

**Erlanger-Elsmere
Independent School District**

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2023

Erlanger-Elsmere Independent School District

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2023

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Erlanger-Elsmere Independent School District

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2023

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**Erlanger-Elsmere
Independent School District**

District Officials

June 30, 2023

Superintendent

Chad Molley

School Board Members

Jeffrey Miller - Chairperson
Sarah Shackelford-Ross - Vice Chairperson
Teresa Loman Hunter
Rachel Retherford
Marvin Townsend

**DENISE M KEENE
CERTIFIED PUBLIC ACCOUNTANT
P.O. BOX 1444
GEORGETOWN, KENTUCKY 40324
859-421-5062**

INDEPENDENT AUDITOR'S REPORT

State Committee For School District Audits
Members of the Board of Education
Erlanger-Elsmere Independent Board of Education
Erlanger, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Erlanger-Elsmere Independent Board of Education as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Board'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 Board as of June 30, 2023 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Board and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board'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 Board'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 Board's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8 through 12 and budgetary comparison information on pages 56 and 57 ; the Multiple Employer, Cost Sharing Schedules pages 58 through 62, 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 Board'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 (CFR) 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.

Emphasis of Matter

As described in Note Y to the financial statements, the Board adopted new accounting guidance, *GASB Statement No. 96, Subscription Based Information Technology Arrangement (SBITA)*. The objective of this statement is to better meet the information needs of financial statement users.. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2023 on our consideration of the Board'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 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 Board'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 Board's internal control over financial reporting and compliance.

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
October 11, 2023

**ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

Management's Discussion and Analysis

As management of the Erlanger-Elsmere Independent School District, we offer readers of the Erlanger-Elsmere Independent School District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023.

Financial Highlights

- The beginning general fund cash balance for the District was \$9,916,330 and the ending balance is \$10,687,240. Cash increased primarily due to grant funding.
- A concerted effort, focused on purchasing in the areas of supplies, food, and travel, resulted in several economies due to changed management strategies and current economic conditions.
- Fiscal year 2023 capital asset additions totaled \$6,211,764, primarily related to the various construction projects.
- The District's on-behalf payments from the state were \$8,930,985 in revenues and expenditures in fiscal year 2023, compared to \$7,396,446 in fiscal year 2022.
- The District salaries (\$18,775,291 FY 2023 vs \$17,484,002 FY 2022) increased approximately \$1,291,289 in 2023. Salaries increased due to overhaul of classified scales and 2% increases and percentage increase in certified scales.
- The General Fund had \$31,350,429 in revenue, which primarily consisted of state program monies (SEEK), and local property, utility and motor vehicle taxes. Excluding interfund transfers, there was \$29,104,509 in General Fund expenditures for the fiscal year.
- Bonds are issued as the District renovates facilities consistent with long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education's (KDE) stringent compliance regulations. The District repaid long-term bond debt of \$1,350,000 during fiscal year 2023.
- State law requires Districts to update a priority list of construction and renovation needs, called a local facilities plan. The document guides the allocation of School Facilities Construction Commission dollars. The current District Facilities Plan was last updated in fiscal year 2020.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Erlanger-Elsmere Independent 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 Erlanger-Elsmere Independent School District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government'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 (e.g., uncollected taxes and earned but unused vacation leave).

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

The government-wide financial statements can be found on pages 13-14 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds, and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare, and teacher support. The only proprietary fund is our food service operation. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 15-16 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on page 21-55 of this report.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$16,146,426 at the close of the 2023 fiscal year.

The largest portion of the Districts' net position reflects its investment in capital assets; less any related debt used to acquire those assets that are still outstanding. The District's uses these

capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

Net Position

Assets	2023	2022
Current & other assets	\$ 17,532,873	\$ 18,566,441
Noncurrent assets	31,362,540	27,956,531
Deferred outflows of resources	7,521,467	5,129,186
Total Assets and Deferred Outflows of Resources	56,416,880	51,652,158
Liabilities		
Current liabilities	2,447,032	2,330,321
Long-term liabilities	32,202,566	30,962,288
Deferred inflows of resources	5,628,794	6,242,389
Total Liabilities and Deferred Inflows of Resources	40,278,392	39,534,998
Net Position		
Net investment in capital assets	16,151,588	11,345,000
Restricted	1,712,388	3,694,901
Unassigned fund balance	(1,725,488)	(2,922,741)
Total Net Position	\$ 16,138,488	\$ 12,117,160

The following is a significant transaction that has had an impact on the Statement of Net Position:

Comments on Budget Comparisons

- The District's total general fund revenue for the fiscal year ended June 30, 2023, net of equipment sale proceeds, were \$31,350,429
- General fund budget compared to actual revenue varied slightly from line item to line item excluding on-behalf payments, with the ending balance being about \$2,254,365 over budget (favorable variance) or approximately 7%. The balance of revenues favorable variance is due to \$8,179,451 in state revenues that result from on-behalf payments and collection of delinquent property taxes, property tax and interest income increases that were not budgeted for fiscal year 2023.
- The total cost of all programs and services was \$29,104,509.
- Overall, expenditures had a \$2,815,757 favorable variance including the effect of not budgeting the state on-behalf expenditures.

The following table presents a summary of revenue and expenditures of the District's overall funds for the fiscal year ended June 30, 2023.

	June 30, 2023	June 30, 2022
Revenues and Other Sources		
Local revenue sources	\$ 14,305,684	\$ 13,340,753
State revenue sources	19,862,399	17,883,896
Federal revenue sources	6,255,910	6,915,085
Interest	655,355	44,954
Total Revenues	\$ 41,079,348	\$ 38,184,688
Expenses		
Instruction	\$ 22,245,985	\$ 21,173,854
Student support services	2,234,867	2,003,862
Instructional support	1,585,007	1,481,921
District administration	2,290,961	1,447,608
School administration	1,745,707	1,579,096
Business support	433,150	460,561
Plant operations	2,166,611	1,628,291
Student transportation	471,763	455,300
Community support	2,172,576	1,981,914
Facility acquisition	5,366,149	466,126
Other (debt service)	1,852,185	1,850,134
Total Expenses	\$ 42,564,961	\$ 34,528,667

General Fund Revenue

The majority of the revenues were derived from local taxes and state funding, about 35% and 48% respectively.

General Fund Budget Allocation

Site Based Decision Making Councils expended approximately 6% for regular instruction of the general fund budget. The remaining budget were expended primarily for support services.

School Support

School Support Services accounts for approximately 8% of the school level expenditures; this includes School Administration and Student Instructional support.

Central Support

Central support services expenditures account for approximately 12% of the General Fund budget, and consists of transportation, maintenance & operations, central office administrative functions and debt service.

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 overall budget. By law the budget must have a minimum 2% contingency. The district adopted a budget with \$2,000,000 in contingency (6%). The beginning cash balance for the fiscal year is \$16,352,040.

Questions regarding this report should be directed to the Superintendent (859) 727-2009 or to, Director of Financial Services (859) 727-2009 or by mail at 500 Graves Avenue, Erlanger, KY 41018.

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
Year Ended June 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets:			
Cash and cash equivalents	\$ 14,780,719	\$ 1,571,321	\$ 16,352,040
Inventory	-	28,154	28,154
Accounts receivable		-	
Taxes - current	276,688	-	276,688
Accounts receivable - other	37,534	-	37,534
Intergovernmental - indirect federal	802,559	35,898	838,457
Prepaid Expenses	-	-	-
Total Current Assets	15,897,500	1,635,373	17,532,873
Noncurrent Assets			
Capital assets	55,030,460	1,518,920	56,549,380
Less: accumulated depreciation	(23,989,126)	(1,197,714)	(25,186,840)
Total Noncurrent Assets	31,041,334	321,206	31,362,540
Total Assets	46,938,834	1,956,579	48,895,413
Deferred Outflows of Resources			
Deferred outflows from pension contributions	801,643	154,079	955,722
Deferred outflows from pension changes, expectations	1,118,959	199,791	1,318,750
Deferred outflows from OPEB contributions	519,749	22,322	542,071
Deferred outflows from OPEB changes, expectations	4,320,299	180,032	4,500,331
Total Deferred outflows, pensions & post-employment benefits	6,760,650	556,224	7,316,874
Deferred outflows from advanced bond refundings	204,593		204,593
Total Deferred Outflows	6,965,243	556,224	7,521,467
Total Assets and Deferred Outflows of Resources	53,904,077	2,512,803	56,416,880
Liabilities			
Current liabilities:			
Accounts payable	300,134	6,095	306,229
Benefits payable	77,225	-	77,225
Sick leave payable	28,213	-	28,213
Deferred revenue	200,969	-	200,969
Current portion of bond obligations	1,375,000	-	1,375,000
Current portion of capital lease obligations	40,651	-	40,651
Interest payable	418,745	-	418,745
Total Current Liabilities	2,440,937	6,095	2,447,032
Noncurrent Liabilities:			
Noncurrent portion of bond obligations	13,605,000	-	13,605,000
Noncurrent portion of capital lease obligations	190,301	-	190,301
Net pension liability	8,059,898	1,439,098	9,498,996
Post-employment benefits liability	8,417,959	392,804	8,810,763
Accrued sick leave	97,506	-	97,506
Total Noncurrent Liabilities	30,370,664	1,831,902	32,202,566
Total Liabilities	32,811,601	1,837,997	34,649,598
Deferred inflows pensions	1,206,476	215,417	1,421,893
Deferred inflows, post-employment benefits	3,977,242	229,659	4,206,901
Total Deferred inflows, pensions & post-employment benefits	5,183,718	445,076	5,628,794
Total Liabilities and Deferred Inflows of Resources	37,995,319	2,283,073	40,278,392
Net Position			
Net investment in capital assets	15,830,382	321,206	16,151,588
Restricted for:			
Future construction BG-1	1,540,713		1,540,713
Sick Leave	34,646		34,646
Other	228,505	-	228,505
Food service	-	(91,476)	(91,476)
Unrestricted	(1,725,488)	-	(1,725,488)
Total Net Position	\$ 15,908,758	\$ 229,730	\$ 16,138,488

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

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the year ended June 30, 2023

FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Net (Expense) Revenue and Changes in Net Position	
						Business-type Activities	Total
Governmental Activities							
Instruction	\$22,974,966		\$3,929,799		(\$19,045, 167)	\$	(\$19,045,167)
Support services:							
Student	2,239,053		941,764		(1,297,289)		(1,297,289)
Instruction staff	1,585,007		50,814		(1,534, 193)		(1,534,193)
District administrative	2,292,650				(2,292,650)		(2,292,650)
School administrative	1,778,206				(1,778,206)		(1,778,206)
Business	433,150				(433, 150)		(433,150)
Plant operation and maintenance	3,070,984		14,525		(3,056,459)		(3,056,459)
Student transportation	511,982		534		(511,448)		(511,448)
Community service activities	2,178,305		2,140,575		(37,730)		(37,730)
Interest on long-term debt	<u>427,881</u>		<u>0</u>	<u>149,057</u>	<u>(278,824)</u>		<u>(278,824)</u>
Total governmental activities	37,492,184		7,078,011	149,057	(30,265,116)		(\$30,265,116)
Business-type Activities							
Food service	2,355,498	125,519	2,662,972			432,993	432,993
Total business-type activities	2,355,498	125,519	2,662,972			432,993	432,993
Total school district	\$39,847,682	\$125,519	\$9,740,983	\$149,057	(\$30,265, 116)	\$432,993	(\$29,832,123)
General Revenues							
Taxes			Property taxes		11,627,344		11,627,344
			Motor Vehicle taxes		893,467		893,467
			Utility taxes		1,140,541		1,140,541
			Other local revenues		642,404		642,404
State aid-formula grants					18,757,453		18,757,453
Federal revenues					138,411		138,411
Transfer					54,823	(54,823)	0
Investment earnings					<u>653,831</u>		<u>653,831</u>
Total general & special					33,908,274	(54,823)	33,853,451
Change in net positions					3,643,158	378,170	4,021,328
Net position - beginning					<u>12,265,600</u>	<u>(148,440)</u>	<u>12,117,160</u>
Net position - ending					\$15,908,758	\$229,730	\$16,138,488

See accompanying notes

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT BALANCE SHEET - GOVERNMENTAL FUNDS Year Ended June 30, 2023

