BREATHITT COUNTY SCHOOL DISTRICT
Jackson, Kentucky

FINANCIAL STATEMENTS
June 30, 2023

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INDEPENDENT AUDITORS' REPORT

To the State Committee for School District Audits and
Members of the Board of Education
Breathitt County School District

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 Breathitt County School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Breathitt County School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Breathitt County School District, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract, including Appendix II – Instructions for Submissions of the Audit Report* 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 Breathitt County School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Breathitt County School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension and OPEB schedules on pages 4-9 and 53-64 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 Breathitt County School District's basic financial statements. The accompanying combining nonmajor fund financial statements, the school activity fund statements and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, the school activity fund statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2023, on our consideration of the Breathitt County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Breathitt County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Breathitt County School District's internal control over financial reporting and compliance.

RFH

RFH, PLLC
Lexington, Kentucky
November 13, 2023

BREATHITT COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2023

The management of Breathitt County School District offers readers this narrative overview and analysis of the financial activities and educational programs of the District for the fiscal year ended June 30, 2023. We encourage readers to review the information presented here in conjunction with additional information found within the body of this audit.

This Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, issued June 1999; GASB Statement No. 37, Basic Financial Statement - and Management Discussion and Analysis - for State and Local Governments: Omnibus, an amendment to GASB Statements No. 21 and No. 34, issued in June 2001; and in GASB Statement No. 38, Certain Financial Statement Note Disclosures, issued in 2001. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

- The ending cash balance for the District was $14,838,678 in 2023 and $20,248,453 in 2022.
- The General Fund had $20,222,543 in revenue, excluding interfund transfers and proceeds from the sale of assets, which primarily consisted of the state program (SEEK) and property, utilities, and motor vehicle taxes. Excluding interfund transfers, there was $18,879,266 in General Fund expenditures.
- During the 2022-2023 school year, the District closed Marie Roberts-Caney Elementary School and opened the brand new Breathitt Elementary School. This move prompted a re-configuration of Sebastian Elementary School, which now holds grades 3-6. Breathitt Elementary School holds grades PK – 2. Breathitt Elementary School provides our young students a state of the art, energy efficient facility that is safe, clean and beautiful. It also provides our district and community with an auditorium for meetings, performances, and shows. The District is proud of the new school and proud of our community for supporting its construction with the passage of the nickel tax in September 2018.
- Breathitt County faced an historic and catastrophic flood on July 28, 2022, which has presented significant challenges for our community over the past year, and continue. We still have families working to get into new or repaired homes; and the District is in the process of replacing the Bus Garage and Area Technology Center due to flood damage. The District remains concerned with declining enrollment, and a loss of Property Tax Revenue as a result of the flood.
- Remaining ESSER funds are being used to address issues with regard to Covid, including learning loss. Spending Plans have been developed with input from all stakeholders in order to spend the funds in the most effective, efficient way possible. The District is currently installing a new HVAC system in the Breathitt Coliseum to improve air quality in classrooms and the gymnasium. All ESSER Funds must be obligated by September 30, 2024; therefore, the District has several projects in development and/or process for air quality improvement; instruction and learning loss; and social distancing.
- Current ongoing facility projects include the Football Locker Room renovation (prompted by the Flood of 2022); BHS Coliseum HVAC to address air quality; BHS Coliseum Balcony Replacement to address an urgent safety issue; Baseball/Softball Training Facility Replacement (prompted by the Flood of 2021); Closeout of the New Elementary School Construction; Bus Garage Replacement to include Maintenance Shop and Central Storage (prompted by the Flood of 2022); Area Technology Center Replacement (prompted by the Flood of 2021/2022).

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

The government-wide financial statements outline functions of the District that are primarily 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 asset acquisitions and related debt are also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on the table of contents 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 and objectives. There is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental and proprietary funds. The proprietary funds are our food service operations. All other activities of the District are included in the governmental funds. The basic governmental fund financial statements can be found on the table of contents 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 financial statements can be found on pages 10 to 16 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Fiscal year 2023 government-wide net position compared to 2022 is as follows:

	2023	2022
Current assets	$ 5,870,339	$ 5,663,550
Noncurrent assets	49,229,491	45,063,253
Total assets	55,099,830	50,726,803
Total deferred outflows	4,755,697	2,720,551
Current liabilities	3,181,146	3,215,649
Noncurrent liabilities	38,096,816	36,336,267
Total liabilities	41,277,962	39,551,916
Total deferred outflows	3,030,265	4,309,198
Net position		
Net investment in capital assets	24,003,019	8,917,878
Restricted	125,554	10,088,277
Unrestricted	(8,581,273)	(9,419,915)
Total net position	$ 15,547,300	$ 9,586,240

Net Position may serve over time as a useful indicator of a government's financial position.

The District had an overall increase in net position of $5,961,060. The following table presents an accounting comparison and summary of revenue and expense for the fiscal years 2023 and 2022.

	2023	2022
Revenues		
Program revenues		
Charges for services	$ 15,453	$ 15,022
Operating grants	10,709,751	9,535,177
Capital grants	730,575	9,760,595
Total program revenues	11,455,779	19,310,794
General revenues		
Taxes	$ 3,202,179	$ 3,155,056
State aid formula grants	19,059,536	15,612,818
Investment earnings	33,708	4,659
Miscellaneous	483,480	420,448
Total general revenues	22,778,903	19,192,981
Total revenues	34,234,682	38,503,775
Expenses		
Instruction	$ 14,275,394	$ 14,160,866
Student support services	1,555,738	1,402,514
Instructional support	1,601,752	1,604,121
District administrator	1,221,200	903,550
School administrator	1,150,829	1,051,922
Business operations	562,445	451,853
Plant operation and maintenance	4,653,011	2,942,995
Student transportation	1,953,891	1,935,672
Food service operator	1,816,040	1,290,230
Community services	334,356	273,056
Interest on long-term debt	629,112	735,222
Bond issuance cost	-	27,744
Total expenses	29,753,768	26,779,745
Gain (loss) on disposal of assets	1,480,146	5,514
Change in net position	$ 5,961,060	$ 11,729,544

On-behalf payments are included in the above amounts. On-behalf, as defined by the KDE, are payments the state makes on behalf of employees to the various agencies for health and life insurance, retirement, and administration fees. The on-behalf payments are allocated to expense as mandated by the KDE and are credited to revenues; therefore, have no effect on the District's level fund balance.

BUDGETARY IMPLICATION

In Kentucky the public school fiscal year is July 1 through June 30; other programs, such as, some federal programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a working budget with $1,582,575 in contingency. Significant variations in the actual results of operations and the final budget are primarily due to on-behalf payments that are included in the financial statements, but are not budgeted by the District. The District is conservative in budgeting for its General Fund; therefore, in an effort to address potential shortfalls in revenue, or other extraordinary events that might occur during the budget cycle, variances between budget and actual amounts are common.

CAPITAL ASSETS AND LONG-TERM DEBT

	Beginning	Additions	Deductions	Ending
Governmental:				
Capital Assets	$ 59,092,470	$10,899,125	$ 242,550	$ 69,749,045
Accumulated Depreciation	$ 31,153,744	$ 1,481,708	$ 237,949	$ 32,397,503
Business-type:				
Capital Assets	$ 801,476	$ 55,068	$ -	$ 856,544
Accumulated Depreciation	$ 506,390	$ 45,107	$ -	$ 551,497
Governmental:				
Bonds Payable	$ 25,985,000	$ -	$ 1,330,000	$ 24,655,000
KISTA Notes Payable	$ 484,928	$ -	$ 125,899	$ 359,029
Compensated Absences	$ 193,564	$ -	$ 74,687	$ 118,877
KSBIT	$ 232,820	$ -	$ 75,209	$ 157,611
Net Pension liability – CERS	$ 5,048,420	$ 1,173,733	$ -	$ 6,222,153
Net OPEB liability – CERS	$ 1,515,524	$ 182,835	$ -	$ 1,698,359
Net OPEB liability – KTRS	$ 2,550,745	$ 1,614,221	$ -	$ 4,164,966
Business-type:				
Net Pension liability – CERS	$ 847,204	$ 199,850	$ -	$ 1,047,054
Net OPEB liability – CERS	$ 254,328	$ 31,464	$ -	$ 285,792

Comments on Budget Comparisons

- The District's total general fund revenues, excluding transfers and proceeds from the sale of assets, for the fiscal year ended June 30, 2023 were $20,222,543.
- General fund budgeted revenue compared to actual revenue varied from line item to line item with the ending actual balance being $4,719,522 more than budget or 30.4% more than budget. The majority of the over budget amounts are related to on-behalf payments from the state that were higher than expected.
- The total cost of all general fund programs and services for the fiscal year ended June 30, 2023 was $18,879,266, excluding transfers.
- General fund budgeted expenditures compared to actual expenditures varied from line item to line item with the ending actual balance being $33,321 less than budget or 0.18% less than budget.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions regarding this report should be directed to the Superintendent at 606-666-2491, Director of Financial Services at 606-666-2491, or by mail at 420 Court Street, PO Box 750 Jackson, Kentucky 41339.

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

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	$ 2,862,946	$ 402,830	$ 3,265,776
Accounts receivable	2,469,310	9,595	2,478,905
Prepaids	102,428	-	102,428
Inventory	-	23,230	23,230
Total current assets	5,434,684	435,655	5,870,339
Noncurrent assets			
Restricted cash and cash equivalents	11,572,902	-	11,572,902
Land	566,402	-	566,402
Construction in progress	18,684,957	-	18,684,957
Leased equipment, net	123,210	-	123,210
Other capital assets, net of depreciation	17,976,973	305,047	18,282,020
Total noncurrent assets	48,924,444	305,047	49,229,491
Total assets	54,359,128	740,702	55,099,830
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension - CERS	1,040,077	174,970	1,215,047
Deferred outflows - OPEB - CERS	750,767	126,300	877,067
Deferred outflows - OPEB - KTRS	2,558,077	-	2,558,077
Defeasance on refunding	105,506	-	105,506
Total deferred outflows of resources	4,454,427	301,270	4,755,697
Total assets and deferred outflows of resources	$ 58,813,555	$ 1,041,972	$ 59,855,527
LIABILITIES			
Current liabilities			
Accounts payable	$ 756,874	$ -	$ 756,874
Unearned revenues	707,119	-	707,119
Interest payable	141,850	-	141,850
Lease liability - current	19,918	-	19,918
KSBIT assessment - current	77,549	-	77,549
KISTA notes - current	102,836	-	102,836
Bond obligations - current	1,375,000	-	1,375,000
Total current liabilities	3,181,146	-	3,181,146
Noncurrent liabilities			
Compensated absences	118,877	-	118,877
Retainage payable	645,329	-	645,329
Lease liability - noncurrent	103,292	-	103,292
KSBIT assessment - noncurrent	80,062	-	80,062
KISTA notes - noncurrent	256,193	-	256,193
Bond obligations - noncurrent	23,474,739	-	23,474,739
Net pension liability - CERS	6,222,153	1,047,054	7,269,207
Net OPEB liability - CERS	1,698,359	285,792	1,984,151
Net OPEB liability - KTRS	4,164,966	-	4,164,966
Total noncurrent liabilities	36,763,970	1,332,846	38,096,816
Total liabilities	39,945,116	1,332,846	41,277,962
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension - CERS	133,721	22,493	156,214
Deferred inflows - OPEB - CERS	750,913	126,364	877,277
Deferred inflows - OPEB - KTRS	1,996,774	-	1,996,774
Total deferred inflows of resources	2,881,408	148,857	3,030,265
NET POSITION			
Net investment in capital assets	23,697,972	305,047	24,003,019
Restricted for			
Other	125,554	-	125,554
Unrestricted	(7,836,495)	(744,778)	(8,581,273)
Total net position	15,987,031	(439,731)	15,547,300
Total liabilities, deferred inflows of resources and net position	$ 58,813,555	$ 1,041,972	$ 59,855,527

