MORGAN COUNTY
SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES

For the year ended June 30, 2024

Prepared by:

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Morgan County School District
West Liberty, Kentucky

And the State Committee for School District Audits

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

White & Associates, PSC

Richmond, Kentucky
November 15, 2024

Morgan County Public School District
West Liberty, Kentucky
Management's Discussion and Analysis (MD & A)
Year Ended June 2024

As management of the Morgan County Public 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 fund balance for the General Fund for the District was $4,743,488 which includes Site Based CWFD in the amount of $25,279 and committed sick leave of $171,072, The CWFD amount was re-budgeted in the per pupil accounts for designated schools. The ending fund balance for fund 1 was $5,463,229 which includes committed Site Based CWFD in the amount of $6,031 and will be budgeted appropriately for FY25. The FY24 fund balance also included $110,527 for committed sick leave liability.
- The General Fund had $19,965,140 in revenue including inter-fund transfers. Receipted revenue primarily consisted of the state program (SEEK), property, utility, motor vehicle taxes, Universal Service Fund reimbursement and Medicaid reimbursements. There was $19,245,399 in General Fund expenditures including $386,366 in inter-fund transfers which involved KETS, KISTA debt service and bond payments. On-behalf payments of $4,921,233 are included in both revenue and expenditures.
- The District continued in FY 24 the tennis court project which will be finished in the first semester of FY 25. During the FY 24 year a multifacility energy savings project was started which entailed a geothermal system for Central Office due to the old system being at the end of life. Other aspects of this project were LED lighting upgrades for Central Office, East Valley Elementary, Morgan Central Elementary, Morgan County Middle School and Wrigley Elementary and new HVAC controls for Morgan Central Elementary.
- The district used the last year of Federal Covid funds to have interventionists in place at each school for students to overcome any continued learning loss from the Covid 19 pandemic.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

The district-wide financial statements can be found on the table of contents 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 only proprietary fund is our food service operations. All other activities of the District are included in the governmental funds. The basic governmental fund financial statements can be found on the table of contents 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 district-wide and fund financial statements. The notes to the financial statements can be found on the table of contents of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Morgan County School District, assets plus deferred outflows exceeded liabilities by approximately $30,707,329 as of June 30, 2024. The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Morgan County Public School District
West Liberty, Kentucky
Management's Discussion and Analysis (MD & A)
Year Ended June 2024

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

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

Table 1
Net Position
$ (in Millions)

	Governmental Activities		Business-type Activities		Totals	
	2023	2024	2023	2024	2023	2024
Current assets	$ 10.81	$ 11.83	$ 0.26	$ 0.10	$ 11.07	$ 11.93
Non-current assets	79.04	80.28	0.10	0.14	79.14	80.42
Total assets	89.85	92.11	0.36	0.24	90.21	92.35
Deferred outflows	5.56	4.54	0.15	0.13	5.71	4.67
Current liabilities	6.23	6.24	0.08	0.05	6.31	6.29
Non-current liabilities	57.83	53.00	0.49	0.34	58.32	53.34
Total liabilities	64.06	59.24	0.57	0.39	64.63	59.63
Deferred inflows	3.98	6.47	0.11	0.21	4.09	6.68
Net position:						
Invested in capital assets, net of debt	32.35	33.62	0.10	0.13	32.45	33.75
Restricted	5.07	5.96	-	-	5.07	5.96
Unrestricted (deficit)	(10.06)	(8.64)	(0.27)	(0.36)	(10.33)	(9.00)
Total net position	$ 27.36	$ 30.94	$ (0.17)	$ (0.23)	$ 27.19	$ 30.71

GOVERNMENTAL ACTIVITIES

Ending net position was $30.71 million for the District. This was an increase of $3.51 million from 2023.

Table 2
Changes in Net Position
(in millions)

	Governmental Activities 2023	Governmental Activities 2024	Business-Type Activities 2023	Business-Type Activities 2024	Total School District 2023	Total School District 2024	Total Percentage Change 2023-2024
Revenues:							
Charges for services	$ 0.79	$ 0.75	$ 0.12	$ 0.10	$ 0.91	$ 0.85	-7%
Operating grants and contributions	11.88	11.78	1.88	1.70	13.76	13.48	-2%
Capital grants and contributions	4.20	4.05	-	-	4.20	4.05	-4%
General revenues	14.92	14.81	-	-	14.92	14.81	-1%
Total revenue	31.79	31.39	2.00	1.80	33.79	33.19	-2%
Expenses:							
Instruction	$ 14.83	$ 13.79	$ -	$ -	$ 14.83	$ 13.79	-7%
Student	1.49	1.56	-	-	1.49	1.56	5%
Instructional staff	1.33	1.14	-	-	1.33	1.14	-14%
District administration	0.66	0.73	-	-	0.66	0.73	11%
School administration	1.58	1.57	-	-	1.58	1.57	-1%
Business	0.68	0.57	-	-	0.68	0.57	-16%
Plant operation & maintenance	2.55	2.71	-	-	2.55	2.71	6%
Student transportation	1.61	1.52	-	-	1.61	1.52	-6%
Community services operations	0.34	0.32	-	-	0.34	0.32	-6%
Food service operations	-	-	2.06	1.84	2.06	1.84	-11%
Depreciation/amortization	1.64	2.53	0.03	0.03	1.67	2.56	53%
Interest on long-term debt	1.44	1.37	-	-	1.44	1.37	-5%
Total expenses	$ 28.15	$ 27.81	$ 2.09	$ 1.87	$ 30.24	$ 29.68	-2%
Change in net position	$ 3.64	$ 3.58	$ (0.09)	$ (0.07)	$ 3.55	$ 3.51	-1%

CAPITAL ASSETS

At the end of fiscal 2024, the District had $80,269,530 invested in capital assets (Net of Depreciation), including land, buildings, buses, computers and other equipment. This amount represents an increase (including additions and deductions) of $1,133,336 from last year.

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

	Governmental Activities		Business-type Activities		Totals	
	2023	2024	2023	2024	2023	2024
Land	$ 1,316,340	$ 1,316,340	$ -	$ -	$ 1,316,340	$ 1,316,340
Land Improvements	572,595	622,381	-	-	572,595	622,381
Buildings	75,961,795	74,355,986	-	-	75,961,795	74,355,986
Vehicles	781,419	1,078,298	-	-	781,419	1,078,298
General Equipment	211,627	235,755	98,094	131,337	309,721	367,092
Construction in Progress	194,323	2,529,432	-	-	194,323	2,529,432
Totals	$ 79,038,099	$ 80,138,192	$ 98,094	$ 131,337	$ 79,136,193	$ 80,269,530

DEBT

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

Table 4
Outstanding Debt at Year-End

	Government Activities	
	2023	2024
General Obligation Bonds	$ 46.33	$ 46.24
Finance Purchase Obligations	0.44	$ 0.32
Total Obligations	$ 46.77	$ 46.55

Morgan County Public School District
West Liberty, Kentucky
Management's Discussion and Analysis (MD & A)
Year Ended June 2024

THE DISTRICT'S FUNDS

As the District completed the year, the General Fund reflected a fund balance of $5,463,229, a $719,741 increase from prior year's fund balance of 4,743,488. The unassigned portion of the fund balance at the end of fiscal year 2024 is $5,346,671, compared to $4,547,137from the preceding year.

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

*Note   This chart does not include beginning balances.

REVENUES	**Fund 1**	**Fund 2**	**Fund 310**	**Fund 320**	**Fund 360**	**Fund 400**	**Fund 51**
Local Revenue Sources	$ 3,899,493	$ 52,092	$ -	$ 504,786	$ -	$ -	$ 100,049
State Revenue Sources	15,276,545	1,052,040	167,187	1,193,832	-	2,688,782	153,649
Federal Revenue Sources	349,542	4,434,800	-	-	-	-	1,547,838
Other	23,307	-	-	-	2,838,021	-	3,584
Transfers	416,252	33,861	-	-	1,618,943	1,624,183	-
TOTALS	**$ 19,965,139**	**$ 5,572,793**	**$ 167,187**	**$ 1,698,618**	**$ 4,456,964**	**$ 4,312,965**	**$ 1,805,120**
EXPENDITURES	**Fund 1**	**Fund 2**	**Fund 310**	**Fund 320**	**Fund 360**	**Fund 400**	**Fund 51**
Instruction	9,618,740	3,820,476	-	-	-	-	-
Student Support Services	1,388,943	168,204	-	-	-	-	-
Instructional Staff Support Services	689,101	432,133	-	-	-	-	-
District Admin Support	731,578	-	-	-	-	-	-
School Admin Support	1,555,673	3,771	-	-	-	-	-
Business Support Services	569,495	-	-	-	-	-	-
Plant Operation & Management	2,759,720	111,455	-	-	-	-	-
Student Transportation	1,540,680	481,272	-	-	-	-	-
Food Service Operations	-	-	-	-	-	-	1,837,662
Community Services	5,102	311,407	-	-	-	-	-
Building /Site Improvement	-	-	-	-	738,127	-	-
Other Facilities	-	-	-	-	2,194,778	-	-
Debt Service	-	-	-	-	82,331	4,312,965	-
Depreciation	-	-	-	-	-	-	33,466
Other	-	-	-	-	-	-	-
Transfers	386,366	282,582	167,187	2,546,989	310,116	-	-
TOTALS	**$ 19,245,398**	**$ 5,611,300**	**$ 167,187**	**$ 2,546,989**	**$ 3,325,352**	**$ 4,312,965**	**$ 1,871,128**
Excess / (Deficit)	719,741	(38,507)	-	(848,371)	1,131,612	-	(66,008)

Comments on Budget Comparisons

- The District's total general fund revenues for the fiscal year ended June 30, 2024, net of Interfund transfers, Beginning Balance, Finance Purchase Obligations and sale of land /equipment was $19,525,580.