	01	02	360	21/22/25/310/320/400	
	General	Special	Construction	Other	Total
	Fund	Revenue	Fund	Governmental	Governmental
		Funds		Funds	Funds
Assets					
Cash and (overdraft)	\$ 10,687,240	\$ -	\$ 1,725,163	\$ 228,504	\$ 12,640,907
Investments	2,139,812	-	-	-	2,139,812
Interfund receivable	554,055	-	-	-	554,055
Taxes - current	276,688	-	-	-	276,688
Accounts receivable	37,534	-	-	-	37,534
Intergovernmental - federal	-	802,559	-	-	802,559
Prepaid Expenses	-	-	-	-	-
Total Assets	\$ 13,695,329	\$ 802,559	\$ 1,725,163	\$ 228,504	\$ 16,451,555
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 68,422	\$ 47,262	\$ 184,450	\$ -	\$ 300,134
Interfund payable		554,055			554,055
Benefits payable	76,953	272	-	-	77,225
Sick leave payable	28,213	-	-	-	28,213
Deferred revenue	-	200,969	-	-	200,969
Total Liabilities	173,588	802,558	184,450	-	1,160,596
Fund Balances:					
Non-spendable	-	-	-	-	-
Restricted for:					
Sick Leave	34,646	-	-	-	34,646
Other				228,504	228,504
Special revenue - local projects	-	1	-	-	1
Future construction BG-1	-	-	1,540,713	-	1,540,713
Unassigned	13,487,095	-	-	-	13,487,095
Total Fund Balances	13,521,741	1	1,540,713	228,504	15,290,959
Total Liabilities and Fund Balances	\$ 13,695,329	\$ 802,559	\$ 1,725,163	\$ 228,504	\$ 16,451,555

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

Total Fund Balance per Fund Financial Statements	\$ 15,290,959
Capital asset 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	31,041,334
Sick Leave	-
Deferred outflows and inflows of resources related to pensions are applicable to future periods and are, therefore, not reportable in the funds:	
Deferred outflow of resources	6,965,243
Deferred inflow of resources	(5,183,718)
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, net pension obligation, and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position.	(32,205,060)
Net position for governmental activities	<u>\$ 15,908,758</u>

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

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year Ended June 30, 2023

	General Fund	Special Revenue Funds	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
From local sources					
Taxes:					
Property	\$ 11,002,202	\$ -	\$ -	\$ 625,142	\$ 11,627,344
Motor vehicle	893,467	-	-	-	893,467
Utilities	1,140,541	-	-	-	1,140,541
Other		-	-	-	-
Earnings on investments	653,831	1,524	-	-	655,355
Other local revenues	140,292	3,099	203,532	297,409	644,332
Intergovernmental - state	9,202,234	955,889	-	773,291	10,931,414
Intergovernmental - state on behalf	8,179,451	-	-	751,534	8,930,985
Intergovernmental - indirect federal	-	3,887,035	-	-	3,887,035
Intergovernmental - direct federal	138,411	2,230,464	-	-	2,368,875
Total Revenues	31,350,429	7,078,011	203,532	2,447,376	41,079,348
Expenditures					
Instruction	18,807,635	3,179,310	-	259,040	22,245,985
Support services:					
Student support	1,293,070	941,764	-	33	2,234,867
Instruction staff	1,514,970	50,814	-	19,223	1,585,007
District administrative	2,290,961	-	-	-	2,290,961
School administrative	1,745,707	-	-	-	1,745,707
Business	433,150	-	-	-	433,150
Plant operation and maintenance	2,152,086	14,525	-	-	2,166,611
Student transportation	446,663	534	-	24,566	471,763
Facilities acquisition and construction	328,551	-	5,037,598	-	5,366,149
Community service activities	32,001	2,140,575	-	-	2,172,576
Other(debt service)	59,715	-	-	1,792,470	1,852,185
Total Expenditures	29,104,509	6,327,522	5,037,598	2,095,332	42,564,961
Excess (deficiency) of revenues over (under) expenditures	2,245,920	750,489	(4,834,066)	352,044	(1,485,613)
Other Financing Sources (Uses)					
Operating transfers in - Food Service	54,823	-	-	-	54,823
Operating transfers in	352,277	204,319	2,902,942	1,040,936	4,500,474
Operating transfers (out)	(1,795,385)	(954,807)	(106,639)	(1,643,643)	(4,500,474)
Proceeds from sale of fixed assets	1,171	-	-	-	1,171
Total Other Financing Sources (Uses)	(1,387,114)	(750,488)	2,796,303	(602,707)	55,994
Net Change in Fund Balances	858,806	1	(2,037,763)	(250,663)	(1,429,619)
Fund Balances - Beginning	12,662,935	-	3,578,476	479,167	16,720,578
Fund Balances - Ending	\$ 13,521,741	\$ 1	\$ 1,540,713	\$ 228,504	\$ 15,290,959

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

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES Year Ended June 30, 2023

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

Net change in fund balances - total governmental funds	\$ (1,429,619)
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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.

Depreciation Expense	(2,079,002)	
Capital Outlays	5,533,687	3,454,685
	-	

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Repayment of Bond Principal	1,350,000
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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

Repayment of Capital Lease Principal	50,579
Deferred Outflows	2,302,369
Deferred Inflows	546,929

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

Change in Pension & OPEB Liability	(2,724,066)
Change in Accrued Interest	23,725
Change in Sick Leave	68,556

Change in net position of governmental activities	<u>\$ 3,643,158</u>
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The accompanying notes are an integral part of these financial statements.

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT STATEMENT OF NET POSITION - PROPRIETARY FUND June 30, 2023

Assets

Current Assets:

Cash	\$	1,571,321
Inventory		28,154
Accounts receivable		-
Intergovernmental - indirect federal		35,898
Total Current Assets		<u>1,635,373</u>

Noncurrent Assets:

Capital assets		1,518,920
Less: accumulated depreciation		1,197,714
Total Noncurrent Assets		<u>321,206</u>

Total Assets		1,956,579
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Deferred Outflows of Resources

Deferred outflow related to pensions and other post-employment benefits		<u>556,224</u>
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Total Assets and Deferred Outflows of Resources		<u>2,512,803</u>
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Liabilities

Current Liabilities:

Accounts payable/Benefits Payable		<u>6,095</u>
Total Current Liabilities		<u>6,095</u>

Noncurrent Liabilities:

Net pension and other post-employment benefits liability		<u>1,831,902</u>
Total Liabilities		<u>1,837,997</u>

Deferred Inflows of Resources

Deferred inflow related to pensions and other post employment benefits		<u>445,076</u>
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Total Liabilities and Deferred Inflows of Resources		<u>2,283,073</u>
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Net Position

Net investment in capital assets		321,206
Restricted - pensions and other post-employment benefits		(1,720,754)
Restricted Net Position		28,154
Unrestricted Net Position		1,601,124
Total Net Position	\$	<u><u>229,730</u></u>

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

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND Year Ended June 30, 2023

Operating Revenues

Lunchroom sales	\$	95,480
Other operating revenues (loss)		30,039
Total Operating Revenues		<u>125,519</u>

Operating Expenses

Salaries and wages	647,220
Employee benefits	66,572
Benefit payments - on behalf	347,518
Materials and supplies	1,150,449
Depreciation	56,615
Indirect cost allocation to General Fund	54,823
Other operating expenses	87,124
Total Operating Expenses	<u>2,410,321</u>

Operating Income (Loss)	<u>(2,284,802)</u>
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Nonoperating Revenues (Expenses)

Federal grants	2,151,362
Donated commodities	150,646
Intergovernmental - state	13,446
Intergovernmental - state on behalf	347,518
Total Nonoperating Revenues (Expenses)	<u>2,662,972</u>

Change in Net Positon	378,170
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Total Net Position - Beginning	<u>(148,440)</u>
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Total Net Position - Ending	<u><u>\$ 229,730</u></u>
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The accompanying notes are an integral part of these financial statements.

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT STATEMENT OF CASH FLOWS - PROPRIETARY FUND Year Ended June 30, 2023

Cash Flows From Operating Activities

Cash received from:	
Lunchroom sales	\$ 95,480
Other activities	30,039
Cash paid to/for:	
Employees	(715,486)
Supplies	(1,228,194)
Other activities	(54,823)
Net Cash Provided (Used) By Operating Activities	(1,872,984)

Cash Flows From Capital And Related Financing Activities

Purchases of capital assets	(7,938)
Contributions of governmental grants	2,364,715
Net Cash Provided By Capital And Related Financing Activities	2,356,777

Net Increase (Decrease) in Cash 483,793

Cash - Beginning of Period 1,087,528

Cash - End of Period \$ 1,571,321

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Net Income	\$ (2,284,802)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	56,615
Add back donated, non-cash commodities	150,646
Non-cash pension expense	195,178
Change in assets and liabilities:	
(increase) Decrease Receivables	
(increase) Decrease Inventory	11,583
Increase (Decrease) Accounts payable	(2,204)
Net Cash Provided (Used) by Operating Activities	\$ (1,872,984)

Schedule of Non-Cash Transaction

Donated commodities received from the federal government	\$ 150,646
Non-cash pension expense	\$ 195,178
On-behalf payment	347,518
Depreciation	56,615
Total Non-Cash Transactions	\$ 749,957

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

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT Notes to the Financial Statements June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

The financial statements of the District include those 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:

Erlanger-Elsmere Independent School District Finance Corporation – In 1992 the Board of Education resolved to authorize the establishment of the Erlanger-Elsmere Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the “Corporation”) as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation’s Board of Directors.

Basis of Presentation

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

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2023

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 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. Non-major 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) The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2023

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan.
2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

(D) Debt Service Funds

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

II. Proprietary Fund Types (Enterprise Fund)

- (A) The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service is a major fund. The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

- (A) The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity 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

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2023

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 value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used of 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 non-exchange transactions must also be available before it can be recognized.

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

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

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

The measurement focus of governmental fund accounting is on decreased 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 recognized in governmental funds.

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2023, to finance the General Fund operations were \$1.020 per \$100 valuation for real property, \$1.023 per \$100 for business personal property and \$0.671 per \$100 valuation for motor vehicles.

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

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2023

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars 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.

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

<u>Description</u>	Governmental Activities
	<u>Estimated Lives</u>
Buildings and Improvements	25-50 years
Land Improvements	20 years
Technology Equipment	5 years
Vehicles	5-10 years
General	15 years
Food Service Equipment	10-12 years

Inter-fund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental 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.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments. The entire compensated absence liability is reported on the government-wide financial statements. For

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT Notes to the Financial Statements June 30, 2023

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

Budgetary Process

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

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

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

Once the budget is approved, it can be amended. Amendments 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.

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

On government-wide financial statements inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method, and the general fund uses the first-in, first-out method.

Accrued Liabilities and Long-Term Obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2023

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.

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 the Teachers Retirement System of the Commonwealth of Kentucky (KTRS) and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable. In accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits – Medical Insurance Plan

For purposes of measuring the net liability for other post-employment benefits – medical insurance plan (OPEB), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous (CERS) and the Teachers Retirement System of the Commonwealth of Kentucky (KTRS) and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the OPEB. 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.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classification that comprise a hierarchy that is based primarily on the extent to which the district is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in governmental fund financial statements are as follows:

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

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of governments, or (b) imposed by law through constitutional provisions or enabling legislature. The district has classified sick leave, KSFCC escrow, capital projects, and debt service resources as being restricted.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the board. These amounts cannot be used for any other purpose unless the board removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed.

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT Notes to the Financial Statements June 30, 2023

This classification also includes contractual obligations to the extent that existing resources have been specifically committed for the use in satisfying those contractual requirements. The district did not have any committed resources as of June 30, 2023.

Assigned: This classification includes the amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the District's manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District had assigned resources as of June 30, 2023.

Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balances of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The District would typically use "*Restricted*" fund balance first, followed by "*Committed*" resources, and then "*Assigned*" resources, as appropriate opportunities arise, but reserves the right to selectively spend "*Unassigned*" resources first to defer the use of these other classified funds.

Net Position

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

Operating Revenues and Expenses

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

Contributions of Capital

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

Inter-fund Activity

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

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2023

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.

