
WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

REPORT OF AUDIT
Year Ended June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

October 6, 2022

Members of the Board of Education
Whitley County School District
Williamsburg, 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 Whitley County School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Whitley County 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 Whitley County School District, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinions

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 Whitley County 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 U.S. generally accepted accounting principles, 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 Whitley County 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.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amount 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 Whitley County 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, that there are conditions or events, considered in the aggregate, that raise substantial doubt about the Whitley County 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.

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis, the Schedules of District's Proportionate Share of the Net Pension Liability and Pension Contributions, District's Proportionate Share of the Net OPEB Liability and District Contributions – Medical Insurance Plan and Life Insurance Plan and budgetary comparison information on pages 4-8, 49-57 and 58-60, respectively, 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

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to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

The combining nonmajor and special revenue funds financial statements, the activity fund statements and the Schedule of Expenditures of Federal Awards are 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 U.S. generally accepted auditing standards. In our opinion, the combining nonmajor and special revenue funds financial statements, the activity fund statements and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2022, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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Certified Public Accountants

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2022

This section of the financial statements for the Whitley County School District ("District") presents management's discussion and analysis of the financial performance of the District during the fiscal year that ended on June 30, 2022. As management of the District, we offer readers of the financial statements this narrative overview and analysis to highlight and further explain the financial events that have taken place in the past year. We encourage readers to consider the information presented herein along with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The ending cash balance for the District was \$11,261,221 in 2022 and \$7,423,873 in 2021. This is an increase of \$3,837,348.
- The General Fund had \$39,340,556 in revenues, which primarily consisted of the state program (SEEK) and property, utilities, and motor vehicle taxes. There were \$36,839,716 in General Fund expenditures.
- Governmental capital assets had a net increase of \$4,391,130, and business-type capital assets had a net decrease of \$39,262 during the current fiscal year.
- The District's total debt decreased \$1,900,494 during the current fiscal year due to scheduled principal payments.
- There are two sources of pension liabilities and OPEB liabilities with which the District has to contend. The Kentucky Teachers Retirement System covers the District's professional staff members. It has analysis performed by Cavanaugh Macdonald Consulting, LLC (CMC) to determine each Kentucky school district's share of pension and OPEB liabilities for its professional staff. This debt is the responsibility of the State of Kentucky. Our allocated amount was \$0 for pension liabilities and \$6,155,000 for OPEB liabilities, as of June 30, 2022. Our non-professional staff members are covered by the Kentucky County Employees Retirement System. Under this system, the District's share of the pension liabilities was \$15,072,992 and \$4,524,879 for OPEB liabilities, as of June 30, 2022. The District does not believe these disclosures will have a major impact on their day-to-day operations or the financial health of the District. The District's bond rating is based on the State's rating so we have little control over our cost of borrowing.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net 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.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2022

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

The government-wide financial statements can be found on pages 9 through 11 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 two categories: governmental and proprietary. The proprietary fund is for 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 12 through 18 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 19 through 48 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

Net Position for the period ending June 30, 2022

Fiscal year 2021 government-wide net position compared to 2022 is as follows:

	<u>2022</u>	<u>2021</u>
Current assets	\$ 16,586,457	\$ 12,783,522
Capital assets, net	52,440,583	48,088,715
Deferred outflows of resources	6,667,711	6,637,662
Total Assets and Deferred Outflows of Resources	<u>\$ 75,694,751</u>	<u>\$ 67,509,899</u>
Current liabilities	\$ 6,341,991	\$ 4,816,774
Noncurrent liabilities	48,177,563	55,650,315
Deferred inflows of resources	10,569,773	5,505,926
Total Liabilities and Deferred Inflows of Resources	<u>\$ 65,089,327</u>	<u>\$ 65,973,015</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2022

	<u>2022</u>	<u>2021</u>
Net position		
Net investment in capital assets	\$ 30,327,757	\$ 24,075,395
Restricted (deficit)	311,960	147,285
Unrestricted (deficit)	<u>(20,034,293)</u>	<u>(22,685,796)</u>
Total Net Position	<u>\$ 10,605,424</u>	<u>\$ 1,536,884</u>

The most significant change in the financial position of the District since the last audit was the increase in cash in the amount of \$3,837,348 and the increase in net capital assets of \$4,351,868. The District also had a decrease in total liabilities and deferred inflows of resources in the amount of \$883,688. These changes were primarily due to the net pension liability (CERS) and net OPEB liability (CERS/KTRS) recognized in the current year. The net investment in capital assets had an increase in the amount of \$6,252,362.

The following table presents a summary of revenues and expenditures, Governmental Funds only, for the fiscal years ended June 30:

	<u>2022</u>		<u>2021</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUES AND OTHER FINANCING SOURCES				
Local revenue sources	\$ 7,591,335	12.35%	\$ 7,398,418	14.03%
State revenue sources	38,082,539	61.96	37,174,974	70.49
Federal revenue sources	15,617,190	25.41	7,993,471	15.16
Operating transfers (net)	<u>173,933</u>	<u>.28</u>	<u>170,737</u>	<u>.32</u>
Total revenues and other financing sources	<u>61,464,997</u>	<u>100.00</u>	<u>52,737,600</u>	<u>100.00</u>
EXPENDITURES AND OTHER FINANCING USES				
Instruction	36,173,594	58.85	33,242,267	63.03
Student support services	1,367,941	2.22	1,276,290	2.42
Instructional staff	1,379,615	2.25	1,552,142	2.94
District administration	1,112,855	1.81	1,114,537	2.11
School administration	1,624,588	2.64	1,578,527	2.99
Business	880,190	1.43	848,785	1.61
Plant operations and maintenance	4,158,135	6.77	3,368,566	6.39
Student transportation	3,931,322	6.40	2,823,972	5.36
Other non-instructional	9,773	.01	7,358	.01
Site improvements	3,937,488	6.41	777,951	1.48
Building acquisitions and construction	1,904,435	3.10	132,664	.25
Debt service	2,875,939	4.68	2,912,335	5.52
Community services activities	<u>556,244</u>	<u>.90</u>	<u>545,573</u>	<u>1.04</u>
Total expenditures and other financing uses	<u>59,912,119</u>	<u>97.47</u>	<u>50,180,967</u>	<u>95.15</u>
Net change in fund balance	<u>\$ 1,552,878</u>	<u>2.53%</u>	<u>\$ 2,556,633</u>	<u>4.85%</u>

The majority of the District's revenues were derived from state revenue sources, making up 61.96% of total revenues in 2022 as compared to 70.49% in 2021. Local revenue sources comprised 12.35% of total revenues in 2022 as compared to 14.03% in 2021. Federal revenue sources comprised 25.41% of total revenues in 2022 as compared to 15.16% in 2021.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2022

The majority of the District's expenditures were for instruction, making up 58.85% of total expenditures in 2022 as compared to 63.03% in 2021. Student transportation comprised 6.40% of the District's total expenditures in 2022 as compared to 5.36% in 2021. Plant operations and maintenance comprised 6.77% of the District's total expenditures in 2022 as compared to 6.39% in 2021. Site improvements comprised 6.41% of the District's total expenditures in 2022 as compared to 1.49% in 2021. Capital assets of \$7,214,226 were charged to expenditures in 2022 as compared to \$1,733,901 in 2021.

COMMENTS ON BUDGET COMPARISONS

In Kentucky, the public schools fiscal year is July 1 to June 30. Other programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted the final 2021-22 budget with \$1,391,134 in contingency (4.95%).

- The District's total general fund revenues for the fiscal year ended June 30, 2022 were \$39,340,556.
- General fund budgeted revenues compared to actual varied from line item to line item, with the ending actual balance being \$11,241,369 more than budget or 40.00%. This is due primarily to recording on-behalf payments made by the State of Kentucky of \$10,213,880 that were not budgeted. When these are eliminated, overall revenues compared to budget were \$1,027,489 or 3.66% less than budget.
- The District's total general fund expenditures for the fiscal year ended June 30, 2022 were \$36,839,716.
- General fund budgeted expenditures compared to actual varied significantly in instruction with them being \$5,917,849 over budget. These were due primarily to on-behalf payments of \$8,621,772, which were not budgeted. When total on-behalf payments of \$10,213,880 are eliminated, overall expenditures compared to budget were \$7,761,844 or 22.57% less than budget.

CAPITAL ASSETS

At the end of June 30, 2022, the District had \$52,440,583 invested in capital assets. This represents a net increase of \$4,351,868.

A comparison of the capital assets at June 30 is as follows:

	<u>2022</u>	<u>2021</u>
Land	\$ 1,423,339	\$ 1,423,339
Buildings, improvements and infrastructure	42,118,855	42,735,882
Machinery and equipment	3,293,418	2,930,186
Construction in progress	5,604,971	999,308
Total	<u>\$ 52,440,583</u>	<u>\$ 48,088,715</u>

DEBT ADMINISTRATION

At the end of June 30, 2022, the District had \$22,112,826 in outstanding debt and capital leases compared to \$24,013,320. That is a decrease of 7.91%.

WHITLEY COUNTY SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2022

FUTURE BUDGET IMPLICATIONS

The District adopted a budget for 2022-23 with \$2,349,327 in contingency (5.74%). Significant Board action that impacts the finances includes the funding of non-revenue extra-curricular activities, 4% and 8% raises and rank and years of experience increases, KETS matching funds, KISTA bus lease obligations, the KSBIT liability assessment and utilizing excess building fund and capital outlay monies for facility operations.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives.

Questions regarding this report should be directed to the Superintendent or to Alicia Logan, Certified Finance Officer, at (606) 549-7000 or by mail at 300 Main Street, Williamsburg, KY 40769.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF NET POSITION
June 30, 2022

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
CURRENT ASSETS			
Cash and cash equivalents	\$ 9,498,366	\$ 1,127,858	\$ 10,626,224
Cash with fiscal agent	634,997	-	634,997
Accounts receivable:			
Accounts receivable	342,387	575	342,962
Taxes – current	363,745	-	363,745
Intergovernmental – state	33,883	-	33,883
Intergovernmental – federal	2,231,900	36,734	2,268,634
Materials and supplies inventory	-	145,597	145,597
Interfund receivable	<u>2,170,415</u>	<u>-</u>	<u>2,170,415</u>
Total current assets	<u>15,275,693</u>	<u>1,310,764</u>	<u>16,586,457</u>
NONCURRENT ASSETS			
Capital assets, net	<u>52,002,208</u>	<u>438,375</u>	<u>52,440,583</u>
DEFERRED OUTFLOWS OF RESOURCES			
Discount on bonds, net	66,309	-	66,309
CERS – pension	1,968,648	411,822	2,380,470
CERS – OPEB	2,089,838	437,094	2,526,932
KTRS – OPEB	<u>1,694,000</u>	<u>-</u>	<u>1,694,000</u>
Total deferred outflows of resources	<u>5,818,795</u>	<u>848,916</u>	<u>6,667,711</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>73,096,696</u>	<u>2,598,055</u>	<u>75,694,751</u>
<u>LIABILITIES AND NET POSITION</u>			
CURRENT LIABILITIES			
Accounts payable	1,375,784	252	1,376,036
Construction retainage payable	403,276	-	403,276
Interfund payable	2,170,415	-	2,170,415
Accrued salaries and benefits payable	236,015	-	236,015
Deferred revenue	398,683	-	398,683
Current portion of bond obligations	1,315,000	-	1,315,000
Current portion of lease obligations	165,934	-	165,934
Current portion of accumulated sick leave payable	200,000	-	200,000
Current portion of insurance claims payable	<u>76,632</u>	<u>-</u>	<u>76,632</u>
Total current liabilities	<u>6,341,739</u>	<u>252</u>	<u>6,341,991</u>
NONCURRENT LIABILITIES			
Noncurrent portion of bond obligations	20,046,475	-	20,046,475
Noncurrent portion of lease obligations	585,417	-	585,417
Noncurrent portion of accumulated sick leave payable	1,632,206	-	1,632,206
Noncurrent portion of insurance claims payable	160,594	-	160,594
Net pension liability – CERS	12,465,364	2,607,628	15,072,992
Net OPEB liability – CERS	3,742,075	782,804	4,524,879

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF NET POSITION (CONTINUED)
June 30, 2022

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net OPEB liability – KTRS	6,155,000	-	6,155,000
Total noncurrent liabilities	<u>44,787,131</u>	<u>3,390,432</u>	<u>48,177,563</u>
DEFERRED INFLOWS OF RESOURCES			
Premium on bonds, net	9,034	-	9,034
CERS – pension	2,522,429	527,666	3,050,095
CERS – OPEB	2,075,476	434,168	2,509,644
KTRS – OPEB	<u>5,001,000</u>	<u>-</u>	<u>5,001,000</u>
Total deferred inflows of resources	<u>9,607,939</u>	<u>961,834</u>	<u>10,569,773</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>60,736,809</u>	<u>4,352,518</u>	<u>65,089,327</u>
NET POSITION			
Net investment in capital assets	29,889,382	438,375	30,327,757
Restricted (deficit)	2,504,798	(2,192,838)	311,960
Unrestricted (deficit)	<u>(20,034,293)</u>	<u>-</u>	<u>(20,034,293)</u>
TOTAL NET POSITION (DEFICIT)	<u>\$ 12,359,887</u>	<u>\$ (1,754,463)</u>	<u>\$ 10,605,424</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF ACTIVITIES
Year Ended June 30, 2022

