

ALLEN COUNTY SCHOOL DISTRICT

**BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORT
For the Year Ended June 30, 2023**

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YEAR ENDED JUNE 30, 2023**

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Independent Auditor's Report

Members of the Board of Education
Allen County School District
Scottsville, 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 Allen County School District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Allen 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 Allen County School District, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Kentucky Public School Districts' Audit Contract and Requirements*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Allen 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 accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Allen 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Allen 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, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Allen 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information and pension and opeb information on pages 4-8 and 51-58 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2023, on our consideration of the Allen County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Allen County School District 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 Allen County School District's internal control over financial reporting and compliance.

Campbell, Myers & Ratledge, PLLC

Certified Public Accountants

Glasgow, Kentucky
December 15, 2023

**ALLEN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2023**

As management of the Allen County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning cash balance for the District was \$3,978,805 and ending cash was \$4,249,747 in the General Fund.
- State revenue for the Capital Outlay Fund remained constant from 21/22 funds. Expenditures for the fund totaled \$490,748, which included \$211,850 carried over from prior year revenue. These funds were transferred into the General Fund to help cover the purchase of new fleet vehicles including 3 buses (one ECE), 2 maintenance trucks.
- State revenue for the Building Fund increased by \$134,347 from 21/22 funds. The Building Fund local tax revenue increased by \$156,710 from 21/22 funds. Expenditures totaled \$3,950,829, which included \$398,289 in carried over from prior year revenue. \$2,957,076 of these funds were used to make debt service payments from the Fund 400 (debt service). Of the remaining Building funds, \$993,754 was transferred into the General Fund to cover expenditures including property insurance, HVAC repairs, building repairs, fencing, sidewalk repairs, flooring and gym refinish.
- The General Fund Beginning Balance was \$3,621,759.
- The General Fund had \$28,722,369 in current year revenue. This is an increase of \$2,792,038 over the prior year. This increase was generated as a slight increase to each revenue source and is not attributed to a drastic increase of any one source.
- The General Fund had \$28,618,067 in current year expenditures. This is an increase of \$2,403,177 over the prior year. A more detailed list of the increase in expenditures is found below.
- As mentioned above, \$490,748 was transferred from the Capital Outlay Fund and \$993,754 was transferred from the Building Fund into the General Fund to cover Building and Capital Outlay expenditures.
- \$102,171 was transferred into the General Fund from various Special Revenue Projects to cover indirect costs. \$97,183 was transferred into the General Fund from the Food Service fund to cover indirect costs. \$28,121 was transferred into the General Fund from the District Activity Funds as excess allocations and absorption of an Activity Fund account into the District.
- There were two inter-fund transfers from the General Fund to the KETS grant for the technology offer of assistance totaling \$58,569.
- The General Fund Ending Balance is \$5,379,469, an increase of \$1,757,710.

**ALLEN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2023**

Increases in expenditures are as follows:

- \$1,416,055 of increased spending in Instruction, Student Support Services, & Instructional Staff Support Services
- Increased spending in Plant Operations, Maintenance, Building Operations, and Grounds-keeping resulted in an increase of \$448,069.
- \$315,724 of increased spending in Transportation.
- Net increase of spending in other areas of \$223,329.

The Special Revenue Fund received \$3,730,147 more revenue than the prior year.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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 funds. The proprietary funds are food service operations (Fund 51), and adult community education program (Fund 54).

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

**ALLEN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2023**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$18,060,410 as of June 30, 2023. Included in this amount are liabilities netted with deferred inflows and outflows totaling \$18,576,802 attributable to the net pension and OPEB.

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

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. Current year financial position increased as a result of increased revenues and continued management of expenditures.

Net Position for the period ending June 30, 2023 in comparison to June 30, 2022

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Current assets	\$ 10,399,728	\$ 7,886,885
Noncurrent assets	<u>50,264,808</u>	<u>50,172,099</u>
Total assets	<u>60,664,536</u>	<u>58,058,984</u>
Deferred outflows of resources	<u>7,402,186</u>	<u>5,150,937</u>
Current liabilities	4,738,733	1,465,120
Noncurrent liabilities	<u>38,162,575</u>	<u>40,102,494</u>
Total liabilities	<u>42,901,308</u>	<u>41,567,614</u>
Deferred inflows of resources	<u>7,105,004</u>	<u>8,895,536</u>
Net position:		
Investment in capital assets (net of debt)	31,280,957	26,367,124
Restricted	1,737,745	1,402,938
Unrestricted	<u>(14,958,292)</u>	<u>(15,023,291)</u>
Total net position	<u>\$ 18,060,410</u>	<u>\$ 12,746,771</u>

**ALLEN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2023**

**Change in Net Position, Governmental Funds, for the period ending June 30, 2023 in
comparison to June 30, 2022**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Revenues:		
Local revenue sources	\$ 7,402,257	\$ 6,978,559
State and federal revenue sources	36,494,736	33,290,830
Other sources	809,052	1,274,676
Food Service	<u>3,202,505</u>	<u>2,629,885</u>
Total revenues	47,908,550	44,173,950
Expenses:		
Instruction	24,143,815	24,734,713
Student	1,738,295	1,638,485
Instructional staff	1,986,955	2,347,383
District administrative	766,727	788,616
School administrative	1,911,879	2,027,875
Business	752,938	801,353
Plant operations and maintenance	2,089,971	3,256,174
Student transportation	1,983,933	2,194,747
Other	44,449	370,763
Facilities acquisition and construction	15,725	-
Community Service activities	501,301	-
Interest on long-term debt	1,314,287	1,364,949
Depreciation	2,636,214	-
Food Service	<u>2,708,422</u>	<u>2,190,845</u>
Total expenses	42,594,911	41,715,903
Change in net position	<u>\$ 5,313,639</u>	<u>\$ 2,458,047</u>

BUDGETARY IMPLICATIONS

In Kentucky, the public schools fiscal year is July 1 to June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The Allen County Board of Education adopted a budget with an unassigned contingency of 5.53% and 6.86% for 21/22 and 22/23 respectively.

The beginning General Fund cash balance for 2023 fiscal year was \$4 million. The district currently participates in approximately 67 local, state and federal grants. The total FY 2023 budget for these grants was \$7 million.

**ALLEN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2023**

KTRS rates will remain the same for 2022-2023 at 16.105% on the employer federal matching portion. With the exception of federally funded employees with a participation date on or after 7/1/08 through 12/31/21 which increases to 17.105% (1% increase effective 1/1/22 per HB258). The KTRS non-federally funded employers rate will remain the same at 3%. HB 258 effective 1/1/22 added new TRS deduction group for employee(s) with a participation date on or after 1/1/22 and the employer federal matching rate will be 13.75%. Classified retirement rates will slightly decrease FY 2024 to 23.34%, down from 26.79% FY 2023.

Applying for grant reimbursements and monitoring the grants is something the district must do constantly. While waiting for grants to be reimbursed, the district must maintain a significant cash balance in order to pay these expenses in advance.

Local property tax revenue makes up approximately 17.95% of the general fund revenue less fund transfers. Property taxes are levied annually usually in October on the assessed value for all real and personal property, as well as motor vehicles in the district as of January 1st of the prior year. However, this revenue is not received until the months of November – February which means that the general fund's beginning balance is used to pay much of the first few months of expenditures. It is very important to have a substantial beginning balance to start the beginning of each year.

Questions regarding this report should be directed to the Superintendent Travis Hamby, Allen county Schools; 570 Oliver Street, Scottsville, KY 42164.

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ALLEN COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2023

	Governmental Activities	Business Type Activities	Total
Assets:			
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 5,446,420	\$ 2,369,467	\$ 7,815,887
Inventory	-	74,727	74,727
Accounts receivable			
Taxes - current	130,977	-	130,977
Accounts receivable	2,344,393	33,744	2,378,137
Total current assets	<u>7,921,790</u>	<u>2,477,938</u>	<u>10,399,728</u>
<u>Noncurrent Assets:</u>			
Nondepreciated capital assets	2,371,512	-	2,371,512
Capital assets	87,457,797	1,333,475	88,791,272
Less: accumulated depreciation	<u>(39,986,910)</u>	<u>(911,066)</u>	<u>(40,897,976)</u>
Total noncurrent assets	<u>49,842,399</u>	<u>422,409</u>	<u>50,264,808</u>
Total assets	<u>57,764,189</u>	<u>2,900,347</u>	<u>60,664,536</u>
<u>Deferred Outflows of Resources:</u>			
Deferred savings on debt refundings	22,807	-	22,807
Deferred outflows relating to net pension and OPEB liability	<u>6,751,917</u>	<u>627,462</u>	<u>7,379,379</u>
Total deferred outflows of resources	<u>6,774,724</u>	<u>627,462</u>	<u>7,402,186</u>
Liabilities:			
<u>Current Liabilities:</u>			
Accounts payable	769,326	2,712	772,038
Unearned revenue	855,201	-	855,201
Accrued liabilities	388,936	-	388,936
Current portion of bond obligations	1,942,117	-	1,942,117
Current portion of accrued sick leave	430,132	-	430,132
Accrued interest	<u>350,309</u>	<u>-</u>	<u>350,309</u>
Total current liabilities	<u>4,736,021</u>	<u>2,712</u>	<u>4,738,733</u>
<u>Noncurrent Liabilities:</u>			
Noncurrent portion of bond obligations	17,064,541	-	17,064,541
Noncurrent portion of accrued sick leave	514,482	-	514,482
Net OPEB liability	9,400,838	456,810	9,857,648
Net pension liability	<u>9,052,309</u>	<u>1,673,595</u>	<u>10,725,904</u>
Total noncurrent liabilities	<u>36,032,170</u>	<u>2,130,405</u>	<u>38,162,575</u>
Total liabilities	<u>40,768,191</u>	<u>2,133,117</u>	<u>42,901,308</u>
<u>Deferred Inflows of Resources:</u>			
Deferred inflow related to debt defeasance	1,732,375	-	1,732,375
Deferred inflows relating to net pension and OPEB liability	<u>4,899,789</u>	<u>472,840</u>	<u>5,372,629</u>
Total deferred inflows of resources	<u>6,632,164</u>	<u>472,840</u>	<u>7,105,004</u>
<u>Net Position:</u>			
Invested in capital assets, net of related debt	30,858,548	422,409	31,280,957
Restricted for:			
Capital projects	1,326,095	-	1,326,095
Student Activities	411,650	-	411,650
Unrestricted	<u>(15,457,735)</u>	<u>499,443</u>	<u>(14,958,292)</u>
Total net position	<u>\$ 17,138,558</u>	<u>\$ 921,852</u>	<u>\$ 18,060,410</u>

See accompanying notes to financial statements.