NOTE B – ESTIMATES

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

NOTE C – CASH AND CASH EQUIVALENTS

At year-end the carrying amount of the District's total cash and cash equivalents was \$16,352,040. Of the total cash balance, \$14,212,228 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less. Cash and cash equivalents at June 30, 2023 consisted of the following:

	Bank Balance	Book Balance
General checking	\$ 17,855,546	\$ 16,352,040

Breakdown per financial statements:

Governmental funds	\$ 14,780,719
Proprietary funds	1,571,321
	<u>\$ 16,352,040</u>

NOTE D – INVESTMENTS

The District had CD and allowable mutual fund investments at June 30, 2023 with a fair value of \$2,139,812, which included \$2,139,812 of cash sweep balance.

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT Notes to the Financial Statements June 30, 2023

NOTE E – CAPITAL ASSETS

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

	Balance June 30, 2022	Additions	Deductions	Balance June 30, 2023
Governmental Activities				
Land	\$ 665,532	\$ -	\$ -	\$ 665,532
Land improvement	1,235,656	353,854	-	1,589,510
Buildings and improvements	42,103,830	1,124,740	-	43,228,570
Technology equipment	2,554,091	55,174	-	2,609,265
General equipment	914,098	170,370	-	1,084,468
Vehicles and machinery	1,221,954	-	(29,493)	1,192,461
Construction in progress	831,106	4,507,626	(678,078)	4,660,654
Totals at historical cost	<u>49,526,267</u>	<u>6,211,764</u>	<u>(707,571)</u>	<u>55,030,460</u>
Less: accumulated depreciation				
Land improvements	(1,190,040)	(16,345)	-	(1,206,385)
Buildings and improvements	(17,603,735)	(1,748,865)	-	(19,352,600)
Technology equipment	(1,705,754)	(193,365)	-	(1,899,119)
General equipment	(536,436)	(37,504)	-	(573,940)
Vehicles and machinery	(903,652)	(82,923)	29,493	(957,082)
Total accumulated depreciation	<u>(21,939,618)</u>	<u>(2,079,002)</u>	<u>29,493</u>	<u>(23,989,126)</u>
Governmental Activities Capital Assets – Net	<u>\$ 27,586,649</u>	<u>\$ 4,132,762</u>	<u>\$ (678,078)</u>	<u>\$ 31,041,334</u>
Business-Type Activities				
Food service equipment	\$ 1,403,839	\$ 7,939	\$ -	\$ 1,411,778
Technology Equipment	107,142	-	-	107,142
Totals at historical cost	<u>1,510,981</u>	<u>7,939</u>	<u>-</u>	<u>1,518,920</u>
Less: accumulated depreciation	<u>(1,141,099)</u>	<u>(56,615)</u>	<u>-</u>	<u>(1,197,714)</u>
Business-Type Activities Capital Assets – Net	<u>\$ 369,882</u>	<u>\$ (48,676)</u>	<u>\$ -</u>	<u>\$ 321,206</u>

Depreciation was charged to governmental activities functions as follows:

Instruction	\$ 1,090,307
Student Support Services	4,186
Direct Administration Support	1,689
School Administration Support Services	32,499
Business Support	-
Community Services	5,729
Plant Operations & Maintenance	904,373
Food Service	56,615
Student Transportation	40,219
Total Depreciation	<u>\$ 2,135,617</u>

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT**Notes to the Financial Statements****June 30, 2023****NOTE F – BONDED DEBT AND LEASE OBLIGATIONS**

The amount shown in the accompanying financial statements lease obligations represents the District's future obligation to make lease payments relating to the bonds issued by the Fiscal Court of Kenton County, Kentucky and the Erlanger-Elsmere Independent School District Financial Corporation aggregating \$14,980,000.

The following summarizes the original amount of each issue, the issue date and interest rates:

2012 Refunded	259,000	1.50% - 2.45%
2012	3,230,000	0.90% - 2.70%
2016 - Refunded 2007	4,195,000	0.75% - 2.125%
2016 - Refunded 2008	3,325,000	2.00%
2017	5,320,000	2.00% - 3.50%
2019	4,315,000	3.03%

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

In 1992, the District entered into "participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements. The bonds may be called prior to maturity and redemption premiums are specified in each issue.

The following is a summary of the District's portion of long-term debt transactions for the year ended June 30, 2023:

	Beginning Balance	Additions	Deductions	Ending Balance
Bonds	\$ 16,330,000	\$ -	\$ 1,350,000	\$ 14,980,000
Capital Leases	281,531	-	50,579	230,952
Sick Leave	181,216	-	55,497	125,719
Total	<u>\$ 16,792,747</u>	<u>\$ -</u>	<u>\$ 1,456,076</u>	<u>\$ 15,336,671</u>

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT Notes to the Financial Statements June 30, 2023

Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2023 for debt service (principal and interest) are as follows:

Year	District Portion Erlanger- Elsmere		KSCC Portion KSCC		Total
	Principal	Interest	Principal	Interest	
2023-2024	759,149	277,731	615,851	135,684	1,788,415
2024-2025	780,624	259,053	459,376	121,142	1,620,195
2025-2026	799,764	240,427	470,236	110,280	1,620,707
2026-2027	818,194	221,491	481,806	98,712	1,620,203
2027-2028	839,947	201,722	390,053	86,881	1,518,603
2028-2029	859,545	179,819	385,455	75,841	1,500,660
2029-2030	522,840	160,776	342,160	65,806	1,091,582
2030-2031	503,063	145,091	351,937	56,029	1,056,120
2031-2032	517,739	129,518	362,261	45,705	1,055,223
2032-2033	535,875	113,483	344,125	35,482	1,028,965
2033-2034	559,657	96,366	175,343	27,384	858,750
2034-2035	572,556	78,456	182,444	21,544	855,000
2035-2036	590,068	59,836	189,932	15,314	855,150
2036-2037	617,319	40,623	197,681	8,827	864,450
2037-2038	335,961	20,577	34,039	2,074	392,651
2038-2039	349,938	10,499	35,062	1,051	396,550
Total	9,962,239	2,235,468	5,017,761	907,756	18,123,224

NOTE G – CAPITAL LEASE PAYABLE

The following is analysis of the leased property under capital lease by class:

Classes of Property	Book value as of June 30, 2023
Buses	\$ 229,445

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT Notes to the Financial Statements June 30, 2023

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2022:

Year Ending June 30,	2020 Bus Lease	2019 Bus Lease	2015 Bus Lease	Total
2024	24,557	12,596	8,828	45,981
2025	24,523	12,592	8,841	45,956
2026	24,546	12,579	-	37,125
2027	24,562	12,589	-	37,151
2028	24,566	9,279	-	33,845
2029	20,269	9,273	-	29,542
2030	20,277	-	-	20,277
Total minimum lease payments	163,300	68,908	17,669	249,877
Less: Amount representing interest	(11,931)	(6,342)	(652)	\$ (18,925)
Present Value of Net Minimum Lease Payment	<u>\$ 151,369</u>	<u>\$ 62,566</u>	<u>\$ 17,017</u>	<u>\$ 230,952</u>

NOTE H – COMMITMENTS UNDER NONCAPITALIZED LEASES

None

NOTE I – RETIREMENT PLANS

Teachers' Retirement System of the State of Kentucky (TRS)

Plan Description – Teaching-certified employees of the District are provided pensions through the Teachers' Retirement System of the State of Kentucky (TRS) – 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 education 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://trs.ky.gov/financial-reports-information>.

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT Notes to the Financial Statements June 30, 2023

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

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

Benefits Provided - For members who have established an account in a retirement system by the Commonwealth on or after July 1, 2008: (1) Attain age sixty (60) and complete five (5) years of Kentucky service, or (2) Complete 27 years of Kentucky service, or (3) Attain age fifty-five (55) and complete ten (10) years of Kentucky service.

For members prior to July 1, 2008 -Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New members (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New members after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of services, including the first ten years. In addition, members who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for members hired on or after that date.

For members after July 1, 2008 -The annual retirement allowance for non-university members is equal to (a) one and seven tenths percent (1.7%) of final average salary for each year of credited service if their service is 10 years or less; (b) two percent (2.0%) of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) two and three tenths percent (2.3%) of final average salary for each year of credited service if their service is greater than 20 years but no more than 26 years; (d) two and one half percent (2.5%) of financial average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; € three percent (3.0%) of financial average salary for years credited service greater than 30 years.

For members 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. The annual foundational benefit for non-university members is equal to service times a multiplier times final average salary, based on a table. The annual foundational benefit is reduced by 6% per year form the earlier of age 60 or the date the member would have completed 30 years of service. The annual supplemental benefit is equal to the account balance which includes member and employer contributions and interest credited annually on June 30. Options include annuitizing the balance or receiving the balance as a lump sum either at the time of retirement or at a later date.

“Final average salary” means the average of the five highest annual salaries which the member has received for service in a covered position and on which the member has made contributions or on which the public board, institution or agency has picked up he members contributions. For a member hired before January 1, 2022, who retires after attaining age 55 with 27 years of service, “final average salary” means the average of the three highest annual salaries.

Contributions - Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university members are required to contribute 12.855% of their salaries to the System.

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2023

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

Medical Insurance Plan

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

Eligibility for access to retiree medical plan coverage: Members before 7/1/2008 – completion of 27 years of service, or attainment of age 55 and 5 years of service. Member on and after 7/1/2008 NS BEFORE 1/1/2022 – completion of 27 years of service, or attainment of age 55 and 10 years of service, or attainment of age 60 and 5 years of service. Members on and after 1/1/2022 – attainment of age 57 and 10 years of service or attainment of age 65 and 5 years of service.

Funding policy – In order to fund the post-retirement healthcare benefit, seven and one half percent (7.50%) of the gross annual payroll of members is contributed. Three percent (3.00%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three percent (3.00%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

Life Insurance Plan Benefits:

Effective July 1, 2000, the Teachers' Retirement System shall:

- (a) Provide a life insurance benefit in a minimum amount of five thousand dollars (\$5,000) for its members who are retired for service or disability if hired prior to January 1, 2022. Provide a life insurance benefit in a minimum amount of ten thousand dollars (\$10,000) for its members who are retired for service or disability if hired on or after January 1, 2022. This life insurance benefit shall be payable upon the death of a member retired for service or disability to the member's estate or to a party designated by the member on a form prescribed by the retirement system; and
- (b) Provide a life insurance benefit in a minimum amount of two thousand dollars (\$2,000) for its active contributing members if hired prior to January 1, 2022. Provide a life insurance benefit in a minimum amount of five thousand dollars (\$5,000) for its active contributing members if hired on or after January 1, 2022. This life insurance benefit shall be payable upon the death of an active contributing member to the member's estate or to a party designated by the member on a form prescribed by the retirement system.

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT Notes to the Financial Statements June 30, 2023

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

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

State's proportionate share of the net pension liability associated with the District	<u>\$ 59,319,049</u>
---------------------------------------------------------------------------------------	----------------------

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2022, the State's proportion for the District was 0.3501 percent.

For the year ended June 30, 2022, the State recognized pension expense for the District of \$2,163,589 and revenue of \$5,412,343 for support provided by the State on the Fund financial statements.

Actuarial assumptions – The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.10%, net of pension plan investment expense, including inflation.
Projected salary increases	3.00 – 7.50%, including inflation
Municipal Bond Index Rate	3.37%
Single Equivalent Interest Rate	7.10%

Mortality rates were based on the Pub-2010 (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 actuarial assumptions used in the June 30, 2021 valuation were based on the results of the experience investigation for the five-year period ending June 30, 2020. In addition, the contribution requirements for the fiscal year ending June 30, 2024 use a direct rate smoothing methodology over a five-year period. These revised assumption changes and methods were adopted by the Board on September 20, 2021.

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.

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2023

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

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

Discount rate - The discount rate used to measure the TPL 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 rates for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the State's proportionate share of the net pension liability for the District of the System, calculated using the discount rate of 7.10%, 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 (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
System's net pension liability	\$75,705,613	\$59,319,049	\$45,662,061

June 30, 2021 is the actuarial valuation date upon which the TPL is based. An expected TPL is determined as of June 30, 2022 using standard roll forward techniques. The roll-forward calculation adds the annual normal cost (also called the service cost), subtracts the actual benefit payments, and refunds for the plan year and then applies the expected investment rate of return for the year. In addition, it has been determined an expected TPL as of June 30, 2022, based on the TPL roll-forward in the June 30, 2021 GASB 67 report. The difference between this amount and the roll-forward of the actual TPL before the assumption changes is reflected as an experience gain or loss for the year.

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT Notes to the Financial Statements June 30, 2023

The District did not report any deferred outflows of resources and deferred inflows of resources related to pensions.

