

**HENDERSON COUNTY
SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES**

For the year ended June 30, 2024

Prepared by:

WHITE & ASSOCIATES, PSC
CERTIFIED PUBLIC ACCOUNTANTS
1407 Lexington Road
Richmond, Kentucky 40475
Phone (859) 624-3926 Fax (859) 625-0227

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	1-3
MANAGEMENT DISCUSSION AND ANALYSIS	4-9
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position.....	10
Statement of Activities.....	11
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	12
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	15
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - General Fund	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Special Revenue Fund.....	17
Statement of Net Position – Proprietary Funds.....	18
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds.....	19
Statement of Cash Flows – Proprietary Funds.....	20
Notes to the Financial Statements.....	21-57
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of the District’s Proportionate Share of the Net Pension Liability – CERS and TRS.....	58
Schedule of Contributions – CERS and TRS.....	59
Notes to Required Supplementary Information – PENSIONS.....	60-61
Schedule of the District’s Proportionate Share of the Net OPEB Liability – Medical and Life Insurance Plans – Teachers’ Retirement System.....	62
Schedule of Contributions – Medical and Life Insurance Plans – Teachers’ Retirement System	63

Schedule of the District’s Proportionate Share of the Net OPEB Liability – Health Insurance Plan – County Employee Retirement System.....	64
Schedule of Contributions – Health Insurance Plan – County Employee Retirement System	65
Notes to Required Supplementary Information – OPEB.....	66-68

SUPPLEMENTARY INFORMATION

Combining Statements – Nonmajor Funds and Other:

Combining Balance Sheet – Nonmajor Governmental Funds	69
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	70
Combining Balance Sheet of Fiduciary Fund – School Activity Funds..	71-72
Combining Statement of Revenues, Expenses, and Changes in Fund Balance – School Activity Funds.....	73-74
Statement of Revenues, Expenses, and Changes in Fund Balance – Henderson Central High School.....	75-76
Schedule of Expenditures of Federal Awards.....	77-78
Notes to the Schedule of Expenditures of Federal Awards.....	79

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*.....

80-81

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

82-84

SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....

85-87

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS.....

88

CORRECTIVE ACTION PLAN.....

89-90

MANAGEMENT LETTER POINTS.....

91-92

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Henderson County School District
Henderson, Kentucky

And the State Committee for School District Audits

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Correction of a Material Misstatement in Prior Period Financial Statements

As discussed in Note Q to the financial statements, a material prior period adjustment was made to the governmental activities net position to correct an error in the prior period financial statements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation

and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Schedules of the District's Proportionate Share of the Net Pension and OPEB Liability and Schedule of Contributions for CERS and TRS and Medical and Life and Health Insurance Plans comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

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

White & Associates, PSC

Richmond, Kentucky
November 15, 2024

**HENDERSON COUNTY SCHOOL DISTRICT-HENDERSON, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2024**

As management of the Henderson County School District, (District), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2024. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- Finished the year with a General Fund balance of \$37.47 million, an increase of 4.73 million from the prior year.
- Excluding other financing sources and uses, the General Fund generated \$74,688,188 in revenue which primarily consisted of SEEK program funding, property, utility and motor vehicle taxes. There were \$70,194,085 expenditures in General Fund.
- The District continues to invest heavily in the facilities of the system. Construction started on a \$4.3 million project at the Career Technical Education unit of Henderson County High School, a \$17.6 million major renovation at East Heights Elementary, and various other district wide improvements.
- The District’s bonding potential at June 30, 2024 is approximately \$56 million.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Henderson County School 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 assets. 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

**HENDERSON COUNTY SCHOOL DISTRICT-HENDERSON, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2024**

maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

Refer to the table of contents to find the government-wide financial statements.

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 the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the district are included in the governmental funds.

Refer to the table of contents to find the basic governmental fund financial statements.

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. To find the notes to the financial statements please refer to the table of contents.

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, the net position was \$48,665,822 as of June 30, 2024.

The largest portion of the District’s net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress); less any related debt used to acquire those assets that 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.

The District’s net position as of June 30, 2024 and the change in net position is illustrated below.

**HENDERSON COUNTY SCHOOL DISTRICT-HENDERSON, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2024**

**Table 1
Net Position
\$ (in Millions)**

	Governmental Activities		Business-type Activities		Totals	
	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>
Current assets	\$ 49.93	\$ 53.57	\$ 8.59	\$ 8.70	\$ 58.52	\$ 62.27
Non-current assets	74.81	78.78	1.40	1.60	76.21	80.38
Total assets	124.74	132.35	9.99	10.30	134.73	142.65
Deferred outflows	16.90	16.69	0.32	0.44	17.22	17.13
Current liabilities	9.30	7.63	0.43	0.16	9.73	7.79
Non-current liabilities	95.91	76.98	2.09	1.12	98.00	78.10
Total liabilities	105.21	84.61	2.52	1.28	107.73	85.89
Deferred inflows	11.81	24.46	0.25	0.76	12.06	25.22
Net position:						
Invested in capital assets, net of debt	27.04	33.51	1.40	1.60	28.44	35.11
Restricted	12.14	11.81	-	7.10	12.14	18.91
Unrestricted (deficit)	(14.55)	(5.35)	6.14	-	(8.41)	(5.35)
Total net position	\$ 24.63	\$ 39.97	\$ 7.54	\$ 8.70	\$ 32.17	\$ 48.67

**Changes in Net Position
(in millions)**

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2023-2024
	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	
Revenues:							
Charges for services	\$ 0.09	\$ 2.40	\$ 0.85	\$ 1.00	\$ 0.94	\$ 3.40	262%
Operating grants and contributions	17.59	42.61	7.13	6.43	24.72	49.04	98%
General revenues and transfers	87.92	59.08	(0.25)	0.02	87.67	59.10	-33%
Total revenue	105.60	104.09	7.73	7.45	113.33	111.54	-2%
Expenses:							
Instruction	\$ 60.17	\$ 55.85	\$ -	\$ -	\$ 60.17	\$ 55.85	-7%
Student	4.88	4.64	-	-	4.88	4.64	-5%
Instructional staff	3.36	3.32	-	-	3.36	3.32	-1%
District administration	1.16	1.47	-	-	1.16	1.47	27%
School administration	5.18	5.51	-	-	5.18	5.51	6%
Business	3.28	2.64	-	-	3.28	2.64	-20%
Plant operation & maintenance	5.52	7.12	-	-	5.52	7.12	29%
Student transportation	4.24	4.19	-	-	4.24	4.19	-1%
Community services operations	1.28	1.41	-	-	1.28	1.41	10%
Building Improvements	-	0.01	-	-	-	0.01	0%
Food Service Operations	-	-	6.92	6.12	6.92	6.12	-12%
Day care operations	0.49	0.44	0.24	0.02	0.73	0.46	-38%
Depreciation/Amortization	3.04	3.00	-	0.16	3.04	3.16	4%
Other non-instructional	0.06	0.05	-	-	0.06	0.05	-15%
Interest on long-term debt	1.34	1.01	-	-	1.34	1.20	-10%
Total Expenses	\$ 94.00	\$ 90.66	\$ 7.16	\$ 6.30	\$ 101.16	\$ 96.96	-4%
Change in net position	\$ 11.60	\$ 13.43	\$ 0.57	\$ 1.15	\$ 12.17	\$ 14.58	20%

**HENDERSON COUNTY SCHOOL DISTRICT-HENDERSON, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2024**

CAPITAL ASSETS

At the end of fiscal year 2024, the District had \$79,941,432 invested in capital assets (Net of Depreciation), including land, buildings, buses, computers and other equipment. This amount represents an increase (including additions and deductions) of \$1,501,396 from the prior year.

	Capital Assets at Year-End \$ (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Totals	
	2023	2024	2023	2024	2023	2024
Land	\$ 989,487	\$ 989,487	\$ -	\$ -	\$ 989,487	\$ 989,487
Land Improvements	272,851	206,459	-	-	272,851	206,459
Buildings	43,193,321	45,113,366	11,404	9,503	43,204,725	45,122,869
Food Service Equipment	-	-	1,373,214	1,575,555	1,373,214	1,575,555
Technology Equipment	579,577	1,166,367	14,857	10,904	594,434	1,177,271
Machinery & Equipment	2,356,828	2,287,280	-	-	2,356,828	2,287,280
General Equipment	533,429	618,292	-	-	533,429	618,292
Construction in Progress	28,912,726	27,964,218	-	-	28,912,726	27,964,218
Totals	\$ 76,838,219	\$ 78,345,471	\$ 1,399,475	\$ 1,595,961	\$ 78,237,694	\$ 79,941,432

DEBT

The following is an analysis of debt in comparison to the prior year:

	Table 4 Outstanding Debt at Year-End	
	Government Activities	
	2023	2024
General obligation bonds	47,769,774	44,629,504
Total Obligations	\$ 47,769,774	\$ 44,629,504

THE DISTRICT’S FUNDS

As the District completed the year, the General Fund reflected a fund balance of \$37,472,934, an increase of \$4,735,891 from the prior year’s fund balance of \$32,737,043. The unassigned portion of the fund balance as of June 30, 2024 is \$31,736,644.

The following table presents a summary of revenues and expenses for the District for the fiscal year ended June 30, 2024:

**HENDERSON COUNTY SCHOOL DISTRICT-HENDERSON, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2024**

*Note This chart does not include beginning balances.

	Fund 1	Fund 2	Fund 310	Fund 320	Fund 360	Fund 400	Fund 51
REVENUES							
Local Revenue Sources	\$ 28,672,796	\$ 84,036		\$ 3,724,260	\$ -	\$ -	\$ 132,908
State Revenue Sources	45,387,274	4,393,269	608,175	2,454,800	-	673,668	442,225
Federal Revenue Sources	628,118	11,069,851	35,420	99,938	-	-	5,960,020
Other	30,302	-	-	-	-	-	332,658
Transfers	334,434	122,948	-	-	467,614	3,671,285	-
TOTALS	\$ 75,052,924	\$ 15,670,104	\$ 643,595	\$ 6,278,998	\$ 467,614	\$ 4,344,953	\$ 6,867,811
EXPENDITURES							
Instruction	\$ 41,768,028	\$ 12,756,369	\$ -	\$ -	\$ -	\$ -	\$ -
Student Support Services	4,575,692	50,297	-	-	-	-	-
Instructional Staff Support Services	2,355,616	897,859	-	-	-	-	-
District Admin Support	1,473,107	-	-	-	-	-	-
School Admin Support	5,406,378	106,133	-	-	-	-	-
Business Support Services	2,644,605	-	-	-	-	-	-
Plant Operation & Management	7,706,386	-	-	-	-	-	-
Student Transportation	4,180,508	549	-	-	-	-	-
Food Service Operations	-	-	-	-	-	-	6,123,403
Day Care Operations	60	442,276	-	-	-	-	-
Community Services	-	1,414,910	-	-	-	-	-
Building Acquisition	-	-	-	-	3,004,160	-	-
Building Improvements	9,561	-	-	-	-	-	-
Debt Service	74,144	-	-	-	-	4,344,953	-
Depreciation	-	-	-	-	-	-	160,401
Other	-	-	-	3,787,058	-	-	-
Transfers	122,948	1,711	-	-	351,841	-	332,723
TOTALS	\$ 70,317,033	\$ 15,670,104	\$ -	\$ 3,787,058	\$ 3,356,001	\$ 4,344,953	\$ 6,616,527
Excess / (Deficit)	4,735,891	-	643,595	2,491,940	(2,888,387)	-	251,284

BUDGETARY IMPLICATIONS

In Kentucky, the public-school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district’s overall budget. By law the budget must have a minimum 2.0% contingency in the Tentative Final Working budget. While it is not mandatory in the Final Working budget, the Kentucky Department of Education places district’s with less than a 2% reserve on a financial watch list. The district maintained a budgeted general fund contingency of \$14.6 million.

**HENDERSON COUNTY SCHOOL DISTRICT-HENDERSON, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2024**

Henderson County School District’s overall financial status remains in a safe financial position. The District is financially stable, but at risk due to continued, inadequate state funding. The district relies on federal and state funds for the operation of various programs.

The following factors may affect the District’s financial position in the upcoming fiscal year:

- Tax rates for 2024-25 were set at 67.4 for real estate and personal property, a slight decrease from the 2023-24 rates of 67.6 for real estate and personal property. The rates adopted are the maximum rates (4% increase with exonerations) allowed without being subject to recall due to an increase in property assessments. Property assessments are expected to continue to rise. This limits the District’s ability to generate additional tax revenue. The SEEK formula has a negative effect on districts that incur significant growth in assessment which causes our taxpayers to continue to bear more of the cost for public education in the District each year.
- The District has a growing population of English learners. State funding falls significantly short in funding the actual expenditures to support their learning.
- Enrollment declined significantly due to transfers and home schooling as a result of COVID-19. Enrollment has improved slightly but still has not returned to normal levels prior to the pandemic.

With careful planning, gains in efficiencies, and monitoring of the District finances, Henderson County Public School’s goal is to continue to provide a quality education for our students and a secure financial future for the District.