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

BREATHITT COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
for the year ended June 30, 2023

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Total
Primary government							
Governmental activities							
Instruction	$ 14,275,394	$ -	$ 6,264,769	$ 640,581	$ (7,370,044)	$ -	$ (7,370,044)
Support Services:							
Student	1,555,738	-	513,465	-	(1,042,273)	-	(1,042,273)
Instruction staff	1,601,752	-	782,284	-	(819,468)	-	(819,468)
District administrative	1,221,200	-	-	-	(1,221,200)	-	(1,221,200)
School administrative	1,150,829	-	-	-	(1,150,829)	-	(1,150,829)
Business	562,445	-	-	-	(562,445)	-	(562,445)
Plant operation and maintenance	4,653,011	-	947,268	-	(3,705,743)	-	(3,705,743)
Student transportation	1,953,891	-	164,384	-	(1,789,507)	-	(1,789,507)
Food service	29,093	-	24,645	-	(4,448)	-	(4,448)
Community service activities	334,356	-	417,625	-	83,269	-	83,269
Interest on long-term debt	629,112	-	-	89,994	(539,118)	-	(539,118)
Total governmental activities	27,966,821	-	9,114,440	730,575	(18,121,806)	-	(18,121,806)
Business-type activities							
Food service	1,786,947	15,453	1,595,311	-	-	(176,183)	(176,183)
Total business-type activities	1,786,947	15,453	1,595,311	-	-	(176,183)	(176,183)
Total school district	$ 29,753,768	$ 15,453	$ 10,709,751	$ 730,575	(18,121,806)	(176,183)	(18,297,989)
General revenues							
Taxes:							
Property taxes					2,229,263	-	2,229,263
Motor vehicle taxes					402,913	-	402,913
Utility taxes					570,003	-	570,003
State aid-formula grants					19,059,536	-	19,059,536
Investment earnings					32,676	1,032	33,708
Miscellaneous					483,480	-	483,480
Total general revenues					22,777,871	1,032	22,778,903
Operating transfers in (out)					54,532	(54,532)	-
Gain on disposal of assets					1,480,146	-	1,480,146
Change in Net Position					6,190,743	(229,683)	5,961,060
Net position-beginning					9,796,288	(210,048)	9,586,240
NET POSITION-ENDING					$ 15,987,031	$ (439,731)	$ 15,547,300

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

BREATHITT COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 2,737,392	$ -	$ 11,572,902	$ 125,554	$ 14,435,848
Accounts receivable	178,696	2,290,614	-	-	2,469,310
Prepaids	-	102,428	-	-	102,428
Due from other funds	1,679,340	-	-	-	1,679,340
Total assets	$ 4,595,428	$ 2,393,042	$ 11,572,902	$ 125,554	$ 18,686,926
LIABILITIES					
Accounts payable	$ 44,248	$ 6,583	$ 706,043	$ -	$ 756,874
Due to other funds	-	1,679,340	-	-	1,679,340
Unearned revenues	-	707,119	-	-	707,119
Total liabilities	44,248	2,393,042	706,043	-	3,143,333
FUND BALANCE					
Nonspendable					
Prepaids	-	102,428	-	-	102,428
Restricted					
Other	-	-	10,866,859	125,554	10,992,413
Committed					
Compensated absences	59,438	-	-	-	59,438
Assigned	-	-	-	-	-
Purchase orders	-	-	-	-	-
Unassigned	4,491,742	(102,428)	-	-	4,389,314
Total fund balance	4,551,180	-	10,866,859	125,554	15,543,593
Total liabilities and fund balance	$ 4,595,428	$ 2,393,042	$ 11,572,902	$ 125,554	$ 18,686,926

Amounts reported for *governmental activities* in the statement of net position are different because:	
Fund balance reported above	$ 15,543,593
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	37,351,542
Long-term retainage payable is not due and payable in the current period and is not reported in the funds.	(645,329)
Interest accrued on general long term debt is not a current expenditure and is not reported in the funds.	(141,850)
Net deferred inflows/outflows related to the long-term net pension and OPEB liabilities are not reported in the funds.	1,573,019
Long-term liabilities, including bond obligations, KSBIT assessment, net pension liability, net OPEB liability, capital leases and compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(37,693,944)
Net position of governmental activities	$ 15,987,031

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

BREATHITT COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
for the year ended June 30, 2023

	General	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
From local sources					
Property taxes	$ 1,792,163	$ -	$ -	$ 437,100	$ 2,229,263
Motor vehicle taxes	402,913	-	-	-	402,913
Utility taxes	570,003	-	-	-	570,003
Earnings on investments	32,676	-	-	-	32,676
Other local revenues	83,256	358,075	76,524	323,700	841,555
Intergovernmental - State	17,245,595	1,636,550	-	1,807,998	20,690,143
Intergovernmental - Federal	95,937	7,752,396	-	-	7,848,333
Total revenues	20,222,543	9,747,021	76,524	2,568,798	32,614,886
EXPENDITURES					
Instruction	8,813,965	5,047,489	-	292,810	14,154,264
Support services					
Student	1,122,431	407,257	-	-	1,529,688
Instructional staff	989,766	629,539	-	-	1,619,305
District administration	1,223,342	-	-	-	1,223,342
School administration	1,149,494	-	-	-	1,149,494
Business	560,861	-	-	-	560,861
Plant operation and maintenance	2,440,605	762,309	557,384	-	3,760,298
Student transportation	1,585,990	132,287	-	-	1,718,277
Food Service	4,256	24,645	-	-	28,901
Community service activities	-	336,081	-	-	336,081
Capital outlay	783,010	632,581	9,377,290	-	10,792,881
Debt service	205,546	-	-	1,947,921	2,153,467
Total expenditures	18,879,266	7,972,188	9,934,674	2,240,731	39,026,859
Excess (deficiency) of revenues over expenditures	1,343,277	1,774,833	(9,858,150)	328,067	(6,411,973)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of assets	1,484,747	-	-	-	1,484,747
Lease proceeds	123,210	-	-	-	123,210
Proceeds from bonds	-	-	-	-	-
Operating transfers in	258,045	142,789	4,786,963	1,559,329	6,747,126
Operating transfers out	(2,525,425)	(1,917,622)	-	(2,249,547)	(6,692,594)
Total other financing sources and uses	(659,423)	(1,774,833)	4,786,963	(690,218)	1,662,489
Net change in fund balance	683,854	-	(5,071,187)	(362,151)	(4,749,484)
Fund balance-beginning	3,867,326	-	15,938,046	487,705	20,293,077
Fund balance-ending	$ 4,551,180	$ -	$ 10,866,859	$ 125,554	$ 15,543,593

Reconciliation to government-wide change in net position:	
Net change in fund balance	$ (4,749,484)
add: capital outlay expenditures capitalized	10,792,881
add: donated capital assets	8,000
add: gain from disposal of assets	1,480,146
add: debt service expenditures	2,153,467
add: change in long term compensated absences	74,687
add: change in net pension liability	69,090
add: change in net OPEB liability	80,733
less: proceeds from capital leases	(123,210)
less: proceeds from sale of assets	(1,484,747)
less: depreciation on governmental activities assets	(1,481,708)
less: interest on long term debt	(629,112)
Change in net position governmental activities	$ 6,190,743

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

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

	Food Service Fund
ASSETS	
Current assets	
Cash and cash equivalents	$ 402,830
Accounts receivable	9,595
Inventory	23,230
Total current assets	435,655
Noncurrent assets	
Capital assets, net of depreciation	305,047
Total assets	740,702
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pension - CERS	174,970
Deferred outflows - OPEB - CERS	126,300
Total deferred outflows of resources	301,270
Total assets and deferred outflows of resources	$ 1,041,972
LIABILITIES	
Current liabilities	
Accounts payable	$ -
Noncurrent liabilities	
Net pension liability - CERS	1,047,054
Net OPEB liability - CERS	285,792
Total noncurrent liabilities	1,332,846
Total liabilities	1,332,846
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pension - CERS	22,493
Deferred inflows - OPEB - CERS	126,364
Total deferred inflows of resources	148,857
NET POSITION	
Net investment in capital assets	305,047
Unrestricted net position	(744,778)
Total net position	(439,731)
Total liabilities, deferred inflows of resources and net position	$ 1,041,972

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

BREATHITT COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
for the year ended June 30, 2023

	Food Service Fund
Operating revenues	
Lunchroom sales	$ 15,453
Other revenues	-
Total operating revenues	15,453
Operating expenses	
Salaries and wages	759,022
Contract services	26,487
Materials and supplies	950,420
Other expenses	5,911
Depreciation	45,107
Total operating expenses	1,786,947
Operating (loss)	(1,771,494)
Nonoperating revenues	
Federal grants	1,352,354
Commodities received	97,722
State grants	8,724
State on-behalf payments	136,511
Interest income	1,032
Total nonoperating revenue	1,596,343
Income (loss) before transfers	(175,151)
Transfers in	-
Transfers (out)	(54,532)
Change in net position	(229,683)
Total net position-beginning of year	(210,048)
TOTAL NET POSITION-ENDING	$ (439,731)

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

BREATHITT COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
for the year ended June 30, 2023

	Food Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 15,453
Cash paid to employees, including benefits	(612,042)
Cash paid to suppliers	(883,144)
Net cash (used) by operating activities	(1,479,733)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers (to) other funds	(54,532)
Cash received from government funding	1,477,476
Net cash provided by noncapital financing activities	1,422,944
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(55,067)
Net cash (used) by capital and related financing activities	(55,067)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	1,032
Net cash provided by investing activities	1,032
Net increase (decrease) in cash and cash equivalents	(110,824)
Balances-beginning of the year	513,654
BALANCES-END OF THE YEAR	$ 402,830
Reconciliation of operating (loss) to net cash provided (used) by operating activities:	
Operating (loss)	$ (1,771,494)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:	
Depreciation expense	45,107
Net change in pension liability	35,405
Net change in OPEB liability	(24,936)
Commodities received	97,722
State on-behalf payments	136,511
Change in assets and liabilities	
(Increase) decrease in inventory	1,952
Increase (decrease) in accounts payable	-
Net cash (used) by operating activities	$ (1,479,733)
Schedule of non-cash activities	
Donated commodities received from federal government	$ 97,722
On-behalf payments received from the state government	$ 136,511

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

The District, for financial purposes, includes all of the funds and activities relevant to the operation of the Breathitt County Board of Education. The basic 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. Such funds or groups have been considered as prospective component units under GASB Statement Number 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, and have been determined to have insignificant assets, liabilities, equity, revenue and expenditures to be considered component units. In addition, the Board has the ability to exert little control over the fiscal activities of the funds or groups.