ALLEN COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
June 30, 2023

Functions / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - Type Activities	Total
Governmental Activities:							
Instruction	\$ 24,143,815	\$ -	\$ 16,445,518	\$ -	\$ (7,698,297)	\$ -	\$ (7,698,297)
Support services							
Student	1,738,295	-	481,643	-	(1,256,652)	-	(1,256,652)
Instructional staff	1,986,955	-	425,461	-	(1,561,494)	-	(1,561,494)
District administrative	766,727	-	4,851	-	(761,876)	-	(761,876)
School administrative	1,911,879	-	-	-	(1,911,879)	-	(1,911,879)
Business	752,938	-	55,690	-	(697,248)	-	(697,248)
Plant operations and maintenance	2,089,971	10,190	825,692	-	(1,254,089)	-	(1,254,089)
Student transportation	1,983,933	-	3,588	-	(1,980,345)	-	(1,980,345)
Other	44,449	-	44,449	-	-	-	-
Facilities acquisition and construction	15,725	-	-	1,328,500	1,312,775	-	1,312,775
Community service activities	501,301	-	497,165	-	(4,136)	-	(4,136)
Principal on long-term debt	-	-	-	352,482	352,482	-	352,482
Interest and other charges on long-term debt	1,314,287	-	-	801,601	(512,686)	-	(512,686)
Depreciation (unallocated)	2,636,214	-	-	-	(2,636,214)	-	(2,636,214)
Total governmental activities	<u>39,886,489</u>	<u>10,190</u>	<u>18,784,057</u>	<u>2,482,583</u>	<u>(18,609,659)</u>	<u>-</u>	<u>(18,609,659)</u>
Business-Type Activities:							
Food Service	2,611,239	120,944	2,780,253	198,262	-	488,220	488,220
Total business-type activities	<u>2,611,239</u>	<u>120,944</u>	<u>2,780,253</u>	<u>198,262</u>	<u>-</u>	<u>488,220</u>	<u>488,220</u>
Total primary government	<u>\$ 42,497,728</u>	<u>\$ 131,134</u>	<u>\$ 21,564,310</u>	<u>\$ 2,680,845</u>	<u>\$ (18,609,659)</u>	<u>\$ 488,220</u>	<u>\$ (18,121,439)</u>
General Revenues:							
Taxes:							
Property taxes							\$ 6,307,321
Motor vehicle taxes							986,975
Other							97,771
Investment earnings							609,401
State and formula grants							15,228,096
Miscellaneous							102,468
Total general revenues							23,332,032
Transfers							97,183
Total General Revenues and Transfers							23,429,215
Change in net position							4,819,556
Net position - beginning							12,319,002
Net position - ending							<u>\$ 17,138,558</u>

**ALLEN COUNTY SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2023**

	General Fund	Special Revenue	Construction Fund	Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets and resources:						
Cash and cash equivalents	\$ 4,249,747	\$ -	\$ 735,023	\$ -	\$ 461,650	\$ 5,446,420
Interfund receivables	1,486,662	-	-	-	-	1,486,662
Accounts receivable:						
Taxes-current	130,977	-	-	-	-	130,977
Other	-	2,342,604	-	-	1,789	2,344,393
Intergovernmental - indirect federal	-	-	-	-	-	-
Total assets and resources	<u>\$ 5,867,386</u>	<u>\$ 2,342,604</u>	<u>\$ 735,023</u>	<u>\$ -</u>	<u>\$ 463,439</u>	<u>\$ 9,408,452</u>
Liabilities and fund balance:						
Liabilities:						
Interfund payables	\$ -	\$ 1,486,662	\$ -	\$ -	\$ -	\$ 1,486,662
Accounts payable	98,981	741	669,604	-	-	769,326
Accrued liabilities	388,936	-	-	-	-	388,936
Unearned revenue	-	855,201	-	-	-	855,201
Total liabilities	<u>487,917</u>	<u>2,342,604</u>	<u>669,604</u>	<u>-</u>	<u>-</u>	<u>3,500,125</u>
Fund balances:						
Restricted	1,208,887	-	65,419	-	463,439	1,737,745
Committed	1,560,098	-	-	-	-	1,560,098
Assigned	162,103	-	-	-	-	162,103
Unassigned	2,448,381	-	-	-	-	2,448,381
Total fund balances	<u>5,379,469</u>	<u>-</u>	<u>65,419</u>	<u>-</u>	<u>463,439</u>	<u>5,908,327</u>
Total liabilities and fund balances	<u>\$ 5,867,386</u>	<u>\$ 2,342,604</u>	<u>\$ 735,023</u>	<u>\$ -</u>	<u>\$ 463,439</u>	<u>\$ 9,408,452</u>

See accompanying notes to financial statements.

**ALLEN COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
June 30, 2023**

Total fund balance per fund financial statements \$ 5,908,327

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. 49,842,399

Deferred savings from refunding bonds are not financial resources and therefore are not reported as assets in the Governmental Funds Balance Sheet. The value of the net deferred outflow is \$22,807, net of accumulated amortization. 22,807

Net pension liability and the net OPEB liability are not due and payable in the current period and therefore not recorded in the fund financial statements. (18,453,147)

Deferred inflows relating to debt defeasance are not financial resources and therefore are not reported as liabilities in the Governmental Funds Balance Sheet. The value of the net deferred inflow is \$1,732,375, net of accumulated amortization (1,732,375)

Deferred inflows of resources are not due and payable in the current period and not reported in the fund financial statements. (4,899,789)

Deferred outflows of resources are not current resources and not reported in the fund financial statements. 6,751,917

Certain liabilities, including bonds payable, are not reported in this fund financial statement because they are not due and payable in the current period, but they are presented in the statement of net position. Long-term liabilities at year end consist of:

Bonds Payable	(19,006,658)
Accrued Interest	(350,309)
Compensated Absences	<u>(944,614)</u>

Net position for governmental activities \$ 17,138,558

ALLEN COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

	General Fund	Special Revenue	Construction Fund	Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
From local sources:						
Taxes:						
Property	\$ 4,168,298	\$ -	\$ -	\$ -	\$ 2,139,023	\$ 6,307,321
Motor vehicles	986,975	-	-	-	-	986,975
Other	97,771	-	-	-	-	97,771
Earnings on investments	297,823	7,230	3,933	-	-	308,986
Other local revenues	112,658	100,265	-	-	628,587	841,510
Intergovernmental-state	22,756,895	1,902,698	-	432,251	1,692,415	26,784,259
Intergovernmental-indirect federal	-	6,728,832	-	-	-	6,728,832
Intergovernmental-direct federal	301,949	1,229,012	-	721,832	-	2,252,793
Total revenues	<u>28,722,369</u>	<u>9,968,037</u>	<u>3,933</u>	<u>1,154,083</u>	<u>4,460,025</u>	<u>44,308,447</u>
Expenditures:						
Instruction	17,589,714	6,232,791	-	-	657,165	24,479,670
Support services:						
Student	1,283,861	481,643	-	-	-	1,765,504
Instructional staff	1,606,814	425,461	-	-	-	2,032,275
District administration	767,008	4,851	-	-	-	771,859
School administration	1,943,028	-	-	-	-	1,943,028
Business	707,294	55,690	-	-	-	762,984
Plant operations and maintenance	2,683,834	825,692	35,779	-	-	3,545,305
Student transportation	2,008,614	3,588	-	-	-	2,012,202
Other	-	44,449	-	-	-	44,449
Facilities and construction	15,725	-	1,328,500	-	-	1,344,225
Community service activities	12,175	497,165	-	-	-	509,340
Debt service	-	-	-	4,111,159	-	4,111,159
Total expenditures	<u>28,618,067</u>	<u>8,571,330</u>	<u>1,364,279</u>	<u>4,111,159</u>	<u>657,165</u>	<u>43,322,000</u>
Excess (deficit) of revenues over expenditures	<u>104,302</u>	<u>1,396,707</u>	<u>(1,360,346)</u>	<u>(2,957,076)</u>	<u>3,802,860</u>	<u>986,447</u>
Other financing sources (uses):						
Proprietary fund transfers	97,183	-	-	-	-	97,183
Operating transfers in	1,614,794	58,569	1,328,500	2,957,076	-	5,958,939
Operating transfers out	(58,569)	(1,455,276)	-	-	(4,445,094)	(5,958,939)
Total other financing sources (uses)	<u>1,653,408</u>	<u>(1,396,707)</u>	<u>1,328,500</u>	<u>2,957,076</u>	<u>(4,445,094)</u>	<u>97,183</u>
Net Change in Fund Balances	1,757,710	-	(31,846)	-	(642,234)	1,083,630
Fund balance, July 1, 2022	<u>3,621,759</u>	<u>-</u>	<u>97,265</u>	<u>-</u>	<u>1,105,673</u>	<u>4,824,697</u>
Fund balance, June 30, 2023	<u>\$ 5,379,469</u>	<u>\$ -</u>	<u>\$ 65,419</u>	<u>\$ -</u>	<u>\$ 463,439</u>	<u>\$ 5,908,327</u>

See accompanying notes to financial statements.

**ALLEN COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023**

Net changes in total fund balances per fund financial statements \$ 1,083,630

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 government wide statements and are depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceed depreciation expense for the year. 118,790

The difference between actuarial pension and OPEB contributions and actual contributions made are recorded as adjustments in the statement of activities 524,303

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 position. 2,818,371

Present value of savings from bond refinance are shown as income on the statement of activities; however, they do not provide current financial resources and are not shown on the fund financial statements. 300,415

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. (25,953)

Change in net position of governmental activities \$ 4,819,556

**ALLEN COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2023**

	Food Service Fund
Assets	
<u>Current Assets</u>	
Cash and cash equivalents	\$ 2,369,467
Accounts receivable	33,744
Inventory	74,727
Total current assets	2,477,938
<u>Noncurrent Assets</u>	
Capital assets	1,333,475
Less: accumulated depreciation	(911,066)
Total noncurrent assets	422,409
Total assets	2,900,347
<u>Deferred Outflows of Resources</u>	
Deferred amounts related to net pension & OPEB liability	627,462
Liabilities	
<u>Current Liabilities</u>	
Accounts payable	2,712
Total current liabilities	2,712
<u>Noncurrent Liabilities</u>	
Net OPEB liability	456,810
Net pension liability	1,673,595
Total noncurrent liabilities	2,130,405
Total liabilities	2,133,117
<u>Deferred Inflows of Resources</u>	
Deferred amounts related to net pension & OPEB liability	472,840
Net Position	
Invested in capital assets net of related debt	422,409
Unrestricted	499,443
Total net position	\$ 921,852

**ALLEN COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2023**

	<u>Food Service Fund</u>
Operating Revenues:	
Lunchroom sales	\$ 119,743
Other operating revenue	<u>1,201</u>
Total operating revenues	<u>120,944</u>
Operating Expenses:	
Salaries, wages and benefits	1,037,812
Professional and contract services	49,750
Material and supplies	1,481,391
Depreciation	<u>42,286</u>
Total operating expenses	<u>2,611,239</u>
Operating income (loss)	<u>(2,490,295)</u>
Non-Operating Revenues (Expenses)	
Federal grants	2,610,957
Donated commodities	198,262
State grants & funding	169,296
Fund transfer out	(97,183)
Interest income	<u>103,046</u>
Total non-operating revenues	<u>2,984,378</u>
Net income (loss)	494,083
Net position, July 1, 2022	<u>427,769</u>
Net position, June 30, 2023	<u>\$ 921,852</u>

**ALLEN COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2023**

	Food Service Fund
Cash Flows From Operating Activities	
Cash received from:	
Lunchroom sales	\$ 119,682
Cash paid to/for	
Employees	(892,248)
Supplies	(1,294,083)
Other activities	<u>(49,750)</u>
Net cash provided (used) by Operating Activities	<u>(2,116,399)</u>
Cash Flows from Noncapital Financing Activities	
Fund transfer	(97,183)
Government grants	<u>2,627,541</u>
Net cash provided (used) by Noncapital Financing Activities	<u>2,530,358</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of capital assets	<u>(16,205)</u>
Net cash provided (used) by Capital and Related Financing Activities	<u>(16,205)</u>
Cash Flows from Investing Activities:	
Receipt of interest income	<u>103,046</u>
Net cash provided (used) by Investing Activities	<u>103,046</u>
Net increase (decrease) in cash and cash equivalents	500,800
Cash Balances, beginning of year	<u>1,868,667</u>
Cash Balances, end of year	<u>\$ 2,369,467</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (2,490,295)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
On-behalf payments received	152,712
Commodities used	198,262
Depreciation	42,286
Change in assets and liabilities:	
Inventory	(11,394)
Accounts receivable	(1,262)
Net pension liability	172,054
Deferred outflow	(133,087)
Net OPEB liability	6,171
Deferred inflow	(52,286)
Accounts payable	<u>440</u>
Net cash provided (used) by operating activities	<u>\$ (2,116,399)</u>
Schedule of non-cash transactions	
On-behalf payments	<u>\$ 152,712</u>
Donated commodities received from federal government	<u>\$ 198,262</u>

See accompanying notes to financial statements.