Questions or comments regarding this report should be directed to the Superintendent of Schools, Dr. Bob Lawson, or the Chief Finance Officer/Board Treasurer, Cindy Cloutier, at (270) 831-8731 or by mail at 1805 Second Street Henderson, KY 42420

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

	Primary Government		
	Governmental Activities	Business- type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 49,949,765	\$ 8,580,585	\$ 58,530,350
Receivables, net	3,623,754		3,623,754
Inventories		95,142	95,142
Funded OPEB asset	490,747	24,078	514,825
Capital assets:			
Land and construction in progress	28,897,392		28,897,392
Other capital assets, net of depreciation	49,391,766	1,595,961	50,987,727
Total capital assets	78,289,158	1,595,961	79,885,119
Total assets	132,353,424	10,295,766	142,649,190
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	6,198,177	304,100	6,502,277
Deferred outflows related to OPEB CERS	2,675,743	131,279	2,807,022
Deferred outflows related to OPEB TRS	7,815,421		7,815,421
Total deferred outflows of resources	16,689,341	435,379	17,124,720
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	149,042,765	10,731,145	159,773,910
LIABILITIES			
Accrued interest payable	183,304		183,304
Accounts payable	1,198,894	157,337	1,356,231
Payroll taxes payable	236,482		236,482
Unearned revenue	2,704,531		2,704,531
Long-term liabilities:			
Due within 1 year:			
Bond obligations	3,160,000		3,160,000
Sick leave liability	150,280		150,280
Total due within 1 year	3,310,280	-	3,310,280
Due in more than 1 year:			
Bond obligations	41,469,504		41,469,504
Sick leave liability	709,033		709,033
Net pension liability	22,807,822	1,119,017	23,926,839
Net OPEB liability TRS	11,995,000		11,995,000
Total due in more than 1 year	76,981,359	1,119,017	78,100,376
Total liabilities	84,614,850	1,276,354	85,891,204
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	6,146,999	301,589	6,448,588
Deferred inflows related to OPEB CERS	9,252,714	453,965	9,706,679
Deferred inflows related to OPEB TRS	9,032,000		9,032,000
Deferred gain on refunding of bonds	29,617		29,617
Total deferred inflows of resources	24,461,330	755,554	25,216,884
NET POSITION			
Net Investment in capital assets	33,509,374	1,595,961	35,105,335
Restricted for:			
Capital projects	10,632,653		10,632,653
Day care		2,268,596	2,268,596
District activity	11,584		11,584
School activity	1,166,161		1,166,161
Food services		4,834,680	4,834,680
Unrestricted (deficit)	(5,353,187)		(5,353,187)
Total net position	39,966,585	8,699,237	48,665,822
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 149,042,765	\$ 10,731,145	\$ 159,773,910

See the accompanying notes to the financial statements.

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
Instruction	\$ 55,849,534	\$ 74,563	\$ 42,610,676	\$ -	\$ (13,164,295)	\$ -	\$ (13,164,295)
Support services							
Student	4,639,708	2,268,522			(2,371,186)		(2,371,186)
Instructional staff	3,316,025				(3,316,025)		(3,316,025)
District administration	1,473,107				(1,473,107)		(1,473,107)
School administration	5,512,511				(5,512,511)		(5,512,511)
Business	2,644,605				(2,644,605)		(2,644,605)
Other non-instructional	50,700				(50,700)		(50,700)
Plant operation & maintenance	7,122,550	35,239			(7,087,311)		(7,087,311)
Student transportation	4,194,282	24,817			(4,169,465)		(4,169,465)
Day care operations	442,336				(442,336)		(442,336)
Community services operations	1,414,910				(1,414,910)		(1,414,910)
Building improvements	9,560				(9,560)		(9,560)
Interest on long-term debt	1,002,430				(1,002,430)		(1,002,430)
Depreciation*	2,988,612				(2,988,612)		(2,988,612)
Total governmental activities	90,660,870	2,403,141	42,610,676	-	(45,647,053)		(45,647,053)
Business-type activities:							
Food service operations	6,123,403	110,101	6,402,245			388,943	388,943
Day care	16,985	887,768	34,054			904,837	904,837
Depreciation*	162,302					(162,302)	(162,302)
Total business-type activities	6,302,690	997,869	6,436,299	-	-	1,131,478	1,131,478
Total primary government	\$ 96,963,560	\$ 3,401,010	\$ 49,046,975	\$ -	(45,647,053)	1,131,478	(44,515,575)
General revenues:							
Taxes:							
Property taxes					19,933,692		19,933,692
Motor vehicle taxes					3,069,339		3,069,339
Unmined mineral					417,037		417,037
Utility taxes					4,215,964		4,215,964
Franchise					1,347,868		1,347,868
In lieu					183,361		183,361
State and formula grants					26,165,754		26,165,754
Unrestricted investment earnings					2,614,813	332,658	2,947,471
Other local revenue					801,268	22,807	824,075
Transfers					332,723	(332,723)	-
Total general revenues and transfers					59,081,819	22,742	59,104,561
Change in net position					13,434,766	1,154,220	14,588,986
Net position - beginning					24,626,139	7,545,017	32,171,156
Prior period adjustment					1,905,680		1,905,680
Restated net position - beginning					26,531,819	7,545,017	34,076,836
Net position - ending					\$ 39,966,585	\$ 8,699,237	\$ 48,665,822

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

See the accompanying notes to the financial statements.

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

Governmental Funds

		General	Special Revenue	Construction	Debt Service	Other Governmental Funds	Total
ASSETS							
Cash and cash equivalents	\$	37,089,511	\$ 1,006,795	\$ 6,597,255	\$ -	\$ 5,256,204	\$ 49,949,765
Receivables							
Taxes		1,013,967					1,013,967
Accounts		34,837				38	34,875
Intergovernmental-federal			2,574,912				2,574,912
Total assets		<u>38,138,315</u>	<u>3,581,707</u>	<u>6,597,255</u>	<u>-</u>	<u>5,256,242</u>	<u>53,573,519</u>
LIABILITIES							
Accounts payable		278,619	877,176	41,151		1,948	1,198,894
Sick leave		150,280					150,280
Accrued salaries & benefits payable		236,482					236,482
Unearned revenue			2,704,531				2,704,531
Total liabilities		<u>665,381</u>	<u>3,581,707</u>	<u>41,151</u>	<u>-</u>	<u>1,948</u>	<u>4,290,187</u>
FUND BALANCE							
Restricted				6,556,104		5,254,294	11,810,398
Committed		709,033					709,033
Assigned		5,027,257					5,027,257
Unassigned		31,736,644					31,736,644
Total fund balance		<u>37,472,934</u>	<u>-</u>	<u>6,556,104</u>	<u>-</u>	<u>5,254,294</u>	<u>49,283,332</u>
TOTAL LIABILITIES AND FUND BALANCE	\$	<u>38,138,315</u>	\$ <u>3,581,707</u>	\$ <u>6,597,255</u>	\$ <u>-</u>	\$ <u>5,256,242</u>	\$ <u>53,573,519</u>

See the accompanying notes to the financial statements.

Henderson County School District
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
June 30, 2024

Fund balance-total governmental funds	\$	49,283,332
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
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.		78,289,158
Certain assets (OPEB asset) are not receivable in the current period and, therefore, are not reported in the fund financial statements.		490,747
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, accrued interest payable, other accounts payable, and net pension obligations) are not due and payable in the current period and, therefore, are not reported in the funds		
Accrued interest payable		(183,304)
Bond obligations		(44,629,504)
Sick leave liability		(709,033)
Net pension liability		(22,807,822)
Net OPEB liability		(11,995,000)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		
Deferred revenue on refunding bonds		(29,617)
Deferred outflows related to pensions		6,198,177
Deferred outflows related to OPEB		10,491,164
Deferred inflows related to pensions		(6,146,999)
Deferred inflows related to OPEB		(18,284,714)
		(18,284,714)
Net position of governmental activities	\$	39,966,585

See the accompanying notes to the financial statements.

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

	<u>General</u>	<u>Special Revenue</u>	<u>Construction</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
From local sources						
Taxes						
Property	\$ 16,209,432	\$ -	\$ -	\$ -	\$ 3,724,260	\$ 19,933,692
Motor vehicle	3,069,339					3,069,339
Unmined minerals	417,037					417,037
Franchise	1,347,868					1,347,868
Utilities	4,215,964					4,215,964
In lieu	183,361					183,361
Tuition	74,563					74,563
Transportation	24,817					24,817
Earnings on investments	2,416,914				197,899	2,614,813
Student activities	87,728				2,180,794	2,268,522
Other local revenue	625,773	84,036			91,459	801,268
Intergovernmental - state	45,387,274	4,393,269		673,668	3,062,975	53,517,186
Intergovernmental - federal	628,118	11,069,851				11,697,969
Total revenues	<u>74,688,188</u>	<u>15,547,156</u>	<u>-</u>	<u>673,668</u>	<u>9,257,387</u>	<u>100,166,399</u>
EXPENDITURES						
Instruction	41,768,028	12,756,369			2,149,776	56,674,173
Support services						
Student	4,575,692	50,297			13,719	4,639,708
Instructional staff	2,355,616	897,859			62,550	3,316,025
District administration	1,473,107					1,473,107
School administration	5,406,378	106,133				5,512,511
Business	2,644,605					2,644,605
Other					50,700	50,700
Plant operation & maintenance	7,706,386					7,706,386
Student transportation	4,180,508	549			13,225	4,194,282
Day care	60	442,276				442,336
Community services		1,414,910				1,414,910
Building acquisition & construction			3,004,160			3,004,160
Building improvements	9,561					9,561
Debt service	74,144			4,344,953		4,419,097
Total expenditures	<u>70,194,085</u>	<u>15,668,393</u>	<u>3,004,160</u>	<u>4,344,953</u>	<u>2,289,970</u>	<u>95,501,561</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,494,103	(121,237)	(3,004,160)	(3,671,285)	6,967,417	4,664,838
OTHER FINANCING SOURCES (USES)						
Sale of assets	30,302					30,302
Operating transfers in	334,434	122,948	467,614	3,671,285	23,340	4,619,621
Operating transfers (out)	(122,948)	(1,711)	(351,841)		(3,810,398)	(4,286,898)
Total other financing sources and (uses)	<u>241,788</u>	<u>121,237</u>	<u>115,773</u>	<u>3,671,285</u>	<u>(3,787,058)</u>	<u>363,025</u>
NET CHANGE IN FUND BALANCE	4,735,891	-	(2,888,387)	-	3,180,359	5,027,863
FUND BALANCE, BEGINNING	<u>32,737,043</u>	<u>-</u>	<u>9,444,491</u>	<u>-</u>	<u>2,073,935</u>	<u>44,255,469</u>
FUND BALANCE, ENDING	<u>\$ 37,472,934</u>	<u>\$ -</u>	<u>\$ 6,556,104</u>	<u>\$ -</u>	<u>\$ 5,254,294</u>	<u>\$ 49,283,332</u>

See the accompanying notes to the financial statements.

Henderson County School District
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to
the Statement of Activities**
Year ended June 30, 2024

Net change in fund balance-total governmental funds	\$	5,027,863
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report district OPEB and pension contributions as expenditures. However in the Statement of Activities, the cost of the benefits earned net of employee contributions is reported as pension expense or revenue.</p>		
District OPEB contributions less costs of benefits earned net employee contributions		3,561,275
<p>Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.</p>		1,507,251
<p>The difference in the issue amount of the refunding of bond proceeds and the amount for payment to the escrow account to pay the refunded bonds is amortized over the life of the refunding issue.</p>		4,937
<p>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.</p>		3,230,000
<p>Bond discount/premium are other financing use/revenue when District bonds are sold in the fund financial statements. In the government wide financial statements the discount/premium are netted in the debt and amortized over the life of the bond.</p>		(22,912)
<p>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.</p>		
Accrued interest payable		209,579
Sick leave liability		(83,227)
		209,579
		(83,227)
Change in net position of governmental activities	\$	<u>13,434,766</u>

See the accompanying notes to the financial statements.