- Excluding on-behalf payments and sale of land /equipment, general fund budget compared to actual revenue varied from line item to line item, with the ending actual revenue being $804,881 more than budgeted.

- Excluding on-behalf payments general fund budget expenditures to actual varied line item to line item with the actual expenditures being $886,792 less than budgeted.

BUDGETARY IMPLICATIONS

In Fiscal Year 2024 the Board elected to take the 4% revenue increase on property taxes rather than the compensating rate. The Board realized that inflation had impacted all aspects of education from the educators to supplies. Thus, maximizing revenue streams now and in the future is a must.

The budget will likely be negatively impacted in the future due to enrollment decreases with the funding from SEEK being based on Average Daily Attendance. Through uncertain financial times The Board and Administrative staff are working diligently to ensure that Morgan County Schools continue to make financial decisions for the betterment of our students.

Questions regarding this report should be directed to the Finance Officer, Lori Stamper or Superintendent, Ralph Hamilton, Ed., at (606) 743-8002 or by mail at Morgan County Board of Education, 155 University Drive, West Liberty, Kentucky 41472.

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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 11,145,844	$ -	$ 11,145,844
Receivables (net)	612,850	74,668	687,518
Interfund	48,909		48,909
Inventories		24,562	24,562
Prepaid expenses	21,177		21,177
Funded OPEB asset	141,872	7,316	149,188
Capital assets:			
Land and construction in progress	3,845,772		3,845,772
Other capital assets, net of depreciation	76,292,420	131,338	76,423,758
Total capital assets	80,138,192	131,338	80,269,530
Total assets	92,108,844	237,884	92,346,728
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	1,745,118	89,987	1,835,105
Deferred outflows related to OPEB CERS	737,876	38,049	775,925
Deferred outflows related to OPEB TRS	2,027,906		2,027,906
Deferred savings from refunding bonds	32,520		32,520
Total deferred outflows of resources	4,543,420	128,036	4,671,456
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	96,652,264	365,920	97,018,184
LIABILITIES			
Accounts payable and accrued expenses	237,882	4,260	242,142
Interfund payable		48,909	48,909
Accrued interest payable	503,180		503,180
Unearned revenue	2,403,926		2,403,926
Long-term liabilities:			
Due within 1 year:			
Bond obligations	2,995,000		2,995,000
Finance purchase obligations	101,028		101,028
Total due within 1 year	3,096,028	-	3,096,028
Due in more than 1 year:			
Bond obligations	43,242,640		43,242,640
Finance purchase obligations	214,341		214,341
Sick leave	86,215		86,215
Net pension liability	6,593,616	339,999	6,933,615
Net OPEB liability TRS	2,864,000		2,864,000
Total due in more than 1 year	53,000,812	339,999	53,340,811
Total liabilities	59,241,828	393,168	59,634,996
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	1,477,024	76,163	1,553,187
Deferred inflows related to OPEB CERS	2,561,584	132,088	2,693,672
Deferred inflows related to OPEB TRS	2,429,000		2,429,000
Total deferred inflows of resources	6,467,608	208,251	6,675,859
NET POSITION			
Net Investment in capital assets	33,617,703	131,338	33,749,041
Restricted			
Capital projects	5,757,568		5,757,568
District activities	7,474		7,474
School activities	197,045		197,045
Unrestricted (deficit)	(8,636,962)	(366,837)	(9,003,799)
Total net position (deficit)	30,942,828	(235,499)	30,707,329
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 96,652,264	$ 365,920	$ 97,018,184

See the accompanying notes to the financial statements.

Morgan County School District
Statement of Activities
Year ended June 30, 2024

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position — Primary Government: Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
Instruction	$ 13,788,930	$ -	$ 7,496,958	$ -	$ (6,291,972)	$ -	$ (6,291,972)
Support services							
Student	1,557,147	573,533	659,770		(323,844)		(323,844)
Instructional staff	1,141,650		483,722		(657,928)		(657,928)
District administration	731,578		309,973		(421,605)		(421,605)
School administration	1,559,444		660,743		(898,701)		(898,701)
Business	569,495		241,297		(328,198)		(328,198)
Plant operation & maintenance	2,705,020	172,181	1,146,128	1,361,019	(25,692)		(25,692)
Student transportation	1,520,477		644,232		(876,245)		(876,245)
Community services operations	316,509		134,106		(182,403)		(182,403)
Other non-instructional	6,301		2,670		(3,631)		(3,631)
Interest on long-term debt	1,371,280			2,688,782	1,317,502		1,317,502
Depreciation*	2,533,642				(2,533,642)		(2,533,642)
Total governmental activities	27,801,473	745,714	11,779,599	4,049,801	(11,226,359)		(11,226,359)
Business-type activities:							
Food service operations	1,837,662	100,049	1,701,487			(36,126)	(36,126)
Depreciation*	33,466					(33,466)	(33,466)
Total business-type activities	1,871,128	100,049	1,701,487	-	-	(69,592)	(69,592)
Total primary government	$ 29,672,601	$ 845,763	$ 13,481,086	$ 4,049,801	(11,226,359)	(69,592)	(11,295,951)
General revenues:							
Taxes:							
Property taxes					2,124,459		2,124,459
Motor vehicle taxes					590,746		590,746
Unmined minerals					64,146		64,146
Uitility taxes					717,285		717,285
Franchise					267,951		267,951
State and formula grants					10,326,264		10,326,264
Unrestricted investment earnings					515,577	3,584	519,161
Sale of equipment					23,307		23,307
Other local					176,207		176,207
Total general revenues					14,805,942	3,584	14,809,526
Change in net position					3,579,583	(66,008)	3,513,575
Net position - beginning (deficit)					27,363,245	(169,491)	27,193,754
Net position - ending (deficit)					$ 30,942,828	$ (235,499)	$ 30,707,329

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

See the accompanying notes to the financial statements.

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

	Governmental Funds					
	General	Special Revenue	Construction	Debt Service	Other Governmental Funds	Total
ASSETS						
Cash and cash equivalents	$ 5,178,277	$ -	$ 4,672,930	$ -	$ 1,294,637	$ 11,145,844
Prepaid expenditures	21,177					21,177
Receivables						
Interfund receivables	256,668					256,668
Taxes	146,698					146,698
Intergovernmental-state		749				749
Intergovernmental-federal		465,403				465,403
Total assets	5,602,820	466,152	4,672,930	-	1,294,637	12,036,539
LIABILITIES						
Accounts payable	139,591	92,811			5,480	237,882
Interfund payable		207,759				207,759
Unearned revenue		165,582				165,582
Total liabilities	139,591	466,152	-	-	5,480	611,223
FUND BALANCE						
Restricted			4,672,930		1,084,638	5,757,568
Committed	116,558				204,519	321,077
Unassigned	5,346,671					5,346,671
Total fund balance	5,463,229	-	4,672,930	-	1,289,157	11,425,316
TOTAL LIABILITIES AND FUND BALANCE	$ 5,602,820	$ 466,152	$ 4,672,930	$ -	$ 1,294,637	$ 12,036,539

See the accompanying notes to the financial statements.

Morgan County School District

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position

June 30, 2024

Fund balance-total governmental funds	$	11,425,316
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.		80,138,192
The central office building was purchased and the seller negotiated a sale leaseback that will be recorded as the purchase of the building as a capital asset and the part of the sale regarded as a lease will be recorded as unearned revenue and amortized over the term of the lease. Fund financials only reported the payment as an expenditure.		(2,238,344)
Costs associated with bond issues and refundings are expensed in the fund financial statements because they are a use of current financial resources but are capitalized on the statement of net position using the economic resources focus		32,520
Certain assets (OPEB asset) are not receivable in the current period and are not reported in the fund financial statements.		141,872
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 payble in the current period and, therefore, are not reported in the funds		
Accrued interest payable		(503,180)
Bond obligations		(46,237,640)
Finance purchase obligations		(315,369)
Sick leave liability		(86,215)
Net OPEB liability		(2,864,000)
Net pension liability		(6,593,616)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		
Deferred outflows related to pensions		1,745,118
Deferred outflows related to OPEB		2,765,782
Deferred inflows related to pensions		(1,477,024)
Deferred inflows related to OPEB		(4,990,584)
Net position of governmental activities	$	30,942,828

See the accompanying notes to the financial statements.

