

Walton-Verona Independent School District

**Financial Statements
With Supplementary Information
Year Ended June 30, 2024
With Independent Auditors' Report**

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

June 30, 2024

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Independent Auditors' Report

To the Members of the Board of Education
Walton-Verona Independent School District
Walton, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Walton-Verona Independent School District as of and for the year ended June 30, 2024 and the related notes to the financial statements, which collectively comprise the Walton-Verona Independent School 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 Walton-Verona Independent School District, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis 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. 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 Walton-Verona Independent School 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 Walton-Verona Independent School 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.

Auditors' 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.

**Independent Auditors' Report
(Continued)**

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

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 Walton-Verona Independent School 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 Walton-Verona Independent School 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on pages 4-8, 52-54, and 59-68 as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Walton-Verona Independent School District's basic financial statements. The information on pages 50-51, 55-58, and 69-70 as listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

**Independent Auditors' Report
(Continued)**

Other Information (Continued)

The information on pages 50-51, 55-58, and 69-70 as listed in the table of contents is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 information on pages 50-51, 55-58, and 69-70 as listed in the table of contents is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2024, on our consideration of the Walton-Verona Independent School 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 Walton-Verona Independent School 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 Walton-Verona Independent School District's internal control over financial reporting and compliance.



Crestview Hills, Kentucky
November 6, 2024

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2024

As management of the Walton-Verona Independent School District (District), we offer readers of the District's financial statement 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 cash balance for the District was \$7,592,641.
- The General Fund had \$23,512,157 in revenue, excluding interfund transfers, which primarily consisted of the state program (SEEK), property, local occupational license taxes, utilities and motor vehicle taxes. Excluding interfund transfers, there were \$21,954,192 in General Fund expenditures.

CURRENT ISSUES

Walton – Verona Independent Schools continue to perform as one of the top districts in the state. Our primary objectives are to continue to develop students who grow and achieve academically, are college and/or career ready when they graduate, are involved in their community, and provide the best return possible on the community's investment in education.

As the development of new housing within our district boundaries continues, our goal is to match this growth with the addition of adequate and efficient instructional spaces. The addition of the Intermediate School which is slated to open in January 2025 will provide needed relief for space at our other campuses, but the need for additional instructional space will continue to be at the forefront of long-term planning for the district.

While state funding was increased for the FY25 & FY26 biennial budget, it did little to address the problem of erosion of state funding and the inadequate contributions realized for many prior years. Significant increases into both the SEEK formula and other state funding sources are needed to provide for increasing costs seen at the local level.

Annual increases in expenses due to inflation, providing step increases and raises for employees, and providing instructional resources for students increasingly falls back on school districts to support. Without meaningful increases to state funding to support these things, to fully fund all-day kindergarten on a permanent basis and to make preschool available to all children, local districts and taxpayers will continue to shoulder an increasingly larger share of the cost to educate our students.

Although inadequate state funding makes it increasingly difficult to maintain the high standard of education and programming our students deserve, the Walton-Verona Independent School District will continue to maintain fiscally responsible policies to continue providing quality academic, extra-curricular, and community service programs to all of its students.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2024 (Continued)

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise 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 District's finances, in a manner similar to a private-sector business.

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

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

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

The district-wide financial statements can be found on pages 9 and 10 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is 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 funds are our vending and 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 pages 11 through 17 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 pages 18 through 49 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$21,702,363 as of June 30, 2024.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2024
(Continued)**

DISTRICT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students. Consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

Net Position for the periods ending June 30, 2024 and 2023

The following table presents a summary of net position for the fiscal years ended June 30, 2024 and 2023.

	<u>2024</u>	<u>2023</u>
Current assets	\$ 20,185,695	\$ 34,111,433
Noncurrent assets	<u>54,897,339</u>	<u>42,578,536</u>
Total assets	<u>75,083,034</u>	<u>76,689,969</u>
Total deferred outflows	<u>5,123,183</u>	<u>6,129,276</u>
Current liabilities	2,371,737	3,653,476
Noncurrent liabilities	<u>50,014,981</u>	<u>55,533,412</u>
Total liabilities	<u>52,386,718</u>	<u>59,186,888</u>
Total deferred inflows	<u>6,117,136</u>	<u>3,892,819</u>
Net position		
Investment in capital (net of debt)	12,640,761	(1,268,828)
Restricted	5,631,329	18,302,944
Unassigned	<u>3,430,273</u>	<u>2,705,422</u>
Total net position	<u>\$ 21,702,363</u>	<u>\$ 19,739,538</u>

Comments on Budget Comparisons

- The District's total General Fund revenues for the fiscal year ended June 30, 2024, net of interfund transfers were \$23,512,157.
- General Fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$9,042,511 more than budget or approximately 62.5%. This is a result of the District recording "on behalf" payments made by the State.
- The total cost of General Fund programs and services was \$21,954,192, net of interfund transfers.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2024
(Continued)**

DISTRICT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Comments on Budget Comparisons (Continued)

- General Fund actual expenditures exceeded budget expenditures by \$4,324,361 in instruction. This is a result of the District recording "on behalf" payments made by the State.

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2024 and 2023.

	<u>2024</u>	<u>2023</u>
Revenues		
Program revenues		
Charges for services	\$ 739,298	\$ 687,672
Operating grants and contributions	<u>3,103,951</u>	<u>2,903,707</u>
Total program revenues	<u>3,843,249</u>	<u>3,591,379</u>
General revenues		
Taxes	12,192,642	11,465,555
Federal and state sources	16,877,847	11,715,392
Earnings on investments	1,448,593	792,312
Other local sources (uses)	<u>(167,953)</u>	<u>3,033,939</u>
Total general revenues	<u>30,351,129</u>	<u>27,007,198</u>
Total revenues	<u>34,194,378</u>	<u>30,598,577</u>
Expenses		
Instructional	18,055,117	15,044,091
Student support services	1,002,449	1,015,703
Instructional support	1,119,475	1,188,320
District administration	1,225,449	1,160,685
School administration	1,092,413	1,143,129
Business support	480,362	514,559
Plant operations	4,551,483	2,303,137
Student transportation	1,687,402	1,539,445
Other	161,360	255,095
Debt service	1,553,696	1,045,737
Food service	<u>1,302,347</u>	<u>1,346,617</u>
Total expenses	<u>32,231,553</u>	<u>26,556,518</u>
Excess of revenues over expenses	<u>\$ 1,962,825</u>	<u>\$ 4,042,059</u>

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2024
(Continued)**

DISTRICT-WIDE FINANCIAL ANALYSIS (CONTINUED)

General Fund Revenue

The majority of General Fund revenue was derived from local taxes (45.2%) with state funding, in total, making up 50.8% of total revenue.

BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal, operate on a different fiscal calendar, but are reflected in the District's overall budget. The Kentucky Department of Education no longer mandates contingency for budgeting purposes. The District adopted a budget with \$813,297 in contingency (3.70%). The beginning cash balance for the fiscal year is \$7,592,641.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Questions regarding this report should be directed to Dr. Matt Baker, Superintendent or to Mr. Kevin Ryan, Director of Finance at (859) 485-4181 or by mail at 16 School Road, Walton, Kentucky 41094.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Statement of Net Position – District Wide
As of June 30, 2024**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and cash equivalents	\$ 12,018,403	\$ 514,590	\$ 12,532,993
Investments	7,275,227	-	7,275,227
Accounts receivable	322,661	-	322,661
Inventories for consumption	-	54,814	54,814
Total current	<u>19,616,291</u>	<u>569,404</u>	<u>20,185,695</u>
Noncurrent:			
Land	1,075,533	-	1,075,533
Construction in progress	19,164,374	-	19,164,374
Land improvements	1,625,887	-	1,625,887
General equipment	679,689	405,470	1,085,159
Buildings and improvements	51,498,954	146,981	51,645,935
Furniture and equipment	3,174,012	-	3,174,012
Less: accumulated depreciation	<u>(22,457,377)</u>	<u>(416,184)</u>	<u>(22,873,561)</u>
Total noncurrent	<u>54,761,072</u>	<u>136,267</u>	<u>54,897,339</u>
Total assets	<u>74,377,363</u>	<u>705,671</u>	<u>75,083,034</u>
Deferred outflows	<u>4,954,825</u>	<u>168,358</u>	<u>5,123,183</u>
Liabilities and Net Position			
Liabilities			
Current:			
Accrued interest	542,893	-	542,893
Current portion of bonds payable	1,545,000	-	1,545,000
Current portion of KISTA liabilities	101,987	-	101,987
Current portion of accrued sick leave	19,347	-	19,347
Accounts payable	130,525	-	130,525
Unearned revenues	31,985	-	31,985
Total current	<u>2,371,737</u>	<u>-</u>	<u>2,371,737</u>
Noncurrent:			
Accrued sick leave	174,127	-	174,127
KISTA liabilities	307,212	-	307,212
MIF net OPEB liability	3,257,117	112,339	3,369,456
CERS net pension liability	5,595,284	192,984	5,788,268
Bond obligations	40,375,918	-	40,375,918
Total noncurrent	<u>49,709,658</u>	<u>305,323</u>	<u>50,014,981</u>
Total liabilities	<u>52,081,395</u>	<u>305,323</u>	<u>52,386,718</u>
Deferred inflows	<u>5,913,188</u>	<u>203,948</u>	<u>6,117,136</u>
Net Position			
Invested in capital assets, net of related debt	12,504,494	136,267	12,640,761
Restricted	5,402,838	228,491	5,631,329
Unrestricted	3,430,273	-	3,430,273
Total net position	<u>\$ 21,337,605</u>	<u>\$ 364,758</u>	<u>\$ 21,702,363</u>

