

**District-wide and Fund Financial Statements
and Required Supplementary Information**

Fayette County School District

June 30, 2025



District-wide and Fund Financial Statements
and Required Supplementary Information

Fayette County School District

June 30, 2025

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Independent Auditors' Report

Members of the Board of Education
Fayette County School District
Lexington, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Fayette County School District (the "District"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2025, 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 ("GAAP").

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Kentucky Public School Districts' Audit Contract and Requirements* prescribed by the Kentucky State Committee for School District Audits. 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 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.

Change in Accounting Principles

As discussed in Note W to the financial statements, effective July 1, 2024, the District adopted Governmental Accounting Standards Board ("GASB") Statement No. 101, *Compensated Absences* and GASB Statement No. 102, *Certain Risk Disclosures*. As described in Note Y to the financial statements, as a result of implementing GASB Statement No. 101, the District remeasured its compensated absences liability for the prior period ending June 30, 2024.

This remeasurement resulted in an increase in the liability and a corresponding decrease in beginning net position for governmental activities in the district-wide financial statements. Our opinions are not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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

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

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 auditors' 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 GAAS, *Government Auditing Standards* and *Kentucky Public School Districts' Audit Contract and Requirements* prescribed by the Kentucky State Committee For School District Audits 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 GAAS, *Government Auditing Standards* and *Kentucky Public School Districts' Audit Contract and Requirements*, we:

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

GAAP requires that the Management's Discussion and Analysis (Unaudited) on pages 5 through 15, budgetary comparison information on pages 72 through 74 and the pension and other postemployment benefits liability and contributions information on pages 75 through 88 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining supplementary information on pages 89 and 90 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining supplementary 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 GAAS. In our opinion, the combining supplementary information is 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 a report dated December 17, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the

District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

LBMCP

Louisville, Kentucky
December 17, 2025

Management's Discussion and Analysis (Unaudited)

Management's Discussion and Analysis (Unaudited)

Fayette County School District

Year Ended June 30, 2025

As management of the Fayette County School District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit report. This is the nineteenth year the District has prepared the annual financial report using the new financial reporting model. The reporting model is a combination of both District-Wide financial statements and fund financial statements.

During fiscal year 2025 the District adopted the provisions of GASB Statement No. 101, *Compensated Absences*, effective for fiscal years beginning after December 15, 2023 and GASB Statement No. 102, *Certain Risk Disclosures*, for fiscal years beginning after June 15, 2024. The primary objective of GASB Statement No. 101, *Compensated Absences*, is to improve and standardize the recognition and measurement of liabilities for all types of employee leave benefits (like sick leave and vacation) in a unified model. This is intended to provide financial statement users with more relevant, reliable, and comparable information about a government's obligations for employee time off. The primary objective of GASB Statement No. 102, *Certain Risk Disclosures*, is to enhance the transparency of financial reporting by requiring disclosures about a government's vulnerabilities to certain risks that stem from specific concentrations or constraints, where an associated negative event is reasonably likely to occur in the near future. This helps users better understand risks that could substantially impact the government's financial condition or service levels.

The Management's 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 Government* issued in June 1999.

Fayette County School District

Year Ended June 30, 2025

FINANCIAL HIGHLIGHTS

- Fayette County Public Schools served approximately 41,586 PreK-12 enrolled students during the 2024-2025 fiscal year through 37 elementary schools, 13 middle schools, 6 high schools, 2 technical centers, 6 specialized & magnet programs and 6 alternative support programs.
- The board levied a tax rate of .81 on real estate and .83 on tangible property in fiscal year 2025, which resulted in a \$17.7 million increase in revenue for the fiscal year ended June 30, 2025.
- The ending cash balance for the District was \$448 million in 2025 and \$145 million in 2024.
- Construction in progress activity during fiscal year ended June 30, 2025, included continued progress on the new Middle School at Polo Club, Combined CTE at Midland, three preschool classrooms at Harrison Elementary, Rise Stem Academy for Girls, Lexington Traditional Magnet School HVAC, Booker T Washington Academy HVAC, the new elementary school at Greendale, the new Henry Clay High School, and Lansdowne HVAC.
- The District completed the following projects in fiscal year 2025: Tates Creek High School and Tates Creek High School-Turf, Track and Lights.
- In total, net position decreased by \$3 million. The net position of governmental activity increased by \$791 thousand while the net position of business-type activity decreased by \$3.8 million. Total assets were \$1,331.2 billion on June 30, 2025 compared to \$989.7 million at June 30, 2024.
- Total Revenues were \$828 million for the year. General revenues accounted for \$726.2 million. 92% of the total, while program specific revenues, in the form of charges for services and sales, grants, and contributions, accounted for \$101.7 million or 8% of total revenues. The District incurred \$831 million in total expenses.

Fayette County School District

Year Ended June 30, 2025

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's financial statements are comprised of three components: 1) District-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide Financial Statements

The District-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.

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 result in cash flows in future fiscal periods. The District-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, plant operations and maintenance, student transportation, and operation of non-instructional services. Capital assets and related debt are also supported by taxes and intergovernmental revenues. The District-wide financial statements can be found on pages 16 through 17 of this report.

Fund Financial Statements

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

Management's Discussion and Analysis (Unaudited)--Continued

Fayette County School District

Year Ended June 30, 2025

The governmental fund financial statements can be found on pages 18 through 22 of this report.

The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to the financial statements can be found on pages 28 through 70 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

The perspective of the Statement of Net Position is of the District as a whole. Table 1 provides a summary of the District's Net Position as of June 30, 2025 and 2024.

Table 1:

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 501,957,016	\$ 204,710,408	\$ 1,515,366	\$ 12,049,715	\$ 503,472,382	\$ 216,760,123
Capital assets, net of depreciation	825,373,645	770,219,635	2,353,465	2,731,473	827,727,110	772,951,108
Total Assets	1,327,330,661	974,930,043	3,868,831	14,781,188	1,331,199,492	989,711,231
Deferred outflows of resources	131,857,686	156,677,439	4,587,025	7,139,377	136,444,711	163,816,816
Short-term liabilities	138,908,035	131,120,627	69,954	5,489,682	138,977,989	136,610,309
Long-term liabilities	1,165,236,572	815,728,080	8,602,557	9,868,491	1,173,839,129	825,596,571
Total Liabilities	1,304,144,607	946,848,707	8,672,511	15,358,173	1,312,817,118	962,206,880
Deferred inflows of resources	131,137,231	161,643,519	9,224,106	12,162,065	140,361,337	173,805,584
Net Position						
Net investment in capital assets	26,285,236	217,340,637	2,353,465	2,731,473	28,638,701	220,072,110
Restricted	391,315,803	81,134,537	1,456,622	3,361,084	392,772,425	84,495,621
Unrestricted	(393,694,530)	(275,359,918)	(13,250,848)	(11,692,230)	(406,945,378)	(287,052,148)
Total Net Position	\$ 23,906,509	\$ 23,115,256	\$ (9,440,761)	\$ (5,599,673)	\$ 14,465,748	\$ 17,515,583

Management's Discussion and Analysis (Unaudited)--Continued

Fayette County School District

Year Ended June 30, 2025

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment, and construction in progress less any related debt used to acquire those assets that are still outstanding). The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. 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. This is the 22nd year that the District is following GASB Statement No. 34 and comparing assets, liabilities, and net position.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*. GASB Statement No. 68 addresses accounting and financials for pensions that are provided to the employees through trusts that have defined characteristics. This statement establishes standards for measuring and recognizing liabilities, deferred outflows/inflows of resources and expenses/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to the periods of employee services. In addition, this Statement details the recognition and disclosure requirements for employers with liabilities to a defined pension plan. This pronouncement was mandatory for fiscal periods beginning after June 15, 2015. The data from the Teachers Retirement System and the County Employees Retirement System related to this implementation will have a material effect on the District's financial statements.

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

Management's Discussion and Analysis (Unaudited)--Continued

Fayette County School District

Year Ended June 30, 2025

Statement of Activities (Changes in Net Position)

The statement of activities reflects the cost of program services and the charges for services and sales, grants and contributions offsetting those services. Table 2 presents a summary of revenue and expenses for the fiscal years ended June 30, 2025 and 2024.

The following is a summary of the District's Changes in Net Position:

Table 2:

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues						
Program revenues						
Charges for service	\$ 1,280		\$ 5,888,795	\$ 6,084,724	\$ 5,890,075	\$ 6,084,724
Operating grants & contributions	48,296,575	\$ 88,177,822	26,736,179	27,341,509	75,032,754	115,519,331
Capital grants & contributions	3,911,890	3,911,889	1,172,689	1,213,987	5,084,579	5,125,876
General revenues						
Property taxes	330,087,798	311,713,006			330,087,798	311,713,006
Motor vehicle taxes	21,318,229	18,801,178			21,318,229	18,801,178
Utility taxes	25,568,507	24,690,316			25,568,507	24,690,316
Occupational taxes	54,906,138	52,839,730			54,906,138	52,839,730
Seek program	99,725,604	93,447,961			99,725,604	93,447,961
Other state revenues and grants	194,593,063	174,777,257			194,593,063	174,777,257
Earnings on investments	6,212,061	10,006,501			6,212,061	10,006,501
Local revenues	9,565,241	12,358,345			9,565,241	12,358,345
Total Revenues	794,186,386	790,724,005	33,797,663	34,640,220	827,984,049	825,364,225
Expenses						
School operating & administration	772,190,717	794,040,871			772,190,717	794,040,871
School food services			31,583,573	32,850,688	31,583,573	32,850,688
After school program			6,055,178	3,176,992	6,055,178	3,176,992
Interest on debt service	21,204,416	19,791,654			21,204,416	19,791,654
Total Expenses	793,395,133	813,832,525	37,638,751	36,027,680	831,033,884	849,860,205
Change in Net Position	\$ 791,253	\$ (23,108,520)	\$ (3,841,088)	\$ (1,387,460)	\$ (3,049,835)	\$ (24,495,980)

Management's Discussion and Analysis (Unaudited)--Continued

Fayette County School District

Year Ended June 30, 2025

The District's financial position in fiscal year 2025, shows areas where focused effort is needed to ensure future strength. While fiscal year 2024 concluded in a deficit in the change in net position of \$24.5 million, the current year, 2025, reflects a temporary dip, showing a deficit of \$3 million in the change in net position. This figure indicates that expenses currently exceed revenues. However, this challenge can be addressed by examining the changes in both revenues and expenses. Total revenues in 2025 are stable at \$827.9 million, nearly matching the \$825.3 million from 2024. Furthermore, the Governmental Activities (core operations) show a substantial increase in funds secured for operating grants and contributions, which decreased from \$88 million in 2024 to \$48 million in the current year, 2025. This was mainly due to the ESSER funds ending in fiscal year 2025. The District is focusing on the financial future by concentrating on processes and procedures with analytical fiscal discipline. By strategically managing increased expenses particularly in areas of salaries and fringes and inflationary operating & administration expenses, the District is well-positioned to reverse the current deficit and return to a positive net position, ensuring a resilient financial future.

The expense category that experienced the largest growth from the prior year (2024) to the current year (2025) on a total district-wide basis is school operating and administration. The school operating and administration budget increased by \$5.96 million, accounting for most of the overall expense growth. While the Interest on Debt Service and After School Program also saw increases, the School Food Service expense decreased by about \$1.27 million from 2024 to 2025.

Governmental Funds – Revenue

Table 3:
Total Revenue Comparison Analysis (Governmental Activities)

Revenues	2025	2024	Change
Local Sources:			
Property Taxes	\$ 330,087,798	\$ 311,713,006	\$ 18,374,792
Motor Vehicle Taxes	21,318,229	18,801,178	2,517,051
Utility Taxes	25,568,507	24,690,316	878,191
Occupational Taxes	54,906,138	52,839,730	2,066,408
State Sources:			
SEEK Program	99,725,604	93,447,961	6,277,643
Other State Revenues	198,504,953	178,689,146	19,815,807
Grants	38,430,537	80,145,952	(41,715,415)
Earnings on Investments	6,212,061	10,006,501	(3,794,440)
Other Sources	19,432,559	20,390,215	(957,656)
Total Revenues	\$ 794,186,386	\$ 790,724,005	\$ 3,462,381

Management's Discussion and Analysis (Unaudited)--Continued

Fayette County School District

Year Ended June 30, 2025

- From 2024 to 2025, total revenue increased by .44%. Revenue from local sources increased 5.84% and revenue from the state increased by 9.6%. Revenues from grant sources decreased by 52%.
- Among major funds, the General Fund had approximately \$645 million in revenue in fiscal year 2025 (including on behalf) and \$617 million in revenue in fiscal year 2024 (including on behalf), which primarily consisted of local property taxes, local occupational license taxes, utilities and motor vehicle taxes, federal programs, and state funding (the SEEK Program).
- The Governmental Activities revenue for the current fiscal year 2025 shows a net increase of \$3,462,381 over the prior year 2024, reflecting the District's success in increasing core, sustainable funding sources. Significant growth was observed in local tax revenues, with Property Taxes increasing by over \$18.3 million and Occupational Taxes rising by over \$2 million. State funding also contributed substantially to the positive trend, as other state revenues grew by nearly \$20 million and SEEK Program funds increased by over \$6.2 million. However, this robust growth was largely counterbalanced by two major variances. The most significant factor tempering the net revenue change was the sharp decline in Grants by over (\$41.7 million), a drop that is directly attributable to the wind-down of federal ESSER or COVID-relief funds, as the District moved from a full year of funding in 2024 to only three months in the current fiscal year 2025. Furthermore, Earnings on Investments decreased by over (\$3.79 million), which is likely caused by lower interest rates in 2025 compared to 2024, resulting in reduced returns on investment balances.