The District did not have any collective amounts to report as deferred outflows of resources and deferred inflows of resources related to pensions to be recognized in future years as pension expense.

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued TRS financial report.

OPEB

The Actuarially Determined Contribution rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the indicated Valuation Date. The following actuarial methods and assumptions were used to determine contribution rates reported in the schedule for the year ending June 30, 2022 for the Life Trust:

Valuation Date	June 30, 2019
Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Amortization period (Closed)	25 years
Asset valuation method	5-year smoothed value
Inflation	3.00%
Real wage growth	0.50%
Wage Inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.20%
Discount Rate	7.50%

The Health Trust is not funded based on an actuarially determined contribution, but instead is funded based on statutorily determined amounts. The Schedule of Employer Contributions details the statutorily determined amounts for the Health Trust.

The Total OPEB Liability (TOL) as of June 30, 2022 was determined by an actuarial valuation as of June 30, 2020, using assumptions based on the experience investigation for the five-year period ending June 30, 2020. The following actuarial assumptions are applied to all periods included in the measurement:

Inflation	2.50%
Real wage growth	0.25%
Wage inflation	2.75%
Salary increases, including wage inflation	3.00% - 7.50%
Long-term Investment Rate of Return, net of OPEB plan investment expense, including Inflation	
Health Trust	7.10%
Life Trust	7.10%
Municipal Bond Index Rate	3.37%
Year FNP is projected to be depleted	
Health Trust	n/a
Life Trust	n/a

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2023

Single Equivalent Interest Rate, net of OPEB

Plan investment expense, including price

Inflation

Health Trust 7.10%

Life Trust 7.10%

Health Trust Health Care Cost Trends

Under Age 65 7.00% for FYE 2022 decreasing to an ultimate rate of 4.50% by FYE 2032

Ages 65 and Older 5.125% for FYE 2022 decreasing to an ultimate rate of 4.50% by FYE 2025

Medicare Part B Premiums 6.97% for FYE 2022 with an ultimate rate of 4.50% by 2034

Mortality rates were based on the Pub-2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees, and active members.

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

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends) used in the June 30, 2021 valuation of the Health Trust were based on a review of recent plan experience done concurrently with the June 30, 2021 valuation. The health care cost trend assumption was updated for the June 30, 2021 valuation and was shown as an assumption change in the TOL roll forward while the change in initial per capita claims costs were included with experience in the TOL roll forward.

The long-term expected rate of return on Health Trust and Life Trust 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 following exhibit presents the NOL of the Plan, calculated using the health care cost trend rates, as well as what the Plan's NOL would be if it were calculated using a health care cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate. This chart is not shown for the Life Insurance Fund (LIF) since there is no health care trend component of the liabilities:

	<u>Health Care Cost Trend Rate Sensitivity</u>		
	1% Decrease	Current	1% Increase
Health Net OPEB Liability	\$4,602,000	\$6,218,000	\$8,154,000
	<u>Health Care NOL Rate Sensitivity</u>		
	6.1%	7.1%	8.1%
Health Net OPEB Liability	\$7,802,000	\$6,218,000	\$4,907,000

Health Trust **Discount rate (SEIR)**: The discount rate used to measure the TOL at June 30, 2021 was 8.00% for the Health Trust and 7.50% for the Life Trust.

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2023

Projected cash flows:

Health Trust discount rate (SEIR). 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 74. The projection's basis was an actuarial valuation performed as of June 30, 2021. In addition to the actuarial methods and assumptions of the June 30, 2021 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

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

The pre-65 retiree health care costs 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 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 contribution to the Health Trust were based upon the contribution rates defined in statute and the projected payroll of active employees. Per KRS 161.540(1)(c)3 and 161.550(5), when the Health Trust achieves a sufficient prefunded status, as determined by the retirement system's actuary, the following Health Trust statutory contributions are to be decreased, suspended, or eliminated:

Employee contributions

School District/University Contributions

State Contributions for KEHP premium subsidies payable to retirees who retire after June 30, 2010

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

In developing the adjustments to the statutory contributions in future years, the following was assumed:

Liabilities and cash flows are net of expected retiree contributions and any implicit subsidies attributable to coverage while participating in KEHP.

For the purposes of developing estimates for new entrants, active headcounts were assumed to remain flat for all future years.

Based on these assumptions, the Health Trust's FNP was not projected to be depleted.

Life Trust Discount rate (SEIR). 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 74. The projection's basis was an actuarial valuation performed as of June 30, 2021. In addition to the 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 Trust's 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 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.

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT Notes to the Financial Statements June 30, 2023

Active employees do not contribute to the plan.
Cash flows occur mid-year.

Based on these assumptions, the Life Trust's FNP was not projected to be depleted.

The FNP projections are based upon the Health Trust's and the Life Trust's financial statuses on the Valuation Date, the indicated set of methods and assumptions, and the requirements of GASB 74. As such, the FNP projections are not reflective of the cash flows and asset accumulations that would occur on an ongoing basis, reflecting the impact of future members. Therefore, the results of these tests do not necessarily indicate whether or not the Health Trust and the Life Trust will actually run out of money, the financial condition of the Health Trust and Life Trust, or the Health Trust's and the Life Trust's ability to make benefit payments in future years.

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

Health Insurance Trust		
Asset Class	Target Allocation	Long-Term Expected Real Rates of Return
Global Equity	58.00%	5.10%
Fixed Income	9.00%	-0.10%
Real Estate	6.50%	4.00%
Private Equity	8.50%	6.90%
Additional Category: High Yield	8.00%	1.70%
Other Additional Categories	9.00%	2.20%
Cash	<u>1.00%</u>	-0.30%
Total	100.00%	

Life Insurance Trust		
Asset Class	Target Allocation	Long-Term Expected Real Rates of Return
U.S. Equity	40.00%	4.40%
International Equity	23.00%	5.60%
Fixed Income	18.00%	-0.10%
Real Estate	6.00%	4.00%
Private Equity	5.00%	6.90%
Additional Categories	6.00%	2.10%
Cash	<u>2.00%</u>	-0.30%
Total	100.00%	

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT Notes to the Financial Statements June 30, 2023

The following is the Proportionate Share of the Net OPEB Liability:

	District	State	Total
	\$6,218,000	\$2,145,000	\$8,363,000
District's Proportion of the Collective NOL			
Current Year		Prior Year	
Health	0.250480%	0.195084%	
Life	0.000000%	0.000000%	

There is no Life Insurance Trust OPEB Liability.

There were no changes between the measurement date of the collective net OPEB liability and the employer's reporting date.

Please see Section V of the report on the website for the development of the collective OPEB expense. The District's proportionate share of the net OPEB expense is \$(168,000).

Since certain items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce OPEB expense they are labeled deferred inflows. If they will increase OPEB expense they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive system members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period.

The table below provide a summary of the deferred inflows and outflows as of the Measurement Date. The allocation of deferred inflows and outflows will be determined by the System.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Health Insurance Trust		
Difference between Expected and Actual Experience	\$0	\$2,614,000
Change of Assumptions	1,263,000	0
Net Difference between Projected and Actual Investment Earnings	331,000	0
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	<u>1,718,000</u>	<u>77,000</u>
SUBTOTAL	\$3,312,000	\$2,691,000
Subsequent Contributions	<u>403,614</u>	<u>0</u>
TOTAL	\$3,715,614	\$2,691,000

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT Notes to the Financial Statements June 30, 2023

There are no deferred outflows or inflows for the Life Insurance Trust.

The collective amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Deferred Amounts to be Recognized in Fiscal Years
Following the Reporting Date

	Deferred Outflows/ (Inflows) of Resources Heath Insurance Trust	Deferred Outflows/ (Inflows) of Resources Life Insurance Trust
Year 1	(\$76,000)	\$0
Year 2	(66,000)	0
Year 3	(28,000)	0
Year 4	392,000	0
Year 5	291,000	0
Thereafter	<u>108,000</u>	<u>0</u>
TOTAL	\$621,000	0

There are no non-employer contributions recognized for the support provided by non-employer contributing entities in TRS.

KENTUCKY PUBLIC PENSIONS AUTHORITY
County Employees Retirement System (CERS)

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. The plan covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members.

CERS issues a publicly available financial report included in the Kentucky Public Pensions Authority (KPPA) Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Public Pensions Authority, 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 is provided by members who contribute 5% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions and by employers of members who contribute 23.40% of the member's salary. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT Notes to the Financial Statements June 30, 2023

At June 30, 2023, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2021. An expected total pension liability as of June 30, 2021 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2022. At June 30, 2022, the District's proportion was 0.131401%.

For the year ended June 30, 2023, the District recognized pension expense of \$637,658. At June 30, 2023, the District reported deferred outflows of resources for District contributions subsequent to the measurement date of \$955,722, deferred outflows of resources from change of assumptions and expectations of \$1,318,750, and deferred inflows of resources related to pensions from the net difference between projected and actual earnings on pension plan investments in the amount of \$1,421,893.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability experience	\$10,156	\$84,593
Assumption changes	0	0
Investment experience	1,292,529	1,049,009
Changes in proportion and differences between District contributions and proportionate share of contributions	<u>16,065</u>	<u>288,291</u>
District contributions subsequent to the measurement date	\$1,318,750	\$1,421,893
Subsequent Contributions	<u>955,722</u>	<u>0</u>
TOTAL	\$2,274,472	\$1,421,893

District contributions subsequent to the measurement date of \$955,722 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to CERS will be recognized in pension expense as follows:

	Deferred Outflows (Inflows)
<u>Year</u>	
2023	\$ (167,202)
2024	(125,963)
2025	(79,824)
2026	269,846
2027	<u>0</u>
	<u>\$ (103,143)</u>

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT Notes to the Financial Statements June 30, 2023

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

The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2022. The financial reporting actuarial valuation as of June 30, 2022, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Amortization Period	30 year closed period at June 30, 2019 <i>Gains/Losses incurring after 2019 will be amortized over separate closed 20-year amortization bases</i>
Payroll Growth Rate	2.00%
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%,
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
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
Phase-In provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018

The total pension liability, net pension liability, and sensitivity information as of June 30, 2022 were based on an actuarial valuation date of June 30, 2021. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2022, using generally accepted actuarial principles.

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

Senate Bill 249 passed during the 2021 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2021. There were no other material plan provision changes.

Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability. The total pension liability as of June 30, 2022 is determined using these updated benefit provisions. There were no other material plan provision changes.

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

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2023

Discount Rate: The projection of cash flows used to determine the discount rate of 6.25% for the CERS Non-hazardous assumed that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as amended by House Bill 362 (passed in 2018) over the remaining 29 years (closed) amortization period of the unfunded actuarial accrued liability.

The projection of cash flows used to determine the discount rate of 6.25% assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 8 (passed in 2021, over the remaining 29 years (closed) amortization period of the unfunded actuarial accrued liability.

The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the Annual Comprehensive Financial Report (ACFR).

Basis of Accounting

The underlying financial information used to prepare allocation schedules is based on KPPA's combining financial statements. KPPA's combining financial statements for all plans are prepared using the accrual basis of accounting and are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) that apply to governmental accounting for fiduciary funds.

Use of Estimates in Preparation of Schedules

The preparation of the schedules in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect certain amounts and disclosures. KPPA accrues employer contributions using estimates based on historical data. Actual results could differ from those estimates.

The long-term expected return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the tables below. The current long term inflation assumption is 2.30% per annum for both the non-hazardous and hazardous system.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	60.00%	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Fixed Income	20.00%	
Core Bonds	10.00%	0.28%
Specialty Credit/High-Yield	10.00%	2.28%
Cash	0.00%	-0.91%

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT Notes to the Financial Statements June 30, 2023

Inflation Protected	20.00%	
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
Expected Real Return	100.00%	4.28%
Long Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		6.58%

Deferred Inflows and Outflows of Resources

The Deferred Inflows and Outflows of Resources, and Pension Expense included in the Schedule of Pension Amounts by Employer include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule of Pension Amounts by Employer does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net pension liability as of June 30, 2022, is based on the June 30, 2021, actuarial valuation rolled forward. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period.

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

	1% Decrease (5.25%)	Current discount rate (6.25%)	1% Increase (7.25%)
District's proportionate share of the net pension liability	\$ 11,872,567	\$ 9,498,996	\$ 7,535,857

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

Payables to the pension plan: At June 30, 2023 the District had payables to CERS in the amount of \$0 for June's covered payroll with contributions required to be paid in July.