The accompanying notes are an integral part of these financial statements

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Statement of Activities – District Wide
Year Ended June 30, 2024**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction	\$ 18,055,117	\$ 248,960	\$ 1,853,711	\$ -	\$ (15,952,446)	\$ -	\$ (15,952,446)
Student support services	1,002,449	-	200,828	-	(801,621)	-	(801,621)
Instruction staff support services	1,119,475	-	-	-	(1,119,475)	-	(1,119,475)
District administration	1,225,449	-	-	-	(1,225,449)	-	(1,225,449)
School administration	1,092,413	-	-	-	(1,092,413)	-	(1,092,413)
Business	480,362	-	-	-	(480,362)	-	(480,362)
Plant operation and maintenance	4,551,483	-	-	-	(4,551,483)	-	(4,551,483)
Student transportation	1,687,402	-	32,901	-	(1,654,501)	-	(1,654,501)
Facilities acquisition and construction	24,215	13,154	-	-	(11,061)	-	(11,061)
Community service activities	137,145	-	129,126	-	(8,019)	-	(8,019)
Other	-	-	-	-	-	-	-
Interest on long-term debt	1,553,696	-	-	-	(1,553,696)	-	(1,553,696)
Total governmental activities	30,929,206	262,114	2,216,566	-	(28,450,526)	-	(28,450,526)
Business-type Activities							
Food service	1,302,347	477,184	887,385	-	-	62,222	62,222
Total business-type activities	1,302,347	477,184	887,385	-	-	62,222	62,222
Total school district	\$ 32,231,553	\$ 739,298	\$ 3,103,951	\$ -	(28,450,526)	62,222	(28,388,304)
			General Revenues				
			Taxes		12,192,642	-	12,192,642
			Investment earnings		1,421,509	27,084	1,448,593
			Federal and state sources		16,877,847	-	16,877,847
			Other local uses		(167,953)	-	(167,953)
			Total general and special revenues		30,324,045	27,084	30,351,129
			Change in net position		1,873,519	89,306	1,962,825
			Net position - beginning		19,464,086	275,452	19,739,538
			Net position - ending		\$ 21,337,605	\$ 364,758	\$ 21,702,363

The accompanying notes are an integral part of these financial statements

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Balance Sheet – Governmental Funds
As of June 30, 2024**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Current:					
Cash (overdraft) and cash equivalents	\$ 8,914,870	\$ (30,407)	\$ 2,749,293	\$ 384,647	\$ 12,018,403
Investments	-	-	7,275,227	-	7,275,227
Accounts receivable	259,121	63,540	-	-	322,661
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total current	<u>\$ 9,173,991</u>	<u>\$ 33,133</u>	<u>\$ 10,024,520</u>	<u>\$ 384,647</u>	<u>\$ 19,616,291</u>
Liabilities and Fund Balances					
Liabilities					
Current:					
Accounts payable	\$ 65,289	\$ 1,148	\$ 64,088	\$ -	\$ 130,525
Deferred revenue	-	31,985	-	-	31,985
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total current	<u>65,289</u>	<u>33,133</u>	<u>64,088</u>	<u>-</u>	<u>162,510</u>
					-
Total liabilities	<u>65,289</u>	<u>33,133</u>	<u>64,088</u>	<u>-</u>	<u>162,510</u>
					-
Fund Balances					
Restricted:					
Capital projects	894,409	-	9,960,432	-	10,854,841
Sick Leave	92,062	-	-	-	92,062
Other	-	-	-	384,647	384,647
Assigned	3,955,591	-	-	-	3,955,591
Unassigned	4,166,640	-	-	-	4,166,640
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>9,108,702</u>	<u>-</u>	<u>9,960,432</u>	<u>384,647</u>	<u>19,453,781</u>
Total liabilities and fund balances	<u>\$ 9,173,991</u>	<u>\$ 33,133</u>	<u>\$ 10,024,520</u>	<u>\$ 384,647</u>	<u>\$ 19,616,291</u>

The accompanying notes are an integral part of these financial statements

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
As of June 30, 2024**

Total fund balance per fund financial statements		\$ 19,453,781
Capital assets are used in governmental activities are not financials resources and therefore are not reported as assets in governmental funds		
Construction in progress	19,164,374	
Cost of capital assets	58,054,075	
Accumulated depreciation	<u>(22,457,377)</u>	54,761,072
Deferred outflows		
Bond refinancing	73,539	
Related to MIF	2,879,218	
MIF contributions made after the measurement date	348,567	
Related to CERS	1,004,625	
CERS contributions made after the measurement date	<u>648,876</u>	4,954,825
Deferred inflows related to CERS		
Related to CERS	(1,242,897)	
Related to OPEB	<u>(4,670,291)</u>	(5,913,188)
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds		
Long-term liabilities at year end consist of:		
Bonds payable	(42,135,000)	
Bond discount	214,082	
KISTA liabilities	(409,199)	
Accrued interest on bonds	(542,893)	
Net OPEB liability	(3,257,117)	
Net pension liability	(5,595,284)	
Accrued sick leave	<u>(193,474)</u>	<u>(51,918,885)</u>
Net position for governmental activities		<u>\$ 21,337,605</u>

The accompanying notes are an integral part of these financial statements

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2024**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 10,619,396	\$ -	\$ -	\$ 1,573,246	\$ 12,192,642
Earnings on investments	568,255	-	853,254	-	1,421,509
State sources	11,954,138	833,013	-	1,529,945	14,317,096
Federal sources	13,161	1,383,553	-	-	1,396,714
Other revenues	357,207	-	-	716,049	1,073,256
Total revenues	<u>23,512,157</u>	<u>2,216,566</u>	<u>853,254</u>	<u>3,819,240</u>	<u>30,401,217</u>
Expenditures					
Instructional	13,300,699	1,888,308	-	788,782	15,977,789
Student support services	662,763	200,828	-	-	863,591
Staff support services	1,119,475	-	-	-	1,119,475
District administration	1,217,791	-	-	-	1,217,791
School administration	1,054,987	-	-	-	1,054,987
Business support services	480,362	-	-	-	480,362
Plant operation and maintenance	2,247,001	-	-	-	2,247,001
Student transportation	1,711,908	32,901	-	-	1,744,809
Community service operations	8,019	129,126	-	-	137,145
Facility acquisition and construction	-	-	15,020,625	-	15,020,625
Debt service:					
Principal	134,549	-	-	1,495,000	1,629,549
Interest	16,638	-	-	1,608,191	1,624,829
Total expenditures	<u>21,954,192</u>	<u>2,251,163</u>	<u>15,020,625</u>	<u>3,891,973</u>	<u>43,117,953</u>
Excess (deficit) of revenues over expenditures	<u>1,557,965</u>	<u>(34,597)</u>	<u>(14,167,371)</u>	<u>(72,733)</u>	<u>(12,716,736)</u>
Other Financing Sources (Uses)					
Operating transfers in	-	34,597	860,301	2,821,296	3,716,194
Operating transfers out	(894,898)	-	-	(2,821,296)	(3,716,194)
Total other financing sources (uses)	<u>(894,898)</u>	<u>34,597</u>	<u>860,301</u>	<u>-</u>	<u>-</u>
Net change in fund balances	663,067	-	(13,307,070)	(72,733)	(12,716,736)
Fund balance, July 1, 2023	<u>8,445,635</u>	<u>-</u>	<u>23,267,502</u>	<u>457,380</u>	<u>32,170,517</u>
Fund balance, June 30, 2024	<u>\$ 9,108,702</u>	<u>\$ -</u>	<u>\$ 9,960,432</u>	<u>\$ 384,647</u>	<u>\$ 19,453,781</u>

The accompanying notes are an integral part of these financial statements

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
Year Ended June 30, 2024**

Amounts reported for governmental activities in the statement of activities
are different because:

Net change in total fund balances per fund financial statements \$ (12,716,736)

Governmental funds report capital outlays as expenditures because they use current financial resources. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense for the year.

Depreciation expense	(3,074,535)	
Capital outlays	<u>15,345,387</u>	12,270,852

Bond proceeds are reported as financing sources in governmental fund and thus contribute to the change in fund balance. In the statement of net position however, issuing debt increase long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position

Bond principal paid	1,530,000	
Amortization of bond discount	(4,539)	
KISTA liabilities principal paid	99,549	
Amortization of bond refinancing	(34,224)	

Deferred outflows related to pensions	4,670	
Deferred outflows related to OPEB	(945,002)	

Deferred inflows related to pensions	(440,051)	
Deferred inflows related to OPEB	(1,709,547)	

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.

3,818,547

Change in net position of governmental activities \$ 1,873,519

The accompanying notes are an integral part of these financial statements

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Statement of Net Position – Proprietary Funds
As of June 30, 2024**

	Food Service	Total
Assets		
Current		
Cash and cash equivalents	\$ 514,590	\$ 514,590
Inventories for consumption	54,814	54,814
Total current	569,404	569,404
Noncurrent		
General equipment	405,470	405,470
Buildings and improvements	146,981	146,981
Less: accumulated depreciation	(416,184)	(416,184)
Total noncurrent	136,267	136,267
Total assets	705,671	705,671
Deferred outflows	168,358	168,358
Liabilities and Net Position		
Liabilities		
Noncurrent		
MIF net OPEB liability	112,339	112,339
CERS net pension liability	192,984	192,984
Total noncurrent	305,323	305,323
Total liabilities	305,323	305,323
Deferred inflows	203,948	203,948
Net Position		
Invested in assets, net of debt	136,267	136,267
Restricted	228,491	228,491
Total net position	\$ 364,758	\$ 364,758

The accompanying notes are an integral part of these financial statements

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenses and Changes in Net Position –
Proprietary Funds
Year Ended June 30, 2024**

	<u>Food Service</u>	<u>Total</u>
Operating revenues		
Lunchroom sales	\$ 462,056	\$ 462,056
Other operating revenues	15,128	15,128
	<u>477,184</u>	<u>477,184</u>
Operating expenses		
Salaries and benefits	738,084	738,084
Contract services	17,802	17,802
Materials and supplies	522,019	522,019
Depreciation	20,198	20,198
Other operating expenses	4,244	4,244
	<u>1,302,347</u>	<u>1,302,347</u>
Operating loss	<u>(825,163)</u>	<u>(825,163)</u>
Nonoperating revenues		
Federal grants	588,166	588,166
State grants	206,137	206,137
Donated commodities and other donations	93,082	93,082
Interest income	27,084	27,084
	<u>914,469</u>	<u>914,469</u>
Change in net position	89,306	89,306
Total net position, July 1, 2023	<u>275,452</u>	<u>275,452</u>
Total net position, June 30, 2024	<u>\$ 364,758</u>	<u>\$ 364,758</u>