**ALLEN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

1. Summary of Significant Accounting Policies:

Reporting Entity

The Allen County School District, (“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 Allen 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 in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operations of the Allen 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 Board itself such as Band Boosters, Parent-Teacher Associations, etc. The District is not involved in budgeting or managing these organizations, is not responsible for any debt of the organizations, and has no influence over the operations of these organizations.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the forgoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Allen County School District Finance Corporation – The Allen County Board of Education resolved to authorize the establishment of the Allen County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.190) (the “Corporation”) as an agency for District for financing the costs of school building facilities. The members of the Board also comprise the Corporation’s Board of Directors.

Basis of Presentation

District-wide Financial Statements – The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the District. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

**ALLEN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

1. Summary of Significant Accounting Policies, Continued:

Basis of Presentation, Continued

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

In the District-wide Statement of Net Position and Statement of Activities both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets are used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a Balance Sheet, which generally includes only current assets and current liabilities, and a Statement of Revenues, Expenditures and Changes in Fund Balances, which reports on the changes in net position. Proprietary funds are reported using the economic resources measurement focus. The Statement of Cash Flows provides information about how the District finances and meets the cash flow needs of its proprietary activities. The District has the following funds:

I. Governmental Fund Types

- a. The General Fund is the primary operating fund of the District and is always classified as a major fund. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered resources available for use.
- b. The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes.

**ALLEN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

1. Summary of Significant Accounting Policies, Continued:

Basis of Presentation, Continued

I. Government Fund Types, Concluded

1. The *Special Revenue (Grant) Fund* 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. The Kentucky Department of Education has deemed this fund to always be classified as a major fund.
 2. The *Special Revenue District Activity Fund* includes funds restricted to expenditures for purposes specified by the Kentucky Department of Education requirements. Project accounting is employed to maintain integrity for the various sources of funds.
 3. The *Special Revenue Student Activity Fund* includes funds restricted to expenditures for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Kentucky Department of Education *Uniform Program of Accounting for School Activity Funds*.
- 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 Proprietary Funds).
1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
 2. The Facility Support Program of Kentucky (FSPK), Building Fund, 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. This is a major fund of the District.
- d. The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Kentucky Law. This fund is a major program of the District.

**ALLEN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

1. Summary of Significant Accounting Policies, Continued:

Basis of Presentation, Concluded

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.

District-Wide Financial Statements

Equity is classified as net position and displayed in three components:

- Invested in Capital Assets, Net of Related Debt – Consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributed to the acquisition, construction or improvement of those assets.
- Restricted Net Position – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors or laws or regulations, or 2) law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – All other net positions that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Fund Financial Statements

Under GASB 54, fund balance is separated into five categories, as follows:

- Nonspendable – Permanently nonspendable by decree of the donor, such as endowment, or items which may not be used for another purpose, such as amounts used to prepay future expenses or already purchased inventory on hand.
- Restricted – Legally restricted under federal or state law, bond authority, or grantor contract.
- Committed – Commitments passed by the Board.
- Assigned – Funds assigned to management priority including issued encumbrances.
- Unassigned – Funds available for future operations.

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

**ALLEN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

1. Summary of Significant Accounting Policies, Continued:

Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the first year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

In order to present the Special Revenue Fund on the accrual basis of accounting, and because the awards are not yet available as assets, cash awards received in advance for the 2023-2024 school year have been classified as deferred revenues. Likewise, all awards requested as a result of 2022-2023 expenditures have been classified as receivables. Revenues of the Special Revenue Fund are considered earned when reimbursed expenditures are made or obligations are incurred, and of equal amount.

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

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

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

**ALLEN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

1. Summary of Significant Accounting Policies, Continued:

Property Taxes

Property tax revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 60 days after tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2023, to finance the General Fund operations were \$.513 per \$100 valuation for real property, \$.513 per \$100 valuation for business personal property and \$.518 per \$100 valuation for motor vehicles.

The following is the District's property tax calendar:

<u>Date Event</u>	
January 1, year of levy	Assessment date
September 15, year of levy	Taxes levied
November 1, year of levy	2% discount allowed
December 31, year of levy	Gross amount due
January 1, following year	Delinquent date, subject to lien

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the cost of normal maintenance and repairs that do not add value to the asset or materially extend an asset's life are not.

**ALLEN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

1. Summary of Significant Accounting Policies, Continued:

Capital Assets, Concluded

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

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

Interfund Balances

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

Compensated Absences

The District's policies regarding sick leave permit employees to accumulate earned but unused sick leave. Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Personnel cannot exceed 300 days of sick leave.

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

The entire compensated absence liability is reported on the government-wide statements. The balance is estimated as if employees had twenty-seven years of service and eligible for retirement as of June 30, 2023. The current portion is the portion that is allocable to employees who have twenty-seven years of service or more or have reached eligible retirement age.

For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be paid using the expendable available resources. These amounts are recorded in the general fund. The noncurrent portion of the liability is not reported and no portion is allocated to the Proprietary Fund.

**ALLEN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

1. Summary of Significant Accounting Policies, Continued:

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

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

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

Once the budget is approved, it can be amended. Amendments can be presented to the Board at their regular meetings. The Superintendent reviews all amendments and presents them to the Board for approval as appropriate. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

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

Inventories

The only inventory maintained by the District consists of expendable supplies held for consumption and is accounted for in the Proprietary Fund. Inventory consists of donated and purchased foods held for resale and are expensed when used. Purchased food is valued at cost (first-in, first-out method) and U.S. Government donated commodities value is determined by the U.S. Department of Agriculture.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2023 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.

Leases

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency information of the government's leasing activities. It established requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable. The District has no leasing activities required to be reported under this principle.

**ALLEN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

1. Summary of Significant Accounting Policies, Concluded:

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the Government-wide Financial Statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

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

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 and for childcare services provided.

Contributions of Capital

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

Donated Commodities

The fair value of donated commodities received during the year is reported in the Proprietary Fund Statement of Revenues, Expenditures and Changes in Net Position as an expense and as donated commodities revenue (nonoperating revenue).

Pensions and Other Post-Employment Benefits (OPEB)

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

**ALLEN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

2. Estimates:

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

3. Deferred Outflows/Inflows of Resources:

The District adopted GASB No. 63 and in addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District has deferred outflows associated with their pension and OPEB liabilities totaling \$7,379,379. Also, deferred savings on refinancing of bonds of \$259,182 net of accumulated amortization of \$236,375 qualifies for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has deferred inflows relating to net pension and OPEB liabilities totaling \$5,372,629 that qualify for reporting in this category. Also, deferred inflow related to debt defeasance of \$3,515,297 net of accumulated amortization of \$1,782,922 qualifies for reporting in this category.

4. Cash Deposits and Investments:

At year end, the carrying amount of the District's total cash equivalents was \$7,815,887. These amounts were covered by Federal Depository Insurance or by securities pledged by the financial institution. (General Fund \$4,249,747, Construction Fund \$735,023 Proprietary Funds \$2,369,467 and Other Nonmajor Funds of \$461,650).

In accordance with GASB No. 72, Fair Value Measurement and Application, the District provides this additional disclosure regarding the fair value of its investments. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

Level 1

Quoted prices (unadjusted) in an active market for identical assets or liabilities that the District has the ability to access at the measurement date.

Level 2

Inputs other than quoted market prices included in Level 1 that are directly or indirectly observable for the asset or liability.

Level 3

Unobservable inputs for the asset or liability used to measure fair value that rely on the District's own assumptions about the market participant's assumptions that may be used in pricing the asset or liability.

**ALLEN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

4. Cash Deposits and Investments, Concluded:

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable values or reflective of future fair values. Furthermore, while the District believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Credit Risk – Credit Risk the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. More specifically, custodial risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All investments held by the District are insured or collateralized with securities held by the District or by the financial institution in the District's name. As a means of managing the District's exposure to fair value losses arising from increasing interest rates, the District primarily purchases investments with a maturity of less than three months. No investments in Money Market Accounts or Certificates of Deposit were in excess of federally insured limits.

Concentration of Credit Risk

The District's investment policy places no limit on the amount the District may invest in any one issuer.

5. Capital Assets:

Construction in Progress:

At June 30, 2023, the District had a balance of \$1,364,380 in Construction in Progress. This balance is associated with the Allen County Campus Air Quality and Building Upgrades project. The construction project was 39% complete as of June 30, 2023.

**ALLEN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

5. Capital Assets, Concluded:

Capital assets activity for the fiscal year ended June 30, 2023, was as follows:

	Balance July 1, 2022	Additions	Disposals	Balance June 30, 2023
Governmental Activities				
Capital Assets, not being Depreciated:				
Land	\$ 1,007,132	\$ -	\$ -	\$ 1,007,132
Construction in Progress	<u>83,447</u>	<u>1,364,279</u>	<u>(83,346)</u>	<u>1,364,380</u>
Total Capital Assets, not being Depreciated	<u>1,090,579</u>	<u>1,364,279</u>	<u>(83,346)</u>	<u>2,371,512</u>
Capital Assets, being Depreciated:				
Land improvements	4,437,716	-	-	4,437,716
Buildings and improvements	73,381,481	8,696	-	73,390,177
Technology equipment	2,880,630	485,341	(542,466)	2,823,505
Vehicles	4,136,572	513,954	(235,597)	4,414,929
General	1,996,792	440,480	(71,402)	2,365,870
Infrastructure	<u>-</u>	<u>25,600</u>	<u>-</u>	<u>25,600</u>
Total Capital Assets, being Depreciated	<u>86,833,191</u>	<u>1,474,071</u>	<u>(849,465)</u>	<u>87,457,797</u>
Less Accumulated Depreciation:				
Land improvements	(3,057,907)	(164,958)	-	(3,222,865)
Buildings and improvements	(28,887,179)	(1,959,893)	-	(30,847,072)
Technology equipment	(2,085,095)	(145,071)	542,466	(1,687,700)
Vehicles	(2,931,475)	(220,117)	235,597	(2,915,995)
General	(1,238,505)	(145,391)	71,402	(1,312,494)
Infrastructure	<u>-</u>	<u>(784)</u>	<u>-</u>	<u>(784)</u>
Total Accumulated Depreciation	<u>(38,200,161)</u>	<u>(2,636,214)</u>	<u>849,465</u>	<u>(39,986,910)</u>
Governmental Activities				
Capital Assets - Net	<u>\$49,723,609</u>	<u>\$ 202,136</u>	<u>\$ (83,346)</u>	<u>\$ 49,842,399</u>
Proprietary Activities				
Capital Assets, being Depreciated:				
Land improvements	\$ 9,690	\$ -	\$ -	\$ 9,690
Buildings and improvements	287,750	-	-	287,750
Technology equipment	21,721	-	(698)	21,023
Vehicles	17,122	-	-	17,122
General	<u>1,003,970</u>	<u>16,205</u>	<u>(22,285)</u>	<u>997,890</u>
Total Capital Assets being Depreciated	<u>1,340,253</u>	<u>16,205</u>	<u>(22,983)</u>	<u>1,333,475</u>
Less Accumulated Depreciation:				
Land improvements	(6,541)	(485)	-	(7,026)
Buildings and improvements	(78,652)	(5,755)	-	(84,407)
Technology equipment	(21,721)	-	698	(21,023)
Vehicles	(12,270)	(3,424)	-	(15,694)
General	<u>(772,579)</u>	<u>(32,622)</u>	<u>22,285</u>	<u>(782,916)</u>
Total Accumulated Depreciation	<u>(891,763)</u>	<u>(42,286)</u>	<u>22,983</u>	<u>(911,066)</u>
Proprietary Activities				
Capital Assets - Net	<u>\$ 448,490</u>	<u>\$ (26,081)</u>	<u>\$ -</u>	<u>\$ 422,409</u>