Management's Discussion and Analysis (Unaudited)--Continued

Fayette County School District

Year Ended June 30, 2025

Governmental Funds – Expenditures

Table 4
Total Expenditure Analysis (Governmental Activities)

Expenditures	2025	2024	Change
Instruction	\$ 467,809,774	\$ 446,647,816	\$ 21,161,958
Student support services	45,774,415	43,769,922	2,004,493
Instructional staff support services	40,756,134	45,253,431	(4,497,297)
District administrative support services	13,199,999	22,640,606	(9,440,607)
School administrative support services	38,540,554	38,277,375	263,179
Business support services	47,265,974	58,156,682	(10,890,708)
Plant operations and maintenance	59,697,819	66,470,976	(6,773,157)
Transportation	33,641,930	43,764,667	(10,122,737)
Food service	1,772,616	1,876,687	(104,071)
Community services	6,815,120	6,664,415	150,705
Facilities acquisition/construction	97,146,873	59,150,767	37,996,106
Debt Service	53,894,315	50,936,697	2,957,618
Total Expenditures	\$ 906,315,523	\$ 883,610,041	\$ 22,705,482

- Among major funds, the General Fund had approximately \$688 million in expenditures in the fiscal year ended June 30, 2025 and \$674 million in expenditures in the fiscal year ended June 30, 2024, which also included on behalf figures in the General Fund.
- The changes in the balances and transactions of individual funds have all been examined and explained.
- Analysis of significant variations between original and final budget amounts and between final budget amounts and actual budget results for the general fund indicate that there were no variations which would have a significant effect on future services or liquidity. The District budgeted approximately \$624 million dollars in revenue and received approximately \$472 million in general fund excluding on behalf revenue. The District also budgeted approximately \$626 million in expenses and spent approximately \$516 million in general fund excluding on behalf expenses. Our financial position remains strong and we will continue to utilize trend analysis to help predict such variances in the future.

Fayette County School District

Year Ended June 30, 2025

CAPITAL ASSETS

The District's investment in Capital Assets remains substantial and grew in the current fiscal year, 2025. Total Governmental Activities Capital Assets, Net saw an increase of approximately \$55.16 million, rising from \$770,219,635 at the beginning of the year (June 30, 2024) to \$825,373,645 at the end of the year (June 30, 2025). This growth was driven by significant Additions of \$164,093,316 in Governmental Activities, primarily focused on Buildings and improvements (\$80,274,317) and Construction in progress (\$80,904,389). These investments reflect the District's ongoing commitment to modernizing facilities and supporting future growth. Total depreciation expense recorded for Governmental Activities during the year was \$27,554,412. The largest components of this depreciation expense were related to Instructional functions (\$24,634,945) and Student Transportation (\$1,720,839). Business-Type Activities Capital Assets, Net saw a decrease of (\$374,249), settling at \$2,353,465 at year-end, which resulted from relatively small additions offset by depreciation and minor disposals. Overall, the District added \$164.09 million in Governmental capital assets through purchases and construction, demonstrating a strong focus on strategic asset renewal and development.

AMAZING STUDENTS

- Lafayette High School produced state champions in marching band, boys' cross country, and girls' wrestling as well as Kentucky's Youth Poet Laureate.
- The Henry Clay High School boys' soccer team was state champion.
- The speech team from SCAPA at Bluegrass won yet another state tournament (junior division).
- Paul Laurence Dunbar High Schools debate team won the state tournament and earned the Sustained Excellence Award.
- Liberty Elementary Schools track teams won the state indoor meet.
- Winburn Middle Schools academic team was state champion in MATHCOUNTS.
- Rosa Parks Elementary produced a state championship chess team (K-1 division), and a fourth-grade class earned the Kentucky Civic Seal for a social studies project.
- Frederick Douglass High School produced winners of the Kentucky Personal Finance Challenge.
- The Junior MANRRS Club at Carter G. Woodson Academy was the National Chapter of the Year.

DISTRICT-WIDE ACCOLADES AND STAFF KUDOS:

- Lafayette High School, Bryan Station Middle School, Harrison Elementary School, and William Wells Brown Elementary Schools all received a Best Practices Award from the Kentucky Department of Education.
- Lafayette High School produced the Outstanding Rising Star Teacher, recognized by the Kentucky World Language Association (KWLA), and the state's French Teacher of the Year.
- Tates Creek Middle School had the KWLA Chinese Teacher of the Year.
- Arlington Elementary School boasted the state's School Social Worker of the Year.

Management's Discussion and Analysis (Unaudited)--Continued

Fayette County School District

Year Ended June 30, 2025

- Student Support Services received the Torch of Excellence Award from the University of Kentucky's College of Social Work.
- A Garden Springs Elementary School teacher and a former Glendover Elementary School teacher earned the Presidential Award for Excellence in Mathematics & Science Teaching.
- Leestown Middle School produced Kentucky's Middle School Music Teacher of the Year and the Choral Teacher of the Year.
- Paul Laurence Dunbar High School had the state's Journalism Adviser of the Year.
- Lafayette High School boasted the Girls' Wrestling Coach of the Year and the Debate Coach of the Year for Kentucky.
- Frederick Douglass High School had the state's Secondary P.E. Teacher of the Year.
- Leestown Middle School produced Kentucky's Outstanding School Media Librarian.
- Our Child Nutrition Department had the 2025 Administrator of the Year.
- Stonewall Elementary School boasted the state's Employee of the Year in food service.
- Dr. Demetrus Liggins was awarded Superintendent of the Year by the Kentucky Association of School Administrators (KASA).

BUDGETARY IMPLICATIONS

In Kentucky, the public-school fiscal year is July 1 - June 30; other programs, i.e., some federal programs, operate on a different program calendar but are reflected in the District overall budget. By Kentucky statute the budget must have a minimum 2% contingency based on Kentucky Department of Education calculation process. The District adopted a budget for 2025 with \$43.6 million in contingency that is approximately 6.5%. The District has already implemented short-term corrective actions to address the variance of contingency related to actual versus budget by developing long-term strategic refinements to enhance our budgetary process. We will continue to utilize detailed trend analysis to better predict and minimize such budgetary fluctuations to ensure optimal resource allocation. The District is the second largest in the state with approximately 41,586 PreK-12 students and is the second largest employer in Fayette County.

This audit is posted on the District website (www.fcps.net). Questions regarding this report should be directed to Rodney Jackson, Executive Director of Financial Accounting Benefit and Budget Services (859)422-0360, Dr. Demetrus Liggins, Superintendent (859)422-4100, or by mail at John D Price Administration Building, 450 Park Place, Lexington KY 40511.

District-wide Financial Statements

Statement of Net Position

Fayette County School District

June 30, 2025

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 328,829,371	\$ 6,731,439	\$ 335,560,810
Cash and cash equivalents, restricted	112,570,108		112,570,108
Accounts and grants receivable from outside sources	50,703,003	275,151	50,978,154
Inventories	2,140,543	445,006	2,585,549
Internal balances	5,936,230	(5,936,230)	
Right-to-use assets, net of accumulated amortization	1,777,761		1,777,761
Capital assets net of accumulated depreciation	825,373,645	2,353,465	827,727,110
Total Assets	1,327,330,661	3,868,831	1,331,199,492
Deferred Outflows of Resources			
Debt refunding	9,400,805		9,400,805
Deferred outflows from other post-employment benefits	82,377,967	1,703,299	84,081,266
Deferred outflows from pension	40,078,914	2,883,726	42,962,640
Total Deferred Outflows of Resources	131,857,686	4,587,025	136,444,711
Liabilities			
Accounts payable and accrued liabilities due to outside sources	61,412,006	69,954	61,481,960
Interest payable	5,607,881		5,607,881
Deferred revenue	17,131,690		17,131,690
Accrued compensated absences			
Due within one year	9,967,409		9,967,409
Due in more than one year	24,281,443		24,281,443
School building revenue bonds			
Due within one year	29,975,000		29,975,000
Due in more than one year	865,850,000		865,850,000
Unamortized premium	25,355,286		25,355,286
Equipment Finance Obligations			
Due within one year	2,307,198		2,307,198
Due in more than one year	11,595,973		11,595,973
Lease liability			
Due within one year	910,878		910,878
Due in more than one year	745,919		745,919
Net pension liability	152,263,639	8,834,923	161,098,562
Net other post-employment benefits liability (asset)	96,740,285	(232,366)	96,507,919
Total Liabilities	1,304,144,607	8,672,511	1,312,817,118
Deferred Inflows of Resources			
Deferred inflows from other post-employment benefits	105,791,951	5,869,275	111,661,226
Deferred inflows from pension	25,345,280	3,354,831	28,700,111
Total Deferred Inflows of Resources	131,137,231	9,224,106	140,361,337
Net Position			
Net investment in capital assets	26,285,236	2,353,465	28,638,701
Restricted	391,315,803	1,456,622	392,772,425
Unrestricted (deficit)	(393,694,530)	(13,250,848)	(406,945,378)
Total Net Position	\$ 23,906,509	\$ (9,440,761)	\$ 14,465,748

See Accompanying Notes to Financial Statements

Statement of Activities

Fayette County School District

Year Ended June 30, 2025

		Program Revenues			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenues
Functions/Programs	Expenses				
Governmental Activities					
Instruction	\$ 480,687,639	\$ 1,280	\$ 48,296,575		\$ (432,389,784)
Support services					
Student	45,827,402				(45,827,402)
Instruction staff	43,148,296				(43,148,296)
District administration	11,789,066				(11,789,066)
School administration	38,540,554				(38,540,554)
Business	48,786,402				(48,786,402)
Plant operation and maintenance	64,604,876			\$ 3,911,890	(60,692,986)
Transportation	30,218,746				(30,218,746)
Food Service	1,772,616				(1,772,616)
Community Services	6,815,120				(6,815,120)
Interest on Long Term Debt	21,204,416				(21,204,416)
Total Governmental Activities	793,395,133	1,280	48,296,575	3,911,890	(741,185,388)
Business-Type Activities					
Food service	31,583,573	2,181,470	26,292,788	1,172,689	(1,936,626)
After school program	6,055,178	3,707,325	443,391		(1,904,462)
Total Business-Type Activities	37,638,751	5,888,795	26,736,179	1,172,689	(3,841,088)
Total Activities	\$ 831,033,884	\$ 5,890,075	\$ 75,032,754	\$ 5,084,579	\$ (745,026,476)
			Governmental Activities	Business-Type Activities	Total
Changes in Net Position					
Net Expenses			\$ (741,185,388)	\$ (3,841,088)	\$ (745,026,476)
General Revenues					
Taxes					
Property taxes			330,087,798		330,087,798
Motor vehicle taxes			21,318,229		21,318,229
Utility taxes			25,568,507		25,568,507
Occupational license tax			54,906,138		54,906,138
State sources					
SEEK program			99,725,604		99,725,604
Other state revenues and grants			194,593,063		194,593,063
Earnings on investments			6,212,061		6,212,061
Local revenues			9,565,241		9,565,241
Total General Revenues			741,976,641		741,976,641
Change in Net Position			791,253	(3,841,088)	(3,049,835)
Net Position, Beginning of Year			23,115,256	(5,599,673)	17,515,583
Net Position End of Year			\$ 23,906,509	\$ (9,440,761)	\$ 14,465,748

See Accompanying Notes to Financial Statements

Fund Financial Statements

Balance Sheet - Governmental Funds

Fayette County School District

June 30, 2025

	General Fund	Special Revenue	Debt Service	Construction Funds	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 26,497,312		\$ 207,699	\$ 286,471,256	\$ 15,653,104	\$ 328,829,371
Cash and cash equivalents, restricted			112,570,108			112,570,108
Accounts and grants receivable from outside sources	29,124,228	\$ 20,757,705			821,070	50,703,003
Inventory	2,140,543					2,140,543
Interfund receivables					6,171,858	6,171,858
Due from other funds	16,322,507					16,322,507
Total Assets	<u>\$ 74,084,590</u>	<u>\$ 20,757,705</u>	<u>\$ 112,777,807</u>	<u>\$ 286,471,256</u>	<u>\$ 22,646,032</u>	<u>\$ 516,737,390</u>
Liabilities						
Accounts payable and accrued liabilities due to outside sources	\$ 43,690,185	\$ 1,661,384		\$ 15,933,260	\$ 127,177	\$ 61,412,006
Accrued compensated absences	1,957,970					1,957,970
Deferred revenue	74,649	8,710,044			8,346,997	17,131,690
Interfund payables		10,386,277			6,171,858	16,558,135
Total Liabilities	45,722,804	20,757,705		15,933,260	14,646,032	97,059,801
Fund Balances						
Non-spendable	2,140,543					2,140,543
Restricted			\$ 112,777,807	270,537,996	8,000,000	391,315,803
Assigned	1,344,643					1,344,643
Unassigned	24,876,600					24,876,600
Total Fund Balances	<u>28,361,786</u>		<u>112,777,807</u>	<u>270,537,996</u>	<u>8,000,000</u>	<u>419,677,589</u>
Total Liabilities and Fund Balances	<u>\$ 74,084,590</u>	<u>\$ 20,757,705</u>	<u>\$ 112,777,807</u>	<u>\$ 286,471,256</u>	<u>\$ 22,646,032</u>	<u>\$ 516,737,390</u>

See Accompanying Notes to Financial Statements

Reconciliation of the Balance Sheet Governmental Funds to the District-Wide Statement of Net Position