The accompanying notes are an integral part of these financial statements

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2024**

	Food Service Fund	Total
Cash flows from operating activities		
Cash received from lunchroom sales	\$ 462,056	\$ 462,056
Cash received from other activities	15,128	15,128
Cash payments to employees for services	(759,463)	(759,463)
Cash payments to suppliers for goods and services	(560,760)	(560,760)
Cash payments for other operating activities	(4,244)	(4,244)
Net cash used in operating activities	(847,283)	(847,283)
Cash flows used in capital financing activities		
Purchase of capital assets	(68,149)	(68,149)
Net cash provided by noncapital financing activities	(68,149)	(68,149)
Cash flows from noncapital financing activities		
Non-operating revenues received	887,385	887,385
Net cash provided by noncapital financing activities	887,385	887,385
Cash flows from investing activities		
Interest on investments	27,084	27,084
Net cash provided by investing activities	27,084	27,084
Net decrease in cash and cash equivalents	(963)	(963)
Cash and cash equivalents - beginning	515,553	515,553
Cash and cash equivalents - ending	\$ 514,590	\$ 514,590
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (825,163)	\$ (825,163)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	20,198	20,198
Changes in assets and liabilities:		
Decrease in deferred outflows	31,537	31,537
Increase in deferred inflows	74,719	74,719
Decrease in CERS net pension liability	(17,292)	(17,292)
Decrease in MIF net OPEB liability	(110,343)	(110,343)
Decrease in accounts payable	(6,472)	(6,472)
Decrease in accounts receivable	1,074	1,074
Increase in inventories	(15,541)	(15,541)
Net cash used in operating activities	\$ (847,283)	\$ (847,283)
Schedule of non-cash transactions:		
Donated commodities received from federal government	\$ 93,082	\$ 93,082
On-behalf payments	\$ 198,155	\$ 198,155

The accompanying notes are an integral part of these financial statements

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Walton-Verona Independent 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 Walton-Verona Independent School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined 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 and account groups relevant to the operation of the Board. 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 Board itself such as 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:

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

Basis of Presentation

District-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 district-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 reconciliation with brief explanations to better identify the relationship between the district-wide statements and the statements for governmental funds.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The district-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 total net position. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of 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 on page 69. This is a major fund of the District.
- (C) The Activity Funds account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with Uniform Program of Accounting for School Activity Funds.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

I. Governmental Fund Types (cont'd)

(D) 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 Funds).

1. 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 identified in the District's facility plan.
2. The Facility Support Program of Kentucky Fund (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. The District is committed to construction contracts in the amount of \$9,960,432 for ongoing projects. This is a major fund of the District.

II. 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.

III. Proprietary Fund (Enterprise 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). The Food Service fund is a major fund of the District.

IV. Fiduciary Fund Type (Agency and Trust Funds)

The District applies all Governmental Accounting Standards Board (GASB) pronouncements to proprietary funds as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The GASB is responsible for establishing GAAP for state and local government through its pronouncements (Statements and Interpretations).

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. District-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.

Nonexchange 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 resources 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 they 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 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.

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 into the General Fund and then transferred to the appropriate fund.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than GAAP of the United States of America. The major differences between the budgetary basis and the GAAP basis are:

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

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

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.

Fair Value Measurements

Generally accepted accounting principles has established a three-level hierarchy for fair value measurements based on transparency of valuation inputs as of the measurement date. The hierarchy is based on the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows: Level 1 inputs are unadjusted quoted prices for identical assets in active markets; Level 2 inputs are observable quoted prices for similar assets in active markets; Level 3 inputs are unobservable and reflect management's best estimate of what market participants would use as fair value.

In February 2015, the GASB issued Statement No. 72, Fair Value Measurement and Application. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

Inventories

Supplies and materials are charged to expenditures when purchased, except for inventories in the Proprietary Fund, which are capitalized at the lower of cost or market.

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 governmental funds. These assets are reported in the governmental activities column of the district-wide 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 district-wide statement of net position and in the respective funds.

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

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25 - 50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5 - 10 years
Audio-visual equipment	15 years
Food service equipment	10 - 12 years
Furniture and fixtures	7 years
Other	10 years

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 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 District's experience of making termination payments. The entire compensated absence liability is reported on the district-wide financial statements.

Interfund Balances

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

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the district-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 judgments, the noncurrent portion of KISTA liabilities, accumulated sick leave, contractually required pension 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.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Reserves

Beginning with fiscal year 2012 the District implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the District's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint.

Assigned fund balance – amounts the District intends to use for specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority.

Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the General fund.

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations, using restricted funds first, followed by committed funds, assigned funds, then unassigned funds.

Encumbrances are not liabilities and are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance in the governmental funds balance sheet.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

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

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Activity

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

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.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the District's OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Teachers' Retirement System of the State of Kentucky (TRS) and additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. 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.

NOTE 2 ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3 CASH AND CASH EQUIVALENTS

The District maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. The amounts exceeding the federally insured limits are covered by a collateral agreement and the collateral is held by the pledging banks' trust departments in the District's name. The District has not experienced any losses in such accounts and the District believes it is not exposed to any significant credit risk on cash and cash equivalents.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 4 CAPITAL ASSETS

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

	Balance			Balance
<u>Governmental Activities</u>	<u>June 30, 2023</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2024</u>
Land	\$ 1,075,533	\$ -	\$ -	\$ 1,075,533
Construction in progress	4,547,022	14,797,555	180,203	19,164,374
Land improvements	1,595,692	30,195	-	1,625,887
Buildings and improvements	51,150,091	348,863	-	51,498,954
Technology equipment	263,872	-	-	263,872
Vehicles	2,601,388	308,752	-	2,910,140
General equipment	639,464	40,225	-	679,689
Totals at historical cost	<u>61,873,062</u>	<u>15,525,590</u>	<u>180,203</u>	<u>77,218,449</u>
Less: accumulated depreciation				
Land improvements	754,106	146,418	-	900,524
Buildings and improvements	16,256,666	2,503,180	-	18,759,846
Technology equipment	159,159	66,933	-	226,092
Vehicles	1,850,647	275,125	-	2,125,772
General equipment	362,264	82,879	-	445,143
Total accumulated depreciation	<u>19,382,842</u>	<u>3,074,535</u>	<u>-</u>	<u>22,457,377</u>
Governmental activities capital assets - net	<u>\$ 42,490,220</u>	<u>\$ 12,451,055</u>	<u>\$ 180,203</u>	<u>\$ 54,761,072</u>
<u>Business - Type Activities</u>				
General equipment	\$ 337,321	\$ 68,149	\$ -	\$ 405,470
Buildings and improvements	146,981	-	-	146,981
Totals at historical cost	<u>484,302</u>	<u>68,149</u>	<u>-</u>	<u>552,451</u>
Less: accumulated depreciation				
General equipment	265,152	16,289	-	281,441
Buildings and improvements	130,834	3,909	-	134,743
Total accumulated depreciation	<u>395,986</u>	<u>20,198</u>	<u>-</u>	<u>416,184</u>
Business - type activities capital assets - net	<u>\$ 88,316</u>	<u>\$ 47,951</u>	<u>\$ -</u>	<u>\$ 136,267</u>

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 4 CAPITAL ASSETS (CONTINUED)

Depreciation expense by function for the fiscal year ended June 30, 2024 was as follows:

	Governmental	Business-Type
Instruction	\$ 334,766	\$ -
Student support services	138,858	-
District administration	7,658	-
School administration	37,426	-
Plant operation and maintenance	2,304,482	-
Food service	-	20,198
Student transportation	251,345	-
Total	\$ 3,074,535	\$ 20,198

NOTE 5 COMMITMENTS UNDER KISTA LIABILITIES

The District is the borrower of equipment under KISTA liabilities expiring between 2025 and 2030. The assets and liabilities under KISTA liabilities are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over the lower of their related liability terms or their estimated productive lives. Depreciation of assets under KISTA liabilities is included in depreciation expense.

Future minimum payments under KISTA liabilities as of June 30, 2024, for each of the next five years and in the aggregate are as follows:

<u>Year Ending June 30,</u>	<u>KISTA Liabilities Payable</u>
2024-2025	\$ 112,114
2025-2026	94,116
2026-2027	84,526
2027-2028	81,211
2028-2029	33,200
Thereafter	31,848
Total minimum payments	437,015
Less amount representing interest	27,816
Present value of net minimum liability payments	\$ 409,199

NOTE 6 ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon providing proof of qualification as an annuitant from the Kentucky Teacher's Retirement System, certified and classified employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2024 this amount totaled approximately \$193,474 for those employees with twenty-seven or more years of experience.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 7 LEASE OBLIGATIONS AND BONDED DEBT

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued.

The original amount of each issue, the issue date, and interest rates are summarized below:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
April 2014	\$ 2,485,000	1.100% - 3.500%
March 2015	7,635,000	2.000% - 2.500%
April 2016	1,435,000	1.000% - 2.300%
April 2016	3,495,000	0.900% - 3.125%
June 2018	4,430,000	1.000% - 3.000%
March 2019	2,995,000	1.950% - 3.500%
November 2019	1,485,000	1.550% - 2.100%
June 2020	380,000	1.375%
January 2021	985,000	0.400% - 1.000%
January 2023	25,000,000	2.700% - 4.125%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Walton-Verona Independent School District Finance Corporation to construct school facilities.

The District entered into "participation agreements" with the School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. Note 16 sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal has been recorded in the financial statements.

All issues may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled 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 reported in Note 16.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 8 CONTINGENCIES

Grant Fund Approval

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

NOTE 9 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, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated, which includes workers' compensation insurance.

NOTE 10 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for errors and omissions, and general liability coverage, the District uses commercial insurance policies.

The District is a reimbursing employer to the state for unemployment insurance benefits and utilizes a third party administrator, KSBA Unemployment Program, for claims management. In addition, the District purchases commercial insurance policies for all other risks of loss, including for general liability and workers' compensation insurance.

NOTE 11 DEFICIT OPERATING/FUND BALANCES

The District does not have any funds with a deficit fund balance. The following funds have operations that resulted in a current year deficit of revenues over expenditures, resulting in a corresponding reduction of fund balance:

Construction Fund	\$ 13,307,070
Walton-Verona High School	68,540
Walton-Verona Elementary School	8,097
Student Activity Fund	72,733

NOTE 12 COBRA

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

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 13 CONTINGENT LIABILITY

The District purchases commercial insurance policies for general liability and workers' compensation insurance.

