30, 2018.

1. Actuarial Cost Method-prepared using the entry age normal cost (EANC) method as required by state statute.
2. UAAL Amortization Method-the actuarial liability contribution is calculated by amortizing the unfunded accrued liability as of June 30, 2019 over a closed 30-year amortization.
3. Asset Valuation Method- recognizes a portion of the difference between the market value of assets and he expected market value of assets.
4. Retiree Insurance Funding Policy-calculated by amortizing the unfunded accrued liability as of June 30, 2019, over a closed 20-year amortization bases.
5. Investment Return Assumption-the future investment earnings of plan assets are assumed t accumulate at a rate of 6.25% per annum.
6. Salary Increase Assumptions-member’s salaries are assumed to increase, price inflation component is 2.3%, and productivity component is 1%.
7. Health Care Cost Trend Rate-medical premiums are assumed to increase in 2024 at 6.2% for Non-Medicare Plans, and 9% for Medicare Plans.
8. Payroll Growth Assumption-the amortization cost to finance the unfunded actuarial accrued liability, the active member payroll is assumed to increase at a rate of 0%.
9. Retiree Cost of Living Adjustments (COLA)-SB2 only allows the Cost of Living Adjustments to be awarded on a biennial basis.
10. Retirement Rate Assumptions-retirement ages for Males to retire range from 35%, Females 27%, under 45 years of age to 30% for Males age 70, Females 27%.
11. Mortality Assumptions-refer to the tables included in the KPPA’s 2022 Annual Report.
12. Withdrawal Rates- the probability, or likelihood, of active member’s terminating employment range from 20% with 1 year of service to 1.35% for 25 years of service.

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2024

13. Rates of Disablement-disability benefits to active members range from .04% probability near age 20 to 1.02% near age 60.
14. Assumption Changes Since Prior Valuation-in conjunction with the review of the healthcare per capita claims cost, the assumed increase in future healthcare costs, or trend assumption, is reviewed on an annual basis. The trend assumption for the Medicare Plans was increased during the select period as a result of this review.

Discount rate

A single discount rate of 6.25% was used to measure the total pension liability for the fiscal year ending June 30, 2023. 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 6.25%, 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 (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

CERS	1% Decrease	Current Discount Rate	1% Increase
	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 9,743,997	\$ 7,717,648	\$ 6,033,676

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%.

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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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

At June 30, 2024, there are no payables to CERS.

NOTE F – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

TRS – General Information about the OPEB Plans

Health Insurance Trust (Medical Insurance Fund)

Plan description

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

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

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.

MAGOFFIN COUNTY SCHOOL DISTRICT
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Also, employers contribute 3% of members' salaries and the state contributes the net cost of health insurance premiums for new retirees after June 30, 2010, in the non-Medicare eligible group.

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

The District reported a liability of \$2,715,000 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 .205449%.

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:

MIF	
District's proportionate share of TRS net OPEB Liability	\$ 2,715,000
State's proportionate share of the TRS net OPEB liability associated with the District	<u>2,289,000</u>
	<u>\$ 5,004,000</u>

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
MIF		
Differences between expected and actual experience	\$ -	\$ 920,000
Changes of Assumptions	617,000	-
Net difference between projected and actual earnings on pension plan investments	51,000	-
Changes in proportionate and differences between District contributions and proportionate share of contributions	769,000	1,365,000
District contributions subsequent to the measurement date	<u>218,436</u>	<u>-</u>
	<u>\$ 1,655,436</u>	<u>\$ 2,285,000</u>

**MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

For the year ended June 30, 2024

The \$218,436 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 ended June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

MIF	Year Ended June 30th
Year 1	\$ (270,000)
Year 2	(241,000)
Year 3	(61,000)
Year 4	(52,000)
Year 5	(111,000)
Thereafter	<u>(113,000)</u>
	<u>\$ (848,000)</u>

Actuarial Methods and Assumptions

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

Valuation Date	June 30, 2022
Asset Valuation Method	Market Value of Assets
Price Inflation	2.5%
Payroll Growth	2.5% per annum
Salary Increase	2.75 per annum
Discount Rate	7.10%
Health Care Cost Trends	
Medicare Part B	6.97% at June 30, 2022, decreasing to an ultimate rate of 4.55% by June 30, 2034 and beyond.
Under Age 65	7% at June 30, 2020, decreasing to an ultimate rate of 4.5% by June 30, 2034 and beyond.
Age 65 and Older	5.125% at June 30, 2022 with an ultimate rate of 4.5% by June 30, 2034 And beyond.

