# MORGAN COUNTY
# SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES

For the year ended June 30, 2025

Prepared by:

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Morgan County School District
West Liberty, KY

## 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 Morgan County School District (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.

### *Basis for Opinions*

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

### *Emphasis of Matter – Adoption of New Accounting Standard*

As discussed in Note A to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, during the year ended June 30, 2025. The adoption of this statement resulted in a change in the accounting for compensated absences and a restatement of beginning net position as of June 30, 2024. Our opinion is not modified with respect to this matter.

### *Responsibilities of Management for the Financial Statements*

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

maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

***Required Supplementary Information***

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

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

***Supplementary Information***

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Allen + Associates, PLLC

Richmond, KY
February 15, 2026

As management of the Morgan County Public School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

## FINANCIAL HIGHLIGHTS

- The beginning fund balance for fund 1 for the District was $5,463,229 which includes Site Based CWFD in the amount of $6,031 and committed sick leave of $110,527, The CWFD amount was re-budgeted in the per pupil accounts for designated schools. The ending fund balance for fund 1 was $5,293,504 which includes committed Site Based CWFD in the amount of $7,948 and will be budgeted appropriately for FY26. The FY25 fund balance also included $50,627 for committed sick leave liability.
- The General Fund had $20,791,358 in revenue including inter-fund transfers. Receipted revenue primarily consisted of the state program (SEEK), property, utility, motor vehicle taxes, Universal Service Fund reimbursement and Medicaid reimbursements. There was $20,497,498 in General Fund expenditures and $463,585 in inter-fund transfers which involved KETS, KISTA debt service and bond payments. On-behalf payments of $5,128,976 are included in both revenue and expenditures.
- The district completed the tennis court and the multifacility energy savings projects in the first semester of FY 25 that had been started in previous years.

### OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Morgan County School District's basic financial statements. The District's basic 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 Morgan County School District's finances, in a manner similar to a private-sector business.

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

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

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

The district-wide financial statements can be found on the table of contents of this report.

**Fund Financial Statements -** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with

finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary fund is our food service operations. All other activities of the District are included in the governmental funds. The basic governmental fund financial statements can be found on the table of contents of this report.

**Notes to the Financial Statements -** The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on the table of contents of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Morgan County School District, assets plus deferred outflows exceeded liabilities by approximately $32,960,154 as of 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 is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

2025 District-Wide Governmental Net position compared to 2024 as follows:

**Table 1**

**Net Position (in Millions)**

| | Governmental Activities | | Business-type Activities | | Total School District | | Total Percentage Change 2024-2025 |
|---|---|---|---|---|---|---|---|
| | **2024** | **2025** | **2024** | **2025** | **2024** | **2025** | |
| Assets: | | | | | | | |
| Current and Other Assets | 11.83 | 7.40 | 0.10 | 0.12 | 11.93 | 7.52 | -37% |
| Capital Assets | 80.28 | 82.34 | 0.14 | 0.11 | 80.42 | 82.45 | 3% |
| **Total Assets** | **92.11** | **89.74** | **0.24** | **0.23** | 92.35 | **89.97** | -3% |
| **Deferred Outflows** | 4.54 | 3.54 | 0.13 | 0.08 | 4.67 | 3.63 | -22% |
| | 4.54 | 3.54 | 0.13 | 0.08 | 4.67 | 3.63 | |
| Liabilities: | | | | | | | |
| Current Liabilities | 6.24 | 5.10 | 0.05 | 0.12 | 6.29 | 5.22 | -17% |
| Noncurrent Liabilities | 53.00 | 48.87 | 0.34 | 0.26 | 53.34 | 49.13 | -8% |
| **Total Liabilities** | **59.24** | **53.97** | **0.39** | **0.39** | 59.63 | **54.35** | -9% |
| **Deferred Inflows** | 6.47 | 5.49 | 0.21 | 0.16 | 6.68 | 5.65 | -15% |
| | 6.47 | 5.49 | 0.21 | 0.16 | 6.68 | 5.65 | |
| Invested in Capital Assets | | | | | | | |
| Net of Debt | 33.62 | 38.95 | 0.13 | 0.11 | 33.75 | 39.06 | 16% |
| Restricted | 5.96 | 1.78 | - | (0.35) | 5.96 | 1.43 | -76% |
| Unrestricted Net Position | (8.64) | (7.78) | (0.36) | | (9.00) | (7.78) | -14% |
| **Total Net Position** | **30.94** | **32.96** | **(0.23)** | **(0.24)** | 30.71 | **32.72** | 7% |

## GOVERNMENTAL ACTIVITIES

Ending net position was $32.96 million for the District. This was an increase of $2.7 million from 2024.

Table 2
Changes in Net Position
(in millions)

| | Governmental Activities | | Business-Type Activities | | Total School District | | Total Percentage Change |
|---|---|---|---|---|---|---|---|
| | 2024 | 2025 | 2024 | 2025 | 2024 | 2025 | 2024-2025 |
| Revenues: | | | | | | | |
| Charges for services | $ 0.75 | $ - | $ 0.10 | $ 0.09 | $ 0.85 | $ 0.09 | -89% |
| Operating grants and contributions | 11.78 | 2.89 | 1.70 | 1.73 | 13.48 | 4.62 | -66% |
| Capital grants and contributions | 4.05 | 4.30 | - | | 4.05 | 4.30 | 6% |
| General revenues | 14.81 | (25.21) | - | 0.00 | 14.81 | (25.20) | -270% |
| Total revenue | 31.39 | (18.01) | 1.80 | 1.82 | 33.19 | (16.19) | -149% |
| Expenses: | | | | | | | |
| Instruction | $ 13.79 | $ 12.21 | $ - | | $ 13.79 | $ 12.21 | -11% |
| Student | 1.56 | 1.71 | - | | 1.56 | 1.71 | 10% |
| Instructional staff | 1.14 | 0.95 | - | | 1.14 | 0.95 | -17% |
| District administration | 0.73 | 0.75 | - | | 0.73 | 0.75 | 2% |
| School administration | 1.57 | 1.69 | - | | 1.57 | 1.69 | 8% |
| Business | 0.57 | 0.56 | - | | 0.57 | 0.56 | -2% |
| Plant operation & maintenance | 2.71 | 2.99 | - | | 2.71 | 2.99 | 10% |
| Student transportation | 1.52 | 1.30 | - | | 1.52 | 1.30 | -15% |
| Community services operations | 0.32 | 0.41 | - | | 0.32 | 0.41 | 29% |
| Food Service Operations | - | | 1.84 | 1.79 | 1.84 | 1.79 | -3% |
| Depreciation/Amortization | 2.53 | 2.40 | 0.03 | 0.04 | 2.56 | 2.44 | -5% |
| Interest on long-term debt | 1.37 | 1.30 | - | | 1.37 | 1.30 | 0% |
| Total Expenses | $ 27.81 | $ 26.27 | $ 1.87 | $ 1.82 | $ 29.68 | $ 28.09 | -5% |
| Change in net position | $ 3.58 | $ (44.28) | $ (0.07) | $ - | $ 3.51 | $(44.28) | 1362% |

## CAPITAL ASSETS

At the end of fiscal 2025, the District had $82,364,370 invested in capital assets (Net of Depreciation), including land, buildings, buses, computers and other equipment. This amount represents an increase (including additions and deductions) of $2,226,178 from last year.

Capital Assets (net) at Year-End FY2025

| | Governmental Activities | | Business Type Activities | | Totals | |
|---|---|---|---|---|---|---|
| | 2024 | 2025 | 2024 | 2025 | 2024 | 2025 |
| Land | 1,316,340 | 1,316,340 | | | 1,316,340 | 1,316,340 |
| Land Improvements | 622,381 | 580,463 | | | 622,381 | 580,463 |
| Buildings & Improvements | 74,355,986 | 72,134,163 | | | 74,355,986 | 72,134,163 |
| Technology Equipment | - | - | | | - | - |
| Vehicles | 1,078,298 | 862,860 | | | 1,078,298 | 862,860 |
| General Equipment | 235,755 | 267,520 | 131,337 | 110,615 | 367,092 | 378,135 |
| Construction In Progress | 2,529,432 | 7,203,024 | | - | 2,529,432 | 7,203,024 |

## DEBT

Finance purchase obligations and general obligation debt decreased $3.14 million from FY 2024.

Outstanding Debt at Year-End
(in Millions)

| | Governmental Activities | |
|---|---|---|
| | 2024 | 2025 |
| General Obligation Bonds | $ 46.24 | 43.20 |
| Finance Purchase Obligations | 0.32 | 0.21 |
| Total Obligations | $ 46.56 | $ 43.41 |

**THE DISTRICT'S FUNDS**

As the District completed the year, the General Fund reflected a fund balance of $5,234,928, a $169,726 decrease from prior year's fund balance of 5,463,229. The unassigned portion of the fund balance at the end of fiscal year 2025 is $5,346,671, compared to $5,346,671 the preceding year.

The following table presents a summary of revenue and expense for the District as a whole for the fiscal year ended June 30, 2025:

| REVENUE | | |
|---|---|---|
| | **Governmental** | **Proprietary** |
| Local Revenue Sources | 5,319,005 | |
| State Revenue Sources | 21,733,449 | |
| Federal Revenue Sources | 1,898,004 | |
| Other | 19,208 | |
| Transfers | 2,257,629 | |
| **TOTALS** | **31,227,295** | **-** |
| **EXPENDITURES** | **Governmental** | **Proprietary** |
| Instruction | 13,168,993 | |
| Student Support Services | 1,728,947 | |
| Instructional Staff Support Services | 1,026,679 | |
| District Admin Support | 780,913 | |
| School Admin Support | 1,835,790 | |
| Business Support Services | 596,958 | |
| Plant Operation & Management | 3,110,338 | |
| Student Transportation | 1,460,385 | |
| Food Service Operations | | |
| Community Services | 404,392 | |
| Building Acqu & Construction | 1,212,752 | |
| Other Non-Instructional | 7,278 | |
| Architectural/Egin | | |
| Debt Service | 4,460,709 | |
| Building Improvements | 3,515,933 | |
| Building Renovations | | |
| Other Items | | |
| Transfers | 2,257,629 | |
| **TOTALS** | **35,567,694** | **-** |
| Excess / (Deficit) | (4,340,399) | - |

*Note: This chart does not include beginning balances.

## Comments on Budget Comparisons

- The District's total general fund revenues for the fiscal year ended June 30, 2025, net of Interfund transfers, Beginning Balance, Finance Purchase Obligations and sale of land /equipment was $20,495,997.

- Excluding on-behalf payments and sale of land /equipment, general fund budget compared to actual revenue varied from line item to line item, with the ending actual revenue being $600,498 more than budgeted.

- Excluding on-behalf payments general fund budget expenditures to actual varied line item to line item with the actual expenditures being $1,225,540 less than budgeted.

## BUDGETARY IMPLICATIONS

In Fiscal Year 2025 the Board elected to take the 4% revenue increase on property taxes rather than the compensating rate. The Board realized that inflation had impacted all aspects of education from the educators to supplies. Thus, maximizing revenue streams now and in the future is a must.

The budget will likely be negatively impacted in the future due to enrollment decreases with the funding from SEEK being based on Average Daily Attendance. Through uncertain financial times The Board and Administrative staff are working diligently to ensure that Morgan County Schools continue to make financial decisions for the betterment of our students.

Questions regarding this report should be directed to the Finance Officer, Lori Stamper or Superintendent, Ralph Hamilton, Ed., at (606) 743-8002 or by mail at Morgan County Board of Education, 155 University Drive, West Liberty, Kentucky 41472.