NOTE 14 TRANSFER OF FUNDS

The following transfers were made during the year.

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Special Revenue Fund	Matching	\$ 34,597
General Fund	Construction Fund	Construction	860,301
Capital Outlay Fund	Debt Service Fund	Debt Service	171,155
Building Fund	Debt Service Fund	Debt Service	2,650,141

NOTE 15 ON-BEHALF PAYMENTS

For the year ended June 30, 2024 total payments of \$5,708,668 were made for life insurance, health insurance, TRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities.

General Fund	\$ 5,228,618
Debt Service	281,895
Food Service	<u>198,155</u>
Total On-Behalf	<u><u>\$ 5,708,668</u></u>

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 16 SCHEDULE OF LONG-TERM OBLIGATIONS

2014, 2015, 2016, 2016-Ref, 2018, 2019, 2019-Ref, 2020, 2021-Ref, and 2023 Series

Fiscal Year	Walton - Verona School District			KY School Facilities Construction Commission			Total Requirements
	Principal	Interest	Total	Principal	Interest	Total	
2024-2025	\$ 1,331,134	\$ 1,457,782	\$ 2,788,916	\$ 213,866	\$ 52,232	\$ 266,098	\$ 3,055,014
2025-2026	1,321,705	1,429,665	2,751,370	218,295	47,346	265,641	3,017,011
2026-2027	1,363,440	1,394,799	2,758,239	201,560	42,362	243,922	3,002,161
2027-2028	1,388,066	1,367,589	2,755,655	131,934	38,444	170,378	2,926,033
2028-2029	1,430,114	1,328,031	2,758,145	134,886	35,336	170,222	2,928,367
2029-2030	1,469,563	1,286,136	2,755,699	135,437	32,110	167,547	2,923,246
2030-2031	1,516,354	1,244,054	2,760,408	128,646	28,868	157,514	2,917,922
2031-2032	1,519,279	1,196,309	2,715,588	85,721	25,642	111,363	2,826,951
2032-2033	1,571,357	1,143,607	2,714,964	88,643	22,721	111,364	2,826,328
2033-2034	1,628,300	1,088,664	2,716,964	91,700	19,661	111,361	2,828,325
2034-2035	1,686,768	1,031,438	2,718,206	78,232	16,482	94,714	2,812,920
2035-2036	1,744,011	970,070	2,714,081	80,989	13,723	94,712	2,808,793
2036-2037	1,807,208	906,537	2,713,745	57,792	10,864	68,656	2,782,401
2037-2038	1,880,007	836,418	2,716,425	59,993	8,667	68,660	2,785,085
2038-2039	1,951,744	763,248	2,714,992	43,256	6,374	49,630	2,764,622
2039-2040	2,027,529	686,089	2,713,618	27,471	4,705	32,176	2,745,794
2040-2041	2,111,431	604,988	2,716,419	28,569	3,606	32,175	2,748,594
2041-2042	2,195,287	520,531	2,715,818	29,713	2,463	32,176	2,747,994
2042-2043	1,549,099	432,719	1,981,818	30,901	1,275	32,176	2,013,994
2043-2044	1,615,000	368,819	1,983,819	-	-	-	1,983,819
2044-2045	1,680,000	302,200	1,982,200	-	-	-	1,982,200
2045-2046	1,750,000	232,900	1,982,900	-	-	-	1,982,900
2046-2047	1,825,000	158,525	1,983,525	-	-	-	1,983,525
2047-2048	1,905,000	80,960	1,985,960	-	-	-	1,985,960
	<u>\$ 40,267,396</u>	<u>\$ 20,832,078</u>	<u>\$ 61,099,474</u>	<u>\$ 1,867,604</u>	<u>\$ 412,881</u>	<u>\$ 2,280,485</u>	<u>\$ 63,379,959</u>

A summary of the changes in the principal of the outstanding bond obligations, KISTA liabilities, and sick leave for the District during the year ended June 30, 2024 is as follows:

Governmental Activities	Balance July 1, 2023	Additions	Payments	Balance June 30, 2024
Bond Obligations	<u>\$ 43,665,000</u>	<u>\$ -</u>	<u>\$ 1,530,000</u>	<u>\$ 42,135,000</u>
Bond Discount	<u>\$ (218,621)</u>	<u>\$ -</u>	<u>\$ (4,539)</u>	<u>\$ (214,082)</u>
KISTA Liabilities	<u>\$ 508,748</u>	<u>\$ -</u>	<u>\$ 99,549</u>	<u>\$ 409,199</u>
Sick Leave	<u>\$ 184,125</u>	<u>\$ 173,251</u>	<u>\$ 163,902</u>	<u>\$ 193,474</u>

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 17 RETIREMENT PLANS

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

General information about the County Employees Retirement System Non-Hazardous

Plan description

Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits provided

CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. One month's service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's spouse will receive the higher of the normal death benefit and \$10,000 plus 75% of the decedent's monthly average rate of pay. If the surviving spouse remarries, the monthly rate will be recalculated to 25% of the decedent's monthly average. Any dependent child will receive 50% of the decedent's monthly final rate of pay up to 75% for all dependent children. Five years' service is required for nonservice-related disability benefits.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 17 RETIREMENT PLANS (CONTINUED)

Contributions

Required contributions by the employee are based on the following tier:

	<u>Required contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

The contribution requirement for CERS for the year ended June 30, 2024, was \$824,705, which consisted of \$671,256 from the District and \$153,449 from the employees. Total contributions for the year ended June 30, 2023 and 2022 were \$880,382 and \$819,694 respectively. The contributions have been contributed in full for fiscal years 2024, 2023 and 2022.

General information about the Teachers' Retirement System of the State of Kentucky

Plan description

Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. 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. 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 <https://trs.ky.gov/employers/information/gasb-65-67/>.

Benefits provided

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

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

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 17 RETIREMENT PLANS (CONTINUED)

Benefits provided (Continued)

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. New employees hired after July 1, 2008 but before December 31, 2021 who retire with less than ten years will receive monthly benefits equal to 1.7% of their final average salary for each year of service. New employees hired between July 1, 2008 and December 31, 2021 with between 10 to 20 years of service will receive monthly benefits equal to 2% of their final average salary for each year of service. New employees hired between July 1, 2008 and December 31, 2021 with between 20 to 26 years of service will receive monthly benefits equal to 2.3% of their final average salary for each year of service. Lastly, new employees hired between July 1, 2008 and December 31, 2021 with between 26 to 30 years of service will receive monthly benefits equal to 2.5% of their final average salary for each year of service. Effective January 1, 2022 the System has been amended to change the benefit structure for employees hired on or after that date.

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

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

Contributions

Contribution rates are established by Kentucky Revised Statutes. Non-university employees are required to contribute 12.855% of their salaries to the System. University employees are required to contribute 10.400% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 8.185% of their salary to TRS. The contribution requirement for TRS for the year ended June 30, 2024, was \$1,743,324, which consisted of \$399,981 from the District and \$1,343,343 from the employees. Total contributions for the year ended June 30, 2023 and 2022 were \$1,621,308 and \$1,488,059, respectively. The contributions have been contributed in full for fiscal years 2024, 2023 and 2022.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 17 RETIREMENT PLANS (CONTINUED)

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

Medical Insurance Plan

Plan description

In addition to the pension benefits described above, KRS 161.675 requires TRS to provide post-employment healthcare benefits to eligible employees and dependents. The TRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

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

Funding policy

In order to fund the post-retirement healthcare benefit, 6.59% of the gross annual payroll of members is contributed. Member contributions are 3.75% and 0.16% is credited to the Commonwealth. Employer contributions are 3.00%. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 17 RETIREMENT PLANS (CONTINUED)

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

At June 30, 2024, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for TRS because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	\$ 5,788,268
Commonwealth's proportionate share of the KTRS net pension liability associated with the District	<u>46,617,220</u>
	<u>\$ 52,405,488</u>

The net pension liability for each plan was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2023, the District's proportion was 0.090209% percent.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 17 RETIREMENT PLANS (CONTINUED)

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

For the year ended June 30, 2024, the District recognized a decrease in pension expense of \$90,586 related to CERS. The District also recognized expense of \$3,387,852 and revenue of \$3,387,852 for TRS support provided by the Commonwealth due to a change in assumptions. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 299,647	\$ 15,728
Net difference between projected and actual earnings on pension plan investments	625,297	704,252
Changes of assumptions	-	530,499
Changes in proportion and differences between employer contributions and proportionate share of contributions	114,331	35,286
District contributions subsequent to the measurement date	<u>671,256</u>	<u>-</u>
Total	<u>\$ 1,710,531</u>	<u>\$ 1,285,765</u>

\$671,256 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 year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2025	\$ (152,592)
2026	(167,079)
2027	129,218
2028	(56,037)
2029	-

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 17 RETIREMENT PLANS (CONTINUED)

Actuarial assumptions

The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>CERS</u>	<u>TRS</u>
Inflation	2.30%	2.50%
Projected salary increases	3.3-10.3%	3.0 - 7.5%
Investment rate of return, net of investment expense and inflation	6.50%	7.10%

For CERS, mortality rates used for active members was PUB-2010 General Mortality table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on a mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

For TRS, mortality rates were based on Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each 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 6-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.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2014 through 2022, is outlined in a report dated May 9, 2023. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were 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 then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 17 RETIREMENT PLANS (CONTINUED)

Actuarial assumptions (Continued)

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

<u>Asset Class</u>	<u>TRS Target Allocation</u>	<u>TRS Long-Term Expected Real Rate of Return</u>	<u>CERS Target Allocation</u>	<u>CERS Long-Term Expected Real Rate of Return</u>
US equity	38.0%	5.25%	50.0%	5.90%
Developed international equity	15.7%	5.50%		
Emerging markets equity	5.3%	6.10%		
Private equity	7.0%	8.00%	10.0%	11.73%
Core bonds			10.0%	2.45%
Fixed income	15.0%	1.90%		
Specialty Credit			10.0%	3.65%
High yield	5.0%	3.80%		
Additional categories	5.0%	3.60%		
Real estate	7.0%	3.20%	7.0%	4.99%
Real return			13.0%	5.15%
Cash	2.0%	1.60%	0.0%	1.39%
Total	<u>100%</u>		<u>100%</u>	

Discount rate

For CERS, the discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.50%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For TRS, the discount rate used to measure the total pension liability 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 statutorily required rates for all fiscal years in the future. 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.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 17 RETIREMENT PLANS (CONTINUED)

Sensitivity of CERS and TRS proportionate share of net pension liability to changes in the discount rate

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	5.50%	6.50%	7.50%
District's proportionate share of net pension liability	\$ 7,308,038	\$ 5,788,268	\$ 4,525,282
TRS	6.10%	7.10%	8.10%
District's proportionate share of net pension liability	-	-	-

Pension plan fiduciary net position

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

NOTE 18 OPEB PLANS

General information about the Teachers' Retirement System OPEB Plan

Plan description

Teaching-certified employees of the Walton-Verona Independent School District are provided OPEBs through the Teachers' Retirement System of the State of Kentucky (TRS) – a cost-sharing multiple-employer defined benefit OPEB 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 and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information>.