OPEB

CERS Non-hazardous Insurance Fund is a cost-sharing multiple-employer defined benefit Other Postemployment Benefits (OPEB) plan for members that cover all regular full-time members. The plan provides for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2023

The net OPEB liability is the total OPEB liability, less the amount of the plan's fiduciary net position. The total OPEB liability, net OPEB liability, and sensitivity information shown in this report are based on an actuarial valuation performed as of June 30, 2021. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2022, using generally accepted actuarial principles.

Discount Rate:

Single discount rate of 5.20% was used to measure the total OPEB liability as of June 30, 2022. The single discount rate is based on the expected rate of return on OPEB plan investments of 6.25%, and a municipal bond rate of 3.69% as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2022. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan's fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system. However, the cost associated with the implicit employer's 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 KRS' trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the ACFR.

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

The District's proportionate share of the Net OPEB Liability as of June 30, 2022 is \$2,592,763. The District's proportionate share is 0.131378%. The District's proportionate share of the OPEB expense is \$342,339. The total Deferred Outflows of Resources is \$1,188,331 and the total Deferred Inflows of Resources is \$1,515,901. Total employer contributions were \$151,518, implicit subsidy was \$93,479 for a total contribution of \$244,997.

Discount Rate Sensitivity			
	1%	Current	1%
	Decrease	Discount Rate	Increase
	4.70%	5.70%	6.70%
Net OPEB Liability	3,466,110	2,592,763	1,870,795

Healthcare Cost Trend Rate Sensitivity			
	1%	Current	1%
	Decrease	Discount Rate	Increase
Net OPEB Liability	1,927,661	2,592,763	3,391,424

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT Notes to the Financial Statements June 30, 2023

The following actuarial methods and assumptions were used in performing the actuarial valuation as of June 30, 2022.

Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increases	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.20% at January 1, 2024 and gradually decreasing to an ultimate trend rate of 4.05% over a period
Post-65	Initial trend starting at 9.00% in 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rate from MP-2014 mortality improvement scale using a base year of 2019
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

Senate Bill 209 passed during the 2022 legislative session and increased the insurance dollar contribution for members hired on or after July 1, 2003, by \$5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023. Senate Bill 209 also allows members receiving the insurance dollar contribution to participate in a medical insurance reimbursement plan that would provide the reimbursement of premiums for health plans other than those administered by KPPA.

The total OPEB liability as of June 30, 2022, is determined using these updated benefit provisions. There were no other material plan provision changes.

Deferred Inflows and Outflows of Resources

The Deferred Inflows and Outflows of Resources, and OPEB Expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes in assumptions and differences between projected and actual earnings on plan investments. The Schedule of OPEB Amounts does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net OPEB liability as of June 30, 2022, is based on the June 30, 2021, 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.

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT Notes to the Financial Statements June 30, 2023

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability Experience	\$260,983	\$594,581
Assumption Changes	410,064	337,890
Investment Experience	482,799	377,565
Change in Proportionate & Differences between Employer Contrib & Proportionate Share of Plan Contributions	<u>34,485</u>	<u>205,865</u>
Subtotal	1,188,331	1,515,901
Subsequent Contribution	<u>138,457</u>	<u>0</u>
TOTAL	\$1,326,788	\$1,515,901

The \$138,457 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024.

The following is a summary of collective deferred outflows and Inflows of Resources arising from current and prior reporting periods.

Deferred Amounts to be recognized in Fiscal Years Ending

	Deferred Outflows/ (Inflows) of Resources MIF
2023	\$ (55,633)
2024	(64,071)
2025	(198,427)
2026	(9,439)
2027	0
thereafter	<u>0</u>
Total	\$(327,570)

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT Notes to the Financial Statements June 30, 2023

	Government	Food Service	Total
Deferred Outflows			
Subsequent CERS Pension			
Contributions	801,643	154,079	955,722
CERS Pension	1,118,959	199,791	1,318,750
Subsequent CERS OPEB Contributions	116,135	22,322	138,457
CERS OPEB	1,008,299	180,032	1,188,331
Subsequent TRS OPEB Contributions	403,614	0	403,614
TRS OPEB	<u>3,312,000</u>	<u>0</u>	<u>3,312,000</u>
	6,760,650	556,224	7,316,874
Deferred Inflows			
CERS Pension	1,206,476	215,417	1,421,893
CERS OPEB	1,286,242	229,659	1,515,901
KTRS OPEB	<u>2,691,000</u>	<u>0</u>	<u>2,691,000</u>
	5,183,718	445,076	5,628,794
Pension Liability			
CERS	8,059,898	1,439,098	9,498,996
OPEB Liability			
CERS	2,199,959	392,804	2,592,763
TRS	<u>6,218,000</u>	<u>0</u>	<u>6,218,000</u>
	8,417,959	392,804	8,810,763

NOTE J – CONTINGENCIES

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

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT Notes to the Financial Statements June 30, 2023

NOTE K – LITIGATION

The District is subject to various other legal actions in various stages 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 combined financial statements as a result of the cases presently in progress.

NOTE L – INSURANCE AND RELATED ACTIVITIES

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

NOTE M – ACCUMULATED UNPAID SICK LEAVE

Upon retirement from the school system, an employee who meets requirements will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2023, this amount totaled \$125,719 for those employees eligible to retire, which is the amount reserved in the current year fund balance of the General Fund. Presently, the District has been notified of several retirements for fiscal year 2023, therefore the accumulated unpaid sick leave benefits is \$28,213 for current liabilities and \$97,506 for noncurrent liabilities at June 30, 2023.

NOTE N – RISK MANAGEMENT

The District is exposed to various risks of loss related to injuries to employees. The District pays annual premiums for various insurance coverages.

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

NOTE O – 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).

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT**Notes to the Financial Statements****June 30, 2023****NOTE P – DEFICIT FUND AND OPERATING BALANCES**

No fund of the District has a deficit fund balance.

No funds have operations that resulted in a current year deficit of revenues under expenditures resulting in a corresponding reduction of fund balance.

NOTE Q – TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	Technology Match	\$ 48,302
Matching	General	Special Revenue	IT Grant for PD	3,018
Operating	Food Service	General Fund	Indirect Cost	54,823
Operating	Special Revenue	General Fund	Indirect Cost 551JC	3,570
Operating	Special Revenue	General Fund	Indirect Cost 518JJ	6,173
Operating	Special Revenue	General Fund	Indirect Cost 534JM	13,983
Operating	General Fund	Fund 360	Capital Projects	1,744,065
Operating	Capital Outlay	Fund 360	Capital Projects	274,156
Operating	Capital Outlay	Debt Service	Debt Service	1,040,936
Operating	Capital Outlay	General Fund	Operating Expense	328,551
Operating	Fund 360	Fund 360	Capital Projects	106,639
Operating	Special Revenue	Fund 360	Capital Projects	778,082
Operating	Special Revenue	Special Revenue	Title IV to Title I	40,000
Operating	Special Revenue	Special Revenue	Title II to Title I	112,999
				<u>\$ 4,555,297</u>

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT Notes to the Financial Statements June 30, 2023

NOTE R – ON-BEHALF PAYMENTS

The financial statements included payments made by the Commonwealth of Kentucky for insurance, flexible spending, vocational retirement benefits, and debt service.

Instruction	\$ 7,324,792
Support Services	
Student	115,839
Instructional Staff	173,759
District Administration	57,920
School Administration	115,839
Business	28,960
Plant Operation & Maintenance	173,759
Student Transportation	86,879
Food Service	347,518
Debt Service	751,534
Technology	101,704
Total	<u>\$ 9,278,503</u>

NOTE S– COVID 19 GLOBAL PANDEMIC

On January 30, 2020, the World Health Organization announced a global health emergency, later classified as a global pandemic, as a result of the COVID-19 outbreak. The outbreak and response have impacted financial and economic markets across the World and within the United States of America. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the District's financial condition, liquidity, and future results of operations. The District's Management and Board are actively monitoring the impact of the global pandemic on its financial condition, liquidity, operations, suppliers, and industry.

The primary effects on the District from the COVID-19 Global Pandemic was the inability to conduct normal on-campus school operations from March-June of 2020. Local and State tax revenues flowed into the District as scheduled for the fiscal year. There were additional costs to facilitate virtual learning. The 2021-22 fiscal-year budget has been passed to incorporate potential effects of the pandemic on the District's financial condition.

NOTE T – SUBSEQUENT EVENTS

Management has evaluated events through **September 29, 2023**, the date on which the financial statements were available for issue. The District entered into a Capital Lease for copiers on July 1, 2023.

NOTE U – DEFERRED OUTFLOWS FROM ADVANCED BOND REFUNDINGS

The District has issued Refunding Revenue Bonds. The following is a summary of the Unamortized amounts.

Beginning Balance	Additions	Current Amortization	Ending Balance
\$ 256,638	\$ 0	\$ 52,045	\$ 204,593

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2023

NOTE V – GASB 88

The provisions of GASB 88 were adopted by the District. The primary objective of the Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

The District has the following lines of credit:

Fifth Third Credit Cards	\$100,000
Lowes	15,000
Sams	14,600
Home Depot	9,000
Tractor Supply	7,500
Staples	7,300
JC Penney	6,000
Dicks Sporting Goods	5,000
Walmart	4,800
Office Depot	2,500
Speedway	<u>1,000</u>
	\$172,700

NOTE X – TAX ABATEMENTS

During the fiscal year ended June 30, 2023, the District's property tax revenues were reduced by \$339,896 pursuant to agreements entered into by the Fiscal Court of Kenton County in 2019. Under the agreement(s), payments in lieu of taxes are remitted to the District. The District received \$84,725 for in lieu of tax payment collections during the fiscal year ended June 30, 2023.

NOTE Y – GASB 96

During the year, the District adopted *GASB 96, Subscription Based Information Technology Arrangement (SB/ITA)*. The objective of this statement is to better meet the information needs of financial statement users. The District has two subscriptions that are multiple year subscriptions. However, the amounts are not material to the financial statement, individually or in the aggregate. Therefore, no amount has been recorded.

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET TO ACTUAL - GENERAL FUND
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
Revenues				Positive
From local sources:				(Negative)
Taxes: Property	\$ 9,830,578	\$ 9,830,578	\$ 11,002,202	\$ 1,171,624
Motor vehicle	742,000	742,000	893,467	151,467
Utilities	958,000	958,000	1,140,541	182,541
Other	-	-	-	-
Earnings on investments	40,000	40,000	653,831	613,831
Other local revenues	52,985	52,985	140,292	87,307
Intergovernmental - state	9,094,050	9,094,050	9,202,234	108,184
Intergovernmental - state on behalf	-	-	8,179,451	8,179,451
Intergovernmental - direct federal	174,000	174,000	138,411	(35,589)
Total Revenues	20,891,613	20,891,613	31,350,429	10,458,816
Expenditures				
Instruction	12,709,587	12,709,587	18,807,635	(6,098,048)
Support Services:				
Student	1,366,956	1,366,956	1,293,070	73,886
Instruction staff	1,418,773	1,418,773	1,514,970	(96,197)
District administrative	2,276,331	2,276,331	2,290,961	(14,630)
School administrative	1,650,412	1,650,412	1,745,707	(95,295)
Business	314,191	314,191	433,150	(118,959)
Plant operation/maintenance	9,580,664	9,580,664	2,152,086	7,428,578
Student transportation	482,290	482,290	446,663	35,627
Community service activities	37,985	37,985	32,001	5,984
Facilities acquisition and construction	-	-	328,551	(328,551)
Other - Debt Service	83,077	83,077	59,715	23,362
Contingency	2,000,000	2,000,000	-	2,000,000
Total Expenditures	31,920,266	31,920,266	29,104,509	2,815,757
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(11,028,653)	(11,028,653)	2,245,920	13,274,573
Other Financing Sources (Uses)				
Proceeds from sale of fixed assets	2,000	2,000	1,171	(829)
Operating transfers in	74,726	74,726	407,100	332,374
Operating transfers out	(1,316,316)	(1,316,316)	(1,795,385)	(479,069)
Total Other Financing Sources (Uses)	(1,239,590)	(1,239,590)	(1,387,114)	(147,524)
Net Change in Fund Balances	(12,268,243)	(12,268,243)	858,806	13,127,049
Fund Balances - Beginning	12,268,243	12,268,243	12,662,935	394,692
Fund Balances - Ending	\$ -	\$ -	\$ 13,521,741	\$ 13,521,741