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.

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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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 Percentage	30 Year Expected Geometric Real Rate of Return
Global Equity	58.00	5.10
Fixed Income	9.00	(0.10)
Real Estate	6.50	4.00
Private Equity	8.50	6.90
Additional Categories	17.00	2.20
Cash	1.00	(0.30)
Total	100.00	

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, 2021. 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.

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2024

As the specific methodology to be used for the adjustments has yet to be determined, there may be differences between the projected results and future experience. This may also include any changes to retiree contributions for KEHP coverage pursuant to KRS 161.675(4)(b).

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

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

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

MIF	1% Decrease	Current Discount Rate	1% Increase
	6.10%	7.10%	8.10%
District's proportionate share of net OPEB liability	\$ 1,955,000	\$ 2,715,000	\$ 3,662,000

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:

MIF	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 3,493,000	\$ 2,715,000	\$ 2,073,000

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.

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2024

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

Contributions

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

Net OPEB Liability

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

LIF

State's proportionate share of the TRS net OPEB liability associated with the District	\$	57,000
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Actuarial Assumptions

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

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll
Amortization Period	27 years, Closed
Asset Valuation Method	5-year smoothed value
Inflation	3%
Real Wage Growth	0.5%
Wage Inflation	3.5%
Salary Increase	3.5 to 7.20%, including wage inflation
Discount Rate	7.5%

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.

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2024

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

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

Target Allocations

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

Asset Class	Target Allocation Percentage	Expected Geometric Real Rate Percentage of Return
U.S. Equity	40.0%	4.40%
Developed International Equity	15.0%	5.60%
Emerging Markets Equity	5.0%	-0.10%
Fixed Income	21.0%	4.00%
Other Additional Categories	5.0%	6.90%
Real Estate	7.0%	2.10%
Private Equity	5.0%	-0.30%
Cash	2.00%	
Total	100.0%	

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:

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2024

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

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

Revenue or Expenses for TRS OPEB plans

For the year ended June 30, 2024, the District recognized OPEB revenue in the amount of \$247,726 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.

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2024

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

The District reported an asset of \$166,058 for its proportionate share of the collective net OPEB liability which is .120274%.

Deferred Inflows and Outflows of Resources, and OPEB Expense included in the Schedules of OPEB Amounts include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedules of OPEB Amounts do not include deferred outflow/inflows of resources for changes in the employer’s proportionate share of contributions or employer contributions made subsequent to the measurement date. The total OPEB liability, net OPEB liability (NOL), and sensitivity information are based on an actuarial valuation date of June 30, 2022. The total OPEB liability was rolled forward from the valuation date to the plan’s fiscal year ended June 30, 2023, using generally accepted actuarial principles.

For the year ended June 30, 2024, the District recognized OPEB expense of \$53,169. The District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 115,768	\$ 2,357,863
Changes of Assumptions	326,791	227,741
Net difference between projected and actual earnings on pension plan investments	310,772	349,311
Changes in proportionate and differences between District contributions and proportionate share of contributions	59,139	179,745
District contributions subsequent to the measurement date	-	-
	\$ 812,470	\$ 3,114,660

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.

	Year Ended June 30th
Year 1	\$ (614,642)
Year 2	(711,604)
Year 3	(532,904)
Year 4	(443,040)
	\$ (2,302,190)

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2024

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

Changes of Benefit Terms

None

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

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, 2022. 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 as of June 30, 2023:

Investment Rate of Return	6.25%
Inflation	2.3%
Payroll Growth Rate	2.0%
Salary Increases	3.3 to 10.3%
Healthcare Trend Rates (Pre-65)	Initial trend starting at 6.4% at January 1, 2022, and Gradually decreasing to an ultimate trend rate of 4.05% Over period of 14 years.
Healthcare Trend Rates (Post-65)	Initial trend starting at 6.3% in 2023 then Gradually decreasing to an ultimate trend rate of 4.05% Over period of 13 years.
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.

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.