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

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

Breathitt County School District Finance Corporation - The Breathitt County Board of Education resolved to authorize the establishment of the Breathitt County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation pursuant to Section 162.385 of the School Bond Act and Chapter 273 and Section 58.180 of the Kentucky Revised Statutes) (the "Corporation") to act as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

B. Basis of Presentation

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation, continued

The following is a summary of the 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. The statements distinguish between those activities of the District that are governmental, which normally are supported by tax revenues, and those that are considered business-type activities, which rely significantly on fees and charges for support.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. 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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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

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 balance, which reports on the changes in total fund balance. Proprietary funds are reported using the economic resources measurement focus. The financial statements for proprietary funds are the statement of net position, which includes assets, deferred outflows, liabilities, deferred inflows and net position; and the statement of revenues, expenses, and changes in net position which reports the changes in total net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Accounting principles generally accepted in the United States of America require that the General Fund be reported as a major fund. All other governmental and proprietary funds whose assets, liabilities, revenues, or expenditures comprise at least 10% of the total for the relevant fund category and at least 5% of the corresponding total for all governmental and proprietary funds combined must also be reported as major funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation, continued

The District has the following funds:

Governmental Fund Types:

The General Fund is the main operating fund of the District. It accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. This is a budgeted fund, and any fund balances are considered as resources available for use. This is always a major fund of the District.

The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of 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.

The School Activity Fund is a special revenue fund used to account for funds collected at individual schools for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the *Accounting Procedures for Kentucky School Activity Funds.*

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds). The Capital Project Funds account for revenue and expenditures from three sources:

A. 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.

B. 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.

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

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

Proprietary Fund Types (Enterprise Funds):

The Food Service Fund is used to account for school food service activities, including the National School Lunch Program and the National School Breakfast Program, which are 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 Fund is a major fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting

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

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

Unearned Revenue/Advances from grantors - Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue. The District reports unearned revenue on its statement of net position and governmental fund's balance sheet. In both the government-wide and governmental fund statements, grants that are intended to finance future periods are reported as unearned revenue. In subsequent periods, the liability for unearned revenue is removed from the statement of net position and governmental fund's balance sheet and revenue is recognized.

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

The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting, continued

Property Taxes

Property taxes are levied by September 30 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 (including exonerations) assessed for the year ended June 30, 2023, to finance the General Fund operations were $.627 per $100 valuation for real property, $.627 per $100 valuation for business personal property and $.492 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 the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

D. Prepaid Assets

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

E. Capital Assets

General capital and leased 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. Leased assets are recorded at the amount of the initial measurement of the lease liability, plus any payments made at or before the commencement of the lease term. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of $5,000. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, except land and construction-in-progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Capital Assets, continued

Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

Description	Estimated Lives
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
School buses	10 years
Other vehicles	5 years
Audio-visual equipment	15 years
Food service equipment	12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other general equipment	10 years

All leased assets are amortized over the shorter of the lease term or the useful life of the underlying asset.

F. Interfund Receivables and Payables

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

G. 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 vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

The entire compensated absence liability includes the remaining 70% plus any accrued sick leave for people not eligible and is reported on the government-wide financial statements. For governmental fund financial statements, the amount of accumulated vacation and sick leave of employees has been recorded as a committed portion of fund balance. The balance of the liability is not recorded.

For governmental fund financial statements the current portion, if any, 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.

H. Bonds and Related Premiums, Discounts, and Issuance Costs

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Bonds and Related Premiums, Discounts, and Issuance Costs, continued

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Discounts related to debt issuance are reported as other financing uses. Issuance costs are reported as debt service expenditures.

I. Budgetary Process

The District's budgetary process accounts revenues and expenditures on the modified accrual basis. Once the budget is approved by the Board, 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. Budgetary receipts represent original estimates modified for adjustments, if any, during the fiscal year. Budgetary disbursements represent original appropriations adjusted for budget transfers and additional appropriations, if any, approved during the fiscal year.

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

J. Cash and Cash Equivalents

The District considers demand deposits, certificates of deposit, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents. As of June 30, 2023, the District did not have any cash equivalents.

K. Receivables

The District recognizes revenues as receivables when they are measurable and receipt is probable. Concentration of credit risk with respect to the receivables from federal and state governments is limited due to the historical stability of those institutions. Federal and state grants to be used or expended as specified by the grantor are recognized as revenue and recorded as receivables as qualifying expenditures are made.

L. Inventories

The Food Service Fund inventory consists of food, supplies and U.S. Government commodities.

The Food Service Fund inventory is stated at cost and uses the specific identification method.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. 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, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

N. Fund Balance

Fund balance is separated into five categories, as follows:

Nonspendable fund balance - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted fund balance - arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed fund balance - are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment.

Assigned fund balance - are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. Assigned fund balance also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the General Fund that are intended to be used for a specific purpose.

Unassigned fund balance - is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Fund Balance, continued

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

O. Encumbrances

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end, and outstanding encumbrances at year-end are appropriated in the next year. Encumbrances are considered a managerial assignment of fund balance at June 30, 2023, in the governmental funds balance sheet.

P. Net Position

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

Q. Operating and Non-Operating Revenues and Expenses

Proprietary fund operating revenues are those revenues that are generated directly from the respective primary activity. For the School District, those revenues are primarily charges for meals provided by the various schools. Non-operating revenues are not generated directly from the primary activity of the proprietary funds. For the School District those revenues come in the form of grants (federal and state), donated commodities, and earnings from investments.

R. 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.

S. Interfund Activity

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. 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, designated fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

U. Deferred Inflows and Deferred Outflows of Resources

Deferred inflows and deferred outflows are recorded on the government-wide and proprietary financial statements. The deferred outflows of resources presented were primarily created by differences in pension expectations, the prior refunding of revenue bonds, and deferral of pension contributions. Deferred inflows were primarily created by actuarial determinations of net pension liability changes.

V. Pensions

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

W. Postemployment Benefits Other Than OPEBs (OPEB)

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Teachers' Retirement System of the State of Kentucky (KTRS) and the County Employees Retirement System Non-Hazardous (CERS) and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the pension plans. 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.

X. Leases

Effective July 1, 2021, the District implemented Governmental Accounting Standards Board (GASB) Statement No.87, *Leases.* GASB Statement No. 87 enhances the relevance and consistency of information of the District's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease receivable and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. See Note 4 for right of use assets and lease liabilities recorded by the District.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Y. Change in Accounting Policy

Effective July 1, 2022, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based Information Technology Arrangements.* GASB Statement No. 96 requires recognition of a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability for subscription-based information technology arrangements (SBITA) that were previously classified as operating expenses. It establishes uniform guidance for SBITA accounting based on the foundational principle that SBITA are financings of the right to use vendor-provided information technology assets. Government entities are required to recognize a subscription liability and an intangible right-to-use subscription asset. These changes had no effect on the financial statements.

Z. Management's Review of Subsequent Events

The District has evaluated and considered the need to recognize or disclose subsequent events through November 13, 2023, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2023, have not been evaluated by the District.

2. CASH

Interest rate risk – In accordance with the District's investment policy, interest rate risk is limited by investing in public funds with the highest rate of return with the maximum security of principal. Investments are undertaken in a manner that seeks to ensure preservation of the capital in its portfolio.

Credit risk – The District's investment policy limits the types of authorized investment instruments to obligations of the United States, its agencies, and instrumentalities. In addition, certificates of deposit or bonds of a bank or the Commonwealth of Kentucky, securities issued by a state or local government or shares of mutual funds are acceptable investments.

Concentration of credit risk – The District may invest, at any one time, funds in any one of the above listed categories with no limitation of the total amount of funds invested on behalf of the District.

Custodial credit risk – For deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned. The District maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times.

At year end, the bank balances of the District's total cash was $17,253,914. Of the total cash balance, $12,846,766 was covered by Federal Depository insurance and the remainder was covered by collateral agreements and collateral held by the pledging banks' trust department in the District's name.

2. CASH (CONTINUED)

Cash at June 30, 2023 consisted of the following:

	Bank Balance	Book Balance
General checking account		$ 2,737,392
General Fund		–
Special Revenue Fund		–
Food Service Fund		402,830
Total general checking account	$ 4,530,816	3,140,222
Construction fund checking account	12,596,766	11,572,902
School activity fund bank accounts	126,332	125,554
Total	$ 17,253,914	$ 14,838,678

Cash by fund type are as follows:

Governmental funds	$ 14,435,848
Proprietary funds	402,830
Total	$ 14,838,678

3. CAPITAL ASSETS

	June 30, 2022 Balance	Additions	Transfers/ Retirements	June 30, 2023 Balance
Governmental Activities				
Land	$ 491,402	$ 75,000	$ -	$ 566,402
Land improvements	1,140,103	-	(5,486)	1,134,617
Buildings	36,385,709	907,892	(237,064)	37,056,537
Technology equipment	4,243,484	31,956	-	4,275,440
Vehicles	4,945,405	480,097	-	5,425,502
General equipment	2,319,935	162,445	-	2,482,380
Leased equipment	-	123,210	-	123,210
Construction work in progress	9,566,432	9,118,525	-	18,684,957
Total historical cost	59,092,470	10,899,125	(242,550)	69,749,045
Less accumulated depreciation	31,153,744	1,481,708	(237,949)	32,397,503
Governmental capital assets, net	$ 27,938,726	$ 9,417,417	$ (4,601)	$ 37,351,542
Business-type Activities				
Buildings	$ 67,500	$ -	$ -	$ 67,500
Technology equipment	15,873	-	-	15,873
General equipment	671,643	55,067	-	726,710
Vehicles	46,461	-	-	46,461
Total historical cost	801,477	55,067	-	856,544
Less accumulated depreciation	506,390	45,107	-	551,497
Business-type capital assets, net	$ 295,087	$ 9,960	$ -	$ 305,047

Depreciation expense for business-type activities was entirely incurred in the operation of the School Food Services. Depreciation for governmental activities was charged to governmental functions as follows:

Instruction	$ 338,057
Student support	31,345
District administrative	297
School administrative	3,745
Plant operation and maintenance	885,050
Student transportation	223,214
	$ 1,481,708

4. LEASE LIABILITIES

Governmental Activities

On October 3, 2022 the City entered into a lease agreement for multiple copiers. The lease calls for monthly payments of $2,382 over a period of 60 months and bears interest at 6%. Monthly payments did not begin until August 2023, because the City was not able to take possession of the copiers until June 2023. The balance of the lease liability as of June 30, 2023 totaled $123,210.

Year ended	Principal	Interest	Total
2024	$ 19,918	$ 6,284	$ 26,202
2025	23,012	5,572	28,584
2026	24,432	4,152	28,584
2027	25,939	2,645	28,584
2028	27,539	1,045	28,584
2029	2,370	12	2,382
	$ 123,210	$ 19,710	$ 142,920

5. LONG-TERM OBLIGATIONS

KISTA Notes Payable

The District has entered into a “lease” agreement for buses under which the buses will become the property of the District when all the terms of the agreement are met. Since title of the buses transfers to the District, the District has recorded the “lease” as a financed note payable. The following schedule presents the notes payable activity for the year ended June 30, 2023:

Maturity	Interest Rates	Original Issue	Balance 06/30/2022	Debt Issued	Debt Paid	Balance 06/30/2023	Due Within One Year
March, 2023	2.00% - 3.00%	$ 258,815	$ 23,412	$ -	$ 23,412	$ -	$ -
March, 2024	2.00% - 3.00%	279,368	51,312	-	25,249	26,063	26,063
June, 2034	3.00% - 3.50%	213,648	146,250	-	10,175	136,075	10,479
March, 2025	1.00% - 2.625%	201,361	59,026	-	21,135	37,891	19,215
March, 2026	2.00% - 2.625%	182,336	71,175	-	18,768	52,407	19,214
March, 2027	2.00% - 2.625%	268,845	133,753	-	27,160	106,593	27,865
		$ 1,404,373	$ 484,928	$ -	$ 125,899	$ 359,029	$ 102,836

5. LONG-TERM OBLIGATIONS (CONTINUED)

The following table presents the annual debt service requirements, to maturity, for the KISTA notes payable as of June 30, 2023:

Year	Principal	Interest	Total
2024	$ 102,836	$ 10,306	$ 113,142
2025	74,416	7,634	82,050
2026	52,698	5,682	58,380
2027	36,876	4,248	41,124
2028	11,852	3,227	15,079
2029-2033	65,782	9,615	75,397
2034	14,569	510	15,079
	$ 359,029	$ 41,222	$ 400,251

KSBIT

During a prior fiscal year, the District was notified that the Kentucky School Board Insurance Trust (KSBIT) would be dissolving as the self-insurance provider for school districts in Kentucky. On June 4, 2014, the Franklin Circuit Court issued an order informing the former members of the Kentucky School Board Insurance Trust Workers' Compensation Fund that they would be assessed a portion of the fund's unfunded liability. The court approved assessment requires the District to pay the following future amount that is included in long term debt:

FY 2024	$ 77,549
FY 2025	80,062
Total	$ 157,611

Bond Obligations

The amounts shown in the accompanying basic financial statements as bond obligations represent the District's future obligations to make debt payments relating to the bonds issued by the Breathitt County School District Finance Corporation.