Fayette County School District

June 30, 2025

Total fund balance per fund financial statements	\$ 419,677,589
Amounts reported for governmental activities in the statement of Net Position are different because:	
Capital assets are not reported in the fund financial statement because they are not current financial resources but they are reported in the statement of net position	825,373,645
Debt refunding is not reported in the fund financial statements because it is not available to pay current period expenditures, but they are reported in the statement of net position	9,400,805
Right to Use Assets are not reported in the fund financial statements because they are not current financial resources but they are reported in the statement of net position	1,777,761
Deferred inflows of resources-OPEB are not reported in the fund financial statements	(105,791,951)
Deferred inflows of resources-Pension are not reported in the fund financial statements	(25,345,280)
Deferred outflows of resources-OPEB are not reported in the fund financial statements	82,377,967
Deferred outflows of resources-Pension are not reported in the fund financial statements	40,078,914
Long-term accrued compensated absences is noncurrent and not reported in the fund financial statements	(32,290,882)
Bond interest payable is a noncurrent liability and is not reported in the fund financial statements	(5,607,881)
Bonds payable are not reported in the fund financial statements because they are not due and payable from current financial resources, but they are presented in the statement of net position	(895,825,000)
Lease liabilities and equipment finance obligations are not reported in the fund financial statements	(15,559,968)
Unamortized premium is a noncurrent liability and is not reported in the fund financial statements	(25,355,286)
Net pension liability is noncurrent and is excluded from the fund financial statements	(152,263,639)
Net OPEB liability is noncurrent and is excluded from the fund financial statements	<u>(96,740,285)</u>
Net Position of Governmental Activities	<u>\$ 23,906,509</u>

See Accompanying Notes to Financial Statements

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

Fayette County School District

Year Ended June 30, 2025

	General Fund	Special Revenue	Debt Service	Construction Funds	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
From local sources						
Property taxes	\$ 267,537,860				\$ 62,549,938	\$ 330,087,798
Motor vehicle taxes	19,718,021				1,600,208	21,318,229
Utility taxes	25,568,507					25,568,507
Occupational license tax	54,906,138					54,906,138
State sources						
SEEK	95,691,048				4,034,556	99,725,604
Other state revenues	172,745,627	\$ 21,847,436	\$ 3,911,890			198,504,953
Grants (principally United States government and local agencies)	2,831,337	35,490,205			108,995	38,430,537
Earnings on investments	5,027,087			\$ 1,184,974		6,212,061
Other sources	<u>2,415,802</u>	<u>6,859,680</u>		<u>291,039</u>	<u>9,866,038</u>	<u>19,432,559</u>
Total Revenues	646,441,427	64,197,321	3,911,890	1,476,013	78,159,735	794,186,386
Expenditures						
Instruction	416,929,206	43,194,535			7,686,033	467,809,774
Support services						
Student	43,186,635	2,587,780				45,774,415
Instruction staff	33,406,847	7,037,223			312,064	40,756,134
District administration	11,337,521	1,862,478				13,199,999
School administration	38,393,645	146,909				38,540,554
Business	45,099,116	2,166,858				47,265,974
Plant operation & maintenance	58,283,320	1,414,331		168		59,697,819

Continued

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds--Continued

Fayette County School District

Year Ended June 30, 2025

	General Fund	Special Revenue	Debt Service	Construction Funds	Other Nonmajor Governmental Funds	Total Governmental Funds
Transportation	33,446,085				195,845	33,641,930
Non-Instruction					1,772,616	1,772,616
Community service	1,162,134	5,644,511			8,475	6,815,120
Facilities acquisition/construction				97,146,873		97,146,873
Debt service	4,104,294		49,790,021			53,894,315
Total Expenditures	685,348,803	64,054,625	49,790,021	97,147,041	9,975,033	906,315,523
Revenues in Excess of (Less Than) Expenditures	(38,907,376)	142,696	(45,878,131)	(95,671,028)	68,184,702	(112,129,137)
Other Financing Sources (Uses)						
Proceeds from sale of assets				1,424,065		1,424,065
Proceeds from sale of bonds	3,022,045		112,570,108	286,794,292		402,386,445
Operating transfers in	21,858,376	916,374	45,878,131	12,762,438	776,175	82,191,494
Operating transfers out	(902,374)	(2,840,813)			(74,877,743)	(78,620,930)
Total Other Financing Sources (Uses)	23,978,047	(1,924,439)	158,448,239	300,980,795	(74,101,568)	407,381,074
Net Change in Fund Balances	(14,929,329)	(1,781,743)	112,570,108	205,309,767	(5,916,866)	295,251,937
Fund Balances, Beginning of Year	43,291,115	1,781,743	207,699	65,228,229	13,916,866	124,425,652
Fund Balances, End of Year	\$ 28,361,786	\$ -	\$ 112,777,807	\$ 270,537,996	\$ 8,000,000	\$ 419,677,589

See Accompanying Notes to Financial Statements

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the District-Wide Statement of Activities

Fayette County School District

Year Ended June 30, 2025

Net Change in Total Fund Balances - Governmental Funds	\$ 295,251,937
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Amounts reported for governmental activities in the statement of activities are
different because:

Capital outlays are reported as expenditures in the fund financial statements because they use current financial resources, but they are presented as capital assets in the District-wide statement of net position and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeded depreciation for the year	55,154,010
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Lease additions and bond issuances are recognized as proceeds in the fund financial statements but are additions to liabilities in the statement of net position	(370,473,111)
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Noncurrent accrued compensated absences is not reported as a liability in the fund financial statements but is recorded in the statement of net position	2,062,056
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Accrued bond interest payable is not reported as a liability in the fund financial statements but is recorded in the statement of net position	(508,778)
--	-----------

Capitalized savings from bond refundings are not reported in the fund financial statements but must be amortized over the remaining life of the bonds in the statement of activities	(1,870,381)
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Pension and OPEB Liabilities net of deferred inflows and outflows of resources are not reported as liabilities in the fund financial statements but are recorded in the statement of net position	21,514,718
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Change in other assets and liabilities not requiring the use of current resources is not reported as expenditure in fund financial statements but are reported in the Statement of Activities	(339,198)
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Change in Net Position of Governmental Activities	<u>\$ 791,253</u>
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See Accompanying Notes to Financial Statements

Statement of Net Position - Proprietary Funds

Fayette County School District

June 30, 2025

	Enterprise Funds		
	Food Service Fund	After School Program Fund	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 4,029,795	\$ 2,701,644	\$ 6,731,439
Accounts receivable	164,150	111,001	275,151
Inventory	445,006		445,006
Total Current Assets	4,638,951	2,812,645	7,451,596
Noncurrent Assets			
Capital assets net of accumulated depreciation	2,353,465		2,353,465
Total Assets	6,992,416	2,812,645	9,805,061
Deferred Outflows of Resources			
Deferred outflows OPEB	1,626,605	76,694	1,703,299
Deferred outflows pension	2,540,441	343,285	2,883,726
Total Deferred Outflows of Resources	4,167,046	419,979	4,587,025
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	32,732	37,222	69,954
Due to other funds	5,936,230		5,936,230
Net pension liability	7,522,123	1,312,800	8,834,923
Net OPEB liability (asset)	(323,467)	91,101	(232,366)
Total Current Liabilities	13,167,618	1,441,123	14,608,741
Deferred Inflow of Resources			
Deferred inflows OPEB	5,610,413	258,862	5,869,275
Deferred inflows Pension	3,278,814	76,017	3,354,831
Total Deferred Inflows of Resources	8,889,227	334,879	9,224,106
Net Position			
Invested in capital assets	2,353,465		2,353,465
Restricted		1,456,622	1,456,622
Unrestricted (deficit)	(13,250,848)		(13,250,848)
Total Net Position (Deficit)	\$ (10,897,383)	\$ 1,456,622	\$ (9,440,761)

See Accompanying Notes to Financial Statements

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds

Fayette County School District

Year Ended June 30, 2025

	Enterprise Funds		
	Food Service Fund	After School Program Fund	Total
Operating Revenues			
Lunchroom sales	\$ 2,036,577		\$ 2,036,577
Other operating revenues	144,893	\$ 3,707,325	3,852,218
Total Operating Revenues	2,181,470	3,707,325	5,888,795
Operating Expenses			
Salaries wages and fringe	15,365,024	3,236,459	18,601,483
Material and supplies	15,479,500	521,085	16,000,585
Depreciation	735,290		735,290
Total Operating Expenses	31,579,814	3,757,544	35,337,358
Operating Loss	(29,398,344)	(50,219)	(29,448,563)
Non-operating Revenues			
Federal grants	24,060,041		24,060,041
Donated commodities	2,084,578		2,084,578
State grants	217,809		217,809
On behalf revenues	2,014,938	443,391	2,458,329
Loss on sale of capital assets	(3,759)		(3,759)
Total Non-operating Revenues	28,373,607	443,391	28,816,998
Transfers			
Operating transfers out	(1,272,930)	(2,297,634)	(3,570,564)
Operating transfers in	361,041	-	361,041
Total Transfers	(911,889)	(2,297,634)	(3,209,523)
Change in Net Position	(1,936,626)	(1,904,462)	(3,841,088)
Net Position, Beginning of Year	(8,960,757)	3,361,084	(5,599,673)
Net Position, End of Year	\$ (10,897,383)	\$ 1,456,622	\$ (9,440,761)

See Accompanying Notes to Financial Statements

Statement of Cash Flows - Proprietary Funds

Fayette County School District

Year Ended June 30, 2025

	Enterprise Funds		
	Food Service Fund	After School Program	Total
Cash Flows From Operating Activities			
Cash received from:			
Lunchroom sales	\$ 2,061,304		\$ 2,061,304
Other activities	144,893	\$ 3,631,320	3,776,213
Cash paid for:			
Employees	(14,870,676)	(2,924,019)	(17,794,695)
Suppliers	(14,685,413)	(2,797,441)	(17,482,854)
Net Cash Used In Operating Activities	(27,349,892)	(2,090,140)	(29,440,032)
Cash Flows From Noncapital Financing Activity			
Cash received for operating grants	24,277,851		24,277,851
Net Decrease in Cash and Cash Equivalents	(3,072,041)	(2,090,140)	(5,162,181)
Cash and Cash Equivalents, Beginning of Year	7,101,836	4,791,784	11,893,620
Cash and Cash Equivalents, End of Year	<u>\$ 4,029,795</u>	<u>\$ 2,701,644</u>	<u>\$ 6,731,439</u>
Reconciliation of Operating Loss to Net Cash Used In Operating Activities			
Operating loss	\$ (29,398,344)	\$ (50,219)	\$ (29,448,563)
Adjustments to reconcile operating loss to net cash used in operating activities			
Depreciation	735,290		735,290
On-behalf revenues	2,014,938	443,391	2,458,329
Operating transfers out	(1,272,930)	(2,297,634)	(3,570,564)
Donated commodities used in operations	2,084,578		2,084,578
Change in operating assets and liabilities			
Accounts receivable	24,729	(76,005)	(51,276)
Inventory	50,048		50,048
Deferred outflows	2,349,977	202,375	2,552,352
Accounts payable	(5,441,006)	21,278	(5,419,728)
Due to other funds	5,373,395		5,373,395
Net pension liability	(1,165,559)	(91,087)	(1,256,646)
Net OPEB liability (asset)	2	(9,290)	(9,288)
Deferred inflows	(2,705,010)	(232,949)	(2,937,959)
Net Cash Used In Operating Activities	<u>\$ (27,349,892)</u>	<u>\$ (2,090,140)</u>	<u>\$ (29,440,032)</u>
Schedule of Non-Cash Financing Activities			
Donated commodities received from federal government	<u>\$ 2,084,578</u>		<u>\$ 2,084,578</u>

See Accompanying Notes to Financial Statements

Statement of Fiduciary Net Position

Fayette County School District

June 30, 2025

	Custodial Funds				
	Private Purpose Trust Funds	Marcie Thomason Fund	Dorothy Smith Fund	Industrial School Fund	Total
Assets					
Cash and cash equivalents	\$ 11,274	\$ 317,763	\$ 19,342	\$ 1,130	\$ 338,235
Investments	1,441,702	-	-	-	-
Total Assets	\$ 1,452,976	\$ 317,763	\$ 19,342	\$ 1,130	\$ 338,235
Liabilities					
Accounts payable	\$ -	\$ 148	\$ -	\$ 1,130	\$ 1,278
Total Liabilities	\$ -	\$ 148	\$ -	\$ 1,130	\$ 1,278
Net Position Held in Trust	\$ 1,452,976	\$ 317,615	\$ 19,342	\$ -	\$ 336,957

See Accompanying Notes to Financial Statements

Statement of Changes in Fiduciary Net Position

Fayette County School District

Year Ended June 30, 2025

	Private Purpose Trust Funds	Custodial Funds
Additions		
Contributions	\$ 54,098	\$ 41,861
Gain on investments	97,447	
Total Additions	151,545	41,861
Deductions		
Community service activities		8,475
Non-Institutional Services	42,675	5,296
Total Deductions	42,675	13,771
Change in Net Position	108,870	28,090
Net Position, Beginning of Year	1,344,106	308,867
Net Position, End of Year	<u>\$ 1,452,976</u>	<u>\$ 336,957</u>

See Accompanying Notes to Financial Statements

Notes to Financial Statements

Notes to Financial Statements

Fayette County School District

June 30, 2025

Note A--Reporting Entity

The Fayette County Board of Education (the "Board"), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Fayette County School District (the "District"). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding sources. However, the District is not a component unit of any other governmental reporting entity. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the District. The financial statements presented herein do not include funds of groups and organizations which, although associated with the District, have not originated within the District itself such as booster clubs, parent-teacher associations, etc.

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

Based on the foregoing criteria, the financial statements of the Fayette County Board of Education Finance Corporation (the "Corporation") are included in the accompanying financial statements. On December 10, 1990, the Board authorized the establishment of the Corporation (a nonprofit, non-stock, public and charitable corporation organized under the School Bond Act and Kentucky Revised Statutes ("KRS") 273 and KRS Section 58.180) as an agency of the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

Note B--Summary of Significant Accounting Policies

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

The District-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary 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

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2025

Note B--Summary of Significant Accounting Policies--Continued

better identify the relationship between the District-wide financial statements and the statements for governmental funds.