Discount rate

Single discount rates of 5.7% were used to measure the total OPEB liability as of June 30, 2022. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25%, and a municipal bond rate of 3.69%, as reported in Fidelity Index's "20 Year Municipal GO AA Index" as of June 30, 2022.

**MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

For the year ended June 30, 2024

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 5.7%, 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 (4.7%) or 1-percentage-point higher (6.7%) than the current rate:

CERS	1% Decrease	Current Discount Rate	1% Increase
	4.7%	5.7%	6.7%
District's proportionate share of net OPEB liability	\$ 311,628	\$ (166,058)	\$ (566,062)

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 5.7%, 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 (4.7%) or 1-percentage-point higher (6.7%) than the current rate:

CERS	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ (532,246)	\$ (166,058)	\$ 283,769

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 \$46,881 as of June 30, 2024, for sick leave and \$1,490,905 for construction projects.

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
 For the year ended June 30, 2024

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 unreimbursed 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 is subject to various other legal actions in various stages of litigation and has been turned over to the District’s insurance companies. At this time, it appears they are to be paid by insurance coverage.

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 which include 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.

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 – 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 M – 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>
Operating	General Fund	Special Revenue	KETS	\$ 33,157
Construction	Special Revenue	Construction	Construction	\$ 181,736
Debt Service	Building Fund	Debt Service	Debt Payments	\$ 1,460,162

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2024

NOTE N – 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.

Fund	Change in Net Position/ Net Change in Fund Balance	Fund Balance/ Net Position
Construction	\$ (181,736)	\$ -
Food Service	\$ (215,199)	\$ (200,487)

NOTE O – ON-BEHALF PAYMENTS

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

Plan/Description	Amount
Kentucky Teachers Retirement System (GASB 68 & 75)	\$ 2,349,170
Health Insurance	2,235,768
Life Insurance	4,036
Administrative Fee	32,124
HRA/Dental/Vision	247,888
Federal Reimbursement	(561,577)
Technology	79,885
SFCC Debt Service Payments	<u>1,774,289</u>
Total	\$ <u>6,161,583</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 FUND BALANCES

The following funds had restricted fund balances.

Fund	Amount	Purpose
Capital Outlay	\$ 1,490,905	SFCC Requirements
FSPK Fund	\$ 1,161,243	SFCC Requirements
Student Activity	\$ 143,375	School Activity

NOTE Q – SUBSEQUENT EVENTS

The District has evaluated subsequent events through January 31, 2025, the date the financial statements were available to be issued

REQUIRED SUPPLEMENTARY INFORMATION

Magoffin County School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
County Employees Retirement System
Last Nine Years

	<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>
School District's proportion of the net pension liability	0.1202780%	0.1167550%	0.1247300%	0.1252090%	0.1235500%	0.1437300%	0.1400000%	0.1300000%	0.1400000%
School District's proportionate share of the net pension liability	\$ 7,717,648	\$ 8,440,234	\$ 7,952,516	\$ 9,603,427	\$ 8,689,538	\$ 8,753,839	\$ 8,076,686	\$ 6,184,832	\$ 5,923,085
State's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 3,484,314	\$ 3,214,480	\$ 3,179,432	\$ 3,210,423	\$ 3,116,138	\$ 3,599,466	\$ 3,429,952	\$ 3,018,256	\$ 3,082,716
School District's proportionate share of the net pension liability as a percentage of its covered payroll	221.50%	262.57%	250.12%	299.13%	278.86%	243.20%	235.48%	204.91%	192.14%

Amounts presented as of the School District's measurement date which is the prior fiscal year.

See accompanying notes to the required supplementary information.

Magoffin County School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Kentucky Teacher's Retirement System
Last Nine Years

	<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>
School District's proportion of the net pension liability	0.00000000%	0.00000000%	0.00000000%	0.00000000%	0.00000000%	0.00000000%	0.00000000%	0.00000000%	0.00000000%
School District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability	\$ 36,000,812	\$ 36,483,921	\$ 29,525,991	\$ 33,682,085	\$ 34,738,198	\$ 33,579,157	\$ 71,430,339	\$ 82,181,106	\$ 65,742,093
School District's covered payroll	\$ 9,850,285	\$ 9,922,679	\$ 9,368,115	\$ 9,155,425	\$ 9,644,154	\$ 9,468,438	\$ 9,674,029	\$ 10,234,114	\$ 10,139,339
School District's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	80.00%	56.41%	65.59%	58.27%	58.80%	59.30%	39.80%	35.22%	42.29%

Amounts presented as of the School District's measurement date which is the prior fiscal year.