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local Sources				
Property taxes	\$ 14,966,152.00	\$ 14,966,152	\$ 16,209,432.00	\$ 1,243,280
Motor vehicle	2,500,000.00	2,500,000	3,069,339.00	569,339
Unmined minerals			417,037.00	417,037
Franchise	950,000	950,000	1,347,868.00	397,868
Utilities	3,950,000	3,950,000	4,215,964.00	265,964
In lieu	108,000	108,000	183,361.00	75,361
Tuition	40,000	40,000	74,563.00	34,563
Transportation			24,817.00	24,817
Earnings on investments	500,000	500,000	2,416,914.00	1,916,914
Student activities	50,000	50,000	87,728.00	37,728
Other local revenue	125,000	125,000	625,773.00	500,773
Intergovernmental - state	48,851,098	48,851,098	45,387,274.00	(3,463,824)
Intergovernmental - federal	300,000	300,000	628,118.00	328,118
Total revenues	<u>72,340,250</u>	<u>72,340,250</u>	<u>74,688,188</u>	<u>2,347,938</u>
EXPENDITURES				
Instruction	53,034,491	53,075,983	41,768,028	11,307,955
Support services				
Student	5,102,572	5,102,857	4,575,692	527,165
Instructional staff	2,691,305	2,687,637	2,355,616	332,021
District administration	1,287,973	1,287,973	1,473,107	(185,134)
School administration	5,615,673	5,696,425	5,406,378	290,047
Business	3,611,535	3,611,535	2,644,605	966,930
Plant operation & maintenance	8,561,537	8,559,333	7,706,386	852,947
Student transportation	4,903,791	4,889,839	4,180,508	709,331
Day care			60	(60)
Building improvements			9,561	(9,561)
Debt service	70,044	70,044	74,144	(4,100)
Total expenditures	<u>84,878,921</u>	<u>84,981,626</u>	<u>70,194,085</u>	<u>14,787,541</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(12,538,671)	(12,641,376)	4,494,103	17,135,479
OTHER FINANCING SOURCES (USES)				
Sale of capital assets			30,302	30,302
Operating transfers in	291,148	290,651	334,434	43,783
Operating transfers (out)	(160,000)	(122,948)	(122,948)	-
Total other financing sources and (uses)	<u>131,148</u>	<u>167,703</u>	<u>241,788</u>	<u>74,085</u>
NET CHANGE IN FUND BALANCE	(12,407,523)	(12,473,673)	4,735,891	17,209,564
FUND BALANCE, BEGINNING	<u>27,111,237</u>	<u>27,111,238</u>	<u>32,737,043</u>	<u>5,625,805</u>
FUND BALANCE, ENDING	<u>\$ 14,703,714</u>	<u>\$ 14,637,565</u>	<u>\$ 37,472,934</u>	<u>\$ 22,835,369</u>

See the accompanying notes to the financial statements.

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Other local revenue	\$ 14,825	\$ 71,469	\$ 84,036	\$ 12,567
Intergovernmental - state	3,737,616	4,054,293	4,393,269	338,976
Intergovernmental - federal	4,949,814	5,751,576	11,069,851	5,318,275
Total revenues	<u>8,702,255</u>	<u>9,877,338</u>	<u>15,547,156</u>	<u>5,669,818</u>
EXPENDITURES				
Instruction	7,392,897	6,994,435	12,756,369	(5,761,934)
Support services				
Student		93,533	50,297	43,236
Instructional staff	266,825	827,158	897,859	(70,701)
School administration		104,764	106,133	(1,369)
Day care operations		145,225	442,276	(297,051)
Student transportation		-	549	(549)
Community services operations	1,200,324	1,833,460	1,414,910	418,550
Total expenditures	<u>8,860,046</u>	<u>9,998,575</u>	<u>15,668,393</u>	<u>(5,669,818)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(157,791)	(121,237)	(121,237)	-
OTHER FINANCING SOURCES (USES)				
Operating transfers in	160,000	122,948	122,948	-
Operating transfers (out)	(2,209)	(1,711)	(1,711)	-
Total other financing sources and (uses)	<u>157,791</u>	<u>121,237</u>	<u>121,237</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE, BEGINNING	-	-	-	-
FUND BALANCE, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying notes to the financial statements.

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

	Enterprise Funds		
	School Food Services	Other Proprietary Fund	Total
ASSETS			
Cash and cash equivalents	\$ 6,201,930	\$ 2,378,655	\$ 8,580,585
Inventories	95,142		95,142
Funded OPEB asset	22,231	1,847	24,078
Capital assets:			
Other capital assets, net of depreciation	1,586,458	9,503	1,595,961
Total assets	7,905,761	2,390,005	10,295,766
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	280,778	23,322	304,100
Deferred outflows related to OPEB	121,211	10,068	131,279
Total deferred outflows of resources	401,989	33,390	435,379
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	8,307,750	2,423,395	10,731,145
LIABILITIES			
Accounts payable	155,808	1,529	157,337
Net pension liability	1,033,196	85,821	1,119,017
Total liabilities	1,189,004	87,350	1,276,354
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	278,459	23,130	301,589
Deferred inflows related to OPEB	419,149	34,816	453,965
Total deferred inflows of resources	697,608	57,946	755,554
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	1,886,612	145,296	2,031,908
NET POSITION			
Net investment in capital assets	1,586,458	9,503	1,595,961
Restricted	4,834,680	2,268,596	7,103,276
Total net position	6,421,138	2,278,099	8,699,237
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 8,307,750	\$ 2,423,395	\$ 10,731,145

See the accompanying notes to the financial statements.

Henderson County School District
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the year ended June 30, 2024

	Enterprise Funds		
	School Food Services	Other Proprietary Fund	Total
OPERATING REVENUES			
Lunchroom sales	\$ 110,101	\$ -	\$ 110,101
Other local revenue	22,807		22,807
Child care revenue		887,768	887,768
Total operating revenues	132,908	887,768	1,020,676
OPERATING EXPENSES			
Food service operations			
Salaries and benefits	2,063,435		2,063,435
Operational	4,059,968		4,059,968
Day care operations			
Operational		16,985	16,985
Depreciation	160,401	1,901	162,302
Total operating expenses	6,283,804	18,886	6,302,690
Operating income (loss)	(6,150,896)	868,882	(5,282,014)
NONOPERATING REVENUES (EXPENSES)			
Federal grants	5,960,020		5,960,020
State grants	442,225	34,054	476,279
Transfers in (out)	(332,723)		(332,723)
Earnings from investments	332,658		332,658
Total nonoperating revenues (expenses)	6,402,180	34,054	6,436,234
CHANGE IN NET POSITION	251,284	902,936	1,154,220
NET POSITION-BEGINNING	6,169,854	1,375,163	7,545,017
NET POSITION-ENDING	\$ 6,421,138	\$ 2,278,099	\$ 8,699,237

See the accompanying notes to the financial statements.

Henderson County School District
Statement of Cash Flows Proprietary Fund
For the year ended June 30, 2024

	Enterprise Funds		
	School Food Services	Other Proprietary Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 132,908	\$ 887,768	\$ 1,020,676
Payments to suppliers	(4,594,979)	(253,842)	(4,848,821)
Payments to employees	(2,063,435)	-	(2,063,435)
Net cash provided (used) by operating activities	<u>(6,525,506)</u>	<u>633,926</u>	<u>(5,891,580)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating grants and contributions	6,402,245	34,054	6,436,299
Net cash provided (used) by noncapital financing activities	<u>6,402,245</u>	<u>34,054</u>	<u>6,436,299</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Transfers in (out)	(332,723)	-	(332,723)
Purchase of capital assets	(358,788)	-	(358,788)
Net cash provided (used) by capital and related financing activities	<u>(691,511)</u>	<u>-</u>	<u>(691,511)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest	332,658	-	332,658
Net cash provided (used) by investing activities	<u>332,658</u>	<u>-</u>	<u>332,658</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(482,114)	667,980	185,866
CASH AND CASH EQUIVALENTS-BEGINNING	<u>6,684,044</u>	<u>1,710,675</u>	<u>8,394,719</u>
CASH AND CASH EQUIVALENTS-ENDING	<u>\$ 6,201,930</u>	<u>\$ 2,378,655</u>	<u>\$ 8,580,585</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (6,150,896)	\$ 868,882	\$ (5,282,014)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	160,401	1,901	162,302
Changes in assets and liabilities:			
Receivables	83,809		83,809
Inventories	21,082		21,082
Funded OPEB asset	(22,231)	(1,847)	(24,078)
Outflow Deferrals	(147,457)	31,887	(115,570)
Inflow Deferrals	479,768	26,255	506,023
Net pension liability	(364,153)	(209,940)	(574,093)
Net OPEB liability	(319,364)	(82,020)	(401,384)
Accrued liabilities	(266,465)	(1,192)	(267,657)
Net cash provided provided (used) by operating activities	<u>\$ (6,525,506)</u>	<u>\$ 633,926</u>	<u>\$ (5,891,580)</u>

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the district received \$482,429 of food commodities from the U.S. Department of Agriculture.

During the year, the district recognized revenues and expenses for on-behalf payments relating to fringe benefits in the amount of \$402,911 for food services, and \$34,054 for day care, provided by state government.

See the accompanying notes to the financial statements.

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Henderson County Board of Education (“Board”), a five-member group, is the level of government, which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Henderson County Board of Education (“District”). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100-Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds relevant to the operation of the Henderson County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc.

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

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

Blended Component Unit

The Board authorized establishment of the Henderson County Board of Education Finance Corporation a non-stock, non-profit corporation pursuant to Section 162.385 of the School Bond Act and Chapter 273 and Section 58.180 of the Kentucky Revised Statutes (the “Corporation”) to act as an agency of the District for financing the costs of school building facilities. The Board of Directors of the Corporation shall be the same persons who are at any time the members of the Board of Education of the Henderson County Board of Education.

Basis of Presentation

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

The District has the following funds:

I. Governmental Fund Types

(A) General Fund

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

(B) Special Revenue (Grant) Fund

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

(C) Special Revenue (District Activity) Fund

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

(D) Special Revenue (Student Activity) Fund

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

(E) Capital Project Funds

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

SEEK Capital Outlay Fund

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

Building (FSPK) Fund

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

Construction Fund

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

(F) Debt Service Fund

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

II. Proprietary Funds (Enterprise Funds)

(A) Food Service Fund

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(B) Day Care Fund

The Day Care Fund is used to account for child care activities.

The District applies all GASB pronouncements to proprietary funds.

Basis of Accounting

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Cash and Cash Equivalents

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

Inventories

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

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2024, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and expenditure/expense is reported in the year in which services are consumed.

Capital Assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Right-of-Use Assets, Finance Purchases, Subscription-Based Information Technology Arrangements

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

Accrued Liabilities and Long-Term Obligations

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

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

Accumulated Unpaid Sick Leave Benefits

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

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

Fund Balances

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Net Position

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

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2024, to finance the General Fund operations were \$.676 per \$100 valuation of real property, \$.676 per \$100 valuation for tangible personal property and \$.548 per \$100 valuation for motor vehicles.

Operating and Non-Operating Revenues and Expenses

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

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

In-Kind

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

Contributions of Capital

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Interfund Receivables/Payables

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

Interfund Transfers

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

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Other Postemployment Benefits (OPEB)

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Teachers’ Retirement System of the State of Kentucky (TRS), and the County Retirement System of Kentucky (CERS), and additions to/deductions from TRS’s/CERS’s fiduciary net position have been determined on the same basis as they are reported by TRS/CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Bond and Related Premiums, Discounts, and Issuance Costs

In the government-wide financial statements and in the proprietary fund financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when bonds are issued.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Estimates

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

Budgetary Process

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

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

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

The Kentucky Department of Education does not require the Capital Project Funds and Debt Service Funds to prepare budgets.

Special Revenue Fund Expenditures exceeded budgeted appropriations by \$5,669,818.

New Accounting Pronouncements

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

See Note Q, Prior Period Adjustments.

Effective in Future Years:

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

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

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

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

NOTE B – CASH AND CASH EQUIVALENTS

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

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law. At year end the District's bank balances were collateralized by securities held by the pledging bank's trust department in the District's name and FDIC insurance up to \$60,000,000. At year end, the carrying amount of the District's cash and cash equivalents was \$58,530,350. The bank balance for the same time was \$67,026,419.

Due to the nature of the accounts and certain limitations imposed on the use of funds, each bank account within the following funds is considered to be restricted: SEEK Capital Outlay Fund, Facility Support Program (FSPK/Building) Fund, special Revenue (Grant Fund), Debt Service Fund, School Construction Fund, School Food Service Fund, and School Activity Fund.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE C – CAPITAL ASSETS

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

<u>Governmental Activities</u>	<u>July 1, 2023</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2024</u>
Land-nondepreciable	\$ 989,487	\$ -	\$ -	\$ 989,487
Construction in progress-nondepreciable	28,856,413	3,004,161	3,952,669	27,907,905
Land improvements	3,630,310	-	-	3,630,310
Buildings	102,593,442	3,952,669	-	106,546,111
Technology equipment	5,946,156	907,866	-	6,854,022
Machinery & equipment	8,781,095	396,581	107,897	9,069,779
General equipment	<u>2,652,913</u>	<u>187,256</u>	<u>-</u>	<u>2,840,168</u>
Total at historical cost	<u>\$ 153,449,815</u>	<u>\$ 8,448,532</u>	<u>\$ 4,060,566</u>	<u>\$ 157,837,782</u>
Less: Accumulated depreciation				
Land improvements	\$ 3,357,459	\$ 66,392	\$ -	\$ 3,423,851
Buildings	59,400,121	2,032,624	-	61,432,745
Technology equipment	5,366,579	321,076	-	5,687,654
Machinery & equipment	6,424,267	466,129	107,897	6,782,499
General equipment	<u>2,119,483</u>	<u>102,393</u>	<u>-</u>	<u>2,221,876</u>
Total accumulated depreciation	<u>\$ 76,667,908</u>	<u>\$ 2,988,613</u>	<u>\$ 107,897</u>	<u>\$ 79,548,625</u>
<u>Governmental Activities</u>				
Capital Assets-net	<u>\$ 76,781,907</u>	<u>\$ 5,459,919</u>	<u>\$ 3,952,669</u>	<u>\$ 78,289,158</u>
<u>Business-Type Activities</u>	<u>July 1, 2023</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2024</u>
Buildings	\$ 47,516	\$ -	\$ -	\$ 47,516
Food service equipment	2,899,217	358,788	-	3,258,004
Technology equipment	<u>134,850</u>	<u>-</u>	<u>-</u>	<u>134,850</u>
Total at historical cost	<u>\$ 3,081,583</u>	<u>\$ 358,788</u>	<u>\$ -</u>	<u>\$ 3,440,370</u>
Less: Accumulated depreciation				
Buildings	\$ 36,112	\$ 1,901	\$ -	\$ 38,013
Food service equipment	1,526,002	156,447	-	1,682,450
Technology equipment	<u>119,992</u>	<u>3,954</u>	<u>-</u>	<u>123,946</u>
Total accumulated depreciation	<u>\$ 1,682,107</u>	<u>\$ 162,302</u>	<u>\$ -</u>	<u>\$ 1,844,409</u>
<u>Business-Type Activities</u>				
Capital Assets-net	<u>\$ 1,399,475</u>	<u>\$ 196,486</u>	<u>\$ -</u>	<u>\$ 1,595,961</u>

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

NOTE D – LONG TERM DEBT OBLIGATIONS

Bonds

The amount shown in the accompanying financial statements as bonded debt and lease obligations represent the District’s future obligations to make payments relating to the bonds issued by the Henderson County School District Finance Corporation.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The District, through the General Fund, Building (FSPK) Fund, and the SEEK Capital Outlay Fund is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Henderson County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The bonds payable are collateralized by education facilities constructed by the District with bond proceeds. Bondholders are protected against default by a mechanism whereby the Commonwealth of Kentucky would withhold state SEEK payments and remit required debt service payments directly to the debt service paying agent. All bonds are subject to federal arbitrage regulations.