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

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

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

The District has the following funds:

Governmental Fund Types

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

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2025

Note B--Summary of Significant Accounting Policies--Continued

- (2) The Special Revenue Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. Project accounting is employed to maintain integrity for the various sources of funds. This is a major fund of the District.
- (3) The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost, and for the payment of interest on general obligation notes payable, as required by Kentucky Law. This is a major fund of the District.
- (4) District Activity Funds, Fund 22-District activity funds are used to support co-curricular activities and are not raised and expended by student groups. District activity funds accounted for in the District bank account are not subject to the Redbook and may be expended with more flexibility than school activity funds but must meet the "educational purpose" standard for all District expenditures.
- (5) School Activity Funds, Fund 25-School activity funds are used to support school activity groups and are raised and expended by student groups. School activity funds are accounted for in the school district secondary bank account which are subject to the Redbook guidelines. This fund is a pass-through related to GASB 84.
- (6) The Construction Fund accounts for funds from two sources. First, funds generated by sales of bond issues are used for various construction and renovation projects at educational facilities. Second, proceeds from the sale of properties and equipment owned by the District are to be used at the discretion of the Board for construction projects in future years. This is a major fund of the District.
- (7) The Facility Support Program (Building Fund) of Kentucky Fund accounts for funds generated by the building tax levy and also participates in the Kentucky 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. This is a nonmajor fund of the District. In reporting these funds, there is a requirement for fiscal years ending in an odd number for the remaining fund balance if any to be restricted. In fiscal years ending with an even number, the fund balance is to be classified as unrestricted.

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2025

Note B--Summary of Significant Accounting Policies--Continued

- (8) 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. This is a nonmajor fund of the District. In reporting these funds, there is a requirement for fiscal years ending in an odd number for the remaining fund balance if any to be restricted. In fiscal years ending with an even number, the fund balance is to be classified as unrestricted.
- (9) Permanent Funds include the Lexington Industrial School. Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal may be used for purposes that support the District.

Proprietary Fund Types (Enterprise Funds)

- (1) The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture ("USDA"). Amounts have been recorded for in-kind contribution of commodities from the USDA. This is a major fund of the District.
- (2) The After School Program Fund is used to support the after school programs at the individual schools, which have their own program. These funds are used to support the resources needed to actively manage this program.

The District applies all Governmental Accounting Standards Boards ("GASB") pronouncements to proprietary funds.

Fiduciary Fund Types (Agency and Private Purpose Funds)

- (1) The Private Purpose Trust funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments.
- (2) The Custodial funds account for other types of activities requiring clearing accounts related to trust funds.

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

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2025

Note B--Summary of Significant Accounting Policies--Continued

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, occupational 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. Occupational tax revenues are not susceptible to accrual because generally they are not measurable until received in cash. Revenues 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 specifies the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

When both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources, as they are needed.

Unearned Revenue--Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Donated Commodities--The fair value of donated commodities received during the year is reported in the proprietary fund statement of revenues, expenses, and changes in net position as an expense and as donated commodities revenue (nonoperating revenue).

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 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.

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2025

Note B--Summary of Significant Accounting Policies--Continued

Budgetary Process--The District prepares its budgets on the modified accrual basis of accounting, which is the same basis as used to prepare the statement of revenues, expenditures and changes in fund balances – governmental funds.

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

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

The budget for the Special Revenue Fund consists of the sum of each active grant's budget. Large variances between budgeted and actual activity can occur because grants with little activity during the year will have their entire budget rolled up into the combined budget for all grants.

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

Inventories--On the District-wide financial statements inventories are stated at the lower of cost or market and are expensed when used. The Food Service Fund inventories use the specific identification method and the general fund inventories use the first-in, first-out method.

The Food Service Fund's inventories consist of food and supplies valued at cost, and U. S. Government commodities whose value is determined by the U. S. Department of Agriculture.

In the governmental funds balance sheet, inventories in the General Fund are equally offset by a reserve which indicates they do not constitute "available spendable resources" even though they are a component of total assets.

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

The property tax rates assessed for the year ended June 30, 2025 were \$0.81 per \$100 valuation for real property and \$0.83 per \$100 valuation for business personal property. Motor vehicle tax was \$0.592 per \$100 valuation of motor vehicles.

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2025

Note B--Summary of Significant Accounting Policies--Continued

The following is the District's property tax calendar:

Date Event
January 1, year of levy - Assessment date
October 1, year of levy - Taxes levied
November 30, year of levy - 2% discount allowed
December 31, year of levy - 1% discount allowed
January 31, following year - Gross amount due
February 1, following year - Delinquent date, 1 1/2% interest added per month
April 1, following year - 10% penalty added

The District levies a 3.0% utility tax on all businesses and households within Fayette County.

In addition, the District levies an occupational license tax of 0.5% on salaries, wages, commissions and other compensation to individuals for services performed or rendered within the County, and on the net profits of all businesses, professions or occupations from activities conducted within the County.

Investments--The Private Purpose Trust Funds record investments at their quoted market prices in the statement of fiduciary net assets. All realized gains and losses in fair value are recorded in the statement of changes in fiduciary net position.

The Permanent Funds record investments at their quoted market prices in the governmental funds balance sheet. All realized gains and losses in fair value are recorded in the governmental funds statement of revenue, expenditures and changes in fund balances.

Capital Assets--General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the District-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 District-wide statement of net position and in the respective funds financial statements.

All capital assets are recorded at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. Improvements are capitalized while 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.

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2025

Note B--Summary of Significant Accounting Policies--Continued

Depreciation is computed in the District-wide statement of activities and in the proprietary funds statement of revenues, expense and changes in net position, using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	25-50 years
Technology equipment	5 years
General equipment	7-15 years

Interfund Balances--On fund financial statements, receivables and payables resulting from short-term interfund advances 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.

Accrued Liabilities and Long-Term Obligations--All payables, accrued liabilities and long-term obligations are reported in the District-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

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, capital leases, compensated absences 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. School building revenue 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.

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2025

Note B--Summary of Significant Accounting Policies--Continued

Fund Balance Reserves Under GASB Statement No. 54, fund balance is separated into five categories, as follows:

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

Encumbrances are reported as an assignment of fund balance and are not reported as expenditures until incurred. 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. A reservation of fund balance equal to outstanding encumbrances at year-end is provided for at June 30, 2025 in the governmental funds balance sheet.

Net Position--Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and is reduced by the outstanding balances of any borrowings used for the requisition, 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 District, or through external restrictions imposed by creditors, grantors or laws and regulations of other governments.

Operating Revenues and Expenses--Operating revenues are those revenues that are generated directly from the primary activity of the Proprietary Funds. For the District, those revenues are primarily charges for meals provided at the various schools.

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

Continued

Fayette County School District

June 30, 2025

Note B--Summary of Significant Accounting Policies--Continued

Pensions--For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Teachers Retirement System and the County Employees Retirement System and additions to/deductions from these pensions' fiduciary net position have been determined on the same basis as they are reported by those 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.

Postemployment Benefits Other than Pensions ("OPEB")--For purpose of measuring the net OPEB 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 and the County Employees Retirement System and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the respective Systems. For this purpose, the Systems recognize benefit payments when due and payable, in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Leases--The District is a lessee for various noncancellable leases of equipment and vehicles.

Short-Term Leases

For leases with a maximum possible term of 12 months or less at commencement, the District recognizes expense/expenditure based on the provisions of the lease contract.

Leases Other than Short-Term

For all other leases, the District recognizes a lease liability and an intangible right-to-use lease asset in the applicable columns of the District-wide (governmental or business-type activities) and proprietary fund financial statements.

Measurement of Lease Amounts

At lease commencement, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, less lease payments made at or before the lease commencement

Continued

Fayette County School District

June 30, 2025

Note B--Summary of Significant Accounting Policies--Continued

date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized into depreciation and amortization expense on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. If the District is reasonably certain of exercising a purchase option contained in a lease, the lease asset will be amortized over the useful life of the underlying asset.

Key Estimates and Judgments

Key estimates and judgments include how the District determines (1) the discount rate it uses to calculate the present value of the expected lease payments, (2) lease term, and (3) lease payments.

- The District generally uses its estimated incremental borrowing rate as the discount rate for leases unless the rate that the lessor charges is known.
- The lease term includes the noncancellable period of the lease plus any additional periods covered by either the District or lessor option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Period in which both the District and the lessor have a unilateral option to terminate (or if both parties have to agree to extend) are excluded from the lease term.
- Payments are evaluated by the District to determine if they should be included in the measurement of the lease liability, including those payments that require a determination of whether they are reasonably certain of being made.

Remeasurement of Lease Amounts

The District monitors changes in circumstances that may require remeasurement of a lease. When certain changes occur that are expected to significantly affect the amount of the lease liability, the liability is remeasured and a corresponding adjustment is made to the lease asset.

Presentation in Statement of Net Position

Lease assets are reported with capital assets and lease liabilities are reported with long-term debt in the statement of net position.

Fayette County School District

June 30, 2025

Note C--Cash and Cash Equivalents

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may be lost. The District's cash deposits are covered by Federal Depository Insurance up to \$250,000 per financial institution, with the remainder covered by collateral agreements and collateral held at the Bank of New York Mellon in the District's name.

Note D--Investments

During the year, the District invested excess cash into short-term repurchase agreements, collateralized by U.S. Government securities. These investments are either insured or securities are held by the pledging financial institution's trust department in the District's name.

Statutes authorize the District to invest in the following:

- (1) Obligations of the United States Government and of its agencies and instrumentalities, repurchase agreements and specially approved AAA rated corporate bonds;
- (2) Bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and municipalities;
- (3) Any savings and loan associations insured by an agency of the United States Government up to the amount insured;
- (4) Interest bearing deposits in national and state banks chartered in Kentucky and insured by an agency of the United States Government up to the amount so insured, and in larger amounts providing such bank shall pledge as security obligations having a current quoted market value at least equal to any uninsured deposits.

Financial instruments which potentially subject the District to concentrations of credit risk consist principally of temporary cash investments, taxes receivable and receivables from federal and state governments.

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2025

Note D--Investments--Continued

As of June 30, 2025, the District had the following investments:

<u>Fund Type</u>	<u>Investment Type</u>	<u>Fair Value</u>	<u>Moody's Rating</u>	<u>Weighted Average Maturity in Years</u>
Fiduciary-Private Purpose Trust	Mutual Funds	<u>\$ 1,441,702</u>	A	N/A

GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, require the District to address the following risks related to its investments:

Credit Risk--Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. More specifically, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All investments held by the District are insured or collateralized with securities held by the District or by the financial institution in the District's name.

Interest Rate Risk--Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by purchasing a combination of shorter and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or approaching maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Concentration of Credit Risk--The District's investment policy places no limit on the amount the District may invest in any one issuer.

Fair Value Measurement--The District's investments are measured and reported at fair value and classified according to the following hierarchy:

Level 1 – Investments reflect prices quoted in active markets.

Level 2 – Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.

Level 3 – Investments reflect prices based upon unobservable sources.

Investments by Fair Value Level:

		<u>Fair Value</u>	<u>Quoted Prices in Markets for Identical Assets - Level 1</u>
Fiduciary-Private Purpose Trust	Mutual Funds	<u>\$ 1,441,702</u>	<u>\$ 1,441,702</u>

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2025

Note E--Receivables

The District recognizes revenues as receivable when they are measurable and receipt is certain. Concentration of credit risk with respect to the receivables from federal and state governments is limited due to the historical stability of those institutions. While the District receives revenues from many different sources throughout the year, the accounts and grants receivable from outside sources may be grouped into the following categories:

	Governmental Activities/ Governmental Funds	Business-Type Activities/ Proprietary Funds	Total
Accounts and grants receivable from outside sources			
Accounts receivable	\$ 13,280,146	\$ 275,151	\$ 13,555,297
Taxes receivable	16,665,152		16,665,152
Grants receivable	20,757,705		20,757,705
	<u>\$ 50,703,003</u>	<u>\$ 275,151</u>	<u>\$ 50,978,154</u>

Federal and state grants to be used or expended as specified by the grantor are recognized as revenue and recorded as receivables when qualifying expenditures are incurred.