Morgan County School District
**Statement of Net Position**
June 30, 2025

| | Primary Government | | |
|---|---|---|---|
| | **Governmental Activities** | **Business-type Activities** | **Total** |
| **ASSETS** | | | |
| Cash and cash equivalents | $ 4,929,539 | $ | $ 4,929,539 |
| Investments | 2,000,000 | | 2,000,000 |
| Receivables (net) | | | |
| Taxes | 138,724 | | 138,724 |
| Accounts | | 89,700 | 89,700 |
| Interfund | 124,406 | | 124,406 |
| Intergovernmental | 202,129 | | 202,129 |
| Inventories | | 17,303 | 17,303 |
| CERS OPEB Asset | 158,046 | 7,586 | 165,632 |
| Prepaid expense | 3,848 | | 3,848 |
| Capital assets: | | | - |
| Land, and construction in progress | 8,519,364 | | 8,519,364 |
| Other capital assets, net of depreciation | 73,845,006 | 110,615 | 73,955,621 |
| Total capital assets | 82,364,370 | 110,615 | 82,474,985 |
| Total assets | 89,921,061 | 225,204 | 90,146,265 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | |
| Deferred outflows related to pensions | 1,274,139 | 61,153 | 1,335,292 |
| Deferred outflows related to OPEB | 2,254,061 | 20,147 | 2,274,208 |
| Deferred outflows related to bond refinancing | 16,260 | | 16,260 |
| Total deferred outflows of resources | 3,544,459 | 81,300 | 3,625,759 |
| **TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES** | 93,465,520 | 306,504 | 93,772,024 |
| **LIABILITIES** | | | |
| Accounts payable | 154,810 | | 154,810 |
| Interfund payable | | 124,406 | 124,406 |
| Unearned revenue | 2,225,083 | | 2,225,083 |
| Accrued interest payable | 482,116 | | 482,116 |
| Long-term liabilities: | | | |
| Due within 1 year: | | | |
| Bond obligations | 3,030,000 | | 3,030,000 |
| Financed purchases | 99,329 | | 99,329 |
| Total due within 1 year | 3,129,329 | - | 3,129,329 |
| Due in more than 1 year: | | | |
| Bond obligations | 40,166,807 | | 40,166,807 |
| Financed purchases | 115,012 | | 115,012 |
| Sick leave | 831,391 | | 831,391 |
| Net pension liability | 5,458,757 | 261,997 | 5,720,754 |
| Net KTRS OPEB liability | 2,453,000 | | 2,453,000 |
| Total due in more than 1 year | 49,024,967 | 261,997 | 49,286,963 |
| Total liabilities | 55,016,304 | 386,403 | 55,402,707 |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Deferred inflows related to pensions | 1,487,655 | 71,401 | 1,559,056 |
| Deferred inflows related to OPEB | 4,000,792 | 87,582 | 4,088,374 |
| Total deferred inflows of resources | 5,488,447 | 158,983 | 5,647,430 |
| **TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES** | 60,504,751 | 545,386 | 61,050,137 |
| **NET POSITION** | | | |
| Net Investment in capital assets | 38,953,222 | 110,615 | 39,063,837 |
| Restricted for: | | | |
| Student activities | 206,392 | - | 206,392 |
| Capital projects | 1,577,106 | | 1,577,106 |
| Food Service | | (349,497) | (349,497) |
| Deficit | (7,775,951) | | (7,775,951) |
| Total net position | 32,960,769 | (238,882) | 32,721,887 |
| **TOTAL LIABILITIES DEFERRED INFLOWS OF RESOURCES AND NET POSITION** | $ 93,465,520 | $ 306,504 | $ 93,772,024 |

See the accompanying notes to the financial statements.

Morgan County School District
**Statement of Activities**
For the Year Ended June 30, 2025

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position – Primary Government: Governmental Activities | Primary Government: Business-type Activities | Primary Government: Total |
|---|---|---|---|---|---|---|---|
| **PRIMARY GOVERNMENT:** | | | | | | | |
| Governmental activities: | | | | | | | |
| Instruction | $ 12,212,263 | $ - | $ 1,343,853 | $ | $ (10,868,409) | | $ (10,868,409) |
| Support Services | | | | | | | |
| Student | 1,712,876 | | 188,487 | | (1,524,389) | | (1,524,389) |
| Instructional Staff | 950,315 | | 104,574 | | (845,741) | | (845,741) |
| District Administration | 745,418 | | 82,027 | | (663,391) | | (663,391) |
| School Administration | 1,691,265 | | 186,109 | | (1,505,156) | | (1,505,156) |
| Business | 558,571 | | 61,466 | | (497,105) | | (497,105) |
| Plant Operation & Maintenance | 2,987,993 | | 328,803 | | (2,659,191) | | (2,659,191) |
| Student Transportation | 1,295,757 | | 142,587 | | (1,153,170) | | (1,153,170) |
| Community Services Operations | 411,670 | | 45,301 | 4,303,616 | 3,937,247 | | 3,937,247 |
| Depreciation | 2,402,997 | | 264,429 | | (2,138,568) | | (2,138,568) |
| Interest on general long-term debt | 1,297,783 | | 142,810 | | (1,154,974) | | (1,154,974) |
| Total governmental activities | 26,266,908 | - | 2,890,445 | 4,303,616 | (19,072,847) | | (19,072,847) |
| Business-type activities: | | | | | | | |
| Food service operations | 1,787,542 | 93,353 | 1,726,867 | | | $ 32,678 | 32,678 |
| Depreciation | 36,120 | | | | | (36,120) | (36,120) |
| Total business-type activities | 1,823,661 | 93,353 | 1,726,867 | - | - | (3,442) | (3,442) |
| Total primary government | $ 28,090,569 | $ 93,353 | $ 4,617,311 | $ 4,303,616 | (19,072,847) | (3,442) | (19,076,289) |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes | | | | | 2,620,070 | | 2,620,070 |
| Motor vehicle taxes | | | | | 630,140 | | 630,140 |
| Uitility taxes | | | | | 766,884 | | 766,884 |
| Gain (loss) on sale of equipment | | | | | 19,207 | | 19,207 |
| State and formula grants | | | | | 16,437,393 | | 16,437,393 |
| Student activities | | | | | 517,435 | | 517,435 |
| Other local revenue | | | | | 415,763 | | 415,763 |
| Unrestricted investment earnings | | | | | 368,713 | 60 | 368,773 |
| Total general revenues | | | | | 21,775,604 | 60 | 21,775,664 |
| Change in net position | | | | | 2,702,758 | (3,382) | 2,699,375 |
| Net position - beginning | | | | | 30,942,828 | (235,500) | 30,707,328 |
| Adoption of Accounting Principle - Note N | | | | | (685,432) | | (685,432) |
| Restated net position - beginning | | | | | 30,257,396 | (235,500) | 30,021,896 |
| Net position - ending | | | | | $ 32,960,154 | $ (238,882) | $ 32,721,271 |

See the accompanying notes to the financial statements.

Morgan County School District
**Balance Sheet**
**Governmental Funds**
June 30, 2025

| | General | Special Revenue | Building Fund | Debt Service | Construction | Non-Major Funds | Total |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| Cash and cash equivalents | $ 3,138,086 | $ | $ 1,498,675 | $ - | $ 78,431 | $ 214,347 | $ 4,929,539 |
| Investments | 2,000,000 | | | | | | 2,000,000 |
| Receivables, net | | | | | | | |
| Taxes-current | 138,724 | | | | | | 138,724 |
| Interfund - Special Revenue | 11,825 | | | | | | 11,825 |
| Interfund - Food Service | 124,406 | | | | | | 124,406 |
| Intergovernmental | | 202,129 | | | | | 202,129 |
| Prepaid Expenditures | 3,848 | | | | | | 3,848 |
| Total assets | 5,416,889 | 202,129 | 1,498,675 | - | 78,431 | 214,347 | 7,410,470 |
| **LIABILITIES** | | | | | | | |
| Interfund Payable General Fund | | 11,825 | | | | | 11,825 |
| Accounts payable | 123,385 | 31,384 | | | | 40 | 154,810 |
| Advances From Grantors | | 158,919 | | | | | 158,919 |
| Total liabilities | 123,385 | 202,129 | - | - | - | 40 | 325,554 |
| **FUND BALANCE** | | | | | | | |
| Restricted | | | 1,498,675 | | 78,431 | 7,915 | 1,585,021 |
| Committed | 58,575 | | | | | 206,392 | 264,968 |
| Unassigned | 5,234,928 | | | - | - | | 5,234,928 |
| Total fund balance | 5,293,504 | - | 1,498,675 | - | 78,431 | 214,307 | 7,084,917 |
| **TOTAL LIABILITIES AND FUND BALANCE** | $ 5,416,889 | $ 202,129 | $ 1,498,675 | $ - | $ 78,431 | $ 214,347 | $ 7,410,470 |

See the accompanying notes to the financial statements.

Morgan County School District

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

June 30, 2025

| | | |
|---|---|---|
| **Fund balances-total governmental funds** | $ | 7,084,917 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position. | | 82,364,370 |
| Costs associated with bond issues and refundings are expensed in the fund financial statements because they are a use of current financial resources but are capitalized on the statement of net position using the economic resources focus | | 16,260 |
| The central office building was purchased and the seller negotiated a sale leaseback that will be recorded as the purchase of the building as a capital asset and the part of the sale regarded as a lease will be recorded as unearned revenue and amortized over the term of the lease. Fund financials only reported the payment as an expenditure | | (2,066,164) |
| Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, accrued interest payable, other accounts payable, and net pension obligations) are not due and payble in the current period and, therefore, are not reported in the funds | | |
| Accrued interest payable | | (482,116) |
| Bonds payable | | (43,196,807) |
| Financed purchases | | (214,341) |
| Sick leave liability | | (831,391) |
| Net pension liability | | (5,458,757) |
| Net OPEB liability | | (2,453,000) |
| Net OPEB asset | | 158,046 |
| Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds | | |
| Deferred outflows related to pensions | | 1,274,139 |
| Deferred outflows related to OPEB | | 2,254,061 |
| Deferred inflows related to OPEB | | (4,000,792) |
| Deferred inflows related to pensions | | (1,487,655) |
| **Net position of governmental activities** | $ | 32,960,769 |

See the accompanying notes to the financial statements.