The state reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the TRS Medical Insurance and Life Insurance Plans. The following information is about the TRS plans.

Medical Insurance Plan

Plan description

In addition to the OPEB benefits described above, Kentucky Revised Statute 161.675 requires TRS to provide post-employment healthcare benefits to eligible members and dependents. The TRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 18 OPEB PLANS (CONTINUED)

Benefits provided

To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. TRS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member's supplement is based on a contribution supplement table approved by the TRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

Contributions

In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three and three quarters percent (3.75%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three percent (3.00%) from the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

General information about the County Employee Retirement System Non-Hazardous OPEB Plan

Plan description

Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS.

Benefits provided

CERS provides health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date. See Note 17 for classifications.

Contributions

Required contributions by the employee are based on the tier disclosed in Note 17.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 18 OPEB PLANS (CONTINUED)

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

At June 30, 2024, the Walton-Verona Independent School District reported a liability of \$3,369,456 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the collective 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. At June 30, 2023, the District's proportion was 0.14 percent for TRS, which was a decrease of 0.06 percent from its proportion measured as of June 30, 2022. At June 30, 2023, the District's proportion was 0.09 percent for CERS, which is the same as its proportion measured as of June 30, 2022.

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 were as follows:

District's proportionate share of the CERS net OPEB liability (asset)	\$	(124,544)
District's proportionate share of the TRS net OPEB liability		3,494,000
State's proportionate share of the net OPEB liability associated with the District		<u>2,945,000</u>
		<u><u>\$ 6,314,456</u></u>

For the year ended June 30, 2024, the District recognized an increase in OPEB expense of \$3,328,245 and revenue of \$229,107 for support provided by the State. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 86,826	\$ 2,952,407
Net difference between projected and actual earnings on OPEB plan investments	298,080	261,985
Change of Assumptions	1,039,095	170,806
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,554,522	1,446,173
District contributions subsequent to the measurement date	<u>360,590</u>	<u>-</u>
Total	<u><u>\$ 3,339,113</u></u>	<u><u>\$ 4,831,371</u></u>

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 18 OPEB PLANS (CONTINUED)

Of the total amount reported as deferred outflows of resources related to OPEB, \$360,590 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30:	
2025	\$ (498,241)
2026	(579,136)
2027	(261,088)
2028	(278,383)
2029	(98,000)
Thereafter	(138,000)

Actuarial assumptions

The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	TRS	CERS
Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation.	6.25%
Projected salary increases	3.00 - 7.50%, including wage inflation	3.30% to 10.30%, varies by service
Inflation rate	2.50%	2.30%
Real Wage Growth	0.25%	
Wage Inflation	2.75%	
Healthcare cost trend rates		
Medical Trend	6.75% for FY 2023 decreasing to an ultimate rate of 4.50% by FY 2032	
Under 65		Initial trend starting at 6.40% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Ages 65 and Older		Initial trend starting at 6.30% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Medicare Part B Premiums	1.55% for FY 2023 with an ultimate rate of 4.50% by 2034	
Municipal Bond Index Rate	3.66%	3.86%
Discount Rate	7.10%	5.93%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including price inflation	

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 18 OPEB PLANS (CONTINUED)

For TRS, 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 demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2022 valuation were based on the results of the most actuarial experience studies, which covered the five-year period ending June 30, 2020, adopted by the Board on September 20, 2021.

For CERS, mortality rates used for active members was PUB-2010 General Mortality table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on a mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2022 valuation.

For TRS, the long-term expected rate of return on OPEB 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 OPEB 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	30 Year Expected Geometric Real Rate of Return
Large Cap U.S. Equity	35.4%	5.0%
Small Cap U.S. 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	100.0%	

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 18 OPEB PLANS (CONTINUED)

Discount rate

For TRS, the discount rate used to measure the total OPEB liability 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 statutorily required rates. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

For CERS, the discount rate used to measure the total OPEB liability was 5.93%. 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 statutorily required rates. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 7.10%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
TRS			
Districts' net OPEB liability	\$ 4,494,000	\$ 3,494,000	\$ 2,667,000
	1% Decrease (4.93%)	Current Discount Rate (5.93%)	1% Increase (6.93%)
CERS			
Districts' net OPEB liability (asset)	\$ 233,722	\$ (124,544)	\$ (424,549)

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 18 OPEB PLANS (CONTINUED)

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates

The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability 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:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
TRS			
Districts' net OPEB liability	\$ 2,515,000	\$ 3,494,000	\$ 4,713,000
	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
LEKS			
Districts' net OPEB liability (asset)	\$ (399,187)	\$ (124,544)	\$ 212,828

OPEB plan fiduciary net position

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

Life Insurance Plan

Plan description

TRS administers the life insurance plan as provided by Kentucky Revised Statute 161.655 to eligible active and retired members. The TRS Life Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the life insurance plan may be made by the TRS Board of Trustees and the General Assembly.

Benefits provided

TRS provides a life insurance benefit of five thousand dollars payable for members who retire based on service or disability. TRS provides a life insurance benefit of two thousand dollars payable for its active contributing members. The life insurance benefit is payable upon the death of the member to the member's estate or to a party designated by the member.

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.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 18 OPEB PLANS (CONTINUED)

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

At June 30, 2024, the Walton-Verona Independent School 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. 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 were as follows:

District's proportionate share of the net OPEB liability	\$	-
State's proportionate share of the net OPEB liability associated with the District		73,000
	\$	73,000

For the year ended June 30, 2024, the District recognized OPEB expense of \$-0- and revenue of \$7,249 for support provided by the State.

Actuarial assumptions

The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.00 - 7.50%, including wage inflation
Inflation rate	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Municipal Bond Index Rate	3.66%
Discount Rate	7.10%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including price inflation

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 demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2022 valuation were based on the results of the most actuarial experience studies, which covered the five-year period ending June 30, 2020, adopted by the Board on September 20, 2021.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2023 valuation.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 18 OPEB PLANS (CONTINUED)

The long-term expected rate of return on OPEB 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 OPEB 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	30 Year Expected Geometric Real Rate of Return
U.S. Equity	40.0%	5.2%
International Equity	20.0%	5.8%
Fixed Income	21.0%	1.9%
Real Estate	7.0%	3.2%
Private Equity	5.0%	8.0%
Other Additional Categories	5.0%	4.0%
Cash	2.0%	1.6%
Total	<u>100.0%</u>	

Discount rate

The discount rate used to measure the total OPEB liability for life insurance was 7.10%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 7.10%, as well as what the District's proportionate share of the collective net OPEB 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 (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Districts' net OPEB liability	\$ -	\$ -	\$ -

OPEB plan fiduciary net position

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

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 19 INVESTMENTS AT FAIR VALUE

Current accounting and reporting standards define fair value, establish a three-level hierarchy for fair value measurements based on transparency of valuation inputs and require disclosures about fair value measurements. The hierarchy is based on the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows:

Level 1 - Inputs are unadjusted quoted prices for identical assets in active markets.

Level 2 - Inputs are observable quoted prices for similar assets in active markets.

Level 3 - Inputs are unobservable and reflect our best estimate of what market participants would use as fair value.

Investments consisted of the following at June 30, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Brokered certificates of deposit	<u>\$ 7,275,227</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,275,227</u>
Total Investments	<u>\$ 7,275,227</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,275,227</u>

The following is a description of the valuation methodologies used for investments measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification pursuant to the valuation hierarchy. There were no valuations using Level 2 or 3 inputs.

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include brokered certificates of deposit. If quoted market prices are not available, then fair values are estimated by using pricing models or quoted prices of securities with similar characteristics.

NOTE 20 SUBSEQUENT EVENTS

In October 2024, the Board of Education approved a bond issuance in the amount of \$2,000,000. The bond is expected to close in November or December of 2024.

Subsequent events were considered through November 6, 2024, which represents the release date of our report.

SUPPLEMENTARY
INFORMATION

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Combining Balance Sheet – Nonmajor Governmental Funds
As of June 30, 2024**

	<u>Capital Outlay Fund</u>	<u>Student Activity Fund</u>	<u>Debt Service Fund</u>	<u>Building Fund</u>	<u>Total Non-major Government Funds</u>
Assets					
Current:					
Cash and cash equivalents	<u>\$ -</u>	<u>\$ 384,647</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 384,647</u>
Total current	<u><u>\$ -</u></u>	<u><u>\$ 384,647</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 384,647</u></u>
Liabilities and Fund Balances					
Fund Balances:					
Restricted:					
Other	<u>\$ -</u>	<u>\$ 384,647</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 384,647</u>
Total fund balances	<u>-</u>	<u>384,647</u>	<u>-</u>	<u>-</u>	<u>384,647</u>
Total liabilities and fund balances	<u><u>\$ -</u></u>	<u><u>\$ 384,647</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 384,647</u></u>

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Combining Statement of Revenues, Expenditures and Changes
In Fund Balances – Nonmajor Governmental Funds
Year Ended June 30, 2024**