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

**ALLEN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

6. Bonded Debt, Continued:

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

Issue	Original Amount	Maturity Date	Interest Rates
Issue of Series 2010	\$ 16,115,000	September 1, 2027	4.75%
Issue of Series 2012	4,970,000	April 1, 2023	2.00% - 3.00%
Issue of Series 2013	9,505,000	October 1, 2033	2.00% - 4.00%
Issue of Series 2015 Refinancing	3,820,000	December 1, 2025	2.00% - 2.25%
Issue of Series 2016	8,530,000	November 1, 2036	2.00% - 3.25%
Issue of Series 2016 Refinancing	810,000	December 1, 2025	2.05%

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

The District has entered into "participation agreements" with the School Facility Construction Commission (SFCC). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The District also entered into "participation agreements" with the Internal Revenue Service (IRS). Section 54A of the Internal Revenue Code provides rules for the issuance and use of qualified tax credit bonds for qualified school construction bonds, QSCB. The table below sets forth the amount to be paid by the District as well as the Commission and IRS for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal 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 and IRS, at June 30, 2023, for debt service (principal and interest) are as follows:

Year	Principal	Interest	Participation	District's Portion
2023-24	\$ 1,933,947	\$ 457,895	\$ 1,107,241	\$ 1,284,601
2024-25	2,241,159	423,883	1,010,822	1,654,220
2025-26	1,806,159	395,629	1,009,438	1,192,350
2026-27	1,706,159	373,426	1,000,046	1,079,539
2027-28	1,686,159	326,100	562,647	1,449,612
2028-29	1,175,000	273,724	203,645	1,245,079
2029-30	1,215,000	239,076	203,644	1,250,432
2030-31	1,265,000	201,642	203,645	1,262,997
2031-32	1,305,000	162,819	203,644	1,264,175
2032-33	1,355,000	122,648	203,646	1,274,002
2033-34	1,375,000	81,053	177,570	1,278,483
2034-35	665,000	50,378	57,706	657,672
2035-36	690,000	30,906	57,706	663,200
2036-37	695,000	10,494	50,017	655,477
	<u>\$ 19,113,583</u>	<u>\$ 3,149,673</u>	<u>\$ 6,051,417</u>	<u>\$ 16,211,839</u>

**ALLEN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

6. Bonded Debt, Concluded:

Long-term debt activities for the year ended June 30, 2023 are as follows:

	Balance June 30, 2022	Additions	Debt Payments and Reductions	Balance June 30, 2023	Amount Due Within One Year
Series 2010	4,446,954	-	1,108,371	3,338,583	373,947
Series 2012	605,000	-	605,000	-	-
Series 2013	7,040,000	-	475,000	6,565,000	505,000
Series 2015 Refinancing	1,685,000	-	390,000	1,295,000	485,000
Series 2016	7,755,000	-	160,000	7,595,000	490,000
Series 2016 Refinancing	400,000	-	80,000	320,000	80,000
Total Bonds	21,931,954	-	2,818,371	19,113,583	1,933,947
Bond premiums/(discounts)	(115,095)	-	8,170	(106,925)	8,170
Total bonds, net with premium	<u>\$ 21,816,859</u>	<u>\$ -</u>	<u>\$ 2,826,541</u>	<u>\$ 19,006,658</u>	<u>\$ 1,942,117</u>

7. Accumulated Unpaid Sick Leave Benefits:

Accrued sick leave is payable upon retirement at 30% of the value of the accumulated sick leave. In accordance with GAAP, the District has recorded approximately \$945,000 in accrued sick leave liability in the District-Wide Statement of Net Position. Of the \$945,000, approximately \$430,000 is associated with employees that have met the retirement eligibility and is reflected in the District Wide Statement of Net Position as the current portion.

8. Retirement Plans:

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

General information about the County Employees Retirement System Non-Hazardous ("CERS")

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

**ALLEN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

8. Retirement Plans, Continued:

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

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

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

There have been no actuarial assumption or method changes since June 30, 2021. Additionally, there have been no plan provision changes that would materially impact the total pension liability since June 30, 2021.

Contributions—Required contributions by the employee are based on the tier:

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

**ALLEN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

9. Retirement Plans, Continued:

General information about the Teachers' Retirement System of the State of Kentucky ("KTRS")

Plan description—Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Kentucky Teachers' Retirement System of the State of Kentucky (KTRS)—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS issues a publicly available financial report that can be obtained at http://www.ktrs.ky.gov/05_publications/index.htm.

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

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

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to 2.0% (service prior to July 1, 1983) and 2.5% (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

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

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

Contributions—Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.855% of their salaries to the plan for fiscal year ending June 30, 2023 and 2022. This applies to employees hired prior to July 1, 2008 and those hired afterwards. The District's contractually required contribution rate for the year ended June 30, 2023 and 2022 for KTRS was 16.105% for employees hired prior to July 1, 2008 and those hired afterwards.

**ALLEN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

8. Retirement plan, Continued:

The CERS non-hazardous pension contribution rate for the employer was 23.4% and 22.78% of annual compensation for years ended June 30, 2023, and 2022, respectively. Employees hired before July 1, 2008 are required to contribute 5% of their salary and employees hired after that date are required to contribute 6%.

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

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

At June 30, 2023, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	\$ 10,725,904
Commonwealth's proportionate share of KTRS net pension liability associated with the District	<u>65,689,322</u>
	<u>\$ 76,415,226</u>

The total pension liability, net pension liability and sensitivity information was based on an actuarial valuation date of June 30, 2021. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year end using generally accepted actuarial principles.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2022, the District's proportion was 0.148373%.

For the year ended June 30, 2023, the District recognized pension expense of \$372,491 related to CERS.

**ALLEN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

8. Retirement Plans, Continued:

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience in the measurement of the liability	\$ 11,467	\$ 95,519
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	1,459,474	940,605
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,049	392,321
District contributions subsequent to the measurement date	985,986	-
	\$ 2,462,976	\$ 1,428,445

The amount reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30	Net Deferred Outflows/Inflows
2024	\$ (166,019)
2025	(90,134)
2026	304,698
2027	-
2028	-
Total	\$ 48,545

Actuarial assumptions—The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	CERS	KTRS
Inflation	2.30%	2.50%
Projected Salary Increases	3.3-11.55%	3-7.5%
Investment rate of return, net of investment expense and inflation	6.25%	7.10%

**ALLEN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

9. Retirement Plans, Continued:

Mortality assumptions: Pre-retirement mortality uses PUB-2010 General Mortality table, for the nonhazardous systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. Post-retirement mortality (non-disabled) uses 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. Post-retirement mortality (disabled) uses PUB-2010 disable mortality table, with a 4 year set forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. These mortality assumptions were adopted in 2019.

For KTRS, 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 7.5% to 7.1% and the price inflation assumption was lowered from 3% to 2.5%. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

Long term rate of return: For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2014 through 2018, is outlined in a report dated April 18, 2019. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

**ALLEN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

9. Retirement Plans, Continued:

Assumed Asset Allocation—The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS and KTRS's investment consultants, are summarized in the following table:

Asset Class	CERS		KTRS	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	50.00%	4.45%	62.00%	20.00%
Private Equity	10.00%	10.15%	7.00%	6.90%
Core Fixed Income	10.00%	0.28%	15.00%	-0.10%
Specialty Credit	10.00%	2.28%	0.00%	0.00%
Cash	0.00%	-0.91%	2.00%	0.00%
Real Estate	7.00%	3.67%	7.00%	4.00%
Real Return	13.00%	4.07%	0.00%	0.00%
High Yield Bonds	0.00%	0.00%	2.00%	1.70%
Other Additional Categories	<u>0.00%</u>	0.00%	<u>5.00%</u>	2.20%
Total	<u>100.00%</u>		<u>100.00%</u>	

Discount rate—For CERS, the discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that each fund receives the employer required contributions each future year as determined by the current funding policy established in statute, which includes the phase-in provisions from House Bill 362 (passed in 2018).

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

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

	<u>Current Discount</u>		
	<u>1% Decrease</u>	<u>Rate</u>	<u>1% Increase</u>
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 13,406,049	\$ 10,725,904	\$ 8,509,202

**ALLEN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

9. Retirement Plans, Concluded:

A one percent decrease and a one percent increase for the KTRS proportionate share of the net pension liability is not shown because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District.

Pension plan fiduciary net position—Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial reports of both CERS and KTRS.

Total payroll subject to CERS and KTRS were approximately \$4,213,301 and \$14,092,831 respectively. Pension and OPEB contributions paid by the District for CERS employees total \$1,128,828. Pension and OPEB contributions withheld from the employees totaled \$209,146.

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District does not contribute to these plans. For the year ended June 30, 2023, employees contributed approximately \$211,678 to the plans.

10. Other Post-Employment Benefits (OPEB)

General information about the County Employees Retirement System (CERS) OPEB plans:

Plan Description: The County Employee Retirement System (CERS) covers classified employees whose position does not require a college degree or teaching certification. CERS health insurance benefits are subject to various participation dates to determine eligibility and health insurance contribution rates. CERS is a cost-sharing multiple employer defined benefit plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of KRS 61.645, the Board of Trustees of the Kentucky Retirements Systems administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirements System issues a stand-alone financial report, which may be obtained from Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky, 40601 or on-line at www.kyret.ky.gov.

General information about the Kentucky Teachers Retirement System (KTRS) OPEB plans:

Plan description – Teaching-certified employees of the Kentucky School District are provided OPEBs through the Kentucky Teachers’ Retirement System of the State of Kentucky (KTRS)—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). KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth’s financial statements. KTRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information>.

The state reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the KTRS Medical Insurance and Life Insurance Plans.

**ALLEN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

10. Other Post-Employment Benefits (OPEB), Continued:

Medical Insurance Plan - CERS

Plan Description—The Kentucky Retirement Systems' Insurance Fund is a cost sharing multiple-employer defined benefit Other Post-Employment Benefit plan for members that cover all regular full-time members employed in non-hazardous and hazardous duty positions of any state departments, board, agency, county, school board, and any additional eligible local agencies electing to participate.

Funding policy—In order to fund the post-retirement healthcare benefit, six percent (6%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three percent (3%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and two and one quarter percent (2.25%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan

Benefits Provided—The plan was established to provide hospital and medical insurance for eligible members receiving benefits from KERS, CERS, and SPRS. OPEB may be extended to beneficiaries of plan members under certain circumstances. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan.