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

Bond Issues	Original Amount	Maturity Date	Interest Rates	2023 Outstanding	Additions	Retirements	2024 Outstanding
2012	\$ 2,260,000	1/2/2024	.70-2%	\$ 215,000	\$ -	\$ 215,000	\$ -
2014	7,865,000	1/12/2030	.90-3%	4,915,000	-	570,000	4,345,000
2015	3,790,000	1/6/2035	3-3.5%	3,225,000	-	150,000	3,075,000
2016	17,845,000	1/10/2036	2-3.125%	14,220,000	-	830,000	13,390,000
2018	1,275,000	1/4/2038	3-3.70%	1,160,000	-	35,000	1,125,000
2020	21,595,000	1/6/2040	1.1-2.750%	19,100,000	-	865,000	18,235,000
2020R	1,435,000	1/8/2031	.45-2%	1,190,000	-	120,000	1,070,000
2021	4,630,000	1/8/2031	1-1.25%	4,190,000	-	445,000	3,745,000
	<u>60,695,000</u>			<u>48,215,000</u>	<u>-</u>	<u>3,230,000</u>	<u>44,985,000</u>
Add:			Premium	59,475	-	5,306	54,169
Less:			Discount	(437,883)	-	(28,218)	(409,665)
				<u>\$ 47,836,592</u>	<u>\$ -</u>	<u>\$ 3,207,088</u>	<u>\$ 44,629,504</u>

The District has entered into “participation agreements” with the Kentucky School Facility Construction Commission. The Kentucky Legislature, for the purpose of assisting local school districts in meeting school construction needs, created the Commission. The table following sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

The bonds may be called prior to maturity at dates and redemption premiums specified in each issue. Assuming no issues are called prior to maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2024, for debt service, (principal and interest) are as follows:

SEE SCHEDULE NEXT PAGE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fiscal Year Ended June 30th	Principal		Interest		Principal Total	Interest Total
	Local	KSFCC	Local	KSFCC		
2025	\$ 2,767,369	\$ 392,631	\$ 975,124	\$ 149,849	\$ 3,160,000	\$ 1,124,973
2026	2,837,867	407,133	913,172	138,363	3,245,000	1,051,535
2027	2,900,081	414,919	849,420	126,553	3,315,000	975,973
2028	2,971,403	428,597	783,013	114,378	3,400,000	897,391
2029	3,047,339	437,661	713,372	101,820	3,485,000	815,191
2030-2034	14,015,134	1,964,866	2,515,513	328,016	15,980,000	2,843,529
2035-2039	9,772,029	1,222,971	878,816	72,547	10,995,000	951,363
2040	1,349,371	55,629	37,108	1,530	1,405,000	38,638
	<u>\$ 39,660,593</u>	<u>\$ 5,324,407</u>	<u>\$ 7,665,537</u>	<u>\$ 1,033,055</u>	<u>\$ 44,985,000</u>	<u>\$ 8,698,592</u>

Accumulated Sick Leave

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

	2023 Outstanding Balance	Additions	Retirements	2024 Outstanding Balance
Sick Leave	\$ 712,651	\$ 146,662	\$ -	\$ 859,313

Net Pension & OPEB Liability

The net pension liability is \$22,807,822 for governmental activities and \$1,119,017 for business-type activities for a total of \$23,926,839 as of June 30, 2024 (See Note E for additional information). The net OPEB liability is \$11,995,000 for governmental activities and \$0 for business-type activities for a total of \$11,995,000 as of June 30, 2024 (See Note F for additional information).

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

Description	2023 Outstanding Balance	Additions	Retirements	2024 Outstanding Balance	Current
Bonds, net of premium and discount	\$ 47,836,592	\$ -	\$ 3,207,888	\$ 44,629,504	\$ 3,160,000
Sick leave	712,651	146,662	-	859,313	150,280
Net pension liability	26,287,365	-	2,360,526	23,926,839	-
Net OPEB liability	24,454,936	-	12,459,936	11,995,000	-
Total	<u>\$ 99,291,544</u>	<u>\$ 146,662</u>	<u>\$ 18,028,350</u>	<u>\$ 81,410,656</u>	<u>\$ 3,310,280</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE E – RETIREMENT PLANS

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

Teachers Retirement System Kentucky (TRS)

Retirement Annuity Trust

Plan description

Teaching-certified employees of the Kentucky School District are provided pensions through the Teachers' Retirement System of the State of Kentucky—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <http://www.trs.ky.gov/financial-reports-information>.

Benefits provisions

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

For Members on and after January 1, 2022:

Condition for Retirement Attainment of age 57 and 10 years of service or attainment of age 65
And 5 years of service.

Amount of Allowance

Foundational Benefit The annual foundational benefit for members is equal to service times
A multiplier times final average salary.

Age	Years of Service							
	5-9.99		10-19.99		20-29.99		30 or More	
57-60	-	%	1.70	%	1.95	%	2.20	%
61	-	%	1.74	%	1.99	%	2.24	%
62	-	%	1.78	%	2.03	%	2.28	%
63	-	%	1.82	%	2.07	%	2.32	%
64	-	%	1.86	%	2.11	%	2.36	%
65 and over	1.90	%	1.90	%	2.15	%	2.40	%

The annual foundational benefit is reduced by 6% per year from the Earlier of age 60 on the date the member would have completed 30 Years of service.

Supplemental Benefit The annual supplemental benefit is equal to the account balance which

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Includes member and employer contributions and interest credited Annually on June 30. Options include annuitizing the balance or receiving The balance as a lump sum either at the time of retirement or at a later date.

Disability Retirement Allowance

Condition for Allowance Totally and permanently incapable of being employed as a teacher and Under age 60 but after completing 5 years of service

Amount of Allowance The disability allowance is equal to the greater of the service retirement Allowance or 60% of the member's final average salary. The disability Allowance is payable over an entitlement period equal to 25% of the service Credited to the member at the date of the disability or 5 years, whichever is Longer. After the disability entitlement period has expired and if the Member remains disabled, he will be retired under service retirement. The Service retirement allowance will be computed with service credit given For the period of disability retirement. The allowance will not be less than \$6,000 per year. The service retirement allowance will not be reduced for Commencement of the allowance before age 60 or the completion of 27 Years of service.

Benefits Payable on Separation

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

Options

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

Option 2. A single life annuity payable during the member's lifetime with Payments for 10 years certain.

Option 3. At the death of the member his allowance is continued throughout The life of the beneficiary.

Option 3(a). At the death of the beneficiary designated by the member Under Option 3, the member's benefit will revert to what would have been paid had he not selected an option.

Option 4. At the death of the member one half of his allowance is Continued throughout the life of the beneficiary.

Option 4(a). At the death of the beneficiary designated by the member Under Option 4, the member's benefit will revert to what would have been Paid had he not selected an option.

Post-Retirement Adjustments

The retirement allowance of each retired member and of each beneficiary Shall be increased by 1.5% each July 1.

Member Contributions

Members before 1/1/2022

9.105% of salary to the Retirement System.

Members on and after 1/1/2022

9% of salary to the Retirement System and an additional 2% of salary to the Supplemental benefit account. Employers also contributes 2%.

Contributions

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

State's proportionate share of the TRS net pension liability associated with the District	160,343,102
---	-------------

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. The District's proportion was 0.941000%.

Actuarial Methods and Assumptions

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

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

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

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Target Allocations

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

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

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

Discount Rate

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	1% Decrease	Current Discount Rate	1% Increase
	6.10%	7.10%	8.10%
State's proportionate share of net pension liability	\$ 206,022,905	\$ 160,343,102	\$ 122,283,875

Pension plan fiduciary net position

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

County Employees Retirement System

Non-Hazardous

Plan description

Substantially all full-time classified employees of the District participate in the County Employees Retirement System (“CERS”). CERS is a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky General Assembly and overseen by the Kentucky Public Pensions Authority (KPPA). The plan covers substantially all regular full-time members employed in non-hazardous duty positions of the school board. The plan provides for retirement, disability and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at <https://kyret.ky.gov>.

Benefits provided

Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents.

Contributions

Funding for CERS:

Tier I plan is provided by members, who contribute 5.00% of their creditable compensation.

Tier II plan members hired after September 1, 2008 contribute 6.00% of their creditable compensation. Further, 1% of these contributions are deposited to an account created for the payment of health insurance benefits.

Tier III plan members, who began participating on or after January 1, 2014, are required to contribute to the Cash Balance Plan. That plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Employee contributions to the plan are the same as the Tier II contributions. Tier III member accounts are also credited with an employer pay credit in the amount of 4% of the member’s creditable compensation.

For the year ending June 30, 2024, employers were required to contribute 23.34 % of the member’s salary, 23.34% pension and 0% for insurance. The District contributed \$2,644,873 to the CERS pension

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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

At June 30, 2024, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023 on an actuarial valuation as of that date. The District’s proportion of the net pension liability, \$23,926,839 was based on contributions to CERS during the fiscal year ended June 30, 2023. The District’s proportion was 0.372895%.

Deferred Inflows and Outflows of Resources, and Pension Expense included in the Schedule of Pension Amounts include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule of Pension Amounts does not include deferred outflow/inflows of resources for changes in the employer’s proportionate share of contribution or employer contributions made subsequent to the measurement date. The net pension liability as of June 30, 2024, is based on the June 30, 2023, actuarial valuation rolled forward. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are amortized over a closed five-year period.

The District recognized pension revenue of \$1,753,037 and reported deferred outflows of resources and deferred inflows of resources related to pensions as follows.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,238,646	\$ 65,016
Changes of assumptions	-	2,192,911
Net difference between projected and actual earnings on pension plan investments	2,584,776	2,911,151
Changes in proportion and differences between District contributions and proportionate share of contributions	33,982	1,279,510
District contributions subsequent to the measurement date	<u>2,644,873</u>	<u>-</u>
	<u>\$ 6,502,277</u>	<u>\$ 6,448,588</u>

The 2,644,873 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the following year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Year 1	\$ (1,676,660)
Year 2	(1,217,033)
Year 3	534,144
Year 4	<u>(231,635)</u>
	<u>\$ (2,591,184)</u>

Actuarial Valuation

KPPA's actuary, Gabriel, Roeder, Smith & Co., completed the actuarial valuation for the calculation of the employer contribution rates for CERS and the Insurance Fund for the period ended June 30, 2023.

Summary of Actuarial Assumptions

The results of the actuarial valuation are based upon the assumptions and funding policies adopted by the Board and statutory funding requirements. The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2023:

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Discount rate

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
	5.50%	6.50%	7.50%
District's proportionate share of net pension liability	\$ 30,209,080	\$ 23,926,839	\$ 18,706,061

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

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

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

Pension plan fiduciary net position

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

Payables to the pension plan

There are no payables to CERS.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE F – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

TRS – General Information about the OPEB Plans

Health Insurance Trust (Medical Insurance Fund)

Plan description

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

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

Benefits provided

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

Contributions

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

The District reported a liability of \$11,995,000 for its proportionate share of the collective net OPEB liability (NOL). The collective net OPEB liability was valued as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportion was .492462%.