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

	General	Special Revenue	Construction	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES						
From local sources						
Taxes						
Property	$ 1,619,673	$ -	$ -	$ -	$ 504,786	$ 2,124,459
Motor vehicle	590,746					590,746
Utilities	717,285					717,285
Unmined minerals	64,146					64,146
Franchise	267,951					267,951
Earnings on investments	514,107	1,470				515,577
Student activities					573,533	573,533
Other local revenue	125,585	50,622				176,207
Intergovernmental - state	15,276,545	1,052,040		2,688,782	1,361,019	20,378,386
Intergovernmental - federal	349,542	4,434,800				4,784,342
Total revenues	19,525,580	5,538,932	-	2,688,782	2,439,338	30,192,632
EXPENDITURES						
Instruction	9,618,741	3,820,476			527,437	13,966,654
Support services						
Student	1,388,943	168,204				1,557,147
Instructional staff	689,101	432,133			20,416	1,141,650
District administration	731,578					731,578
School administration	1,555,673	3,771				1,559,444
Business	569,495					569,495
Plant operation & maintenance	2,759,720	111,455				2,871,175
Student transportation	1,540,680	481,272			33,200	2,055,152
Community services operations	5,102	311,407				316,509
Other non-instructional					6,301	6,301
Building improvements			738,127			738,127
Other facilities			2,194,778			2,194,778
Debt service			82,331	4,312,965		4,395,296
Total expenditures	18,859,033	5,328,718	3,015,236	4,312,965	587,354	32,103,306
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	666,547	210,214	(3,015,236)	(1,624,183)	1,851,984	(1,910,674)
OTHER FINANCING SOURCES (USES)						
Sale of equipment	23,307					23,307
Bond principal proceeds			2,790,000			2,790,000
Bond premium			48,021			48,021
Operating transfers in	416,253	33,861	1,618,943	1,624,183	9,998	3,703,238
Operating transfers (out)	(386,366)	(282,582)	(310,116)		(2,724,174)	(3,703,238)
Total other financing sources and (uses)	53,194	(248,721)	4,146,848	1,624,183	(2,714,176)	2,861,328
NET CHANGE IN FUND BALANCE	719,741	(38,507)	1,131,612	-	(862,192)	950,654
FUND BALANCE - BEGINNING	4,743,488	38,507	3,541,318	-	2,151,349	10,474,662
FUND BALANCE - ENDING	$ 5,463,229	$ -	$ 4,672,930	$ -	$ 1,289,157	$ 11,425,316

See the accompanying notes to the financial statements.

Morgan County School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds tc the Statement of Activities

Year ended June 30, 2024

Net change in fund balance-total governmental funds	$	950,654
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report district pension and OPEB contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense or revenue.		992,936
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.		1,100,093
Amortization of bond premiums and discounts on the sale of bonds is reported as revenue and expense in the fund financials but are amortized over the life of the bonds on the statement of activities.		40,414
The sale of bond proceeds are reported as revenue in the governmental financial statements and is accrued as a liability in statement of activities.		(2,790,000)
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.		(53,373)
The central office building was purchased and the seller negotiated a sale leaseback that will be recorded as the purchase of the building as a capital asset and the part of the sale regarded as a lease will be recorded as unearned revenue and amortized over the term of the lease. Fund financials only reported the payment as an expenditure.		172,181
Bond and finance purchase payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position, and Bond proceeds are a other financing source in the fund financial statements but are shown as a liability in the government wide financial statements.		2,970,723.00
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.		
Accrued interest payable		18,231
Sick leave payable		177,724
Change in net position of governmental activities	$	3,579,583

See the accompanying notes to the financial statements.

Morgan County School District
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
Year ended June 30, 2024

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
From local sources				
Taxes				
Property	$ 1,460,000	$ 1,460,000	$ 1,619,673	$ 159,673
Motor vehicle	568,715	568,715	590,746	22,031
Utilities	691,090	691,090	717,285	26,195
Unmined minerals	-	-	64,146	64,146
Franchise	200,000	200,000	267,951	67,951
Earnings on investments	300,000	300,000	514,107	214,107
Other local revenue	20,000	20,000	125,585	105,585
Intergovernmental - state	10,343,466	10,343,466	15,276,545	4,933,079
Intergovernmental - federal	190,000	190,000	349,542	159,542
Total revenues	13,773,271	13,773,271	19,525,580	5,752,309
EXPENDITURES				
Instruction	6,770,145	6,770,145	9,618,741	(2,848,596)
Support services				
Student	1,106,598	1,106,598	1,388,943	(282,345)
Instructional staff	478,105	478,105	689,101	(210,996)
District administration	655,970	655,970	731,578	(75,608)
School administration	1,038,187	1,038,187	1,555,673	(517,486)
Business	451,563	451,563	569,495	(117,932)
Plant operation & maintenance	2,894,737	2,894,737	2,759,720	135,017
Student transportation	1,504,419	1,504,419	1,540,680	(36,261)
Community services operations	5,102	5,102	5,102	-
Total expenditures	14,904,826	14,904,826	18,859,033	(3,954,207)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,131,555)	(1,131,555)	666,547	1,798,102
OTHER FINANCING SOURCES (USES)				
Sale of land and equipment			23,307	23,307
Operating transfers in	167,187	167,187	416,253	249,066
Operating transfers (out)	(386,366)	(386,366)	(386,366)	-
Total other financing sources and (uses)	(219,179)	(219,179)	53,194	272,373
NET CHANGE IN FUND BALANCE	(1,350,734)	(1,350,734)	719,741	2,070,475
FUND BALANCE - BEGINNING	4,366,520	4,366,520	4,743,488	376,968
FUND BALANCE - ENDING	$ 3,015,786	$ 3,015,786	$ 5,463,229	$ 2,447,443

Note: The district did not budget $4,921,233 of state on-behalf payments. The budget variance will be that amount for both revenue and expenditures.

See the accompanying notes to the financial statements.

Morgan County School District

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Special Revenue Fund

Year ended June 30, 2024

	Budgeted Amounts			Variance with Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES				
Other local revenue	$ 63,717	$ 63,717	$ 50,622	$ (13,095)
Earnings from investments	1,470	1,470	1,470	-
Intergovernmental - state	1,026,539	1,026,539	1,052,040	25,501
Intergovernmental - federal	1,854,008	1,854,008	4,434,800	2,580,792
Total revenues	2,945,734	2,945,734	5,538,932	2,593,198
EXPENDITURES				
Instruction	2,089,171	2,089,171	3,820,476	(1,731,305)
Support services				
Student	149,373	149,373	168,204	(18,831)
Instructional staff	316,569	316,569	432,133	(115,564)
School administration			3,771	(3,771)
Plant operation & maintenance	98,206	98,206	111,455	(13,249)
Student transportation			481,272	(481,272)
Community services operations	323,776	323,776	311,407	12,369
Total expenditures	2,977,095	2,977,095	5,328,718	(2,351,623)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(31,361)	(31,361)	210,214	241,575
OTHER FINANCING SOURCES (USES)				
Operating transfers in	33,861	33,861	33,861	-
Operating transfers (out)			(282,582)	(282,582)
Total other financing sources and (uses)	33,861	33,861	(248,721)	(282,582)
NET CHANGE IN FUND BALANCE	2,500	2,500	(38,507)	(41,007)
FUND BALANCE - BEGINNING	-	-	38,507	38,507
FUND BALANCE - ENDING	$ 2,500	$ 2,500	$ -	$ (2,500)

See the accompanying notes to the financial statements.

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

	School Food Services
ASSETS	
Accounts receivable	$ 74,668
Inventories	24,562
Funded OPEB asset	7,316
Capital assets:	
Other capital assets, net of depreciation	131,338
Total assets	237,884
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	89,987
Deferred outflows related to OPEB	38,049
Total deferred outflows of resources	128,036
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	365,920
LIABILITIES	
Accounts payable	4,260
Interfund payable	48,909
Net pension liability	339,999
Total liabilities	393,168
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	76,163
Deferred inflows related to OPEB	132,088
Total deferred inflows of resources	208,251
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	601,419
NET POSITION	
Net investment in capital assets	131,338
Unrestricted (Deficit)	(366,837)
Total net position (Deficit)	(235,499)
TOTAL LIABILITIES DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 365,920

See the accompanying notes to the financial statements.

Morgan County School District

Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Fund

Year ended June 30, 2024

	School Food Services
OPERATING REVENUES	
Lunchroom sales	$ 100,049
Total operating revenues	100,049
OPERATING EXPENSES	
Depreciation	33,466
Food service operations	
Employee services	700,941
Operational expenses	1,136,721
Total operating expenses	1,871,128
Operating income (loss)	(1,771,079)
NONOPERATING REVENUES (EXPENSES)	
Federal grants	1,547,838
State grants	153,649
Earnings from investments	3,584
Total nonoperating revenues	1,705,071
CHANGE IN NET POSITION	(66,008)
NET POSITION - BEGINNING (DEFICIT)	(169,491)
NET POSITION - ENDING (DEFICIT)	$ (235,499)

See the accompanying notes to the financial statements.

Morgan County School District
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2024

		School Food Services
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$	100,049
Payments to suppliers		(1,213,239)
Payments to employees		(700,941)
Net cash provided (used) by operating activities		(1,814,131)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Intergovernmental revenue		1,701,487
Net cash provided (used) by noncapital financing activities		1,701,487
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets		(66,710)
Interest		3,584
Net cash provided (used) by capital financing activities		(63,126)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(175,770)
CASH AND CASH EQUIVALENTS, BEGINNING		175,770
CASH AND CASH EQUIVALENTS, ENDING	$	-
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$	(1,771,079)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation		33,466
Changes in assets and liabilities:		
Receivables		(21,517)
OPEB asset		(7,316)
Inventories		11,285
Deferral inflows		97,058
Deferral outflows		22,495
Pension liability		(49,596)
Interfund payable		48,909
OPEB liability		(106,340)
Accounts payable		(71,496)
Net cash provided (used) by operating activities	$	(1,814,131)

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the district received $47,550 of food commodities from the U.S. Department of Agriculture.

During the year, the district recognized revenues and expenses for on-behalf payments relating to fringe benefits in the amount of $139,797 provided by state government.

See the accompanying notes to the financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity
The Morgan 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 Morgan 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 Morgan 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:
Morgan County Board of Education Finance Corporation

The Board authorized establishment of the Morgan 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 Morgan 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.