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

Issue Date	Proceeds	Rates
2007R	$ 2,690,000	3.5% - 4.3%
2012	$ 765,000	1.5% - 2.375%
2013R	$ 750,000	2.15%
2014	$ 295,000	2.00% - 3.00%
2015	$ 7,990,000	2.00% - 3.25%
2015WW	$ 530,000	3.10%
2016R	$ 2,350,000	2.00% - 3.00%
2019R	$ 1,235,000	2.00% - 2.85%
2021R	$ 14,570,000	2.00% - 2.25%
2021-R-2	$ 1,055,000	2.00%-2.125%

5. LONG-TERM OBLIGATIONS (CONTINUED)

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 Breathitt County School District Finance Corporation to construct school facilities. The District has an option to purchase the property at any time by retiring the bonds then outstanding.

The District entered into "participation agreements" with the Kentucky School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The participation agreements generally provide for the Commission to assist the District in meeting bond obligations and are renewable, at the Commission's option, bi-annually. In 2008, the District also entered into an agreement with the Urgent Needs Trust Fund. The Urgent Needs Trust Fund was established by the 2003 Kentucky General Assembly for the purpose of assisting school districts that have urgent and critical construction needs. The Urgent Needs Trust Fund is administered by the School Facility Construction Commission. Should the Kentucky General Assembly choose to not fund the Commission in the future, the District would be responsible for meeting the full requirements of the bond issues. 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. 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:

	Breathitt County School District		Kentucky School Facility Construction Commission		Total	Total
Year	Principal	Interest	Principal	Interest	Principal	Interest
2024	$ 1,070,259	$ 490,612	$ 304,741	$ 83,850	$ 1,375,000	$ 574,462
2025	1,109,621	467,724	265,379	77,472	1,375,000	545,196
2026	1,149,088	443,869	270,912	71,939	1,420,000	515,808
2027	1,193,217	417,870	276,783	66,066	1,470,000	483,936
2028	1,245,691	388,601	284,309	58,540	1,530,000	447,141
2029	1,298,417	356,675	181,583	50,744	1,480,000	407,419
2030	1,343,657	326,161	186,343	45,985	1,530,000	372,146
2031	1,398,704	294,455	191,296	41,033	1,590,000	335,488
2032	1,453,586	262,014	196,414	35,914	1,650,000	297,928
2033	1,508,196	226,602	201,804	30,525	1,710,000	257,127
2034	1,572,653	191,763	207,347	24,983	1,780,000	216,746
2035	1,686,779	152,354	213,221	19,107	1,900,000	171,461
2036	1,045,174	110,781	99,826	13,027	1,145,000	123,808
2037	1,107,796	89,704	102,204	10,650	1,210,000	100,354
2038	1,130,293	67,383	104,707	8,147	1,235,000	75,530
2039	632,603	43,325	107,397	5,457	740,000	48,782
2040	645,626	29,631	99,374	2,849	745,000	32,480
2041	658,116	15,476	46,884	-	705,000	15,476
2042	65,000	691	-	-	65,000	691
TOTAL	$ 21,314,476	$ 4,375,691	$ 3,340,524	$ 646,288	$ 24,655,000	$ 5,021,979

5. LONG-TERM OBLIGATIONS (CONTINUED)

A summary of the changes in long-term liabilities during the fiscal year ended June 30, 2023 is as follows:

Long-term debt	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023
2007R	$ 20,000	$ -	$ 10,000	$ 10,000
2012	295,000	-	145,000	150,000
2013R	495,000	-	145,000	350,000
2014	105,000	-	35,000	70,000
2015	6,480,000	-	300,000	6,180,000
2015WW	375,000	-	40,000	335,000
2016R	1,780,000	-	210,000	1,570,000
2019R	1,145,000	-	50,000	1,095,000
2021R	14,235,000	-	350,000	13,885,000
2021R-2	1,055,000	-	45,000	1,010,000
Premium on bonds	207,754	-	13,015	194,739
Direct Placement - KISTA notes	484,928	-	125,899	359,029
Net pension liability	5,895,624	1,373,583	-	7,269,207
Net OPEB - CERS	1,769,852	214,299	-	1,984,151
Net OPEB - KTRS	2,550,745	1,614,221	-	4,164,966
KSBIT bonded debt	232,820	-	75,209	157,611
Retainage payable	547,088	98,241	-	645,329
Accrued sick leave	193,564	-	74,687	118,877
	$ 37,867,375	$ 3,300,344	$ 1,618,810	$ 39,548,909

6. RETIREMENT PLANS

The School District is a participating employer of the County Employees' Retirement System (CERS) and the Kentucky Teachers' Retirement System (KTRS). KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by the Kentucky Department of Education (KDE). Job classifications that permit experience to substitute for either of these requirements do not participate in KTRS. CERS covers employees whose position does not require a college degree or teaching certificate.

KTRS

Plan description – Teaching-certified employees of the Kentucky School 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 educational agencies in the state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at https://trs.ky.gov/financial-reports-information.

6. RETIREMENT PLANS (CONTINUED)

KTRS, continued

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.

Non-university members 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. Non-university members who became members on or after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than 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 service, 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 3.0% to be used in their benefit calculation.

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Members at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all members is $440 multiplied by credited service.

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.

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 final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; (e) three percent (3.0%) of final average salary for years credited service greater than 30 years.

The final average salary is the member's five (5) highest annual salaries except members at least age fifty-five (55) with twenty-seven (27) or more years of service may use their three (3) highest annual salaries. For all members, the annual allowance is reduced by 6% per year from earlier of age 60 or the date the member would have completed 27 years of service.

6. RETIREMENT PLANS (CONTINUED)

KTRS, continued

Other benefits – KTRS also provides disability benefits for vested members at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is $2,000 for active contributing members and $5,000 for retired or disabled members, and TRS also provides post-employment healthcare benefits to eligible members and dependents.

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

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

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.

CERS

The District is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Public Pensions Authority administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Public Pensions Authority's website.

Plan Description – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments (COLA) are provided at the discretion of state legislature.

Contributions – For the year ended June 30, 2023, plan members were required to contribute 5% of wages for non-hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contributions rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2023, participating employers contributed 26.79% of each employee's wages, for non-hazardous job classifications. The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described in Note 7. Plan members contributed 23.40% to the pension trust for non-hazardous job classifications. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

6. RETIREMENT PLANS (CONTINUED)

CERS, continued

Plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5% of wages to their own account and 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

The District contributed $738,714 for the year ended June 30, 2023, or 100% of the required contribution. The contribution was allocated $645,237 to the CERS pension fund and $93,477 to the CERS insurance fund.

Benefits – CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service.

For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old and 4 years service
	Reduced retirement	At least 5 years service and 55 years old or at least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are $5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and $10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

6. RETIREMENT PLANS (CONTINUED)

CERS and KTRS:

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources - At June 30, 2023, the District reported a liability of $7,269,207 for its proportionate share of the net pension liability for CERS. 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 June 30, 2021, and rolled forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2022 the District's proportionate share was .1006 percent.

The District did not report a liability for the District's proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The Commonwealth of Kentucky recognized $38,878,132 as its proportionate share of the net pension liability for KTRS. 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 June 30, 2021, and rolled forward using generally accepted actuarial procedures. 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, 2023, the State's proportion was .2295 percent.

For the year ended June 30, 2023, the District recognized pension expense of $597,665 related to CERS and $3,547,280 related to KTRS. The District also recognized revenue of $3,547,280 for KTRS support provided by the Commonwealth of Kentucky. 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
Differences between expected and actual results	$ 7,772	$ 64,735
Changes of assumptions	-	-
Net difference between projected and actual earnings on plan investments	186,357	-
Changes in proportion and differences between District contributions and proportionate share of contributions	392,930	91,479
District contributions subsequent to the measurement date	627,988	-
Total	$ 1,215,047	$ 156,214

The $627,988 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 pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2023 will be recognized in pension expense as follows:

Year ending June 30,	
2024	$ 105,983
2025	$ 179,444
2026	$ (61,086)
2027	$ 206,504

6. RETIREMENT PLANS (CONTINUED)

CERS and KTRS, continued:

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

CERS:

Inflation	2.30%
Salary increases	3.30% to 10.30%, varies by service, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation

Mortality rates were based on the 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 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 MP-2014 Mortality Improvement Scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2022, actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total pension liability was rolled-forward from the valuation date (June 30, 2021) to the plan's fiscal year ending June 30, 2022.

KTRS:

Valuation date	6/30/21
Actuarial cost method	Entry age
Investment rate of return	7.10%, net of plan investment expense, including inflation
Projected salary increases	3.0 – 7.50%, including inflation
Inflation rate	2.50%
Municipal Bond Index Rate	2.13%
Single Equivalent Interest Rate	7.10%

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees and active members. The actuarial assumptions used were based on the results of an actuarial experience study for the 5- year period ending June 30, 2021, adopted by the board on September 20, 2022. The assumed long-term investment rate of return was 7.1% and the price inflation assumption was 2.5%. The Municipal Bond Index. Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

6. RETIREMENT PLANS (CONTINUED)

Target Allocations

CERS

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	**60.00%**	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Liquidity	**20.00%**	
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	-0.91%
Diversifying Strategies	**20.00%**	
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
Total	**100.00%**	**4.28%**
Long term inflation assumption		**2.30%**
Expected nominal return for portfolio		**6.58%**

KTRS

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large cap U.S. Equity	37.4%	4.20%
Small cap U.S. Equity	2.6%	4.70%
Developed international equity	16.5%	5.30%
Emerging markets equity	5.5%	5.40%
Fixed income	15.0%	- .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	2.0%	-0.3%
	100%	

6. RETIREMENT PLANS (CONTINUED)

Discount Rate

CERS

Discount Rate – The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the closed 30-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

KTRS

The discount rate used to measure the total pension liability was 7.1%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made in full at the current contribution rates and the employer contributions will be made at ADC rates for all future fiscal years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 current discount rate, 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 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	CERS Discount rate	CERS District's proportionate share of net pension liability
1% decrease	5.25%	$ 9,085,607
Current discount rate	6.25%	$ 7,269,207
1% increase	7.25%	$ 5,766,893

7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - CERS

Plan Description – As more fully described in Note 6, the District participates in the County Employees' Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – CERS (CONTINUED)

Contributions – As more fully described in Note 6, plan members contribute to CERS for non-hazardous job classifications. For the year ended June 30, 2023, the employer's contribution was 3.39% to the insurance trust for non-hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

For the year ended June 30, 2023, the District contributed $93,477 or 100% of the required contribution for non-hazardous job classifications.