See accompanying notes to the required supplementary information.

Magoffin County School District
Required Supplementary Information
Schedule of School District Pension Contributions
County Employees Retirement System
Last Nine Years

	<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>
Contractually required contribution	\$ 835,206	\$ 899,252	\$ 829,259	\$ 731,471	\$ 726,298	\$ 637,486	\$ 521,203	\$ 640,714	\$ 514,615
Contributions in relation to the contractually required contribution	<u>(835,206)</u>	<u>(899,252)</u>	<u>(829,259)</u>	<u>(731,471)</u>	<u>(726,298)</u>	<u>(637,486)</u>	<u>(521,203)</u>	<u>(640,714)</u>	<u>(514,615)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	\$ 3,578,439	\$ 3,484,314	\$ 3,214,480	\$ 3,179,432	\$ 3,210,423	\$ 3,116,138	\$ 3,599,466	\$ 3,429,952	\$ 3,018,256
Contributions as a percentage of covered payroll	14.00%	25.81%	25.80%	23.01%	22.62%	20.46%	14.80%	18.68%	17.05%

See accompanying notes to the required supplementary information.

Magoffin County School District
Required Supplementary Information
Schedule of School District Pension Contributions
Kentucky Teacher's Retirement System
Last Nine Years

	<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>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered payroll	\$ 10,094,729	\$ 9,850,285	\$ 9,922,679	\$ 9,368,115	\$ 9,155,425	\$ 9,644,154	\$ 9,468,438	\$ 9,674,029	\$ 10,234,114
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

See accompanying notes to the required supplementary information.

Magoffin County School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
Medical and Life Insurance Plans - Teachers' Retirement System
Last Seven Years (1)

MEDICAL INSURANCE PLAN	2024	2023	2022	2021	2020	2019	2018
School District's proportion of the net OPEB liability	0.2054490%	0.1566590%	0.1221610%	0.1285780%	0.1370900%	0.1333800%	0.1400000%
School District's proportionate share of the net OPEB liability	\$ 2,715,000	\$ 3,889,000	\$ 2,621,000	\$ 3,245,000	\$ 4,012,000	\$ 4,628,000	\$ 5,029,000
State's proportionate share of the net OPEB liability	<u>2,289,000</u>	<u>1,278,000</u>	<u>2,129,000</u>	<u>2,599,000</u>	<u>3,240,000</u>	<u>3,988,000</u>	<u>4,108,000</u>
Total	<u>\$ 5,004,000</u>	<u>\$ 5,167,000</u>	<u>\$ 4,750,000</u>	<u>\$ 5,844,000</u>	<u>\$ 7,252,000</u>	<u>\$ 8,616,000</u>	<u>\$ 9,137,000</u>
School District's covered payroll	\$ 9,850,285	\$ 9,644,154	\$ 9,644,154	\$ 9,644,154	\$ 9,644,154	\$ 9,468,438	\$ 9,674,029
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	27.56%	40.32%	27.18%	33.65%	41.60%	48.88%	51.98%
 LIFE INSURANCE PLAN	 2024	 2023	 2022	 2021	 2020	 2019	 2018
School District's proportion of the net OPEB liability	0.0000000%	0.0000000%	0.0000000%	0.0000000%	0.0000000%	0.0000000%	0.0000000%
School District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability	<u>57,000</u>	<u>64,000</u>	<u>28,000</u>	<u>79,000</u>	<u>75,000</u>	<u>68,000</u>	<u>55,000</u>
Total	<u>\$ 57,000</u>	<u>\$ 64,000</u>	<u>\$ 28,000</u>	<u>\$ 79,000</u>	<u>\$ 75,000</u>	<u>\$ 68,000</u>	<u>\$ 55,000</u>
School District's covered payroll	\$ 9,850,285	\$ 9,644,154	\$ 9,644,154	\$ 9,644,154	\$ 9,644,154	\$ 9,468,438	\$ 9,674,029
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

(1) Information prior to 2018 is not available.
Amounts presented as of the School District's measurement date which is the prior fiscal year.

See accompanying notes to the required supplementary information.