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

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

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

The District has the following funds:

I. Governmental Fund Types

(A) General Fund

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

(B) Special Revenue (Grant) Fund

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

(C) Special Revenue (District Activity) Fund

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

(D) Special Revenue (Student Activity) Fund

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

(E) Capital Project Funds

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

SEEK Capital Outlay Fund

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

Building (FSPK) Fund

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

Construction Fund

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

(F) Debt Service Fund

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

II. Proprietary Funds (Enterprise Funds)

Food Service Fund

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

Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

Description	Estimated Lives
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

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

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

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

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

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

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

Non-spendable	Permanently non-spendable by decree of the donor, such as an endowment, or funds that are not in a spendable form, such as prepaid expenses or inventory on hand.
Restricted	Legally restricted under legislation, bond authority, or grantor contract.
Committed	Commitments of future funds for specific purposes passed by the Board.
Assigned	Funds that are intended by management to be used for a specific purpose, including encumbrances.
Unassigned	Funds available for any purpose; unassigned amounts are reported only in the General Fund unless a fund has a deficit.

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

Net Position

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

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2024, to finance the General Fund operations were $.629 per $100 valuation of real property, $.629 per $100 valuation for tangible personal property and $.533 per $100 valuation for motor vehicles.

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

Operating and Non-Operating Revenues and Expenses

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

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

In-Kind

Local contributions, which include contributed services provided by individuals, private organizations and local governments, are used to match federal and state administered funding on various grants. The amount of such services and donated commodities are recorded in the accompanying financial statements at their estimated fair market values.

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

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

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

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

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

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

Other Postemployment Benefits (OPEB)
For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Teachers' Retirement System of the State of Kentucky (TRS), and the County Retirement System of Kentucky (CERS), and additions to/deductions from TRS's/CERS's fiduciary net position have been determined on the same basis as they are reported by TRS/CERS. For this purpose, benefit payments (including refunds of employee

contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Bond and Related Premiums, Discounts, and Issuance Costs
In the government-wide financial statements and in the proprietary fund financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when bonds are issued.
In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

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

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

The District's General Fund expenditures exceeded budgeted appropriations by $3,954,207. The District's Special Revenue Fund exceeded budgeted appropriations by $2,351,623.

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

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

Effective in Future Years:

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

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

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

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

NOTE B – CASH AND CASH EQUIVALENTS

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

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

At year end the District's bank balances were fully collateralized by securities held by the pledging bank's trust department in the District's name and FDIC insurance. At year end, the carrying amount of the District's cash and cash equivalents was $11,145,844. The bank balance for the same time was $11,811,101.

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	$ 1,316,340	$ -	$ -	$ 1,316,340
Construction in progress- nondepreciable	194,323	2,932,904	597,796	2,529,432
Land improvements	1,028,777	103,840	-	1,132,617
Buildings	93,654,505	603,680	-	94,258,185
Technology equipment	2,983	-	-	2,983
Vehicles	3,265,786	534,675	209,200	3,591,261
General equipment	642,729	56,432	-	699,161
Total at historical cost	$ 100,105,443	$ 4,231,531	$ 806,996	$ 103,529,978
Less: Accumulated depreciation				
Land improvements	456,182	54,054	-	510,236
Buildings	17,692,710	2,209,489	-	19,902,199
Technology equipment	2,983	-	-	2,983
Vehicles	2,484,367	237,796	209,200	2,512,963
General equipment	431,102	32,303	-	463,405
Total accumulated depreciation	$ 21,067,344	$ 2,533,642	$ 209,200	$ 23,391,786
Governmental Activities				
Capital Assets-net	$ 79,038,099	$ 1,697,889	$ 597,796	$ 80,138,192

Business-Type Activities	July 1, 2023	Additions	Deductions	June 30, 2024
Technology equipment	$ -	$ -	$ -	$ -
Vehicles	18,800	-	-	18,800
General equipment	798,090	66,710	-	864,800
Total at historical cost	$ 816,890	$ 66,710	$ -	$ 883,600
Less: Accumulated depreciation				
Technology equipment	$ -	$ -	$ -	$ -
Vehicles	18,800	-	-	18,800
General equipment	699,997	33,466	-	733,463
Total accumulated depreciation	$ 718,797	$ 33,466	$ -	$ 752,263
Business-Type Activities				
Capital Assets-net	$ 98,094	$ 33,243	$ -	$ 131,338

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 finance purchase obligations represent the District’s future obligations to make payments relating to the bonds issued by the Morgan 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 Morgan 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 Outstanding Balance	Additions	Retirements	2024 Outstanding Balance
2016A		1,335,000	3/1/2036	1.5-3.125%	$ 1,115,000	$ -	$ 40,000	$ 1,075,000
2017		30,670,000	8/1/2037	3-3.25%	25,435,000	-	1,140,000	24,295,000
2013R		6,050,000	10/1/2025	1.5 - 2.2%	1,760,000	-	590,000	1,170,000
2013RA		1,169,000	9/1/2023	.70 - 2.4%	20,000	-	20,000	-
2013		840,000	2/1/2033	2.3 - 3.0%	470,000	-	40,000	430,000
2016B		4,855,000	3/1/2036	1.5-3.125%	4,025,000	-	155,000	3,870,000
2020		7,035,000	2/1/2040	2.0-2.625%	6,400,000	-	220,000	6,180,000
2022R		7,200,000	5/1/2032	2.0%	6,565,000	-	635,000	5,930,000
2023		2,790,000	5/1/2044	4%-5%	-	2,790,000	-	2,790,000
		61,944,000			45,790,000	2,790,000	2,840,000	45,740,000
Add	Premium				974,002	48,021	83,620	938,403
Less	Discount				(435,949)	(43,571)	(38,756)	(440,763)
Totals					$ 46,328,053	$ 2,794,450	$ 2,884,864	$ 46,237,640

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 Local	Principal SFCC	Principal Urgent Need	Interest Local	Interest SFCC	Interest Urgent Need	Principal Total	Interest Total
2025	$ 1,072,424	$ 845,382	$ 1,077,194	$ 612,777	$ 90,996	$ 652,686	$ 2,995,000	$ 1,356,460
2026	1,096,814	811,799	1,121,387	601,210	72,374	608,493	3,030,000	1,282,078
2027	1,134,516	286,590	1,178,894	575,111	59,291	550,986	2,600,000	1,185,388
2028	1,174,524	293,708	1,226,768	547,901	52,174	503,113	2,695,000	1,103,188
2029	1,218,557	300,862	1,270,581	520,293	45,020	459,299	2,790,000	1,024,612
2030-2034	6,805,002	1,168,509	7,056,489	2,101,924	115,263	1,592,911	15,030,000	3,810,097
2035-2039	7,193,525	273,452	6,493,023	1,025,181	17,132	426,496	13,960,000	1,468,809
2040-2045	2,632,384	7,616	-	219,725	200	-	2,640,000	219,925
	$ 22,327,746	$ 3,987,918	$ 19,424,336	$ 6,204,121	$ 452,450	$ 4,793,985	$ 45,740,000	$11,450,556

Finance Purchases

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

KISTA Issue	Amount	Date	Rates	2023 Balance	Additions	Retirements	2024 Balance
2018	277,590	3/1/2028	2.0-3.0%	$ 138,194	$ -	$ 28,231	$ 109,963
2014	272,578	3/1/2024	2.0 - 3.0%	25,430	-	25,430	-
2017	265,228	3/1/2027	2.55%	105,158	-	27,490	77,668
2016	377,589	3/1/2026	2.0-2.625%	108,526	-	39,789	68,737
2020	99,905	3/1/2030	2.0%	68,784	-	9,783	59,001
Totals				$ 446,092	$ -	$ 130,723	$ 315,369

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
2025	$ 101,028	$ 8,221	$ 109,249
2026	99,329	5,587	104,916
2027	60,615	2,949	63,564
2028	36,511	1,347	37,858
2029	8,853	358	9,211
2030	9,033	181	9,214
	$ 315,369	$ 18,643	$ 334,012

Total minimum payments	$ 334,012
Less: Amount representing interest	(18,643)
Present Value of Net Minimum Payments	$ 315,369

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.

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

		2023 Outstanding Balance		Additions		Retirements		2024 Outstanding Balance
Sick Leave	$	263,939	$	-	$	177,724	$	86,215

Net Pension & OPEB Liability
The net pension liability is $6,593,616 for governmental activities and $339,999 for business-type activities for a total of $6,933,615 as of June 30, 2024 (See Note E for additional information). The net OPEB liability is $2,864,000 for governmental activities and $0 for business-type activities for a total of $2,864,000 as of June 30, 2024 (See Note F for additional information).

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

Description		2023 Outstanding Balance		Additions		Retirements		2024 Outstanding Balance		Current
Bonds, net of premium and discount	$	46,328,054	$	2,794,450	$	2,884,864	$	46,237,640	$	2,995,000
Finance purchases		446,092		-		130,723		315,369		101,028
Sick leave		263,939		-		177,724		86,215		-
Net pension liability		7,365,112		-		431,497		6,933,615		-
Net OPEB liability		6,394,313		-		3,530,313		2,864,000		-
Total	$	60,797,510	$	2,794,450	$	7,495,120	$	56,096,840	$	3,096,028

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.

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

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

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

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

The annual retirement allowance for non-university members is equal to : (a) 1.7% of final average salary for each year of credited service if their service is 10 years or less; (b) 2% of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) 2.3% of final average salary for each year of credited service if their service is greater than 20 years but no more than 26 years; (d) 2.5% of final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; (e) 3% of final average salary for years of credited service greater than 30 years.