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>PROGRAM REVENUES</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
GOVERNMENTAL ACTIVITIES:				
Instruction	\$ 36,872,781	\$ -	\$ 25,861,406	\$ -
Support services:				
Student	1,377,589	-	-	-
Instructional staff	1,394,201	-	-	-
District administration	1,120,841	-	306,324	-
School administration	1,638,106	-	-	-
Business	884,635	-	104,866	-
Plant operations and maintenance	4,243,072	-	271,479	-
Student transportation	3,578,849	-	788,320	-
Other non-instructional	9,773	-	-	-
Site improvements	409,214	-	-	-
Community services activities	569,268	201,512	-	-
Interest on long-term debt	951,706	-	2,537,261	-
Bond premium (discount)	6,853	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 53,056,888</u>	<u>\$ 201,512</u>	<u>\$ 29,869,656</u>	<u>\$ -</u>
BUSINESS-TYPE ACTIVITIES:				
Food service	\$ 3,958,945	\$ 57,845	\$ 4,751,005	\$ -
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 3,958,945</u>	<u>\$ 57,845</u>	<u>\$ 4,751,005</u>	<u>\$ -</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 57,015,833</u>	<u>\$ 259,357</u>	<u>\$ 34,620,661</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

NET (EXPENSES) REVENUES AND
CHANGES IN NET POSITION

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
	\$ (11,011,375)		\$ (11,011,375)
	(1,377,589)		(1,377,589)
	(1,394,201)		(1,394,201)
	(814,517)		(814,517)
	(1,638,106)		(1,638,106)
	(779,769)		(779,769)
	(3,971,593)		(3,971,593)
	(2,790,529)		(2,790,529)
	(9,773)		(9,773)
	(409,214)		(409,214)
	(367,756)		(367,756)
	1,585,555		1,585,555
	(6,853)		(6,853)
	<u>(22,985,720)</u>		<u>(22,985,720)</u>
		<u>\$ 849,905</u>	<u>849,905</u>
		<u>849,905</u>	<u>849,905</u>
			<u>(22,135,815)</u>
 GENERAL REVENUES			
Taxes			
Property	3,238,387	-	3,238,387
Motor vehicle	1,125,148	-	1,125,148
Utilities	1,287,456	-	1,287,456
State and formula grants	23,497,984	-	23,497,984
Earnings on investments	111,079	6,444	117,523
Other local revenues	1,959,842	-	1,959,842
Loss on disposal of fixed assets	(21,836)	(149)	(21,985)
Total general revenues	<u>31,198,060</u>	<u>6,295</u>	<u>31,204,355</u>
 Operating transfers (net)	 <u>173,933</u>	 <u>(173,933)</u>	 <u>-</u>
Total general revenues and transfers	<u>31,371,993</u>	<u>(167,638)</u>	<u>31,204,355</u>
 Change in net position	 8,386,273	 682,267	 9,068,540
 Net position (deficit), July 1, 2021	 <u>3,973,614</u>	 <u>(2,436,730)</u>	 <u>1,536,884</u>
Net position (deficit), June 30, 2022	<u>\$ 12,359,887</u>	<u>\$ (1,754,463)</u>	<u>\$ 10,605,424</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS AND RESOURCES				
Cash and cash equivalents	\$ 6,116,439	\$ 336,685	\$ 3,045,242	\$ 9,498,366
Cash with fiscal agent	-	-	634,997	634,997
Accounts receivable:				
Accounts receivable	374	342,013	-	342,387
Taxes – current	363,745	-	-	363,745
Intergovernmental – state	-	33,883	-	33,883
Intergovernmental – federal	-	2,231,900	-	2,231,900
Interfund receivable	<u>2,170,415</u>	<u>-</u>	<u>-</u>	<u>2,170,415</u>
TOTAL ASSETS AND RESOURCES	<u>\$ 8,650,973</u>	<u>\$ 2,944,481</u>	<u>\$ 3,680,239</u>	<u>\$ 15,275,693</u>
LIABILITIES				
Accounts payable	\$ 28,236	\$ 38,565	\$ 1,308,983	\$ 1,375,784
Construction retainage payable	-	-	403,276	403,276
Accrued salaries and benefits payable	236,015	-	-	236,015
Interfund payable	-	2,170,415	-	2,170,415
Deferred revenue	<u>-</u>	<u>398,683</u>	<u>-</u>	<u>398,683</u>
TOTAL LIABILITIES	<u>264,251</u>	<u>2,607,663</u>	<u>1,712,259</u>	<u>4,584,173</u>
FUND BALANCES				
Restricted				
Sick leave payable	200,000	-	-	200,000
Debt service	-	-	634,997	634,997
Future construction projects (BG-1)	-	-	1,197,843	1,197,843
District wide activity funds	-	336,818	135,140	471,958
Committed				
Other lease obligations	242,566	-	-	242,566
Unassigned	<u>7,944,156</u>	<u>-</u>	<u>-</u>	<u>7,944,156</u>
TOTAL FUND BALANCES	<u>8,386,722</u>	<u>336,818</u>	<u>1,967,980</u>	<u>10,691,520</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,650,973</u>	<u>\$ 2,944,481</u>	<u>\$ 3,680,239</u>	<u>\$ 15,275,693</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
June 30, 2022

Total fund balance per fund financial statements	\$ 10,691,520
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.	
Capital assets	52,002,208
Deferred outflows of resources are not recorded in the governmental fund financials because they do not affect current resources but are recorded in the statement of net position.	
Pension and OPEB plan investment differences	(788,144)
Bond discount	66,309
Certain assets (obligations) are not a use of financial resources and therefore, are not reported in the government funds, but are presented in the statement of net position.	
Unfunded pension liability	(12,465,364)
Unfunded OPEB liability – CERS	(3,742,075)
Unfunded OPEB liability – TRS	(6,155,000)
Deferred inflows of resources are not recorded in the governmental fund financials because they do not affect current resources but are recorded in the statement of net position.	
Pension and OPEB plan investment differences	(3,058,275)
Bond premium	(9,034)
Certain liabilities (such as bonds payable, claims payable and accrued sick leave) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net assets.	
Bond obligations	(21,361,475)
Lease obligations	(751,351)
Insurance claims payable	(237,226)
Accrued sick leave	<u>(1,832,206)</u>
Net position (deficit) of governmental activities	<u>\$ 12,359,887</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2022

	<u>General Fund</u>	<u>Special Revenue Funds</u>
REVENUES		
From local sources:		
Taxes		
Property	\$ 2,764,038	\$ -
Motor vehicle	1,125,148	-
Utilities	1,287,456	-
Earnings on investments	65,067	2,076
Other local revenues ¹	176,013	1,627,753
Intergovernmental – state	33,731,988	2,217,964
Intergovernmental – indirect federal	190,846	14,956,685
Intergovernmental – direct federal	-	64,985
TOTAL REVENUES	<u>39,340,556</u>	<u>18,869,463</u>
EXPENDITURES		
Instruction	23,347,747	12,674,901
Support services:		
Student	1,150,063	217,878
Instructional staff	1,033,317	346,298
District administration	1,112,855	-
School administration	1,558,546	66,042
Business	880,190	-
Plant operations and maintenance	3,751,495	406,640
Student transportation	3,778,031	151,985
Other non-instructional	-	9,773
Building acquisitions and construction	-	-
Site improvements	-	-
Debt service	185,885	-
Payment of bonds	-	-
Payment of interest	-	-
Community services activities	41,587	514,657
TOTAL EXPENDITURES	<u>36,839,716</u>	<u>14,388,174</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>2,500,840</u>	<u>4,481,289</u>
OTHER FINANCING SOURCES (USES)		
Operating transfers in	1,202,505	78,612
Operating transfers out	(1,578,613)	(4,492,255)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(376,108)</u>	<u>(4,413,643)</u>
NET CHANGES IN FUND BALANCES	2,124,732	67,646
FUND BALANCES, JULY 1, 2021	6,261,990	269,172
FUND BALANCES, JUNE 30, 2022	<u>\$ 8,386,722</u>	<u>\$ 336,818</u>

The accompanying notes are an integral part of these financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 474,349	\$ 3,238,387
-	1,125,148
-	1,287,456
43,936	111,079
25,499	1,829,265
2,132,587	38,082,539
-	15,147,531
<u>404,674</u>	<u>469,659</u>
<u>3,081,045</u>	<u>61,291,064</u>
150,946	36,173,594
-	1,367,941
-	1,379,615
-	1,112,855
-	1,624,588
-	880,190
-	4,158,135
1,306	3,931,322
-	9,773
1,904,435	1,904,435
3,937,488	3,937,488
-	185,885
1,738,348	1,738,348
951,706	951,706
-	556,244
<u>8,684,229</u>	<u>59,912,119</u>
<u>(5,603,184)</u>	<u>1,378,945</u>
7,052,529	8,333,646
<u>(2,088,845)</u>	<u>(8,159,713)</u>
<u>4,963,684</u>	<u>173,933</u>
(639,500)	1,552,878
<u>2,607,480</u>	<u>9,138,642</u>
<u>\$ 1,967,980</u>	<u>\$ 10,691,520</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2022

Net change in total fund balances per fund financial statements	\$ 1,552,878
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.	
Purchase of capital assets	6,363,443
Depreciation expense	(1,950,477)
Gains and losses derived from the disposal of capital assets are not presented in this financial statement because they do not provide or use current financial resources, but they are presented in the statement of activities.	(21,836)
Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement, but are reductions of liabilities in the statement of net assets.	
Bond and capital lease payments	1,900,494
Discounts (premiums) on bonds are reported in the governmental funds as other financing sources. However, for governmental activities, those items are shown in the statement of net position and allocated over the term of the bond in the statement of activities.	(6,853)
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.	
Accrued sick leave	(289,072)
Claims payable	74,367
Governmental Funds report CERS contributions as expenditures when paid. However, in the statement of activities, pension expense is the cost of benefits earned, adjusted for member contributions, and the recognition of changes in deferred outflows and inflows of resources related to pensions, and investment experience.	
TRS OPEB expense	900,000
CERS OPEB expense	(150,343)
CERS pension expense	<u>13,672</u>
Change in net position of governmental activities	<u>\$ 8,386,273</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2022

	<u>ASSETS</u>	<u>Food Service</u>
CURRENT ASSETS		
Cash and cash equivalents		\$ 1,127,858
Materials and supplies inventory		145,597
Accounts receivable:		
Intergovernmental – federal		36,734
Other		575
Total current assets		<u>1,310,764</u>
NONCURRENT ASSETS		
Capital assets, net		<u>438,375</u>
DEFERRED OUTFLOWS OF RESOURCES		
CERS – pension		411,822
CERS – OPEB		437,094
Total deferred outflows of resources		<u>848,916</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		<u>2,598,055</u>
	<u>LIABILITIES AND NET POSITION</u>	
CURRENT LIABILITIES		
Accounts payable		<u>252</u>
NONCURRENT LIABILITIES		
Net pension liability – CERS		2,607,628
Net OPEB liability – CERS		782,804
Total noncurrent liabilities		<u>3,390,432</u>
DEFERRED INFLOWS OF RESOURCES		
CERS – pension		527,666
CERS – OPEB		434,168
Total deferred inflows of resources		<u>961,834</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		<u>4,352,518</u>
NET POSITION		
Net investment in capital assets		438,375
Restricted (deficit)		<u>(2,192,838)</u>
TOTAL NET POSITION (DEFICIT)		<u>\$ (1,754,463)</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
Year Ended June 30, 2022

	<u>Food Service</u>
OPERATING REVENUES	
Sales	\$ 57,845
TOTAL OPERATING REVENUES	<u>57,845</u>
OPERATING EXPENSES	
Salaries	1,240,988
Employee benefits	874,281
Purchased services	19,163
Supplies and materials	1,759,570
Depreciation	<u>64,943</u>
TOTAL OPERATING EXPENSES	<u>3,958,945</u>
OPERATING INCOME (LOSS)	<u>(3,901,100)</u>
NON-OPERATING REVENUES (EXPENSES)	
Operating grants – federal	3,721,908
Operating grants – state	793,726
Donated commodities	235,371
Earnings on investments	6,444
Loss on disposal of assets	(149)
Operating transfers out	<u>(173,933)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>4,583,367</u>
CHANGE IN NET POSITION	682,267
NET POSITION (DEFICIT), July 1, 2021	<u>(2,436,730)</u>
NET POSITION (DEFICIT), June 30, 2022	<u>\$ (1,754,463)</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2022

	<u>Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from sales	\$ 38,656
Cash payments for salaries and employee benefits	(2,450,905)
Cash payments for purchased services	(19,163)
Cash payments for supplies and materials	<u>(1,704,247)</u>
Net cash provided (used) by operating activities	<u>(4,135,659)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	<u>(25,830)</u>
Net cash provided (used) by capital and related financing activities	<u>(25,830)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Receipt of interest	6,444
Receipt of grants	4,515,634
Receipt of donated commodities	235,371
Operating transfers out	<u>(173,933)</u>
Net cash provided (used) by investing activities	<u>4,583,516</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	422,027
CASH AND CASH EQUIVALENTS, JULY 1, 2021	<u>705,831</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2022	<u>\$ 1,127,858</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (3,901,100)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Depreciation	64,943
Changes in assets and liabilities:	
Inventory	55,278
Accounts receivable	(19,189)
Deferred outflows of resources	230,835
Accounts payable	45
Deferred inflows of resources	606,094
Net pension liability – CERS	(863,027)
Net OPEB liability – CERS	<u>(309,538)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (4,135,659)</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
Donated commodities received from federal government	<u>\$ 235,371</u>
On-behalf payments from state government	<u>\$ 769,327</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies that affect the significant elements of the Whitley County School District are summarized as follows:

REPORTING ENTITY

The Whitley County Board of Education (Board), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Whitley County 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 by the Governmental Accounting Standards Board (GASB) pronouncement since 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 Whitley County School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the District. 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 statement of the following organization is included in the accompanying financial statements:

WHITLEY COUNTY SCHOOL DISTRICT FINANCE CORPORATION

The Whitley County Board of Education resolved to authorize the establishment of the Whitley County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Board Act and KRS 273 and KRS Section 58.180) as an agency of the District for financing the costs of school building facilities. The Board members of the Whitley County Board of Education also comprise the corporation's Board of Directors.