Magoffin County School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)
County Employee Retirement Plan
Last Seven Years (1)

HEALTH INSURANCE PLAN	2024	2023	2022	2021	2020	2019	2018
School District's proportion of the net OPEB liability (asset)	0.12027400%	0.11677100%	0.12470000%	0.12523200%	0.12352000%	0.14399000%	0.14000000%
School District's proportionate share of the net OPEB liability (asset)	\$ (166,058)	\$ 2,304,492	\$ 2,387,319	\$ 3,023,972	\$ 2,077,568	\$ 2,556,425	\$ 2,773,970
State's proportionate share of the net OPEB liability	-	-	-	-	-	-	-
Total	<u>\$ (166,058)</u>	<u>\$ 2,304,492</u>	<u>\$ 2,387,319</u>	<u>\$ 3,023,972</u>	<u>\$ 2,077,568</u>	<u>\$ 2,556,425</u>	<u>\$ 2,773,970</u>
School District's covered payroll	\$ 3,484,314	\$ 3,214,480	\$ 3,179,432	\$ 3,210,423	\$ 3,116,138	\$ 3,599,466	\$ 3,599,466
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-4.77%	71.69%	75.09%	94.19%	66.67%	71.02%	77.07%

(1) Information prior to 2017 is not available.
Amounts presented as of the School District's measurement date which is the prior fiscal year.

See accompanying notes to the required supplementary information.

Magoffin County School District
Required Supplementary Information
Schedule of School District OPEB Contributions
Teachers' Retirement System -Medical and Life Insurance Plans
Last Seven Years

MEDICAL INSURANCE PLAN	2024	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$ 218,436	\$ 208,067	\$ 207,341	\$ 216,607	\$ 227,170	\$ 238,959	\$ 284,053
Contributions in relation to the contractually required contribution	<u>(218,436)</u>	<u>(208,067)</u>	<u>(207,341)</u>	<u>(216,607)</u>	<u>(227,170)</u>	<u>(238,959)</u>	<u>(284,053)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	\$ 10,094,729	\$ 9,850,285	\$ 9,922,679	\$ 9,368,115	\$ 9,155,425	\$ 9,644,154	\$ 9,468,438
Contributions as a percentage of covered payroll	2.16%	2.11%	2.09%	2.31%	2.48%	2.48%	3.00%
LIFE INSURANCE PLAN	2024	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	\$ 10,094,729	\$ 9,850,285	\$ 9,922,679	\$ 9,368,115	\$ 9,155,425	\$ 9,644,154	\$ 9,468,438
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

See accompanying notes to the required supplementary information.

Magoffin County School District
Required Supplementary Information
Schedule of School District OPEB Contributions
County Employee Retirement Plan
Last Seven Years

HEALTH INSURANCE PLAN	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ -	\$ 138,251	\$ 129,425	\$ 119,088	\$ 89,164	\$ 73,101	\$ 169,175
Contributions in relation to the contractually required contribution	<u>-</u>	<u>(138,251)</u>	<u>(129,425)</u>	<u>(119,088)</u>	<u>(89,164)</u>	<u>(73,101)</u>	<u>(169,175)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered payroll	\$ 3,578,439	\$ 3,484,314	\$ 3,214,480	\$ 3,179,432	\$ 3,210,423	\$ 3,116,138	\$ 3,599,466
Contributions as a percentage of covered payroll	0.00%	3.97%	4.03%	3.75%	2.78%	2.35%	4.70%

Pensions

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 Schedule D of the 2022 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 Pub 2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, set-backs, and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees, and actives. The assumed long-term investment rate of return was changed from 7.50 percent to 7.10 percent and the price inflation assumption was lowered from 3.00 percent to 2. 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 the schedule.

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

MAGOFFIN COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2024

Valuation Date	June 30, 2022
Actuarial Cost Method	Entry age
Inflation Rate	2.50%
Single Equivalent Interest Rate	7.10%
Municipal Bond Index Rate	3.66%
Projected Salary Increase	3.0-7.5%, including inflation
Investment Rate of Return	7.10%, net 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, 2020
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	20% of the difference between the market value as 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	2.00%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%

OPEB

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 Schedule D of the 2022 Actuary Report of the TRS.