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET TO ACTUAL - SPECIAL REVENUE FUND
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
Revenues				Positive
				(Negative)
From local sources:				
Taxes: Property	\$ -	\$ -	\$ -	\$ -
Motor vehicle	-	-	-	-
Utilities	-	-	-	-
Other	-	-	-	-
Earnings on investments	-	-	1,524	1,524
Other local revenues	9,000	9,000	3,099	(5,901)
Intergovernmental - state	950,667	950,667	955,889	5,222
Intergovernmental - indirect federal	2,573,155	2,573,155	3,887,035	1,313,880
Intergovernmental - direct federal	1,999,620	1,999,620	2,230,464	230,844
Total Revenues	5,532,442	5,532,442	7,078,011	1,545,569
Expenditures				
Instruction	3,129,204	3,129,204	3,179,310	(50,106)
Support Services:				
Student	467,526	467,526	941,764	(474,238)
Instruction staff	75,012	75,012	50,814	24,198
District administrative	-	-	-	-
School administrative	-	-	-	-
Business	-	-	-	-
Plant operation/maintenance	-	-	14,525	(14,525)
Student transportation	1,344	1,344	534	810
Community service activities	1,871,886	1,871,886	2,140,575	(268,689)
Facilities acquisition and construction	-	-	-	-
Other - Debt Service	-	-	-	-
Contingency	-	-	-	-
Total Expenditures	5,544,972	5,544,972	6,327,522	(782,550)
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(12,530)	(12,530)	750,489	763,019
Other Financing Sources (Uses)				
Proceeds from sale of fixed assets	-	-	-	-
Operating transfers in	190,505	190,505	204,319	13,814
Operating transfers out	(177,975)	(177,975)	(954,807)	(776,832)
Total Other Financing Sources (Uses)	12,530	12,530	(750,488)	(763,018)
Net Change in Fund Balances	-	-	1	1
Fund Balances - Beginning	-	-	-	-
Fund Balances - Ending	\$ -	\$ -	\$ 1	\$ 1

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT**MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT PENSION PLAN-NON-HAZARDOUS - CERS****Last Ten Fiscal Years**

	Schedule of the District's Proportionate Share of the Net Pension Liability County Employees' Retirement System (CERS)									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Proportion of net pension liability	0.13899%	0.13737%	0.13899%	0.13367%	0.14549%	0.14433%	0.14272%	0.138134%	0.125107%	
Proportionate share of the net pension liability (asset)	\$ 9,498,996	\$ 8,758,287	\$ 10,660,188	\$ 9,401,282	\$ 8,860,967	\$ 8,447,845	\$ 7,027,016	\$ 5,939,111	\$ 4,058,939	
Covered payroll in year of measurement	3,533,564	3,534,270	3,555,077	3,337,287	3,613,679	3,526,016	3,404,609	3,229,192	2,870,153	
Share of the net pension liability (asset) as a percentage of its covered payroll	268.82%	247.81%	299.86%	281.70%	245.21%	239.59%	206.40%	183.92%	141.42%	
Plan fiduciary net position as a percentage of total pension liability	52.42%	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%	

	Schedule of the District's Contributions County Employees' Retirement System (CERS)									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 827,715	\$ 677,185	\$ 682,114	\$ 686,130	\$ 541,308	\$ 523,261	\$ 491,879	\$ 422,827	\$ 411,722	\$ 394,272
Actual contribution	827,715	677,185	682,114	686,130	541,308	523,261	491,879	422,827	411,722	394,272
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	3,665,815	3,533,564	3,534,270	3,555,077	3,337,287	3,613,679	3,526,016	3,404,609	3,229,192	2,870,153
Contributions as a percentage of covered payroll	22.58%	19.16%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT

MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT OPEB PLAN-NON-HAZARDOUS - CERS

Last Ten Fiscal Years

	Schedule of the District's Proportionate Share of the Net OPEB Liability County Employees' Retirement System (CERS)									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Proportion of net OPEB liability	0.13414%	0.13734%	0.13895%	0.13364%	0.14549%	0.14433%				
Proportionate share of the net OPEB liability (asset)	\$ 2,592,763	\$ 2,629,229	\$ 3,355,147	\$ 2,247,731	\$ 2,583,111	\$ 2,901,446				
Covered payroll in year of measurement	3,533,564	3,534,270	3,555,077	3,337,287	3,613,679	3,526,016				
Share of the net OPEB liability (asset) as a percentage of its covered payroll	73.38%	74.39%	94.38%	67.35%	71.48%	82.29%				
Plan fiduciary net position as a percentage of total OPEB liability	51.67%	58.41%	51.67%	60.44%	57.62%	52.40%				

	Schedule of the District's Contributions County Employees' Retirement System (CERS)									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 168,231	\$ 167,016	\$ 168,231	\$ 169,222	\$ 175,541	\$ 169,843	\$ 166,781			
Actual contribution	168,231	167,016	168,231	169,222	175,541	169,843	166,781			
Contribution deficiency (excess)	-	-	-	-	-	-	-			
Covered payroll	3,665,815	3,533,564	3,534,270	3,555,077	3,337,287	3,613,679	3,526,016			
Contributions as a percentage of covered payroll	4.59%	4.73%	4.76%	4.76%	5.26%	4.70%	4.73%			

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT
MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT PENSION PLAN - KTRS
Last Ten Fiscal Years

Schedule of the District's Proportionate Share of the Net KTRS Pension Liability Kentucky Teachers' Retirement System (KTRS)										
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
District's proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Covered payroll in year of measurement	11,078,582	11,542,483	12,473,677	11,879,203	12,430,581	11,940,070	11,361,779	8,417,990	6,696,346	
State's proportionate share of the net pension liability associated with the District	59,319,049	48,087,308	50,641,472	47,329,164	48,121,779	95,906,656	103,833,890	78,654,085	68,687,620	
District's proportionate share of the net pension liability as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Plan fiduciary net position as a percentage of total pension liability	56.41%	65.59%	58.30%	58.76%	59.27%	39.83%	35.22%	42.49%	45.59%	

Schedule of the District's Contributions for KTRS Pension Plan Kentucky Teachers' Retirement System (KTRS)										
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 403,614	\$ 419,104	\$ 308,095	\$ 334,660	\$ 339,752	\$ 372,917	\$ 358,203	\$ 340,853	252,540	120,534
Actual contribution	403,614	419,104	308,095	334,660	339,752	372,917	358,203	340,853	252,540	120,534
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	13,455,524	11,078,582	11,542,483	12,473,677	11,879,203	12,430,581	11,940,070	11,361,779	8,417,990	6,696,346
Contributions as a percentage of covered payroll	3.00%	3.78%	2.67%	2.68%	2.86%	3.00%	3.00%	3.00%	3.00%	1.80%

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT

MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT OPEB PLAN - KTRS - LIFE INSURANCE PLAN

Last Ten Fiscal Years

Schedule of the District's Proportionate Share of the Net KTRS OPEB Liability - LIF Kentucky Teachers' Retirement System (KTRS)										
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%			
District's proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-			
Covered payroll in year of measurement	11,078,582	11,542,483	12,473,677	11,879,203	12,430,581	11,940,070				
State's proportionate share of the net pension liability associated with the District	116,000	45,000	116,000	101,000	97,000	73,000				
District's proportionate share of the net pension liability as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%				
Plan fiduciary net position as a percentage of total pension liability	73.97%	73.40%	71.60%	73.40%	74.97%	79.99%				
Schedule of the District's Contributions for KTRS OPEB Plan - LIF Kentucky Teachers' Retirement System (KTRS)										
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
Actual contribution	-	-	-	-	-	-	-			
Contribution deficiency (excess)	13,455,524	11,078,582	11,542,483	12,473,677	11,879,203	12,430,581	11,940,070			
Covered payroll										
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%			

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT

MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT OPEB PLAN - KTRS - MEDICAL INSURANCE PLAN - MIP

Last Ten Fiscal Years

Schedule of the District's Proportionate Share of the Net OPEB Liability for Health Insurance - MIP									
	2022	#	2021	2020	2019	2018	2017	2016	2013
Proportion of net OPEB liability	0.25048%		0.19508%	0.18950%	0.18304%	0.18817%	0.18595%		
Proportionate share of the net OPEB liability (asset)	\$ 6,218,000	\$	3,400,000	\$ 4,782,000	\$ 5,357,000	\$ 6,529,000	\$ 6,630,000		
Covered payroll in year of measurement	13,455,524		11,542,483	12,473,677	11,879,203	12,430,581	11,940,070		
Share of the net OPEB liability (asset) as a percentage of its covered payroll	46.21%		29.46%	38.34%	45.10%	52.52%	55.53%		
Plan fiduciary net position as a percentage of total OPEB liability	47.75%		51.74%	39.05%	32.58%	25.54%	21.18%		

Schedule of the District's Contributions for Health Insurance - MIP									
	2023	2022	2021	2020	2019	2018	2017	2016	2014
Contractually required contribution	\$ 332,356	\$ 346,275	\$ 346,275	\$ 334,660	\$ 339,752	\$ 372,917	\$ 358,203		
Actual contribution	332,356	346,275	346,275	334,660	339,752	372,917	358,203		
Contribution deficiency (excess)	-	-	-	-	-	-	-		
Covered payroll	11,455,524	11,542,483	11,542,483	12,473,677	11,879,203	12,430,581	11,940,070		
Contributions as a percentage of covered payroll	2.90%	3.00%	3.00%	2.68%	2.86%	3.00%	3.00%		

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2023

GENERAL INFORMATION

Contributions

Contractually required employer contributions reported on the Schedule of Pension Contributions exclude the portion of contributions paid to KPPA but allocated to the insurance fund of the KPPA. The insurance contributions are reported on the Schedule of OPEB Contributions.

Contractually required employer contributions reported on the Schedule of Pension Contributions exclude the portion of contributions paid to TRS but allocated to the insurance fund of the TRS. The insurance contributions are reported on the Schedule of OPEB Contributions.

Payroll

The District's covered payroll reported on the Proportionate Share of the Net Pension Liability – KPPA and the Proportionate Share of the Net OPEB Liability – KPPA Schedules is one year prior to the District's fiscal year payroll as reported on the Schedule of Contributions for KPPA Pension and KPPA OPEB.

The District's covered payroll reported on the Proportionate Share of the Net Pension Liability – TRS and the Proportionate Share of the Net OPEB Liability – TRS Schedules is one year prior to the District's fiscal year payroll as reported on the Schedule of Contributions for TRS Pension and TRS OPEB.

CHANGES OF ASSUMPTIONS

June 30, 2023 – KPPA Pension and OPEB Nonhazardous

Pension – There have been no changes in actuarial assumptions or methods since June 30, 2021.

OPEB – The discount rates used to calculate the total OPEB liability increased since the prior year. There were no other material assumption changes.

June 30, 2022 – TRS Pension and OPEB

Health Trust and Life Trust

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 B of the State report.

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2023

June 30, 2021 – KPPA Pension Nonhazardous

There have been no actuarial assumption or method changes since June 30, 2020.

Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for certain qualifying members who become “totally and permanently disabled” in the line of duty or as a result of a duty-related disability.

June 30, 2021 – KPPA OPEB Nonhazardous

The single discount rates used to calculate the total OPEB liability within the plan decreased from 5.34% to 5.05%.

The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2020 valuation process and updated to better reflect the plans’ anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increased in healthcare costs.

June 30, 2021 – TRS Pension

There have been no actuarial assumption or method changes since June 30, 2020.

June 30, 2021 – TRS OPEB

The following changes to assumptions were made during the year:

Health Trust and Life Trust

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 8.00% for the Health Trust and 7.50% for the Life Trust to 7.10%.

The price inflation assumption was lowered from 3.00% to 2.50%.

The rates of member participation and spousal participation were adjusted to reflect actual experience more closely.

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2023

June 30, 2020 – KPPA Pension and KPPA OPEB Nonhazardous

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020 for OPEB:

The initial healthcare trend rate for per-65 was changed from 7% to 6.4%. The initial healthcare trend rate for post-65 was changed from 5% to 2.90%, which increased to 6.30% in 2023.

June 30, 2020 – TRS Pension and TRS OPEB

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for TRS-OPEB-Medical Insurance Plan:

The assumed investment rate of return increased from 7.5% to 8.0%.