Note F--Interfund Receivables and Payables

Each fund is a separate fiscal and accounting entity, and thus interfund transactions are recorded in each fund affected by a transaction. Interfund receivables and payables for the District arise generally from two types of transactions: 1) all funds are initially received into the General Fund, thus a payable and receivable are established in the appropriate funds; and 2) payments are made in some instances from a fund that does not have the legal liability for the expenditure, thus a payable from the fund having the legal liability is established at such time. All interfund receivables and payables have been eliminated on the District-wide statement of net position. The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Operating	General	Special Revenue	KETS Match	\$ 916,374
Operating	General	Construction	Construction	12,762,438
Operating	Capital Outlay	Debt Service	Debt Service	3,796,784
Operating	Building Fund	Debt Service	Debt Service	45,878,131
Operating	Special Revenue	General Fund	Indirect Costs	6,258,376
Operating	Special Revenue	Special Revenue	Flex Focus Funds Transfer	153,000

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2025

Note G--Capital Assets

Capital asset activity for the year ended June 30, 2025 consisted of the following:

	Balance June 30, 2024	Additions	Disposals	Balance June 30, 2025
<u>Governmental Activities</u>				
Land	\$ 53,114,644	\$ -	\$ -	\$ 53,114,644
Buildings and improvements	939,599,658	80,274,317	(18,722,964)	1,001,151,011
Technology equipment	7,445,413	510,479	(826,967)	7,128,925
Vehicles	38,570,620	670,080	(127,165)	39,113,535
General equipment	5,200,631	1,734,051	(178,342)	6,756,340
Construction in progress	177,904,811	80,904,389	(80,264,494)	178,544,706
	1,221,835,777	164,093,316	(100,119,932)	1,285,809,161
Less accumulated depreciation	(451,616,142)	(27,554,412)	18,735,038	(460,435,516)
Total Governmental Activities Capital Assets, Net	\$ 770,219,635	\$ 136,538,904	\$ (81,384,894)	\$ 825,373,645
<u>Business-Type Activities</u>				
Food service equipment	\$ 14,619,312	\$ 200,456	\$ (105,503)	\$ 14,714,265
Technology equipment	247,476	-	(10,808)	236,668
Vehicles	267,308	160,584	-	427,892
	15,134,096	361,040	(116,311)	15,378,825
Less accumulated depreciation	(12,402,623)	(735,290)	112,553	(13,025,360)
Total Business-Type Activities Capital Assets, Net	\$ 2,731,473	\$ (374,250)	\$ (3,758)	\$ 2,353,465

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2025

Note G--Capital Assets--Continued

Depreciation expense for the year ended June 30, 2025 for governmental activities by function is listed below:

<u>Function</u>	<u>Amount</u>
Instructional	\$ 24,634,945
Instruction student support	38,438
District administration	709,378
Plant operations and maintenance	450,812
Student transportation	1,720,839
	<u>\$ 27,554,412</u>

Note H--School Building Revenue Bonds

The various issues of school building revenue bonds are as follows:

<u>Issue Date</u>	<u>Original Proceeds</u>	<u>Interest Rates</u>	<u>Balance June 30, 2025</u>
2014A	30,260,000	2.000% - 5.000%	\$ 9,830,000
2014B	13,935,000	2.000% - 4.750%	13,685,000
2015A	30,230,000	5.000%	14,780,000
2015B	35,615,000	4.000%	23,065,000
2015D	101,665,000	3.000% - 5.000%	98,565,000
2018A	30,870,000	4.000%	28,020,000
2019	25,260,000	3.000% - 5.000%	21,765,000
2020A	71,455,000	2.000% - 5.000%	70,345,000
2020B	20,950,000	2.000% - 4.000%	20,720,000
2020C	32,605,000	.0450% - 2.000%	19,585,000
2021A	41,720,000	1.000% - 1.900%	35,045,000
2021B	32,705,000	2.000%	26,530,000
2022A	86,325,000	5.000%	84,135,000
2023A	38,750,000	4.000% - 5.000%	37,560,000
2024A	68,410,000	4.000% - 5.000%	67,525,000
2025	221,900,000	5.00%	221,900,000
2025A	102,770,000	5.000% - 5.250%	102,770,000
School Building Revenue Bonds			895,825,000
Unamortized Bond Premium			25,355,286
Less unamortized deferred losses			<u>(9,400,805)</u>
			<u>\$ 911,779,481</u>

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2025

Note H--School Building Revenue Bonds--Continued

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

The school building revenue bonds are collateralized primarily by the educational facilities constructed by the District with bond proceeds.

In connection with the school building revenue bonds issued after May 1, 1996, the District entered into "participation agreements" with the Kentucky School Facilities Construction Commission (the "Commission"). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The Commission will remit a stated amount of bond principal and interest payments annually, subject to biennial approval by the Kentucky General Assembly.

The bonds may be called prior to maturity by the District 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, for debt service as of June 30, 2025 (principal and interest) are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Commission Participation</u>	<u>District's Portion</u>
2026	\$ 29,975,000	\$ 33,787,283	\$ 3,816,564	\$ 59,945,719
2027	32,160,000	34,692,158	3,123,344	63,728,814
2028	35,760,000	33,623,936	2,759,760	66,624,176
2029	37,255,000	32,982,149	3,794,936	66,442,213
2030	38,620,000	30,931,820	3,592,282	65,959,538
2031-2035	242,565,000	128,235,897	14,981,273	355,819,624
2036-2040	182,725,000	86,180,631	8,578,253	260,327,378
2041-2045	147,590,000	56,163,322	4,017,802	199,735,520
2046-2050	<u>149,175,000</u>	<u>19,560,495</u>	<u>-</u>	<u>168,735,495</u>
	<u>\$ 895,825,000</u>	<u>\$ 456,157,691</u>	<u>\$ 44,664,214</u>	<u>\$ 1,307,318,477</u>

During the year ended June 30, 2025, the District made principal payments of \$29,555,000.

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2025

Note H--School Building Revenue Bonds--Continued

Bond Series 2024A was sold on September 12, 2024, with a delivery date of September 26, 2024, in the amount of \$68,249,823. 2024A is 100% District supported. First payment date is April 1, 2025, with a maturity date of April 1, 2049.

Bond Series 2025A was sold on June 5, 2025, with a delivery date of June 26, 2025, in the amount of \$232,491,860. Sources of Funds include Building Funds, District residuals, KYTC Reimbursement, SFCC and Fayette County donation. First payment date is December 1, 2025, with a maturity date of June 1, 2050. Bond Series 2025A also included a bus acquisition for future bus purchases that replaced the District's 2025 KISTA sale. Bond Series 2025 was sold on May 20, 2025, with a delivery date of June 6, 2025, in the amount of \$113,094,344. This Bond was used to refund or pay off early Bond Series 2015A and Bond Series 2015D. The final payments for the refunded bonds 2015A and 2015D was made in August 2025 of fiscal year 2026.

Note I--Accrued Compensated Absences

In accordance with GASB Statement No. 101, *Compensated Absences*, the District has recorded accrued compensated absences as a liability in the District-wide statement of net position. The liability for compensated absences reported in the District-wide financial statements consists of unpaid vacation and sick leave benefits that are due to employees. This liability includes salary-related payments (such as employer contributions to Social Security and Medicare) and is calculated based on current pay rates.

Employees of the District earn vacation and sick leave in varying amounts depending on their length of service and employment classification. Vacation leave may be accumulated and carried forward, subject to certain limits, and is payable upon termination of employment. Sick leave, which has no maximum accumulation, is payable upon retirement at 30% of the value of accumulated sick leave.

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2025

Note J--Long-Term Liabilities

A summary of the changes in long-term liabilities during the fiscal year ended June 30, 2025 is as follows:

	Balance June 30, 2024	Additions	Deductions	Balance June 30, 2025	Amounts Due Within One Year
<u>Governmental Activities</u>					
School building revenue bonds	\$ 532,300,000	\$ 393,080,000	\$ 29,555,000	\$ 895,825,000	\$ 29,975,000
Equipment finance obligations					
Buses	16,279,767		2,376,596	13,903,171	2,307,198
Lease liabilities					
Equipment	2,185,323	532,671	1,061,197	1,656,797	910,878
Compensated absences	36,425,108	15,732,950	17,909,206	34,248,852	9,967,409
	<u>\$ 587,190,198</u>	<u>\$ 409,345,621</u>	<u>\$ 50,901,999</u>	<u>\$ 945,633,820</u>	<u>\$ 43,160,485</u>

Note K--On-Behalf Payments

For the year ended June 30, 2025, total payments of \$172,767,078 were made for life insurance, health insurance, Teachers Retirement System ("TRS") matching, and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expenditure/expense accounts on the statement of activities and on the statement of revenues, expenditures, and changes in fund balances. These revenues and expenditures are not budgeted by the District.

Note L--Contingencies

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

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2025

Note L--Contingencies--Continued

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

Note M--Litigation

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

Note N--Risk Management

The District is exposed to various forms of loss of assets associated with perils such as injuries to employees, fire, personal liability, theft, vehicular accidents, errors and omissions, and fiduciary responsibility. Each of these risk areas is addressed through the purchase of insurance, and settled claims resulting from these risks having not exceeded commercial insurance coverage in any of the past three fiscal years. The District has purchased certain coverage which is retrospectively rated, including workers' compensation insurance.

Note O--Retirement Plans

Classified Employees--Classified employees (substantially all full-time District employees other than certified employees) are covered by the County Employees Retirement Systems ("CERS"), a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Public Pension Authority ("KPPA"), an agency of the Commonwealth of Kentucky. CERS provides retirement, death and disability benefits to Plan members and beneficiaries. Cost of living adjustments are provided at the discretion of the State Legislature.

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2025

Note O--Retirement Plans--Continued

Under the provisions of the Kentucky Revised Statute Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions.

Plan members are required to contribute 5% of their annual covered compensation and the District is required to contribute at an actuarially determined rate. All new members hired after August 31, 2008 are required to contribute 6% at an actuarially determined rate. The current rate for employer match is 23.34% of the employee's total covered compensation. The contribution requirements of Plan members and the District are established and may be amended by the Kentucky Retirement System's Board of Trustees. The District's contributions to KPPA for the years ended June 30, 2025, 2024, and 2023 were \$23,517,470, \$20,941,515, and \$21,549,600, respectively, equal to the required contribution for that year.

The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601.

Certified Employees--Certified employees are covered by the Kentucky Teachers' Retirement System ("TRS"), a cost-sharing multiple-employer defined benefit plan. TRS provides retirement, death and disability benefits to Plan members. Cost of living increases are 1.5% annually. Any benefit amendments must be authorized by the State Legislature.

Plan members are required to contribute 12.855% of their annual covered compensation. All new members hired on/after January 1, 2022, are required to contribute 14.75% at an actuarially determined rate. The Commonwealth of Kentucky provides matching contributions as required by Kentucky Revised Statutes 165.540 and 161.550. The payments made by the Commonwealth of Kentucky on behalf of the District's certified employees, amounting to \$172,767,078 are reflected in the accompanying financial statements as both revenues and expenses/expenditures. The Commonwealth of Kentucky requires payments for federally funded employees to be made by such federal funds; for the fiscal year ended June 30, 2025, this funding amounted to \$2,930,608.

TRS issues a publicly available financial report that includes financial statements and required supplementary information on the Plan. That report may be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601.

Retirement Plan--The District makes available 401(k) and 403(b) defined contribution pension plans for all employees. Employees are allowed to contribute to the Plans up to the Internal Revenue Code maximum allowable amount. The District does not contribute to these Plans.

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2025

Note P--Deferred Compensation

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

Note Q--Post-Employment Health Care Benefits

Retired District employees receive some health care benefits depending on their length of service. In accordance with Kentucky Revised Statutes, these benefits are provided and advanced-funded on an actuarially determined basis through the CERS and the TRS plans.

Note R--Commitments

As of June 30, 2025, the District had outstanding commitments for construction of \$317,573,677.

Note S--COBRA

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

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2025

Note T--Leases

As discussed in Note B, the District is a lessee for various non-cancellable leases of buildings, equipment, vehicles, etc.

Intangible Right-to-Use Lease Assets

A summary of lease asset activity during the year ended June 30, 2025 is as follows:

	Balance Beginning of Year	Additions	Remeasurements	Deductions	Balance End of Year
Governmental Activities:					
Right-to-Use Lease Assets:					
Equipment	\$ 4,714,172	\$ 532,770	\$ (845)	\$ (1,214,944)	\$ 4,031,153
Total Right-to-Use Lease Assets	<u>4,714,172</u>	<u>532,770</u>	<u>(845)</u>	<u>(1,214,944)</u>	<u>4,031,153</u>
Less accumulated amortization:					
Equipment	<u>2,597,213</u>	<u>1,187,537</u>	<u>(316,414)</u>	<u>(1,214,944)</u>	<u>2,253,392</u>
Total Accumulated Amortization	<u>2,597,213</u>	<u>1,187,537</u>	<u>(316,414)</u>	<u>(1,214,944)</u>	<u>2,253,392</u>
Total Right-to-Use Lease Assets, Net	<u>\$ 2,116,959</u>	<u>\$ (654,767)</u>	<u>\$ 315,569</u>	<u>\$ -</u>	<u>\$ 1,777,761</u>

Lease and Equipment Finance Obligations

The District is financing the acquisition of the buses through various Kentucky Interlocal School Transportation Association ("KISTA") agreements. The liabilities for the buses are included in equipment finance obligations on the district-wide statement of net position.

A summary of changes in the related lease and equipment finance obligations during the year ended June 30, 2025 is as follows:

	Balance Beginning of Year	Additions	Remeasurements	Deductions	Balance End of Year	Amounts Due Within One Year
Governmental Activities:						
Lease and Equipment Finance Obligations:						
Buses	\$ 16,279,767	\$ -	\$ -	\$ (2,376,596)	\$ 13,903,171	\$ 2,307,198
Equipment	<u>2,185,323</u>	<u>532,671</u>	<u>(5,449)</u>	<u>(1,055,748)</u>	<u>1,656,797</u>	<u>910,878</u>
Total Lease and Equipment Finance Obligations	<u>\$ 18,465,090</u>	<u>\$ 532,671</u>	<u>\$ (5,449)</u>	<u>\$ (3,432,344)</u>	<u>\$ 15,559,968</u>	<u>\$ 3,218,076</u>

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2025

Note T--Leases--Continued

Future annual lease payments are as follows:

<u>Year Ending June 30</u>	<u>Principal Amount</u>	<u>Interest Amount</u>
2025	\$ 3,218,076	\$ 542,958
2026	2,658,365	434,081
2027	2,104,178	351,705
2028	1,851,040	280,539
2029	1,750,548	216,029
Thereafter	<u>3,977,761</u>	<u>296,055</u>
	<u>\$ 15,559,968</u>	<u>\$ 2,121,367</u>

Note U--Pension Plans

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

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

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

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2025

Note U--Pension Plans--Continued

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

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

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

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

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

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2025

Note U--Pension Plans--Continued

General Information About the Teachers' Retirement System of the State of Kentucky ("TRS")

Plan Description--Teaching certified employees of the District and other employees whose positions require at least a college degree 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 Commonwealth. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the 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/employers/information/gasb-65-67/>.

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

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

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Employees with an account established prior to July 1, 2002 receive monthly payments equal to 2% (service prior to July 1, 1983) and 2.5% (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Employees hired on or after July 1, 2008, will receive monthly benefits equal to the average of their top three salary years multiplied by a sliding scale rate from 1.7% up to 2.5% based on years of service up to 30 years, beyond 30 years of service, the rate increases to 3.0%. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2025

Note U--Pension Plans--Continued

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

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

Contributions--Contribution rates are established by Kentucky Revised Statutes ("KRS"). Non-university employees are required to contribute 9.105% of their salaries to the System.