Changes in Assumptions

None

Actuarial Methods and Assumptions

The actuarially determined contributions 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
Amortization Period	Level percentage of payroll
Amortization Method	21 years, closed
Asset Valuation Method	5-year smoothed market value
Inflation	3%
Real Wage Growth	0.05%
Wage Inflation	3.50%
Salary Increase	3.5 to 7.2%, including wage inflation
Discount Rate	8.00%
Health Care Cost Trends	
KEHP Group	7.25% at June 30, 2020, decreasing to an ultimate rate of 5% by June 30, 2029
MEHP Group	5.25% at June 30, 2020, decreasing to an ultimate rate of 5% by June 30, 2022
Medicar Part B Premiums	6.49% at June 30, 2020 with an ultimate rate of 5% by June 30, 2031
KEHP Group Claims	The current KEHP premium is used as the base cost and is projected Forward using only the health care trend assumption (no implicit rate Subsidy is recognized) .

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 Schedule D of the 2022 Actuary Report of the TRS.

MAGOFFIN COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2024

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.

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll
Amortization Period	27 years, Closed
Asset Valuation Method	5-year smoothed value
Inflation	3%
Real Wage Growth	0.05%
Wage Inflation	3.50%
Salary Increase	3.5 to 7.20%, including wage inflation
Discount Rate	7.50%

County Employee Retirement System (CERS)

Employees' Health Plan

Changes in Benefit Terms

Please refer to P. 181 of KPPA's 2022 "Benefit Changes since the Prior Valuation"

Changes of Assumptions

None

Actuarial Methods and Assumptions

The following actuarial assumptions were used in performing the actuarial valuation as of June 30, 2022:

Valuation Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	20% of the difference between the market value as 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

MAGOFFIN COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2024

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	2.00%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend rates (Pre-65)	Initial trend starting at 6.4% at January 1, 2022, and Gradually decreasing to an ultimate trend rate of 4.05 Over period of 14 years. The 2021 premiums were Known at the time of the valuation and were incorporated into the liability measurement
Healthcare Trend Rates (Post-65)	Initial trend starting at 6.30% at January 1, 2023 then Gradually decreasing to an ultimate trend rate of 4.05% over period of 13 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement. Additionally, Humana provided "Not to Exceed" 2022 Medicare premiums, which wee incorporated and resulted in an assumed 2.90% increase in Medicare premiums at January 1, 2022.

MAGOFFIN COUNTY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2024

	<u>FSPK</u>	<u>Capital Outlay</u>	<u>Special Revenue School Activity</u>	<u>Total</u>
Assets:				
Cash and cash equivalents	\$ 1,161,243	\$ 1,490,905	\$ 163,375	\$ 2,815,523
Accounts receivable	-	-	-	-
Total assets	<u>\$ 1,161,243</u>	<u>\$ 1,490,905</u>	<u>\$ 163,375</u>	<u>\$ 2,815,523</u>
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Restricted	1,161,243	1,490,905	163,375	2,815,523
Total fund balances	<u>1,161,243</u>	<u>1,490,905</u>	<u>163,375</u>	<u>2,815,523</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 1,161,243</u>	<u>\$ 1,490,905</u>	<u>\$ 163,375</u>	<u>\$ 2,815,523</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAGOFFIN COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS

Year ended June 30, 2024

	FSPK	Capital Outlay	Special Revenue School Activity	Total
Revenues:				
From local sources:				
Property taxes	\$ 407,162	\$ -	\$ -	\$ 407,162
Student activities	-	-	614,642	614,642
Intergovernmental - state	1,363,780	174,305	-	1,538,085
Total revenues	<u>1,770,942</u>	<u>174,305</u>	<u>614,642</u>	<u>2,559,889</u>
Expenditures:				
Instruction	-	-	613,634	613,634
Total expenditures	<u>-</u>	<u>-</u>	<u>613,634</u>	<u>613,634</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,770,942</u>	<u>174,305</u>	<u>1,008</u>	<u>1,946,255</u>
Other financing sources (uses):				
Operating transfers (out)	<u>(1,460,057)</u>	<u>-</u>	<u>-</u>	<u>(1,460,057)</u>
Total other financing sources (uses)	<u>(1,460,057)</u>	<u>-</u>	<u>-</u>	<u>(1,460,057)</u>
Net change in fund balances	310,885	174,305	1,008	486,198
Fund balances at beginning of year	<u>850,358</u>	<u>1,316,600</u>	<u>162,367</u>	<u>2,329,325</u>
Fund balances at end of year	<u>\$ 1,161,243</u>	<u>\$ 1,490,905</u>	<u>\$ 163,375</u>	<u>\$ 2,815,523</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAGOFFIN COUNTY SCHOOL DISTRICT