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

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

Amount of Allowance — The disability allowance is equal to the greater of the service retirement Allowance or 60% of the member's final average salary. The disability Allowance is payable over an entitlement period equal to 25% of the service Credited to the member at the date of the disability or 5 years, whichever is Longer. After the disability entitlement period has expired and if the Member remains disabled, he will be retired under service retirement. The Service retirement allowance will be computed with service credit given For the period of disability retirement. The allowance will not be less than $6,000 per year. The service retirement allowance will not be reduced for

Commencement of the allowance before age 60 or the completion of 27 Years of service.

Benefits Payable on Separation From Service

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

Life Insurance

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

Death Benefits

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

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

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

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

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

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

Options

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

Option 2. A single life annuity payable during the member's lifetime with

	Payments for 10 years certain. Option 3. At the death of the member his allowance is continued throughout The life of the beneficiary. Option 3(a). At the death of the beneficiary designated by the member Under Option 3, the member's benefit will revert to what would have been paid had he not selected an option. Option 4. At the death of the member one half of his allowance is Continued throughout the life of the beneficiary. Option 4(a). At the death of the beneficiary designated by the member Under Option 4, the member's benefit will revert to what would have been Paid had he not selected an option.
Post-Retirement Adjustments	The retirement allowance of each retired member and of each beneficiary Shall be increased by 1.5% each July 1.
Member Contributions	
Members before 1/1/2022	9.105% of salary to the Retirement System.
Members on and after 1/1/2022	9% of salary to the Retirement System and an additional 2% of salary to the Supplemental benefit account. Employers also contributes 2%.

Contributions

Contribution rates are established by Kentucky Revised Statutes (KRS). Employees are required to contribute 9.105% of their salaries to the system. Members after January 1, 2022 contribute 7.00% of salary to the system. The state, as a non-employer contributing entity, pays matching contributions in the amount of 13.105% of salaries for local school district employees hired before July 1, 2008 and 14.105% for those who joined thereafter. Contributions for local school district employees whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

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

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

State's proportionate share of the TRS net pension liability associated with the District	$	37,997,969

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 0.223000%.

Actuarial Methods and Assumptions

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

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

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

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

Target Allocations

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

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

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

Discount Rate

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

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

	1% Decrease	Current Discount Rate	1% Increase
	6.10%	7.10%	8.10%
State's proportionate share of net pension liability	$ 48,823,129	$ 37,997,969	$ 28,978,726

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.

For the year ending June 30, 2024, employers were required to contribute 23.34% of the member's salary, 23.34% pension and 0% for insurance. The District contributed $702,409 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, $6,933,615 was based on contributions to CERS during the fiscal year ended June 30, 2023. The District's proportion was 0.108059%.

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 $219,993 and reported deferred outflows of resources and deferred inflows of resources related to pensions as follows.

CERS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 358,940	$ 18,841
Changes of assumptions	-	635,471
Net difference between projected and actual earnings on pension plan investments	749,027	843,605
Changes in proportion and differences between District contributions and proportionate share of contributions	24,728	55,270
District contributions subsequent to the measurement date	702,409	-
	$ 1,835,105	$ 1,553,187

The $702,409 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the following year.

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

Year 1	$ (259,057)
Year 2	(249,098)
Year 3	154,786
Year 4	(67,123)
	$ (420,491)

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. The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2023:

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

Discount rate

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

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

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

CERS		1% Decrease		Current Discount Rate		1% Increase
		5.50%		6.50%		7.50%
District's proportionate share of net pension liability	$	8,754,108	$	6,933,615	$	5,420,717

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

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

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

Pension plan fiduciary net position

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

Payables to the pension plan

There are no payables to CERS.

NOTE F – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

TRS – General Information about the OPEB Plans

Health Insurance Trust (Medical Insurance Fund)

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

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

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

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

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs
The District reported a liability of $2,864,000 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 .073696%.

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

District's proportionate share of TRS net OPEB liability	$	2,864,000
State's proportionate share of the TRS net OPEB liability associated with the District		2,414,000
	$	5,278,000

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

		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	$	-	$	971,000
Changes of assumptions		651,000		-
Net difference between projected and actual earnings on pension plan investments		54,000		-
Changes in proportion and differences between District contributions and proportionate share of contributions		1,094,000		1,458,000
District contributions subsequent to the measurement date		228,906		-
	$	2,027,906	$	2,429,000

The $228,906 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the collective net OPEB liability for the year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

		Year Ended June 30,
Year 1	$	(173,000)
Year 2		(157,000)
Year 3		11,000
Year 4		(22,000)
Year 5		(142,000)
Thereafter		(147,000)
	$	(630,000)

Actuarial Methods and Assumptions
A summary of the actuarial assumptions as of the latest actuarial valuation follows.

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

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

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

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

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

Discount Rate

The discount rate used to measure the TOL as of the measurement date was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB Statement No. 74. The projection's basis was an actuarial valuation performed as of June 30, 2022. In addition to actuarial methods and assumptions were used in the projection of cash flows:

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

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

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
	6.10%	7.10%	8.10%
District's proportionate share of net OPEB liability	$ 3,684,000	$ 2,864,000	$ 2,187,000

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

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of net OPEB liability	$ 2,062,000	$ 2,864,000	$ 3,863,000

Life Insurance Trust

Plan description and benefits provided

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

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

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

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

State's proportionate share of the TRS net OPEB liability associated with the District	$	60,000

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

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

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

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

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

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

Target Allocations

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

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

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

Discount Rate

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

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 2.75%.

- The employer will contribute the actuarially determined contribution (ADC) in accordance with the Life Insurance Trust's funding policy determined by a valuation performed on a date two years prior to the beginning of the fiscal year in which the ADC applies.
- As administrative expenses were assumed to be paid in all years by the employer as they come due, they were not considered.
- Active employees do not explicitly contribute to the plan.
- Cash flows occur mid-year.

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

Revenue or Expenses for TRS OPEB plans
For the year ended June 30, 2024, the District recognized OPEB revenue in the amount of $368,532 for support provided on-behalf of the State.

CERS – General Information about the OPEB Plans

Employees' Health Plan

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

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

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs
The District reported an asset of $149,188 for its proportionate share of the collective net OPEB liability which is .108055%.

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

For the year ended June 30, 2024, the District recognized OPEB revenue of $816,641. 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	$ 104,007	$ 2,118,320
Changes of assumptions	293,592	204,604
Net difference between projected and actual earnings on pension plan investments	279,199	313,823
Changes in proportion and differences between District contributions and proportionate share of contributions	7,309	56,925
District contributions subsequent to the measurement date	91,818	-
	$ 775,925	$ 2,693,672

The $91,818 (includes $48,728 Implicit Subsidy) reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the collective net OPEB liability for the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows.

Year Ended June 30,	
Year 1	$ (512,351)
Year 2	(616,095)
Year 3	(474,491)
Year 4	(406,629)
	$ (2,009,565)

*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, 2021. The total OPEB liability was rolled-forward from the valuation to the plan's fiscal year ending June 30, 2023, using the generally accepted actuarial principles.

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

Valuation Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets recognized
Amortization Method	Level Percent of Pay
Amortization Period	30-year closed period at June 30, 2019, Gains/losses incurring After 2019 will be amortized over separate closed 20-year Amortization bases
Mortality	System-specific mortality table based on mortality experience From 2013-2018, projected with the ultimate rates from MP2014 Mortality improvement scale using a base year of 2019
Phase-In Provision	Board certified rate is phased into the actuarially determined rate In accordance with HB 362 enacted in 2018
Inflation	2.30%
Payroll Growth Rate	2.0%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Mortality	System-specific mortality table based on mortality experience From 2013-2018, projected with the ultimate rates from MP-2014 Mortality improvement scale using a base year of 2019.
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.3% at January 1, 2023, gradually Decreasing to an ultimate trend rate of 4.05% over a period of 13 Years. The 2022 premiums were known at the time of the Valuation and were incorporated into the liability measurement.
Post-65	Initial trend starting at 6.3% at January 1, 2023, gradually Decreasing to an ultimate trend rate of 4.05% over a period of 13

Years. The 2022 premiums were known at the time of the Valuation and were incorporated into the liability measurement.

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

Discount rate

Single discount rates of 5.93% were used to measure the total OPEB liability as of June 30, 2023. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.5%, and a municipal bond rate of 3.86%, as reported in Fidelity Index's "20 Year Municipal GO AA Index" as of June 30, 2023. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan's fiduciary net position on future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plans trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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

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

CERS	**1% Decrease**	**Current Discount Rate**	**1% Increase**
	4.93%	5.93%	6.93%
District's proportionate share of net OPEB liability	$ 279,969	$ (149,188)	$ (508,554)

Health Care Trend Rate Sensitivity

The following presents the health care sensitivity rate of the District's proportionate share of the net pension liability calculated using the discount rate of 5.93%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.93%) or 1-percentage-point higher (6.93%) than the current rate:

CERS	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of net OPEB liability	$ (478,173)	$ (149,188)	$ 254,940

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 $4,481,309 as of June 30, 2024 for future construction projects. The District has also committed fund balance for the General Fund of $6,031 for site based council and $110,527 for sick leave. The District has committed fund balance for the District Activity Fund for student activities, $7,474, and a committed fund balance for the Special Revenue Activity Fund for student activities of $197,045.

NOTE H - CONTINGENCIES

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

NOTE I - LITIGATION

As of June 30, 2024, there is a pending special education administrative proceeding involving the Morgan County School District. The cost of defense is being paid by the Board's insurance carrier. Monetary damages are not available on the claim, as the typical relief is the provision of extra services to the student, rather than a direct expenditure of general fund dollars or other monetary damages. The District has no pending or threatened litigation involving amounts exceeding $10,000 individually or in the aggregate as of June 30, 2024.