Benefits – CERS provides health insurance benefits to Plan employees and beneficiaries.

For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date	Before July 1, 2003
	Insurance eligibility	10 years of service credit required
	Benefit	Set percentage of single coverage health insurance based on service credit accrued at retirement
Tier 1	Participation date	Before September 1, 2008 but after July 1, 2003
	Insurance eligibility	10 years of service credit required
	Benefit	Set dollar amount based on service credit accrued, increased annually
Tier 2	Participation date	After September 1, 2008 and before December 31, 2013
	Insurance eligibility	15 years of service credit required
	Benefit	Set dollar amount based on service credit accrued, increased annually
Tier 3	Participation date	After December 31, 2013
	Insurance eligibility	15 years of service credit required
	Benefit	Set dollar amount based on service credit accrued, increased annually

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2023, the District reported a liability for its proportionate share of the net OPEB liability of $1,984,151.

The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021 and rolled forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The District's proportionate share at June 30, 2022 was .1005%.

7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – CERS (CONTINUED)

For the year ended June 30, 2023, the District recognized OPEB expense of $255,767. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	$ 199,720	$ 455,012
Changes of assumptions	24,870	258,575
Net difference between projected and actual earnings on Plan investments	369,469	-
Changes in proportion and differences between District contributions and proportionate share of contributions	120,494	163,690
District contributions subsequent to the measurement date	162,514	-
Total	$ 877,067	$ 877,277

The $162,514 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. This includes an adjustment of $71,536 related to the implicit subsidy, which is required to be recognized as a deferred outflow of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ending June 30,	
2024	$ (48,747)
2025	$ (39,363)
2026	$ (109,976)
2027	$ 35,362

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

Non-hazardous

Inflation	2.30%
Salary increases	3.30% to 10.30%, varies by service, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation
Healthcare trend	
Pre – 65:	Initial trend starting at 6.30% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post – 65:	Initial trend starting at 9.00% at January 1, 2024, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – CERS (CONTINUED)

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.

The actuarial assumption used in the June 30, 2022, valuation was based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total OPEB liability was rolled-forward from the valuation date (June 30, 2021) to the plan's fiscal year ending June 30, 2022.

The long-term expected rate of 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 following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	**60.00%**	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Liquidity	**20.00%**	
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	-0.91%
Diversifying Strategies	**20.00%**	
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
Total	**100.00%**	**4.28%**
Long term inflation assumption		**2.30%**
Expected nominal return for portfolio		**6.58%**

Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2022, was 5.70%, for non-hazardous classifications. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. As of June 30, 2022, the discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 2.45%, as reported in Fidelity Index's "20 –Year Municipal GO AA Index". However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – CERS (CONTINUED)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Discount rate	District's proportionate share of net OPEB liability
1% decrease	4.70%	$ 2,652,493
Current discount rate	5.70%	$ 1,984,151
1% increase	6.70%	$ 1,431,654

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following presents the District's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	District's proportionate share of net OPEB liability
1% decrease	$ 1,475,172
Current trend rate	$ 1,984,151
1% increase	$ 2,595,338

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

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – KTRS

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

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – KTRS (CONTINUED)

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

Medical Insurance Plan

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

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

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs – At June 30, 2023, the District reported a liability of $4,164,966 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2022 and rolled forward using generally accepted actuarial procedures. The District's proportion of the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022 and June 30, 2021, the District's proportion was .1678 percent and .1189 percent, respectively.

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

District's proportionate share of the net OPEB liability	$ 4,164,966
State's proportionate share of the net OPEB liability associated with the District	1,368,253
Total	$ 5,533,219

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – KTRS (CONTINUED)

For the year ended June 30, 2023, the District recognized OPEB expense of $23,000 and revenue of $73,131 for support provided by the State. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	$ -	$ 1,750,774
Changes of assumptions	845,846	-
Net difference between projected and actual earnings on Plan investments	221,409	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,276,000	246,000
District contributions subsequent to the measurement date	214,822	-
Total	$ 2,558,077	$ 1,996,774

Of the total amount reported as deferred outflows of resources related to OPEB, $214,822 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ending June 30,	
2024	$ (128,000)
2025	$ (85,000)
2026	$ (28,000)
2027	$ 259,000
2028	$ 223,000
2029	$ 105,481

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – KTRS (CONTINUED)

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

Investment rate of return	7.1% net of OPEB plan investment expense, including inflation.
Projected salary increases	3.0 – 7.5%, including wage inflation
Inflation rate	2.5%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Healthcare cost trend rates	
KEHP Group	7.0% for FY 2022 decreasing to an ultimate rate of 4.5% by FY 2032
MEHP Group	5.125% for FY 2022 decreasing to an ultimate rate of 4.5% by FY 2025
Medicare Part B Premiums	6.97% for FY 2022 with an ultimate rate of 4.5% by 2034
Municipal Bond Index Rate	2.13%
Discount Rate	7.1%
Single Equivalent Interest Rate	7.1%, net of OPEB plan investment expense, including inflation.

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

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

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – KTRS (CONTINUED)

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

Asset Class	Target Allocation	Expected Real Rate of Return
Global Equity	58.0%	5.1%
Fixed Income	9.0%	(.1)%
Real Estate	6.5%	4.0%
Private Equity	8.5%	6.9%
Additional Category: High Yield	8.0%	1.7%
Other Additional Categories	9.0%	2.2%
Cash	1.0%	(.3)%
Total	100%	

Discount rate - The discount rate used to measure the total OPEB liability was 7.1%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 7.1%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.1%) or 1-percentage-point higher (8.1%) than the current rate:

	1% Decrease (6.1%)	Current Discount Rate (7.1%)	1% Increase (8.1%)
District's net OPEB liability	$ 5,225,639	$ 4,164,966	$ 3,286,837

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

	1% Decrease	Current Trend Rate	1% Increase
District's net OPEB liability	$ 3,122,329	$ 4,164,966	$ 5,461,676

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

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – KTRS (CONTINUED)

Life Insurance Plan

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

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

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs – At June 30, 2023, the District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	$ -
State's proportionate share of the net OPEB liability associated with the District	68,000
Total	$ 68,000

For the year ended June 30, 2023, the District recognized revenue of $5,194 for support provided by the State.

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

Investment rate of return	7.1%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.0 – 7.5%, including wage inflation
Inflation rate	2.5%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Municipal Bond Index Rate	2.13%
Discount Rate	7.1%
Single Equivalent Interest Rate	7.1%, net of OPEB plan investment expense, including inflation.

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards set-backs and adjustments for each of the groups: service, retirees, contingent annuitants, disabled retirees and active members. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation and rates of plan election used in the June 30, 2021, valuation were based on the results of the most recent actuarial experience study for the system, which covered the five-year period ending June 30, 2021, adopted by the board on September 20, 2022. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System.

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – KTRS (CONTINUED)

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

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

Asset Class	Target Allocation	Expected Real Rate of Return
U.S. Equity	40.0%	4.4%
International Equity	23.0%	5.6%
Fixed Income	18.0%	(.1)%
Real Estate	6.0%	4.0%
Private Equity	5.0%	6.9%
Additional Categories	6.0%	2.1%
Cash	2.0%	(.3)%
Total	100%	

Discount rate - The discount rate used to measure the total OPEB liability for life insurance was 7.1%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74.

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

9. DEFERRED COMPENSATION

The District offers its employees participation in a deferred compensation program administered by the Kentucky Public Employees' Deferred Compensation Authority. This program offers a plan authorized by Section 457(b) of the Internal Revenue Code and a plan authorized by Section 401(k) of the Internal Revenue Code. Both plans are available to all employees and permit them to defer up to 25% of their compensation (subject to limits) until future years. The District makes no contributions to these plans.

10. CONTINGENCIES

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

11. LITIGATION

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

12. RISK MANAGEMENT

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

The District purchased unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; 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.

13. 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. There were no instances of noncompliance noted.

14. TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose		Amount
Operating	Special Revenue	General Fund	Indirect Costs	$	203,512
Capital Projects	Special Revenue	Construction	Capital Projects	$	1,627,264
Operating	Special Revenue	Special Revenue	Federal Grants	$	86,846
Operating	Food Service	General Fund	Indirect Costs	$	54,532
Capital Projects	General Fund	Construction	Capital Projects	$	2,160,869
Capital Projects	General Fund	Debt Service	Bond Payments	$	364,555
Capital Projects	Capital Outlay	Construction	Capital Projects	$	166,354
Operating	Student Activity	Special Revenue	COFT	$	11,322
Capital Projects	Building	Construction	Capital Projects	$	832,475
Capital Projects	Building	Special Revenue	Capital Projects	$	44,621
Capital Projects	Building	Debt Service	Debt Service	$	1,194,775

15. ON-BEHALF PAYMENTS

The Commonwealth of Kentucky pays certain expenses on behalf of the District. These expenses include employee health insurance, the employer match of Kentucky Teachers' Retirement System, certain other employee benefits, specific technology expense and debt service. These amounts are included in the fund financial statements; however, the revenues and related expenditures are not budgeted amounts.

The following payments for fringe benefits are included as revenues and expenses on the statement of activities:

Retirement contributions to the Teachers' Retirement System of Kentucky	$	3,547,280
Medical insurance contributions to KTRS		78,325
Health and Life insurance		2,001,302
Other		(204,417)
Technology		99,252
Debt Service		388,591
	$	5,910,333

16. INTERFUND RECEIVABLES AND PAYABLES

The General Fund presented an interfund receivable from the Special Revenue Fund of $1,679,340 and there was a corresponding presentation of an interfund payable in the Special Revenue Fund. The interfund receivable/payable is the result of timing at fiscal year end between when funds are expended in the Special Revenue Fund and when the related grant funds are received. The Special Revenue Fund repaid to the General Fund the interfund balance in full in July 2023.

17. SUBSEQUENT EVENTS

School Building Revenue Bonds, Series 2023 and sale of Mary Caney Roberts School Building

In July 2023 the District entered into an agreement to sell the Marie Caney Roberts school building for $350,000. Before the sale could be completed, the District was required to refund portions of the Series 2015 revenue bonds. On July 3, 2023, the District issued School Building Revenue Bonds, Series 2023 to refund the portion of the Series 2015 revenue bonds related to construction for the Marie Caney Roberts school building. The School Building Revenue Bonds, Series 2023 proceeds totaled approximately $434,000. The District paid off the School Building Revenue Bonds, Series 2023 immediately following their issuance in July 2023.

BREATHITT COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
for the year ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	$ 2,292,602	$ 2,092,602	$ 2,765,079	$ 672,477
Other local sources	24,500	26,500	115,932	89,432
State sources	13,372,858	13,325,052	17,245,595	3,920,543
Federal sources	58,867	58,867	95,937	37,070
TOTAL REVENUES	15,748,827	15,503,021	20,222,543	4,719,522
EXPENDITURES				
Instruction	8,545,568	8,492,562	8,813,965	(321,403)
Support services				
Student	1,054,066	1,072,108	1,122,431	(50,323)
Instructional staff	868,688	887,749	989,766	(102,017)
District administration	913,703	1,246,063	1,223,342	22,721
School administration	1,054,210	1,028,935	1,149,494	(120,559)
Business	343,908	348,184	560,861	(212,677)
Plant operation and maintenance	1,690,901	2,555,205	2,440,605	114,600
Student transportation	1,375,295	1,492,660	1,585,990	(93,330)
Food Service	-	1,000	4,256	(3,256)
Contingency	1,854,754	1,582,575	-	1,582,575
Capital outlay (Note 1)	-	-	783,010	(783,010)
Debt service	205,546	205,546	205,546	-
TOTAL EXPENDITURES	17,906,639	18,912,587	18,879,266	33,321
Excess (Deficit) of Revenues Over Expenditures	(2,157,812)	(3,409,566)	1,343,277	4,752,843
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	2,500	2,500	1,484,747	1,482,247
Loan/Lease proceeds	-	-	123,210	123,210
Operating transfers in	56,867	56,867	258,045	201,178
Operating transfers out	(401,555)	(401,555)	(2,525,425)	(2,123,870)
TOTAL OTHER FINANCING SOURCES (USES)	(342,188)	(342,188)	(659,423)	(317,235)
NET CHANGE IN FUND BALANCE	(2,500,000)	(3,751,754)	683,854	4,435,608
Fund balances-beginning	2,500,000	3,751,754	3,867,326	115,572
Fund balances-ending	$ -	$ -	$ 4,551,180	$ 4,551,180

Note 1: Capital outlay expenditures were budgeted with their respective function.