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

District's proportionate share of TRS net OPEB liability	\$	11,995,000
State's proportionate share of the TRS net OPEB liability associated with the District		<u>10,110,000</u>
	\$	<u><u>22,105,000</u></u>

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 4,065,000
Changes of assumptions	2,727,000	-
Net difference between projected and actual earnings on pension plan investments	224,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	3,964,000	4,967,000
District contributions subsequent to the measurement date	<u>900,421</u>	<u>-</u>
	\$ <u><u>7,815,421</u></u>	\$ <u><u>9,032,000</u></u>

The \$900,421 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the collective net OPEB liability for the year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Year Ended June 30,
Year 1	\$ (657,000)
Year 2	(596,000)
Year 3	113,000
Year 4	(34,000)
Year 5	(455,000)
Thereafter	(488,000)
	\$ (2,117,000)

Actuarial Methods and Assumptions

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

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

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

Target Allocations

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Discount Rate

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
	6.10%	7.10%	8.10%
District's proportionate share of net OPEB liability	\$ 15,428,000	\$ 11,995,000	\$ 9,157,000

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

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 8,635,000	\$ 11,995,000	\$ 16,178,000

Life Insurance Trust

Plan description and benefits provided

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Contributions

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

Net OPEB Liability

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

State's proportionate share of the TRS net OPEB liability associated with the District	\$	250,000
--	----	---------

Actuarial Assumptions

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Target Allocations

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

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

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

Discount Rate

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Revenue or Expenses for TRS OPEB plans

For the year ended June 30, 2024, the District recognized OPEB revenue in the amount of \$1,079,116 for support provided on-behalf of the State.

CERS – General Information about the OPEB Plans

Employees' Health Plan

Plan description

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

Benefits provided

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

Contributions

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

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

The District reported an asset of \$514,824 for its proportionate share of the collective net OPEB liability which is .372881%.

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

For the year ended June 30, 2024, the District recognized OPEB revenue of \$1,338,224. The District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 358,911	\$ 7,309,993
Changes of assumptions	1,013,139	706,056
Net difference between projected and actual earnings on pension plan investments	963,474	1,082,955
Changes in proportion and differences between District contributions and proportionate share of contributions	141,093	607,675
District contributions subsequent to the measurement date	<u>330,406</u>	<u>-</u>
	<u>\$ 2,807,022</u>	<u>\$ 9,706,679</u>

The \$330,406 (includes \$168,154 Implicit Subsidy) reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the collective net OPEB liability for the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows.

	<u>Year Ended June 30,</u>
Year 1	\$ (1,792,571)
Year 2	(2,202,229)
Year 3	(1,770,156)
Year 4	<u>(1,465,106)</u>
	<u>\$ (7,230,063)</u>

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

Changes of Benefit Terms

None

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

For financial reporting, the actuarial valuation as of June 30, 2023, was performed by Gabriel Roeder Smith (GRA). The total OPEB liability, net OPEB liability, and sensitivity information, were based on an actuarial valuation as of June 30, 2021. The total OPEB liability was rolled-forward from the valuation to the plan's fiscal year ending June 30, 2023, using the generally accepted actuarial principles.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Discount rate

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
	4.93%	5.93%	6.93%
District's proportionate share of net OPEB liability	\$ 966,128	\$ (514,824)	\$ (1,754,942)

Health Care Trend Rate Sensitivity

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

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ (1,650,102)	\$ (514,824)	\$ 879,757

OPEB plan fiduciary net position

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE G – COMMITMENTS

The District has commitments of \$24,551,654 as of June 30, 2024, for future construction projects. The District has a committed fund balance in the General Fund of \$709,033 for sick leave.

NOTE H - CONTINGENCIES

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

NOTE I - LITIGATION

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

NOTE J – INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, illegal acts etc. Each of these risk areas is covered through the purchase of commercial insurance and self-insured workers compensation.

NOTE K – RISK MANAGEMENT

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

NOTE L – DEFICIT FUND AND OPERATING BALANCES

The following funds had a deficit change in fund balance/net position:

<u>Fund</u>	<u>Change in Net Position/ Net Change in Fund Balance</u>	<u>Fund Balance/ Net Position</u>
District Activity Fund	\$ (1,209)	-
Construction Fund	(2,888,387)	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE M – COBRA

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

NOTE N – TRANSFER OF FUNDS

The following transfers were made during the year:

<u>Type</u>	<u>From</u>	<u>To</u>	<u>Purpose</u>	<u>Amount</u>
Operations	Building Fund	Construction	Operations	\$ 115,773
Debt Service	Building Fund	Debt Service	Debt Payments	3,671,285
Special Rev	General Fund	Special Revenue	KETS Matching	122,948
Operations	Food Service	General Fund	Indirect Costs	332,723
Operations	Special Rev	General Fund	Indirect Costs	1,711
Operations	Student Activity	District Activity	Operations	23,340
Construction	Construction	Construction	Construction	\$ 351,841

NOTE O – RESTRICTED FUND BALANCES

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Construction	\$ 6,556,104	Future Construction
Food Service	4,834,680	School Food Service Operations
Capital Outlay	962,763	SFCC Requirements
District Activity	11,584	District Activity
Child Care	2,268,596	School Child Care Operations
School Activity	1,166,161	Student Activity
FSPK	\$ 3,113,786	SFCC Requirements

NOTE P – ON-BEHALF PAYMENTS

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

<u>Plan/Description</u>	<u>Amount</u>
Kentucky Teachers Retirement System (GASB 68 & 75)	\$ 10,456,220
Health Insurance	8,952,920
Life Insurance	12,516
Administrative Fee	99,948
HRA/Dental/Vision	448,525
Federal Reimbursement	(640,592)
Technology	154,342
SFCC Debt Service Payments	673,668
Total	\$ <u>20,157,547</u>

These amounts are included in the financial statements as state revenue and an expense allocated to the different functions in the same proportion as full-time employees.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE Q – PRIOR PERIOD ADJUSTMENTS

During the course of the audit, two calculation errors were identified in the previously issued financial statements for the year ended June 30, 2023, which required the following prior period adjustments:

1. Capital assets were understated in the prior year’s financial statements by \$1,972,495 due to inaccurate reporting of construction costs for ongoing construction projects. This correction results in an increase to construction in progress and a corresponding increase to the beginning net position for governmental activities.
2. Long-term debt was understated in the prior year’s financial statements by \$66,818 due to inaccurate reporting of the principal of outstanding bonds. This correction results in an increase to bonds payable and a corresponding reduction to the beginning net position for governmental activities.

Following the adjustments above, the restated net position beginning for governmental activities is \$26,531,819. The net effect of the prior period adjustments is shown in the table below:

<u>Net Position: Government-wide Statements</u>	<u>June 30, 2023 as Previously Reported</u>	<u>Error Correction</u>	<u>June 30, 2024 as Restated</u>
Governmental Activities	\$ 24,626,139	\$ 1,905,680	\$ 26,531,819
Business-type Activities	7,545,017	-	7,545,017
Total primary government	<u>\$ 32,171,156</u>	<u>\$ 1,905,680</u>	<u>\$ 34,076,836</u>

NOTE R – SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 15, 2024, the date the financial statements were available to be issued.

HENDERSON COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 CERS and TRS

For the year ended June 30, 2024

	Reporting Fiscal Year (Measurement Date) 2024 (2023)	Reporting Fiscal Year (Measurement Date) 2023 (2022)	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)	Reporting Fiscal Year (Measurement Date) 2017 (2016)	Reporting Fiscal Year (Measurement Date) 2016 (2015)
COUNTY EMPLOYEE'S RETIREMENT SYSTEM (CERS):									
Districts' proportion of the net pension liability	0.372895%	0.387058%	0.414625%	0.394526%	0.39168%	0.39326%	0.39424%	0.408610%	0.43650%
District's proportionate share of the net pension liability	\$ 23,926,839	\$ 27,980,475	\$ 26,435,596	\$ 30,259,818	\$ 27,547,240	\$ 23,950,976	\$ 23,075,845	\$ 20,118,396	\$ 18,767,532
State's proportionate share of the net pension liability associated with the District	-	-	-	-	-	-	-	-	-
Total	\$ 23,926,839	\$ 27,980,475	\$ 26,435,596	\$ 30,259,818	\$ 27,547,240	\$ 23,950,976	\$ 23,075,845	\$ 20,118,396	\$ 18,767,532
District's covered-employee payroll	\$ 10,916,239	\$ 11,186,590	\$ 10,955,617	\$ 10,470,368	\$ 8,677,251	\$ 8,209,381	\$ 8,525,285	\$ 8,576,919	\$ 8,486,022
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	219.19%	250.13%	241.30%	289.00%	317.47%	291.75%	270.68%	234.56%	221.16%
Plan fiduciary net position as a percentage of the total pension liability	57.48%	52.42%	57.33%	47.81%	50.54%	53.54%	53.30%	59.00%	59.97%
KENTUCKY TEACHER'S RETIREMENT SYSTEM (TRS):									
State's proportion of the net pension liability	0.94100%	0.96620%	0.97910%	0.97680%	0.98750%	0.96540%	0.95550%	1.02310%	1.13680%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	160,343,102	163,698,788	127,421,645	138,443,757	133,072,905	126,415,356	257,816,883	301,816,489	264,542,143
Total	\$ 160,343,102	\$ 163,698,788	\$ 127,421,645	\$ 138,443,757	\$ 133,072,905	\$ 126,415,356	\$ 257,816,883	\$ 301,816,489	\$ 264,542,143
District's covered-employee payroll	\$ 35,300,592	\$ 35,795,388	\$ 34,905,600	\$ 33,470,210	\$ 25,685,195	\$ 25,745,431	\$ 26,444,203	\$ 26,686,750	\$ 26,483,619
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Plan fiduciary net position as a percentage of the total pension liability	57.68%	56.41%	65.59%	58.27%	58.80%	59.30%	39.80%	35.22%	42.29%

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

See the accompanying notes to the required supplementary information.

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
COUNTY EMPLOYEE'S RETIREMENT SYSTEM (CERS):									
Contractually required contribution	\$ 2,644,873	\$ 2,554,400	\$ 2,368,201	\$ 2,114,434	\$ 2,020,781	\$ 1,639,610	\$ 1,453,351	\$ 1,379,474	\$ 1,234,430
Contributions in relation to the contractually required contributions	<u>2,644,873</u>	<u>2,554,400</u>	<u>2,368,201</u>	<u>2,114,434</u>	<u>2,020,781</u>	<u>1,639,610</u>	<u>1,453,351</u>	<u>1,379,474</u>	1,234,430
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 11,237,188	\$ 10,916,239	\$ 11,186,590	\$ 10,955,617	\$ 10,470,368	\$ 10,108,570	\$ 10,036,954	\$ 9,888,703	\$ 9,939,050
District's contributions as a percentage of it's covered-employee payroll	23.54%	23.40%	21.17%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%
KENTUCKY TEACHER'S RETIREMENT SYSTEM (TRS):									
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 36,555,470	\$ 35,300,592	\$ 35,795,388	\$ 34,905,600	\$ 33,470,210	\$ 32,708,490	\$ 31,468,916	\$ 36,502,212	\$ 35,630,694
District's contributions as a percentage of it's covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

See the accompanying notes to the required supplementary information.

HENDERSON COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
For the year ended June 30, 2024

Teachers Retirement System (TRS)

Retirement Annuity Trust

Changes of Benefit Terms

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

Changes of assumptions

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

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

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

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

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

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

Actuarial Methods and Assumptions

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

HENDERSON COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
 For the year ended June 30, 2024

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

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

County Employee Retirement System (CERS)

Non-Hazardous

Changes of Benefit Terms

None.

Changes of assumptions

None.

Actuarial Methods and Assumptions

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

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

HENDERSON COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 MEDICAL AND LIFE INSURANCE PLANS - TEACHERS' RETIREMENT SYSTEM
 Year ended June 30, 2024

	Reporting Fiscal Year (Measurement Date) 2024 (2023)	Reporting Fiscal Year (Measurement Date) 2023 (2022)	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
MEDICAL INSURANCE PLAN							
District's proportion of the collective net OPEB liability (asset)	\$ 0.492462%	\$ 0.693611%	\$ 0.519016%	\$ 0.520171%	\$ 0.51689%	\$ 0.49551%	\$ 0.50209%
District's proportionate share of the collective net OPEB liability (asset)	11,995,000	17,219,000	11,137,000	13,128,000	15,128,000	17,193,000	17,903,000
State's proportionate share of the collective net OPEE liability (asset) associated with the District	<u>10,110,000</u>	<u>5,657,000</u>	<u>9,044,000</u>	<u>10,516,000</u>	<u>12,217,000</u>	<u>11,295,000</u>	<u>11,727,000</u>
Total	<u>\$ 22,105,000</u>	<u>\$ 22,876,000</u>	<u>\$ 20,181,000</u>	<u>\$ 23,644,000</u>	<u>\$ 27,345,000</u>	<u>\$ 28,488,000</u>	<u>\$ 29,630,000</u>
District's covered-employee payroll	\$ 35,300,592	\$ 35,795,388	\$ 34,905,600	\$ 33,470,210	\$ 32,708,490	\$ 31,468,916	\$ 36,502,212
District's proportionate share of the collective net OPEE liability (asset) as a percentage of its covered-employee payroll	55.77%	48.10%	31.91%	39.22%	46.25%	54.63%	49.05%
Plan fiduciary net position as a percentage of the total OPEB liability	52.97%	47.75%	39.05%	39.10%	32.60%	25.50%	21.20%
LIFE INSURANCE PLAN							
District's proportion of the collective net OPEB liability (asset)	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
District's proportionate share of the collective net OPEB liability (asset)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the collective net OPEE liability (asset) associated with the District	<u>250,000</u>	<u>281,000</u>	<u>120,000</u>	<u>318,000</u>	<u>284,000</u>	<u>254,000</u>	<u>196,000</u>
Total	<u>\$ 250,000</u>	<u>\$ 281,000</u>	<u>\$ 120,000</u>	<u>\$ 318,000</u>	<u>\$ 284,000</u>	<u>\$ 254,000</u>	<u>\$ 196,000</u>
District's covered-employee payroll	\$ 35,300,592	\$ 35,795,388	\$ 34,905,600	\$ 33,470,210	\$ 32,708,490	\$ 25,745,431	\$ 26,444,203
District's proportionate share of the collective net OPEE liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	76.91%	73.97%	71.57%	71.60%	73.40%	75.00%	80.00%

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

See the accompanying notes to the required supplementary information.