NOTE J – INSURANCE AND RELATED ACTIVITIES

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

NOTE K – RISK MANAGEMENT

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

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

NOTE L – DEFICIT FUND AND OPERATING BALANCES

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

Fund		Change in Net Position/ Net Change in Fund Balance	Fund Balance/ Net Position
Special Revenue	$	(38,507)	-
Food Service		(66,008)	(235,499)
Special Revenue Student Activity		(7,932)	-
Special Revenue District Activity		(5,889)	-
FSPK/ Building Fund		(848,371)	-

NOTE M – COBRA

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

NOTE N – TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From	To	Purpose		Amount
Operating	General Fund	Special Revenue	KETS	$	33,861
Construction	General Fund	Construction Fund	Construction		51,752
Construction	Building Fund	Construction Fund	Construction		1,257,074
Construction	Construction Fund	Construction Fund	Construction		310,116
Debt Service	General Fund	Debt Service	Debt Payments		352,505
Debt Service	Building Fund	Debt Service	Debt Payments		1,238,162
Operating	Special Revenue	General Fund	Indirect Costs		249,065
Operating	Special Revenue	Special Revenue	Operating		104,879
Operating	School Activity	District Activity	Operating		9,998
Operating	Capital Outlay	General Fund	Capital Projects		167,187
Debt Service	Special Revenue	Debt Service	Debt Payments	$	33,516

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)	$	2,479,370
Health Insurance		2,675,325
Life Insurance		3,632
Administrative Fee		29,016
HRA/Dental/Vision		91,705
Federal Reimbursement		(298,337)
Technology		80,235
SFCC Debt Service Payments		2,688,782
Total	$	7,749,728

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 – UNEARNED RIGHT OF USE LEASE REVENUE

The District purchased a building from Morehead State University on February 7, 2017 which currently houses the District Administration Office in the amount of $5,395,000 where the District paid $1,894,000 in cash and the balance to be paid is in the form of a lease of rental space to Morehead State University in the amount of $3,501,000 through June 30, 2037. The lease, $3,501,000, was recorded in the government-wide financial statements as unearned revenue with amortization of lease rental income monthly in the amount of $14,348. The balance of unearned lease revenue as of June 30, 2024, is $2,238,343. The minimum future rental income as of June 30, 2024, is as follows:

Year June 30,		
2025		172,180
2026		172,180
2027		172,180
2028		172,180
2029-2033		860,902
2034-2037		688,721
Total	$	2,238,343

NOTE Q – RESTRICTED FUNDS

The following funds had restricted fund balances.

Fund		Amount	Purpose
FSPK/Building Fund	$	1,084,638	School Facilities Construction Commission Requirement
Construction Fund	$	4,672,930	Future Construction Projects

NOTE R – SUBSEQUENT EVENTS

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

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

	Reporting Fiscal Year (Measurement Date) 2024 (2023)	Reporting Fiscal Year (Measurement Date) 2023 (2022)	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)	Reporting Fiscal Year (Measurement Date) 2017 (2016)	Reporting Fiscal Year (Measurement Date) 2016 (2015)
COUNTY EMPLOYEE'S RETIREMENT SYSTEM (CERS):									
Districts' proportion of the net pension liability	0.10806%	0.10727%	0.11012%	0.10958%	0.11006%	0.11243%	0.11914%	0.121280%	0.12460%
District's proportionate share of the net pension liability	$ 6,933,615	$ 7,754,707	$ 7,020,886	$ 8,404,388	$ 7,740,217	$ 6,847,573	$ 6,973,572	$ 5,971,166	$ 5,357,377
State's proportionate share of the net pension liability associated with the District	-	-	-	-	-	-	-	-	-
Total	$ 6,933,615	$ 7,754,707	$ 7,020,886	$ 8,404,388	$ 7,740,217	$ 6,847,573	$ 6,973,572	$ 5,971,166	$ 5,357,377
District's covered-employee payroll	$ 3,135,449	$ 2,966,637	$ 2,812,915	$ 2,820,030	$ 2,859,256	$ 2,787,214	$ 2,900,743	$ 2,946,680	$ 2,907,110
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	221.14%	261.40%	249.59%	298.02%	270.71%	245.68%	240.41%	202.64%	184.29%
Plan fiduciary net position as a percentage of the total pension liability	57.48%	52.42%	57.33%	47.81%	50.54%	53.54%	53.30%	59.00%	59.97%
KENTUCKY TEACHER'S RETIREMENT SYSTEM (TRS):									
Districts' proportion of the net pension liability	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
District's proportionate share of the net pension liability	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
State's proportionate share of the net pension liability associated with the District	37,997,969	41,117,155	31,473,334	33,608,103	32,263,038	30,408,671	63,444,526	69,738,845	56,735,788
Total	$ 37,997,969	$ 41,117,155	$ 31,473,334	$ 33,608,103	$ 32,263,038	$ 30,408,671	$ 63,444,526	$ 69,738,845	$ 56,735,788
District's covered-employee payroll	$ 8,589,756	$ 8,589,756	$ 8,589,756	$ 8,589,756	$ 8,494,456	$ 8,304,991	$ 8,245,309	$ 8,186,786	$ 8,204,104
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Plan fiduciary net position as a percentage of the total pension liability	57.68%	56.41%	65.59%	58.27%	58.80%	59.30%	39.80%	35.22%	42.29%

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

See the accompanying notes to the required supplementary information.

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016
COUNTY EMPLOYEE'S RETIREMENT SYSTEM (CERS):									
Contractually required contribution	$ 702,409	$ 840,921	$ 786,421	$ 637,620	$ 639,282	$ 584,933	$ 527,793	$ 556,432	$ 502,703
Contributions in relation to the contractually required contributions	702,409	840,921	786,421	637,620	639,282	584,933	527,793	556,432	502,703
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	$ 3,195,461	$ 3,135,449	$ 2,966,637	$ 2,812,915	$ 2,820,030	$ 2,859,256	$ 2,787,214	$ 2,900,743	$ 2,946,680
District's contributions as a percentage of it's covered-employee payroll	21.98%	26.82%	26.51%	22.67%	22.67%	20.46%	18.94%	19.18%	17.06%
KENTUCKY TEACHER'S RETIREMENT SYSTEM (TRS):									
Contractually required contribution	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contributions	-	-	-	-	-	-		-	-
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	$ 9,736,574	$ 9,489,029	$ 9,750,179	$ 8,835,969	$ 8,589,756	$ 8,494,456	$ 8,304,991	$ 8,245,309	$ 8,186,786
District's contributions as a percentage of it's covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

See the accompanying notes to the required supplementary information.

Teachers Retirement System (TRS)

Retirement Annuity Trust

Changes of Benefit Terms

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

Changes of assumptions

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

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

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

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

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

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

Actuarial Methods and Assumptions

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

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

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

County Employee Retirement System (CERS)

Non-Hazardous

Changes of Benefit Terms

None.

Changes of assumptions

None.

Actuarial Methods and Assumptions

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

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

MORGAN COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

MEDICAL AND LIFE INSURANCE PLANS - TEACHERS' RETIREMENT SYSTEM

Year ended June 30, 2024

	Reporting Fiscal Year (Measurement Date) 2024 (2023)	Reporting Fiscal Year (Measurement Date) 2023 (2022)	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
MEDICAL INSURANCE PLAN							
District's proportion of the collective net OPEB liability (asset)	11.75910%	0.17661%	0.13010%	0.12815%	0.12726%	0.12134%	0.12564%
District's proportionate share of the collective net OPEB liability (asset)	$ 2,864,000	$ 4,384,000	$ 2,792,000	$ 3,234,000	$ 3,725,000	$ 4,210,000	$ 4,480,000
State's proportionate share of the collective net OPEB liability (asset) associated with the District	2,414,000	1,440,000	2,267,000	2,591,000	3,008,000	3,628,000	3,660,000
Total	$ 5,278,000	$ 5,824,000	$ 5,059,000	$ 5,825,000	$ 6,733,000	$ 7,838,000	$ 8,140,000
District's covered-employee payroll	$ 8,589,756	$ 8,589,756	$ 8,589,756	$ 8,589,756	$ 8,494,456	$ 8,304,991	$ 8,245,309
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	33.34%	51.04%	32.50%	37.65%	43.85%	55.77%	54.33%
Plan fiduciary net position as a percentage of the total OPEB liability	52.97%	47.75%	39.05%	39.10%	32.60%	25.50%	21.20%
LIFE INSURANCE PLAN							
District's proportion of the collective net OPEB liability (asset)	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
District's proportionate share of the collective net OPEB liability (asset)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
State's proportionate share of the collective net OPEB liability (asset) associated with the District	60,000	72,000	30,000	78,000	70,000	62,000	49,000
Total	$ 60,000	$ 72,000	$ 30,000	$ 78,000	$ 70,000	$ 62,000	$ 49,000
District's covered-employee payroll	$ 8,589,756	$ 8,589,756	$ 8,589,756	$ 8,589,756	$ 8,494,456	$ 8,304,991	$ 8,245,309
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	76.91%	73.97%	71.57%	71.60%	73.40%	75.00%	80.00%

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

See the accompanying notes to the required supplementary information.