Morgan County School District
**Statement of Revenues, Expenditures, and Changes in Fund Balances**
**Governmental Funds**
Year Ended June 30, 2025

| | General | Special Revenue | FSPK | Debt Service | Construction | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|---|
| **REVENUES** | | | | | | | |
| From Local Sources | | | | | | | |
| Taxes | | | | | | | |
| Property | $ 2,096,637 | $ | $ 521,784 | $ | $ | $ | $ 2,618,421 |
| Unmined minerals | 1,650 | | | | | | 1,650 |
| Motor vehicle | 630,140 | | | | | | 630,140 |
| Utilities | 766,884 | | | | | | 766,884 |
| Student activities | | | | | | 517,435 | 517,435 |
| Earnings on investments | 367,390 | 1,324 | | | | | 368,713 |
| Other local revenue | 195,905 | 146,059 | | | | 73,799 | 415,763 |
| Intergovernmental - state | 16,202,789 | 1,227,044 | 1,472,664 | 2,666,258 | | 164,694 | 21,733,449 |
| Intergovernmental - federal | 234,604 | 1,663,401 | | | | - | 1,898,004 |
| Total revenues | 20,495,997 | 3,037,827 | 1,994,448 | 2,666,258 | - | 755,928 | 28,950,459 |
| **EXPENDITURES** | | | | | | | |
| Instruction | 10,585,562 | 2,037,128 | | | | 546,303 | 13,168,993.14 |
| Support Services | | | | | | | |
| Student | 1,560,227 | 168,720 | | | | - | 1,728,946.68 |
| Instructional Staff | 740,947 | 262,951 | | | | 22,781 | 1,026,678.97 |
| District Administration | 780,913 | | | | | - | 780,912.93 |
| School Administration | 1,835,790 | | | | | - | 1,835,789.68 |
| Business | 596,958 | | | | | - | 596,957.65 |
| Plant Operation & Maintenance | 2,936,798 | 173,540 | | | | - | 3,110,337.54 |
| Student Transportation | 1,455,301 | | | | | 5,084 | 1,460,384.75 |
| Other Non-Instructional | | | | | | 7,278 | 7,278.40 |
| Community Operations | 5,004 | 399,388 | | | | - | 404,392.08 |
| Building Improvements | | | | | 3,515,933 | | 3,515,933.32 |
| Building Acquistions & Construction | | | | | 1,212,752 | - | 1,212,751.82 |
| Debt Service | | | | 4,460,709 | | - | 4,460,708.65 |
| Total expenditures | 20,497,499 | 3,041,727 | - | 4,460,709 | 4,728,685 | 581,446 | 33,310,066 |
| **EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES** | (1,501) | (3,900) | 1,994,448 | (1,794,450) | (4,728,685) | 174,482 | (4,359,607) |
| **OTHER FINANCING SOURCES (USES)** | | | | | | | |
| Operating transfers in | 276,154 | 33,390 | | 1,794,450 | 134,185 | 19,448 | 2,257,629 |
| Operating transfers (out) | (463,585) | (29,490) | (1,580,411) | | | (184,142) | (2,257,629) |
| Sale or Comp for Loss of Assets | 19,207 | | | | | | 19,207 |
| Total other financing sources and (uses) | (168,224) | 3,900 | (1,580,411) | 1,794,450 | 134,185 | (164,694) | 19,207 |
| **NET CHANGE IN FUND BALANCE** | (169,726) | - | 414,037 | - | (4,594,500) | 9,788 | (4,340,400) |
| **FUND BALANCE-BEGINNING** | 5,463,229 | - | 1,084,638 | | 4,672,930 | 204,519 | 11,425,317 |
| **FUND BALANCE-ENDING** | $ 5,293,503 | $ - | $ 1,498,675 | $ - | $ 78,431 | $ 214,307 | $ 7,084,917 |

See the accompanying notes to the financial statements.

Morgan County School District

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

For the Year Ended June 30, 2025

| | | |
|---|---|---|
| **Net change in fund balances-total governmental funds** | $ | (4,340,400) |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. District pension contributions less costs of benefits earned net employee contributions | | 652,632 |
| Governmental funds report district OPEB contributions as expenditures. However in the Statement of Activities, the cost of OPEB benefits earned net of employee contributions is reported as pension expense. District OPEB contributions less costs of benefits earned net employee contributions | | 905,245 |
| Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year. | | 2,226,178 |
| The central office building was purchased and the seller negotiated a sale leaseback that will be recorded as the purchase of the building as a capital asset and the part of the sale regarded as a lease will be recorded as unearned revenue and amortized over the term of the lease. Fund financials only reported the payment as an expenditure. | | 172,181 |
| The difference in the issue amount of the refunding of bond proceeds and the amount for payment to the escrow account to pay the refunded bonds is amortized over the life of the refunding issue. | | (16,260) |
| Bond and financed purchase payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position. | | 3,141,861 |
| Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred. | | |
| Accrued interest payable | | 21,064 |
| Noncurrent sick leave payable | | (59,744) |
| **Change in net position of governmental activities** | $ | 2,702,758 |

See the accompanying notes to the financial statements.

Morgan County School District
**Statement of Fund Net Position**
**Proprietary Fund**
June 30, 2025

| | Food Service |
|---|---|
| **ASSETS** | |
| Cash and cash equivalents | $ - |
| Accounts receivable | 89,700 |
| Inventories | 17,303 |
| Net OPEB asset | 7,586 |
| Capital assets: | |
| Other capital assets, net of depreciation | 110,615 |
| Total assets | 225,204 |
| **DEFERRED OUTFLOWS OF RESOURCES** | |
| Deferred outflows related to pensions | 61,153 |
| Deferred outflows related to OPEB | 20,147 |
| | 81,300 |
| **TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES** | 306,504 |
| **LIABILITIES** | |
| Interfund payable | 124,406 |
| Net pension liability | 261,997 |
| Total liabilities | 386,403 |
| **DEFERRED INFLOWS OF RESOURCES** | |
| Deferred inflows related to pensions | 71,401 |
| Deferred inflows related to OPEB | 87,582 |
| Total defered inflows of resources | 158,983 |
| **TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES** | 545,386 |
| **NET POSITION** | |
| Net Investment in capital assets | 110,615 |
| Deficit | (349,497) |
| Total net position | (238,882) |
| **TOTAL LIABILITIES DEFERRED INFLOWS OF RESOURCES AND NET POSITION** | $ 306,504 |

See the accompanying notes to the financial statements.

Morgan County School District

**Statement of Revenues, Expenses, and Changes in Fund Net Position**

**Proprietary Fund**

For the Year Ended June 30, 2025

| | | Food Service |
|---|---|---|
| **OPERATING REVENUES** | | |
| Lunchroom sales | $ | 93,353 |
| Total operating revenues | | 93,353 |
| **OPERATING EXPENSES** | | |
| Depreciation | | 36,120 |
| Food service operations | | |
| Employee services | | 766,265 |
| Operational expense | | 1,021,276 |
| Total operating expenses | | 1,823,661 |
| Operating income (loss) | | (1,730,309) |
| **NONOPERATING REVENUES (EXPENSES)** | | |
| Intergovermental revenues | | 1,726,867 |
| Earnings from investments | | 60 |
| Total nonoperating revenues (expenses) | | 1,726,926 |
| **CHANGE IN NET POSITION** | | (3,382) |
| **NET POSITION-BEGINNING** | | (235,500) |
| **NET POSITION-ENDING** | $ | (238,882) |

See the accompanying notes to the financial statements.

Morgan County School District
**Statement of Cash Flows**
**Proprietary Funds**
For the Year ended June 30, 2025

| | | Proprietary Funds |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Receipts from customers | $ | 78,321 |
| Payments to suppliers | | (942,780) |
| Payments to employees | | (847,069) |
| Net cash provided (used) by operating activities | | (1,711,529) |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | |
| Operating grants and contributions | | 1,726,867 |
| Transfers | | |
| Net cash provided (used) by noncapital financing activities | | 1,726,867 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Interest | | 60 |
| Purchase of fixed assets | | (15,397) |
| Net cash provided (used) by investing activities | | (15,338) |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | | - |
| **CASH AND CASH EQUIVALENTS-BEGINNING** | | |
| **CASH AND CASH EQUIVALENTS-ENDING** | $ | - |
| **Reconciliation of operating income (loss) to net cash provided (used) by operating activities:** | | |
| Operating income (loss) | $ | (1,730,309) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | |
| Depreciation | | 36,120 |
| Changes in assets and liabilities: | | |
| Receivables | | (15,032) |
| Inventory | | 7,259 |
| Deferred outflows | | 46,736 |
| Deferred inflows | | (44,506) |
| Pension liability | | (78,002) |
| OPEB asset | | (5,032) |
| Accounts payable | | (4,260) |
| Interfund payable | | 75,497 |
| Net cash provided (used) by operating activities | $ | (1,711,529) |

**NONCASH NONCAPITAL FINANCING ACTIVITIES**

During the year, the district received $126,755 of food commodities from the U.S. Department of Agriculture.

During the year, the district recognized revenues and expenses for on-behalf payments relating to fringe benefits in the amount of $18,139 provided by state government.

See the accompanying notes to the financial statements.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

Blended Component Unit

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

Basis of Presentation

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

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

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

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

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

The District has the following funds:

I. Governmental Fund Types

(A) General Fund

The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. Within the General Fund, a permanent fund was established from a gift to the Morgan High School for scholarships the benefit of students seeking a college degree. This is always a major fund of the District.

(B) Special Revenue (Grant) Fund

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

(C) Student Activities Fund

The Student Activities Fund accounts are used to support co-curricular activities, and are raised and expended by student groups. These funds are subject to "Redbook".

(D) Capital Project Funds

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

SEEK Capital Outlay Fund

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

Building (FSPK) Fund

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

Construction Fund

The Construction Fund accounts for proceeds from sale of bonds and other revenues to be used for authorized construction and/or remodeling.

(E) Debt Service Fund

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

(F) District Activities Fund

The District Activities Fund accounts for funds that have been raised by the District for student groups.

II. Proprietary Funds (Enterprise Funds)

Food Service Fund

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

The District applies all GASB pronouncements to proprietary funds.

Basis of Accounting

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

accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

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

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

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

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

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

Cash and Cash Equivalents

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

Inventories

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

Prepaid Assets

Payments made that will benefit periods beyond the end of the current fiscal year are recorded as

prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and expenditure/expense is reported in the year in which services are consumed.

Capital Assets

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

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

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

| Description | Estimated Lives |
|---|---|
| Buildings and improvements | 25-50 years |
| Land improvements | 20 years |
| Technology equipment | 5 years |
| Vehicles years | 5-10 years |
| Audio-visual equipment | 15 years |
| Food Service Equipment | 10-12 years |
| Furniture and fixtures | 7 years |
| Other | 10 years |

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietaryfunds are reported on the proprietary fund financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgment, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension and OPEB

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

Accumulated Unpaid Sick Leave Benefits

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

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

Fund Balances

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

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

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

Net Position

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

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of theprior January 1, for all real and personal property in the county. The billings are considered due

uponreceipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax billmailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. The property tax rates assessed for the year ended June 30, 2025, to finance the General Fund operationswere $.629 per $100 valuation of real property, $.632 per $100 valuation for business personal propertyand $.533 per $100 valuation for motor vehicles.

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

Operating and Non-Operating Revenues and Expenses

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

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

In-Kind

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

Contributions of Capital

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

Interfund Receivables/Payables

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

Interfund Transfers

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of

net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until the appropriate period. The District reports three types of deferred outflows – contributions to the CERS's pension and OPEB plans after the measurement period and the unrecognized portion of a deferred loss on the refinancing of long-term debt.

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

Pensions

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

Postemployment Benefits Other Than OPEBs (OPEB)

For purposes of measuring the liability, deferred outflows of resources and deferred inflows ofresources related to OPEB, and OPEB expense, information about the fiduciary net position of the Teachers' Retirement System of the State of Kentucky (TRS), and the County Retirement System of Kentucky (CERS), and additions to/deductions from TRS's/CERS's fiduciary net position have been determined on the same basis as they are reported by TRS/CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordancewith 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.

Bond and Related Premiums, Discounts, and Issuance Costs

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

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

Estimates

The process of preparing financial statements in conformity accounting principles generally accepted in the United States of America requires District's management to make estimates and assumptions

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

Budgetary Process

The District prepares its budgets on the modified accrual basis of accounting, which is the same basis as used to prepare the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds. Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end. The Kentucky Department of Education does not require the Capital Project Funds and Debt Service Funds to prepare budgets.

Recent GASB Pronouncements

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB*

*Statement No. 62* effective for the District's year ended June 30, 2025

GASB Statement No. 101, *Compensated Absences*, effective for the District's year ended June 30, 2025

GASB Statement No. 102, *Certain Risk Disclosures,* effective for the Districts year ended June 30, 2025

GASB Statement No. 103, *Financial Reporting Model Improvements,* effective for the Districts year ended June 30, 2025

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, effective for the Districts year ended June 30, 2025

The impact of these pronouncements on the District's financial statement has not been determined

## NOTE B – CASH AND CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT

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

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

At year end the District's bank balances were collateralized by securities held by the pledging bank's trust department in the District's name and FDIC insurance. At year end, the carrying amount of the District's cash and cash equivalents $4,929,331. The bank balance for the same time was $4,715,540.