The single discount rates used to calculate the total OPEB liability within each plan changed since the prior year. There were no other material assumption changes. Senate Bill 209 passed during the 2022 legislative session and increased the insurance dollar contribution for members hired on or after July 1, 2003 by \$5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023. Senate Bill 209 also allows members receiving the insurance dollar contribution to participate in a medical insurance reimbursement plan that would provide reimbursement of premiums for health plans other than those administered by KPPA.

Medical Insurance Plan – CERS, Concluded

Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on or after July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. See the chart below for current values for Dollar Contribution. This benefit is not protected under the inviolable contract provisions of Kentucky Revised Statutes 16.652, 61.692 and 78.52. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

**ALLEN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

10. Other Post-Employment Benefits (OPEB), Continued:

The amount of contribution paid by the Insurance Fund is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<u>Dollar Contribution for Fiscal Year 2022</u>		<u>Portion Paid by Insurance Fund</u>	
For Member participation date on or after July 1, 2003			
<u>System</u>	<u>(in whole dollars)</u>	<u>Years of service</u>	<u>% Paid by Insurance Fund</u>
KERS Non-hazardous	\$ 13.99	20+ years	100.00%
KERS Hazardous	\$ 20.99	15-19 years	75.00%
CERS Non-hazardous	\$ 13.99	10-14 years	50.00%
CERS Hazardous	\$ 20.99	4-9 years	25.00%
SPRS	\$ 20.99	Less than 4 years	0.00%

The projection of cash flows used to determine the single discount rate must include an assumption regarding the actual employer contributions made each future year. The future contributions are projected assuming that each participating employer in KRS contributes the actuarially determined employer contribution rate each future year calculated in accordance with the current funding policy. The fully insured premiums KRS pays for the CERS health insurance plans are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing it to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees.

Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan's fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement plan. However, the cost associated with the implicit subsidy is not currently being included in the calculation of the System's actuarial determined contributions, and it is understood that any cost associated with the implicit subsidy will not be paid out of the Plan's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The distributions from the retiree health insurance trust pay the employers' portion of the blended premiums, not the employers' portion of the underlying retiree claims costs. As a result, the benefit payments and contribution amounts need to include an adjustment related to the implicit subsidy. Participating employers adjust their contributions by the implicit subsidy in order to determine the total employer contribution for GASB 75 purposes.

Medical Insurance Plan - KTRS

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

**ALLEN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

10. Other Post-Employment Benefits (OPEB), Continued:

Benefits provided—To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. KTRS 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 KTRS 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 KTRS Medicare Eligible Health Plan.

Contributions—The member postemployment medical contribution is 3.75% of salary. The employer postemployment medical contribution is .75% of member salaries. Also, employers (other than the state) contribute 3% of members' salaries and the state contributes the net cost of health insurance premiums for new retirees after June 30, 2010 in the non-Medicare eligible group. If a member leaves covered employment before accumulating five years credited service, accumulated member contributions to the retirement annuity plan plus interest are refunded upon the member's request.

Life Insurance Plan - KTRS

Plan description – KTRS administers the life insurance plan as provided by Kentucky Revised Statute 161.655 to eligible active and retired members. The KTRS 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 KTRS Board of Trustees and the General Assembly.

Benefits provided – KTRS provides a life insurance benefit of five thousand dollars payable for members who retire based on service or disability. KTRS provides a life insurance benefit of two thousand dollars payable for its active contributing members who began contributing before January 1, 2022. For members who entered on or after January 1, 2022, the life insurance benefit payable upon the death of a member is five thousand dollars for active contributing members and ten thousand dollars for retired or disable members. The life insurance benefit is payable upon the death of the member to the member's estate or to a party designated by the member.

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

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

At June 30, 2023, the District reported a liability of \$2,927,648 for CERS, \$6,930,000 for KTRS Medical Insurance Plan and \$0 for KTRS Life Insurance Plan for its proportionate share of the net OPEB liability. The District did not report a liability for its proportionate share of the collective net OPEB liability for the Life Insurance Plan because the Commonwealth provides OPEB support directly to KTRS on behalf of the District. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial value as of June 30, 2021. At June 30, 2022, the District's proportionate share was .148347% for CERS, .279155% for KTRS Medical Insurance plan and 0% for KTRS Life Insurance Plan.

**ALLEN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

10. Other Post-Employment Benefits (OPEB), Continued:

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

District's proportionate share of the CERS net OPEB medical liability	\$ 2,927,648
District's proportionate share of the KTRS net OPEB medical liability	6,930,000
Commonwealth's proportionate share of KTRS net OPEB liability associated with the District - Medical and Life	2,390,000
	\$ 12,247,648

As a result of its requirement to contribute to the Plan, the District recognized OPEB expense of \$217,109 for CERS. For KTRS Medical Insurance Plan the District recognized OPEB expense of \$356,345. At June 30, 2023 the District reported deferred inflows and deferred outflows of resources related to the net OPEB liability from the following sources:

	CERS		KTRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience in the measurement of the OPEB liability	\$ 294,692	\$ 621,670	\$ -	\$ 2,184,750
Net difference between projected and actual investment earnings on OPEB investments	463,028	381,532	1,055,250	-
Changes in assumptions and other inputs	545,158	426,332	276,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,089	172,400	1,667,250	157,500
District contributions subsequent to the measurement date of the OPEB liability	248,395	-	359,541	-
	\$ 1,558,362	\$ 1,601,934	\$ 3,358,041	\$ 2,342,250

The deferred outflows resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in expense as follows:

	Net Deferred Outflows/(Inflows)	
	CERS	KTRS
2024	\$ (56,988)	\$ (60,000)
2025	(220,889)	(29,250)
2026	(14,090)	9,000
2027	-	334,500
2028	-	289,500
Thereafter	-	112,500
Total	\$ (291,967)	\$ 656,250

**ALLEN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

11. Other Post-Employment Benefits (OPEB), Continued:

Actuarial Assumptions: The total OPEB liability, net OPEB liability and sensitivity information are based on an actuarial valuation performed as of June 30, 2021. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2022 using generally accepted actuarial principles.

CERS	
Inflation	2.30%
Payroll Growth Rate	2.0% for CERS non-hazardous and hazardous
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Pre-65	Initial trend starting at 6.4% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Healthcare Trend Post-65	Initial trend starting at 6.3% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
KTRS	
Investment Rate of Return:	
Medical Insurance Plan	7.1%, net of OPEB plan investment expense, including inflation
Life Insurance Plan	7.1%, net of OPEB plan investment expense, including inflation
Projected salary increases:	
Medical Insurance Plan	3.0-7.5%, including wage inflation
Life Insurance Plan	3.0-7.5% including wage inflation
Inflation	
Medical Insurance Plan	2.50%
Life Insurance Plan	2.50%
Real wage growth	0.25%, for both Medical and Life Insurance Plans.
Wage inflation	
Medical Insurance Plan	2.75%, for both Medical and Life Insurance Plans.
Healthcare cost trend rates:	
Healthcare Trend Pre-65	Initial trend starting at 7% for fiscal year 2022 decreasing to an ultimate trend rate of 4.5% by fiscal year 2032
Healthcare Trend Post-65	Initial trend starting at 5.125% for fiscal year 2022 decreasing to an ultimate trend rate of 4.5% by fiscal year 2025
Medicare Part B Premiums	6.97% for fiscal year 2022 with ultimate rate of 4.5% by 2034
Municipal Bond Index Rate	3.37%, for both Medical and Life Insurance Plans.
Discount Rate	
Medical Insurance Plan	7.10%
Life Insurance Plan	7.10%
Single equivalent interest rate:	
Medical Insurance Plan	7.1%, net of OPEB plan investment expense, including inflation
Life Insurance Plan	7.1%, net of OPEB plan investment expense, including inflation

For CERS, mortality rates were based on system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate trend rates from MP 2014 mortality improvement scale using a base year of 2019.

**ALLEN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

10. Other Post-Employment Benefits (OPEB), Continued:

For KTRS, Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees and active members. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation and rates of plan election used in the June 30, 2021, valuation were based on the results of the most recent actuarial experience study for the system, which covered the five-year period ending June 30, 2020, adopted by the board on September 20, 2021. The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends) used in the June 30, 2021, valuation of the health trust were based on a review of recent plan experience done concurrently with the June 30, 2021, valuation. The health care cost trend rate assumption was updated for the June 30, 2021, valuation and was shown as an assumption change in the total OPEB liability (TOL) roll-forward while the change in initial per capita claims costs were included with experience in the TOL roll-forward. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System.

Long-term expected rate of return: For CERS was determined by using a building-block method in which the best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

Long-term expected rate of return: For KTRS, 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 rate of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>CERS</u>		<u>KTRS</u>	
	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Public Equity	50.00%	4.45%	58.00%	5.10%
Private Equity	10.00%	10.15%	8.50%	6.90%
Core Bonds	10.00%	0.28%	9.00%	-0.10%
Specialty Credit/High Yield	10.00%	2.28%	8.00%	1.70%
Cash	0.00%	-0.91%	1.00%	-0.30%
Real Estate	7.00%	3.67%	6.50%	4.00%
Real Return	13.00%	4.07%	0.00%	0.00%
Other Additional Categories	<u>0.00%</u>	0.00%	<u>9.00%</u>	2.20%
	<u>100.00%</u>		<u>100.00%</u>	

**ALLEN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

10. Other Post-Employment Benefits (OPEB), Continued:

Discount Rate: For CERS, the single discount rate of 5.70% was used to measure the total OPEB liability as of June 30, 2022. The single discount rate is based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 3.69% as reported in Fidelity Index's "20 Year Municipal GO AA Index" as of June 30, 2022. The following presents the District's proportionate share of the net OPEB liability if it were calculated using a discount rate 1% lower or 1% higher than the current discount rate:

Sensitivity of the Net OPEB liability to changes in the discount rate

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	4.70%	5.70%	6.70%
District's proportionate share of net OPEB liability	\$ 3,913,799	\$ 2,927,648	\$ 2,112,430

Discount Rate: For KTRS - Medical Insurance Plan, the single discount rate of 7.1% was used to measure the total OPEB liability as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The following presents the District's proportionate share of the net OPEB liability if it were calculated using a discount rate 1% lower or 1% higher than the current discount rate:

Sensitivity of the Net OPEB liability to changes in the discount rate

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
KTRS	6.10%	7.10%	8.10%
District's proportionate share of net OPEB liability	\$ 8,695,000	\$ 6,930,000	\$ 5,469,000

Healthcare Trend Rate: For CERS, the initial trend rate for participants under 65 years of age starts at 6.4% at January 1, 2022 and gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years. For those over 65 years of age the trend rate starts at 6.3% at January 1, 2023 and gradually decreases to an ultimate trend rate of 4.05% over a period of 13 years. The following table presents the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate:

Sensitivity of the Net OPEB liability to changes in the healthcare cost trend rate

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	4.70%	5.70%	6.70%
District's proportionate share of net OPEB liability	\$ 2,176,641	\$ 2,927,648	\$ 3,829,466

**ALLEN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

10. Other Post-Employment Benefits (OPEB), Concluded:

Healthcare Trend Rate: For KTRS, the initial trend rate for participants starts at 6.75% and gradually decreases to an ultimate trend rate of 4.5% by 2031. Medicare Part B premiums start at 1.55% with an ultimate rate of 4.5% by 2034. The following table presents the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate:

Sensitivity of the Net OPEB liability to changes in the healthcare cost trend rate

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
KTRS	6.10%	7.10%	8.10%
District's proportionate share of net OPEB liability	\$ 5,195,000	\$ 6,930,000	\$ 9,088,000

OPEB Plan Fiduciary Net Position: For both CERS and KTRS, detailed information about the Plan's fiduciary net position is available in the separately issued KRS and KTRS issued financial statements.