BREATHITT COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND
for the year ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	$ 154,549	145,773	$ 358,075	$ 212,302
State sources	1,177,351	1,627,167	1,636,550	9,383
Federal sources	3,014,189	3,077,935	7,752,396	4,674,461
TOTAL REVENUES	4,346,089	4,850,875	9,747,021	4,896,146
EXPENDITURES				
Instruction	2,888,298	3,457,784	5,047,489	(1,589,705)
Support services				
Student	139,623	136,532	407,257	(270,725)
Instructional staff	870,651	945,581	629,539	316,042
Plant operation and maintenance	114,699	131,540	762,309	(630,769)
Student transportation	75,023	75,516	132,287	(56,771)
Food Service Operation	-	-	24,645	(24,645)
Community services activities	295,928	315,990	336,081	(20,091)
Capital outlay (Note 1)	-	-	632,581	(632,581)
TOTAL EXPENDITURES	4,384,222	5,062,943	7,972,188	(2,909,245)
Excess (Deficit) of Revenues Over Expenditures	(38,133)	(212,068)	1,774,833	1,986,901
OTHER FINANCING SOURCES (USES)				
Operating transfers in	45,000	35,000	142,789	107,789
Operating transfers out	(6,867)	(6,867)	(1,917,622)	(1,910,755)
TOTAL OTHER FINANCING SOURCES (USES)	38,133	28,133	(1,774,833)	(1,802,966)
NET CHANGE IN FUND BALANCE	-	(183,935)	-	183,935
Fund balances-beginning	-	-	-	-
Fund balances-ending	$ -	$ (183,935)	$ -	$ 183,935

Note 1: Capital outlay expenditures were budgeted with their respective function.

BREATHITT COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES' RETIREMENT SYSTEM
Last Nine Fiscal Years

Reporting Fiscal Year (Measurement Date)	**2015 (2014)**	**2016 (2015)**	**2017 (2016)**	**2018 (2017)**	**2019 (2018)**	**2020 (2019)**	**2021 (2020)**	**2022 (2021)**	**2023 (2022)**
District's proportion of the net pension liability	0.1300%	0.1200%	0.1200%	0.1200%	0.1100%	0.1000%	0.1000%	0.1000%	0.1006%
District's proportionate share of the net pension liability (asset)	$ 4,111,000	$ 5,006,264	$ 5,827,679	$ 6,805,114	$ 6,662,184	$ 6,946,749	$ 7,381,683	$ 5,895,624	$ 7,269,207
District's covered employee payroll	$ 2,960,407	$ 2,960,407	$ 2,845,655	$ 2,873,687	$ 2,711,255	$ 2,463,291	$ 2,468,639	$ 2,377,460	$ 2,835,317
District's share of the net pension liability (asset) as a percentage of its covered employee payroll	138.87%	169.11%	204.79%	236.81%	245.72%	282.01%	299.02%	247.98%	256.38%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	59.97%	55.50%	53.32%	53.54%	50.45%	47.81%	57.33%	52.42%

The above schedule will present 10 years of historical data, once available.

BREATHITT COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
KENTUCKY TEACHERS' RETIREMENT SYSTEM
Last Eight Fiscal Years

Reporting Fiscal Year (Measurement Date)	2016 (2015)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)
District's proportion of the net pension liability	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
District's proportionate share of the net pension liability (asset)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
State's proportionate share of the net pension liability (asset)	61,724,475	78,611,888	69,382,889	31,940,686	31,564,055	31,871,503	28,666,448	38,878,132
Total	$ 61,724,475	$ 78,611,888	$ 69,382,889	$ 31,940,686	$ 31,564,055	$ 31,871,503	$ 28,666,448	$ 38,878,132
District's covered employee payroll	unavailable	unavailable	unavailable	$ 8,883,972	$ 7,247,745	$ 7,179,467	$ 7,109,920	$ 7,422,203
District's share of the net pension liability (asset) as a percentage of its covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	42.49%	35.22%	39.83%	59.30%	58.80%	58.30%	65.60%	56.40%

The above schedule will present 10 years of historical data, once available.

BREATHITT COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
COUNTY EMPLOYEES' RETIREMENT SYSTEM
Last Seven Fiscal Years

Reporting Fiscal Year (Measurement Date)	**2017 (2016)**	**2018 (2017)**	**2019 (2018)**	**2020 (2019)**	**2021 (2020)**	**2022 (2021)**	**2023 (2022)**
District's proportion of the net OPEB liability	0.0990%	0.0990%	0.0970%	0.0970%	0.0970%	0.0970%	0.1005%
District's proportionate share of the net OPEB liability (asset)	$ 5,968,055	$ 2,337,244	$ 1,942,127	$ 1,660,897	$ 2,323,275	$ 1,769,852	$ 1,984,151
District's covered employee payroll	$ 2,845,655	$ 2,873,687	$ 2,711,255	$ 2,463,291	$ 2,468,639	$ 2,377,460	$ 2,835,317
District's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	209.73%	81.33%	71.63%	67.43%	94.11%	74.44%	69.98%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	52.39%	57.62%	60.44%	51.67%	62.91%	60.95%

The above schedule will present 10 years of historical data, once available.

BREATHITT COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - MEDICAL INSURANCE PLAN
KENTUCKY TEACHERS' RETIREMENT SYSTEM
Last Seven Fiscal Years

Reporting Fiscal Year (Measurement Date)	**2017 (2016)**	**2018 (2017)**	**2019 (2018)**	**2020 (2019)**	**2021 (2020)**	**2022 (2021)**	**2023 (2022)**
District's proportion of the collective net OPEB liability	0.1400%	0.1400%	0.1300%	0.1300%	0.1200%	0.1200%	0.1678%
District's proportionate share of the collective net OPEB liability (asset)	$ 4,850,000	$ 4,899,000	$ 4,423,076	$ 3,645,776	$ 3,077,126	$ 2,550,745	$ 4,164,966
State's proportionate share of the collective net OPEB liability (asset) associated with the District	3,962,000	4,002,000	3,811,727	2,944,000	2,464,876	2,071,499	1,368,253
Total	$ 8,812,000	$ 8,901,000	$ 8,234,803	$ 6,589,776	$ 5,542,002	$ 4,622,244	$ 5,533,219
District's covered employee payroll	unavailable	unavailable	$ 8,883,972	$ 7,247,745	$ 7,179,467	$ 7,109,920	$ 7,422,203
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered employee payroll	unavailable	unavailable	49.79%	50.30%	42.86%	35.88%	56.11%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	21.20%	25.50%	32.60%	39.00%	51.70%	47.80%

The above schedule will present 10 years of historical data, once available.

BREATHITT COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - LIFE INSURANCE PLAN
KENTUCKY TEACHERS' RETIREMENT SYSTEM
Last Seven Fiscal Years

Reporting Fiscal Year (Measurement Date)	**2017 (2016)**	**2018 (2017)**	**2019 (2018)**	**2020 (2019)**	**2021 (2020)**	**2022 (2021)**	**2023 (2022)**
District's proportion of the collective net OPEB liability	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
District's proportionate share of the collective net OPEB liability (asset)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
State's proportionate share of the collective net OPEB liability (asset) associated with the District	37,000	54,000	65,000	68,000	75,000	28,000	68,000
Total	$ 37,000	$ 54,000	$ 65,000	$ 68,000	$ 75,000	$ 28,000	$ 68,000
District's covered employee payroll	unavailable	unavailable	$ 8,883,972	$ 7,247,745	$ 7,179,467	$ 7,109,920	$ 7,422,203
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	80.00%	74.97%	73.40%	71.60%	89.20%	74.00%

The above schedule will present 10 years of historical data, once available.

BREATHITT COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY
SCHEDULE OF PENSION CONTRIBUTIONS
COUNTY EMPLOYEES' RETIREMENT SYSTEM
Last Nine Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required employer contribution	$ 349,012	$ 353,281	$ 395,269	$ 394,918	$ 403,475	$ 476,447	$ 450,647	$ 599,611	$ 645,237
Contributions relative to contractually required employer contribution	349,012	353,281	395,269	394,918	403,475	476,447	450,647	599,611	645,237
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered employee payroll	$ 2,960,407	$ 2,845,655	$ 2,873,687	$ 2,711,255	$ 2,463,291	$ 2,468,639	$ 2,377,460	$ 2,835,317	$ 2,722,111
Employer contributions as a percentage of covered-employee payroll	11.79%	12.41%	13.75%	14.57%	16.38%	19.30%	18.95%	21.15%	23.70%

The above schedule will present 10 years of historical data, once available.

BREATHITT COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY
SCHEDULE OF PENSION CONTRIBUTIONS
KENTUCKY TEACHERS' RETIREMENT SYSTEM
Last Nine Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required employer contribution	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions relative to contractually required employer contribution	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered employee payroll	unavailable	unavailable	unavailable	$ 8,883,972	$ 7,247,745	$ 7,179,467	$ 7,109,920	$ 7,422,203	$ 7,160,658
Employer contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

The above schedule will present 10 years of historical data, once available.

BREATHITT COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY
SCHEDULE OF OPEB CONTRIBUTIONS
COUNTY EMPLOYEES' RETIREMENT SYSTEM
Last Nine Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required employer contribution	$ 134,677	$ 131,983	$ 134,023	$ 128,185	$ 130,843	$ 117,507	$ 111,144	$ 163,710	$ 93,477
Contributions relative to contractually required employer contribution	134,677	131,983	134,023	128,185	130,843	117,507	111,144	163,710	93,477
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered employee payroll	$ 2,960,407	$ 2,845,655	$ 2,873,687	$ 2,711,255	$ 2,463,291	$ 2,468,639	$ 2,377,460	$ 2,835,317	$ 2,722,111
Employer contributions as a percentage of covered-employee payroll	4.55%	4.64%	4.66%	4.73%	5.31%	4.76%	4.67%	5.77%	3.43%

The above schedule will present 10 years of historical data, once available.

BREATHITT COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY
SCHEDULE OF OPEB CONTRIBUTIONS - MEDICAL INSURANCE PLAN
KENTUCKY TEACHERS' RETIREMENT SYSTEM
Last Six Fiscal Years

	2018	2019	2020	2021	2022	2023
Contractually required employer contribution	$ 227,076	$ 217,437	$ 215,331	$ 213,309	$ 222,523	$ 214,822
Contributions relative to contractually required employer contribution	227,076	217,437	215,331	213,309	222,523	214,822
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's covered employee payroll	$ 8,883,972	$ 7,247,745	$ 7,179,467	$ 7,109,920	$ 7,422,203	$ 7,160,658
Employer contributions as a percentage of covered-employee payroll	2.56%	3.00%	3.00%	3.00%	3.00%	3.00%

The above schedule will present 10 years of historical data, once available.