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

## NOTE C– CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2025, was as follows:

| Governmental Activities | July 1, 2024 | Additions | Deductions | June 30, 2025 |
|---|---|---|---|---|
| Land | $ 1,316,340 | $ - | $ - | $ 1,316,340 |
| Construction in progress | 2,529,432 | 4,728,685 | 55,093 | 7,203,024 |
| Land improvements | 1,132,617 | 14,900 | - | 1,147,516 |
| Buildings | 94,258,185 | 5,993 | - | 94,264,178 |
| Technology equipment | 2,983 | - | - | 2,983 |
| Vehicles | 3,591,261 | 18,489 | - | 3,609,750 |
| General equipment | 699,161 | 72,122 | - | 771,283 |
| Total at historical cost | $ 103,529,978 | $ 4,840,189 | $ 55,093 | $ 108,315,073 |
| Less: Accumulated depreciation | | | | |
| Land improvements | $ 510,236 | $ 56,817 | $ - | $ 567,053 |
| Buildings | 19,902,199 | 2,227,816 | - | 22,130,015 |
| Technology equipment | 2,983 | - | - | 2,983 |
| Vehicles | 2,512,963 | 233,927 | - | 2,746,890 |
| General equipment | 463,405 | 40,357 | - | 503,763 |
| Total accumulated depreciation | $ 23,391,786 | $ 2,558,917 | $ - | $ 25,950,703 |
| Governmental Activities | | | | |
| Capital Assets-net | $ 80,138,192 | $ 2,281,271 | $ 55,093 | $ 82,364,370 |

| Business-Type Activities | July 1, 2024 | Additions | Deductions | June 30, 2025 |
|---|---|---|---|---|
| Vehicles | $ 18,800 | $ - | $ - | $ 18,800 |
| General equipment | 864,800 | 15,397 | - | 880,198 |
| Total at historical cost | $ 883,600 | $ 15,397 | $ - | $ 898,998 |
| Less: Accumulated depreciation | | | | |
| Vehicles | $ 18,800 | $ - | $ - | $ 18,800 |
| General equipment | 733,463 | 36,120 | - | 769,583 |
| Total accumulated depreciation | $ 752,263 | $ 36,120 | $ - | $ 788,383 |
| Business-Type Activities | | | | |
| Capital Assets-net | $ 131,337 | $ (20,722) | $ - | $ 110,615 |

Depreciation expense was not allocated to governmental functions.

## NOTE D – DEBT OBLIGATIONS

Bonds

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

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

The original amount of outstanding issues, the issue dates, interest rates, maturity dates, and outstanding balances, at June 30, 2025 are summarized below:

| Bond Issue | Original Amount | Maturity Date | Interest Rates | Outstanding Balance | Additions | Retirements | Outstanding Balance |
|---|---|---|---|---|---|---|---|
| 2016A | $ 1,335,000 | 3/1/2036 | 1.5-3.125% | $ 1,075,000 | $ - | $ 35,000 | $ 1,040,000 |
| 2017 | $ 30,670,000 | 8/1/2037 | 3-3.25% | 24,295,000 | - | 1,190,000 | 23,105,000 |
| 2013R | $ 6,050,000 | 10/1/2025 | 1.5 - 2.2% | 1,170,000 | - | 605,000 | 565,000 |
| 2013 | $ 840,000 | 2/1/2033 | 2.3 - 3.0% | 430,000 | - | 45,000 | 385,000 |
| 2016B | $ 4,855,000 | 3/1/2036 | 1.5-3.125% | 3,870,000 | - | 165,000 | 3,705,000 |
| 2020 | $ 7,035,000 | 2/1/2040 | 2.0-2.625% | 6,180,000 | - | 225,000 | 5,955,000 |
| 2022R | $ 7,200,000 | 5/1/2032 | 2.0% | 5,930,000 | - | 645,000 | 5,285,000 |
| 2023 | $ 2,790,000 | 5/1/2044 | 4%-5% | 2,790,000 | | 85,000 | 2,705,000 |
| | | | | 45,740,000 | - | 2,995,000 | 42,745,000 |
| Add | Premium | | | 938,403 | | 86,021 | 852,382 |
| Less | Discount | | | (440,763) | | (40,188) | (400,576) |
| Totals | | | | $ 46,237,640 | $ - | $ 3,040,833 | $ 43,196,806 |

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

The bonds may be called prior to maturity at dates and redemption premiums specified in each issue. Assuming no issues are called prior to maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2025 for debt service, (principal and interest) are as follows:

| Fiscal Year Ended June 30th | Principal Local | Principal SFCC | Principal Urgent Need | Interest Local | Interest SFCC | Interest Urgent Need | Principal Total | Interest Total |
|---|---|---|---|---|---|---|---|---|
| 2026 | $ 1,096,814 | $ 811,799 | $ 1,121,387 | $ 601,210 | $ 72,374 | $ 608,493 | $ 3,030,000 | $ 1,282,078 |
| 2027 | 1,134,516 | 286,590 | 1,178,894 | 575,111 | 59,291 | 550,986 | 2,600,000 | 1,185,388 |
| 2028 | 1,174,524 | 293,708 | 1,226,768 | 547,901 | 52,174 | 503,113 | 2,695,000 | 1,103,188 |
| 2029 | 1,218,557 | 300,862 | 1,270,581 | 520,293 | 45,020 | 459,299 | 2,790,000 | 1,024,612 |
| 2030 | 1,259,192 | 308,367 | 1,322,441 | 489,308 | 37,516 | 407,439 | 2,890,000 | 934,263 |
| 2031-2035 | 7,081,537 | 947,458 | 7,281,005 | 1,911,266 | 85,717 | 1,368,395 | 15,310,000 | 3,365,378 |
| 2036-2040 | 7,090,182 | 193,752 | 4,946,066 | 816,211 | 9,362 | 243,573 | 12,230,000 | 1,069,147 |
| 2041-2044 | 1,200,000 | - | - | 130,044 | - | - | 1,200,000 | 130,044 |
| | $ 21,255,322 | $ 3,142,536 | $ 18,347,142 | $ 5,591,344 | $ 361,454 | $ 4,141,299 | $ 42,745,000 | $ 10,094,097 |

Accumulated Sick Leave

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

| | 2024 Outstanding Balance | Additions | Retirements | 2025 Outstanding Balance |
|---|---|---|---|---|
| **Sick Leave** | $ 771,647 | $ 59,744 | | $ 831,390 |

Net Pension & OPEB Liability

Activity in the net pension and net OPEB liability are below:

| Description | 2024 Outstanding Balance | Additions | Retirements | 2025 Outstanding Balance |
|---|---|---|---|---|
| Net Pension Liability | $ 5,459,373 | $ 261,997 | $ | $ 5,721,370 |
| Net OPEB Liability | 2,294,954 | | | 2,294,954 |
| | | - | - | |
| **Totals** | $ 7,754,327 | $ 261,997 | $ - | $ 8,016,324 |

## NOTE E – RETIREMENT PLANS

require a college degree or teaching certification. The Kentucky 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 Kentucky Public Pensions Authority (KPPA), an agency of the Commonwealth of Kentucky. As of April 1, 2022, Kentucky Revised Statute ("KRS") Section 78.782 shifted the governance of CERS to a separate Board of Trustees of the County Employees Retirement System. The CERS Board manages the CERS trust, including investment management. KPPA provides the day-to-day administration (KRS 61.505) for accounting and benefit administration for CERS. The Kentucky General Assembly has the authority to establish and amend benefit provisions. The Kentucky Public Pensions Authority 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/.

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

| | | |
|---|---|---|
| Tier 1 | Participation date | Before September 1, 2008 |
| | Unreduced retirement | 27 years of service or 65 years old |
| | Reduced retirement | At least 5 years of service and 55 years old |
| | | At least 25 years of service and any age |
| Tier 2 | Participation date | September 1, 2008 – December 31, 2013 |
| | Unreduced retirement | At least 5 years of service and 65 years old |
| | Reduced retirement | Or age 57+ and the sum of service years plus age equal 87 |
| | | At least 10 years of service and 60 years old |
| Tier 3 | Participation date | At December 31, 2013 |
| | Unreduced retirement | At least 5 years of service and 65 years old |
| | | Or age 57 and the 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. In 2013, the General Assembly established funding status thresholds which must be achieved before another COLA can be awarded to retirees. 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 these components.

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.
Employer Contributions – For the year ended June 30, 2025, employer contributions were established by

the County Employees Retirement Systems in December 2022. The governing Board establishes employer contribution rates based on the annual actuarial valuation completed in November each year for the fiscal year beginning the following July 1. For fiscal year 2025, the employer contribution rate for CERS nonhazardous pensions was 19.71%. In fiscal year 2024, these rates were 23.34%. (See NOTE F for additional rate information for the OPEB plans.)

Employee Contributions – Required contributions by the employee are based on the tier:

| | NonHazardous |
|---|---|
| Tier 1 | 5% |
| Tier 2 | 5% + 1% for insurance |
| Tier 3 | 5% + 1% for insurance |

*General information about the Teachers' Retirement System of the State of Kentucky ("TRS of Ky")*

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 of Ky)—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 of Ky was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. TRS of Ky is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS of Ky issues a separate publicly available financial report that can be obtained from the TRS of Ky website, at https://trs.ky.gov/administration/financial-reports-information/.

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

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

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than ten years.

New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation.

Effective July 1, 2008, the System was amended to change the benefit structure for employees hired on or after that date. Members hired after July 1, 2008, must complete 27 years of service, attain age 60 and

5 years of service, or attain age 55 and 10 years of service. The annual retirement allowance for members hired after July 1, 2008, is 1.7% for 10 years or less of service; 2.0% for 10 -20 years; 2.3% for 20 – 26 years; 2.5% for 26 – 30 years; or 3.0% for more than 30 years of service. The annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

In 2021, the Kentucky General Assembly added a fourth tier to the TRS System. Members hired on or after January 1, 2022, will be eligible for a combined defined benefit and defined contribution plan. The defined benefit portion is based on length of service, final average salary, a multiplier, and the annuity option selected by the member. The defined contribution benefit portion (supplemental benefit) is determined by an account balance funded by mandatory and voluntary contributions and the payment options selected by the member.

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 of Ky 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.

TRS provides disability retirement allowance for members who are totally and permanently disabled after completing at least 5 years of service, but less than 27 years. The disability allowance is equal to 60% of the member's final average salary, payable over an entitlement period equal to 25% of the service credited to the member at the date of disability or five years, whichever is longer. If the member is still disabled after the end of the entitlement period, the member receives a service retirement allowance, including additional service credit for the period of disability retirement. This extended allowance will not be less than $6,000 and is not reduced for retirement prior to age 60 or completion of 27 years of service.

TRS provides a death benefit to a surviving spouse of an active member with less than 10 years of service. This benefit is $2,880 per year unless the spouse has income from other sources that exceed $6,600 which will reduce this death benefit to $2,160 per year. A surviving spouse of an active member with 10 or more years of service is eligible for a death benefit actuarially equivalent to the allowance that the member would have received upon retirement. This benefit will commence on the date the deceased member would have been eligible for the service retirement and is payable during the life of the spouse. Additional benefits are provided for unmarried children under age 18 who are also survivors of the deceased member.

If an employee terminates 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.