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
MEDICAL INSURANCE PLAN							
Contractually required contribution	\$ 900,421	\$ 896,305	\$ 821,414	\$ 921,407	\$ 918,521	\$ 899,753	\$ 882,688
Contributions in relation to the contractually required contribution	<u>900,421</u>	<u>896,305</u>	<u>821,414</u>	<u>921,407</u>	<u>918,521</u>	<u>899,753</u>	<u>882,688</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 28,850,846	\$ 35,300,592	\$ 35,795,388	\$ 34,905,600	\$ 33,470,210	\$ 32,708,490	\$ 31,468,916
District's contributions as a percentage of it's covered-employee payroll	3.12%	2.54%	2.29%	2.64%	2.74%	2.75%	2.80%
LIFE INSURANCE PLAN							
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 28,850,846	\$ 35,300,592	\$ 35,795,388	\$ 34,905,600	\$ 33,470,210	\$ 32,708,490	\$ 31,468,916
District's proportionate share of the net pension liability as a percentage of it's covered-employee payrol	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

See the accompanying notes to the required supplementary information.

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

	Reporting Fiscal Year (Measurement Date) 2024 (2023)	Reporting Fiscal Year (Measurement Date) 2023 (2022)	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
HEALTH INSURANCE PLAN							
District's proportion of the collective net OPEB liability (asset)	0.372881%	0.386991%	0.414528%	0.394422%	0.39159%	0.39325%	0.39424%
District's proportionate share of the collective net OPEB liability (asset)	\$ (514,824)	\$ 7,637,320	\$ 7,935,931	\$ 9,524,092	\$ 6,586,283	\$ 6,982,040	\$ 7,925,492
State's proportionate share of the collective net OPEB liability (asset) associated with the District	-	-	-	-	-	-	-
Total	\$ <u>(514,824)</u>	\$ <u>7,637,320</u>	\$ <u>7,935,931</u>	\$ <u>9,524,092</u>	\$ <u>6,586,283</u>	\$ <u>6,982,040</u>	\$ <u>7,925,492</u>
District's covered-employee payroll	\$ 10,916,239	\$ 11,186,590	\$ 10,955,617	\$ 10,470,368	\$ 8,677,251	\$ 8,209,381	\$ 8,525,285
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	-4.72%	68.27%	72.44%	90.96%	75.90%	85.05%	92.96%
Plan fiduciary net position as a percentage of the total OPEB liability	104.23%	60.95%	62.91%	51.67%	60.44%	57.62%	13.00%

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

See the accompanying notes to the required supplementary information.

HENDERSON COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CONTRIBUTIONS - HEALTH INSURANCE PLAN
COUNTY EMPLOYEE RETIREMENT SYSTEM
 For the year ended June 30, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
HEALTH INSURANCE PLAN							
Contractually required contribution	\$ 330,406	\$ 370,061	\$ 646,585	\$ 521,487	\$ 498,390	\$ 531,711	\$ 471,737
Contributions in relation to the contractually							
	<u>330,406</u>	<u>370,061</u>	<u>646,585</u>	<u>521,487</u>	<u>498,390</u>	<u>531,711</u>	<u>471,737</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 11,237,188	\$ 10,916,239	\$ 11,186,590	\$ 10,955,617	\$ 10,470,368	\$ 10,108,570	\$ 10,036,954
District's contributions as a percentage of it's covered-employee payroll	2.94%	3.39%	5.78%	4.76%	4.76%	5.26%	4.70%

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

See the accompanying notes to the required supplementary information.

HENDERSON COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB
For the year ended June 30, 2024

Teachers Retirement System (TRS)

Health Insurance Trust

Changes of Benefit Terms

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

Changes of Assumptions

None.

Actuarial Methods and Assumptions

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

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

Life Insurance Trust

Changes of Benefit Terms

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

Changes of Assumptions

None.

Actuarial Methods and Assumptions

HENDERSON COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB

For the year ended June 30, 2024

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

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

HENDERSON COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB
 For the year ended June 30, 2024

County Employee Retirement System (CERS)

Non-Hazardous

Changes of Benefit Terms

None

Changes of assumptions

None.

Actuarial Methods and Assumptions

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

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

Henderson County School District
Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2024

Other Governmental Funds

	<u>Special Revenue School Activity</u>	<u>Capital Outlay</u>	<u>FSPK</u>	<u>Special Revenue District Activity</u>	<u>Total</u>
Assets					
Cash and cash equivalents	\$ 1,168,071	\$ 962,763	\$ 3,113,786	\$ 11,584	\$ 5,256,204
Receivables	<u>38</u>				<u>38</u>
Total assets	<u>1,168,109</u>	<u>962,763</u>	<u>3,113,786</u>	<u>11,584</u>	<u>5,256,242</u>
Liabilities					
Accounts Payable	<u>1,948</u>				<u>1,948</u>
Total liabilities	<u>1,948</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,948</u>
Fund balance					
Restricted	<u>1,166,161</u>	<u>962,763</u>	<u>3,113,786</u>	<u>11,584</u>	<u>5,254,294</u>
Total fund balance	<u>1,166,161</u>	<u>962,763</u>	<u>3,113,786</u>	<u>11,584</u>	<u>5,254,294</u>
Total liabilities and fund balance	<u>\$ 1,168,109</u>	<u>\$ 962,763</u>	<u>\$ 3,113,786</u>	<u>\$ 11,584</u>	<u>\$ 5,256,242</u>

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

	Other Governmental Funds				
	Special Revenue School Activity	Capital Outlay	FSPK	Special Revenue District Activity	Total
Revenues					
Property tax	\$ -	\$ -	\$ 3,724,260	\$ -	\$ 3,724,260
Earnings from investments	62,541	35,420	99,938		197,899
Intergovernmental - state		608,175	2,454,800		3,062,975
Other local revenue	91,459				91,459
Student activities	2,180,794				2,180,794
	2,334,794	643,595	6,278,998	-	9,257,387
Total revenues					
Expenditures					
Instruction	2,127,841			21,935	2,149,776
Student support services	13,719				13,719
Instructional staff support	59,936			2,614	62,550
Other non-instructional	50,700				50,700
Student transportation	13,225				13,225
	2,265,421	-	-	24,549	2,289,970
Total expenditures					
Excess (Deficit) of Revenues Over Expenditures	69,373	643,595	6,278,998	(24,549)	6,967,417
Other Financing Sources (Uses)					
Operating transfers in				23,340	23,340
Operating transfers (out)	(23,340)		(3,787,058)		(3,810,398)
	(23,340)	-	(3,787,058)	23,340	(3,787,058)
Total other financing sources (uses)					
Net Change in Fund Balance	46,033	643,595	2,491,940	(1,209)	3,180,359
Fund Balance-Beginning	1,120,128	319,168	621,846	12,793	2,073,935
Fund Balance-Ending	\$ 1,166,161	\$ 962,763	\$ 3,113,786	\$ 11,584	\$ 5,254,294

HENDERSON COUNTY SCHOOL DISTRICT
Combining Balance Sheet - School Activity Funds
 June 30, 2024

	<u>HENDERSON COUNTY HIGH</u>	<u>NORTH MIDDLE</u>	<u>SOUTH MIDDLE</u>	<u>BEND GATE ELEMENTARY</u>	<u>CAIRO ELEMENTARY</u>	<u>CENTRAL LEARNING ELEMENTARY</u>	<u>CHANDLER ELEMENTARY</u>
ASSETS							
Cash and cash equivalents	\$ 855,296	\$ 109,792	\$ 83,773	\$ 10,607	\$ 6,093	\$ 5,941	\$ 8,554
Accounts receivable		38					
Total assets	<u>855,296</u>	<u>109,830</u>	<u>83,773</u>	<u>10,607</u>	<u>6,093</u>	<u>5,941</u>	<u>8,554</u>
LIABILITIES							
Accounts payable	1,948						
Total liabilities	<u>1,948</u>	-	-	-	-	-	-
FUND BALANCE							
School activities	<u>853,348</u>	<u>109,830</u>	<u>83,773</u>	<u>10,607</u>	<u>6,093</u>	<u>5,941</u>	<u>8,554</u>
Total liabilities & fund balance	<u>\$ 855,296</u>	<u>\$ 109,830</u>	<u>\$ 83,773</u>	<u>\$ 10,607</u>	<u>\$ 6,093</u>	<u>\$ 5,941</u>	<u>\$ 8,554</u>

HENDERSON COUNTY SCHOOL DISTRICT
Combining Balance Sheet - School Activity Funds
 June 30, 2024

	<u>EAST HEIGHTS ELEMENTARY</u>	<u>JEFFERSON ELEMENTARY</u>	<u>NIAGARA ELEMENTARY</u>	<u>SOUTH HEIGHTS ELEMENTARY</u>	<u>SPOTTSVILLE ELEMENTARY</u>	<u>THELMA B JOHNSON ELEMENTARY</u>	<u>TOTAL</u>
ASSETS							
Cash and cash equivalents	\$ 19,763	\$ 15,662	\$ 10,802	\$ 4,342	\$ 22,735	\$ 14,711	\$ 1,168,071
Accounts receivable							38
Total assets	<u>19,763</u>	<u>15,662</u>	<u>10,802</u>	<u>4,342</u>	<u>22,735</u>	<u>14,711</u>	<u>1,168,109</u>
LIABILITIES							
Accounts payable							1,948
Total liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	<u>1,948</u>
FUND BALANCE							
School activities	<u>19,763</u>	<u>15,662</u>	<u>10,802</u>	<u>4,342</u>	<u>22,735</u>	<u>14,711</u>	<u>1,166,161</u>
Total liabilities & fund balance	<u>\$ 19,763</u>	<u>\$ 15,662</u>	<u>\$ 10,802</u>	<u>\$ 4,342</u>	<u>\$ 22,735</u>	<u>\$ 14,711</u>	<u>\$ 1,168,109</u>

HENDERSON COUNTY SCHOOL DISTRICT
Combining Statement of Revenues, Expenses, and Changes in Fund Balance -School Activity Funds
 Year ended June 30, 2024

	<u>HENDERSON COUNTY HIGH</u>	<u>NORTH MIDDLE</u>	<u>SOUTH MIDDLE</u>	<u>BEND GATE ELEMENTARY</u>	<u>CAIRO ELEMENTARY</u>	<u>CENTRAL LEARNING ELEMENTARY</u>	<u>CHANDLER ELEMENTARY</u>
REVENUES							
Student revenues	\$ 1,579,627	\$ 275,082	\$ 194,261	\$ 28,119	\$ 22,191	\$ 2,996	\$ 29,866
Total revenues	<u>1,579,627</u>	<u>275,082</u>	<u>194,261</u>	<u>28,119</u>	<u>22,191</u>	<u>2,996</u>	<u>29,866</u>
EXPENDITURES							
Student activities	1,546,055	268,404	185,361	27,986	20,561	1,642	31,867
Total expenditures	<u>1,546,055</u>	<u>268,404</u>	<u>185,361</u>	<u>27,986</u>	<u>20,561</u>	<u>1,642</u>	<u>31,867</u>
Excess (Deficit) of Revenues Over Expenditures	33,572	6,678	8,900	133	1,630	1,354	(2,001)
FUND BALANCE - BEGINNING	<u>819,776</u>	<u>103,152</u>	<u>74,873</u>	<u>10,474</u>	<u>4,463</u>	<u>4,587</u>	<u>10,555</u>
FUND BALANCE - ENDING	<u>\$ 853,348</u>	<u>\$ 109,830</u>	<u>\$ 83,773</u>	<u>\$ 10,607</u>	<u>\$ 6,093</u>	<u>\$ 5,941</u>	<u>\$ 8,554</u>

HENDERSON COUNTY SCHOOL DISTRICT
Combining Statement of Revenues, Expenses, and Changes in Fund Balance -School Activity Funds
Year ended June 30, 2024