BREATHITT COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY
SCHEDULE OF OPEB CONTRIBUTIONS - LIFE INSURANCE PLAN
KENTUCKY TEACHERS' RETIREMENT SYSTEM
Last Nine Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required employer contribution	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions relative to contractually required employer contribution	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered employee payroll	unavailable	unavailable	unavailable	$ 8,883,972	$ 8,825,670	$ 8,578,491	$ 8,589,160	$ 10,037,048	$ 9,556,782
Employer contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

The above schedule will present 10 years of historical data, once available.

1. GENERAL INFORMATION

Contributions

Contractually required employer contributions reported on the Schedule of Pension Contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. 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 KTRS but allocated to the insurance fund of the KTRS. 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 - CERS and the Proportionate Share of the Net OPEB Liability - CERS Schedules is one year prior to the District's fiscal year payroll as reported on the Schedule of Contributions for CERS Pension and CERS OPEB.

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

2. CHANGES OF ASSUMPTIONS

June 30, 2022 – CERS Pension and OPEB Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2022, for CERS pension.

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2022, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 6.30% to 6.20%. The initial healthcare trend rate for post-65 was changed from 6.30% to 9.00%.

June 30, 2022 – KTRS Pension and KTRS OPEB

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2022, for KTRS OPEB – Medical Insurance Plan.

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2022, for KTRS OPEB – Life Insurance Plan:

- The assumed municipal bond index rate was increased from 2.13% to 3.37%.

June 30, 2021 – CERS Pension and OPEB Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for CERS pension.

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 6.4% to 6.30%. The initial healthcare trend rate for post-65 was changed from 2.9% to 6.30%.

2. CHANGES OF ASSUMPTIONS (CONTINUED)

June 30, 2021 – KTRS Pension and KTRS OPEB

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for KTRS OPEB – Medical Insurance Plan:

- The assumed investment rate of return decreased from 8.0% to 7.1%.

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for KTRS OPEB – Life Insurance Plan:

- The assumed projected salary increases changed from a range of 3.50% – 7.2% to 3.0% – 7.5%.
- The assumed investment rate of return decreased from 8% to 7.1%.
- Assumed real wage growth decreased from .5% to .25%.
- The assumed inflation rate decreased from 3% to 2.5%.
- The assumed discount rate decreased from 8% to 7.1%.
- The assumed municipal bond index rate was decreased from 2.2% to 2.13%.

June 30, 2020 – CERS Pension and OPEB Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for CERS pension.

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 pre-65 was changed from 7% to 6.40%. The initial healthcare trend rate for post-65 was changed from 5% to 2.90%, which increases to 6.30% in 2023.

June 30, 2020 – KTRS Pension and KTRS OPEB

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

- The assumed investment rate of return increased from 7.50% to 8.0%.

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

- The assumed projected salary increases decreased from a range of 3.50% – 7.45% to 3.50% – 7.2%.
- The assumed municipal bond index rate was decreased from 3.5% to 2.2%.

June 30, 2019 – CERS Pension and CERS 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 CERS pension and CERS OPEB:

- The assumed rate of salary increases was increased from 3.05% to 3.3% to 10.3% on average.

2. CHANGES OF ASSUMPTIONS (CONTINUED)

June 30, 2019 – KTRS Pension and KTRS OPEB

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

- The assumed municipal bond index rate was decreased from 3.89% to 3.5%.

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

- The assumed projected salary decreased from 4.0% -8.10%, including wage inflation, to 3.50% - 7.20%, 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 3.5%.

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

- The assumed net investment rate of return decreased from 8.0% to 7.5%.
- The assumed municipal bond index rate was decreased from 3.89% to 3.5%.

June 30, 2018 – CERS Pension and CERS 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 CERS pension or CERS OPEB.

June 30, 2018 – KTRS Pension and KTRS OPEB

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

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

June 30, 2017 – CERS 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 7.5% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.3%.
- Payroll growth assumption was reduced from 4% to 2%.

2. CHANGES OF ASSUMPTIONS (CONTINUED)

June 30, 2017 – KTRS 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 2025 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, which was used prior to the 2016 valuation.

June 30, 2016 – CERS Pension and CERS 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 CERS pension or CERS OPEB.

June 30, 2016 – KTRS Pension

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016, for KTRS 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, 2015 – CERS 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 7.5%.
- The assumed rate of inflation was reduced from 3.5% to 3.25%.
- The assumed rate of wage inflation was reduced from 1% to .75%.
- Payroll growth assumption was reduced from 4.5% to 4%.
- 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 is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females).
- For Disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- The assumed rates of retirement, withdrawal, and disability were updated to reflect experience more accurately.

June 30, 2015 – KTRS Pension

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015 for KTRS pension.

2. CHANGES OF ASSUMPTIONS (CONTINUED)

June 30, 2014 – CERS Pension –Nonhazardous and KTRS 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, 2013 – CERS Pension – Nonhazardous

The following assumptions were made by the Kentucky Legislature and reflected in the initial valuation performed as of June 30, 2013:

- The assumed rate of return was 7.75%.
- The assumed rate of inflation was 3.5%.
- The assumed rate of wage inflation was 1%.
- 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.

SUPPLEMENTARY INFORMATION

BREATHITT COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
for the year ended June 30, 2023

	SEEK Capital Outlay Fund	FSPK Fund	Debt Service Fund	Student Activity Fund	Total
ASSETS					
Cash and cash equivalents	$ -	$ -	$ -	$ 125,554	$ 125,554
Accounts receivable	-	-	-	-	-
Total assets	$ -	$ -	$ -	$ 125,554	$ 125,554
LIABILITIES					
Accounts payable	$ -	$ -	$ -	$ -	$ -
Total liabilities	-	-	-	-	-
FUND BALANCE					
Restricted					
Other	-	-	-	125,554	125,554
Unassigned	-	-	-	-	-
Total fund balance	-	-	-	125,554	125,554
Total liabilities and fund balance	$ -	$ -	$ -	$ 125,554	$ 125,554

BREATHITT COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
for the year ended June 30, 2023

	SEEK Capital Outlay Fund	FSPK Fund	Debt Service Fund	Student Activity Fund	Total
REVENUES					
Taxes	$ -	$ 437,100	$ -	$ -	$ 437,100
Other local sources	-	-	-	323,700	323,700
Intergovernmental-State	166,354	1,253,052	388,592	-	1,807,998
Total revenues	166,354	1,690,152	388,592	323,700	2,568,798
EXPENDITURES					
Instruction	-	-	-	292,810	292,810
Instructional staff support services	-	-	-	-	-
Plant operation and maintenance	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service	-	-	1,947,921	-	1,947,921
Total expenditures	-	-	1,947,921	292,810	2,240,731
Excess (deficit) revenues over expenditures	166,354	1,690,152	(1,559,329)	30,890	328,067
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	-	1,559,329	-	1,559,329
Operating transfers out	(166,354)	(2,071,871)	-	(11,322)	(2,249,547)
Total other financing sources (uses)	(166,354)	(2,071,871)	1,559,329	(11,322)	(690,218)
Excess (deficit) revenues and other financing sources over expenditures and other financing uses	-	(381,719)	-	19,568	(362,151)
Fund balance-beginning	-	381,719	-	105,986	487,705
Fund balance-ending	$ -	$ -	$ -	$ 125,554	$ 125,554

BREATHITT COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
SCHOOL ACTIVITY FUNDS
for the year ended June 30, 2023

	Cash Balances July 01, 2022	Receipts	Disbursements	Cash Balances June 30, 2023	Accounts Receivable June 30, 2023	Accounts Payable June 30, 2023	Fund Balances June 30, 2023
Breathitt County High School	$ 67,803	$ 279,918	$ (261,973)	$ 85,748	$ -	$ -	$ 85,748
Highland-Turner Elementary	24,150	19,528	(23,890)	19,788	-	-	19,788
Sebastian Elementary School	7,027	17,865	(14,033)	10,859	-	-	10,859
Breathitt Elementary	7,006	6,389	(4,236)	9,159	-	-	9,159
TOTAL ACTIVITY FUNDS	$ 105,986	$ 323,700	$ (304,132)	$ 125,554	$ -	$ -	$ 125,554

BREATHITT COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
BREATHITT COUNTY HIGH SCHOOL
for the year ended June 30, 2023

	Cash Balances July 01, 2022	Receipts	Disbursements	Transfers	Cash Balances Year End	Accounts Receivable Year End	Accounts Payable Year End	Fund Balances June 30, 2023
ACADEMIC TEAM	$ -	$ 250	$ (283)	$ 33	$ -	$ -	$ -	$ -
BAND/CHORUS	120	1,322	(7,179)	5,737	-	-	-	-
BAND/FFA FUNDRAISERS	-	21,183	(9,158)	(12,025)	-	-	-	-
BASEBALL	1,297	7,508	(5,987)	(1,783)	1,035	-	-	1,035
BASS FISHING CLUB	200	-	-	-	200	-	-	200
BHS CHEERLEADERS	1,555	21,873	(16,770)	(351)	6,307	-	-	6,307
BOBCATS DISTRICT TOURNAMENT	-	4,485	(2,032)	(2,453)	-	-	-	-
BOYS ALL A BASKETBALL	-	80	-	(80)	-	-	-	-
BOYS BASKETBALL	438	22,592	(14,920)	1,069	9,179	-	-	9,179
CHROMEBOOK REPAIRS	-	1,245	-	(1,210)	35	-	-	35
CLASS OF 2023	2,047	13,739	(16,029)	2,144	1,901	-	-	1,901
CONCESSIONS	1,901	25,865	(24,056)	(561)	3,149	-	-	3,149
DISTRICT BASEBALL	-	1,398	(390)	(1,008)	-	-	-	-
DISTRICT SOFTBALL	-	1,108	(150)	(958)	-	-	-	-
DISTRICT SWEEP	-	3,110	(4,213)	1,210	107	-	-	107
DRAMA	897	2,726	(2,823)	(797)	3	-	-	3
FACULTY	593	6,148	(3,437)	-	3,304	-	-	3,304
FFA	1,995	3,703	(9,142)	7,940	4,496	-	-	4,496
FFA GRANT	252	-	(217)	-	35	-	-	35
FOOTBALL	3,398	16,435	(14,241)	(927)	4,665	-	-	4,665
FOOTBALL PLAYOFFS - HS	-	4,586	(2,893)	(1,693)	-	-	-	-
GENERAL FUND	3,829	7,823	(25,566)	18,660	4,746	-	-	4,746
GOLF	1,375	804	(2,179)	-	-	-	-	-
GRADE SCHOOL TOURNAMENT	-	1,535	(1,535)	-	-	-	-	-
Subtotal	$ 19,897	$ 169,518	$ (163,200)	$ 12,947	$ 39,162	$ -	$ -	$ 39,162

BREATHITT COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
BREATHITT COUNTY HIGH SCHOOL
for the year ended June 30, 2023