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

Contributions—Contribution rates are established by Kentucky Revised Statutes (KRS). Tiers 1, 2, and 3 non-university employees are required to contribute 9.105% of their salaries to the System for pension

benefits. (See OPEB discussion for additional contribution rates.) The mandatory pension contribution for Tier 4 non-university employees hired on or after January 1, 2022, is 11%. Employer rates for Tiers 1 and 2 in FY 2025 were 31.95% and Tier 3 were 32.195 (only paid by the Commonwealth of Kentucky as on-behalf payments). Employer rates for Tiers 1 and 2 in FY 2024 were 30.855% and Tier 3 were 31.855%. Employer (only Commonwealth of Kentucky) rates for Tier 4 in FY 2025 were 9.920% and in FY 2024 were 10.0%. 2% of the Tier 4 employee and employer contributions is allocated to the supplemental benefit (defined contribution portion of Tier 4). Those employees may also voluntarily contribute an additional amount, not to exceed the earnings on a paycheck. (See OPEB NOTE F for additional contribution rates.)

In 2019, the Kentucky General Assembly increased the employer contribution in the state's biennial budgets to reflect the actuarially determined rates, less the employee contribution. The current funding policy requires appropriations that are the sum of the fixed employer contribution rate set by state law and an additional amount to provide an actuarial determined employer contribution. The pension portion of the statutory (KRS 161.550) contributions for the state (as a non-employer contributing entity) are as follows:

- 12.355% for non-university members who joined prior to July 1, 2008
- 13.355% for non-university members who joined after July 1, 2008, but prior to January 1, 2022
- 9.775% for non-university members who joined after January 1, 2022, with 7.775% to the foundational benefit and 2% to the supplemental benefit.
- 16.105% for non-university employers with members in Tier 1 and Tier 2
- 17.105% for non-university employers with members in Tier 3
- 9.775% for non-university employers with members in Tier 4, with 7.775% to the foundational benefit and 2% to the supplemental benefit.
- See OPEB Note Q for additional contribution rates.

The required increase to bring employer rates to the amount required for full actuarial funding are being phased in over a five-year period from the 2021 valuation to the 2026 valuation. The 2022 valuation required an increase of 18.920% for Tiers 1, 2, and 3 while actual rates included 15.09% increase for the phase-in to full funding. The 2021 valuation required 16.180% while actual rates included 14.75% for the phase-in to full funding. The 2022 Valuation was used to determine these rates for the state's 2025 fiscal year.

The TRS Board is required to present the actuarially determined annual retirement appropriations payable by the state for Tiers 1, 2, and 3. Tier 4 is a defined contribution tier and does not require amortization of an unfunded liability. This actuarially determined rate is based on an actuarial analysis that is based on a valuation using the following:

- Entry Age Normal actuarial cost method;
- Five-year asset smoothing method;
- 30-year closed amortization period that began fiscal year 2014 to determine the minimum payment which cannot be less than the prior year until the plan reaches a 100% funded ratio;
- 20-year amortization of new sources of unfunded liability; and

- Achieving a 100% funding ratio with the closed period adopted by the Board.

In addition, the State's General Assembly may provide additional contributions to reduce the TRS unfunded liability. The state contributed an additional $479 million in fiscal year 2022, but no additional amounts were contributed in fiscal years 2023 and 2024. These additional contributions are not required by statute and are not included in the actuarial projection of future employer contributions.

*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 of Ky because the Commonwealth of Kentucky provides the pension support directly to TRS of Ky on behalf of the District in a special funding situation.

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

| | | |
|---|---|---|
| District's proportionate share of CERS net pension liability | $ | 5,720,754 |
| Commonwealth's proportionate share of the CERS net pension liability associated with the District | | - |
| | $ | 5,720,754 |

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 that date.

The District's proportion of the net pension liability for CERS was based on the actuarial liability of the employees and former employees relative to the total liability of the System as determined by the actuary. For the year ended June 30, 2025, the District's proportion was 0.032253 percent. For the year ended June 30, 2025, the District recognized a decrease in pension expense of $706,563 related to CERS.

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 |
|---|---|---|
| Differences between expected and actual experience | $ 276,895 | $ |
| Changes of assumptions | | 258,466 |
| Net difference between projected and actual earnings on pension plan investments | 392,887 | 760,701 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 10,725 | 539,889 |
| District contributions subsequent to the measurement date | 654,785 | |
| | $ 1,335,292 | $ 1,559,056 |

$654,785 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, 2026.

Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

| | Year Ended June 30, |
|---|---|
| 2025 | $ (552,163) |
| 2026 | (103,023) |
| 2027 | (141,392) |
| 2028 | (81,971) |
| | $ (878,549) |

Actuarial assumptions - The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | CERS | TRS of Ky |
|---|---|---|
| Inflation | 2.50% | 2.50% |
| Payroll growth rate | 2.00% | N/A |
| Cost-of-living adjustment | 0.0% | 1.5% |
| Salary Increases | 3.30% - 10.30% | 3.0-7.5% |
| Investment rate of return | 6.50% | 7.10% |
| Municipal Bond Index Rate | N/A | 3.94% |
| Single Equivalent Interest Rate | 6.50% | 7.10% |

For CERS, mortality tables used for non-hazardous retired members was a system-specific mortality

table based on mortality experience from 2013 to 2022, for the non-hazardous system, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2023. Mortality for active non-hazardous members was based on the PUB-2010 General Mortality table, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

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

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years, at a minimum. The most recent experience study was based on experience through June 30, 2022 and adopted by the CERS Board of Trustees on May 9, 2023. In 2024, the CERS Actuarial Committee requested an update on the key economic assumptions to evaluate these assumptions for the 2024 evaluation. GRS relied on capital market assumptions, CERS 2024 investment policy for the target asset allocation, and changes to investment consultants assumptions based on 2024 market conditions to develop recommended assumptions for inflation, investment returns, and payroll growth. The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized the table below. The current long-term inflation assumption is 2.3% per annum for the non-hazardous plan.

| | Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|---|
| **Equity:** | | **60.00%** | |
| | Public Equity | 50.00% | 4.15% |
| | Private Credit | 10.00% | 9.10% |
| **Fixed Income:** | | **20.00%** | |
| | Core Bonds | 10.00% | 2.85% |
| | High Yield Credit | 10.00% | 3.82% |
| | Cash | 0.00% | 1.70% |
| **Inflation Protected:** | | **20.00%** | |
| | Real Estate | 7.00% | 4.90% |
| | Real Return | 13.00% | 5.35% |
| | Total | 100.00% | |
| **Expected Real Return** | | | **4.69%** |
| **Long Term Inflation Assumption** | | | **2.50%** |
| **Expected Nominal Return for Portfolio** | | | **7.19%** |

For TRS of Ky, 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 of Ky's investment consultant, are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Large Cap U.S. Equity | 35.4% | 5.0% |
| Small Cap U.S. Equity | 2.6% | 5.5% |
| Developed International Equity | 15.7% | 5.5% |
| Emerging Markets Equity | 5.3% | 6.1% |
| Fixed Income | 15.0% | 1.9% |
| High Yield Bonds | 2.0% | 3.8% |
| Other Additional Categories | 8.0% | 3.6% |
| Real Estate | 7.0% | 3.2% |
| Private Equity | 7.0% | 8.0% |
| Cash | 2.0% | 1.6% |
| Total | 100.0% | |

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 investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For TRS of Ky, the discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. The actuary assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at the Actuarially Determined Contribution rates for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees. 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 of KY 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:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| CERS | 5.50% | 6.50% | 7.50% |
| District's proportionate share of net pension liability | $ 7,374,986 | $ 5,720,754 | $ 4,348,177 |

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| KTRS | 6.10% | 7.10% | 8.10% |
| Commonwealth's proportionate share of net pension liability | $ 23,879,368 | $ 35,271,036 | $ 13,699,268 |

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 of Ky.

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*, was amended by GASBS No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The GASB standards allow entities with little or no administrative involvement who do not perform the investing function for these plans to omit plan assets and related liabilities for these defined contribution plans from their financial statements. The District therefore does not show these assets and liabilities in this financial statement.

## *NOTE F – OTHER POST-EMPLOYMENT BENEFIT PLANS*

The District's employees are provided with two OPEB 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 of Kentucky (TRS of Ky) covers positions requiring teaching certification or otherwise requiring a college degree. 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 advance funded on an actuarially determined basis through the CERS and TRS of Ky plans. The CERS governance structure discussed in NOTE E for pension plan governance also applies to the CERS OPEB plans. The Kentucky Public Pensions Authority's publicly available financial report includes the CERS OPEB plan reports and may be obtained from https://www.kyret.ky.gov/Publications/Pages/Actuarial-

Valuations.aspx. TRS of Ky issues a publicly available financial report that can be obtained at https://trs.ky.gov/administration/financial-reports-information/.

**CERS Other Postemployment Benefits**

Plan Description— All District employees participating in CERS are provided benefits through the nonhazardous plan. CERS health insurance benefits are subject to various participation dates to determine eligibility and health insurance contribution rates. For employees who initiated participation in the CERS system prior to July 1, 2003, CERS pays a percentage of the monthly contribution rate for insurance covered based on the retired member's years of service and type of service. Non-hazardous members receive a contribution subsidy for only the member's health insurance premium.

Benefits Provided—Percentage of premium subsidies ranges from 0% for less than 4 years of service to 100% for 20 years or more of service. For members who initiated participation in the CERS system after July 1, 2003 until August 31, 2008, members must have 120 months of service in a state-administered retirement system to qualify for participation in the CERS health plans. Members who began participating with CERS on or after September 1, 2008, must have 180 months of service upon retirement to participate in the CERS health plans. Non- hazardous retirees receive $10 toward the monthly premium for each full year of service.

Contributions—CERS allocates a portion of the employer contributions to the health insurance benefit plans. Beginning with the 2023 measurement, the CERS nonhazardous OPEB plan was over funded and employer contributions were decreased to zero. CERS allocated 0.0% in FY 2025 and FY 2024 for the actuarially required contribution rate paid by employers for funding the nonhazardous healthcare benefit. In addition, 1% of the Tier
2 and 3 employee contributions are allocated to the health insurance plan for nonhazardous plans.

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

At June 30, 2025, the District reported an asset of $165,632 for its proportionate share of the CERS collective net OPEB asset. The collective net OPEB asset was measured as of June 30, 2024, and the total OPEB liability used to calculate the collective net OPEB asset was based on a projection of the District's long-term share of contributions to OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2025, the District's proportion was 0.095752 percent. The District recognized a negative OPEB expense of $461,732 as the OPEB asset increased and the related deferred inflows of resources and deferred outflows of resources decreased.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 91,891 | $ 1,303,197 |
| Changes of assumptions | 150,083 | 116,871 |
| Net difference between projected and actual earnings on pension plan investments | 145,595 | 296,744 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 5,270 | 195,562 |
| District contributions subsequent to the measurement date | 47,076 | |
| | $ 439,915 | $ 1,912,374 |

No District contributions subsequent to the measurement date were reported in deferred outflows since the plan is overfunded and no employer contributions will be assessed until the funded status declines.