The Commonwealth, as a non-employer contributing entity, pays matching contributions at the rate of 16.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 16.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 16.105% of salaries. The required matching contribution for those employees classified as critical shortage is 24.8%. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

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

At June 30, 2025, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for TRS because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The amount for each plan recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	\$ 161,098,562
Commonwealth's proportionate share of the TRS net pension liability associated with the District	<u>1,455,571,734</u>
	<u>\$ 1,616,670,296</u>

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2025

Note U--Pension Plans--Continued

The net pension liability for each plan was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2024, the District's proportion was 2.66% percent.

For the year ended June 30, 2025, the District recognized pension expense of \$15,628,109 related to CERS and \$177,991,934 related to TRS, of which \$94,607,398 was recognized on the fund financial statements as it represented amounts paid on the District's behalf during the year. The District also recognized revenue of \$177,991,934 (TRS Sched B) for TRS support provided by the Commonwealth.

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 7,797,466	\$ -
Changes of assumptions	-	7,278,492
Net difference between projected and actual earnings on pension plan investments	11,063,851	21,421,619
Changes in proportion and differences between District contributions and proportionate share of contributions	4,362,958	-
District contributions subsequent to the measurement date	<u>19,738,365</u>	<u>-</u>
Total	\$ <u>42,962,640</u>	\$ <u>28,700,111</u>

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2025

Note U--Pension Plans--Continued

\$19,738,365 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30:</u>	
2025	\$ (2,472,214)
2026	3,286,357
2027	(3,981,646)
2028	(2,308,334)

Actuarial assumptions--The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>CERS</u>	<u>KTRS</u>
Inflation	2.30%	2.50%
Projected salary increases	3.3 - 10.30%	3 - 7.50%
Investment rate of return, net of investment expense and inflation	6.50%	7.10%

For CERS, 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 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

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

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2025

Note U--Pension Plans--Continued

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2018 through 2022, is outlined in a report dated May 9, 2023. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for us over a 7 to 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Specialty Credit	10.00%	3.82%
Core Fixed Income	10.00%	2.85%
Cash	0.00%	1.70%
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
Total	100.00%	

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2025

Note U--Pension Plans--Continued

For TRS, 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 real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	38.00%	5.0 - 5.5%
International Equity	21.00%	5.5 - 6.1%
Fixed Income	15.00%	1.90%
Additional Categories *	10.00%	3.6 - 3.8%
Real Estate	7.00%	3.20%
Private Equity	7.00%	8.00%
Cash	<u>2.00%</u>	1.60%
Total	<u>100.00%</u>	

*Includes High Yield, Non-US Development Bonds and Private Credit Strategies

Discount Rate--For CERS, the discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.50%. 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.

For TRS, the discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. 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.

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2025

Note U--Pension Plans--Continued

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	5.50%	6.50%	7.50%
District's proportionate share of net pension liability	\$ 207,682,369	\$ 161,098,562	\$ 122,446,278
TRs	6.10%	7.10%	8.10%
District's proportionate share of net pension liability	\$ -	\$ -	\$ -

*Pension plan fiduciary net position--*Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of both CERS and TRS.

Fayette County School District

June 30, 2025

Note V--Other Post-Employment Benefits ("OPEB")

General Information about the OPEB Plans

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

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

TRS 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.

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2025

Note V--Other Post-Employment Benefits ("OPEB")--Continued

Contributions--In order to fund the post-retirement healthcare benefit, 7.50% of the gross annual payroll of members is contributed. 3.75% is paid by member contributions and .75% from State appropriation and 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.

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

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

At June 30, 2025, the District reported a liability of \$96,507,919 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, 2024 and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined as of June 30, 2023. At June 30, 2024, the District's proportion was 4.54%.

The amount recognized by the District as its proportionate share of the OPEB liability is as follows:

District's proportionate share of the CERS OPEB asset	\$ (4,664,081)
District's proportionate share of the TRS OPEB liability	<u>101,172,000</u>
	<u>\$ 96,507,919</u>

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2025

Note V--Other Post-Employment Benefits ("OPEB")--Continued

For the year ended June 30, 2025, the District recognized OPEB revenue of \$9,425,284. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs (CERS and TRS combined) from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,587,579	\$ 67,079,129
Changes of assumptions	29,993,220	3,291,002
Net difference between projected and actual earnings on pension plan investments	4,099,847	11,602,095
Change in proportion and differences between District contributions and proportionate share of contributions	36,706,877	29,689,000
District contributions subsequent to the measurement date	<u>10,693,743</u>	<u> </u>
Total	<u>\$ 84,081,266</u>	<u>\$ 111,661,226</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$10,693,743 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, 2025. 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:	
2025	\$ (17,541,080)
2026	(7,501,485)
2027	(8,167,978)
2028	(3,026,161)
2029	(2,595,000)
Thereafter	558,000

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2025

Note V--Other Post-Employment Benefits ("OPEB")--Continued

Actuarial assumptions--The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>CERS</u>	<u>TRS</u>
Inflation	2.30%	2.50%
Projected Salary increases	3.3 - 10.30%	3 - 7.5%
Investment rate of return	6.25%	7.10%
Real Wage Growth	2.00%	0.25%
Wage Inflation		2.75%
Healthcare trend rates		
Under 65	6.20% at 1/1/24 decreasing to an ultimate rate of 4.05% by FY 2036	6.50% for FY 2024 decreasing to an ultimate rate of 4.50% by FY 2031
Ages 65 and Older	9.00% at 1/1/24 decreasing to an ultimate rate of 4.05% by FY 2036	6.50% for FY 2024 decreasing to an ultimate rate of 4.50% by FY 2031
Medicare Part B Premiums		5.92% for FY 2024 with an ultimate rate of 4.50% by 2035
Municipal Bond Index Rate	3.97%	3.66%
Discount Rate	5.99%	7.10%
Single Equivalent Interest Rate		7.1%, net of OPEB plan investment expense, including inflation.

Mortality rates were based on the Pub2010 (Teachers Amount-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, deferred vested 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, 2023 valuation were based on the results of the most recent actuarial experience studies for the system, which covered the five-year period ending June 30, 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, 2023 valuation of the Health Trust were based on a review of recent plan experience done concurrently with the June 30, 2022 valuation. The health care cost trend assumption was updated for the June 30, 2023 valuation and was shown as an assumption change in the TOL roll-forward while the change in initial per capita claims costs were included with experience in the TOL roll-forward.

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2025

Note V--Other Post-Employment Benefits ("OPEB")--Continued

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	38.00%	5.00-5.50%
International Equity	15.70%	5.50%
Emerging Markets Equity	5.30%	6.10%
Private Equity	7.00%	8.00%
Fixed Income	15.00%	1.90%
High Yield Bonds	2.00%	3.80%
Real Estate	7.00%	3.20%
Cash	2.00%	1.60%
Other categories	8.00%	3.60%
Total	<u>100.00%</u>	

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	60.00%	4.15% - 9.10%
Core Fixed Income	10.00%	2.85%
Specialty Credit	10.00%	3.82%
Cash	0.00%	1.70%
Real Estate	7.00%	4.90%
Real Return	<u>13.00%</u>	5.35%
Total	<u>100.00%</u>	

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2025

Note V--Other Post-Employment Benefits ("OPEB")--Continued

Discount Rate--For CERS, the discount rate used to measure the total OPEB liability was 5.99%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.50%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of CERS and TRS Proportionate Share of Net OPEB Liability to Changes in the Discount Rate—The following table presents the District's proportionate share of the collective net OPEB liability, calculated using the discount rates selected by each pension system, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	4.99%	5.99%	6.99%
District's proportionate share of net OPEB asset	\$ 6,306,363	\$ (4,664,081)	\$ (13,888,051)
TRS	6.10%	7.10%	8.10%
District's proportionate share of net OPEB liability	\$ 68,341,000	\$ 101,172,000	\$ 141,965,000

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2025

Note V--Other Post-Employment Benefits ("OPEB")--Continued

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:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
CERS	5.25%	6.25%	7.25%
District's proportionate share of net OPEB asset	\$ (11,221,215)	\$ (4,664,081)	\$ 2,974,515
TRS	6.10%	7.10%	8.10%
District's proportionate share of net OPEB liability	\$ 134,407,000	\$ 101,172,000	\$ 73,628,000

OPEB Plan Fiduciary Net Position--Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report.

TRS Life Insurance Plan

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

Benefit Provided--The TRS Life Insurance Plan provides a life insurance benefit of \$5,000 payable for members who retire based on service or disability. Active members may receive a \$2,000 lump sum payable. The benefit is payable 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 payroll of members is contributed by the state.

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2025

Note V--Other Post-Employment Benefits ("OPEB")--Continued

At June 30, 2025, 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:

State's proportionate share of the TRS net OPEB liability	\$ 2,057,000
District's proportionate share of the TRS OPEB liability	<u>-</u>
	<u>\$ 2,057,000</u>

For the year ended June 30, 2025, the District recognized revenue of \$251,339 for support provided by the State. At June 30, 2025, the District did not have any deferred outflows of resources or deferred inflows of resources related to the collective net OPEB liability for life insurance benefits.

Actuarial Assumptions--The total OPEB liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment Rate of Return	7.10%, net of OPEB Plan Investment Expense, including inflation
Projected Salary Increases	3.00 - 7.50%, including inflation
Inflation Rate	2.50%
Wage Inflation	2.75%
Municipal Bond Index Rate	3.94%
Discount Rate	7.10%
Single Equivalent Interest Rate	7.10%, net of OPEB Plan Investment Expense, including inflation

Mortality rates were based on the Pub2010 (Teachers Amount-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, deferred vested retirees, and active members.

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2025

Note V--Other Post-Employment Benefits ("OPEB")--Continued

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2023 valuation were based on the results of the most recent actuarial experience studies for the system, which covered the five-year period ending June 30, 2020, adopted by the Board on September 20, 2021.

The long-term expected rate of return on the OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 municipal bond rate is the monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate (formerly published monthly by the Board of Governors of the Federal Reserve System).

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	40.00%	5.20%
Developed International Equity	15.00%	5.50%-6.10%
Emerging Markets Equity	5.00%	6.10%
Fixed Income	21.00%	1.90%
Real Estate	7.00%	3.20%
Private Equity	5.00%	8.00%
Other Additional Categories	5.00%	4.00%
Cash	2.00%	1.60%
Total	<u>100.00%</u>	

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2025

Note V--Other Post-Employment Benefits ("OPEB")--Continued

Discount Rate--The discount rate used to measure the State's total OPEB liability for life insurance was 7.10%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

OPEB Plan Fiduciary Net Position--Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report.

Note W--Recent GASB Pronouncements

The following GASB reporting standards were adopted by the District during the year ended June 30, 2025:

GASB Statement No. 101, *Compensated Absences*, was issued in June 2022. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means.

GASB Statement No. 102, *Certain Risk Disclosures*, was issued in December 2023. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2025

Note W--Recent GASB Pronouncements--Continued

The GASB has issued several reporting standards that will become effective for fiscal year 2026 and later years' financial statements.

GASB Statement No. 103, *Financial Reporting Model Improvements*, was issued in April 2024. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability.

This Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, was issued September 2024. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87 and intangible right-to-use assets recognized in accordance with Statement No. 94 should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96 should be separately disclosed. This statement also requires additional disclosures for capital assets held for sale. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

The District is currently evaluating the impact that will result from adopting these GASB standards and is therefore unable to disclose the impact that adopting these standards will have on the District's financial position and the results of its operations when the standards are adopted.

Note X--Subsequent Events

In preparing these financial statements, management of the District has evaluated events and transactions for potential recognition or disclosure through December 17, 2025, the date the financial statements were available to be issued.

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2025

Note Y--Prior Period Restatement

During fiscal year 2025, the District implemented GASB Statement No. 101, *Compensated Absences*. As a result of implementing GASB Statement No. 101, the District remeasured its compensated absences liability for the prior period ending June 30, 2024. This remeasurement resulted in an increase in the liability and a corresponding decrease in beginning net position for governmental activities in the district-wide financial statements.