11. COBRA:

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

12. Litigation:

The District is subject to various legal actions in various stages of litigation, the outcome of which is not determined at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the combined financial statements as a result of the cases presently in progress.

13. 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 governmental agency grants, if based upon the grantor's review, the funds are considered not to have 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 grantor's intent to continue their programs.

In addition, the District operates in a heavily regulated environment. The operations of the District are subject to the administrative directive, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U.S. Department of Education and the Kentucky Department of Education. Such administrative directives, rules and regulations are subject to change by an act of Congress or the Kentucky Legislature or an administrative change mandated by the Kentucky Department of Education. Such changes may occur with little or inadequate funding to pay for the related costs, including the additional burden to comply with change.

**ALLEN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

14. Transfer of Funds:

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Payments made from the general fund checking account, which may or may not have the legal liability for the expenditure, may cause a receivable in the general fund and a payable from the fund having the legal liability to pay the expenditure at such time. All interfund receivables and payables have been eliminated on the District-wide Statement of Net Position. The following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Capital Outlay	General	Facilities	\$ 490,748
Building	General	Facilities	993,753
Building	Debt Service	Debt	2,957,076
District Activity	General	Operations	3,517
Special Revenue	General	Operations	24,604
Special Revenue	Construction	Facilities	1,328,500
Special Revenue	General	Indirect Costs	525
Special Revenue	General	Indirect Costs	924
Special Revenue	General	Indirect Costs	5,667
Special Revenue	General	Indirect Costs	40,765
Special Revenue	General	Indirect Costs	41,569
Special Revenue	General	Indirect Costs	12,722
General	Special Revenue	KETS Match	58,569
Total Governmental Funds Transfers			<u>\$ 5,958,939</u>
Food Service	General	Indirect Cost Allocation	\$ 97,183
Total Proprietary to Governmental Funds Transfers			<u>\$ 97,183</u>

At June 30, 2023, interfund balances were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue	\$ 1,486,662

15. Deficit Current Year Net Change in Fund Balances:

The Construction Fund of the District had a deficit of expenditures over receipts of \$31,846 at June 30, 2023. The District spent the funds carried over from the prior year in the Construction Fund for HVAC renovations. The deficit of expenditures over receipts in the Student Activity Fund of \$32,095 occurred from normal operations. The deficit of expenditures over receipts of \$211,850 in the Seek Capital Outlay Fund occurred as excess revenues remained in this Fund from in the prior year. The deficit of expenditures over receipts of \$398,289 in the Building Fund occurred as excess revenues remained in this Fund from the prior year.

Construction Fund	\$ 31,846
Student Fund	\$ 32,095
Seek Capital Outlay Fund	\$ 211,850
Building Fund	\$ 398,289

**ALLEN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

16. On-Behalf Payments:

During the year ended June 30, 2023, the Kentucky Division of Finance made payments on-behalf of Allen County School District in the amount of \$10,108,126. These payments were paid for fringe benefits and retirement for the District personnel. These payments have been included in both revenue and expenditures on the District's financial statements for the year ended June 30, 2023 as follows:

Health Insurance	\$ 3,560,667
KTRS Employer Match - Pension	5,993,561
KTRS Employer Match - Health	130,326
Health Reimbursement Account	188,300
State Administration Fees	41,364
Life Insurance	5,177
Federal Reimbursement on Health Benefits	(346,317)
Technology	102,797
School Facilities Construction Commission Debt Service	432,251
	<u>\$ 10,108,126</u>
Recorded as follows:	
General Fund	\$ 9,523,163
Food Service Fund	152,712
Debt Service	432,251
	<u>\$ 10,108,126</u>

17. Subsequent Events:

Management has evaluated subsequent events through December 15, 2023, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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**ALLEN COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
For the Year Ended June 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
From local sources:				
Taxes:				
Property	\$ 4,117,285	\$ 4,399,362	\$ 4,168,298	\$ (231,064)
Motor vehicles	758,089	917,430	986,975	69,545
Other	-	-	97,771	97,771
Earnings on investments	19,500	50,000	297,823	247,823
Other local revenues	45,175	898,211	112,658	(785,553)
Intergovernmental-state	21,562,479	20,798,630	22,756,895	1,958,265
Intergovernmental-direct federal	160,000	160,000	301,949	141,949
Total revenues	<u>26,662,528</u>	<u>27,223,633</u>	<u>28,722,369</u>	<u>1,498,736</u>
Expenditures:				
Instruction	16,316,047	16,139,723	17,589,714	(1,449,991)
Support services:				
Student	1,389,744	1,319,567	1,283,861	35,706
Instructional staff	1,855,133	2,146,504	1,606,814	539,690
District administration	1,484,589	1,064,839	767,008	297,831
School administration	2,110,907	1,840,731	1,943,028	(102,297)
Business	-	699,233	707,294	(8,061)
Plant operations and maintenance	2,697,081	2,626,981	2,683,834	(56,853)
Student transportation	2,165,854	2,461,113	2,008,614	452,499
Facilities acquisition and construction and other	1,098,619	1,108,505	15,725	1,092,780
Community service	9,778	-	12,175	(12,175)
Contingency	2,148,289	1,842,184	-	1,842,184
Total expenditures	<u>31,276,041</u>	<u>31,249,380</u>	<u>28,618,067</u>	<u>2,631,313</u>
Excess (deficit) of revenues over expenditures	<u>(4,613,513)</u>	<u>(4,025,747)</u>	<u>104,302</u>	<u>4,130,049</u>
Other financing sources (uses):				
Transfer from Proprietary Fund	-	-	97,183	97,183
Operating transfers in	472,080	463,004	1,614,794	1,151,790
Operating transfers out	(58,569)	(58,569)	(58,569)	-
Total other financing sources (uses)	<u>413,511</u>	<u>404,435</u>	<u>1,653,408</u>	<u>1,248,973</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(4,200,002)	(3,621,312)	1,757,710	5,379,022
Fund balance, July 1, 2022	3,621,759	3,621,759	3,621,759	-
Fund balance, June 30, 2023	<u>\$ (578,243)</u>	<u>\$ 447</u>	<u>\$ 5,379,469</u>	<u>\$ 5,379,022</u>

ALLEN COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL –SPECIAL REVENUE FUND
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
From local sources:				
Earnings on investments	\$ -	\$ -	\$ 7,230	\$ 7,230
Other local revenues	38,425	164,381	100,265	(64,116)
Intergovernmental-state	1,333,204	2,228,165	1,902,698	(325,467)
Intergovernmental-federal	15,287,334	4,493,163	7,957,844	3,464,681
Total revenues	<u>16,658,963</u>	<u>6,885,709</u>	<u>9,968,037</u>	<u>3,082,328</u>
Expenditures:				
Instruction	10,856,864	5,935,903	6,232,791	(296,888)
Student	783,946	106,176	481,643	(375,467)
Instructional staff	140,149	142,287	425,461	(283,174)
District administration	126,685	9,454	4,851	4,603
School administration	(916)	500	-	500
Business	-	56,467	55,690	777
Plant operations and maintenance	3,506,831	183,873	825,692	(641,819)
Student transportation	129,972	67	3,588	(3,521)
Other	-	-	44,449	(44,449)
Community service activities	576,232	442,096	497,165	(55,069)
Total expenditures	<u>16,119,763</u>	<u>6,876,823</u>	<u>8,571,330</u>	<u>(1,694,507)</u>
Excess (deficit) of revenues over expenditures	<u>539,200</u>	<u>8,886</u>	<u>1,396,707</u>	<u>1,387,821</u>
Other financing sources (uses):				
Operating transfers in	46,175	58,569	58,569	-
Operating transfers out	(581,401)	(110,066)	(1,455,276)	(1,345,210)
Total other financing sources (uses)	<u>(535,226)</u>	<u>(51,497)</u>	<u>(1,396,707)</u>	<u>(1,345,210)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	3,974	(42,611)	-	42,611
Fund balance, July 1, 2022	-	-	-	-
Fund balance, June 30, 2023	<u>\$ 3,974</u>	<u>\$ (42,611)</u>	<u>\$ -</u>	<u>\$ 42,611</u>

**ALLEN COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY – COUNTY EMPLOYEES RETIREMENT SYSTEM
For the Years Ended June 30**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's portion of the net pension liability	0.14837%	0.15610%	0.15870%	0.15710%	0.15690%	0.15630%	0.16100%	0.16100%	0.16060%
District's proportionate share of net pension liability	\$ 10,725,904	\$ 9,954,448	\$ 12,175,994	\$ 11,046,803	\$ 9,554,836	\$ 9,149,949	\$ 7,929,204	\$ 6,906,892	\$ 5,251,000
District's covered-employee payroll	\$ 4,213,301	\$ 4,023,202	\$ 4,063,805	\$ 3,985,557	\$ 3,666,740	\$ 3,403,168	\$ 3,861,699	\$ 4,179,875	\$ 4,761,999
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	254.57%	247.43%	299.62%	277.17%	260.58%	268.87%	205.33%	165.24%	110.27%
Plan fiduciary net position as a percentage of the total pension liability	52.42%	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%

** Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

DRAFT

**ALLEN COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY – KENTUCKY TEACHERS RETIREMENT SYSTEM
For the Years Ended June 30**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's portion of the net pension liability	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
District's proportionate share of net pension liability	-	-	-	-	-	-	-	-	-
Commonwealth's proportionate share of the net pension liability associated with the District	0.388%	0.386%	0.370%	0.386%	0.384%	0.388%	0.383%	0.375%	0.377%
Commonwealth's proportionate share of the net pension liability associated with the District	<u>\$ 65,689,322</u>	<u>\$ 50,279,956</u>	<u>\$ 52,439,157</u>	<u>\$ 52,698,765</u>	<u>\$ 50,284,540</u>	<u>\$ 104,612,639</u>	<u>\$ 113,044,119</u>	<u>\$ 87,202,663</u>	<u>\$ 77,424,969</u>
Total	<u>\$ 65,689,322</u>	<u>\$ 50,279,956</u>	<u>\$ 52,439,157</u>	<u>\$ 52,698,765</u>	<u>\$ 50,284,540</u>	<u>\$ 104,612,639</u>	<u>\$ 113,044,119</u>	<u>\$ 87,202,663</u>	<u>\$ 77,424,969</u>
District's covered-employee payroll	\$ 14,092,831	\$ 13,068,850	\$ 12,758,727	\$ 12,890,640	\$ 12,700,989	\$ 12,701,338	\$ 12,397,559	\$ 11,813,726	\$ 11,807,847
Commonwealth's proportionate share of the net pension liability as a percentage of the District's covered-employee payroll	466.12%	384.73%	411.01%	408.81%	395.91%	823.63%	911.83%	738.15%	652.25%
Plan fiduciary net position as a percentage of the total pension liability	56.40%	65.59%	58.27%	58.80%	59.30%	39.83%	35.22%	42.49%	45.59%

** Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

**ALLEN COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT PENSION CONTRIBUTIONS –
COUNTY EMPLOYEES RETIREMENT SYSTEM
For the Years Ended June 30**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 985,986	\$ 873,355	\$ 776,478	\$ 784,314	\$ 646,457	\$ 530,944	\$ 474,742	\$ 479,623	\$ 532,934
Contributions in relation to the contractually required contribution	<u>(985,986)</u>	<u>(873,355)</u>	<u>(776,478)</u>	<u>(784,314)</u>	<u>(646,457)</u>	<u>(530,944)</u>	<u>(474,742)</u>	<u>(479,623)</u>	<u>(532,934)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 4,213,301	\$ 4,125,437	\$ 4,023,202	\$ 4,063,805	\$ 3,985,557	\$ 3,666,740	\$ 3,403,168	\$ 3,861,699	\$ 4,179,875
Contributions as a percentage of covered-employee payroll	23.40%	21.17%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%

**Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

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**ALLEN COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT PENSION CONTRIBUTIONS –
KENTUCKY TEACHERS RETIREMENT SYSTEM
For the Years Ended June 30**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	14,092,831	12,053,393	13,068,850	12,758,727	12,890,640	12,700,989	12,701,338	12,397,559	11,813,726
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

**Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

DRAFT

**ALLEN COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY –
COUNTY EMPLOYEES RETIREMENT SYSTEM
For the Years Ended June 30**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
District's portion of the net OPEB liability	0.14835%	0.15610%	0.15870%	0.15700%	0.15690%	0.15630%
District's proportionate share of net OPEB liability	\$ 2,927,648	\$ 2,988,322	\$ 3,832,219	\$ 2,641,157	\$ 2,785,373	\$ 2,110,227
District's covered-employee payroll	\$ 4,213,301	\$ 4,023,202	\$ 4,063,805	\$ 3,985,557	\$ 3,666,740	\$ 3,403,168
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	69.49%	74.28%	94.30%	66.27%	75.96%	62.01%
Plan fiduciary net position as a percentage of the total OPEB liability	60.95%	62.91%	51.67%	60.44%	57.62%	52.40%

** Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

**ALLEN COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY –
KENTUCKY TEACHERS RETIREMENT SYSTEM
For the Years Ended June 30**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
District's portion of the net OPEB liability						
Medical Insurance	0.27916%	0.20547%	0.19765%	0.20560%	0.19771%	0.20441%
Life Insurance	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
District's proportionate share of net OPEB liability						
Medical Insurance	\$ 6,930,000	\$ 4,409,000	\$ 4,988,000	\$ 6,017,000	\$ 6,860,000	\$ 7,217,000
Life Insurance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commonwealth's portion of the net OPEB liability associated with the District						
Medical Insurance	0.09171%	0.16686%	0.15833%	0.16603%	0.17039%	0.16697%
Life Insurance	0.36413%	0.36400%	0.34810%	0.36330%	0.35972%	0.36293%
Commonwealth's proportionate share of the net OPEB liability associated with the District						
Medical Insurance	\$ 2,277,000	\$ 3,580,000	\$ 3,996,000	\$ 4,859,000	\$ 5,912,000	\$ 5,895,000
Life Insurance	\$ 113,000	\$ 48,000	\$ 121,000	\$ 113,000	\$ 101,000	\$ 55,000
District's covered-employee payroll	\$ 14,092,831	\$ 13,068,850	\$ 12,758,727	\$ 12,890,640	\$ 12,700,989	\$ 12,701,338
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	49.17%	33.74%	39.09%	46.68%	54.01%	56.82%
Commonwealth's proportionate share of the net OPEB liability as a percentage of the District's covered-employee payroll	16.96%	27.76%	32.27%	38.57%	47.34%	46.85%
Plan fiduciary net position as a percentage of the total OPEB liability	47.80%	51.70%	39.10%	32.58%	25.54%	21.18%

** Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

**ALLEN COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT OPEB CONTRIBUTIONS –
COUNTY EMPLOYEES RETIREMENT SYSTEM
For the Years Ended June 30**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Contractually required contribution	\$ 142,842	\$ 238,450	\$ 191,699	\$ 193,634	\$ 209,778	\$ 172,500
Contributions in relation to the contractually required contribution	<u>(142,842)</u>	<u>(238,450)</u>	<u>(191,699)</u>	<u>(193,634)</u>	<u>(209,778)</u>	<u>(172,500)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 4,213,301	\$ 4,125,437	\$ 4,023,202	\$ 4,063,805	\$ 3,985,557	\$ 3,666,740
Contributions as a percentage of covered-employee payroll	3.39%	5.78%	4.76%	4.76%	5.26%	4.70%

**Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

**ALLEN COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT OPEB CONTRIBUTIONS –
KENTUCKY TEACHERS RETIREMENT SYSTEM
For the Years Ended June 30**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Contractually required contribution						
Medical Insurance	\$ 359,541	\$ 348,568	\$ 342,654	\$ 330,948	\$ 343,873	\$ 350,207
Life Insurance	-	-	-	-	-	-
Contributions in relation to the contractually required contribution						
Medical Insurance	(359,541)	(348,568)	(342,654)	(330,948)	(343,873)	(350,207)
Life Insurance	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 14,092,831	\$ 12,053,393	\$ 13,068,850	\$ 12,758,727	\$ 12,890,640	\$ 12,700,989
Contributions as a percentage of covered- employee payroll	2.55%	2.89%	2.62%	2.59%	2.67%	2.76%

**Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

SUPPLEMENTARY INFORMATION

DRAFT

**ALLEN COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2023**

	District Activity Fund	Student Activity Fund	SEEK Capital Outlay Fund	Building Fund	Total Nonmajor Governmental Funds
Assets and resources:					
Cash and cash equivalents	\$ -	\$ 411,650	\$ -	\$ 50,000	\$ 461,650
Accounts Receivable	-	-	-	1,789	1,789
Total Assets and Resources	<u><u>\$ -</u></u>	<u><u>\$ 411,650</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 51,789</u></u>	<u><u>\$ 463,439</u></u>
Liabilities and fund balance:					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Restricted - Other	-	-	-	51,789	51,789
Restricted - Purchase Obligations	-	411,650	-	-	411,650
Total fund balances	<u>-</u>	<u>411,650</u>	<u>-</u>	<u>51,789</u>	<u>463,439</u>
Total Liabilities and Fund Balances	<u><u>\$ -</u></u>	<u><u>\$ 411,650</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 51,789</u></u>	<u><u>\$ 463,439</u></u>

ALLEN COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

	District Activity Fund	Student Activity Fund	SEEK Capital Outlay Fund	Building Fund	Total Nonmajor Governmental Funds
Revenues:					
From local sources:					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ 2,139,023	\$ 2,139,023
Other	3,517	625,070	-	-	628,587
Intergovernmental-state	-	-	278,898	1,413,517	1,692,415
Total revenues	<u>3,517</u>	<u>625,070</u>	<u>278,898</u>	<u>3,552,540</u>	<u>4,460,025</u>
Expenditures:					
Instruction	-	657,165	-	-	657,165
Total expenditures	-	<u>657,165</u>	-	-	<u>657,165</u>
Excess (deficit) of revenues over expenditures	<u>3,517</u>	<u>(32,095)</u>	<u>278,898</u>	<u>3,552,540</u>	<u>3,802,860</u>
Other financing sources (uses):					
Operating transfers out	<u>(3,517)</u>	-	<u>(490,748)</u>	<u>(3,950,829)</u>	<u>(4,445,094)</u>
Total other financing sources (uses)	<u>(3,517)</u>	-	<u>(490,748)</u>	<u>(3,950,829)</u>	<u>(4,445,094)</u>
Net Changes in Fund Balances	-	(32,095)	(211,850)	(398,289)	(642,234)
Fund balance, July 1, 2022	-	443,745	211,850	450,078	1,105,673
Fund balance, June 30, 2023	<u>\$ -</u>	<u>\$ 411,650</u>	<u>\$ -</u>	<u>\$ 51,789</u>	<u>\$ 463,439</u>

**ALLEN COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES – ALLEN COUNTY
HIGH SCHOOL ACTIVITY FUNDS
For the Year Ended June 30, 2023**

	Cash Balance June 30, 2022	Receipts	Disbursements	Cash Balance June 30, 2023	Accounts Receivable	Accounts Payable	Fund Balance June 30, 2023
GENERAL FUND	\$ 41,693	\$ 47,460	\$ 31,787	\$ 57,366	\$ -	\$ -	\$ 57,366
BOYS BASKETBALL	2,644	13,042	15,271	415	-	-	415
GIRLS BASKETBALL	-	18,525	18,131	394	-	-	394
FOOTBALL	3,649	25,765	21,314	8,100	-	-	8,100
BASEBALL	445	5,242	5,687	-	-	-	-
ANNUAL	4,215	5,595	-	9,810	-	-	9,810
ACADEMIC TEAM	3	-	-	3	-	-	3
BETA	1,960	16,089	14,646	3,403	-	-	3,403
BLACK HERITAGE	723	20	-	743	-	-	743
CHEERLEADERS	587	-	-	587	-	-	587
CHORUS	666	63	292	437	-	-	437
ENGLISH	216	-	-	216	-	-	216
FACULTY CONCESSION	566	4,570	4,412	724	-	-	724
FFA	11,629	21,247	31,683	1,193	-	-	1,193
FCCLA	799	1,054	1,849	4	-	-	4
FAMILY & CONSUMER SCIENCE	-	294	201	93	-	-	93
LIBRARY	1,572	40	40	1,572	-	-	1,572
PEP CLUB	2,774	1,155	1,400	2,529	-	-	2,529
PROM	13,446	7,055	8,387	12,114	-	-	12,114
SCIENCE	1,266	-	45	1,221	-	-	1,221
SENIORS	20	-	-	20	-	-	20
SPANISH CLUB	154	1,356	1,230	280	-	-	280
SPANISH	37	-	-	37	-	-	37
STUDENT COUNCIL	2,251	-	2,251	-	-	-	-
TRACK	66	-	-	66	-	-	66
DRIVERS EDUCATION	148	-	-	148	-	-	148
CROSS COUNTRY	43	60	80	23	-	-	23
FCA	2,505	1,726	2,095	2,136	-	-	2,136
SOFTBALL	509	4,374	3,855	1,028	-	-	1,028
TENNIS	2,131	1,210	1,183	2,158	-	-	2,158
LITERARY CLUB	2,538	165	1,318	1,385	-	-	1,385
STUDENT CONCESSIONS	7,883	5,114	4,788	8,209	-	-	8,209
ART CLUB	17	3,884	2,933	968	-	-	968
PATRIOT PRIDE	1,876	-	250	1,626	-	-	1,626
VOLLEYBALL	504	6,045	6,549	-	-	-	-
ATHLETIC DIRECTOR	1,882	38	83	1,837	-	-	1,837
GUIDANCE	1,253	4,726	4,521	1,458	-	-	1,458
HISTORY CLUB	765	150	-	915	-	-	915
ASSOCIATE ATHLETICS	26	4,302	3,193	1,135	-	-	1,135
DRAMA	7,303	700	571	7,432	-	-	7,432
SCIENCE OLYMPIAD	37	-	-	37	-	-	37
FACULTY FLOWER FUND	595	52	175	472	-	-	472
SWIM	1,190	5,446	6,636	-	-	-	-
ROTC	1,114	7,104	6,907	1,311	-	-	1,311
FISHING TEAM	18	-	-	18	-	-	18
GREENHOUSE/FLORAL	14,071	12,225	12,238	14,058	-	-	14,058
AG. SHOP	7,045	3,812	4,944	5,913	-	-	5,913
MUSICAL/PERFORMING ARTS	12,071	9,955	5,153	16,873	-	-	16,873
SOCCER	-	4,615	4,615	-	-	-	-
ART DEPARTMENT	54	240	217	77	-	-	77
BOYS GOLF	1,428	2,690	4,118	-	-	-	-
GIRLS GOLF	87	600	-	687	-	-	687
ARCHERY CLUB	76	51	-	127	-	-	127
ASIAN CULTURE CLUB	13	511	132	392	-	-	392
ENVIRONMENTAL CLUB	1,596	2,666	1,118	3,144	-	-	3,144
TABLETOP GAMING SOCIETY	109	-	109	-	-	-	-
ACHS CLASS NIGHT	-	2,771	2,771	-	-	-	-
21ST CCLC	416	801	545	672	-	-	672
AUTO MECHANICS	-	11,336	4,993	6,343	-	-	6,343
DECA	-	35,256	33,955	1,301	-	-	1,301
DRAFTING	-	2,086	1,000	1,086	-	-	1,086
FBLA	-	9,176	7,804	1,372	-	-	1,372
HOSA	-	1,854	901	953	-	-	953
INDUSTRIAL MAINTENANCE	-	2,121	1,856	265	-	-	265
PATRIOT PRINTING PRESS	-	3,595	48	3,547	-	-	3,547
SKILLS USA	-	5,357	3,906	1,451	-	-	1,451
WELDING	-	3,882	1,383	2,499	-	-	2,499
PATRIOT DESIGNS	-	209	-	209	-	-	209
SWEEP LOST/DAMAGED TEXTBOOKS	-	284	284	-	-	-	-
STUDENT GOVERNMENT ASSOC.	-	11,527	8,780	2,747	-	-	2,747
DAF ATHLETICS - SWEEP	-	3,193	3,193	-	-	-	-
DAF LIBRARY - SWEEP	-	40	40	-	-	-	-
MOCK TRIAL TEAM	-	853	300	553	-	-	553
	<u>\$ 160,684</u>	<u>\$ 345,374</u>	<u>\$ 308,166</u>	<u>\$ 197,892</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 197,892</u>