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 Ended June 30, |
|---|---|
| 2025 | $ (596,647) |
| 2026 | (470,676) |
| 2027 | (409,316) |
| 2028 | (42,897) |
| | $ (1,519,536) |

*Actuarial assumptions* – The total OPEB liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Investment rate of return | 6.50%, net of OPEB plan investment expense, including inflation. |
| Projected salary increases | 3.30% - 10.30%, for non-hazardous, depending on years of service |
| Inflation rate | 2.50% |
| Healthcare cost trend rates: | |
| Under 65 | Initial trend rate starts at 7.1%, January 2026, and gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years |
| Ages 65 and Older | Initial trend starting at 8.0%, January 2026, and gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years |
| Municipal Bond Index Rate | 3.97% |
| Discount Rate | 5.99% non-hazardous |

Post-retirement mortality rates (non-disabled) used 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 remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2022 valuation were based on a review of recent plan experience for the period ending June 30, 2022 and adopted by the CERS Board of Trustees on May 9, 2023. The investment return, price inflation, and payroll growth assumption were adopted by the Board in May 2024 for use with the June 30, 2024 valuation to reflect future economic expectations.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years, at a minimum. The most recent analysis was based on a review of recent plan experience for the period ending June 30, 2022 and adopted by the CERS Board of Trustees on May 9, 2023. The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized the table below. The current long-term inflation assumption is 2.3% per annum for the nonhazardous plan.

| | Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|---|
| **Equity:** | | **60.00%** | |
| | Public Equity | 50.00% | 4.15% |
| | Private Credit | 10.00% | 9.10% |
| **Fixed Income:** | | **20.00%** | |
| | Core Bonds | 10.00% | 2.85% |
| | High Yield Credit | 10.00% | 3.82% |
| | Cash | 0.00% | 1.70% |
| **Inflation Protected:** | | **20.00%** | |
| | Real Estate | 7.00% | 4.90% |
| | Real Return | 13.00% | 5.35% |
| | Total | 100.00% | |
| **Expected Real Return** | | | **4.69%** |
| **Long Term Inflation Assumption** | | | **2.50%** |
| **Expected Nominal Return for Portfolio** | | | **7.19%** |

*Discount rate* – The single discount rate of 5.99% for CERS nonhazardous was used to measure the total OPEB liability as of June 30, 2024. The Single discount rate is based on the expected rate of return on OPEB plan investments of 6.50% and a municipal bond rate of 3.97%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2024. Future contributions are projected in accordance with the current funding policy mandated in Ky Revised Statutes 61.565, as amended, which includes the requirement that each participating employer in the System contribute the actuarially determined contribution rate, which is determined using a closed funding period (the Kentucky General Assembly reset the amortization period to 30 years in 2020) and the actuarial assumptions and methods adopted by

the Board of Trustees. Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system.

However, the cost associated with the implicit employer subsidy for non-Medicare retirees is not currently included in the calculation of the System's actuarial determined contributions and any cost associated with the implicit subsidy is not paid out of the System's trust. The implicit rate subsidy is paid by the Commonwealth of Kentucky self-insurance fund, Kentucky Employees Health Plan. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.99%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.99%) or 1-percentage-point higher (6.99%) than the current rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| CERS | 4.99% | 5.99% | 6.99% |
| District's proportionate share of net OPEB liability | $ 223,953 | $ (165,632) | $ (493,196) |

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

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|---|---|---|
| District's proportionate share of net OPEB liability | $ (398,490) | $ (165,632) | $ 105,632 |

The Kentucky Public Pensions Authority's publicly available financial report includes financial reports for the CERS OPEB plans and may be obtained from https://www.kyret.ky.gov/Publicaitons/Pages/Actuarial-Valuations.aspx.

**TRS of Ky POST-EMPLOYMENT HEALTH CARE BENEFITS**

The Commonwealth of Kentucky (State) reports a liability, deferred outflows of resources and deferred inflows of resources, and expense based on the statutory requirement to contribute to the TRS of Ky Medical Insurance and Life Insurance Plans in a special funding situation for local school districts. Local school districts include a proportionate share of the liability, deferred outflows of resources and deferred inflows of resources, and expenses for the cost-sharing medical insurance plan.

Plan description—In addition to the pension benefits described in NOTE E, KRS 161.675 requires TRS of Ky to provide post-employment healthcare benefits to eligible employees and dependents. The TRS of Ky Medical Insurance Fund is a cost-sharing multiple-employer defined benefit plan. Changes made to the medical plan may be made by the TRS of Ky 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 of Ky Medical Insurance Fund offers coverage to employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired employees and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS of Ky Medicare Eligible Health Plan.

Contributions–KRS 161.540 requires non-university members to contribute 3.75% to fund the post-retirement healthcare benefit, including members in Tier 4 hired after January 1, 2022. The Commonwealth of Kentucky contributes three quarters percent (.75%) from a state appropriation and local school district employers contribute three percent (3.00%). Contributions are based on statutory provisions, not an actuarially determined contribution rate.

*TRS of Ky 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 $2,453,000 for its proportionate share of the collective net OPEB liability for medical insurance. 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. At June 30, 2024, the District's proportion was 0.0543930 percent.

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

| | | |
|---|---|---|
| District's proportionate share of KTRS net OPEB liability | $ | 2,453,000 |
| Commonwealth's proportionate share of the KTRS net OPEB liability associated with the District | | 2,186,000 |
| | $ | 4,639,000 |

For the year ended June 30, 2025, the District recognized a decrease in OPEB expense of $470,387. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

| | | Deferred Outflows of Resources | | Deferred Inflows of Resources |
|---|---|---|---|---|
| Differences between expected and actual experience | $ | | $ | 737,000 |
| Changes of assumptions | | 625,000 | | |
| Net difference between projected and actual earnings on pension plan investments | | | | 79,000 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | | 825,000 | | 1,360,000 |
| District contributions subsequent to the measurement date | | 384,293 | | |
| | $ | 1,834,293 | $ | 2,176,000 |

Of the total amount reported as deferred outflows of resources related to OPEB, $384,293 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 Ended June 30, |
|---|---|---|
| 2026 | $ | (204,000) |
| 2027 | | (49,000) |
| 2028 | | (79,000) |
| 2029 | | (200,000) |
| 2030 | | (175,000) |
| Thereafter | | (19,000) |
| | $ | (726,000) |

*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:

| | |
|---|---|
| Long-term investment rate of return | 7.1%, 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% |
| Single Equivalent Interest Rate | 7.10%, net of OPEB Plan investment expense, including inflation |
| Healthcare cost trend rates | |
| Medical Trend | 6.50% for FYE 2024 decreasing to an ultimate rate of 4.50% by FY 2031 |
| Medicare Part B Premiums | 5.92% for FYE 2024 with an ultimate rate of 4.50% by 2035 |

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the in the June 30, 2024 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, 2024 valuation of the Health Trust were based on a review of recent plan experience done concurrently with the June 30, 2024 valuation. The health care cost trend assumption was updated for the June 30, 2023 valuation and was show as an assumption change in the TOL roll forward, while the change in initial per capita claims costs were included with experience in the TOL roll forward.

The long-term expected rate of return on 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 expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Large Cap U.S. Equity | 35.4% | 5.0% |
| Small Cap U.S. Equity | 2.6% | 5.5% |
| Developed Internation Equity | 15.0% | 5.5% |
| Emerging Markets Equity | 5.0% | 6.1% |
| Fixed Income | 9.0% | 1.9% |
| High Yield Bonds | 8.0% | 3.8% |
| Other Additional Categories | 9.0% | 3.7% |
| Real Estate | 6.5% | 3.2% |
| Private Equity | 8.5% | 8.0% |
| Cash | 1.0% | 1.6% |
| Total | 100.0% | |

*Discount rate* - The discount rate used to measure the total health care OPEB liability was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection's basis was an actuarial valuation performed as of June 30, 2023. In addition to the actuarial methods and assumptions of the June 30, 2023 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 2.75%
- The pre-65 retiree health care costs for members retired on or after July 1, 2010 were assumed to be paid by either the State or the retirees themselves.
- Administrative expenses, except the administrative fee of $8 PMPM paid to KEHP by TRS, were assumed to paid in all years by the employer as they come due and are not considered in the cash flow projections.
- Cash flows occur mid-year.

- Future contributions to the Health Trust were based upon the contribution rates defined in statute and the projected payroll of active employees. Per KRS 161.540(1)(c).3 and 161.550(5), when the Health Trust achieves a sufficient prefunded status, as determined by the retirement system's actuary, the following Health Trust statutory contributions are to be decreased, suspended, or eliminated:
    - Employee contributions
    - School District/University Contributions
    - State Contributions for KEHP premium subsidies payable to retirees who retire after June 30, 2010.

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

- Adjustments to the statutory contributions in future years were based on the following assumptions:
    - Liabilities and cash flows are net of expected retiree contributions and any implicit subsidies attributable to coverage while participating in KEHP.
    - Estimates for new entrants were based on the assumption that active headcounts would remain flat for all future years.

Based on these assumptions, the Health Trust's fiduciary net position was projected to be sufficient to pay benefits.

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

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| KTRS | 6.10% | 7.10% | 8.10% |
| District's proportionate share of net OPEB liability | $ 1,657,000 | $ 2,453,000 | $ 3,442,000 |

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

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|---|---|---|
| District's proportionate share of net OPEB liability | $ 3,259,000 | $ 2,453,000 | $ 1,785,000 |

*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**

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

*Benefits provided* – TRS provides a life insurance benefit of $5,000 payable for members who retire based on service or disability. TRS provides a life insurance benefit of $2,000 payable for its active contributing members. The life insurance benefit is payable upon the death of the member to the member's estate or to a party designated by the member.

*Contributions* – The Commonwealth of Kentucky contributed 0.08% of salary to the Life Insurance Trust for the fiscal year ended June 30, 2025 and 0.08% for fiscal year June 30, 2024.

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

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:

| | | |
|---|---|---|
| District's proportionate share of KTRS net OPEB liability | $ | - |
| Commonwealth's proportionate share of the KTRS net OPEB liability associated with the District | | 50,000 |
| | $ | 50,000 |

*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 | 3.50 – 7.50%, including inflation |
| Inflation rate | 2.50% |
| Real Wage Growth | 0.50% |
| Wage Inflation | 2.75% |
| Single Equivalent Interest Rate | 7.10%, net of OPEB plan investment expense, including inflation. |

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the in the June 30, 2024 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, 2024 valuation of the Health Trust were based on a review of recent plan experience done concurrently with the June 30, 2024 valuation. The health care cost trend assumption was updated for the June 30, 2023 valuation and wash show as an assumption change in the TOL roll forward, while the change in initial per capita claims costs were included with experience in the TOL roll forward.

The long-term expected rate of return on 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 expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Large Cap U.S. Equity | 40.0% | 5.2% |
| Developed Internation Equity | 15.0% | 5.5% |
| Emerging Markets Equity | 5.0% | 6.1% |
| Fixed Income | 21.0% | 1.9% |
| Other Additional Categories | 5.0% | 4.0% |
| Real Estate | 7.0% | 3.2% |
| Private Equity | 5.0% | 8.0% |
| Cash | 2.0% | 1.6% |
| Total | 100.0% | |

*Single Equivalent Interest Rate* - The discount rate used to measure the total OPEB liability for life insurance was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection's basis was an actuarial valuation performed as of June 30, 2023. In addition to the actuarial methods and assumptions of the June 30, 2023 actuarial valuation, the following actuarial methods and assumptions were used in the projection of the Life Trust's cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 2.75%.
- The employer will contribute the Statutory Contribution in accordance with the Life Trust's funding policy.
- Administrative expenses were assumed to paid in all years by the employer as they come due and are not considered in the cash flow projections.
- Active employees do not explicitly contribute to the plan.
- Cash flows occur mid-year.

Based on these assumptions, the Life Trust's fiduciary net position was projected to be sufficient to pay all benefits for all current members.

*OPEB plan fiduciary net position* – TRS of Ky issues a publicly available financial report that can be obtained at https://trs.ky.gov/administration/financial-reports-information/.