	<u>EAST HEIGHTS ELEMENTARY</u>	<u>JEFFERSON ELEMENTARY</u>	<u>NIAGARA ELEMENTARY</u>	<u>SOUTH HEIGHTS ELEMENTARY</u>	<u>SPOTTSVILLE ELEMENTARY</u>	<u>THELMA B JOHNSON ELEMENTARY</u>	<u>TOTAL</u>
REVENUES							
Student revenues	\$ 38,864	\$ 45,392	\$ 26,847	\$ 9,900	\$ 58,186	\$ 23,463	\$ 2,334,794
Total revenues	<u>38,864</u>	<u>45,392</u>	<u>26,847</u>	<u>9,900</u>	<u>58,186</u>	<u>23,463</u>	<u>2,334,794</u>
EXPENDITURES							
Student activities	34,867	46,891	33,487	8,204	62,634	20,804	2,288,763
Total expenditures	<u>34,867</u>	<u>46,891</u>	<u>33,487</u>	<u>8,204</u>	<u>62,634</u>	<u>20,804</u>	<u>2,288,763</u>
Excess (Deficit) of Revenues Over Expenditures	3,997	(1,499)	(6,640)	1,696	(4,448)	2,659	46,031
FUND BALANCE - BEGINNING	<u>15,766</u>	<u>17,161</u>	<u>17,442</u>	<u>2,646</u>	<u>27,183</u>	<u>12,052</u>	<u>1,120,130</u>
FUND BALANCE - ENDING	<u>\$ 19,763</u>	<u>\$ 15,662</u>	<u>\$ 10,802</u>	<u>\$ 4,342</u>	<u>\$ 22,735</u>	<u>\$ 14,711</u>	<u>\$ 1,166,161</u>

HENDERSON COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Balance - Henderson Central High School

Year ended June 30, 2024

	FUND BALANCE BEGINNING	REVENUES	EXPENSES	TRANSFERS	FUND BALANCE ENDING
GENERAL FUND	\$ 11,428	\$ 2,293	\$ -	\$ -	\$ 13,722
CHECKING INTEREST	47,682	45,877	15,856	-	77,702
FLOWER FUND	6	-	-	-	6
FUIDANCE REFERRAL	568	-	11	-	557
GUIDANCE TESTING	26,680	11,704	9,469	21	28,935
TECHNOLOGY FEE/CHARGE	1,807	115,983	110,715	549	7,624
SCHOOL PICTURES	7,190	675	3,297	(157)	4,412
INSTRUCTIONAL FEE	450	46,837	44,300	158	3,145
BOOK/DAMAGE	34	-	-	-	34
BOOK/LOST	38	27	-	-	65
START UP CASH	-	12,050	12,050	-	-
BOOKSTORE	556	-	-	266	822
PARKING FUNDS	70	8,864	8,590	4	348
CONCESSIONS STUDENTS	398	695	850	(30)	213
CONCESSIONS STAFF	5,879	4,019	7,475	(375)	2,048
CONCESSIONS CTE	6,064	18,027	13,377	-	10,714
VENDING CTE STAFF	2,293	2,647	846	(30)	4,064
CTE GENERAL FUND	3	-	-	-	3
CTE NIGHT SCHOOL	7,000	2,000	-	-	9,000
ACADEMIC TEAM	2,418	1,605	2,222	-	1,800
AQUATIC COLONELS	1,264	11,637	9,804	-	3,097
BACKBOARD CLUB	2,653	31,474	39,281	7,058	1,904
AP CATALYST	115	-	-	-	115
INTRAMURAL SPORTS	36	-	-	-	36
CO-ED Y	220	21,228	18,937	-	2,511
COLONEL FOOTBALL	35,794	36,374	41,828	-	30,341
ESPORTS	1,210	-	-	-	1,210
HALL OF FAME ALUMNI	959	30	1,140	540	389
DIAMOND RELIEF	28,788	14,445	25,992	(564)	16,677
DANCE TEAM CLUB	3,408	72,366	78,508	11,050	8,315
COLONEL DIAMOND CLUB	13,527	45,821	60,370	1,842	819
CULTURE COMMITTEE	3,760	15,255	11,356	588	8,247
FFA	39,484	59,054	49,012	352	49,879
FCCLA	3,894	3,981	4,446	-	3,429
EARLY CHILDHOOD ED	726	2,385	1,354	(409)	1,348
GOLF CLUB BOYS	11,076	13,735	14,434	-	10,377
LADY COLONEL GOLF	415	3,690	3,213	-	892
LADY COLONEL NET	6,150	16,296	16,746	(405)	5,296
COLONEL RAQUET CLUB	2,051	4,250	3,213	(1,485)	1,604
WRESTLING	18,343	29,351	41,673	3,157	9,176
LIBRARY CLUB	872	1,528	542	30	1,888
NATIONAL HONOR SOO	311	940	772	(302)	177
SHOW CASE	179	-	-	-	179
LAUNCH	1,834	1,082	19,802	20,955	4,069
GREEN MSD	603	-	-	(603)	-
SOCCER BOYS CLUB	2,174	23,491	16,524	(256)	8,884
SOCCER GIRLS CLUB	4,531	8,109	12,403	3,355	3,592
WORLD LANGUAGE	4,353	-	2,204	-	2,149
JROTC CLUB	8,765	13,932	14,434	(800)	7,464
THE FOOTBALL MOMS	1,738	-	-	-	1,738
TRACK CLUB	10,530	11,942	11,041	2,996	14,427
LEO CLUB	430	1,101	1,156	-	375
FCA	952	-	-	-	952
DECA CLUB	796	3,244	3,608	50	482
HOSA CLUB	2,429	6,007	6,469	(302)	1,665
MARKET PLACE	1,848	48,706	28,152	(14,602)	7,800
JUMP START	20	-	-	-	20
VICA/SKILLS USA	1,038	480	370	-	1,149
FBLA	5,233	14,576	8,855	-	10,954
NTHS HONOR SOCIETY	295	2,496	2,504	-	287
DECA TRAVEL	4,244	13,022	13,179	-	4,086
TEEN CERT	223	-	-	-	223
CTE STUDENT ACCT	729	-	-	-	729
CLASSROOM CREATION	440	-	341	603	703
STUDENT COUNCIL	931	700	662	(28)	941
VOLLEYBALL CLUB	4,229	10,440	13,949	1,641	2,360
PROJECT GRADUATION	418	-	-	-	418

HENDERSON COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Balance - Henderson Central High School

Year ended June 30, 2024

	FUND BALANCE BEGINNING	REVENUES	EXPENSES	TRANSFERS	FUND BALANCE ENDING
BOWLING CLUB	242	1,900	1,978		163
TSA	4,179	2,201	3,251		3,129
SCIENCE OLYMPIAD	75	-	-		75
STUDENT AMBASSADORS	950	1,000	1,344		606
ARCHERY	57,341	37,242	31,286	1,958	65,255
9TH GRADE INITIATIVE	2,259	-	2,000	1,500	1,759
COLONEL KITCHEN	17,139	15,001	17,203	1,665	16,601
BASS FISHING CLUB	133	1,875	1,724	6,873	7,156
COL BOYS BASKETBALL CAM	909	-	-	(909)	-
CALCULATOR RENTAL	8,998	208	-		9,205
STUDENT REWARDS	2,680	-	2,482	(169)	29
SUMMER SCHOOL	21,769	6,110	11,835		16,043
CRIMINAL LAW CLUB	1,538	99	630		1,007
SOFA	-	2,234	800	36	1,470
ART	966	592	-		1,558
BAND	38,581	61,502	81,010		19,072
BAND TRAVEL ACCOUNT	69	-	-		69
ENGLISH DEPT	15,044	95	1,389		13,751
MATH SUPPLIES	504	-	-		504
SCIENCE DEPARTMENT	1,510	-	-		1,510
SOCIAL STUDIES SUPP	33	-	-		33
AUTO TECH	1,725	20	-		1,745
TECH SQUAD	329	-	129		200
CARPENTRY	70	3,556	4,093	567	101
MACHINE TOOL	2,784	-	17		2,767
WELDING	2,083	8,632	332		10,383
ARTS & HUMANITIES	1,137	-	1,137		-
YOUTH SERVICE CENT	3,899	100	130	(58)	3,811
BAND UNIFORMS	1,812	-	-		1,812
ANNUAL	98,626	13,499	20,897	(123)	91,106
JOURNALISM	-	1,391	817		574
DRAMA	14,586	11,699	11,685		14,600
SPEECH	397	-	-		397
CHOIR	6,635	8,891	8,633	(240)	6,653
WINTER BAND	3,096	12,511	15,237		370
ASSOC ATHLETICS	72,133	394,661	324,463	(51,700)	90,631
CHEERLEADERS	38,069	103,225	122,782	4,522	23,035
FRESHMAN CLASS	2,808	67	1,575	500	1,801
SOPHOMORE CLASS	6,703	1,205	308		7,599
JUNIOR CLASS	8,256	9,037	3,375	(350)	13,568
SENIOR CLASS	621	23,510	18,970	(5,161)	-
WINTER WISHES	1,012	-	454		558
COLONEL CREW	-	-	-	300	300
JERRY MEZUR ATHLETIC SCHOOL	-	-	-		-
DOUG/OLLIE CALHOUN SCHOOL	-	2,000	2,000		-
DENISE ELLIOTT MEMO	327	600	500		427
LEO WINCHESTER SCHOLARS	32	17,485	17,000		517
FFA SCHOLARSHIP FUND	8,696	15,477	16,008		8,165
GENE HAAS SCHOLARSHIP	3,272	-	-		3,272
MACHINE TOOL SCHOOL	500	-	-		500
PHIL GIBSON SCHOLARSHIP	-	-	-		-
SANDRA G SANDERS FUND	370	-	-		370
STUDENT FEE SCHOLARSHIPS	512	250	-	(762)	-
LAMBERT FOUNDATION	-	4,000	4,000		-
EDUCATORS RISING	-	983	265		718
MENTAL HEALTH SCHOLARSHIP	-	300	1,000	700	-
SCH REWARD SCHOLARSHIP	9,538	-	-		9,538
DAF INSTRUCTION	-	-	-		-
DAF ATHLETICS	250	-	5,985	5,985	250
DAF PROFESSIONAL DEVELOP	-	-	-		-
DAF LIBRARY	-	-	-		-
DAF BLDG/GROUNDS M & F	-	-	-		-
Totals	\$ 819,776	\$ 1,579,627	\$ 1,546,055	\$ -	\$ 853,348

Henderson County School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2024

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Program or Award Amount	Expenditures
U.S. Department of Agriculture					
Passed Through State Department of Education					
* School Breakfast Program	10.553				
Fiscal Year 23		7760005 23	-	N/A	297,156
Fiscal Year 24		7760005 24	-	N/A	963,937
* National School Lunch Program	10.555				
Fiscal Year 23		7750002 23	-	N/A	698,411
Fiscal Year 24		7750002 24	-	N/A	2,730,303
Fiscal Year 23		9980000 23	-	N/A	212,184
* Summer Food Service	10.559				
Fiscal Year 23		7740023 23	-	N/A	110,265
Fiscal Year 24		7740023 24	-	N/A	8,996
Fiscal Year 23		7690024 23	-	N/A	11,472
Fiscal Year 24		7690024 24	-	N/A	929
* Fruit & Vegetable Program	10.582				
Fiscal Year 23		7720012 23	-	N/A	20,956
Fiscal Year 24		7720012 24	-	N/A	164,403
Child Nutrition Cluster Subtotal					<u>5,219,012</u>
State Administrative Expense (SAE) Funds	10.560				
Fiscal Year 23		7700001 23	-	N/A	23,299
Child and Adult Care Food Program	10.558				
Fiscal Year 23		7790021 23	-	N/A	68,262
Fiscal Year 24		7790021 24	-	N/A	178,436
Fiscal Year 23		7800016 23	-	N/A	4,381
Fiscal Year 24		7800016 24	-	N/A	11,322
					<u>262,401</u>
Passed Through State Department of Agriculture					
Food Donation-Commodities	10.565				
Fiscal Year 24		510.4950	-	N/A	482,429
Total U.S. Department of Agriculture					<u>5,987,141</u>
US Department of Education					
Passed Through State Department of Education					
Title I Grants to Local Educational Agencies	84.010A				
Fiscal Year 21		3100002 21	-	21,728	63
Fiscal Year 22		3100002 22	-	2,129,387	24,946
Fiscal Year 23		3100002 23	-	2,146,161	597,553
Fiscal Year 24		3100002 24	-	1,960,175	1,480,426
					<u>2,102,988</u>
Special Education Grants to States	84.027A				
Fiscal Year 23		3810002 21	-	1,762,336	38,075
Fiscal Year 24		3810002 22	-	1,849,009	1,746,864
Special Education - Preschool Grants	84.173A				
Fiscal Year 22		3800002 21	-	75,470	36,545
Fiscal Year 23		3800002 22	-	79,607	76,777
Fiscal Year 24		3800002 23	-	78,438	3,386
COVID-19- ARP Individuals with Disabilities Education Act	84.027X				
Fiscal Year 22		4910002-21	-	383,968	83,008
COVID-19- ARP Individuals with Disabilities Education Act- Preschool	84.173X				
Fiscal Year 22		4900002-21	-	377	158
Special Education Cluster Subtotal					<u>1,984,813</u>
Vocation Education - Basic Grants to States	84.048				
Fiscal Year 22		3710002 22	-	8,061	2,931
Fiscal Year 23		3710002 22	-	7,668	7,668
Fiscal Year 24		3710002 23	-	92,705	92,705
					<u>103,304</u>
Limited English Proficiency	84.365				
Fiscal Year 22		3300002-21	-	26,859	5,733
Fiscal Year 23		3300002-22	-	26,674	23,833
Fiscal Year 24		3300002-23	-	26,905	2,560
					<u>32,126</u>
Title IV Part A: 21st Century Community Learning Centers Program	84.287				
Fiscal Year 23		550I	-	195,000	96,942
Fiscal Year 24		550J	-	200,000	150,304
					<u>247,246</u>
Title IV Part A: Student Support	84.424				
Fiscal Year 22		3420002 21	-	31,670	10,715
Fiscal Year 23		3420002 22	-	166,358	86,560
Fiscal Year 24		3420002 23	-	111,294	71,154
					<u>168,429</u>
Stronger Connection Grant Program	84.424F				
Fiscal Year 24		617K	-	609,393	52,239