The following changes in assumptions are made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for TRS OPEB-Life Insurance Plan:

The assumed projected salary increases decreased from a range of 3.50% - 7.45% to 3.50% - 7.20%.
The assumed municipal bond index rate was decreased from 3.5% to 2.2%.

June 30, 2019 – KPPA Pension and KPPA OPEB Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for both KPPA pension and KPPA OPEB:

The assumed rate of salary increases was increased from 3.05% to 3.30% to 10.3% on average.

June 30, 2019 -TRS Pension and TRS OPEB

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for TRS pension:

The assumed municipal bond index rate was decreased from 3.89% to 3.50%.

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for TRS OPEB-Medical Insurance Plan:

The assumed projected salary decreased from 4.0%-8.1%, including wage inflation, to 3.5%-7.2%, including wage inflation.

The assumed wage inflation dropped from 4.0% to 3.5%.

The assumed municipal bond index rate was decreased from 3.89% to 3.50%.

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2023

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for TRS OPEB-Life Insurance Plan:

The assumed net investment rate of return decreased from 8.0% to 7.5%.
The assumed municipal bond index was decreased from 3.89% to 3.50%.

June 30, 2018 -KPPA Pension and KPPA OPEB Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2018 for either KPPA pension or KPPA OPEB.

June 30, 2018 -TRS Pension and TRS OPEB

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2018, for TRS pension and TRS OPEB:

For TRS Pension the assumed discount rate was increased from 4.49% to 7.50%.
For TRS OPEB-Medical Insurance Plan health care trend rates were updated.

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

June 30, 2017 -KPPA Pension Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2017:

The assumed rate of return was decreased from 7.50% to 6.25%.
The assumed rate of inflation was reduced from 3.25% to 2.30%.
Payroll growth assumption was reduced from 4% to 2%.

June 30, 2017 -TRS Pension

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2017:

In the 2016 valuation, rates of withdrawal, retirement, disability, mortality and rates of salary increase were adjusted to more closely reflect actual experience. In the 2016 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables projected to 2015 with projection scale BB, set forward two project years for males and one year for females rather than the RP-2000 Mortality Tables projected to 2020 with scale AA.

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2023

June 30, 2016 -KPPA Pension and KPPA OPEB Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016 for either KPPA pension or KPPA OPEB.

June 30, 2017 -TRS Pension

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016, for TRS pension:

The assumed municipal bond index rate decreased from 3.82% to 3.01%, resulting in a change in the Single Equivalent Interest Rate from 4.88% to 4.20%.

June 30, 2016 – TRS Pension

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%.

June 30, 2015 -KPPA Pension Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

The assumed rate of return was decreased from 7.75% to 7.50%.
The assumed rate of inflation was reduced from 3.50% to 3.25%.
The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
Payroll growth assumption was reduced from 4.5% to 4.0%.

Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).

For healthy retired members and beneficiaries, the mortality table used in the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females).

For Disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

The assumed rates of retirement, withdrawal, and disability were updated to reflect experience more accurately.

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2023

June 30, 2015 -TRS Pension

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

June 30, 2014 -KPPA Pension Nonhazardous and TRS Pension

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2014.

June 30, 2014 – TRS Pension

In 2017, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.23% to 4.88%.

June 30, 2013 -KPPA Pension Nonhazardous

The assumed rate of return was 7.75%.

The assumed rate of inflation was 3.50%.

The assumed rate of wage inflation was 1.00%.

Payroll growth assumption was 4.5%.

Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006. The 1994 Group Annuity Mortality Table was used for all other members.

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

State Committee For School District Audits
Members of the Board of Education
Erlanger- Elsmere Independent School District
Erlanger, Kentucky

We have audited, 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, Audits of States and Local Governments, and Non-profit Organizations, and the audit requirement prescribed by the Kentucky Committee for School District Audits, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Erlanger-Elsmere Independent Board of Education as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated **September 29, 2023**.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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*.

I noted certain matters that I reported to management of the District in a separate letter dated October 11, 2023.

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.

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
October 11, 2023

**DENISE M. KEENE
CERTIFIED PUBLIC ACCOUNTANT
P.O. BOX 1444
GEORGETOWN, KENTUCKY 40324
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

State Committee For School District Audits
Members of the Board of Education
Erlanger-Elsmere Independent School District
Erlanger, Kentucky

**Report on Compliance for Each Major Federal Program
Opinion on Each Major Federal Program**

We have audited Erlanger-Elsmere Independent School District's (the "District") compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance

resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

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

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

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
October 11, 2023

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

U.S. Department of Education	Federal Assistance Listing Number	Pass Through Number	Expenditures
<i>Passed through Kentucky Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010A	3100002-21 310I	7,897
	84.010A	3100002-22 310J	704,704
Total Title I Cluster			\$ 712,601
Grants to State (IDEA-Part B)	84.027A	3810002-21 337I	82,206
Grants to State (IDEA-Part B)	84.027A	3810002-22 337J	589,673
Preschool Grants (IDEA-Preschool)	84.173A	3800002-21 343J	19,321
OSEEL American Rescue Plan IDEA B -COVID	84.027X	4000002-21 478I	126,365
OSEEL American Rescue Plan IDEA B Preschool - COVID	84.173X	4000002-21 488I	7,184
Total Special Education Cluster			824,749
Title IV Part A Student Support & Academic Enrichment	84.424A	3420002-21 552I	14,133
Title IV Part A Student Support & Academic Enrichment	84.424A	3420002-22 552J	45,277
		subtotal	59,410
Curriculum Development-Bi-Lingual (Title III)	84.365A	3300002-21 345I	15,707
Curriculum Development-Bi-Lingual (Title III)	84.365A	3300002-22 345J	23,246
		subtotal	38,953
Title II	84.367A	3230002-20 401J	112,999
COVID Funds			
American Rescue Plan ESSER II Homeless Children	84.425W	4000002-21 476IC	41,459
Digital Learning Coach	84.425D	4000003-21 473GD	3,018
OCIS ESSER III LEAs	84.452U	4000003-21-473G	1,216,245
ESSER II KYVL Virtual Library	84.425D	4000002-21-473GB	2,963
FRC GEER Funds	84.425D	4000002-21-564GF	50,874
Elementary and Secondary School Emergency Relief Fd.	84.425D	4000002-21 554GD	702,409
Elementary and Secondary School Emergency Relief Fd.	84.425S	4000002-21 554GS	66,715
			2,083,683
<i>Passed through Northern Kentucky Cooperative For Educational Services</i>			
Deeper Learning ARPA ESSER II	84.425U	4000003-21-563I	14,763
Education COOP ESSER II New Teacher	84.425D	4000002-21-578J	32,827
		subtotal	2,131,273
<i>Passed through Northern Kentucky Cooperative For Educational Services</i>			
AIM Grant	84.351A	3420002-22 315J	7,050
Positive Action Preventing Violence	16.839	2020-YS-BX-0093 -494G	6,148
<i>Direct Payments to Local School District</i>			
VP3 Violence Prevention Pyramid Project	84.184M	S184M190042 534GM	27,254
VP3 Violence Prevention Pyramid Project	84.184M	S184M190042 534IM	489,926
VP3 Violence Prevention Pyramid Project	84.184M	S184M190042 534JM	601,595
		subtotal	1,118,775
Full Service Community Grant	84.215J	U215J200038-01 518GJ	36,934
Full Service Community Grant	84.215J	U215J200038-01 518IJ	276,263
Full Service Community Grant	84.215J	U215J200038-01 518JJ	278,141
		subtotal	591,338
Total U.S. Department of Education			5,603,296

Continued from Page 73

U.S. Department of Agriculture

Passed through Kentucky Department of Education

National School Lunch Program (NSLP)	10.555	7750002	1,317,540
School Breakfast Program (SBP)	10.553	7760005	431,335
Commodities (NSLP)	10.555	Direct	150,646
School Program - Summer Meals	10.559	7740023	55,618
School Program - Summer Meals	10.559	7690024	5,754
Supply Chain Funding	10.555	9980000	90,418
Total Child Nutrition Cluster			2,051,311
Supper Program - Snack	10.558	7800016	14,374
School Supper Program	10.558	7790021	231,282
Warehouse Storage	10.560	770001	1,907
PEBT Community Funds	10.649	999000	3,135

Total U.S. Department of Agriculture

2,302,009

U.S. Department of Health and Human Services

Direct Payments to Local School District

SPF Grant Community Alignment of Resources	93.243	1H79SP081316-02 551IC	112,596
SPF Grant Community Alignment of Resources	93.243	1H79SP081316-03 551JC	204,463
		subtotal	317,059
Kenton County Alliance STOP Grant	93.243	1H79SP081124-02 520G	212
Kenton County Alliance STOP Grant	93.243	1H79SP081124-03 520I	43,315
Kenton County Alliance STOP Grant	93.243	1H79SP081124-03 520J	2,324
		subtotal	45,851
Center for Disease Control and Prevention DFC	93.276	INH28XD003063-01 500IA	80,820
Center for Disease Control and Prevention DFC	93.276	INH28XD003063-01 500JA	70,472
		subtotal	151,292
Social Security Administration Medical Assistance Program	93.778	MOA	138,411

Total U.S. Department of Health and Human Services

652,613

TOTAL FEDERAL FINANCIAL AWARDS

8,557,918

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT
Notes to Schedule of Expenditures of Federal Awards
June 30, 2023

Note 1 – Basis of Presentation

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

Note 2 – Summary of Significant Accounting Policies

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

The District did not use the 10 percent de minimis indirect cost rate.

Note 3 – Food Distribution

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities disbursed, totaling \$150,646.

**ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2023**

Section I – Summary of Auditor’s Results

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting

Material weakness(es) identified?

☐ yes ☒ no

Significant deficiency(ies) identified

☐ yes ☒ none reported

Noncompliance material to financial statements noted?

☐ yes ☒ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

☐ yes ☒ no

Significant deficiency(ies) identified

☐ yes ☒ none reported

An unmodified opinion was issued on compliance for all major programs.

Any audit findings disclosed that are required to be reported
in accordance with section 2 CFR 200.516(a)?

☐ yes ☒ no

Identification of major programs

Federal Assistance Listing Number(s)

84.027, 84.173, 84.027X, 84.173X
84.425W, 84.425D, 84.425U, 84.425S

Name of Federal Program or Cluster

Special Education Cluster
ESF – Elementary and Secondary Education

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

Auditee qualified as low-risk auditee?

☒ yes ☐ no

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

**ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For The Year Ended June 30, 2023**

PRIOR YEAR – FINANCIAL STATEMENT FINDINGS

None were reported last year

PRIOR YEAR – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None were reported last year.

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS June 30, 2023

	25	22	310	320	400	Total
	Student	District	SEEK	FSPK	Debt	Nonmajor
	Activities	Special Activity	Capital	Fund	Service	Governmental
	Fund	Funds	Outlay		Fund	Funds
Assets and Resources						
Cash and cash equivalents	\$ 147,315	\$ 81,189	\$ -	\$ -	\$ -	\$ 228,504
Accounts Receivable	-	-	-	-	-	-
Prepaid Expenses	-	-	-	-	-	-
Total Assets and Resources	<u>\$ 147,315</u>	<u>\$ 81,189</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 228,504</u>
Liabilities and Fund Balances:						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances						
Restricted for						
Debt service - escrow	\$ -	\$ -	-	-	\$ -	\$ -
Nonspendable - Prepaids				-		-
Other	147,315	81,189	-	-	-	228,504
Grants		-				-
Future construction	-	-	-	-	-	-
Total Fund Balance	<u>147,315</u>	<u>81,189</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>228,504</u>
Total Liabilities and Fund Balance	<u>\$ 147,315</u>	<u>\$ 81,189</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 228,504</u>

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT
COMING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2023