COMBINING BALANCE SHEET
SCHOOL ACTIVITY FUNDS

June 30, 2024

	<u>Magoffin Co High School</u>	<u>Magoffin Co Career & Tech</u>	<u>Herald Whitaker Middle</u>	<u>North Magoffin Elementary</u>	<u>South Magoffin Elementary</u>	<u>Salyersville Grade School</u>	<u>Total</u>
Assets:							
Cash and cash equivalents	\$ 87,256	\$ 3,862	\$ 50,200	\$ 2,692	\$ 12,479	\$ 6,886	\$ 163,375
Accounts receivable	-	-	-	-	-	-	-
Total assets	<u>\$ 87,256</u>	<u>\$ 3,862</u>	<u>\$ 50,200</u>	<u>\$ 2,692</u>	<u>\$ 12,479</u>	<u>\$ 6,886</u>	<u>\$ 163,375</u>
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balances:							
School activities	<u>87,256</u>	<u>3,862</u>	<u>50,200</u>	<u>2,692</u>	<u>12,479</u>	<u>6,886</u>	<u>163,375</u>
Total liabilities, fund balances	<u>\$ 87,256</u>	<u>\$ 3,862</u>	<u>\$ 50,200</u>	<u>\$ 2,692</u>	<u>\$ 12,479</u>	<u>\$ 6,886</u>	<u>\$ 163,375</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAGOFFIN COUNTY SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
SCHOOL ACTIVITY FUNDS
Year ended June 30, 2024**

	<u>Magoffin Co High School</u>	<u>Magoffin Co Career & Tech</u>	<u>Herald Whitaker Middle</u>	<u>North Magoffin Elementary</u>	<u>South Magoffin Elementary</u>	<u>Salyersville Grade School</u>	<u>Total</u>
Revenues							
Student revenues	\$ 398,157	\$ 25,561	\$ 95,214	\$ 10,716	\$ 39,097	\$ 45,897	\$ 614,642
Expenses							
Student activities	386,821	31,059	93,137	14,224	36,369	52,024	613,634
Excess (Deficit) of Revenues over Expenses	11,336	(5,498)	2,077	(3,508)	2,728	(6,127)	1,008
Fund Balance-Beginning	75,920	9,360	48,123	6,200	9,751	13,013	162,367
Fund Balance - Ending	<u>\$ 87,256</u>	<u>\$ 3,862</u>	<u>\$ 50,200</u>	<u>\$ 2,692</u>	<u>\$ 12,479</u>	<u>\$ 6,886</u>	<u>\$ 163,375</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAGOFFIN COUNTY SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
SCHOOL ACTIVITY FUNDS**

Year ended June 30, 2024

	Fund Balance Beginning	Revenues	Expenses	Transfers	Fund Balance Ending
General Fund	\$ 170	\$ 972	\$ 844	\$ -	\$ 298
Academic Team	143	718	528	-	333
AP Exams	370	-	-	-	370
Student Vending	1,656	2,494	2,581	(4)	1,565
Weekly Attendance Incent	510	-	-	-	510
Faculty Beverage	48	2,770	2,180	-	638
Art Club	-	-	-	-	-
Key Club	570	-	-	-	570
Band	2,432	8,240	9,565	-	1,107
Beta Club	597	2,133	2,337	-	393
T-shirt Fund	545	-	-	-	545
HOSA	72	1,838	1,903	-	7
FCCLA	984	702	327	-	1,359
Choir	292	-	-	-	292
Peer Tutoring	186	-	120	-	66
Athletic Fund	12,256	80,503	66,396	(13,000)	13,363
Arbiter Pay	1,183	-	12,986	13,000	1,197
Boys Basketball	9,604	21,287	21,621	(500)	8,770
Girls Basketball	-	7,156	6,899	-	257
Cheerleading	1,285	14,112	10,944	-	4,453
Dance	172	30,158	22,553	-	7,777
Tennis	5	-	-	-	5
Volleyball	1,563	1,781	2,474	-	870
Track/Cross Country	9,313	10,492	10,042	-	9,763
Softball	362	6,240	4,192	-	2,410
Football	-	-	-	-	-
Baseball	1,874	1,942	2,369	-	1,447
57th District BB/FP	3,736	-	-	-	3,736
Senior Fund	16,428	101,905	99,121	(4,000)	15,212
Project Graduation	732	17,984	22,138	4,250	828
Junior Fund	489	37,128	36,168	250	1,699
Yearbook	5,786	2,925	6,390	-	2,321
WM Helton Scholarship	-	-	-	-	-
FRC Angel Tree	-	300	304	4	-
English Dept	19	-	-	-	19
57th District Tournament	-	41,839	41,839	-	-
	<u>73,382</u>	<u>395,619</u>	<u>386,821</u>	<u>-</u>	<u>82,180</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAGOFFIN COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