	Cash Balances July 01, 2022	Receipts	Disbursements	Transfers	Cash Balances Year End	Accounts Receivable Year End	Accounts Payable Year End	Fund Balances June 30, 2023
GRADUATION	$ -	$ 255	$ (84)	$ -	$ 171	$ -	$ -	$ 171
GREENHOUSE	6,031	1,547	(2,852)	(3,000)	1,726	-	-	1,726
HOME IMPROVEMENT/WOOD SHP	2,356	89	-	-	2,445	-	-	2,445
INTERVENTION SKILLS CLASS	-	2,170	(1,561)	-	609	-	-	609
JROTC	299	3,141	(3,090)	-	350	-	-	350
LADYCATS BASKETBALL	5,526	17,324	(19,022)	(4,012)	(184)	-	-	(184)
LADYCATS DISTRICT TOURNAMENT	-	2,160	(1,112)	(1,048)	-	-	-	-
LADYCAT SOFTBALL	932	7,168	(2,892)	(1,428)	3,780	-	-	3,780
MIDDLE SCHOOL CHEERLEADING	112	-	(343)	231	-	-	-	-
MIDDLE SCHOOL FOOTBALL	4,337	6,321	(9,681)	(903)	74	-	-	74
MIDDLE SCHOOL SOFTBALL	3,560	7,045	(4,292)	-	6,313	-	-	6,313
MIDDLE SCHOOL VOLLEYBALL	882	3,162	(2,293)	-	1,751	-	-	1,751
MS ACADEMIC	484	500	(641)	-	343	-	-	343
MS BASEBALL	845	395	(1,560)	320	-	-	-	-
MS BOYS BASKETBALL	554	7,173	(4,016)	-	3,711	-	-	3,711
MS LADYCAT BASKETBALL	2,314	5,044	(5,428)	-	1,930	-	-	1,930
MS FOOTBALL PLAYOFFS	-	1,284	(807)	(477)	-	-	-	-
PROM	6,071	9,158	(4,878)	-	10,351	-	-	10,351
SKILLS USA	923	3,048	(3,464)	-	507	-	-	507
STARTUP MONEY	-	1,000	(1,000)	-	-	-	-	-
STLP	-	2,712	(2,124)	-	588	-	-	588
STUDENT ACTIVITIES FUND	293	6,783	(5,285)	-	1,791	-	-	1,791
TEENS FOR CHRIST	-	2,624	(1,466)	-	1,158	-	-	1,158
TRACK	1,212	-	(1,246)	34	-	-	-	-
TSA	473	-	(190)	-	283	-	-	283
VOLLEYBALL 14TH REGIONAL	-	5,790	(1,591)	(4,199)	-	-	-	-
VOLLEYBALL DISTRICT TOURN	-	395	-	(395)	-	-	-	-
VOLLEYCATS	6,332	11,727	(11,524)	1,930	8,465	-	-	8,465
YEARBOOK	4,264	635	(4,581)	-	318	-	-	318
YSC/FRYSC	106	1,750	(1,750)	-	106	-	-	106
Total	$ 67,803	$ 279,918	$ (261,973)	$ -	$ 85,748	$ -	$ -	$ 85,748

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

To the State Committee for School District Audits and
Members of the Board of Education
Breathitt County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Breathitt County School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Breathitt County School District's basic financial statements, and have issued our report thereon dated November 13, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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 Breathitt County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Breathitt County School District, in a separate letter dated November 13, 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.

RFH

RFH, PLLC
Lexington, Kentucky
November 13, 2023

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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

To the State Committee for School District Audits and
Members of the Board of Education
Breathitt County School District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' 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 Breathitt County School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Breathitt County School District's compliance with the requirements of each major federal program as a whole.

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

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

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

Report on Internal Control over Compliance

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

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

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

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

RFH

RFH, PLLC
Lexington, Kentucky
November 13, 2023

BREATHITT COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended June 30, 2023

GRANTOR/PROGRAM TITLE	Federal AL Number	Pass Through Grantor's Number	Expenditures
U.S. Department of Agriculture (USDA)			
Child Nutrition Cluster			
Passed through Kentucky Department of Education			
National School Breakfast Program	10.553	7760005	$ 365,099
National School Lunch Program	10.555	7750002/7970000	895,486
Summer Food Service Program for Children	10.559	7690024/ 7740023	18,469
Fresh Fruit and Vegetable Program	10.582	7720012	68,091
Passed through Kentucky Department of Agriculture			
Commodities (Note 2)	10.555	Note 5	97,722
Total Child Nutrition Cluster			1,444,867
Passed through Kentucky Department of Education			
State Administrative Expenses for Child Nutrition	10.560	7700001	2,074
EBT Administrative Costs for Child Nutrition	10.649	9990000	3,135
Total U.S. Department of Agriculture			**1,450,076**
U.S. Department of Education			
Passed through Kentucky Department of Education			
Title I, Part A Cluster	84.010	3100002/3220002	1,398,116
Title I, Neglected and Delinquent Children and Youth	84.013	Note 5	34,700
Special Education Cluster (IDEA)			
Special Education - Grants to States (IDEA, Part B)	84.027	3810002	642,260
Special Education - Preschool Grants (IDEA, Preschool)	84.173	3800002	84,531
Total Special Education Cluster (IDEA)			726,791
Vocational Education	84.048	3710002	13,241
Rural Education	84.358	3140002	38,366
Every Student Succeeds Act - Preschool Development Grants	93.434	Note 5	11,835
Student Support and Academic Enrichment Grant	84.424	3420002	103,300
Improving Teacher Quality State Grants	84.367	3230002	168,927
COVID -19 - Education Stabilization Fund - American Rescue Plan - ESSER III Funds	84.425U	4000002/4000003	4,499,384
COVID -19 - Education Stabilization Fund - American Rescue Plan - Homless Children and Youth	84.425W	4000002/4000003	11,523
COVID -19 - Education Stabilization Fund - Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	4000002/4000003	7,912
Total Education Stabilization Fund			4,518,819
Direct Grant			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	Direct	257,346
Total U.S. Department of Education			**7,271,441**
U.S. Department of Homeland Security			
Passed through Kentucky Department of Education			
Disaster Grants - Presidentially Declared Disasters	97.036	Note 5	429,944
Total U.S. Department of Homeland Security			**429,944**
U.S. Department of Defense			
Direct Grant			
ROTC	12.000	Direct	51,011
Total U.S. Department of Defense			**51,011**
Total expenditures of federal awards			**$ 9,202,472**

Note 1 - Basis of Presentation
The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Breathitt County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in, or used, in the preparation of, the basic financial statements may differ from those numbers.

Note 2 - Nonmonetary assistance is reported in the schedule at the fair market value of the commodities disbursed.

Note 3 - The District did not pass through any funds to subrecipients.

Note 4 - Indirect Cost Rates
The District did not elect to use the 10 percent de minimis cost rate as allowed under the Uniform Guidance.

Note 5 - Passthrough entity numbers are presented when available. Passthrough grantor's number not available.

BREATHITT COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2023

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:
Type of auditors' report issued: Unmodified

Internal control over financial reporting:		
Material weaknesses identified	__Yes	X No
Significant deficiencies identified that are not considered to be material weaknesses	__Yes	X None reported
Non-compliance material to financial statements noted	__Yes	X No
Federal Awards:		
Internal control over major programs:		
Material weaknesses identified	__Yes	X No
Significant deficiencies identified that are not considered to be material weaknesses	__Yes	X None reported

Type of auditors' report issued on compliance for major programs:
Unmodified for all major programs.

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

Major Programs:

AL Number	**Name of Federal Program or Cluster**
84.425U, 84.425D, & 84.425W	COVID-19 - Education Stabilization Fund
97.036	Disaster Grants – Presidentially Declared Disasters

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

Auditee qualified as a low-risk auditee? X Yes __No

II. FINDINGS RELATED TO FINANCIAL STATEMENTS

NONE

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

IV. PRIOR AUDIT FINDINGS

NONE

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Breathitt County School District
Jackson, Kentucky

In planning and performing our audit of the financial statements of the Breathitt County School District for the year ended June 30, 2023, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of some matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated November 13, 2023 on the financial statements of the Breathitt County Board of Education. We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Respectfully,

RFH

RFH, PLLC
November 13, 2023

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Breathitt County School District
Management Letter Comments
June 30, 2023

DISTRICT

Current Year Comments

Capital Assets

During testing, we noted there was a significant amount of fully depreciated technological equipment and vehicles purchased many years ago still on the depreciation schedule. We recommend that the District review the depreciation schedule and dispose of any assets no longer utilized by or in possession of the District.

Response: The CFO will develop a timeline for the completion of Capital Asset processes, including the retirement of "old" equipment. This will become an annual task to be completed prior to closing the fiscal year.

Interfund Transfers

During our audit, we noted the General Fund transferred approximately $2.1 million to the Construction Fund and the Special Revenue fund transferred approximately $1.6 million to the Construction Fund. We noted the transfers were made for approved capital projects. However, the transfers were not properly budgeted and reflected on the District's final Annual Financial Report. We recommend all transfers between funds be included in the District's final approved budget.

Response: Any transfers made during the year, will be reviewed at year end to ensure that the transfers are, in fact, included in the budget for the respective program(s). This process will be completed prior to year end close.

Status of Prior Year Comments

There were no management letter comments at the District level in the prior year.

SCHOOL ACTIVITY FUNDS

BREATHITT COUNTY HIGH SCHOOL

2023-01: Purchase Orders

Condition:
During testing, an instance of a purchase which was approved after being obligated was noted. Purchase orders should be completed prior to all purchases.

Response: In this instance, verbal permission was given to the Sponsor for the order for a pre-approved fundraiser. The PO was dated when they sent the 1st invoice, which was really a quote. That is why the principal did not sign the PO until the day that the check was written. For future purchases, I will make sure she signs on the day she gives the verbal okay and the day that the PO is made, instead of the day the check was written for final approval to go ahead with the order.

Status of Prior Year Comments

Comment 2023-01 is a repeat comment from the previous year. All other comments from the prior year were corrected.

Sebastian Elementary School

2023-01: Purchase Orders

Condition:
During testing, we noted that the purchase order form completed by the school for all purchases did not include the school sponsor’s signature.

Response: The schools have all been notified to correct this process to ensure that all coaches/group sponsors sign off on purchase orders. We've always only required the principal to sign off on PO's in the past. This will be in compliance going forward.

Status of Prior Year Comments

Comments from the prior year were corrected.

MARIE ROBERTS-CANEY ELEMENTARY

2023-01: Purchase Orders

Condition:
During testing, we noted that the purchase order form completed by the school for all purchases did not include the school sponsor’s signature.

Response: The schools have all been notified to correct this process to ensure that all coaches/group sponsors sign off on purchase orders. We've always only required the principal to sign off on PO's in the past. This will be in compliance going forward.

2023-02: Individual and Combining Activity Budgets

Condition:
During testing, we noted that the school did not complete individual or combining budgets for the school activity accounts.

Response: Marie Roberts-Caney budgets were not completed in fiscal year 2023 because the school was going to be closed. We didn't do budgets for the new school at that time because we didn't know what accounts they would need. Budgets will be prepared and this will be in compliance going forward.

2023-03: Multiple Receipt Form

Condition:
During testing, we noted one instance of a Multiple Receipt Form (Form F-SA-6) that was not properly completed.

Response: This error probably occurred due to the change in the school secretary after the flood. The school secretary was new and unfamiliar with the process for this. This school has since been closed. A new school has opened, and the new school secretary has had Redbook Training with Ron Flannery on October 18, 2023, and training with KEDC on September 22, 2023. These issues should be resolved and not occur again.

Status of Prior Year Comments

No comments in the prior year.

HIGHLAND-TURNER ELEMENTARY

2023-01: Purchase Orders

Condition:
During testing, we noted that the purchase order form completed by the school for all purchases did not include the school sponsor’s signature.

Response: The schools have all been notified to correct this process to ensure that all coaches/group sponsors sign off on purchase orders. We've always only required the principal to sign off on PO's in the past. This will be in compliance going forward.

Status of Prior Year Comments

Comments from the prior year were corrected.