BASIS OF PRESENTATION

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

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service,

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of 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. All taxes and revenues 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. Their focus is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column.

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. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net fund balances.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund's operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue (Grant) Funds account 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 the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.
- (C) 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 the Proprietary Fund).
 - 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.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. The Facility Support Program of Kentucky (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.

(D) Debt Service Funds

The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund Types (Enterprise Fund)

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

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

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either modified accrual for governmental funds or accrual basis for proprietary funds.

Revenues, Exchange and Nonexchange Transactions: Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recognized in the fiscal year when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period of the District is sixty days after 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 met. 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 the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue: The District reports deferred revenue on its statement of net position and governmental funds balance sheet. In both the government-wide and governmental fund statements, grants that are "intended to finance" future periods are reported as deferred revenue. In subsequent periods, the liability for deferred revenue is removed from the statement of net position and governmental funds balance sheet and revenue is recognized.

Expenditures/Expenses: On the accrual basis of accounting, expenses are recorded at the time they are incurred. The measurement focus of governmental fund accounting is on a flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid sick leave, which are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. The cash and investment pool has the same characteristics as demand deposits. Each fund type's portion of this pool is displayed in the financial statements as cash and cash equivalents in that fund. The District utilizes a financial institution to service bonded debt as principal and interest payments come due. The monies are either maintained in a central bank account or used to purchase legal investments. The District only invests in certificates of deposit.

It is the policy of the District to value investment contracts and money market investments with a maturity of one year or less at the time of purchase at cost or amortized cost. Investment contracts and money market investments that have a remaining maturity of greater than one year at the time of purchase are reported at fair value.

The Kentucky Revised Statutes authorize the District to invest in United States and State of Kentucky bonds, notes and other obligations; bank certificates of deposit; bankers' acceptances; and commercial paper notes rated prime that are issued by United States corporations. It is the District's policy to invest in all of the above types of investments. Under existing Kentucky statutes, all investment earnings accrue to the general and food service funds except certain trust funds and those funds individually authorized by Board resolution.

PREPAID ASSETS/EXPENDITURES

Payments made that will benefit periods beyond June 30, 2022 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

INVENTORY

On government-wide financial statements, inventories are presented at cost or using the first in, first out (FIFO) method and are expensed when used.

On fund financial statements, inventories are valued at cost while inventories of proprietary funds are stated at lower of cost or market. For all funds, cost is determined using the FIFO method and is determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time of purchase. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates they do not represent available spendable resources. Inventories of proprietary funds consist of donated and purchased food and supplies.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS AND DEPRECIATION

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets are reported in the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by proprietary funds are reported on both statement types.

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 adheres to the property inventory procedures developed by the Kentucky Department of Education. Fixed assets (real property) with an acquisition value of \$5,000 or more that have useful lives of more than one year are capitalized. As of July 1, 2017, all computer workstations and laptops, regardless of value, are capitalized but not depreciated. Additional items may also be designated by the District as capital assets. Fixed assets no longer needed or useable are disposed of in compliance with Board policy and applicable legal requirements.

All reported capital assets, with the exception of land and construction in progress, 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 governmental fund capital assets and proprietary fund capital assets:

<u>Description</u>	<u>Useful Life</u>
Land improvements	20 years
Buildings and improvements	25-50 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	10-12 years
General equipment	7 years
Infrastructure	20 years

INTERFUND ACTIVITY

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Sales of goods and services 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 in proprietary funds.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables.

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

For governmental fund financial statements, the current portion of unpaid accumulated sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account restricted for sick leave payable in the general fund. The non-current portion of the liability is not reported in the governmental fund financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCRUED LIABILITIES AND LONG-TERM DEBT

All accrued liabilities and long-term debt are reported in the government-wide financial statements as well as the proprietary fund financial statements.

For governmental fund financial statements, the accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date, regardless of whether they will be liquidated with current financial resources. However, claims and judgments and compensated absences paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources. Long-term debt paid from governmental funds is not recognized as a liability in the fund financial statements until due.

KENTUCKY RETIREMENT SYSTEMS

Employer contributions to KRS are calculated based upon creditable compensation for active members reported by employers. Employer contributions are accrued when earned and the employer has made a formal commitment to provide the contributions.

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

RESTRICTED RESOURCES

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

NET POSITION

Net position in government-wide and proprietary fund financial statements is classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represent constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through state statute.

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraint placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

- *Inventories* – Portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Fund Balance – This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors, grantors or imposed by law.

Committed Fund Balance – Portion of fund balance that can only be used for specific purposes imposed by a majority vote of the Whitley County School District's Board members. Any changes or removal of specific purposes also requires majority action by the Board.

Assigned Fund Balance – Portion of fund balance that has been budgeted by the District.

- *Purchase Obligations* – Portion of fund balance that is appropriated in the subsequent year's budget that is not already classified in restricted or committed.
- *Site Base* – Portion of fund balance that has been budgeted for future site base expenditures.

Unassigned Fund Balance – Portion of fund balance that has not been restricted, committed or assigned for a specific purpose.

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.

CONTRIBUTIONS OF CAPITAL

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

ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

BUDGETARY PROCESS

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are that revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP) and expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy, only amendments that aggregate greater than \$50,000 require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not after fiscal year end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All unencumbered budget appropriations lapse at year-end.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 2 – CASH AND CASH EQUIVALENTS

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with the District's third-party agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation coverage.

Under the depository contract, the District, at its own discretion, invests funds in time deposits and certificates of deposit provided by the depository bank at interest rates approximating United States Treasury Bill rates.

The cash deposits held at financial institutions can be categorized according to three levels of risk.

These three levels of risk are as follows:

- Category 1 Deposits, which are insured or collateralized with securities, held by the District or by its agent in the District's name.
- Category 2 Deposits, which are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
- Category 3 Deposits which are not collateralized or insured.

Based on these three levels of risk, all of the District's cash deposits are classified as Category 1 and 2.

At June 30, 2022, the carrying amount of the District's deposits (cash and cash equivalents) was \$10,626,224 and the bank balance was \$13,171,295. The entire bank balance at June 30, 2022 was covered by federal depository insurance or by collateral held by the District's agent in the District's name.

NOTE 3 – PROPERTY TAXES

The District's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. The assessed value of the certified roll, upon which the levy for the 2022 fiscal year was based, was \$777,640,590. The tax rates assessed for the year ended June 30, 2022 to finance general fund operations were \$.424 per \$100 valuation for real estate, \$.437 per \$100 valuation for tangible property and \$.552 for motor vehicles. The District committed \$.06 of the levy to the FSPK Fund. Taxes are due on October 1, and become delinquent by February 1 following the October 1 levy date. Current tax collections for the year ended June 30, 2022 were ninety-four percent of the tax levy. Delinquent taxes are allocated to the general fund. The District records taxes receivable only for the amounts collected during the next sixty days from its fiscal year end.

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

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 3 – PROPERTY TAXES (CONTINUED)

At June 30, 2022, the components of taxes receivable were as follows:

Motor vehicle tax	\$ 136,933
Delinquent property tax	19,207
Utilities tax	206,549
Omitted property tax	1,056
	\$ 363,745

NOTE 4 – RECEIVABLES

Receivables at June 30, 2022 consisted of taxes, accounts (rent and student fees), interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

NOTE 5 – DEFERRED OUTFLOWS (INFLOWS) OF RESOURCES – BONDED DEBT

Changes in the District's deferred outflows (inflows) of resources-bonded debt during the fiscal year 2022 were as follows:

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022
Discount on bonds, net	\$ 75,134	\$ -	\$ (8,825)	\$ 66,309
Premium on bonds, net	\$ (11,006)	\$ 1,972	\$ -	\$ (9,034)

NOTE 6 – CAPITAL ASSETS

A summary of capital assets activity during the fiscal year follows:

	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022
GOVERNMENTAL ACTIVITIES				
Land	\$ 1,423,339	\$ -	\$ -	\$ 1,423,339
Land improvements	1,416,757	-	-	1,416,757
Buildings and improvements	70,121,126	850,784	-	70,971,910
Technology equipment	1,333,422	-	(49,537)	1,283,885
Vehicles	7,246,895	866,799	(253,103)	-
General equipment	2,947,021	40,196	(295,427)	2,691,790
Infrastructure	601,840	-	-	601,840
Construction in progress	999,308	5,456,447	(850,784)	5,604,971
Totals at cost	86,089,708	7,214,226	(1,448,851)	91,855,083

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 6 – CAPITAL ASSETS (CONTINUED)

	Balance <u>July 1, 2021</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2022</u>
Less accumulated depreciation:				
Land improvements	(1,416,757)	-	-	(1,416,757)
Buildings and improvements	(27,615,194)	-	(1,438,689)	(29,053,883)
Technology equipment	(1,050,388)	47,152	(80,369)	(1,083,605)
Vehicles	(5,441,026)	253,103	(307,693)	(5,495,616)
General equipment	(2,583,375)	275,977	(94,604)	(2,402,002)
Infrastructure	(371,890)	-	(29,122)	(401,012)
Total accumulated depreciation	<u>(38,478,630)</u>	<u>576,232</u>	<u>(1,950,477)</u>	<u>(39,852,875)</u>
 Governmental activities capital assets, net	 <u>\$ 47,611,078</u>	 <u>\$ 7,790,458</u>	 <u>\$ (3,399,328)</u>	 <u>\$ 52,002,208</u>
 BUSINESS-TYPE ACTIVITIES				
Food service equipment	\$ 1,419,767	\$ 25,830	\$ (633)	\$ 1,444,964
Vehicles	22,780	-	-	22,780
Technology equipment	21,262	-	-	21,262
Totals at cost	<u>1,463,809</u>	<u>25,830</u>	<u>(633)</u>	<u>1,489,006</u>
 Less accumulated depreciation:				
Food service equipment	(957,366)	484	(57,263)	(1,014,145)
Vehicles	(13,288)	-	(4,556)	(17,844)
Technology equipment	(15,518)	-	(3,124)	(18,642)
Total accumulated depreciation	<u>(986,172)</u>	<u>484</u>	<u>(64,943)</u>	<u>(1,050,631)</u>
 Business-type activities capital assets, net	 <u>\$ 477,637</u>	 <u>\$ 26,314</u>	 <u>\$ (65,576)</u>	 <u>\$ 438,375</u>

Depreciation expense was allocated to governmental functions as follows:

Instruction	\$ 1,570,311
Support services:	
Student	2,435
Instructional staff	8,175
District administration	4,091
School administration	2,393
Business	292
Plant operations and maintenance	58,797
Student transportation	303,983
Total governmental activities	<u>\$ 1,950,477</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 7 – ACCUMULATED SICK LEAVE LIABILITY

Changes in the District's accumulated sick leave liability during the fiscal year 2022 were as follows:

	<u>Balance</u> <u>July 1, 2021</u>	<u>Payments</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2022</u>	<u>Amount Expected</u> <u>to be Paid Within</u> <u>One Year</u>
Governmental activities					
Accumulated sick leave	\$ (1,543,134)	\$ 658,701	\$ (947,773)	\$ (1,832,206)	\$ (200,000)

NOTE 8 – CLAIMS PAYABLE, BONDED DEBT AND LEASE OBLIGATIONS

In 2014, the District entered into negotiations for a loan with KISTA (Kentucky Interlocal School Transportation Association) to provide funds needed to pay in full the District's total assessment required by the reorganization plan for the KSBIT (Kentucky School Board Insurance Trust) liability. A loan agreement dated September 1, 2014 with KISTA was entered into and provided funds of \$712,009. Interest rates range from 2.00% to 3.25%. The District's first debt service payment was due August 15, 2015 and is payable from the general fund. This loan may be prepaid without penalty on any date on or after September 1, 2019, upon 30 days written notice to KISTA.