FEDERAL GRANTOR <i>Passed Through Grantor</i> Program / Cluster Title	Assisted Listing Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through State Department of Education</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553		\$ 394,544
National School Lunch Program	10.555		920,064
Summer Food Service	10.559		28,111
Total Child Nutrition Cluster			<u>1,342,719</u>
State Administrative Grant for Nutrition	10.560		6,793
Passed through State Department of Agriculture			
Food Donation-Commodities	10.565		<u>70,841</u>
Total U.S. Department of Agriculture			<u>1,420,353</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through State Department of Education</i>			
Title 1 Grants to Local Education Agencies	84.010A		1,272,825
Special Education Grants to States	84.027A		518,772
COVID-19 ARP Individuals with Disabilities Education Ac	84.027X		107,848
Special Education - Preschool Grants	84.173A		38,467
Special Education Cluster Subtotal			
Vocation Education - Basic Grants to States	84.048		41,324
Rural Education	84.358B		46,325
Improving Teacher Quality State Grants	84.367A		178,624
COVID-19 ARP ESSER	84.425U		3,901,675
ARP ESSER Homeless Children and Youth	84.425W		6,099
Passed through Kentucky Office of Vocational Rehabilitation			
Adult Education-Basic Grants to States	84.002		27,238
Passed through Berea College			
Gear Up	84.334A		<u>64,188</u>
Total U.S. Department of Education			<u>6,203,385</u>
U.S. Department of Health and Human Services			
Passed through Big Sandy Area Community Action Program			
Head Start	93.600		<u>598,740</u>
Total U.S. Department of Health and Human Services			<u>598,740</u>
Total Expenditures of Federal Awards			<u>\$ 8,222,478</u>

The accompanying notes are an integral part of this Schedule.

MAGOFFIN COUNTY SCHOOL DISTRICT

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Magoffin County School District (the School District) under programs of the federal government for the year ended June 30, 2024. The information on this Schedule is prepared 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 School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE B – SUMMARY OF 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 Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE 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 \$70,841.

NOTE D – INDIRECT COST RATE

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



**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

To the Board of Education of the Magoffin County School District
Salyersville, Kentucky

And the State Committee for School District Audits

We have audited, 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 (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Magoffin County School District, (the 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 January 31, 2025.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District’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 the 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*.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BHM CPA Group

BHM CPA Group Inc.
Circleville, Ohio
January 31, 2025



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAMS AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Education of the Magoffin County School District
Salyersville, Kentucky
And the State Committee for School District Audits

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Magoffin County School District’s, (the District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on Magoffin County School District’s major federal programs for the year ended June 30, 2024. Magoffin County School District’s major federal programs are identified in the *Summary of Auditor’s Results* section of the accompanying schedule of findings.

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

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor’s Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of 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 the 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

The District’s 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 GAAS, *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 the major federal program as a whole.

In performing an audit in accordance with GAAS, *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 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 this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BHM CPA Group

BHM CPA Group, Inc.
Portsmouth, Ohio
January 31, 2025

MAGOFFIN COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2024

1. SUMMARY OF AUDITOR’S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Program’s Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2CFR § 200.515(a)?	No
(d)(1)(vii)	Major Programs (list):	Elementary and Secondary School Emergency Relief Fund #84.425W/84.425U
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

3. FINDINGS FOR FEDERAL AWARDS

None

MAGOFFIN COUNTY SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
2 CFR § 200.511(b)
June 30, 2024

There were no prior year findings.