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

	2024	2023	2022	2021	2020	2019	2018
MEDICAL INSURANCE PLAN							
Contractually required contribution	$ 228,906	$ 141,374	$ 159,513	$ 231,161	$ 221,588	$ 216,137	$ 216,159
Contributions in relation to the contractually required contribution	228,906	141,374	159,513	231,161	221,588	216,137	216,159
Contribution deficiency (excess)	-	-	-	-	-	-	-
District's covered-employee payroll	$ 9,736,574	$ 9,489,029	$ 9,750,179	$ 8,835,969	$ 8,589,756	$ 8,494,456	$ 8,304,991
District's contributions as a percentage of it's covered-employee payroll	2.35%	1.49%	1.64%	2.62%	2.58%	2.54%	2.60%
LIFE INSURANCE PLAN							
Contractually required contribution	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-
Contribution deficiency (excess)	-	-	-	-	-	-	-
District's covered-employee payroll	$ 9,736,574	$ 9,489,029	$ 9,750,179	$ 8,835,969	$ 8,589,756	$ 8,494,456	$ 8,304,991
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

See the accompanying notes to the required supplementary information.

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

	Reporting Fiscal Year (Measurement Date) 2024 (2023)	Reporting Fiscal Year (Measurement Date) 2023 (2022)	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
HEALTH INSURANCE PLAN							
District's proportion of the collective net OPEB liability (asset)	0.10806%	0.10725%	0.11009%	0.10954%	0.11003%	0.11243%	0.11914%
District's proportionate share of the collective net OPEB liability (asset)	$ (149,188)	$ 2,116,653	$ 2,107,656	$ 2,645,154	$ 1,850,605	$ 1,966,172	$ 2,395,101
State's proportionate share of the collective net OPEB liability (asset) associated with the District	-	-	-	-	-	-	-
Total	$ (149,188)	$ 2,116,653	$ 2,107,656	$ 2,645,154	$ 1,850,605	$ 1,966,172	$ 2,395,101
District's covered-employee payroll	$ 3,135,449	$ 2,966,637	$ 2,812,915	$ 2,820,030	$ 2,859,256	$ 2,787,214	$ 2,900,743
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	-4.76%	71.35%	74.93%	93.80%	64.72%	70.54%	82.57%
Plan fiduciary net position as a percentage of the total OPEB liability	104.23%	60.95%	51.67%	51.67%	60.44%	57.62%	13.00%

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

See the accompanying notes to the required supplementary information.

MORGAN COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CONTRIBUTIONS - HEALTH INSURANCE PLAN COUNTY EMPLOYEE RETIREMENT SYSTEM

Year ended June 30, 2024

	2024	2023	2022	2021	2020	2019	2018
HEALTH INSURANCE PLAN							
Contractually required contributior	$ 91,818	$ 127,901	$ 117,595	$ 104,033	$ 78,953	$ 61,436	$ 55,302
Contributions in relation to the contractually	91,818	127,901	117,595	104,033	78,953	61,436	55,302
Contribution deficiency (excess)	-	-	-	-	-	-	-
District's covered-employee payroll	$ 3,195,461	$ 3,135,449	$ 2,966,637	$ 2,812,915	$ 2,820,030	$ 2,859,256	$ 2,787,214
District's contributions as a percentage of it's covered-employee payroll	2.87%	4.08%	3.96%	3.70%	2.80%	2.15%	1.98%

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

See the accompanying notes to the required supplementary information.

Teachers Retirement System (TRS)

Health Insurance Trust

Changes of Benefit Terms

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

Changes of Assumptions

None.

Actuarial Methods and Assumptions

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

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

Life Insurance Trust

Changes of Benefit Terms

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

Changes of Assumptions

None.

Actuarial Methods and Assumptions

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

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

County Employee Retirement System (CERS)

Non-Hazardous

Changes of Benefit Terms

None

Changes of assumptions

None.

Actuarial Methods and Assumptions

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

Valuation Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets recognized
Amortization Method	Level Percent of Pay
Amortization Period	30-year closed period at June 30, 2019, Gains/losses incurring After 2019 will be amortized over separate closed 20-year Amortization bases
Mortality	System-specific mortality table based on mortality experience From 2013-2018, projected with the ultimate rates from MP2014 Mortality improvement scale using a base year of 2019
Phase-In Provision	Board certified rate is phased into the actuarially determined rate In accordance with HB 362 enacted in 2018
Inflation	2.30%
Payroll Growth Rate	2.0%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Mortality	System-specific mortality table based on mortality experience From 2013-2018, projected with the ultimate rates from MP-2014 Mortality improvement scale using a base year of 2019.
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.3% at January 1, 2023, gradually Decreasing to an ultimate trend rate of 4.05% over a period of 13 Years. The 2022 premiums were known at the time of the Valuation and were incorporated into the liability measurement.
Post-65	Initial trend starting at 6.3% at January 1, 2023, gradually Decreasing to an ultimate trend rate of 4.05% over a period of 13 Years. The 2022 premiums were known at the time of the Valuation and were incorporated into the liability measurement.

Morgan County School District

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2024

	Other Governmental Fund Types				
	Special Revenue Student Activity	**Capital Outlay**	**FSPK**	**Special Revenue District Activity**	**Total**
Assets					
Cash and cash equivalents	$ 197,045	$ -	$ 1,084,638	$ 12,954	$ 1,294,637
Total assets	197,045	-	1,084,638	12,954	1,294,637
Liabilities					
Accounts payable				5,480	5,480
Total liabilities	-	-	-	5,480	5,480
Fund Balance					
Restricted			1,084,638		1,084,638
Committed	197,045			7,474	204,519
Total fund balances	197,045	-	1,084,638	7,474	1,289,157
Total liabilities and fund balances	$ 197,045	$ -	$ 1,084,638	$ 12,954	$ 1,294,637

Morgan County School District

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds

Year ended June 30, 2024

	Other Governmental Fund Types				
	Special Revenue Student Activity	**Capital Outlay**	**FSPK**	**Special Revenue District Activity**	**Total**
Revenues					
From local sources					
Student activities	$ 573,533	$ -	$ -	$ -	$ 573,533
Property tax			504,786		504,786
Intergovernmental - state		167,187	1,193,832		1,361,019
Total revenues	573,533	167,187	1,698,618	-	2,439,338
Expenditures					
Instruction	511,550			15,887	527,437
Instructional staff support	20,416				20,416
Student transportation	33,200				33,200
Other non-instructional	6,301				6,301
Total expenditures	571,467	-	-	15,887	587,354
Excess (Deficit) of Revenues Over Expenditures	2,066	167,187	1,698,618	(15,887)	1,851,984
Other Financing Sources (Uses)					
Operating transfers in				9,998	9,998
Operating transfers (out)	(9,998)	(167,187)	(2,546,989)		(2,724,174)
Total other financing sources (uses)	(9,998)	(167,187)	(2,546,989)	9,998	(2,714,176)
Net Change in Fund Balance	(7,932)	-	(848,371)	(5,889)	(862,192)
Fund Balance - Beginning	204,977	-	1,933,009	13,363	2,151,349
Fund Balance - Ending	$ 197,045	$ -	$ 1,084,638	$ 7,474	$ 1,289,157

Morgan County School District

Combining Balance Sheet - School Activity Funds

June 30, 2024

	SCHOOL ACTIVITY FUNDS						
	MORGAN COUNTY HIGH SCHOOL	MORGAN COUNTY MIDDLE SCHOOL	EAST VALLEY ELEMENTARY	EZEL ELEMENTARY	MORGAN CENTRAL ELEMENTARY	WRIGLEY ELEMENTARY	TOTAL
ASSETS							
Cash and cash equivalents	$ 145,003	$ 26,952	$ 4,679	$ 5,728	$ 7,331	$ 7,353	$ 197,045
Total assets	145,003	26,952	4,679	5,728	7,331	7,353	197,045
TOTAL FUND BALANCE	$ 145,003	$ 26,952	$ 4,679	$ 5,728	$ 7,331	$ 7,353	$ 197,045

Morgan County School District

Combining Statement of Revenues, Expenses and Changes in Fund Balance

School Activity Funds

Year ended June 30, 2024

	SCHOOL ACTIVITY FUNDS						
	MORGAN COUNTY HIGH SCHOOL	MORGAN COUNTY MIDDLE SCHOOL	EAST VALLEY ELEMENTARY	EZEL ELEMENTARY	MORGAN CENTRAL ELEMENTARY	WRIGLEY ELEMENTARY	TOTAL
Revenues							
Student revenues	$ 296,754	$ 137,224	$ 24,399	$ 21,751	$ 48,150	$ 45,255	$ 573,533
Total revenues	296,754	137,224	24,399	21,751	48,150	45,255	573,533
Expenses							
Student activities	307,610	140,641	24,476	19,839	44,805	44,093	581,465
Total expenses	307,610	140,641	24,476	19,839	44,805	44,093	581,465
Excess (Deficit) of Revenues Over Expenses	(10,856)	(3,417)	(77)	1,912	3,345	1,162	(7,932)
Fund Balance, Beginning	155,859	30,369	4,756	3,816	3,986	6,191	204,977
Fund Balance, Ending	$ 145,003	$ 26,952	$ 4,679	$ 5,728	$ 7,331	$ 7,353	$ 197,045

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Morgan County School District

Statement of Revenues, Expenses and Changes in Fund Balance - Morgan County High School