The minimum obligations of the District at June 30, 2022 for debt service (principal and interest) are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022-23	\$ 76,632	\$ 6,270	\$ 82,902
2023-24	79,017	3,885	82,902
2024-25	81,577	1,325	82,902
	<u>\$ 237,226</u>	<u>\$ 11,480</u>	<u>\$ 248,706</u>

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

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

<u>Issue</u>	<u>Original</u> <u>Amount</u>	<u>Interest</u> <u>Rates</u>
2010R	\$ 7,580,000	1.00% to 2.8%
QZAB 2010	1,850,000	5.25%
QSCB 2010	6,324,000	5.25%
2013	1,020,000	.55% to 3.10%
2014	8,570,000	1.80% to 4.00%
2015R	4,625,000	2.00% to 2.50%
2015R-Second Series	3,415,000	1.00% to 2.50%
2020	890,000	1.75% to 2.75%

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 8 – CLAIMS PAYABLE, BONDED DEBT AND LEASE OBLIGATIONS (CONTINUED)

The following is a summary of the District's long-term debt transactions for the year ended June 30, 2022:

	Debt Outstanding July 1, 2021	Additions of New Debt	Repayments	Debt Outstanding June 30, 2022	Amount Expected to be Paid Within One Year
Governmental activities:					
General obligation bonds	\$ 23,099,823	\$ -	\$ (1,738,348)	\$ 21,361,475	\$ 1,315,000
Capital leases	\$ 913,497	\$ -	\$ (162,146)	\$ 751,351	\$ 165,934

In 1988, the District entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below 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 amounts remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

The bonds 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, 2022 for debt service (principal and interest) are as follows:

Year	Kentucky School Facility Construction Commission		Whitley County School District		Total
	Principal	Interest	Principal	Interest	
2022-23	\$ 418,096	\$ 81,345	\$ 896,904	\$ 393,309	\$ 1,789,654
2023-24	427,696	71,045	917,304	373,784	1,789,829
2024-25	437,540	60,501	947,460	353,513	1,799,014
2025-26	447,790	49,550	962,210	331,860	1,791,410
2026-27	106,135	38,335	1,033,865	303,225	1,481,560
2027-28	108,450	35,320	101,550	288,403	533,723
2028-29	110,845	32,125	109,155	285,198	537,323
2029-30	113,324	28,845	636,676	281,753	1,060,598
2030-31	120,891	25,478	1,564,109	259,789	1,970,267
2031-32	123,926	21,542	1,631,074	197,990	1,974,532
2032-33	127,083	17,485	1,697,917	133,602	1,976,087
2033-34	135,368	13,078	1,664,632	66,585	1,879,663
2034-35	50,000	8,413	-	-	58,413
2035-36	50,000	7,162	-	-	57,162
2036-37	50,000	5,912	-	-	55,912
2037-38	55,000	4,537	-	-	59,537
2038-39	55,000	3,024	-	-	58,024
2039-40	55,000	1,512	-	-	56,512
	<u>\$ 2,992,144</u>	<u>\$ 505,209</u>	<u>\$ 12,162,856</u>	<u>\$ 3,269,011</u>	<u>\$ 18,929,220</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 8 – CLAIMS PAYABLE, BONDED DEBT AND LEASE OBLIGATIONS (CONTINUED)

The District issued \$1,850,000 of Qualified Zone Academy Bonds, Series 2010. The District also issued \$6,324,000 of Qualified School Construction Bonds, Series 2010. These two bond issues were issued as "specified tax credit bonds" under the provisions of the American Recovery and Reinvestment Act of 2009 as codified in various section of the Internal Revenue Code of 1986, as amended. The District has elected to receive a cash subsidy payment from the federal government equal to the lesser of (i) the amount of 100% of the interest payable by the District on each interest payment date on such bonds, or (ii) the amount of interest which would have been payable under such bond on such date if such interest were determined at the applicable credit rate determined under Section 54A(b)(3) of the Code with respect to such bonds had the Bonds been issued as "tax credit bonds" (the "Applicable Credit Rate"). The available cash subsidy payment for the Bonds will be paid directly to the District and will not constitute security for the payment of principal of or any interest on the Bonds.

The following represents the future minimum obligations of the District related to these two issues and include amounts to be paid by the SFCC (School Facility Construction Commission) and the federal government, at June 30, 2022 for debt service (principal and interest):

Year	Whitley County School District Sinking Fund	Kentucky School Facility Construction Commission Sinking Fund	(ARRA) Direct Pay Interest	Total
2022-23	\$ 460,145	\$ 23,037	\$ 429,135	\$ 912,317
2023-24	460,198	23,037	429,135	912,370
2024-25	457,247	23,037	429,135	909,419
2025-26	461,241	23,037	429,135	913,413
2026-27	457,877	23,037	429,135	910,049
2027-28	1,402,418	23,037	429,135	1,854,590
2028-29	1,422,823	23,037	429,135	1,874,995
2029-30	900,230	23,037	214,568	1,137,835
	<u>\$ 6,022,179</u>	<u>\$ 184,296</u>	<u>\$ 3,218,513</u>	<u>\$ 9,424,988</u>

The full principal amount of these two issues of \$8,174,000 will be funded through the above sinking fund payments. They are due November 1, 2029 and are included in the noncurrent portion of bond obligations.

In 2016, the District entered into negotiations for the purchase of ten school buses. Bonds were issued in the amount of \$1,089,275 through the KISTA Bond Pool Sizing First Series of 2016. Interest rates range from 2.0% to 2.625%.

The minimum obligations of the District at June 30, 2022 for debt service (principal and interest) are as follows:

Year	Principal	Interest	Total
2022-23	\$ 112,122	\$ 10,188	\$ 122,310
2023-24	114,783	7,666	122,449
2024-25	97,815	5,083	102,898
2025-26	100,477	2,637	103,114
	<u>\$ 425,197</u>	<u>\$ 25,574</u>	<u>\$ 450,771</u>

During the current fiscal year, principal payments in the amount of \$109,793 were paid.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 8 – CLAIMS PAYABLE, BONDED DEBT AND LEASE OBLIGATIONS (CONTINUED)

In 2018, the District entered into negotiations for the purchase of five school buses. Bonds were issued in the amount of \$547,056 through the KISTA Bond Pool Sizing First Series of 2018. Interest rates range from 2.0% to 3.0%.

The minimum obligations of the District at June 30, 2022 for debt service (principal and interest) are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022-23	\$ 53,812	\$ 9,785	\$ 63,597
2023-24	55,636	8,170	63,806
2024-25	57,095	6,501	63,596
2025-26	58,919	4,788	63,707
2026-27	49,616	3,021	52,637
2027-28	51,076	1,532	52,608
	<u>\$ 326,154</u>	<u>\$ 33,797</u>	<u>\$ 359,951</u>

During the current fiscal year, principal payments in the amount of \$52,353 were paid.

NOTE 9 – 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 workers' compensation, errors and omissions and general liability coverage, the District obtained coverage through commercial insurance carriers. The District pays an annual premium for coverage.

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.

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency). There were no instances of noncompliance noted.

NOTE 10 – PENSION PLANS

Plan Descriptions

The Whitley County School District participates in the Teachers' Retirement System of the State of Kentucky (TRS), a component unit of the Commonwealth of Kentucky which includes certified employees and the County Employees' Retirement System (CERS), a component unit of the Commonwealth of Kentucky which includes all other employees, both of which are cost-sharing multiple-employer defined benefit plans. TRS, which qualifies as a special funding situation under GASB 68, and CERS provide retirement and disability benefits, annual cost-of-living adjustments, and

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 10 – PENSION PLANS (CONTINUED)

death benefits to plan members and beneficiaries. TRS is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Employees Retirement Systems (KERS) administers the CERS. The TRS and CERS issue publicly available financial reports that include financial statements and required supplementary information. TRS' report may be obtained at www.ktrs.ky.gov. CERS' report may be obtained at www.kyret.ky.gov.

TRS

Benefits Provided

For Members Before July 1, 2008:

Members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

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

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

The final average salary is the member's five (5) highest annual salaries except members at least age fifty-five (55) with twenty-seven (27) or more years of service may use their three (3) highest annual salaries. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service.

For Members On or After July 1, 2008:

Members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

- 1.) Attain age sixty (60) and complete five (5) years of Kentucky service, or
- 2.) Complete twenty-seven (27) years of Kentucky service, or
- 3.) Attain age fifty-five (55) and complete ten (10) years of Kentucky service.

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

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 10 – PENSION PLANS (CONTINUED)

years but no more than 26 years; (d) two and one half percent (2.5%) of final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; and (e) three percent (3%) of final average salary for years of credited service greater than 30 years.

Other Benefits:

The System provides post-employment medical benefits to retirees. The System also provides disability benefits for vested members at the rate of sixty percent (60%) of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing members and \$5,000 for retired or disabled members. Cost of living increases are one and one-half percent (1.5%) 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. Employees are required to contribute 12.855 percent of their annual salary. The State, as a non-employer contributing entity, contributes 13.105 percent of salary for those who joined before July 1, 2008, and 14.105% for those who joined thereafter.

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

At June 30, 2022, the District reported no net pension liability because it did not have a proportionate share of the net pension liability. The related State share of the net pension liability was \$69,300,521.

The net pension liability was measured as of June 30, 2021, 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 was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2021, the District's proportion was zero percent.

For the year ended June 30, 2022, the District recognized pension expense of \$5,955,517 and revenue of \$5,955,517 for support provided by the State. At June 30, 2022, the District reported no deferred outflows of resources and no deferred inflows of resources related to TRS.

Actuarial Methods and Assumptions for Determining the Total Pension Liability and Net Pension Liability

For financial reporting, the actuarial valuation as of June 30, 2021, was performed by Cavanaugh Macdonald Consulting, LLC (CMC). The total pension liability, net pension liability, and sensitivity information as of June 30, 2021 was based on an actuarial valuation date of June 30, 2020.

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members. The actuarial assumptions used were based on the results of an actuarial experience study for the 5-year period ending June 30, 2020, adopted by the board on September 20, 2021. The assumed long-term investment rate of return was changed from 7.50 percent to 7.10 percent and the price inflation assumption was lowered from 3.0 percent to 2.5 percent. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 10 – PENSION PLANS (CONTINUED)

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2022:

Valuation Date	June 30, 2020
Prior Measurement Date	June 30, 2020
Measurement Date	June 30, 2021
Reporting Date	June 30, 2022

Single Equivalent Interest Rate (SEIR):	
Long-Term Expected Rate of Return	7.10%
Municipal Bond Index Rate at Prior Measurement Date	2.19%
Municipal Bond Index Rate at Measurement Date	2.13%
Single Equivalent Interest Rate at Prior Measurement Date	7.50%
Single Equivalent Interest Rate at Measurement Date	7.10%

Discount Rate/Target Allocations

The target asset 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap U.S. Equity	37.4%	4.2 %
Small Cap U.S. Equity	2.6%	4.7 %
Developed International Equity	16.5%	5.3 %
Emerging Markets Equity	5.5%	5.4 %
Fixed Income	15.0%	(0.1)%
High Yield Bonds	2.0%	1.7 %
Additional Categories	5.0%	2.2 %
Real Estate	7.0%	4.0 %
Private Equity	7.0%	6.9 %
Cash	2.0%	(0.3)%
Total	<u>100.0%</u>	

Net Pension Liability

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Systems' Net Pension Liability	\$ <u>18,389,990</u>	\$ <u>13,605,788</u>	\$ <u>9,631,759</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 10 – PENSION PLANS (CONTINUED)

Pension Plan Fiduciary Net Position

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

CERS

Benefits Provided

The system provides for retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of members under certain circumstances. Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. On July 1, 2013, the COLA was not granted. Effective July 1, 2009, and on July 1 of each year thereafter through June 30, 2015, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgment, the welfare of the Commonwealth so demands.

Contributions

For the fiscal year ended June 30, 2022, plan members who began participating prior to September 1, 2008, were required to contribute 5% of their annual creditable compensation. Plan members who began participating after September 1, 2008 were required to contribute 6% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first date of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. The school district's contractually required contribution rate for the year ended June 30, 2022, was 26.95 percent (21.17 percent for pension and 5.78 percent for OPEB) of annual creditable compensation. Contributions to the pension plan from the District were \$1,420,356.

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

At June 30, 2022, the District reported a liability of \$15,072,992 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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 was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2021, the District's proportion was 0.236410 percent.