	<u>Capital Outlay Fund</u>	<u>Student Activity Fund</u>	<u>Debt Service Fund</u>	<u>Building Fund</u>	<u>Total Non-major Government Funds</u>
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ 1,573,246	\$ 1,573,246
State sources	171,155	-	281,895	1,076,895	1,529,945
Other sources	-	716,049	-	-	716,049
Total revenues	<u>171,155</u>	<u>716,049</u>	<u>281,895</u>	<u>2,650,141</u>	<u>3,819,240</u>
Expenditures					
Instructional	-	788,782	-	-	788,782
Debt service:					
Principal	-	-	1,495,000	-	1,495,000
Interest	-	-	1,608,191	-	1,608,191
Total expenditures	<u>-</u>	<u>788,782</u>	<u>3,103,191</u>	<u>-</u>	<u>3,891,973</u>
Excess (deficit) of revenues over expenditures	<u>171,155</u>	<u>(72,733)</u>	<u>(2,821,296)</u>	<u>2,650,141</u>	<u>(72,733)</u>
Other Financing Sources (Uses)					
Operating transfers in	-	-	2,821,296	-	2,821,296
Operating transfers out	<u>(171,155)</u>	<u>-</u>	<u>-</u>	<u>(2,650,141)</u>	<u>(2,821,296)</u>
Total other financing sources(uses)	<u>(171,155)</u>	<u>-</u>	<u>2,821,296</u>	<u>(2,650,141)</u>	<u>-</u>
Net change in fund balance	-	(72,733)	-	-	(72,733)
Fund balance, July 1, 2023	<u>-</u>	<u>457,380</u>	<u>-</u>	<u>-</u>	<u>457,380</u>
Fund balance, June 30, 2024	<u><u>\$ -</u></u>	<u><u>\$ 384,647</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 384,647</u></u>

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – General Fund
Year Ended June 30, 2024**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
Revenues				
Taxes	\$ 7,855,000	\$ 7,855,000	\$ 10,619,396	\$ 2,764,396
Earnings on investments	116,796	116,796	568,255	451,459
State sources	6,207,500	6,207,500	11,954,138	5,746,638
Federal sources	-	-	13,161	13,161
Other revenues	<u>290,350</u>	<u>290,350</u>	<u>357,207</u>	<u>66,857</u>
Total revenues	<u>14,469,646</u>	<u>14,469,646</u>	<u>23,512,157</u>	<u>9,042,511</u>
Expenditures				
Instruction	9,615,811	9,615,811	13,300,699	3,684,888
Student support services	614,422	614,422	662,763	48,341
Instruction staff support services	803,794	803,794	1,119,475	315,681
District administration	1,806,990	1,806,990	1,217,791	(589,199)
School administration	737,172	737,172	1,054,987	317,815
Business	275,054	275,054	480,362	205,308
Plant operation and maintenance	2,092,613	2,092,613	2,247,001	154,388
Student transportation	1,509,695	1,509,695	1,711,908	202,213
Community services	23,000	23,000	8,019	(14,981)
Debt service	<u>151,280</u>	<u>151,280</u>	<u>151,187</u>	<u>(93)</u>
Total expenditures	<u>17,629,831</u>	<u>17,629,831</u>	<u>21,954,192</u>	<u>4,324,361</u>
Excess (deficit) of revenues over expenditures	<u>(3,160,185)</u>	<u>(3,160,185)</u>	<u>1,557,965</u>	<u>4,718,150</u>
Other financing sources (uses)				
Operating transfers out	<u>-</u>	<u>-</u>	<u>(894,898)</u>	<u>(894,898)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(894,898)</u>	<u>(894,898)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>(3,160,185)</u>	<u>(3,160,185)</u>	<u>663,067</u>	<u>3,823,252</u>
Fund balance, July 1, 2023	<u>3,160,185</u>	<u>3,160,185</u>	<u>8,445,635</u>	<u>5,285,450</u>
Fund balance, June 30, 2024	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,108,702</u>	<u>\$ 9,108,702</u>

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – Special Revenue Fund
Year Ended June 30, 2024**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
Revenues				
State sources	\$ 794,423	\$ 833,013	\$ 833,013	\$ -
Federal sources	<u>762,639</u>	<u>890,719</u>	<u>1,383,553</u>	<u>492,834</u>
Total revenues	<u>1,557,062</u>	<u>1,723,732</u>	<u>2,216,566</u>	<u>492,834</u>
Expenditures				
Instruction	1,351,842	1,553,109	1,888,308	335,199
Student support services	43,095	43,095	200,828	157,733
Student transportation	32,999	32,999	32,901	(98)
Community services	<u>129,126</u>	<u>129,126</u>	<u>129,126</u>	<u>-</u>
Total expenditures	<u>1,557,062</u>	<u>1,758,329</u>	<u>2,251,163</u>	<u>492,834</u>
Excess (deficit) of revenues over expenditures	<u>-</u>	<u>(34,597)</u>	<u>(34,597)</u>	<u>-</u>
Other Financing Sources (Uses)				
Operating transfers in	<u>-</u>	<u>34,597</u>	<u>34,597</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>34,597</u>	<u>34,597</u>	<u>-</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, July 1, 2023	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2024	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – Construction Fund
Year Ended June 30, 2024**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Earnings on investments	-	-	853,254	853,254
Total revenues	<u>-</u>	<u>-</u>	<u>853,254</u>	<u>853,254</u>
Expenditures				
Facilities acquisition and construction	-	2,435,000	15,020,625	12,585,625
Total expenditures	<u>-</u>	<u>2,435,000</u>	<u>15,020,625</u>	<u>12,585,625</u>
Excess (deficit) of revenues over expenditures	<u>-</u>	<u>(2,435,000)</u>	<u>(14,167,371)</u>	<u>(11,732,371)</u>
Other Financing Sources (Uses)				
Proceeds from sale of bond	-	2,335,000	-	(2,335,000)
Bond discount	-	-	-	-
Operating transfers in	-	100,000	860,301	760,301
Total other financing sources (uses)	<u>-</u>	<u>2,435,000</u>	<u>860,301</u>	<u>(1,574,699)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	-	-	(13,307,070)	(13,307,070)
Fund balance, July 1, 2023	-	-	23,267,502	23,267,502
Fund balance, June 30, 2024	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,960,432</u>	<u>\$ 9,960,432</u>

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Bond and Interest Redemption Funds
For the Year Ended June 30, 2024**

	<u>Issue of 2012R</u>	<u>Issue of 2014</u>	<u>Issue of 2015</u>	<u>Issue of 2016</u>	<u>Issue of 2016R</u>	<u>Issue of 2018</u>
Cash at July 1, 2023	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:						
Transfers and miscellaneous deposits	<u>102,350</u>	<u>137,340</u>	<u>887,588</u>	<u>129,644</u>	<u>157,875</u>	<u>182,376</u>
Disbursements:						
Bonds paid	100,000	75,000	815,000	35,000	145,000	30,000
Interest coupons	2,350	62,340	72,588	94,644	12,875	152,376
Transfers and miscellaneous	-	-	-	-	-	-
Call fee	-	-	-	-	-	-
Total disbursements	<u>102,350</u>	<u>137,340</u>	<u>887,588</u>	<u>129,644</u>	<u>157,875</u>	<u>182,376</u>
Excess of disbursements over receipts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash at June 30, 2024	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at June 30, 2024	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>Issue of 2019</u>	<u>Issue of 2019R</u>	<u>Issue of 2020</u>	<u>Issue of 2021R</u>	<u>Issue of 2023</u>	<u>Total</u>
Cash at July 1, 2023	\$ -	\$ -	\$ -	\$ -		\$ -
Receipts:						
Transfers and miscellaneous deposits	<u>115,775</u>	<u>193,600</u>	<u>39,022</u>	<u>93,150</u>	<u>1,103,493</u>	<u>3,142,213</u>
Disbursements:						
Bonds paid	20,000	175,000	35,000	85,000	15,000	1,530,000
Interest coupons	95,775	18,600	4,022	8,150	1,088,493	1,612,213
Transfers and miscellaneous	-	-	-	-	-	-
Call fee	-	-	-	-	-	-
Total disbursements	<u>115,775</u>	<u>193,600</u>	<u>39,022</u>	<u>93,150</u>	<u>1,103,493</u>	<u>3,142,213</u>
Excess of disbursements over receipts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash at June 30, 2024	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at June 30, 2024	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balances
Walton-Verona High School Activity Fund
Year Ended June 30, 2024**

	<u>Fund Balance July 1, 2023</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Fund Balance June 30, 2024</u>
2020-2021 HS fees	\$ 2,909	\$ 8,802	\$ 6,013	\$ 5,698
ACT	1,393	-	-	1,393
Advisory Board	26	-	-	26
AG Scholarship CD	-	41,583	1	41,582
Agriculture	2	4,457	2,819	1,640
Alex Fish Memorial School	6,750	-	1,000	5,750
AP classes	268	98	242	124
Art Club	132	-	132	-
Art fund	278	2,754	2,995	37
Athletic assistance	775	-	-	775
Athletic boosters	20,024	46,636	52,980	13,680
Athletics	49,380	189,651	204,129	34,902
Band	8,339	6,279	6,150	8,468
Band trip	8,285	15,186	22,886	585
Baseball	2	7,651	7,641	12
Basketball	9,949	27,275	26,138	11,086
Beta club	4,555	1,123	1,220	4,458
Boys golf	1	2,947	2,948	-
Boys soccer	2,598	1,920	4,517	1
Boys Volleyball	54	601	470	185
Boys Wrestling	-	3,390	3,299	91
Bridge	19	-	-	19
Business fund	2,220	166	233	2,153
Cappie Stephenson	200	-	200	-
Cashbox	-	4,400	4,400	-
Cheer Trip	1,384	-	-	1,384
Choral music	678	8,068	6,922	1,824
Colonel Hudson scholarship - CD	-	1,000	1,000	-
Concession fund	996	3,695	3,391	1,300
Cross country	432	3,100	3,527	5
Delinquent fees	316	-	-	316
Drama	6,737	6,113	5,421	7,429
Emergency assistance	718	-	-	718
English	3,066	3,259	5,142	1,183
Evan Ryan memorial fund	-	4,756	2,500	2,256
Evan Ryan scholarship - CD	29,860	988	4,860	25,988
Exercise equipment	649	-	-	649
Family & con science	610	5,452	5,618	444
FBLA	853	11,241	9,777	2,317
FCA	137	-	-	137
FCCLA	811	4,761	4,330	1,242
FFA	4,702	10,255	10,128	4,829
FFA Scholarship	41,169	-	41,000	169
Football	50	12,007	11,531	526
General fund	15,516	14,082	954	28,644

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balances
Walton-Verona High School Activity Fund (Continued)
Year Ended June 30, 2024**