	25	22	310	320	400	Total
	Student	District	SEEK		Debt	Non-Major
	Activities	Special Activity	Capital	FSPK	Service	Governmental
	Fund	Funds	Outlay	Fund	Fund	Funds
			Fund			
Revenues - From Local Source						
Property taxes	\$ -		\$ -	\$ 625,142	\$ -	\$ 625,142
Intergovernmental - state	-		230,006	543,285	-	773,291
Intergovernmental - state on behalf	-		-	-	751,534	751,534
Other local sources	278,399	19,010	-	-	-	297,409
Total Revenues	<u>278,399</u>	<u>19,010</u>	<u>230,006</u>	<u>1,168,427</u>	<u>751,534</u>	<u>2,447,376</u>
Expenditures						
Instruction	230,410	28,630	-	-	-	259,040
Student support services	33	-	-	-	-	33
Instructional staff support services	19,223	-	-	-	-	19,223
Student transportation	24,566	-	-	-	-	24,566
Facilities and construction	-	-	-	-	-	-
Other debt service	-	-	-	-	1,792,470	1,792,470
Total Expenditures	<u>274,232</u>	<u>28,630</u>	<u>-</u>	<u>-</u>	<u>1,792,470</u>	<u>2,095,332</u>
Excess (deficit) of revenues over (under) expenditures	<u>4,167</u>	<u>(9,620)</u>	<u>230,006</u>	<u>1,168,427</u>	<u>(1,040,936)</u>	<u>352,044</u>
Other Financing Sources (Uses)						
Operating transfers in	-	-	-	-	1,040,936	1,040,936
Operating transfers (out)	-	-	(345,009)	(1,298,634)	-	(1,643,643)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(345,009)</u>	<u>(1,298,634)</u>	<u>1,040,936</u>	<u>(602,707)</u>
Excess (deficit) of revenues and other financing sources over (under) expenditures and other financing uses	<u>4,167</u>	<u>(9,620)</u>	<u>(115,003)</u>	<u>(130,207)</u>	<u>-</u>	<u>(250,663)</u>
Fund Balance, July 1, 2022	<u>143,148</u>	<u>90,809</u>	<u>115,003</u>	<u>130,207</u>	<u>-</u>	<u>479,167</u>
		-				
Fund Balance, June 30, 2023	<u>\$ 147,315</u>	<u>\$ 81,189</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 228,504</u>

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS AND DISBURSEMENTS - SCHOOL ACTIVITY FUNDS
Year Ended June 30, 2023

	Cash Balance			Cash Balance
Lloyd Memorial High School	06/30/2022	Receipts	Disbursements	06/30/2023
30101 ARCHERY	\$ -			\$ -
30102 BASEBALL	9,283	6,956	1,835	14,404
30103 BOWLING	2,296	2,127 #	1,820	2,603
30104 B BASKETBALL	9,463	19,093	20,325	8,231
30105 CHEER	2,068	546 #	1,507	1,107
30106 CROSS COUNTRY/TRACK	0	789	0	789
30107 FOOTBALL	18,077	20,162	23,934	14,305
30108 G BASKETBALL	516	5,293	4,571	1,238
30109 SOFTBALL	2,974	1,850	3,907	917
30110 TENNIS	3,265	1,000	2,271	1,994
30111 VOLLEYBALL	4,143	3,331	5,645	1,829
30112 START UP FUNDS	52	0	0	52
30113 TRACK	0	180	180	0
30912 AD GENERAL	23,786	81,089	80,293	24,582
30913 AD START UP FUNDS	0	2,000	2,000	0
30200 CHORUS	17,618	12,816	10,838	19,596
30201 DRAMA	788	834	640	982
30202 ENERGY TEAM	0			0
30203 GOLD RUSH	316	1,297	1,601	12
30204 MUSICAL	3,466	5,658	4,821	4,303
30205 NATIONAL HONOR SOCIETY	665	468	0	1,133
30206 PBIS	367	100	19	448
30207 SERVICE LEARNING PROJECT	3	0	0	3
30208 SPANISH CLUB	338	0	0	338
30209 STUDENT COUNCIL	6,921	4,567	5,772	5,716
30210 TATLER	37	6	0	43
30211 YEARBOOK	4,803	593	517	4,879
30212 LLOYD GENERAL	964	709	290	1,383
30213 LIBRARY	4,334	0	0	4,334
30214 COLLEGE & CAREER	1,448	0	0	1,448
30215 SENIOR CLASS	0	0	0	0
30216 JUNIOR CLASS	0	0	0	0
30217 SOPHOMORE CLASS	0	0	0	0
30218 FRESHMAN CLASS	73	0	0	73
30219 JUNIOR/SENIOR PROM	709	10,450	8,424	2,734
30220 ART	0			0
30221 MARCHING BAND	0	13,261	7,493	5,768
30300 CBI	177	0	0	177
30301 SPECIAL EDUCATION	618	7	200	425
30302 SPECIAL OLYMPICS	397	0	121	276
30401 LHS BAND	1,524	4,062	4,968	618
Page Sub Total	\$ 121,487	\$ 199,244	\$ 193,992	\$ 126,739

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT STATEMENT OF RECEIPTS AND DISBURSEMENTS - SCHOOL ACTIVITY FUNDS Year Ended June 30, 2023

	Cash Balance June 30, 2022	Receipts	Disbursements	Cash Balance June 30, 2023
Sub-Total Carried Forward	\$ 121,487	\$ 199,244	\$ 193,992	\$ 126,739
30500 Debbie Mckinley Scholarship	13,966		200	13,766
30501 Dr. Ed and Mary Smith Fund	11,217	17,011	13,415	14,813
30502 Ensor Schlorship	24,292		900	23,392
30503 MIS Grants/Scholarships	15,434		968	14,466
30504 Rosella Wyland Scholorship	13,047		500	12,547
30505 Veterans Wall Memorial	499			499
30506 Lloyd General	66			66
30508 Brooks Scholarship Fund	-	2,000	2,000	-
	-			-
	-			-
SubTotal	200,008	218,255	211,975	206,288
Grant Funding Fund 22	10,447	-	10,447	-
Total High School	210,455	218,255	222,422	206,288
Middle School				
Tichenor	19,077	45,479	48,023	16,533
Tichenor Awards (22)	1,841		200	1,641
Total Middle School	20,918	45,479	48,223	18,174
Elementary Schools				
Dorothy Howell	6,530	16,061	21,005	1,586
Arnett	1	2,105	1,624	482
John W. Miles	301	9,480	9,547	234
A.J. Lindeman	1,412	9,837	9,508	1,741
Total Elementary Schools	8,244	37,483	41,684	4,042
Total All Schools	\$ 239,618	\$ 301,217	\$ 312,329	\$ 228,504

**DENISE M. KEENE
CERTIFIED PUBLIC ACCOUNTANT
P.O. BOX 1444
GEORGETOWN, KENTUCKY 40324
859-421-5062**

Erlanger-Elsmere Independent Board of Education
Erlanger, Kentucky

We have audited the financial statements of the Erlanger-Elsmere Independent School District for the year ended June 30, 2023 and have issued our report thereon dated October 11, 2023. As part of our audit, we made a study and evaluation of the District's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the District's financial statements. Our study and evaluation was more limited than would be necessary for expressing an opinion on the system of internal accounting control taken as a whole.

The management of the Erlanger-Elsmere Independent School District is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors, or irregularities may nevertheless occur and not be detected. Also, projections of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system of internal accounting control. Accordingly, we do not express an opinion on the system of internal accounting control of the Erlanger-Elsmere Independent School District taken as a whole. Our study and evaluation disclosed no condition that we believe to be a material weakness.

The following management points from last year were corrected: 2022-003, 2022-004

The following management points from last year were not corrected: 2022-001, 2022-002, 2022-005, 2022-006

Denise M. Keene, CPA

October 11, 2023

CURRENT YEAR MANAGEMENT POINTS

2023-001

According to Board Policy 04.3111, "With the exception of recurring monthly payments such as utilities and fixed charges, no bill shall be paid without the following supportive information: (1) A purchase order signed by the Superintendent or his designated representative..." There seems to be some confusion on what items meet the exception. Testing disclosed numerous items that did not have a purchase order that do not agree with the policy. I recommend the Management and the Board review the policy. **This is a repeat from last year (2022-001)**

Management's Response:

EES (Erlanger Elsmere School District) will continue to review our policy and consider amending it to more specifically align with 04.31 AP.1 Purchasing #4 School Purchasing – "A standard invoice, copy of a contract, or some documentation of approval for the payment must be attached if no purchase order is issued." We interpret the policy 04.3111 differently. Purchase orders are used as an estimate of an expenditure, prepared to obtain approval of the expenditure. We don't find the need to utilize district limited resources to prepare purchase orders for previously approved expenditures. The auditor listed the items found that did not have a purchase order. The listed items related to construction project payments that had gone through the KDE approved BG process, bond payments already established by payment schedules, and contract payments for previously approved Memorandum of Understanding. EES doesn't prepare purchase orders for these listed expenditures. The payments are supported by previously approved documents. Every check cut has supporting approved documentation without exception. EES implemented Munis workflow and every expenditure requiring a purchase order has one prepared based on our policy as we interpret it. We will continue to improve our process but we believe we are following our policy.

2023-002

According to Board Procedure 04.7 AP.2, "Guidelines for Placement of Bar Codes on Assets Note: General rule is to apply the bar code in the front, lower left corner or inside a front drawer or door to allow easy access during inventory scanning.... (6) Kitchen or shop equipment: front, lower left corner or inside front cabinet door or drawer." This procedure is not being followed.

I recommend Management follow this procedure for proper asset tracking. **This is a repeat from last year (2022-002)**

Management's Response:

EES does not bar code every fixed asset physically on the asset. We utilize labels in our detailed fixed asset records to track fixed assets in the Munis Fixed Asset Module. We use bar codes on all technology equipment that is inventoried and maintained by our Technology Department. We no longer capitalize any technology equipment like chrome books. Each year, we have each teacher prepare their inventory listing on

shared Google Sheets. These sheets are retained for insurance purposes on our shared google drive. Each asset that is capitalized is numbered and labeled. When assets are sold we pull the supporting documents and reconcile our records in Munis Fixed Asset Module.

Lloyd Memorial High School

2023-003

According to the Red Book, "Pre-numbered tickets shall be used with ALL events for which admission is charged. The Requisition and Report of Ticket Sales is to be used to report and reconcile the number of tickets sold and the funds collected." The Student Council had a dance and collected money through a Multiple Receipt Form. A ticket sale form was not completed. GoFan was used for some tickets. I recommend the Principal remind all staff that pre-numbered tickets are to be used and the Report is to be completed. **This is a repeat from last year (2022-005)**

Management's Response:

EES utilized Go Fan for admissions. Redbook requires tickets for all events when admission is charged. Go Fan is an electronic admission ticket. Some students, a short list of them, could not utilize Go Fan, but EES would not exclude them due to limited resources (note you do need a credit card to utilize Go Fan). Those students handed in the money to a teacher and proper multiple receipt form process were utilized. The list of students who paid in the classroom was taken to the event. A manual ticket is made for these students in Go Fan to have a complete record to use at the door with Go Fan. Only those listed students (manual tickets in Go Fan) and the ones who utilized Go Fan were admitted. No admission fee was taken at the door. We suggest Red Book regulations be updated for this requirement to include electronic admission "tickets" and the use of normal multiple receipt forms for those that can't use Go Fan. Requiring a paper ticket to get into an event is outdated and increasingly difficult getting a student to bring a paper ticket to an event in our increasingly technology driven world.

2023-004

According to the Red Book, The Principal or a designee shall approve fundraisers at the school that are not school-wide fundraisers. The Baseball team had a fundraiser that was not approved. I recommend the Principal remind all staff that fundraisers must be approved.

Management's Response:

The person responsible for this fundraiser was informed and the proper approval will be obtained in the future.

Tichenor Middle School

2023-005

According to the Red Book, "Pre-numbered tickets shall be used with ALL events for which admission is charged. The Requisition and Report of Ticket Sales is to be used to report and reconcile the number of tickets sold and the funds collected."

Multiple receipt form was used instead of the ticket sale form for the Valentine dance.

I recommend the Principal remind all staff that pre-numbered tickets are to be used and the Report is to be completed. **This is a repeat from last year (2022-006)**

Management's Response:

EES utilized Go Fan for admissions. Redbook requires tickets for all events when admission is charged. Go Fan is an electronic admission ticket. Some students, a short list of them, could not utilize Go Fan, but EES would not exclude them due to limited resources (note you do need a credit card to utilize Go Fan). Those students handed in the money to a teacher and proper multiple receipt form process were utilized. The list of students who paid in the classroom was taken to the event. A manual ticket is made for these students in Go Fan to have a complete record to use at the door with Go Fan. Only those listed students (manual tickets in Go Fan) and the ones who utilized Go Fan were admitted. No admission fee was taken at the door. We suggest Red Book regulations be updated for this requirement to include electronic admission "tickets" and the use of normal multiple receipt forms for those that can't use Go Fan. Requiring a paper ticket to get into an event is outdated and increasingly difficult getting a student to bring a paper ticket to an event in our increasingly technology driven world.