(1) Included in receipts and disbursements are Inter-fund transfers in the amount of \$41,063

**ALLEN COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES – ALL SCHOOLS ACTIVITY FUNDS
For the Year Ended June 30, 2023**

	<u>Cash Balance June 30, 2022</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash Balance June 30, 2023</u>	<u>Accounts Receivable</u>	<u>Accounts Payable</u>	<u>Fund Balance June 30, 2023</u>
JAMES E BAZZELL MIDDLE SCHOOL	\$ 130,780	\$ 84,605	\$ 85,656	\$ 129,729	\$ -	\$ -	\$ 129,729
ALLEN COUNTY CAREER & TECHNICAL CENTER	35,677	-	35,677	-	-	-	-
ALLEN COUNTY INTERMEDIATE CENTER	33,176	67,391	68,185	32,382	-	-	32,382
ALLEN COUNTY PRIMARY CENTER	48,827	27,570	24,750	51,647	-	-	51,647
ALLEN COUNTY HIGH SCHOOL	160,684	345,374	308,166	197,892	-	-	197,892
ALLEN COUNTY FAMILY RESOURCE CENTER	34,601	55,907	90,508	-	-	-	-
Transfers	-	44,223	44,223	-	-	-	-
TOTAL	<u>\$ 443,745</u>	<u>\$ 625,070</u>	<u>\$ 657,165</u>	<u>\$ 411,650</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 411,650</u>

(1)
Included in receipts and disbursements are Inter-fund transfers in the amount of \$44,223

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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**ALLEN COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023**

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Passed Through to subrecipients	Federal Expenditures
<u>U.S. Department of Agriculture:</u>				
Passed-through State Department of Education:				
Child Nutrition Cluster				
School Breakfast Program	10.553	7760005-22	\$ -	\$ 156,383
School Breakfast Program	10.553	7760005-23	-	586,274
National School Lunch Program	10.555	7750002-22	-	345,921
National School Lunch Program	10.555	7750002-23	-	1,281,835
National School Lunch Program	10.555	9980000-22	-	74,035
National School Lunch Program	10.555	9980000-23	-	35,040
Summer Food Program	10.559	7690024-23	-	5,172
Summer Food Program	10.559	7740023-23	-	49,963
Total Child Nutrition Cluster			-	2,534,623
Passed-through State Department of Agriculture:				
Commodity Loans and Loan Deficiency Payment	10.051		-	198,262
Child and Adult Care	10.558	7790021-22	-	16,305
Child and Adult Care	10.558	7790021-23	-	51,129
Child and Adult Care	10.558	7800016-22	-	1,214
Child and Adult Care	10.558	7800016-23	-	3,806
State administrative expense	10.560	7700001-22	-	2,312
State administrative expense (P-EBT)	10.649	9990000-22	-	3,135
Total Other Programs			-	276,163
Total Department of Agriculture			\$ -	\$ 2,810,786
<u>United States Department of Justice</u>				
Public Safety and Community Policing	16.710	COPS Grant	\$ -	\$ 452,083
Total United States Department of Justice			\$ -	\$ 452,083
<u>U.S. Department of Education:</u>				
Passed-through State Department of Education:				
Special Education Cluster (IDEA)-Cluster				
Special Education	84.027	3810002-21	\$ -	\$ 410,875
Special Education	84.027	3810002-22	-	351,151
Special Education	84.027	4910002-21	-	98,084
Special Education Preschool	84.173	4900002-21	-	12,965
Special Education Preschool	84.173	3800002-22	-	26,081
Total Special Education Cluster			-	899,156
Title I	84.010	3100002-20	-	3,263
Title I	84.010	3100002-21	-	290,748
Title I	84.010	3100002-22	-	767,555
Career and Technical Education	84.048	3710002-21	-	4,462
Career and Technical Education	84.048	3710002-22	-	55,186
School Safety	84.184M		-	50,113
Innovative Approaches to Literacy	84.215G		-	269,559
Twenty-First Century	84.287	3400002-20	-	34,398
Twenty-First Century	84.287	3400002-21	-	99,988
Rural Education	84.358	3140002-21	-	20,983
Rural Education	84.358	3140002-22	-	65,512
Supporting Effective Instruction	84.367	3230002-21	-	3,050
Supporting Effective Instruction	84.367	3230002-22	-	164,849
State Assessments	84.368	5980001-22	-	164
Student Support and Academic	84.424	3420002-20	-	2,760
Student Support and Academic	84.424	3420002-21	-	39,727
Student Support and Academic	84.424	3420002-22	-	28,631
Total Other Programs			-	1,900,948
Total Department of Education			\$ -	\$ 2,800,104

See accompanying notes to schedule of expenditures of federal awards.

ALLEN COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS-CONCLUDED
For the Year Ended June 30, 2023

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Passed Through to subrecipients</u>	<u>Federal Expenditures</u>
<u>Education Stabilization Fund</u>				
Education Stabilization Fund	84.425D	4000002-20	-	113,417
Education Stabilization Fund	84.425	4300005-21	-	4,001
Education Stabilization Fund	84.425		-	9,625
Education Stabilization Fund	84.425U	4300002-21	-	1,323,105
Education Stabilization Fund	84.425U	4300003-21	-	66,263
Education Stabilization Fund	84.425W	4980002-21	-	8,122
Education Stabilization Fund	84.425D	4200002-21	-	1,759,641
Education Stabilization Fund	84.425C		-	129,382
Education Stabilization Fund	84.425	4200003-21	-	54,557
Total CARES ACT ESSER & GEERS			<u>\$ -</u>	<u>\$ 3,468,113</u>
<u>Department of Health and Human Services</u>				
Adolescent Health	93.079	2100001-22	\$ -	\$ 400
Adolescent Health	93.079	2100001-21	-	300
Total Department of Health and Human Services			<u>\$ -</u>	<u>\$ 700</u>
Total Federal Assistance			<u>\$ -</u>	<u>\$ 9,531,786</u>

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**ALLEN COUNTY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023**

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Allen County School District under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Allen County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of Allen County School District.

2. 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. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3. Food Distribution:

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

4. Indirect Cost Rate:

The District has elected to use indirect cost rates as defined by the grantor in the following programs:

- Child Nutrition Cluster
- Education Stabilization Fund

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

5. Subrecipients:

Of the federal expenditures presented in the schedule, Allen County School District did not provide federal awards to any subrecipients.

**ALLEN COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023**

I. SUMMARY OF AUDITORS RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified:

Internal Control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None Reported
- Noncompliance material to financial Statements noted? X Yes _____ No

Federal Awards

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

Internal Control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None Reported

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

Identification of Major Programs:

U.S. Department of Education

Passed Through Kentucky Department of Education:

Child Nutrition Cluster	
National School Breakfast Program	10.553
National School Lunch Program	10.555
Summer Food Service Program	10.559
Special Education Cluster	
Special Education	84.027
Special Education Preschool	84.173
CARES ACT ESSER & GEERS	84.425A
CARES ACT ESSER & GEERS	84.425D
CARES ACT ESSER & GEERS	84.425U
CARES ACT ESSER & GEERS	84.425W
CARES ACT ESSER & GEERS	84.425C
CARES ACT ESSER & GEERS	84.425

Dollar threshold used to distinguish Between type A and type B programs: \$750,000

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

**ALLEN COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023**

II. FINANCIAL STATEMENTS FINDINGS

Current Year Findings

2023-001 Noncompliance with Regulations - Insurance Coverage

Criteria: The Kentucky Department of Education sets forth requirements for the board of education to procure insurance coverage for all buildings and their contents for an amount equal to 100 percent of the replacement cost as shown on the schedule of values certified by the Kentucky Department of Education or as determined through a certified replacement cost appraisal.

Condition: The District did not have adequate insurance coverage to comply with the requirements set forth by the Kentucky Department of Education.

Cause: The District was unaware of proper insurance coverage requirements as prescribed by KDE.

Effect: The District was not in compliance with the insurance coverage requirements set forth by the Kentucky Department of Education.

Recommendation: We recommend that the District familiarize themselves with the insurance coverage requirements and contact their insurance provider to amend the policy to comply with replacement costs shown on the schedule of values certified by KDE.

Response: The District recognizes that there has been insufficient coverage in the past. At the end of the fiscal year under audit, the District advertised for bids and selected a new insurance provider and is in compliance with insurance coverage requirements beginning with fiscal year 2023-2024.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Current Year Findings

A. None Reported.

**ALLEN COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2023**

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

II. FINANCIAL STATEMENTS FINDINGS

Prior Year Findings

A. None Reported.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Prior Year Findings

A. None Reported.

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

Members of the Board of Education
Allen County School District
Scottsville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Kentucky Public School Districts' Audit Contract and Requirements*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Allen County School District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Allen County School District's basic financial statements, and have issued our report thereon dated December 15, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Allen County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 noncompliance of a specific state statute or regulation identified in the Independent Auditor's Contract, 2023-001.

We noted other matters that we reported to management of Allen County School District in a separate letter dated December 15, 2023.

Allen County Board of Education's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Allen County School District's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Allen County School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Campbell, Myers & Rutledge, PLLC

Glasgow, Kentucky
December 15, 2023

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

Members of the Board of Education
Allen County School District
Scottsville, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Allen County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Allen County School District's major federal programs for the year ended June 30, 2023. Allen 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, Allen 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, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Report on Internal Control over Compliance

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

Campbell, Myers & Rutledge, PLLC

Glasgow, Kentucky
December 15, 2023

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