Year ended June 30, 2024

	FUND BALANCE BEGINNING	REVENUES	EXPENSES	TRANSFERS	FUND BALANCE ENDING
DISTRICT-FUND 21	$ -	$ -	$ 3,477	$ 3,477	$ -
ADAMS	499		136		363
MATH CLUB	50				50
STUDENT GENERATED	4,335	19,625	16,054	(1,630)	6,276
STAFF GENERATED	1,835	3,943	5,177		601
ARTS CLUB	565	2,205	1,885	30	915
VISUAL ARTS CLUB	-				-
FBLA	453	1,740	1,839		354
BOOK CLUB	-				-
SAAD CLUB	4,360	55	7,881	3,466	-
FFA	3,246	29,794	29,377	520	4,183
EDUCATORS RISING	144	298	144	200	498
FCCLA	273	9,081	5,316		4,038
NATIONAL HONOR SOCIETY	1,160	2,015	1,487		1,688
TSA	1,068	4,722	4,040		1,750
STUDENT COUNCIL	3,618	6,729	6,623	50	3,774
BAND	113		169	56	-
ATHLETICS	19,627	34,928	52,310	(309)	1,936
CHEERLEADERS	5,298	9,120	10,346		4,072
CROSS COUNTRY	2,494	12,546	7,590		7,450
TRACK	3,516	2,008	2,145		3,379
BOYS SOCCER	-				-
GIRLS SOCCER	557	500	456		601
VOLLEYBALL	1,207	1,812	2,025	(482)	512
TENNIS	7,548	6,517	4,226	280	10,119
QUARTERBACK CLUB	7,267	17,480	16,811	(1,190)	6,746
FOOTBALL	710			(500)	210
SOFTBALL	1,207	4,486	2,702	(500)	2,491
BOYS GOLF	5,041	5,033	5,013		5,061
GIRLS GOLF	201		360	159	-
CLASS OF 2023	1,578		1	(1,577)	-
PROJECT PROM	2,375	4,104	4,316	(2,088)	75
CLASS OF 2025	7,342	12,363	8,236	600	12,069
CLASS OF 2026	-	1,741	1,160		581
CLASS OF 2024	23,239	10,831	23,021		11,049
GIRLS BASKETBALL	3,230	749	881	(750)	2,348
BOYS BASKETBALL	(566)	21,436	18,719	(750)	1,401
SCIENCE	32				32
BASEBALL	13,071	22,506	23,304	(700)	11,573
CONCESSIONS/ATHLETICS	13,684	8,183	8,892	272	13,247
YEARBOOK	2,877	1,426			4,303
INTERACT CLUB	3,061	5,923	6,698	10	2,296
ANTI-BULLY PROJECT	140	150			290
DRAMA CLUB	965				965
PROJECT PROM DRESS	283				283
YOUTH SERVICE	4,255	3,546	6,117	(1,419)	265
JAG	70	3,090	3,627	511	44
WORK READY	3				3
BASS FISHING	1,354	4,209	1,859		3,704
COSTA RICA TRIP	-				-
START-UP	-	300	500	200	-
ARCHERY	1,929	15,740	8,650	260	9,279
BAND BOOSTERS	545	1,632	1,128		1,049
CLASS OF 2027	-	2,573	1,387	1,804	2,990
MS ARCHERY	-	1,125	1,035		90
	$. 155,859	$. 296,264	$. 307,120	$. -	$. 145,003

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2024

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Program or Award Amount	Expenditures
US Department of Agriculture					
Passed Through State Department of Education					
School Breakfast Program	10.553				
Fiscal Year 23		7760005 23	$ -	$ N/A	$ 83,142
Fiscal Year 24		7760005 24	-	N/A	315,656
National School Lunch Program	10.555				
Fiscal Year 23		7750002 23	-	N/A	191,139
Fiscal Year 24		7750002 24	-	N/A	773,434
Fiscal Year 24		9980000 23	-	N/A	58,771
Summer Food Service Program For Children	10.559				
Fiscal Year 23		7690024 23	-	N/A	4,962
Fiscal Year 24		7740023 23	-	N/A	48,189
Child Nutrition Cluster Subtotal					1,475,293
Supper Program	10.558				
Fiscal Year 24		7790021 24	-	N/A	3,251
Fiscal Year 24		7800016 24	-	N/A	226
					3,477
State Administrative Grant for Nutrition	10.560				
Fiscal Year 24		7700001 23	-	N/A	2,643
Passed Through State Department of Agriculture					
Food Donation-Commodities	10.565				
Fiscal Year 24		510.495	-	N/A	47,550
Total US Department of Agriculture					1,528,963
US Department of Education					
Passed Through State Department of Education					
* **Title I Grants to Local Educational Agencies**	84.010A				
Fiscal Year 23		3100002 22	-	930,131	126,186
Fiscal Year 24		3100002 23	-	924,401	808,139
					934,325
Title I Part C Perkins	84.048				
Fiscal Year 23 Perkins Carry Forward		348JA	-	1,536	1,536
Fiscal Year 24, Part C, Vocational		348K	-	18,569	16,878
					18,414
Title I - Neglected and Delinquent Children	84.013				
Fiscal Year 24		S013A210019	-	53,255	52,893
* **Special Education Grants to States**	84.027A				
Fiscal Year 23		3810002 22	-	499,839	109,577
Fiscal Year 24		337K	-	535,726	347,694
* **COVID-19- ARP IDEA**	84.027X				
Fiscal Year 22		4910002 21	-	110,043	53,827
* **Special Education - Preschool Grants**	84.173A				
Fiscal Year 22		3810002 21	-	24,408	6,164
Fiscal Year 23		343J	-	25,468	23,501
* **COVID-19- ARP IDEA- Preschool**	84.173X				
Fiscal Year 22		4900002-21	-	15,264	2,172
Special Education Cluster					542,935
Adult Education	84.002				
Fiscal Year 23		10231984	-	39,760	25,725
Fiscal Year 24		371K	-	26,108	2,524
					28,249
Title IV Part A	84.424A				
Fiscal Year 23		3420002 22	-	57,100	16,468
Fiscal Year 24		552K	-	65,854	37,752
					54,220
Rural Education	84.358B				
Fiscal Year 23		3140002 22	-	53,787	23,917
Fiscal Year 24		350K	-	55,205	7,254
					31,171

See the accompanying notes to the schedule of expenditures of federal awards.

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Program or Award Amount	Expenditures
* **COVID-19- CARES Act ESSER**	84.425D				
Fiscal Year 21		4200002 21	-	2,746,897	278,099
* **COVID-19- ARP ESSER**	84.425U				
Fiscal Year 21		4300002 21	-	5,921,887	2,401,800
Fiscal Year 22 Deeper Learning		563I	-	40,992	10,273
Fiscal Year 23 Deeper Learning		563J	-	4,000	4,000
					2,694,172
Passed Through Appalachian Regional Commission					
Technology to Empower Math & Science Teachers	23.001				
Fiscal Year 24		512K	-	115,861	115,861
Fiscal Year 24 Empowerment Collaborative		EMPWCAC	-	4,500	3,537
					119,398
Total US Department of Education					4,475,777
US Department of Health & Human Services					
Promoting Adolescent Health	93.079				
Fiscal Year 22		E74369	-	600	300
Total US Department of Health & Human Services					300
Total Expenditure of Federal Awards					$ 6,005,040

* Major program

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2024

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Morgan County School District under the programs of the federal government for the year ended June 30, 2024. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Morgan County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE B – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities received and disbursed. For the year ended June 30, 2024, the District received food commodities totaling $47,550.

NOTE D – INDIRECT COST RATE

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

White & Associates, PSC
Certified Public Accountants & Consultants

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Richmond, KY 40475
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Education of the Morgan County School District
West Liberty, Kentucky

And the State Committee for School District Audits

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits, in the *Auditor Responsibilities and State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit/Contract and requirements, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Morgan County School District (District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 15, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated November 15, 2024.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

White & Associates, PSC

Richmond, Kentucky

November 15, 2024

White & Associates, PSC
Certified Public Accountants & Consultants

1407 Lexington Road
Richmond, KY 40475
(859) 624-3926

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

To the Board of Education of the Morgan County School District
West Liberty, Kentucky

And the State Committee for School District Audits

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

White & Associates, PSC

Richmond, Kentucky

November 15, 2024

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

SUMMARY OF AUDITOR'S RESULTS

What type of report was issued for the financial statements?	Unmodified
Were there significant deficiencies in internal control disclosed?	None Reported
If so, was any significant deficiencies material (GAGAS)?	N/A
Was any material noncompliance reported (GAGAS)?	No
Were there material weaknesses in internal control disclosed for major programs?	No
Were there any significant deficiencies in internal control disclosed that were not considered to be material weaknesses?	None Reported
What type of report was issued on compliance for major programs?	Unmodified
Did the audit disclose findings as it relates to major programs that Is required to be reported as described in the Uniform Guidance?	No

Major Programs	Special Education Cluster [ALN 84.027A, 84.027X, 84.173A, 84.173X] Title I [ALN 84.010A] Educational Stabilization Fund [ALN 84.425D, 84.425U]

Dollar threshold of Type A and B programs	$750,000
Low risk auditee?	Yes

FINDINGS - FINANCIAL STATEMENT AUDIT

No findings at the financial statement level.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

No findings at the major federal award programs level.

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

There were no prior audit findings.

White & Associates, PSC
CERTIFIED PUBLIC ACCOUNTANTS

MANAGEMENT LETTER POINTS

Morgan County School District
West Liberty, Kentucky

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

We previously reported on the District's internal control in our report dated November 15, 2024. This letter does not affect our report dated November 15, 2024, on the financial statements of the Morgan County School District.

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

Ralph W. Hamilton, Superintendent is the person responsible for initiation of any corrective action plan communicated written, or orally. We would like to thank the Finance Officer, Lori Stamper, and her department for their support and assistance during our audit.

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

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