WHITLEY COUNTY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 10 – PENSION PLANS (CONTINUED)

For the year ended June 30, 2022, the District recognized pension expense of \$1,420,356. At June 30, 2022, the District reported deferred inflows of resources of \$3,050,095 and deferred outflows of resources of \$2,380,470 related to pensions. The amount reported as deferred outflows for District contributions subsequent to the measurement date of \$1,420,356 will be recognized as a reduction of the net pension liability in the year ending June 30, 2023.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>County Employee Retirement System (CERS) – Pension</u>		
Balance, July 1, 2021	\$ 3,164,205	\$ (618,056)
Contributions subsequent to the measurement date:		
June 30, 2021	(1,179,943)	-
June 30, 2022	1,420,356	-
Liability experience	173,084	(146,294)
Investment experience	(584,732)	(2,593,709)
Assumption changes	202,298	-
Difference between expected and actual results	(814,798)	307,964
Balance, June 30, 2022	<u>\$ 2,380,470</u>	<u>\$ (3,050,095)</u>

Actuarial Methods and Assumptions for Determining the Total Pension Liability and Net Pension Liability

For financial reporting, the actuarial valuation as of June 30, 2021, was performed by Cavanaugh Macdonald Consulting, LLC (CMC). The total pension liability, net pension liability and sensitivity information as of June 30, 2021 was based on an actuarial valuation date of June 30, 2019. The total pension liability was rolled-forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2021, using generally accepted actuarial principles. Subsequent to the actuarial valuation date (June 30, 2019), but prior to the measurement date the KRS Board of Trustees reviewed investment trends, inflation and payroll growth historical trends. Based on this review the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2021, which were also used to determine the Total Pension Liability and Net Pension Liability as of June 30, 2021.

The actuarial assumptions are:

Inflation Rate	2.30%
Payroll Growth Rate	2.0% for CERS non-hazardous
Salary Increases	3.30% to 10.30%, varies by service for CERS non-hazardous
Investment Rate of Return	6.25% for CERS non-hazardous

System-specific mortality tables based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019 were used.

Discount Rate

The projection of cash flows used to determine the discount rate of 6.25% for the CERS non-hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018). The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are as follows:

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 10 – PENSION PLANS (CONTINUED)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	21.75%	5.70%
Non US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Core Bonds	10.00%	0.00%
Cash	1.50%	(0.60%)
Real Estate	10.00%	5.40%
Real Return	10.00%	4.55%
	<u>100.00%</u>	

Actuarial Methods and Assumptions used to determine the Actuarial Determined Contributions

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2022:

Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	30 years, Closed
Payroll Growth Rate	2.0% for CERS non-hazardous
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service, for CERS non-hazardous
Investment Rate of Return	6.25% for CERS Non-hazardous

System-specific mortality tables based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019 were used.

Deferred Inflows and Outflows of Resources

The deferred inflows and outflows of resources, and pension expense included in the Schedule of Pension Amounts by Employer include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule of Pension Amounts by Employer does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net pension liability as of June 30, 2022, is based on the June 30, 2019, actuarial valuation rolled forward. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 10 – PENSION PLANS (CONTINUED)

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
District's proportionate share of the net pension liability	\$ 19,331,827	\$ 15,072,992	\$ 11,548,906

Pension Plan Fiduciary Net Position

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

DEFERRED COMPENSATION

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Sections 457, 401(k) and 403(b). The Plans, available to all employees, permit them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, allows entities with little or no administrative involvement who do not perform the investing function for these plans, to omit plan assets and related liabilities from their financial statements. The District, therefore, does not show these assets and liabilities on these financial statements.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS PLAN

General Information – TRS

Plan description – Teaching-certified employees of the Kentucky 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 (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information>.

The member and employer contributions consist of retirement annuity contributions and other postemployment benefit contributions to the medical and life insurance plans. The member postemployment medical contribution is 3.75 percent of salary. The employer postemployment medical contribution is .75 percent of member salaries. Also, employers (other than the state) contribute 3.0 percent of members' salaries and the state contributes the net cost of health insurance premiums for new retirees after June 30, 2010 in the non-Medicare eligible group. If a member leaves covered employment before accumulating five (5) years of credited service, accumulated member contributions to the retirement annuity plan plus interest are refunded upon the member's request.

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 access to postemployment healthcare benefits for eligible members and dependents. The TRS medical plan

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

(MIF) is funded by employer and member contributions. 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.

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, 9.07% of the gross annual payroll of members is contributed. Three and three quarters percent (3.75%) is paid by member contributions and 2.32% 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.

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

At June 30, 2022, the District reported a liability of \$6,155,000 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, 2021, 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, 2022, the District's proportion was .286873 percent.

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Kentucky Teacher Retirement Systems (KTRS) – OPEB</u>		
Balance, July 1, 2021	\$ 811,000	\$ (3,600,000)
Investment experience	-	(657,000)
Assumption changes	1,610,000	-
Difference between expected and actual results	(727,000)	(744,000)
Balance, June 30, 2022	<u>\$ 1,694,000</u>	<u>\$ (5,001,000)</u>

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	\$ 6,155,000
State's proportionate share of the net OPEB liability associated with the District	<u>4,999,000</u>
Total	<u>\$ 11,154,000</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

For the year ended June 30, 2022 the District recognized OPEB expense-Health Trust of \$5,115,866 and revenue of \$5,115,866 for support provided by the State.

Actuarial assumptions (Health Trust and Life Trust) – The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Real wage growth	0.25%
Wage inflation	2.75%
Salary increases, including wage inflation	3.00% - 7.50%
Long-term Investment Rate of Return, net of OPEB plan investment expense, including inflation	
Health Trust	7.10%
Life Trust	7.10%
Municipal Bond Index Rate	2.13%
Year FNP is projected to be depleted	
Health Trust	N/A
Life Trust	N/A
Single Equivalent Interest Rate, net of OPEB plan investment expense, including price inflation	
Health Trust	7.10%
Life Trust	7.10%
Health Trust Health Care Cost Trends	
Under Age 65	7.00% for FYE 2021 decreasing to an ultimate rate of 4.50% by FYE 2031
Ages 65 and Older	5.00% for FYE 2021 decreasing to an ultimate rate of 4.50% by FYE 2024
Medicare Part B Premiums	4.40% for FYE 2021 with an ultimate rate of 4.50% by 2034

The target asset 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:

Health Insurance Trust		
<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Global Equity	58.0%	5.10%
Fixed Income	9.0%	(0.10%)
Real Estate	6.5%	4.00%
Private Equity	8.5%	6.90%
High Yield	8.0%	1.70%
Other Additional Categories	9.0%	2.20%
Cash (LIBOR)	1.0%	(0.30%)
Total	<u>100.0%</u>	

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

Life Insurance Trust		
<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
U.S. Equity	40.0%	4.40%
International Equity	23.0%	5.60%
Fixed Income	18.0%	(0.10%)
Real Estate	6.0%	4.00%
Private Equity	5.0%	6.90%
Additional Categories	6.0%	2.10%
Cash (LIBOR)	2.0%	(0.30%)
Total	<u>100.0%</u>	

The discount rate used to measure the TOL at June 30, 2021 was 7.10 percent for the Health Trust and the Life Trust. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection's basis was an actuarial valuation performed as of June 30, 2020. In addition to the actuarial methods and assumptions of the June 30, 2020 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

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

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

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

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

Based on these assumptions, the Health Trust's nor the Life Trust's FNP was not projected to be depleted.

This paragraph requires disclosure of the sensitivity of the NOL to changes in the discount rate. The following exhibit presents the NOL of the Plan, calculated using the discount rate of 7.10 percent for the Health Trust and the Life Trust, as well as the System's NOL calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	Discount Rate Sensitivity (\$ Thousands)		
	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Health Trust Net OPEB Liability	<u>\$ 7,881,000</u>	<u>\$ 6,155,000</u>	<u>\$ 4,729,000</u>

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, seven hundredths of one percent (.07%) of the gross annual payroll of members is contributed by the state.

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

At June 30, 2022, the District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District.

District's proportionate share of the net OPEB liability – Life Trust	\$ -
State's proportionate share of the net OPEB liability – Life Trust associated with the District	<u>66,000</u>
Total	<u>\$ 66,000</u>

For the year ended June 30, 2022, the District recognized OPEB expense of \$8,317 and revenue of \$8,317 for support provided by the State.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

General Information – CERS

CERS Non-hazardous and CERS Hazardous Insurance Funds are cost-sharing multiple-employer defined benefit Other Postemployment Benefits (OPEB) plans for members that cover all regular full-time members employed in non-hazardous and hazardous duty positions of any state department, board, agency, county, city, school board, and any additional eligible local agencies electing to participate. The plans provide for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

Actuarial assumptions – The total OPEB liability – CERS in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Determined by the Actuarial Valuation as of:	June 30, 2019
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization Method:	Level Percent of Pay
Amortization Period:	30 Years, Closed
Payroll Growth Rate:	2.00%
Investment Return:	6.25%
Inflation Rate:	2.30%
Salary Increases:	3.30% to 10.30%, varies by service
Mortality:	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Healthcare Trend Rates (Pre-65)	Initial trend starting at 6.25% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Healthcare Trend Rates (Post-65)	Initial trend starting at 5.50% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS PLAN (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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
U.S. Equity	21.75%	5.70%
Non U.S. Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Core Bonds	10.00%	0.00%
Cash	1.50%	(0.60%)
Real Estate	10.00%	5.40%
Real Return	<u>10.00%</u>	4.55%
Total	<u>100.0%</u>	

The discount rate used to measure the TOL as of the Measurement Date was 5.20%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection's basis was an actuarial valuation performed as of June 30, 2019. In addition to the actuarial methods and assumptions of the June 30, 2019 actuarial valuation, the following actuarial methods and assumptions were used in the projection of the cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date.
- The employer will contribute the Actuarially Determined Contribution (ADC) in accordance with the funding policy (Schedule B) determined by a valuation performed on a date two years prior to the beginning of the fiscal year in which the ADC applies.
- As administrative expenses were assumed to be paid in all years by the employer as they come due, they were not considered.
- Active employees do not explicitly contribute to the plan.
- Cash flows occur mid-year.

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

For the year ended June 30, 2022 the District recognized OPEB expense of approximately \$387,785.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>County Employee Retirement System (CERS) – OPEB</u>		
Balance, July 1, 2021	\$ 2,587,323	\$ (2,129,496)
Contributions subsequent to the measurement date:		
June 30, 2021	(290,941)	-
June 30, 2022	387,785	-
Liability experience	(711,539)	1,350,978
Investment experience	(227,977)	(935,831)
Assumption changes	1,199,631	(4,208)
Difference between expected and actual results	(417,350)	(791,087)
Balance, June 30, 2022	<u>\$ 2,526,932</u>	<u>\$ (2,509,644)</u>

The long-term expected rate of return on OPEB plan investments will be determined based on the allocation of assets by asset class and by the mean and variance of real returns. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used, if necessary, for this purpose is the monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate (formerly published monthly by the Board of Governors of the Federal Reserve System).

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.20%, 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 (4.20%) or 1-percentage-point higher (6.20%) than the current rate:

	<u>1% Decrease (4.20%)</u>	<u>Current Discount Rate (5.20%)</u>	<u>1% Increase (6.20%)</u>
District's Net OPEB Liability – CERS	<u>\$ 6,212,625</u>	<u>\$ 4,524,879</u>	<u>\$ 3,139,804</u>

Sensitivity of the District's proportionate share of the collective net OPEB liability – CERS to changes in the healthcare cost trend rates – The following presents the District's proportionate share of the collective net OPEB liability – CERS, as well as what the District's proportionate share of the collective net OPEB liability – CERS 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>1% Increase</u>
District's Net OPEB Liability – CERS	<u>\$ 3,257,375</u>	<u>\$ 6,054,776</u>

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

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 12 – CONTINGENCIES

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 their programs.

No provision was made in the accompanying financial statements for any contingent liabilities.

NOTE 13 – DEFICIT OPERATING/FUND BALANCES

The District did not have any deficit fund balances at June 30, 2022.

The following funds had operations that resulted in current year operating deficits in governmental funds, resulting in corresponding reductions in fund balances, as follows:

Construction Fund	\$ (676,303)
District Wide Activity Funds	\$ (7,133)

NOTE 14 – TRANSFER OF FUNDS

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	Special Revenue	General	Indirect costs	\$ 445,956
Operating	Food Service	General	Indirect costs	173,933
Operating	Building/FSPK	Debt Service	Debt service requirement	1,714,500
Operating	General	Special Revenue	Matching – KETS	78,612
Operating	Activity Funds	District-Wide Activity	Reimbursements	119,620
Operating	Capital Outlay	General	KISTA bus leases	185,885
Operating	Capital Outlay	Debt Service	Debt service requirement	52,789
Operating	General	Construction	Construction	1,500,001
Operating	Capital Outlay	General	Bus purchase – partial payment	52,769
Operating	Capital Outlay	General	KSBIT assessments	82,902
Operating	Special Revenue – VW Settlement	General	Bus purchases	261,060
Operating	Special Revenue – ESSER	Construction	Construction	2,411,539
Operating	Special Revenue – ESSER	Construction	Construction	345,071
Operating	Special Revenue – ESSER	Construction	Construction	834,336
Operating	Special Revenue – ESSER	Construction	Construction	74,673
				<u>\$ 8,333,646</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 15 – INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2022, the District had a negative cash balance of \$2,170,415 in the Special Revenue Fund due to grant/project monies not being received by year-end. Since the District maintains an internal investment pool for cash, the General Fund is essentially lending this amount to the overdrawn fund. An interfund receivable of \$2,170,415 has been recognized in the General Fund and an interfund payable in the Special Revenue Fund at June 30, 2022.