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

Henderson County School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2024

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Program or Award Amount	Expenditures
Title II, Part A: Supporting Effective Instruction State Grant	84.367A				
Fiscal Year 22		3230002 21	-	14,152	1,796
Fiscal Year 23		3230002 22	-	293,478	54,177
Fiscal Year 24		3230002 23	-	267,123	225,546
					<u>281,519</u>
* COVID-19- GEER II	84.425C				
Fiscal Year 22		564GF	-	100,000	7,910
* COVID-19- ESSER	84.425D				
Fiscal Year 22		4200002-21	-	7,400,020	438,983
Fiscal Year 23		4200003-21	-	474,300	20,613
Calming Space Round 2		554GT	-	10,000	8,052
* COVID-19- ARP ESSER	84.425U				
FY21 ARP Emergency Relief Fund		4300002-21	-	15,953,299	4,227,221
FY22 Digital Learning Coach Supports		4300005-21	-	8,613	8,613
Fiscal Year 24		4300007-21	-	100,000	10,512
Fiscal Year 24		4300005-21	-	8,613	8,613
FY23 Deeper Learning		563J	-	77,422	20,750
* COVID-19- ARP ESSER Homeless Children and Youth I	84.425W				
Fiscal Year 22		4980002-21	-	92,084	89,198
Education Stabilization Funds Subtotal					<u>4,840,465</u>
Total U.S. Department of Health and Human Services					<u>9,813,129</u>
U.S. Department of Defense					
ROTC	12.000				
Fiscal Year 23		Direct	-	N/A	20,363
Fiscal Year 24		Direct	-	N/A	90,356
Total U.S. Department of Defense					<u>110,719</u>
U.S. Department of Health and Human Services					
Pediatric Mental Health Care	93.110				
Fiscal Year 24		Direct	-	50,000	9,644
Project AWARE	93.243				
Fiscal Year 23		Direct	-	316,277	20,202
Fiscal Year 24		Direct	-	354,983	283,965
					<u>304,167</u>
COVID-19- Child Care and Development Block Grant	93.575				
ARPA Preschool Partnership Grant (CCSDF)		Direct	-	675,000	304,013
ARPA Child Care Sustainability Stabilization Funds		Direct	-	1,444,239	305,985
CRRSA Child Care Aid		Direct	-	650,160	109,039
					<u>719,037</u>
Total U.S. Department of Health and Human Services					<u>1,032,848</u>
Total Expenditure of Federal Awards					<u>\$ 16,943,837</u>

* Major program

HENDERSON COUNTY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2024

NOTE A – BASIS OF PRESENTATION

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

NOTE B – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities received and disbursed. For the year ended June 30, 2024, the District received food commodities totaling \$482,429.

NOTE D – INDIRECT COST RATE

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

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

To the Board of Education of the Henderson County School District
Henderson, Kentucky

And the State Committee for School District Audits

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits, in the Auditor Responsibilities and State Compliance Requirements sections contained in the Kentucky Public School Districts' Audit Contract and requirements, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Henderson County School District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Henderson County School District's basic financial statements, and have issued our report thereon dated November 15, 2024. The Independent Auditor's Report on the financial statements included an emphasis-of-matter paragraph that was not a modification to the auditor's opinion, due to the correction of a material misstatement in prior period financial statements.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Henderson 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 Henderson County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Henderson 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. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

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

Henderson County School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Henderson County School District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Henderson 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.

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

Purpose of This Report

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

White & Associates, PSC

Richmond, Kentucky

November 15, 2024

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

To the Board of Education of the Henderson County School District
Henderson, Kentucky

And the State Committee for School District Audits

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Henderson County School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Henderson County School District's major federal programs for the year ended June 30, 2024. Henderson 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, Henderson 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, 2024.

Basis for Opinion on Each Major Federal Program

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

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

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

be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

White & Associates, PSC

Richmond, Kentucky

November 15, 2024

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

SUMMARY OF AUDITOR’S RESULTS

What type of report was issued for the financial statements?	Unmodified
Were there significant deficiencies disclosed?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
If so, was any significant deficiencies material (GAGAS)?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Was any material noncompliance reported (GAGAS)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Were there material weaknesses in internal control disclosed for major programs?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Were there any significant deficiencies in internal control disclosed that were not considered to be material weaknesses?	None Reported
What type of report was issued on compliance for major programs?	Unmodified
Did the audit disclose findings as it relates to major programs that Is required to be reported as described in the Uniform Guidance?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Major Programs	Educational Stabilization Fund [ALN 84.425C, 84.425D, 84.425U, & 84.425W] Child Nutrition Cluster [ALN 10.553, 10.555, 10.559, 10.582]
Dollar threshold of Type A and B programs	\$750,000
Low risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

FINDINGS - FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS

REFERENCE NUMBER 2024-001 Internal Controls Over Financial Reporting of Construction in Progress

Condition: Construction in progress was understated in the prior fiscal year end financial statements and audit by \$1,972,495.

Criteria: The District’s management is responsible for establishing and maintaining internal controls over financial reporting for the proper recording of all account balances at month end and fiscal year end. District management is also responsible for implementing proper controls to prevent material misstatements and/or to detect material misstatements in a timely manner.

HENDERSON COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2024

Cause: Internal controls and oversight of financial reporting over construction in progress are not effective at detecting or preventing material misstatements. District was not tracking open projects accurately for construction in progress at month end and fiscal year end to ensure the accurate and proper recording of the account balance on the financial statements.

Effect: The design of the internal controls over tracking and accounting for construction in progress did not detect or prevent a material misstatement.

Recommendation: We recommend management review their procedures and processes regarding financial reporting over construction in progress to address identified weaknesses and strengthen oversight to ensure the accurate and proper recording of the account balance at month end and fiscal year end.

Views of Responsible Officials and Planned Corrective Action: As part of our annual assessment of internal controls over financial reporting, a material weakness in our controls related to the accounting and reporting of construction in progress was identified. Specifically, construction in progress was understated in the prior fiscal year financial statements and audit report. Management takes this matter very seriously and we are committed to remediating this material weakness. Our planned corrective actions include:

- Implementing enhanced controls and procedures for accounting and reporting of construction in progress, including:
 - Implement a project accounting system to track construction in progress
 - Establish a structure to ensure accurate reporting of construction costs
 - Account reconciliations – perform regular account reconciliations to ensure accuracy and completeness of construction in progress accounts
- Providing additional training to personnel involved in construction in progress processes to ensure everyone understands the new controls and procedures.
- Conducting regular reviews and testing of the new controls to ensure their effectiveness.

A correction to the construction in progress account has already been made to properly reflect the balance for construction in progress. Although all open construction projects are reported to the board each month showing the balances of these projects and reconciling to the balance sheet cash and accounts payable the ending balance for FY2023 was incorrectly noted. We will continue to monitor and evaluate the effectiveness of our internal controls over financial reporting and make any necessary adjustments. Responsible officials, including the Director of Finance, are committed to ensuring the accuracy and reliability of our financial reporting and are dedicated to maintaining a strong internal control environment.

HENDERSON COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2024

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

No findings at the major federal award programs level.

HENDERSON COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended June 30, 2024

There were no prior year findings.

HENDERSON COUNTY SCHOOLS

1805 Second Street, Henderson, Kentucky 42420
(270) 831-5000 | Fax: (270) 831-5009
www.henderson.kyschools.us
Dr. Bob Lawson, Superintendent



CORRECTIVE ACTION PLAN

November 15, 2024

Kentucky Department of Education

Henderson County School District respectfully submits the following corrective action plan for the year ended June 30, 2024.

White & Associates, PSC
1407 Lexington Road
Richmond, KY 40475

Audit period: July 1, 2023 to June 30, 2024

The finding from the November 15, 2024 schedule of findings and questioned costs is discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDING-FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS

2024-001 **Internal Controls over Financial Reporting of Construction in Progress**

Recommendation: We recommend management review their procedures and processes regarding financial reporting over construction in progress to address identified weaknesses and strengthen oversight to ensure the accurate and proper recording of the account balance at month end and fiscal year end.

Management Response to the Recommendation and Corrective Action Taken:

As part of our annual assessment of internal controls over financial reporting, a material weakness in our controls related to the accounting and reporting of construction in progress was identified. Specifically, construction in progress was understated in the prior fiscal year financial statements and audit report.

Management takes this matter very seriously and we are committed to remediating this material weakness. Our planned corrective actions include:

HENDERSON COUNTY SCHOOLS

1805 Second Street, Henderson, Kentucky 42420

(270) 831-5000 | Fax: (270) 831-5009

www.henderson.kyschools.us

Dr. Bob Lawson, Superintendent



- Implementing enhanced controls and procedures for accounting and reporting of construction in progress, including:
 - Implement a project accounting system to track construction in progress
 - Establish a structure to ensure accurate reporting of construction costs
 - Account reconciliations – perform regular account reconciliations to ensure accuracy and completeness of construction in progress accounts
- Providing additional training to personnel involved in construction in progress processes to ensure everyone understands the new controls and procedures.
- Conducting regular reviews and testing of the new controls to ensure their effectiveness.

A correction to the construction in progress account has already been made to properly reflect the balance for construction in progress. Although all open construction projects are reported to the board each month showing the balances of these projects and reconciling to the balance sheet cash and accounts payable the ending balance for FY2023 was incorrectly noted. We will continue to monitor and evaluate the effectiveness of our internal controls over financial reporting and make any necessary adjustments. Responsible officials, including the Director of Finance, are committed to ensuring the accuracy and reliability of our financial reporting and are dedicated to maintaining a strong internal control environment.

If the Kentucky Department of Education has questions regarding this plan, please call Cindy Cloutier, Director of Finance, at (270) 831-5000.

MANAGEMENT LETTER POINTS

Henderson County School District
Henderson, Kentucky

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

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the District's internal control in our report dated November 15, 2024. This letter does not affect our report dated November 15, 2024, on the financial statements of the Henderson County School District. The conditions observed are as follows:

Henderson High, North Middle, South Middle, Chandler Elementary
1-24

Statement of Condition: Deposit slips shall have two persons identified as reviewing deposits.

Recommendation for Correction: Review Redbook procedures for guidance and corrective action.

Management Response to the Recommendation: We feel the above findings will improve as we improve our internal review of these accounts and will expend more effort into addressing these issues. Compliance to the Redbook will again be addressed with each school and we will continue to offer any additional training necessary to make improvements.

Central Learning Center
2-24

Statement of Condition: Paid invoices shall have signed authorization and be stamped paid.

Recommendation for Correction: Review Redbook procedures for guidance and corrective action.

Management's Response to the Recommendation: We feel the above findings will improve as we improve our internal review of these accounts and will expend more effort into addressing these issues. Compliance to the Redbook will again be addressed with each

school and we will continue to offer any additional training necessary to make improvements.

Central Learning Center

3-24

Statement of Condition: Receipts shall be made out to the person presenting deposits.

Recommendation for Correction: Review Redbook procedures for guidance and corrective action.

Management Response to the Recommendation: Management concurs with this recommendation and at the time of the audit has communicated to responsible staff the procedures as they relate to Redbook. Procedures will be reviewed related to the proper procedures for receipting of checks and payment of invoices.

Chandler Elementary

4-24

Statement of Condition: Deposits shall not be held in a classroom. All daily receipts shall be turned in to the bookkeeper.

Recommendation for Correction Review: Redbook procedures for guidance and corrective action.

Management's Response to the Recommendation: Management concurs with this recommendation and at the time of the audit has communicated to responsible staff the procedures as they relate to Redbook. Procedures will be reviewed related to the proper method for making deposits. Procedures will also be reviewed on the proper handling of funds collected. Funds should be deposited daily if these amounts are over \$100 but is our preferred method even for smaller deposits.

All prior year conditions have been implemented and corrected. Bob Lawson, Superintendent, is the person responsible for initiation of the corrective action plan for the above conditions which will be implemented immediately, if any. The corrective action plan is the management response for each condition.

We would like to thank the Finance Officer, Cindy Cloutier, and their department for their support and assistance during our audit.

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

White & Associates PSC

White & Associates, PSC

Richmond, Kentucky

November 15, 2024