	<u>Fund Balance July 1, 2023</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Fund Balance June 30, 2024</u>
Girls basketball	4,816	7,635	8,758	3,693
Girls golf	338	357	695	-
Girls soccer	21,258	27,745	29,272	19,731
Girls Wrestling	-	600	270	330
Giving Tree	3,806	645	4,451	-
Guidance fund	463	564	773	254
Health	429	175	365	239
HS student council	85	67	41	111
Hunter Donovan Me	85	500	500	85
Intramural Basketball	499	-	-	499
Intramural Volleyball	4,783	-	225	4,558
Junior class	11,682	9,275	9,465	11,492
Kendal Smith scholarship	717	12,271	12,988	-
Kendall Smith scholarship - CD	11,326	-	11,326	-
Lacrosse	-	1,010	565	445
Laptop/charger fees	1,012	635	1,647	-
Library fines	251	-	-	251
Math	8,507	1,616	8,035	2,088
Max Gjerde Memorial	-	1,000	1,000	-
N.K.O.A.	314	-	-	314
Parking permit	3,361	1,780	1,315	3,826
Physical education	1,913	1,480	2,468	925
Project prom	2,108	-	-	2,108
Quest Program	1	315	315	1
Reading	3,889	-	2,515	1,374
Robotics/Lego Club	156	-	-	156
School Climate fund	4,580	2,181	3,764	2,997
Science fund	3,887	1,244	5,045	86
Senior class 2017/2018	1,985	16,528	11,385	7,128
Social studies	1,138	698	798	1,038
Softball	2,329	4,701	1,354	5,676
Spanish	3,194	1,090	1,337	2,947
Spanish club	112	105	91	126
Technology	6,897	1,379	8,276	-
Tennis	2,464	500	267	2,697
Tournament account	38	-	-	38
Track	9,137	17,343	20,460	6,020
Varsity cheer	22,318	45,383	63,662	4,039
Volleyball	4,150	8,268	9,109	3,309
Wake up Walton	1,098	3,600	4,227	471
Wellness center	510	-	-	510
Workbooks	1,785	-	-	1,785
Y club	1,164	6,040	6,786	418
Yearbook	8,375	1,595	497	9,473
	<u>\$ 383,803</u>	<u>\$ 632,021</u>	<u>\$ 700,561</u>	<u>\$ 315,263</u>

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balances
School Activity Funds
Year Ended June 30, 2024**

	Walton- Verona Middle School	Walton- Verona Elementary School	Total
Fund balance at July 1, 2023	\$ 42,247	\$ 31,330	\$ 73,577
Add: receipts	100,292	29,811	130,103
Less: disbursements	<u>(96,388)</u>	<u>(37,908)</u>	<u>(134,296)</u>
Fund balance at June 30, 2024	<u>\$ 46,151</u>	<u>\$ 23,233</u>	<u>\$ 69,384</u>

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

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

	Last 10 Fiscal Years*									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	<u>46,617,220</u>	<u>33,761,502</u>	<u>33,761,502</u>	<u>36,383,433</u>	<u>33,745,596</u>	<u>32,267,909</u>	<u>67,912,869</u>	<u>72,445,775</u>	<u>55,139,445</u>	<u>45,246,643</u>
Total	<u>\$ 46,617,220</u>	<u>\$ 33,761,502</u>	<u>\$ 33,761,502</u>	<u>\$ 36,383,433</u>	<u>\$ 33,745,596</u>	<u>\$ 32,267,909</u>	<u>\$ 67,912,869</u>	<u>\$ 72,445,775</u>	<u>\$ 55,139,445</u>	<u>\$ 45,246,643</u>
District's covered-employee payroll	\$ 9,677,314	\$ 9,149,393	\$ 8,326,411	\$ 8,289,427	\$ 7,806,779	\$ 7,752,761	\$ 7,678,128	\$ 7,318,884	\$ 6,937,804	\$ 6,892,833
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Plan fiduciary net position as a percentage of the total pension liability	57.68%	56.41%	65.59%	58.27%	58.76%	59.27%	39.83%	35.22%	42.49%	45.59%

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms: A new benefit tier was added for members joining the System on and after January 1, 2022

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

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

Changes of assumption: 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 for the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.88% to 4.20%.

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

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

Changes of assumption: In the 2020 experience study, rates of withdrawal, retirement, disability, mortality, and rates of salary increases were adjusted to reflect actual experience more close. The expectation of mortality was changed to the Pub2010 Mortality Tables 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% to 7.10% and the price inflation assumption was lowered from 3% to 2.50%. In addition, the calculation of the SEIR results in an assumption change from 7.50% to 7.10%.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – TRS

	Last 10 Fiscal Years*									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 399,981	\$ 373,109	\$ 311,642	\$ 273,426	\$ 277,834	\$ 261,070	\$ 263,854	\$ 245,799	\$ 224,296	\$ 161,896
Contributions in relation to the contractually required contribution	<u>(399,981)</u>	<u>(373,109)</u>	<u>(311,642)</u>	<u>(273,426)</u>	<u>(277,834)</u>	<u>(261,070)</u>	<u>(263,854)</u>	<u>(245,799)</u>	<u>(224,296)</u>	<u>(161,896)</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 10,345,146	\$ 9,677,314	\$ 9,149,393	\$ 8,326,411	\$ 8,289,427	\$ 7,806,779	\$ 7,752,761	\$ 7,678,128	\$ 7,318,884	\$ 6,937,804
Contributions as a percentage of covered-employee payroll	3.87%	3.86%	3.41%	3.28%	3.35%	3.34%	3.40%	3.20%	3.06%	2.33%

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

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

	Last 10 Fiscal Years*									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability	0.090209%	0.087622%	0.089501%	0.086069%	0.081853%	0.082456%	0.084560%	0.087272%	0.084117%	0.083182%
District's proportionate share of the net pension liability	\$ 5,788,268	\$ 6,334,206	\$ 5,706,391	\$ 6,601,421	\$ 5,756,758	\$ 5,021,822	\$ 4,949,557	\$ 4,296,938	\$ 3,616,625	\$ 2,699,000
Total net pension liability	\$ 6,416,508,407	\$ 7,229,013,496	\$ 6,375,784,388	\$ 7,669,917,211	\$ 7,033,044,552	\$ 6,090,304,793	\$ 5,853,307,482	\$ 4,923,618,237	\$ 4,299,525,565	\$ 3,244,377,000
District's covered-employee payroll	\$ 2,740,528	\$ 2,544,314	\$ 2,414,803	\$ 2,325,754	\$ 2,123,467	\$ 2,073,945	\$ 2,086,221	\$ 2,087,822	\$ 1,959,068	\$ 1,908,316
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	211.2%	249.0%	236.3%	283.8%	271.1%	242.1%	237.2%	205.8%	184.6%	141.4%
Plan fiduciary net position as a percentage of the total pension liability	57.48%	52.42%	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2014: As cash balance plan was introduced for member whose participation date is on or after January 1, 2014.

Changes of assumption: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2015: The assumed investment rate of return was decreased from 7.75% to 7.50%.

2015: The assumed rate of inflation was reduced from 3.50% to 3.25%.

2015: The assumed rate of wage inflation was reduced from 1.00% to 0.75%.

2015: Payroll growth assumption was reduced from 4.50% to 4.00%.

2015: The mortality table used for active members is RP-2000 Combined Mortality table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).

2015: For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

2015: The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

2017: The assumed investment rate of return was decreased from 7.50% to 6.25%.

2017: The assumed rate of inflation was reduced from 3.25% to 2.30%.

2017: The assumed rate of salary growth was reduced from 4.00% to 3.05%.

2023: The assumed investment rate of return was increased from 6.25% to 6.50%.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – CERS

	Last 10 Fiscal Years*									
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 671,256	\$ 734,188	\$ 684,816	\$ 581,002	\$ 559,068	\$ 456,122	\$ 397,774	\$ 389,706	\$ 356,183	\$ 346,167
Contributions in relation to the contractually required contribution	<u>(671,256)</u>	<u>(734,188)</u>	<u>(684,816)</u>	<u>(581,002)</u>	<u>(559,068)</u>	<u>(456,122)</u>	<u>(397,774)</u>	<u>(389,706)</u>	<u>(356,183)</u>	<u>(346,167)</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,870,691	\$ 2,740,528	\$ 2,544,314	\$ 2,414,803	\$ 2,325,754	\$ 2,123,467	\$ 2,073,945	\$ 2,086,221	\$ 2,087,822	\$ 1,959,068
Contributions as a percentage of covered-employee payroll	23.38%	26.79%	26.92%	24.06%	24.04%	21.48%	19.18%	18.68%	17.06%	17.67%

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net OPEB Liability – LIF

	Last 10 Fiscal Years*									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the collective trust OPEB liability	0%	0%	0%	0%	0%	0%	0%	*	*	*
District's proportionate share of the collective net OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	*	*	*
State's proportionate share of the collective net OPEB liability (asset) associated with the District	73,000	81,000	32,000	84,000	72,000	65,000	52,000	*	*	*
Total net OPEB liability	\$ 73,000	\$ 81,000	\$ 32,000	\$ 84,000	\$ 72,000	\$ 65,000	\$ 52,000	*	*	*
District's covered-employee payroll	\$ 9,677,314	\$ 9,149,393	\$ 8,326,411	\$ 8,289,427	\$ 7,806,779	\$ 7,752,761	\$ 7,678,128	*	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	76.91%	73.97%	89.15%	71.57%	73.40%	74.97%	79.99%	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms - None.