NOTE 16 – ON-BEHALF PAYMENTS

As amounts are paid by various State agencies on-behalf of the District, the amounts are recognized as revenues and expenditures by the District. On the statement of revenues, expenditures and changes in fund balance, the on-behalf payments are included with State revenue, and are included in the functional expense classifications. On the statement of activities, the on-behalf payments are included in the functional expense classifications, and are included with program operating grants and contributions for the respective functions.

A summary of on-behalf payments during 2022 is as follows:

	<u>Amount</u>
Teacher's Retirement System (TRS)	\$ 5,955,517
Health insurance	5,115,866
Life insurance	8,317
Administrative fee	66,372
Health reimbursement account – HRA/Dental/Vision	254,100
Federal reimbursements of health benefits	(538,084)
Technology	121,119
School Facilities Construction Commission (SFCC) debt service	518,091
	<u>\$ 11,501,298</u>

NOTE 17 – FUND BALANCE DESIGNATIONS

The following governmental funds had restricted fund balances at June 30, 2022:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	\$ 200,000	Accumulated sick leave
District Wide Activity Funds	471,958	Student instruction
Debt Service	634,997	Debt service
Construction	1,197,843	Future construction projects (BG-1)

NOTE 18 – SUBSEQUENT EVENTS

We evaluated events and transactions that occurred after the balance sheet date as potential subsequent events. We performed this evaluation through October 6, 2022, the date on which we issued our financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Years Ended June 30,

	Reporting Fiscal Year (Measurement Date)		
	2022 (2021)	2021 (2020)	2020 (2019)
COUNTY EMPLOYEES RETIREMENT SYSTEM:			
District and PSCA's proportion of the net pension liability	.236410%	.241035%	.246350%
District and PSCA's proportionate share of the net pension liability	\$ 15,072,992	\$ 18,487,185	\$ 17,325,905
District and PSCA's covered-employee payroll	\$ 6,709,094	\$ 6,037,864	\$ 6,256,530
District and PSCA's proportionate share of the net pension liability as a percentage of its covered-employee payroll	224.67%	306.19%	276.93%
Plan fiduciary net position as a percentage of the total pension liability	57.33%	58.30%	50.45%
TEACHER'S RETIREMENT SYSTEM:			
District's proportion of the net pension liability	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	\$ 69,300,521	\$ 78,470,501	\$ 79,086,418
District's covered-employee payroll	\$ 21,190,858	\$ 20,244,073	\$ 20,328,918
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0%	0%	0%
Plan fiduciary net position as a percentage of the total pension liability	65.60%	58.27%	64.57%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

<u>2019</u> <u>(2018)</u>	<u>2018</u> <u>(2017)</u>	<u>2017</u> <u>(2016)</u>	<u>2016</u> <u>(2015)</u>	<u>2015</u> <u>(2014)</u>
.250261%	.251983%	.26149%	.267664%	.284461%
\$ 15,241,658	\$ 14,749,340	\$ 12,874,610	\$ 11,508,280	\$ 9,229,000
\$ 6,214,482	\$ 6,222,323	\$ 6,202,208	\$ 6,333,075	\$ 6,337,056
245.26%	237.04%	207.58%	181.72%	145.64%
46.46%	53.32%	55.50%	59.97%	66.80%
0%	0%	0%	0%	0%
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 77,335,740	\$ 156,076,827	\$ 174,562,169	\$ 135,871,569	\$ 130,754,261
\$ 20,810,169	\$ 21,070,304	\$ 20,510,275	\$ 20,795,404	\$ 20,100,143
0%	0%	0%	0%	0%
59.30%	13.32%	14.80%	18.83%	22.32%

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SCHEDULE OF PENSION CONTRIBUTIONS
Years Ended June 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>
COUNTY EMPLOYEES RETIREMENT SYSTEM:			
Contractually required contribution	\$ 1,420,356	\$ 1,179,943	\$ 1,207,541
Contributions in relation to the contractually required contribution	<u>(1,420,356)</u>	<u>(1,179,943)</u>	<u>(1,207,541)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District and PSCA's covered-employee payroll	\$ 6,709,094	\$ 6,037,864	\$ 6,256,530
District and PSCA's contributions as a percentage of its covered employee payroll	21.17%	24.06%	24.06%
TEACHER'S RETIREMENT SYSTEM:			
Contractually required contribution	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 21,190,858	\$ 20,244,073	\$ 20,328,918
District's contributions as a percentage of its covered-employee payroll	0%	0%	0%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 1,002,795	\$ 904,385	\$ 1,157,563	\$ 1,080,418	\$ 1,119,758
<u>(1,002,795)</u>	<u>(904,385)</u>	<u>(1,157,563)</u>	<u>(1,080,418)</u>	<u>(1,119,758)</u>
\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
\$ 6,214,482	\$ 6,222,323	\$ 6,202,208	\$ 6,333,075	\$ 6,337,056
21.48%	19.18%	18.68%	17.06%	17.67%
\$ -	\$ -	\$ -	\$ -	\$ -
_____	_____	_____	_____	_____
\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
\$ 20,810,169	\$ 21,070,304	\$ 20,510,275	\$ 20,795,404	\$ 20,100,143
0%	0%	0%	0%	0%

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2022

(1) CHANGES OF ASSUMPTIONS

TRS/CERS

The assumption changes are noted below.

(2) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

TRS

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	25 years
Payroll Growth Rate	2%
Asset Valuation Method	5-year smoothed market value
Inflation Rate	2.50%
Projected Salary Increases	3.00% – 7.50%
Investment Rate of Return	7.10%, net of plan investment expense, including inflation

CERS

The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, 2018. The following actuarial methods and assumptions were used to determine the contribution rates reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	30 years, closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Payroll Growth Rate	2.00%
Inflation Rate	2.30%
Salary Increases	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%

(3) CHANGES OF BENEFITS

There were no changes of benefit terms for TRS or CERS.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY – MEDICAL INSURANCE
PLAN
Years Ended June 30,

	Reporting Fiscal Year (Measurement Date) 2022 <u>(2021)</u>	Reporting Fiscal Year (Measurement Date) 2021 <u>(2020)</u>	Reporting Fiscal Year (Measurement Date) 2020 <u>(2019)</u>
COUNTY EMPLOYEES RETIREMENT SYSTEM:			
District and PSCA's proportion of the net OPEB liability	.236354%	.240966%	.246286%
District and PSCA's proportionate share of the net OPEB liability	\$ 4,524,879	\$ 5,818,596	\$ 4,142,420
District and PSCA's covered-employee payroll	\$ 6,709,094	\$ 6,037,864	\$ 6,256,530
District and PSCA's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	67.44%	96.37%	66.21%
Plan fiduciary net position as a percentage of the total OPEB liability	62.91%	51.67%	60.44%
TEACHER'S RETIREMENT SYSTEM:			
District's proportion of the collective net OPEB liability	.286873%	.300067%	.312181%
District's proportionate share of the collective net OPEB liability	\$ 6,155,000	\$ 7,573,000	\$ 9,137,000
State's proportionate share of the collective net OPEB liability associated with the District	<u>4,999,000</u>	<u>6,066,000</u>	<u>7,379,000</u>
Total	<u>\$ 11,154,000</u>	<u>\$ 13,639,000</u>	<u>\$ 16,516,000</u>
District's covered-employee payroll	\$ 21,190,858	\$ 20,244,073	\$ 20,328,918
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	29.05%	37.41%	55.32%
Plan fiduciary net position as a percentage of the total OPEB liability	51.70%	39.10%	32.60%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

Reporting Fiscal Year (Measurement Date) 2019 <u>(2018)</u>	Reporting Fiscal Year (Measurement Date) 2018 <u>(2017)</u>
.250252%	.251983%
\$ 4,413,175	\$ 5,065,720
\$ 6,214,482	\$ 6,222,323
71.01%	81.41%
57.62%	21.18%
.308043%	.55132%
\$ 10,688,000	\$ 10,996,000
<u>9,211,000</u>	<u>8,982,000</u>
<u>\$ 19,899,000</u>	<u>\$ 19,978,000</u>
\$ 20,810,169	\$ 21,070,304
51.36%	52.19%
25.50%	21.20%

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SCHEDULE OF DISTRICT CONTRIBUTIONS – MEDICAL INSURANCE PLAN
Years Ended June 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
COUNTY EMPLOYEES RETIREMENT SYSTEM:				
Contractually required contribution	\$ 387,785	\$ 290,941	\$ 297,746	\$ 291,527
Contributions in relation to the contractually required contribution	<u>(387,785)</u>	<u>(290,941)</u>	<u>(297,746)</u>	<u>(291,527)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 6,709,094	\$ 6,037,864	\$ 6,256,530	\$ 6,214,482
District's and PSCA's contributions as a percentage of its covered-employee payroll	5.78%	4.87%	4.87%	5.40%
TEACHER'S RETIREMENT SYSTEM:				
Contractually required contribution	\$ 509,202	\$ 529,939	\$ 543,593	\$ 548,721
Contributions in relation to the contractually required contribution	<u>(509,202)</u>	<u>(529,939)</u>	<u>(543,593)</u>	<u>(548,721)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 21,190,858	\$ 20,244,073	\$ 20,328,918	\$ 20,810,169
District's contributions as a percentage of its covered-employee payroll	2.40%	2.62%	2.67%	2.64%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

2018

\$ 293,476

(293,476)

\$ -

\$ 6,222,323

4.95%

\$ 546,838

(546,838)

\$ -

\$ 21,070,304

2.60%

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2022

Changes of benefit terms – With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the state will only finance, via its KEHP “Shared Responsibility” contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

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 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, 2022:

Inflation	2.50%
Real wage growth	0.25%
Wage inflation	2.75%
Salary increases, including wage inflation	3.00% - 7.50%
Long-term Investment Rate of Return, net of OPEB plan investment expense, including Health Trust	7.10%
Municipal Bond Index Rate	2.13%
Year FNP is projected to be depleted Health Trust	N/A
Single Equivalent Interest Rate, net of OPEB plan investment expense, including price inflation Health Trust	7.10%
Health Trust Health Care Cost Trends Under Age 65	7.00% for FYE 2021 decreasing to an ultimate rate of 4.50% by FYE 2031
Ages 65 and Older	5.00% for FYE 2021 decreasing to an ultimate rate of 4.50% by FYE 2024
Medicare Part B Premiums	4.40% for FYE 2021 with an ultimate rate of 4.50% by 2034

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY – LIFE INSURANCE PLAN –
TEACHER'S RETIREMENT SYSTEM KENTUCKY
Years Ended June 30,

	Reporting Fiscal Year (Measurement Date) 2022 <u>(2021)</u>	Reporting Fiscal Year (Measurement Date) 2021 <u>(2020)</u>	Reporting Fiscal Year (Measurement Date) 2020 <u>(2019)</u>
District's proportion of the collective net OPEB liability	0%	0%	0%
District's proportionate share of the collective net OPEB liability	\$ -	\$ -	\$ -
State's proportionate share of the collective net OPEB liability associated with the District	<u>66,000</u>	<u>183,000</u>	<u>171,000</u>
Total	<u>\$ 66,000</u>	<u>\$ 183,000</u>	<u>\$ 171,000</u>
District's covered-employee payroll	\$ 21,190,858	\$ 20,244,073	\$ 20,328,918
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	0%	0%	0%
Plan fiduciary net position as a percentage of the total OPEB liability	89.20%	71.60%	73.40%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)
2019 (2018)	2018 (2017)
0%	0%
\$ -	\$ -
<u>158,000</u>	<u>120,000</u>
\$ <u>158,000</u>	\$ <u>120,000</u>
\$ 20,810,169	\$ 21,070,304
0%	0%
75.00%	80.00%

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SCHEDULE OF DISTRICT CONTRIBUTIONS – LIFE INSURANCE PLAN – TEACHER’S RETIREMENT SYSTEM
KENTUCKY
Years Ended June 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District’s covered-employee payroll	\$ 21,190,858	\$ 20,244,073	\$ 20,328,918	\$ 20,810,169
Contributions as a percentage of covered-employee payroll	0%	0%	0%	0%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

\$ 2018 -

_____ -

\$ -

\$ 21,070,304

0%

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2022

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 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, 2022:

Determined by the Actuarial Valuation as of:	June 30, 2020
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	5 year smoothed market
Amortization Method:	Level Percent of Pay
Amortization Period:	30 years, Closed
Investment Return:	7.10%
Inflation Rate:	2.50%
Salary Increases:	3.00% to 7.50%
Mortality:	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Healthcare Trend Rates (Pre-65)	Initial trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.50% by FYE 2031.
Healthcare Trend Rates (Post-65)	Initial trend starting at 5.00% and gradually decreasing to an ultimate trend rate of 4.50% by FYE 2024.
Phase – In Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB362 enacted in 2018.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Favorable or (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Unfavorable)</u>
REVENUES				
From local sources:				
Taxes				
Property	\$ 2,508,459	\$ 2,449,459	\$ 2,764,038	\$ 314,579
Motor vehicle	700,000	700,000	1,125,148	425,148
Utilities	1,075,000	1,075,000	1,287,456	212,456
Earnings on investments	30,000	30,000	65,067	35,067
Other local revenues	107,000	166,000	176,013	10,013
Intergovernmental – state	23,612,819	23,515,728	33,731,988	10,216,260
Intergovernmental – indirect federal	<u>163,000</u>	<u>163,000</u>	<u>190,846</u>	<u>27,846</u>
TOTAL REVENUES	<u>28,196,278</u>	<u>28,099,187</u>	<u>39,340,556</u>	<u>11,241,369</u>
EXPENDITURES				
Instruction	17,426,187	17,429,898	23,347,747	(5,917,849)
Support services:				
Student	1,515,603	1,515,603	1,150,063	365,540
Instructional staff	1,157,727	1,157,727	1,033,317	124,410
District administration	1,157,475	1,163,975	1,112,855	51,120
School administration	1,721,985	1,721,985	1,558,546	163,439
Business	692,597	692,597	880,190	(187,593)
Plant operations and maintenance	5,484,845	5,495,345	3,751,495	1,743,850
Student transportation	3,557,326	3,557,326	3,778,031	(220,705)
Food service operation	2,600	2,600	-	2,600
Community services activities	73,605	73,605	41,587	32,018
Debt service	185,885	185,885	185,885	-
Contingency	<u>1,320,000</u>	<u>1,391,134</u>	<u>-</u>	<u>1,391,134</u>
TOTAL EXPENDITURES	<u>34,295,835</u>	<u>34,387,680</u>	<u>36,839,716</u>	<u>(2,452,036)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(6,099,557)</u>	<u>(6,288,493)</u>	<u>2,500,840</u>	<u>8,789,333</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	526,016	526,016	1,202,505	676,489
Operating transfers out	<u>(78,000)</u>	<u>(78,000)</u>	<u>(1,578,613)</u>	<u>(1,500,613)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>448,016</u>	<u>448,016</u>	<u>(376,108)</u>	<u>(824,124)</u>
NET CHANGES IN FUND BALANCE	(5,651,541)	(5,840,477)	2,124,732	7,965,209
FUND BALANCE, JULY 1, 2021	<u>5,651,541</u>	<u>5,840,477</u>	<u>6,261,990</u>	<u>421,513</u>
FUND BALANCE, JUNE 30, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,386,722</u>	<u>\$ 8,386,722</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
SPECIAL REVENUE FUND – FUND 2
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Favorable or (Unfavorable)
	Original	Final		
REVENUES				
From local sources:				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Motor vehicle	-	-	-	-
Utilities	-	-	-	-
Earnings on investments	-	-	194	194
Other local revenues	1,048,165	1,209,120	1,090,383	(118,737)
Intergovernmental – state	2,087,188	2,086,689	2,217,964	131,275
Intergovernmental – indirect federal	4,279,780	5,543,227	14,956,685	9,413,458
Intergovernmental – direct federal	64,455	64,455	64,985	530
TOTAL REVENUES	7,479,588	8,903,491	18,330,211	9,426,720
EXPENDITURES				
Instruction	6,317,020	7,841,195	12,338,545	(4,497,350)
Support services:				
Student	79,950	82,608	217,770	(135,162)
Instructional staff	594,229	489,589	340,669	148,920
School administration	65,370	67,080	66,042	1,038
Plant operations and maintenance	-	-	406,640	(406,640)
Student transportation	-	-	151,865	(151,865)
Community services activities	501,019	501,019	514,657	(13,638)
TOTAL EXPENDITURES	7,557,588	8,981,491	14,036,188	(5,054,697)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(78,000)	(78,000)	4,294,023	4,372,023
OTHER FINANCING SOURCES (USES)				
Operating transfers in	78,000	78,000	78,612	612
Operating transfers out	-	-	(4,372,635)	(4,372,635)
TOTAL OTHER FINANCING SOURCES (USES)	78,000	78,000	(4,294,023)	(4,372,023)
NET CHANGES IN FUND BALANCE	-	-	-	-
FUND BALANCE, JULY 1, 2021	-	-	-	-
FUND BALANCE, JUNE 30, 2022	\$ -	\$ -	\$ -	\$ -

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGET AND ACTUAL
Year Ended June 30, 2022

The District's budgetary process accounts for transactions on the modified accrual basis of accounting, which is consistent with U.S. generally accepted accounting principles. In accordance with state law, the District prepares a budget based upon the amount of revenue to be raised by local taxation, including the rate of levy, and from estimates of other local, state, and federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay, and other necessary expenses. The budget must be approved by the Board. The District must formally and publicly examine estimated revenues and expenses for the subsequent fiscal year by January 31 of each calendar year. Additionally, the District must submit a certified budget to the Kentucky Department of Education by March 15 of each calendar year, which includes the amount for certified and classified staff, based on the District's staffing policy, and the amount for the instructional supplies, materials, travel and equipment. The District must adopt the working budget and submit it to the Kentucky Department of Education by September 30 of each calendar year. The Board has the ability to amend the working budget. The working budget was amended during the year.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2022

	<u>Construction Fund</u>	<u>Seek Capital Outlay Fund</u>	<u>FSPK Fund</u>	<u>Debt Service Funds</u>	<u>District Wide Activity Funds</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS AND RESOURCES						
Cash and cash equivalents	\$ 2,909,653	\$ -	\$ -	\$ -	\$ 135,589	\$ 3,045,242
Cash with fiscal agent	<u>-</u>	<u>-</u>	<u>-</u>	<u>634,997</u>	<u>-</u>	<u>634,997</u>
TOTAL ASSETS AND RESOURCES	<u>\$ 2,909,653</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 634,997</u>	<u>\$ 135,589</u>	<u>\$ 3,680,239</u>
LIABILITIES						
Accounts payable	\$ 1,308,534	\$ -	\$ -	\$ -	\$ 449	\$ 1,308,983
Construction retainage payable	<u>403,276</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>403,276</u>
TOTAL LIABILITIES	<u>1,711,810</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>449</u>	<u>1,712,259</u>
FUND BALANCES						
Restricted						
Debt service	-	-	-	634,997	-	634,997
Future construction projects (BG-1)	1,197,843	-	-	-	-	1,197,843
District wide activity funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>135,140</u>	<u>135,140</u>
TOTAL FUND BALANCES	<u>1,197,843</u>	<u>-</u>	<u>-</u>	<u>634,997</u>	<u>135,140</u>	<u>1,967,980</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,909,653</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 634,997</u>	<u>\$ 135,589</u>	<u>\$ 3,680,239</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2022

	<u>Construction Fund</u>	<u>Seek Capital Outlay Fund</u>	<u>FSPK Fund</u>	<u>Debt Service Funds</u>
REVENUES				
From local sources:				
Taxes:				
Property	\$ -	\$ -	\$ 474,349	\$ -
Earnings on investments	-	-	-	43,936
Other local revenues	-	-	-	-
Intergovernmental – state	-	374,345	1,240,151	518,091
Intergovernmental – direct federal	-	-	-	404,674
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>-</u>	<u>374,345</u>	<u>1,714,500</u>	<u>966,701</u>
EXPENDITURES				
Instruction	-	-	-	-
Student transportation	-	-	-	-
Building acquisitions and construction	1,904,435	-	-	-
Site improvements	3,937,488	-	-	-
Payment of bonds	-	-	-	1,738,348
Payment of interest	-	-	-	951,706
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>5,841,923</u>	<u>-</u>	<u>-</u>	<u>2,690,054</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(5,841,923)</u>	<u>374,345</u>	<u>1,714,500</u>	<u>(1,723,353)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	5,165,620	-	-	1,767,289
Operating transfers out	-	(374,345)	(1,714,500)	-
	<u>-</u>	<u>(374,345)</u>	<u>(1,714,500)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>5,165,620</u>	<u>(374,345)</u>	<u>(1,714,500)</u>	<u>1,767,289</u>
NET CHANGES IN FUND BALANCES	(676,303)	-	-	43,936
FUND BALANCES, JULY 1, 2021	<u>1,874,146</u>	<u>-</u>	<u>-</u>	<u>591,061</u>
FUND BALANCES, JUNE 30, 2022	<u>\$ 1,197,843</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 634,997</u>

District Wide Activity Funds	Total Nonmajor Governmental Funds
\$ -	\$ 474,349
-	43,936
25,499	25,499
-	2,132,587
-	<u>404,674</u>
<u>25,499</u>	<u>3,081,045</u>
150,946	150,946
1,306	1,306
-	1,904,435
-	3,937,488
-	1,738,348
-	<u>951,706</u>
<u>152,252</u>	<u>8,684,229</u>
<u>(126,753)</u>	<u>(5,603,184)</u>
119,620	7,052,529
-	<u>(2,088,845)</u>
<u>119,620</u>	<u>4,963,684</u>
(7,133)	(639,500)
<u>142,273</u>	<u>2,607,480</u>
<u>\$ 135,140</u>	<u>\$ 1,967,980</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
June 30, 2022

	<u>Fund 2</u>	<u>Fund 25</u>	<u>Total Special Revenue Funds</u>
ASSETS AND RESOURCES			
Cash and cash equivalents	\$ -	\$ 336,685	\$ 336,685
Accounts receivable:			
Accounts receivable	341,538	475	342,013
Intergovernmental – state	33,883	-	33,883
Intergovernmental – federal	<u>2,231,900</u>	<u>-</u>	<u>2,231,900</u>
TOTAL ASSETS AND RESOURCES	<u>\$ 2,607,321</u>	<u>\$ 337,160</u>	<u>\$ 2,944,481</u>
LIABILITIES			
Accounts payable	\$ 38,223	\$ 342	\$ 38,565
Interfund payable	2,170,415	-	2,170,415
Deferred revenue	<u>398,683</u>	<u>-</u>	<u>398,683</u>
TOTAL LIABILITIES	<u>2,607,321</u>	<u>342</u>	<u>2,607,663</u>
FUND BALANCES			
Restricted	<u>-</u>	<u>336,818</u>	<u>336,818</u>
TOTAL FUND BALANCES	<u>-</u>	<u>336,818</u>	<u>336,818</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,607,321</u>	<u>\$ 337,160</u>	<u>\$ 2,944,481</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
Year Ended June 30, 2022

	<u>Fund 2</u>	<u>Fund 25</u>	<u>Total Special Revenue Funds</u>
REVENUES			
From local sources:			
Earnings on investments	\$ 194	\$ 1,882	\$ 2,076
Other local revenues	1,090,383	537,370	1,627,753
Intergovernmental – state	2,217,964	-	2,217,964
Intergovernmental – indirect federal	14,956,685	-	14,956,685
Intergovernmental – direct federal	64,985	-	64,985
TOTAL REVENUES	<u>18,330,211</u>	<u>539,252</u>	<u>18,869,463</u>
EXPENDITURES			
Instruction	12,338,545	336,356	12,674,901
Support services:			
Student	217,770	108	217,878
Instructional staff	340,669	5,629	346,298
School administration	66,042	-	66,042
Plant operations and maintenance	406,640	-	406,640
Student transportation	151,865	120	151,985
Other non-instruction		9,773	9,773
Community services activities	514,657	-	514,657
TOTAL EXPENDITURES	<u>14,036,188</u>	<u>351,986</u>	<u>14,388,174</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>4,294,023</u>	<u>187,266</u>	<u>4,481,289</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	78,612	-	78,612
Operating transfers out	<u>(4,372,635)</u>	<u>(119,620)</u>	<u>(4,492,255)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(4,294,023)</u>	<u>(119,620)</u>	<u>(4,413,643)</u>
NET CHANGES IN FUND BALANCES	-	67,646	67,646
FUND BALANCES, JULY 1, 2021	<u>-</u>	<u>269,172</u>	<u>269,172</u>
FUND BALANCES, JUNE 30, 2022	<u>\$ -</u>	<u>\$ 336,818</u>	<u>\$ 336,818</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES – ACTIVITY FUNDS
WHITLEY COUNTY HIGH SCHOOL
Year Ended June 30, 2022