The restatement of beginning net position is summarized as follows:

	District-Wide / Governmental Activities
Beginning Net Position, as previously reported	\$ 48,057,948
Adjustment for GASB 101 implementation (increase in liability)	24,942,692
Beginning Net Position, restated	<u>\$ 23,115,256</u>

Required Supplementary Information

Budgetary Comparison Information

Statement of Revenues and Expenditures - Budget and Actual - General Fund

Fayette County School District

June 30, 2025

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
From local sources				
Property taxes	\$ 261,977,390	\$ 261,977,390	\$ 267,537,860	\$ 5,560,470
Motor vehicle taxes	17,000,000	17,000,000	19,718,021	2,718,021
Utility taxes	25,000,000	25,000,000	25,568,507	568,507
Occupational license tax	54,000,000	54,000,000	54,906,138	906,138
Earnings on investments	6,800,000	6,800,000	5,027,087	(1,772,913)
Other sources	10,560,000	7,028,887	5,247,139	(1,781,748)
State sources				
SEEK	95,000,000	95,000,000	95,691,048	691,048
Other state revenues	153,840,000	153,840,000	172,745,627	18,905,627
Total Revenues	624,177,390	620,646,277	646,441,427	25,795,150
Expenditures				
Instruction	393,408,005	381,681,189	416,929,206	(35,248,017)
Support services				
Student	41,391,984	41,852,312	43,186,635	(1,334,323)
Instruction staff	31,612,965	39,144,260	33,406,847	5,737,413
District administration	8,193,615	10,560,411	11,337,521	(777,110)
School administration	38,144,548	34,812,539	38,393,645	(3,581,106)
Business	34,059,396	43,823,002	45,099,116	(1,276,114)
Plant operation & maintenance	51,930,061	52,334,803	58,283,320	(5,948,517)
Student transportation	25,736,589	26,857,985	33,446,085	(6,588,100)
Community service	616,227	1,058,002	1,162,134	(104,132)
Debt service	1,685,000	1,685,000	4,104,294	(2,419,294)
Total Expenditures	626,778,390	633,809,503	685,348,803	(51,539,300)
Revenues Less Than Expenditures	(2,601,000)	(13,163,226)	(38,907,376)	(25,744,150)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	6,000	6,000	-	(6,000)
Proceeds from sale of bonds	-	-	3,022,045	3,022,045
Operating transfer in	5,000,000	12,578,506	21,858,376	9,279,870
Operating transfers out	(800,000)	(1,736,379)	(902,374)	834,005
Proceeds from capital lease	-	3,940,000	-	(3,940,000)
Contingency	(43,605,000)	(43,605,000)	-	43,605,000
Total Other Financing Sources (Uses)	(39,399,000)	(28,816,873)	23,978,047	52,794,920
Revenues Less Than Expenditures	(42,000,000)	(41,980,099)	(14,929,329)	\$ 27,050,770
Fund Balance, July 1, 2024	(187,460,210)	(453,584,975)	43,291,115	
Fund Balance, June 30, 2025	\$ (229,460,210)	\$ (495,565,074)	\$ 28,361,786	

See Accompanying Independent Auditors' Report

Statement of Revenues and Expenditures-Budget and Actual - Special Revenue Fund

Fayette County School District

June 30, 2025

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
State sources-Other state revenue	\$ 13,767,472	\$ 20,938,595	\$ 21,847,436	\$ 908,841
Governmental grants	29,018,309	34,961,809	35,490,205	528,396
Other sources	-	1,543,416	6,859,680	5,316,264
Total Revenues	42,785,781	57,443,820	64,197,321	6,753,501
Expenditures				
Instruction	38,567,163	38,504,267	43,194,535	(4,690,268)
Support services				
Student	434,119	2,539,540	2,587,780	(48,240)
Instruction staff	1,426,516	6,240,901	7,037,223	(796,322)
District administration	-	16,000	1,862,478	(1,846,478)
School administration	-	148,565	146,909	1,656
Business	-	1,477,912	2,166,858	(688,946)
Plant operation & maintenance	-	1,075,986	1,414,331	(338,345)
Community service activities	357,983	4,822,353	5,644,511	(822,158)
Total Expenditures	40,785,781	55,073,024	64,054,625	(8,981,601)
Revenues in Excess of Expenditures	2,000,000	2,370,796	142,696	(2,228,100)
Other Financing Sources (Uses)				
Operating transfers in	-	763,374	916,374	153,000
Operating transfer out	(2,000,000)	(2,700,981)	(2,840,813)	(139,832)
Total Other Financing Sources (Uses)	(2,000,000)	(1,937,607)	(1,924,439)	13,168
Revenues in Excess of (Less Than) Expenditures	-	433,189	(1,781,743)	\$ (2,214,932)
Fund Balance, July 1, 2024	-	17,332,601	1,781,743	
Fund Balance, June 30, 2025	\$ -	\$ 17,765,790	\$ -	

See Accompanying Independent Auditors' Report

Schedule of Revenues and Expenditures – Budget and Actual

Fayette County School District

Year Ended June 30, 2025

Explanation of Significant Budget Variances

General Fund

The Commonwealth of Kentucky pays certain employee benefit expenses, including health insurance and the employer match for the Kentucky Teachers Retirement Systems, on-behalf of its districts. Districts have the option to budget these expenses for financial statement presentation. For the 2024-2025 fiscal years, these expenses totaled \$173 million. On the expenditure side, beyond the effects of on-behalf payments, expenditures in the general fund that increased include Instruction, Student support, Instructional Staff Supp Serv, District admin support, School admin support, Business Support, Other Instruction, Community Services, Debt Service, Fund Transfers. The primary driver of the budget variance was salary and fringe benefits exceeding budgeted amounts related to staffing experience/education: The compensation costs were higher than projected because new staff hired into open positions possessed more years of experience and higher levels of education than the averages factored into the original budget. This placed them at higher steps/lanes on the salary schedule. Substitute costs also increased significantly during the 2024-2025 fiscal year. Finally, additional variances resulted from increasing operational expenses: The district incurred additional inflationary costs for essential services and goods, specifically citing higher costs for insurance, transportation, and other goods/services. The District has implemented new processes and utilization of better predictive analytics related to future budget adoptions.

Special Revenue Fund

Budget variances in the Grants Special Revenue Fund are primarily structural and timing-related, stemming from the multi-year nature of its grants rather than operational overspending, which means the annual budget-to-actual comparisons often fail to accurately reflect the financial health of the projects. The core difficulty arises because grants spanning twenty-four months or longer typically have their full multi-year budget (both revenue and expenditure) recognized and budgeted in the initial fiscal year, resulting in a timing mismatch. Actual expenditures flow into subsequent years, often against a zero or significantly reduced budget, leading to misleading unfavorable variances in Instruction Expenditures as the District spends down prior-year budgeted balances, and potentially favorable variances in Grant Revenues as current-year actuals exceed a reduced current-year budget. To assess the true operational effect, management relies on month-to-date project reports that compare the total grant award to cumulative expenditures, circumventing the misleading annual variance. This financial picture will be further complicated by the cessation of the significant Elementary and Secondary School Emergency Relief (ESSER) stabilization funds, which ended in September 2024 within the 2024-2025 fiscal year, impacting the revenue and expenditure totals compared to previous periods.

See Accompanying Independent Auditors' Report

Schedule of the District's Proportionate Share of the Net Pension Liability - County Employees Retirement System Non-Hazardous

Fayette County School District

Years Ended June 30

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's Proportion (Percentage) of Net Pension Liability	2.69%	2.66%	2.49%	2.41%	2.39%	2.37%	2.26%	2.23%	2.33%	2.39%
District's Proportion (Amount) of Net Pension Liability	\$ 161,098,562	\$ 170,798,214	\$ 179,782,168	\$ 153,483,684	\$ 183,461,045	\$ 166,598,548	\$ 137,771,830	\$ 130,354,035	\$ 115,180,974	\$ 102,690,080
District's Covered-Employer payroll	\$ 93,264,721	\$ 89,343,739	\$ 81,129,406	\$ 71,594,107	\$ 63,271,267	\$ 61,254,308	\$ 61,078,268	\$ 57,370,409	\$ 54,180,981	\$ 56,036,975
District's Proportionate Share (Amount) of the Net Pension Liability As a Percentage of District's Covered-Employer Payroll	172.73%	191.17%	221.60%	214.38%	289.96%	271.98%	225.57%	227.21%	212.59%	183.25%
Total Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability	61.61%	57.48%	52.42%	57.33%	47.81%	50.45%	53.54%	55.30%	55.50%	59.97%

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

See Accompanying Independent Auditors' Report

Schedule of the Contributions - County Employees Retirement System Non-Hazardous

Fayette County School District

Years Ended June 30

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 19,738,365	\$ 18,080,561	\$ 15,665,743	\$ 11,867,268	\$ 11,825,051	\$ 9,691,632	\$ 8,118,518	\$ 7,564,024	\$ 6,646,241	\$ 6,802,888
Contributions in relation to the actuarially determined contribution	<u>19,738,365</u>	<u>18,080,561</u>	<u>15,665,743</u>	<u>11,867,268</u>	<u>11,825,051</u>	<u>9,691,632</u>	<u>8,118,518</u>	<u>7,564,024</u>	<u>6,646,241</u>	<u>6,802,888</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 93,264,721	\$ 89,343,739	\$ 81,129,406	\$ 71,594,107	\$ 63,271,267	\$ 61,254,308	\$ 61,078,268	\$ 57,370,409	\$ 54,180,981	\$ 56,036,975
Contributions as a percentage covered- employee payroll	21.1638%	20.2371%	19.3096%	16.5758%	18.6894%	15.8220%	13.2920%	13.1845%	12.2667%	12.1400%

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

See Accompanying Independent Auditors' Report

Schedule of the District's Proportionate Share of the Net Pension Liability - Teachers Retirement System

Fayette County School District

Years Ended June 30

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
District's proportion of the net pension liability	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commonwealth's proportion of the net pension liability associated with the District	9.0602%	8.4334%	8.1871%	7.9375%	8.1871%	7.3906%	7.5726%	7.3505%	7.1970%	7.0862%
Commonwealth's proportionate share of the net pension liability associated with the District	<u>1,455,571,734</u>	<u>1,405,950,939</u>	<u>1,366,585,448</u>	<u>1,012,641,135</u>	<u>1,093,095,583</u>	<u>1,025,857,579</u>	<u>991,563,128</u>	<u>1,983,376,595</u>	<u>2,123,121,587</u>	<u>1,648,984,314</u>
Total	<u>\$ 1,455,571,734</u>	<u>\$ 1,405,950,939</u>	<u>\$ 1,366,585,448</u>	<u>\$ 1,012,641,135</u>	<u>\$ 1,093,095,583</u>	<u>\$ 1,025,857,579</u>	<u>\$ 991,563,128</u>	<u>\$ 1,983,376,595</u>	<u>\$ 2,123,121,587</u>	<u>\$ 1,648,984,314</u>
District's covered-employee payroll	\$ 337,997,232	\$ 333,987,547	\$ 302,584,525	\$ 136,889,049	\$ 264,760,640	\$ 257,622,151	\$ 245,685,825	\$ 243,479,128	\$ 233,911,879	\$ 225,602,190 [▼]
District's proportionate share of the net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Commonwealth's proportionate share of the net pension liability as a percentage of District's covered-employee payroll	430.65%	420.96%	451.64%	739.75%	412.86%	398.20%	403.59%	814.60%	907.66%	730.93%
Plan Fiduciary net position as a percentage of the total pension liability	60.36%	57.68%	56.41%	65.59%	58.27%	58.80%	59.30%	39.80%	35.20%	42.49%

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

Schedule of District Contributions - Teachers Retirement System

Fayette County School District

Years Ended June 30

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 94,607,398	\$ 84,569,666	\$ 12,468,880	\$ 80,832,407	\$ 79,120,515	\$ 77,201,469	\$ 71,846,318	\$ 70,468,176	\$ 34,934,106	\$ 34,103,241
Contributions in relation to the contractually required contribution	94,607,398	84,569,666	12,468,880	80,832,407	79,120,515	77,201,469	71,846,318	70,468,176	34,934,106	34,103,241
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Districts' covered payroll	\$ 337,997,232	\$ 333,987,547	\$ 302,584,525	\$ 136,889,049	\$ 264,760,640	\$ 257,622,151	\$ 245,685,825	\$ 243,479,128	\$ 233,638,752	\$ 225,602,190
Contributions as a percentage of covered-employee payroll	27.9906%	25.3212%	4.1208%	59.0496%	29.8838%	29.9669%	29.2432%	28.9422%	14.9522%	15.1165%

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

See Accompanying Independent Auditors' Report

Schedule of the District's Proportionate Share of the Net OPEB Liability - County Employees Retirement System Non-Hazardous

Fayette County School District

Years Ended June 30

	2025	2024	2023	2022	2021	2020	2019	2018	2017
District's Proportion (Percentage) of Net OPEB Liability	2.696%	2.662%	2.489%	2.412%	2.391%	2.368%	2.262%	2.227%	N/A
District's Proportion (Amount) of Net OPEB Liability	\$ (4,664,081)	\$ (3,674,997)	\$ 49,124,444	\$ 46,175,538	\$ 57,742,574	\$ 39,833,924	\$ 40,162,603	\$ 44,770,619	\$ 32,271,102
District's Covered-Employer payroll	\$ 93,264,721	\$ 89,343,739	\$ 81,129,406	\$ 63,271,267	\$ 63,271,267	\$ 61,254,308	\$ 61,078,268	\$ 57,370,409	\$ 54,180,981
District's Proportionate Share (Amount) of the Net Pension Liability As a Percentage of District's Covered-Employer Payroll	-5.00%	-4.11%	60.55%	72.98%	91.26%	65.03%	65.76%	78.04%	59.56%
Total Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability	104.89%	104.23%	60.95%	62.91%	51.67%	60.44%	57.62%	52.40%	52.40%

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

See Accompanying Independent Auditors' Report

Schedule of the Contributions - OPEB - County Employees Retirement System Non-Hazardous

Fayette County School District

Years Ended June 30

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 1,268,459	\$ 3,817,356	\$ 4,459,807	\$ 4,298,485	\$ 4,118,199	\$ 4,684,231	\$ 5,168,083	\$ 5,101,778	\$ 6,646,241
Contributions in relation to the actuarially determined contribution	<u>1,268,459</u>	<u>3,817,356</u>	<u>4,459,807</u>	<u>4,298,485</u>	<u>4,118,199</u>	<u>4,684,231</u>	<u>5,168,083</u>	<u>5,101,778</u>	<u>6,646,241</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 93,264,721	\$ 89,343,739	\$ 81,129,406	\$ 71,594,107	\$ 63,271,267	\$ 61,254,308	\$ 61,078,268	\$ 57,370,409	\$ 54,180,981
Contributions as a percentage covered- employee payroll	1.3601%	4.2727%	5.4972%	6.0040%	6.5088%	7.6472%	8.4614%	8.8927%	12.2667%

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

See Accompanying Independent Auditors' Report

Schedule of the District's Proportionate Share of the Collective Net OPEB Liability - Teachers Retirement System - Medical Insurance