Methods and assumptions used in the actuarially determined contributions - The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2023:

Valuation date	June 30, 2020
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	24 Years
Asset valuation method	Five-year smoothed value
Inflation	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.20%
Discount rate	7.50%

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – LIF

	Last 10 Fiscal Years*									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	*	*	*
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-	*	*	*
Contribution deficiency	-	-	-	-	-	-	-	*	*	*
District's covered-employee payroll	\$ 10,345,146	\$ 9,677,314	\$ 9,149,393	\$ 8,326,411	\$ 8,289,427	\$ 7,806,779	\$ 7,752,761	*	*	*
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available. No changes were made to the assumptions or benefit terms.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net OPEB Liability – MIF

	Last 10 Fiscal Years*									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the collective trust OPEB liability	0.143454%	0.200555%	0.137675%	0.137034%	0.131005%	0.126550%	0.343819%	*	*	*
District's proportionate share of the collective net OPEB liability	\$ 3,494,000	\$ 4,979,000	\$ 2,954,000	\$ 3,458,000	\$ 3,834,000	\$ 4,391,000	\$ 4,717,000	*	*	*
State's proportionate share of the collective net OPEB liability associated with the District	\$ 2,945,000	\$ 1,636,000	\$ 2,399,000	\$ 2,770,000	\$ 3,096,000	\$ 3,784,000	\$ 3,853,000	*	*	*
Total net OPEB liability	\$ 6,439,000	\$ 6,615,000	\$ 5,353,000	\$ 6,228,000	\$ 6,930,000	\$ 8,175,000	\$ 8,570,000	*	*	*
District's covered-employee payroll	\$ 9,677,314	\$ 9,149,393	\$ 8,326,411	\$ 8,289,427	\$ 7,806,779	\$ 7,752,761	\$ 7,678,128	*	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	36.1%	54.4%	35.5%	41.7%	49.1%	56.6%	61.4%	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	52.97%	47.75%	51.74%	39.05%	32.58%	25.54%	21.18%	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms - None

Changes to assumptions

2023: The health care trend rates, as well as the TRS 4 retirement decrements, were updated to reflect future anticipated experience.

The Health Trust is not funded based on actuarially determined contribution, but instead is funded based on statutorily determined amounts as noted in the assumed asset allocation for MIF.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – MIF

	Last 10 Fiscal Years*									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 271,821	\$ 266,111	\$ 244,374	\$ 242,011	\$ 228,115	\$ 225,425	\$ 324,039	*	*	*
Contributions in relation to the contractually required contribution	<u>(271,821)</u>	<u>(266,111)</u>	<u>(244,374)</u>	<u>(242,011)</u>	<u>(228,115)</u>	<u>(225,425)</u>	<u>(324,039)</u>	<u>*</u>	<u>*</u>	<u>*</u>
Contribution deficiency	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>*</u></u>	<u><u>*</u></u>	<u><u>*</u></u>
District's covered-employee payroll	\$ 10,345,146	\$ 9,677,314	\$ 9,149,393	\$ 8,326,411	\$ 8,289,427	\$ 7,806,779	\$ 7,752,761	*	*	*
Contributions as a percentage of covered-employee payroll	2.63%	2.75%	2.67%	2.91%	2.75%	2.89%	4.18%	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net OPEB Liability – MIF (CERS)

	Last 10 Fiscal Years*									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the collective trust OPEB liability	0.090206%	0.087606%	0.089480%	0.086044%	0.081831%	0.082453%	0.084560%	*	*	*
District's proportionate share of the collective net OPEB liability (asset)	\$ (124,544)	\$ 1,728,916	\$ 1,713,050	\$ 2,077,701	\$ 1,376,361	\$ 1,463,937	\$ 1,699,945	*	*	*
State's proportionate share of the collective net OPEB liability associated with the District	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	*	*	*
Total net OPEB liability (asset)	\$ (124,544)	\$ 1,728,916	\$ 1,713,050	\$ 2,077,701	\$ 1,376,361	\$ 1,463,937	\$ 1,699,945	*	*	*
District's covered-employee payroll	\$ 2,740,528	\$ 2,544,314	\$ 2,414,803	\$ 2,325,754	\$ 2,123,467	\$ 2,073,945	\$ 2,086,221	*	*	*
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	4.5%	68.0%	70.9%	89.3%	64.8%	70.6%	81.5%	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	104.23%	60.95%	62.91%	51.67%	60.44%	57.62%	52.40%	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes in assumptions: None

2018: Updated healthcare trend rates were implemented.

2023: The health care trend rates were increased to reflect future anticipated experience.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – MIF (CERS)

	Last 10 Fiscal Years*									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 88,769	\$ 101,036	\$ 108,818	\$ 104,941	\$ 108,602	\$ 96,052	\$ 97,382	*	*	*
Contributions in relation to the contractually required contribution	<u>(88,769)</u>	<u>(101,036)</u>	<u>(108,818)</u>	<u>(104,941)</u>	<u>(108,602)</u>	<u>(96,052)</u>	<u>(97,382)</u>	<u>*</u>	<u>*</u>	<u>*</u>
Contribution deficiency	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>*</u></u>	<u><u>*</u></u>	<u><u>*</u></u>
District's covered-employee payroll	\$ 2,870,691	\$ 2,740,528	\$ 2,544,314	\$ 2,414,803	\$ 2,325,754	\$ 2,123,467	\$ 2,073,945	*	*	*
Contributions as a percentage of of covered-employee payroll	3.09%	3.69%	4.28%	4.35%	4.67%	4.52%	4.70%	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available. No changes were made to the assumptions or benefit terms.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Agreement Number</u>	<u>Federal Expenditures for FYE 6/30/2024</u>
<u>U.S. Department of Education</u>			
<i>Passed through Kentucky Department of Education</i>			
Special Education Cluster			
Special Education_Grants to States	84.027	3810002 23	\$ 470,165
Special Education_Preschool Grants	84.173	3800002 23	27,086
Special Education_Preschool Grants	84.173	3800002 22	466
Special Education_Preschool Grants	84.173	3800002 21	65
Total Special Education Cluster			<u>497,782</u>
Title I Grants to Local Educational Agencies	84.010	3100002 23	154,916
Career and technical Education - Basic Grants to States	84.048	3710002 23	46,948
Title II Improving Teacher Quality State Grants	84.367	3230002 23	41,544
Title IV-Part A Student Support and Academic Enrichment Grant	84.424	3420002 23	12,237
ESSER III (ARP)	84.425	4300002 21	487,418
ESSER III (ARP)	84.425	4300005 21	2,173
ESSER III (ARP)	84.425	4980002 21	4,885
Total ALN #84.425			<u>494,476</u>
Total U.S. Department of Education			<u>1,247,903</u>
<u>U.S. Department of Agriculture</u>			
Child Nutrition Cluster			
<i>Passed through Kentucky Department of Education</i>			
National School Lunch Program	10.555	7750002 23	69,519
National School Lunch Program	10.555	7750002 24	338,220
Supply Chain Assistance	10.555	9980000 23	61,560
School Breakfast Program	10.553	7760005 23	18,576
School Breakfast Program	10.553	7760005 24	98,119
<i>Passed through Kentucky Department of Agriculture</i>			
National School Lunch Program - Food Donation	10.555	059-0203	<u>93,082</u>
Total Child Nutrition Cluster			<u>679,076</u>
<i>Passed through Kentucky Department of Education</i>			
State Administrative Expenses for Child Nutrition	10.560	7700001 22	<u>2,172</u>
Total U.S. Department of Agriculture			<u>681,248</u>
Total Expenditures of Federal Awards			<u>\$ 1,929,151</u>

See accompanying notes to the schedule of expenditures of federal awards

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024**

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Walton-Verona Independent School District under programs of the federal government for the year ended June 30, 2024, and is reported on the accrual basis of accounting. 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*. Because the schedule presents only a selected portion of the operations of Walton-Verona Independent 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 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting in accordance with generally accepted accounting principles. 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.

NOTE 3 FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. For the year ended June 30, 2024, the District reported food commodities expended in the amount of \$93,082.

NOTE 4 INDIRECT COST RATE

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

NOTE 5 SUBRECIPIENTS

The District did not have any subrecipients during the year ended June 30, 2024.

**INDEPENDENT AUDITORS' 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 Members of the Board of Education
Walton-Verona Independent School District
Walton, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Walton-Verona Independent School District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Walton-Verona Independent School District's basic financial statements, and have issued our report thereon dated November 6, 2024

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Walton-Verona Independent School 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 Walton-Verona Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Walton-Verona Independent School 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 may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Walton-Verona Independent School 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 other matters that we reported to management of the District in pages 78-79.

**INDEPENDENT AUDITORS' 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*
(CONTINUED)**

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.



Crestview Hills, Kentucky
November 6, 2024

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

Members of the Board of Education
Walton-Verona Independent School District
Walton, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Walton-Verona Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Walton-Verona Independent School District's major federal programs for the year ended June 30, 2024. Walton-Verona Independent School 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, Walton-Verona Independent School 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). 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 Walton-Verona Independent School 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 Walton-Verona Independent School 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 Walton-Verona Independent School District's federal programs.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
(CONTINUED)**

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 Walton-Verona Independent School 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 Walton-Verona Independent School 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 Walton-Verona Independent School 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 Walton-Verona Independent School 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 Walton-Verona Independent School 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.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
(CONTINUED)**

Report on Internal Control Over Compliance (Continued)

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.



Crestview Hills, Kentucky
November 6, 2024

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024**

SECTION I -SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No

- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None noted

- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No

- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None noted

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR Section 200.516(a)? _____ Yes X No

Identification of major programs

ALN No.	Name of Federal Program or Cluster
84.425	Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes _____ No

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reportable

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Summary Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2024**

SECTION I -SUMMARY OF PRIOR YEAR AUDITOR'S RESULTS

No matters are reportable

SECTION II – PRIOR YEAR FINANCIAL STATEMENT FINDINGS

No matters are reportable

SECTION III – PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Management Letter Comments
For the Year Ended June 30, 2024**

In planning and performing our audit of the financial statements of Walton-Verona Independent School District for the year ended June 30, 2024, we considered the District's internal control structure 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 structure.

This letter summarizes our comments and suggestions regarding those matters. A separate report dated November 6, 2024 contains our report on significant deficiencies and material weaknesses in the District's internal control structure. This letter does not affect our report dated November 6, 2024, on the financial statements of the Walton-Verona Independent School District.

CURRENT YEAR RECOMMENDATIONS

CENTRAL OFFICE

No matters are reportable.

ACTIVITY FUNDS

Walton-Verona High School

No matters are reportable.

Walton-Verona Middle School

No matters are reportable.

Walton-Verona Elementary School

No matters are reportable.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Management Letter Comments
(Continued)
Year Ended June 30, 2024**

STATUS OF PRIOR YEAR RECOMMENDATIONS

CENTRAL OFFICE

No matters are reportable.

ACTIVITY FUNDS

Walton-Verona High School

No matters are reportable.

Walton-Verona Middle School

No matters are reportable

Walton-Verona Elementary School

No matters are reportable