ACCOUNTS:	Cash Balances July 1, 2021	Receipts	Disbursements	Interfund Transfers
General	\$ 84	\$ 2,433	\$ 500	\$ (1,893)
Student Activity Fees	112	6,125	-	(6,125)
Start-up Fund	-	1,500	1,500	-
Dual Courses Fee	1,352	1,731	2,146	-
Textbooks	883	-	-	-
Special Events	3,929	-	1,485	-
Transportation Fund	5	-	-	-
Test Fees	2,709	165	108	-
Scholarship	2,000	-	-	-
Pepsi	395	1,623	1,574	-
Teacher's Pepsi	595	2,724	2,648	(118)
Colonel Players	7,643	11,347	7,241	(3,659)
Drama	8	-	-	-
Football	3,051	19,930	6,077	(4,169)
Boys Basketball	5,976	47,060	43,448	(6,846)
Girls Basketball	8,479	4,963	9,099	(2,794)
Baseball	1,656	7,188	4,624	(4,220)
Softball	7,353	22,602	16,516	(13,115)
Track	1,687	300	1,970	1,261
Tennis	1,664	600	2,668	404
Boys Golf	100	-	64	1,300
Girls Golf	1,039	260	995	1,300
Volleyball	398	16,719	13,557	(2,182)
Cheerleaders	11,116	17,951	23,952	2,729
Wrestling	953	3,762	1,871	409
Boys Soccer	4,600	7,454	9,077	600
Girls Soccer	6,144	9,161	4,528	(662)
Academic Team	22	-	-	-
Art	66	510	-	275
Beta Club	-	1,175	834	-
DECA	7	18,462	13,989	(4,474)
FBLA	123	-	-	(123)
FFA	5,796	16,635	12,783	(8,234)
FCCLA	1,958	-	1,100	31
Educators Rising	394	-	-	-
NHS	90	712	712	-

<u>Cash Balances</u> <u>June 30, 2022</u>	<u>Accounts</u> <u>Receivable</u> <u>June 30,</u> <u>2022</u>	<u>Accounts</u> <u>Payable</u> <u>June 30,</u> <u>2022</u>	<u>Fund</u> <u>Balances</u> <u>June 30,</u> <u>2022</u>
\$ 124	\$ -	\$ -	\$ 124
112	-	-	112
-	-	-	-
937	-	-	937
883	-	-	883
2,444	-	-	2,444
5	-	-	5
2,766	-	-	2,766
2,000	-	-	2,000
444	-	-	444
553	-	15	538
8,090	-	-	8,090
8	-	-	8
12,735	-	-	12,735
2,742	-	-	2,742
1,549	-	-	1,549
-	-	-	-
324	-	204	120
1,278	-	-	1,278
-	-	-	-
1,336	-	-	1,336
1,604	-	-	1,604
1,378	-	-	1,378
7,844	-	123	7,721
3,253	-	-	3,253
3,577	-	-	3,577
10,115	-	-	10,115
22	-	-	22
851	-	-	851
341	-	-	341
6	-	-	6
-	-	-	-
1,414	-	-	1,414
889	-	-	889
394	-	-	394
90	-	-	90

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES – ACTIVITY FUNDS (CONTINUED)
WHITLEY COUNTY HIGH SCHOOL
Year Ended June 30, 2022

ACCOUNTS:	Cash Balances <u>July 1, 2021</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund Transfers</u>
History	756	1,592	-	(2,348)
Ky Junior Historical	390	1,607	1,341	(255)
International Club	-	-	-	-
Band	203	290	-	1,300
Choir	120	-	100	-
Horticulture	15,249	17,464	11,815	(6,863)
JROTC	14,506	2,067	3,944	1,700
Boys Cross Country	-	180	915	2,800
Girls Cross Country	342	1,359	1,845	1,540
Bass Fishing	-	-	-	1,300
Yearbook	2,417	5,781	4,955	(169)
Seniors	1,799	4,632	4,918	(1,400)
Non-Revenue Sports	15,164	17,424	2,196	(24,367)
E-sports	-	2,415	3,242	1,300
Engineering	-	2,000	1,275	-
Skills USA	-	899	622	(277)
Totals	<u>\$ 133,333</u>	<u>\$ 280,802</u>	<u>\$ 222,234</u>	<u>\$ (76,044)</u>

<u>Cash Balances</u> <u>June 30, 2022</u>	<u>Accounts</u> <u>Receivable</u> <u>June 30,</u> <u>2022</u>	<u>Accounts</u> <u>Payable</u> <u>June 30,</u> <u>2022</u>	<u>Fund</u> <u>Balances</u> <u>June 30,</u> <u>2022</u>
-	-	-	-
401	-	-	401
-	-	-	-
1,793	-	-	1,793
20	-	-	20
14,035	-	-	14,035
14,329	-	-	14,329
2,065	-	-	2,065
1,396	-	-	1,396
1,300	-	-	1,300
3,074	-	-	3,074
113	-	-	113
6,025	-	-	6,025
473	-	-	473
725	-	-	725
-	-	-	-
<u>\$ 115,857</u>	<u>\$ -</u>	<u>\$ 342</u>	<u>\$ 115,515</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES – ACTIVITY FUNDS
Year Ended June 30, 2022

	Cash Balances <u>July 1, 2021</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund Transfers</u>
WHITLEY COUNTY MIDDLE SCHOOL All funds	\$ <u>52,986</u>	\$ <u>110,030</u>	\$ <u>68,515</u>	\$ <u>(14,460)</u>
OAK GROVE ELEMENTARY SCHOOL All funds	\$ <u>3,890</u>	\$ <u>41,539</u>	\$ <u>10,645</u>	\$ <u>(14,567)</u>
WHITLEY COUNTY NORTH ELEMENTARY SCHOOL All funds	\$ <u>420</u>	\$ <u>13,430</u>	\$ <u>406</u>	\$ <u>(12,196)</u>
PLEASANT VIEW ELEMENTARY SCHOOL All funds	\$ <u>6,252</u>	\$ <u>4,638</u>	\$ <u>2,164</u>	\$ <u>(450)</u>
WHITLEY COUNTY CENTRAL PRIMARY SCHOOL All funds	\$ <u>23,747</u>	\$ <u>14,090</u>	\$ <u>8,585</u>	\$ <u>(691)</u>
BOSTON ELEMENTARY SCHOOL All funds	\$ <u>6,518</u>	\$ <u>9,110</u>	\$ <u>6,817</u>	\$ <u>(60)</u>
WHITLEY COUNTY INTERMEDIATE SCHOOL All funds	\$ <u>32,109</u>	\$ <u>52,818</u>	\$ <u>33,773</u>	\$ <u>(976)</u>
WHITLEY COUNTY EAST ELEMENTARY SCHOOL All funds	\$ <u>17,833</u>	\$ <u>17,084</u>	\$ <u>11,185</u>	\$ <u>(176)</u>

<u>Cash Balances</u> <u>June 30, 2021</u>	<u>Accounts</u> <u>Receivable</u> <u>June 30,</u> <u>2021</u>	<u>Accounts</u> <u>Payable</u> <u>June 30,</u> <u>2021</u>	<u>Fund</u> <u>Balances</u> <u>June 30,</u> <u>2021</u>
\$ 80,041	\$ 110	\$ -	\$ 80,151
\$ 20,217	\$ -	\$ -	\$ 20,217
\$ 1,248	\$ -	\$ -	\$ 1,248
\$ 8,276	\$ -	\$ -	\$ 8,276
\$ 28,561	\$ -	\$ -	\$ 28,561
\$ 8,751	\$ 259	\$ -	\$ 9,010
\$ 50,178	\$ 106	\$ -	\$ 50,284
\$ 23,556	\$ -	\$ -	\$ 23,556

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Disbursements</u>
<u>U.S. Department of Education</u>			
Passed through State Department of Education:			
SPECIAL EDUCATION CLUSTER (IDEA)			
Special Education – Grants to States (IDEA, Part B)	84.027A	3810002	\$ 886,582
Special Education – Grants to States (IDEA, Part B) - American Rescue Plan	84.027X	4910002	406
Special Education – Preschool Grants (IDEA, Preschool)	84.173A	3810002	<u>14,932</u>
Total Special Education Cluster (IDEA)			<u>901,920</u>
EDUCATION STABILIZATION FUND (ESF)			
Governor's Emergency Education Relief Fund	84.425C	CARE-20	286,911*
Elementary and Secondary School Emergency Relief Fund	84.425D	4200003	6,875,845*
American Rescue Plan – Elementary and Secondary Relief School Emergency Relief (ARP ESSER)	84.425U	4300000	2,435,098*
American Rescue Plan – SBM Homeless Grant	84.425W	4980002	<u>1,342*</u>
Total for Fund			<u>9,599,196</u>
Title I Grants to Local Educational Agencies (Title I, Part A the ESEA)			
Career and Technical Education – Basic Grants to States (Perkins V)	84.010A	3100002	2,577,455
Homeless Children and Youth	84.048	3710002	95,355
Twenty-First Century Community Learning Centers	84.196A	3990002	101,710
Rural and Low Income Schools	84.287	3400002	356,048
Supporting Effective Instruction State Grants	84.358B	3140002	76,596
Striving Readers Comprehensive Literacy Grant	84.367A	3230002	276,344
Student Support and Academic Enrichment Program	84.371C	3220002	274,674
	84.424A	3420002	133,865
Passed through Laurel County Literacy Council:			
Adult Education	84.002A	373	41,072
Passed through Berea College:			
Gear Up	84.334	379	<u>94,486</u>
Total U.S. Department of Education			<u>\$ 14,528,721</u>

* Denotes major program

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended June 30, 2022

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Disbursements</u>
<u>U.S. Department of Agriculture</u>			
Passed through State Department of Education:			
CHILD NUTRITION CLUSTER			
School Breakfast Program	10.553	7760005	\$ 780,428
National School Lunch Program	10.555	7750002	2,136,357
National School Lunch Program	10.555	7970000	184,376
National School Lunch Program	10.555	9980000	103,274
Summer Food Service Program	10.559	7690024	3,587
Summer Food Service Program	10.559	7740023	<u>34,970</u>
Total Child Nutrition Cluster			<u>3,242,992</u>
Emergency Food Assistance Program (Food Commodities)	10.569		<u>235,371</u>
Child and Adult Care	10.558	7800016	17,197
Child and Adult Care	10.558	7790021	<u>265,280</u>
Total for Program			<u>282,477</u>
State Administrative Expenses for Child Nutrition	10.560	7700001	<u>6,124</u>
Fresh Fruits & Vegetables	10.582	7720012	<u>167,978</u>
State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Grant	10.649	9990000	<u>3,063</u>
Total U.S. Department of Agriculture			<u>\$ 3,938,005</u>
<u>U.S. Department of Defense</u>			
Junior Reserve Officers' Training Corps	12.000	Direct	<u>\$ 68,856</u>
Total U.S. Department of Defense			<u>\$ 68,856</u>
<u>U.S. Department of Justice</u>			
COPS – Stop School Violence	16.710	Direct	<u>\$ 322,009</u>
Total U.S. Department of Justice			<u>\$ 322,009</u>
<u>U.S. Department of Labor</u>			
WIOA CLUSTER			
WIOA Dislocated Worker Formula Grant	17.278	9100001	<u>\$ 16,461</u>
Total U.S. Department of Labor			<u>\$ 16,461</u>
Total Expenditures of Federal Awards			<u>\$ 18,874,052</u>

* Denotes major program

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Whitley County School District under programs of the federal government for the year ended June 30, 2022. 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 Principals, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Whitley County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of Whitley County School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting for proprietary funds and the modified accrual basis of accounting for governmental funds. 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. Pass-through entity identifying numbers are presented where available.

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed.

NOTE D – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

NOTE E – INDIRECT COST RATE

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

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2022

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified		
Internal control over financial reporting:			
Material weakness identified	Yes	✓	No
Significant deficiencies identified that are not considered to be material weaknesses	Yes	✓	None reported
Noncompliance material to financial statement notes	Yes	✓	No

Federal Awards

Internal control over major programs:			
Material weaknesses identified	Yes	✓	No
Significant deficiencies identified that are not considered to be material weaknesses	Yes	✓	None reported
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 2 CFR 200.516(a)	Yes	✓	No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Education Stabilization Fund (ESF)	84.425C
	84.425D
	84.425U
	84.425W

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

Auditee qualified as low risk ✓ Yes No

Section II – Financial Statement Findings

None

Section III – Federal Award Findings

None

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2022

There were no prior year audit findings.

Marr, Miller & Myers, PSC

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

October 6, 2022

Members of the Board of Education
Whitley County School District
Williamsburg, Kentucky

We have audited, in accordance with U.S. generally accepted auditing standards; 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 the Whitley County School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 6, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Marr, Miller & Myers, PSC

Report on Compliance and Other Matters

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

Purpose of this Report

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

Marr, Miller & Myers, PSC

Certified Public Accountants

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

October 6, 2022

Members of the Board of Education
Whitley County School District
Williamsburg, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Whitley County School District's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Whitley County School District's major federal programs for the year ended June 30, 2022. Whitley County 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, Whitley County 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, 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 Whitley County School District and to meet our 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 Whitley County 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 Whitley County School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Whitley County 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 Whitley County 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 Whitley County 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 Whitley County 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 Whitley County 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.

Marr, Miller & Myers, PSC

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 requirements of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

Marr, Miller & Myers, PSC

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October 6, 2022

Members of the Board of Education
Whitley County School District
Williamsburg, Kentucky

In planning and performing our audit of the financial statements of the Whitley County School District for the year ended June 30, 2022, 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.

During our audit, we noted no areas that we felt warranted any additional comments or recommendations.

Marr, Miller & Myers, PSC

Certified Public Accountants