Fayette County School District

Years Ended June 30

	2025	2024	2023	2022	2021	2020	2019	2018
District's proportion of the net OPEB liability	4.539%	4.340%	5.813%	4.141%	4.123%	3.998%	3.894%	3.865%
District's proportionate share of the net OPEB liability	\$ 101,172,000	\$ 105,707,000	\$ 144,308,000	\$ 88,845,000	\$ 104,050,000	\$ 117,017,000	\$ 135,114,000	\$ 137,820,000
Commonwealth's proportion of the net OPEB liability associated with the District	4.044%	3.658%	1.910%	3.363%	3.303%	3.229%	3.356%	3.157%
Commonwealth's proportionate share of the net OPEB liability associated with the District	<u>90,131,000</u>	<u>89,096,000</u>	<u>47,407,000</u>	<u>72,153,000</u>	<u>83,348,000</u>	<u>94,499,000</u>	<u>116,441,000</u>	<u>112,579,000</u>
Total	<u>\$ 191,303,000</u>	<u>\$ 194,803,000</u>	<u>\$ 191,715,000</u>	<u>\$ 160,998,000</u>	<u>\$ 187,398,000</u>	<u>\$ 211,516,000</u>	<u>\$ 251,555,000</u>	<u>\$ 250,399,000</u>
District's covered-employee payroll	\$ 337,997,232	\$ 333,987,547	\$ 302,584,525	\$ 136,889,049	\$ 264,730,640	\$ 257,622,151	\$ 245,685,825	\$ 243,479,128
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	29.93%	31.65%	47.69%	64.90%	39.30%	45.42%	54.99%	56.60%
Plan fiduciary net position as a percentage of the total OPEB liability	59.81%	52.97%	47.75%	51.74%	39.05%	32.60%	25.50%	21.20%

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

See Accompanying Independent Auditors' Report

Schedule of the Contributions - OPEB - Teachers Retirement System - Medical Insurance

Fayette County School District

Years Ended June 30

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 9,425,284	\$ 8,223,578	\$ 7,713,040	\$ 7,349,569	\$ 7,281,216	\$ 6,961,825	\$ 6,936,623	\$ 6,621,930
Contributions in relation to the actuarially determined contribution	<u>9,425,284</u>	<u>8,223,578</u>	<u>7,713,040</u>	<u>7,349,569</u>	<u>7,281,216</u>	<u>6,961,825</u>	<u>6,936,623</u>	<u>6,621,930</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 337,997,232	\$ 333,987,547	\$ 302,584,525	\$ 136,889,049	\$ 264,730,640	\$ 257,622,151	\$ 245,685,825	\$ 243,479,128
Contributions as a percentage covered- employee payroll	2.7886%	2.4622%	2.5491%	5.3690%	2.7504%	2.7023%	2.8234%	2.7197%

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

See Accompanying Independent Auditors' Report

Schedule of the District's Proportionate Share of the Net OPEB Liability - Teachers Retirement System - Life Insurance

Fayette County School District

Years Ended June 30

	2025	2024	2023	2022	2021	2020	2019	2018
District's proportion of the net OPEB liability	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commonwealth's proportion of the net OPEB liability associated with the District	8.3897%	7.8126%	7.5820%	7.3329%	7.8649%	7.0642%	7.0856%	6.8627%
Commonwealth's proportionate share of the net OPEB liability associated with the District	2,057,000	2,205,000	2,358,000	959,000	2,520,000	2,195,000	1,998,000	1,507,000
Total	\$ 2,057,000	\$ 2,205,000	\$ 2,358,000	\$ 959,000	\$ 2,520,000	\$ 2,195,000	\$ 1,998,000	\$ 1,507,000
District's covered-employee payroll	\$ 337,997,232	\$ 333,987,547	\$ 302,584,525	\$ 136,889,049	\$ 264,730,640	\$ 257,622,151	\$ 245,685,825	\$ 243,479,128
District's proportionate share of the net OPEB liability 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 OPEB liability	80.56%	76.91%	73.97%	89.15%	71.57%	73.40%	75.00%	79.99%

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

See Accompanying Independent Auditors' Report

Schedule of the Contributions - OPEB - Teachers Retirement System - Life Insurance

Fayette County School District

Years Ended June 30

	2025	2024	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 337,997,232	\$ 333,987,547	\$ 302,584,525	\$ 136,889,049	\$ 264,730,640	\$ 257,622,151	\$ 245,685,825	\$ 243,479,128
Contributions as a percentage covered- employee payroll	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%

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

See Accompanying Independent Auditors' Report

Fayette County School District

Year Ended June 30, 2025

Changes of Benefit Terms

2025	None
2024	None
2023	None
2022	None
2021	None
2020	None
2019	None
2018	None
2017	None
2016	None

Changes of Assumptions

2025	Pension - none OPEB - the discount rate changed from 5.93% to 5.99% and healthcare trend rates for participants pre-65 decreased from a starting percentage of 6.30% to 6.20%
2024	Pension - single discount rate changed from 6.25% to 6.50% OPEB - the discount rate changed from 5.70% to 5.93% and healthcare trend rates for participants pre-65 decreased from a starting percentage of 6.40% to 6.30%
2021	Pension and OPEB - the salary increase assumption changed from 3.30% - 10.30% to 3.30% - 11.55% OPEB - single discount rate changed from 5.68% to 5.34%
2020	Pension and OPEB - the salary increase assumption changed from 3.05% to 3.30% - 10.30% OPEB - single discount rate changed from 5.85% to 5.68%
2019	Pension and OPEB - the salary increases assumption was changed from 2.00% to 3.05% OPEB, the single discount rate changed from 5.84% to 5.85%
2018	Pension and OPEB - the assumed investment return was changed from 7.50% to 6.25%; the prince inflation assumption was changed from 3.25% to 2.40%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service; and the payroll growth assumption (applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%. OPEB - the single discount rate changed from 6.89 to 5.84%.
2017	None
2016	Pension -the assumed investment rate of return was decreased from 7.75% to 7.50%; the assumed rate of inflation was reduced from 3.50% to 3.25%; the assumed rate of wage inflation was reduced from 1.00% to 0.75%; payroll growth assumption was reduced from 4.50% to 4.00%; and the assumed rates of retirement, withdrawal, and disability were updated to more accurately reflect experience.

Notes to Required Supplementary Information - Teachers Retirement System

Fayette County School District

Year Ended June 30, 2025

Pension:

Changes of Benefit Terms

2025	None
2024	A new benefit tier was added for members joining the System on and after January 1, 2022.
2023	None
2022	None
2021	None
2020	None
2019	None
2018	None
2017	None
2016	None

Changes of Assumptions

2025	None
2024	The municipal bond index rate increased from 3.37% to 3.66%
2023	The municipal bond index rate increased from 2.13% to 3.37%
2022	The municipal bond index rate decreased from 2.19% to 2.13%
2021	The municipal bond index rate decreased from 3.89% to 2.19%
2020	The municipal bond index rate decreased from 3.89% to 3.50%
2019	The municipal bond index rate increased from 3.56% to 3.89% The discount rate increased from 4.49% to 7.5%
2018	The municipal bond index rate increased from 3.01% to 3.56% The discount rate increased from 4.20% to 4.49%
2017	The municipal bond index rate decreased from 3.82% to 3.01% The discount rate decreased from 4.88% to 4.20%
2016	The municipal bond index rate decreased from 4.35% to 3.82%

Medical Insurance Plan

Changes of Benefit Terms

2025	None
2024	None
2023	None
2022	None
2021	None
2020	None
2019	None

Fayette County School District

Year Ended June 30, 2025

- 2018 With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the State will only finance, via its KEHP "shared responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010

Changes of Assumptions

- 2025 None
Health Care Cost Medical Trend decreased from 6.75% to 6.50%
Health Care Cost Trends for Medicare Part B Premiums decreased from 1.55% to 5.92%
- 2024 The municipal bond index rate increased from 3.37% to 3.66%
Health Care Cost Medical Trend decreased from 7.00% to 6.75%
Health Care Cost Trends for Medicare Part B Premiums decreased from 6.97% to 1.55%
- 2023 The municipal bond index rate increased from 2.13% to 3.37%
- 2022 The municipal bond index rate decreased from 2.19% to 2.13%
- 2021 The municipal bond index rate decreased from 3.50% to 2.19%
Health Care Cost Trends for Under Age 65 decreased from 7.5% to 7.25%
Health Care Cost Trends for Ages 65 and Older decreased from 5.50% to 5.25%
Health Care Cost Trends for Medicare Part B Premiums increased from 2.63% to 6.49%
- 2020 The municipal bond index rate decreased from 3.89% to 3.50%
Health Care Cost Trends for Under Age 65 decreased from 7.75% to 7.50%
Health Care Cost Trends for Ages 65 and Older decreased from 5.75% to 5.50%
Health Care Cost Trends for Medicare Part B Premiums increased from 0.00% to 2.63%
- 2019 The municipal bond index rate increased from 3.56% to 3.89%
Health Care Costs Trends for Medicare Part B Premiums decreased from 1.02% to 0.00%
- 2018 None

Life Insurance Plan

Changes of Benefit Terms

- 2025 None
2024 None
2023 None
2022 None
2021 None
2020 None
2019 None
2018 None

Notes to Required Supplementary Information - Teachers Retirement System--Continued

Fayette County School District

Year Ended June 30, 2025

Changes of Assumptions

2025	Health Care Cost Medical Trend decreased from 6.75% to 6.50%
	Health Care Cost Trends for Medicare Part B Premiums decreased from 1.55% to 5.92%
2024	The municipal bond index rate increased from 3.37% to 3.66%
	Health Care Cost Medical Trend decreased from 7.00% to 6.75%
	Health Care Cost Trends for Medicare Part B Premiums decreased from 6.97% to 1.55%
2023	The municipal bond index rate increased from 2.13% to 3.37%
2022	The municipal bond index rate decreased from 2.19% to 2.13%
2021	The municipal bond index rate decreased from 3.50% to 2.19%
2020	The municipal bond index rate decreased from 3.89% to 3.50%
2019	The municipal bond index rate increased from 3.56% to 3.89%
2018	None

Other Supplementary Information

Combining Balance Sheet - Nonmajor Governmental Funds

Fayette County School District

June 30, 2025

					<u>Permanent Funds</u>	
	<u>Building</u>	<u>SEEK</u>	<u>School</u>	<u>District</u>	<u>Lexington</u>	<u>Total</u>
	<u>Fund</u>	<u>Capital</u>	<u>Activity</u>	<u>Activity</u>	<u>Industrial</u>	<u>Nonmajor</u>
		<u>Outlay</u>	<u>Fund</u>	<u>Fund</u>	<u>School</u>	<u>Governmental</u>
		<u>Fund</u>			<u>Fund</u>	<u>Funds</u>
Assets						
Cash and cash equivalents	\$ 8,000,000	\$ -	\$ 6,259,422	\$ 1,392,552	\$ 1,130	\$ 15,653,104
Interfund Receivables	-	-	-	6,171,858	-	6,171,858
Accounts receivable-taxes	-	-	821,070	-	-	821,070
Total Assets	<u>\$ 8,000,000</u>		<u>\$ 7,080,492</u>	<u>\$ 7,564,410</u>	<u>\$ 1,130</u>	<u>\$ 22,646,032</u>
Liabilities						
Accounts payable			\$ 19,713	\$ 106,334	\$ 1,130	\$ 127,177
Interfund payables			6,171,858	-	-	6,171,858
Deferred revenue			888,921	7,458,076	-	8,346,997
Total Liabilities			7,080,492	7,564,410	1,130	14,646,032
Fund Balances						
Restricted	<u>\$ 8,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,000,000</u>
Total Liabilities and Fund Balances	<u>\$ 8,000,000</u>	<u>\$ -</u>	<u>\$ 7,080,492</u>	<u>\$ 7,564,410</u>	<u>\$ 1,130</u>	<u>\$ 22,646,032</u>

See Accompanying Independent Auditors' Report

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds

Fayette County School District

Year Ended June 30, 2025

					<u>Permanent Funds</u>	
	<u>Building</u>	<u>SEEK</u>	<u>School</u>	<u>District</u>	<u>Lexington</u>	<u>Total</u>
	<u>Fund</u>	<u>Capital</u>	<u>Activity</u>	<u>Activity</u>	<u>Industrial</u>	<u>Nonmajor</u>
		<u>Outlay</u>	<u>Fund</u>	<u>Fund</u>	<u>School</u>	<u>Governmental</u>
		<u>Fund</u>			<u>Fund</u>	<u>Funds</u>
Revenues						
Local sources						
Property taxes	\$ 62,549,938					\$ 62,549,938
Motor vehicle taxes	1,600,208					1,600,208
State sources						
SEEK program	255,385	\$ 3,779,171				4,034,556
Federal sources			\$ 108,995			108,995
Other sources			7,576,203	\$ 2,281,360	\$ 8,475	9,866,038
Total Revenues	<u>64,405,531</u>	<u>3,779,171</u>	<u>7,685,198</u>	<u>2,281,360</u>	<u>8,475</u>	<u>78,159,735</u>
Expenditures						
Instruction			4,727,260	2,958,773		7,686,033
Support services						
Instruction staff			213,302	98,762		312,064
Student transportation			195,845			195,845
Non-instruction			1,772,616			1,772,616
Community service activities					8,475	8,475
Total Expenditures	<u></u>	<u></u>	<u>6,909,023</u>	<u>3,057,535</u>	<u>8,475</u>	<u>9,975,033</u>
Revenue in Excess of (Less Than) Expenditures	<u>64,405,531</u>	<u>3,779,171</u>	<u>776,175</u>	<u>(776,175)</u>	<u>-</u>	<u>68,184,702</u>
Other Financing Sources (Uses)						
Operating transfers in				776,175		776,175
Operating transfers out	<u>(70,304,784)</u>	<u>(3,796,784)</u>	<u>(776,175)</u>	<u></u>	<u></u>	<u>(74,877,743)</u>
Net Change in Fund Balances	<u>(5,899,253)</u>	<u>(17,613)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,916,866)</u>
Fund Balances						
Beginning of Year	<u>13,899,253</u>	<u>17,613</u>	<u></u>	<u></u>	<u></u>	<u>13,916,866</u>
Fund Balance End of Year	<u>\$ 8,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,000,000</u>

See Accompanying Independent Auditors' Report.