## NOTE G – CONTINGENCIES

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

## NOTE H– INSURANCE AND RELATED ACTIVITIES

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

## NOTE I – RISK MANAGEMENT

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

## NOTE J – COBRA

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

## NOTE K – TRANSFER OF FUNDS

The following transfers were made during the year:

| From Fund | To Fund | | Amount | Purpose |
|---|---|---|---|---|
| General | Special Revenue | $ | 33,390 | Grant matching |
| Special Revenue | General | | 5,901 | Indirect Costs |
| Capital Outlay | General | | 86,364 | Operations |
| FSPK | General | | 183,889 | Operations |
| Student Activity | District Activity | | 19,448 | Operations |
| FSPK | Construction | | 55,855 | Construction |
| Capital Outlay | Construction | | 78,330 | Construction |
| Special Revenue | Debt Service | | 23,589 | Debt Payments |
| FSPK | Debt Service | | 1,340,666 | Debt Payments |
| General | Debt Service | $ | 430,195 | Debt Payments |

## NOTE L – ON-BEHALF PAYMENTS

For fiscal year 2025, the Commonwealth of Kentucky contributed estimated payments on behalf of the District as follows:

| Plan/Desription | | Amount |
|---|---|---|
| Retirement | $ | 2,292,503 |
| MIF & LIF | | 209,704 |
| Health Insurance | | 2,748,843 |
| Life Insurance | | 3,572 |
| Administrative Fee | | 28,448 |
| HRA/Dental/Vision | | 130,988 |
| Federal Reimbursements | | (188,870) |
| KEN Services | | 39,853 |
| AT&T | | - |
| MUNIS | | 10,979 |
| McAfeeVirus | | 1,096 |
| SFCC Debt Service | | 2,666,258 |
| Total | $ | 7,943,373 |

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

## NOTE M– SUBSEQUENT EVENTS

The District has evaluated subsequent events through February 15, 2026 the date the financial statements were available to be issued.

## NOTE N– ADOPTION OF ACCOUNTING PRINCIPLE

The District adopted GASB 101, *Compensated Absences,* during FY 2025. This required a restatement of the beginning net position for governmental activities as follows:

| | | |
|---|---|---|
| Net Position June 30, 2024 | $ | 30,942,828 |
| Implementation of GASB 101 for Sick Leave | | (685,432) |
| Restated Net Position June 30, 2024 | $ | 30,257,396 |

Morgan County School District

**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**

**General Fund**

For the Year ended June 30, 2025

| | Budgeted Amounts | | | | | | Variance with Final Budget Favorable (Unfavorable) |
|---|---|---|---|---|---|---|---|
| | | Original | | Final | | Actual | |
| **REVENUES** | | | | | | | |
| From Local Sources | | | | | | | |
| Taxes | | | | | | | |
| Property | $ | 1,800,000 | $ | 1,800,000 | $ | 2,096,637 | $ 296,637 |
| Unmined minerals | | | | | | 1,650 | 1,650 |
| Motor vehicle | | 568,715 | | 568,715 | | 630,140 | 61,425 |
| Utilities | | 715,000 | | 715,000 | | 766,884 | 51,884 |
| Earnings on investments | | 300,000 | | 300,000 | | 367,390 | 67,390 |
| Intergovernmental - state | | 10,938,358 | | 11,067,808 | * | 11,073,812 | 6,004 |
| Intergovernmental - federal | | 265,000 | | 265,000 | | 234,604 | (30,396) |
| Other Sources | | 50,000 | | 50,000 | | 195,905 | 145,905 |
| Total revenues | | 14,637,073 | | 14,766,523 | | 15,367,021 | 600,498 |
| **EXPENDITURES** | | | | | | | |
| Instruction | | 8,053,802 | | 8,051,956 | * | 7,245,407 | 806,548 |
| Support Services | | | | | | | |
| Student | | 1,186,189 | | 1,186,189 | * | 1,170,391 | 15,797 |
| Instructional Staff | | 603,867 | | 603,867 | * | 530,533 | 73,334 |
| District Administration | | 679,368 | | 696,786 | * | 678,151 | 18,634 |
| School Administration | | 1,126,358 | | 1,125,678 | * | 1,284,242 | (158,563) |
| Business | | 393,526 | | 393,526 | * | 436,525 | (42,999) |
| Plant Operation & Maintenance | | 2,789,803 | | 2,819,465 | * | 2,711,207 | 108,258 |
| Student Transportation | | 1,550,985 | | 1,711,592 | * | 1,307,062 | 404,531 |
| Community Services | | 5,004 | | 5,004 | | 5,004 | - |
| Total expenditures | | 16,388,903 | | 16,594,063 | | 15,368,523 | 1,225,540 |
| **EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES** | | (1,751,830) | | (1,827,540) | | (1,502) | 1,826,038 |
| **OTHER FINANCING SOURCES (USES)** | | | | | | | |
| Sale of equipment | | | | 6,380 | | 19,207 | 12,827 |
| Operating transfers in | | | | 183,889 | | 276,154 | 92,265 |
| Operating transfers (out) | | (464,057) | | (464,057) | | (463,585) | 471 |
| Total other financing sources and (uses) | | (464,057) | | (273,788) | | (168,224) | 105,563 |
| **NET CHANGE IN FUND BALANCE** | | (2,215,886) | | (2,101,327) | | (169,726) | 1,931,601 |
| **FUND BALANCE-BEGINNING** | | 5,236,390 | | 5,352,702 | | 5,463,229 | 110,527 |
| **FUND BALANCE-ENDING** | $ | 3,020,503 | $ | 3,251,375 | $ | 5,293,503 | $ 2,042,128 |

* The District did not budget $5,128,976 of State On-Behalf payments that were incurred. These amounts have been removed from revenues and expenditures actual amounts for an accurate budget comparison.

See the accompanying notes to the financial statements.

Morgan County School District
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**
**Special Revenue Fund**
For the Year ended June 30, 2025

| | Budgeted Amounts | | | Variance with Final Budget Favorable (Unfavorable) |
|---|---|---|---|---|
| | Original | Final | Actual | |
| **REVENUES** | | | | |
| From Local Sources | | | | |
| Other local revenue | $ 70,003 | $ 151,748 | $ 146,059 | $ (5,689) |
| Earnings on investments | 303 | 1,324 | 1,324 | - |
| Intergovernmental - state | 1,108,991 | 1,208,642 | 1,227,044 | 18,402 |
| Intergovernmental - federal | 1,704,199 | 1,724,599 | 1,663,401 | (61,198) |
| Total revenues | 2,883,495 | 3,086,313 | 3,037,827 | (48,486) |
| **EXPENDITURES** | | | | |
| Instruction | 2,060,328 | 2,112,719 | 2,037,128 | 75,592 |
| Support Services | | | | |
| Student | 149,400 | 163,536 | 168,720 | (5,184) |
| Instructional Staff | 190,180 | 247,877 | 262,951 | (15,074) |
| District Administration | | | - | - |
| Business Support Services | | | - | - |
| Plant Operation & Maintenance | 100,891 | 176,926 | 173,540 | 3,386 |
| Student Transportation | | | - | - |
| Community Services Operations | 416,557 | 412,243 | 399,388 | 12,855 |
| Total expenditures | 2,917,356 | 3,113,301 | 3,041,727 | 71,574 |
| **EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES** | (33,861) | (26,989) | (3,900) | 23,089 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Operating transfers in | 33,861 | 33,390 | 33,390 | - |
| Operating transfers (out) | | (5,901) | (29,490) | (23,589) |
| Total other financing sources and (uses) | 33,861 | 27,489 | 3,900 | (23,589) |
| **NET CHANGE IN FUND BALANCE** | - | 500 | - | - |
| **FUND BALANCE-BEGINNING** | - | - | - | - |
| **FUND BALANCE-ENDING** | $ - | $ 500 | $ - | $ - |

See the accompanying notes to the financial statements.

MORGAN COUNTY SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

**CERS and TRS**

For the year ended June 30, 2025

| | **Reporting Fiscal Year** (Measurement Date) 2025 (2024) | **Reporting Fiscal Year** (Measurement Date) 2024 (2023) | **Reporting Fiscal Year** (Measurement Date) 2023 (2022) | **Reporting Fiscal Year** (Measurement Date) 2022 (2021) | **Reporting Fiscal Year** (Measurement Date) 2021 (2020) | **Reporting Fiscal Year** (Measurement Date) 2020 (2019) | **Reporting Fiscal Year** (Measurement Date) 2019 (2018) | **Reporting Fiscal Year** (Measurement Date) 2018 (2017) | **Reporting Fiscal Year** (Measurement Date) 2017 (2016) | **Reporting Fiscal Year** (Measurement Date) 2016 (2015) |
|---|---|---|---|---|---|---|---|---|---|---|
| **COUNTY EMPLOYEE'S RETIREMENT SYSTEM:** | | | | | | | | | | |
| Districts' proportion of the net pension liability (asset) | 0.09575% | 0.07390% | 0.07774% | 0.06826% | 0.06600% | 0.07073% | 0.07691% | 0.07214% | 0.06965% | 0.06859% |
| District's proportionate share of the net pension liability (asset) | $ 5,720,754 | $ 4,742,249 | $ 5,619,980 | $ 4,352,302 | $ 4,923,857 | $ 4,645,185 | $ 4,307,673 | $ 4,501,720 | $ 3,551,837 | $ 2,994,420 |
| State's proportionate share of the net pension liability (asset) associated with the District | - | - | - | - | - | - | - | - | - | - |
| Total | $ 5,720,754 | $ 4,742,249 | $ 5,619,980 | $ 4,352,302 | $ 4,923,857 | $ 4,645,185 | $ 4,307,673 | $ 4,501,720 | $ 3,551,837 | $ 2,994,420 |
| District's covered-employee payroll | $ 3,003,100 | $ 2,365,121 | $ 1,915,821 | $ 1,796,780 | $ 1,795,780 | $ 1,668,140 | $ 1,901,969 | $ 2,015,586 | $ 1,210,486 | $ 2,206,000 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 190.49% | 200.51% | 293.35% | 242.23% | 274.19% | 278.46% | 226.48% | 223.35% | 293.42% | 135.74% |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 61.61% | 57.68% | 52.00% | 57.33% | 47.81% | 50.45% | 53.54% | 53.30% | 55.50% | 59.97% |
| **KENTUCKY TEACHER'S RETIREMENT SYSTEM:** | | | | | | | | | | |
| Districts' proportion of the net pension liability (asset) | 0.215% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% |
| District's proportionate share of the net pension liability (asset) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| State's proportionate share of the net pension liability (asset) associated with the District | 35,271,036 | 30,852,946 | 30,536,176 | 23,788,589 | 25,556,360 | 25,680,348 | 24,981,015 | 56,218,548 | 58,036,152 | 47,462,765 |
| Total | $ 35,271,036 | $ 30,852,946 | $ 30,536,176 | $ 23,788,589 | $ 25,556,360 | $ 25,680,348 | $ 24,981,015 | $ 56,218,548 | $ 58,036,152 | $ 47,462,765 |
| District's covered-employee payroll | 9,500,335 | $ 7,557,589 | $ 7,851,652 | $ 6,998,424 | $ 6,573,499 | $ 6,735,389 | $ 6,695,579 | $ 7,041,119 | $ 11,715,920 | $ 6,608,000 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 60.36% | 57.70% | 56.40% | 65.59% | 58.27% | 58.80% | 59.30% | 39.83% | 35.22% | 42.49% |

**Note:** Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

See the accompanying notes to the required supplementary information.

MORGAN COUNTY SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS
CERS and TRS
For the year ended June 30, 2025

| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| **COUNTY EMPLOYEE'S RETIREMENT SYSTEM:** | | | | | | | | | | |
| Contractually required contribution | $ 384,293 | $ 502,009 | $ 489,713 | $ 336,520 | $ 317,370 | $ 270,226 | $ 253,840 | $ 261,222 | $ 359,041 | $ 497,488 |
| Contributions in relation to the contractually required contribution | 384,293 | 502,009 | 489,713 | 336,520 | 317,370 | 270,226 | 253,840 | 261,222 | $ 359,041 | $ 497,488 |
| Contribution deficiency (excess) | - | - | - | - | - | - | - | - | - | - |
| District's covered-employee payroll | $ 3,003,100 | $ 2,365,121 | $ 1,915,821 | $ 1,796,780 | $ 979,905 | $ 1,025,233 | $ 1,527,908 | $ 1,461,070 | $ 1,044,028 | $ 1,289,487 |
| District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll | 12.80% | 21.23% | 25.56% | 18.73% | 32.39% | 26.36% | 16.61% | 17.88% | 34.39% | 38.58% |
| **KENTUCKY TEACHER'S RETIREMENT SYSTEM:** | | | | | | | | | | |
| Contractually required contribution | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Contributions in relation to the contractually required contribution | - | - | - | - | - | - | - | - | - | - |
| Contribution deficiency (excess) | - | - | - | - | - | - | - | - | - | - |
| District's covered-employee payroll | $ 9,500,335 | $ 7,557,589 | $ 7,851,652 | $ 6,998,424 | $ 3,869,394 | $ 3,559,699 | $ 3,532,177 | $ 3,587,352 | Not in 2021 audit | Not in 2021 audit |
| District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

**Note:** Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

See the accompanying notes to the required supplementary information.

## (1) CHANGES OF BENEFITS

There were no changes of benefit terms for TRS or CERS.

## (2) CHANGES OF ASSUMPTIONS

TRS

The following represents assumptions and changes of assumptions from the prior valuation to the valuation performed as of June 30, 2020:

- Remaining amortization period changed to 24 years
- Single Equivalent interest rate changed to 7.1%
- Municipal bond rate index changed to 3.66%
- Projected salary increase changed to 3.50-7.20%
- Investment rate of return changed to 7.1%

CERS

The following represents assumptions and changes of assumptions from the prior valuation to the valuation performed as of June 30, 2019:

- Remaining amortization period increased to 30 years
- Salary increase changed to 3.30 to 10.30%

## (3) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

TRS

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

| | |
|---|---|
| Valuation Date | June 30, 2020 |
| Actuarial Cost Method | Entry Age |
| Amortization Method | Level percentage of payroll, closed |
| Remaining Amortization Period | 24 years |
| Inflation | 3.0% |
| Asset Valuation Method | 5-year smoothed market value |
| Single Equivalent Interest Rate | 7.1% |
| Municipal Bond Index Rate | 3.66% |
| Projected Salary Increase | 3.50 -7.20%, including inflation |
| Investment Rate of Return | 7.1%, net of pension plan investment expense, including inflation. |

CERS

The Board of Trustees uses this actuarial valuation to certify the employer contribution rates for CERS for the fiscal year beginning July 1, 2023 and ending June 30, 2025. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of that schedule:

| | |
|---|---|
| Valuation Date | June 30, 2019 |
| Experience Study | July 1, 2013 to June 30, 2018 |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level percent of pay |
| Remaining Amortization | Period 30 years , Closed *Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases* |
| Payroll Growth Rate | 2.0% |
| Asset Valuation Method | 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized |
| Inflation | 2.30% |
| Salary Increase | 3.30% to 10.30%, varies by service for CERS Nonhazardous; |
| Investment Rate of Return | 6.25% for CERS Nonhazardous and Hazardous, |
| Phase-in Provision | Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018 for |

MORGAN COUNTY SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**

**MEDICAL AND LIFE INSURANCE PLANS - TEACHERS' RETIREMENT SYSTEM**

For the year ended June 30, 2025

| | **Reporting Fiscal Year** (Measurement Date) 2025 (2024) | **Reporting Fiscal Year** (Measurement Date) 2024 (2023) | **Reporting Fiscal Year** (Measurement Date) 2023 (2022) | **Reporting Fiscal Year** (Measurement Date) 2022 (2021) | **Reporting Fiscal Year** (Measurement Date) 2021 (2020) | **Reporting Fiscal Year** (Measurement Date) 2020 (2019) | **Reporting Fiscal Year** (Measurement Date) 2019 (2018) | **Reporting Fiscal Year** (Measurement Date) 2018 (2017) |
|---|---|---|---|---|---|---|---|---|
| **MEDICAL INSURANCE PLAN** | | | | | | | | |
| Districts' proportion of the net OPEB liability (asset) | 0.05439% | 0.09604% | 0.13187% | 0.09885% | 0.09786% | 0.10151% | 0.09963% | 0.11099% |
| District's proportionate share of the net OPEB liability (asset) | $ 2,453,000 | $ 2,339,000 | $ 3,274,000 | $ 2,121,000 | $ 2,470,000 | $ 2,971,000 | $ 3,457,000 | $ 3,958,000 |
| State's proportionate share of the collective net OPEB liability (asset) associated with the District | 2,186,000 | 1,972,000 | 1,075,000 | 1,722,000 | 1,978,000 | 2,399,000 | 2,979,000 | 3,233,000 |
| Total | $ 4,639,000 | $ 4,311,000 | $ 4,349,000 | $ 3,843,000 | $ 4,448,000 | $ 5,370,000 | $ 6,436,000 | $ 7,191,000 |
| District's covered-employee payroll | $ 9,500,335 | $ 7,557,589 | $ 7,851,652 | $ 6,998,424 | $ 3,869,394 | $ 3,559,699 | $ 3,532,177 | $ 3,587,352 |
| District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll | 25.82% | 30.95% | 41.70% | 30.31% | 63.83% | 83.46% | 97.87% | 110.33% |
| Plan fiduciary net position as a percentage of the total OPEB liability (asset) | 59.81% | 52.97% | 47.75% | 51.74% | 39.05% | 32.58% | 25.50% | 21.18% |
| **LIFE INSURANCE PLAN** | | | | | | | | |
| Districts' proportion of the net OPEB liability (asset) | 0.000% | 0.000% | 0.000% | 0.044% | 0.000% | 0.000% | 0.000% | 0.000% |
| District's proportionate share of the net OPEB liability (asset) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| State's proportionate share of the net OPEB liability (asset) associated with the District | 50,000 | 49,000 | 30,000 | 13,000 | 33,000 | 31,000 | 29,000 | 26,000 |
| Total | $ 50,000 | $ 49,000 | $ 30,000 | $ 13,000 | $ 33,000 | $ 31,000 | $ 29,000 | $ 26,000 |
| District's covered-employee payroll | $ 9,500,335 | $ 7,557,589 | $ 7,851,652 | $ 6,998,424 | $ 3,869,394 | $ 3,559,699 | $ 3,532,177 | $ 3,587,352 |
| District's proportionate share of the net OPEB liability (asseet) as a percentage of its covered-employee payroll | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% |
| Plan fiduciary net position as a percentage of the total OPEB liability (asset) | 80.56% | 76.91% | 73.97% | 89.15% | 71.57% | 73.40% | 75.00% | 79.99% |

**Note:** Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

See the accompanying notes to the required supplementary information.

MORGAN COUNTY SCHOOL DISTRICT
**SCHEDULE OF CONTRIBUTIONS**
**MEDICAL AND LIFE INSURANCE PLANS**
**TEACHERS' RETIREMENT SYSTEM** For
the year ended June 30, 2025

| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|---|---|
| **MEDICAL INSURANCE PLAN** | | | | | | | | |
| Contractually required contribution | $ 155,954 | $ 335,379 | $ 174,968 | $ 175,450 | $ 172,820 | $ 176,749 | $ 117,468 | $ 190,158 |
| Contributions in relation to the contractually required contribution | 155,954 | 335,379 | 174,968 | 175,450 | 172,820 | 176,749 | 117,468 | 190,158 |
| Contribution deficiency (excess) | - | - | - | - | - | - | - | - |
| District's covered-employee payroll | $ 9,500,335 | $ 7,557,589 | $ 7,851,652 | $ 6,998,424 | $ 3,869,394 | $ 3,559,699 | $ 3,532,177 | $ 3,587,352 |
| District's proportionate share as a percentage of it's covered-employee payroll | 1.64% | 4.44% | 2.23% | 2.51% | 4.47% | 4.97% | 3.33% | 5.30% |
| **LIFE INSURANCE PLAN** | | | | | | | | |
| Contractually required contribution | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Contributions in relation to the contractually required contribution | - | - | - | - | - | - | - | - |
| Contribution deficiency (excess) | - | - | - | - | - | - | - | - |
| District's covered-employee payroll | $ 9,500,335 | $ 7,557,589 | $ 7,851,652 | $ 6,998,424 | $ 3,869,394 | $ 3,559,699 | $ 3,532,177 | $ 3,587,352 |
| District's proportionate share as a percentage of it's covered-employee payroll | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

**Note:** Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

See the accompanying notes to the required supplementary information.

MORGAN COUNTY SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - HEALTH INSURANC PLAN**

**COUNTY EMPLOYEE RETIREMENT SYSTEM**

For the year ended June 30, 2025

| | **Reporting Fiscal Year** (Measurement Date) 2025 (2024) | **Reporting Fiscal Year** (Measurement Date) 2024 (2023) | **Reporting Fiscal Year** (Measurement Date) 2023 (2022) | **Reporting Fiscal Year** (Measurement Date) 2022 (2021) | **Reporting Fiscal Year** (Measurement Date) 2021 (2020) | **Reporting Fiscal Year** (Measurement Date) 2020 (2019) | **Reporting Fiscal Year** (Measurement Date) 2019 (2018) | **Reporting Fiscal Year** (Measurement Date) 2018 (2017) |
|---|---|---|---|---|---|---|---|---|
| **HEALTH INSURANCE PLAN** | | | | | | | | |
| Districts' proportion of the net OPEB liability (asset) | 0.09575% | 0.07390% | 0.07774% | 0.06825% | 0.06420% | 0.06600% | 0.07073% | 0.07691% |
| District's proportionate share of the net OPEB liability (asset) | $ (165,632) | $ (102,037) | $ 1,537,347 | $ 1,306,574 | $ 1,549,728 | $ 1,110,612 | $ 1,255,744 | $ 1,546,134 |
| State's proportionate share of the collective net OPEB liability (asset) associated with the District | - | - | - | - | - | - | - | - |
| Total | $ (165,632) | $ (102,037) | $ 1,537,347 | $ 1,306,574 | $ 1,549,728 | $ 1,110,612 | $ 1,255,744 | $ 1,546,134 |
| District's covered-employee payroll | $ 3,003,100 | $ 2,365,121 | $ 1,915,821 | $ 1,796,780 | $ 979,905 | $ 1,025,233 | $ 1,527,908 | $ 1,461,070 |
| District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll | -5.52% | -4.31% | 80.24% | 72.72% | 158.15% | 108.33% | 82.19% | 105.82% |
| Plan fiduciary net position as a percentage of the total OPEB liability (asset) | -5.31% | -4.63% | 60.94% | 73.08% | 51.67% | 60.44% | 57.62% | 52.39% |

**Note:** Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

See the accompanying notes to the required supplementary information.

MORGAN COUNTY SCHOOL DISTRICT

**SCHEDULE OF CONTRIBUTIONS - HEALTH INSURANCE PLAN**

**COUNTY EMPLOYEE RETIREMENT SYSTEM**

For the year ended June 30, 2025

| **MEDICAL INSURANCE PLAN** | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 21,382 | $ 19,586 | $ 89,840 | $ 82,997 | $ 78,274 | $ 87,632 | $ 97,379 | $ 98,273 |
| Contributions in relation to the contractually required contribution | 21,382 | 19,586 | 89,840 | 82,997 | 78,274 | 87,632 | 97,273 | 98,273 |
| Contribution deficiency (excess) | - | - | - | - | - | - | 106 | - |
| District's covered-employee payroll | $ 3,003,100 | $ 2,365,121 | $ 1,915,821 | $ 1,796,780 | $ 979,905 | $ 1,025,233 | $ 1,527,908 | $ 1,461,070 |
| District's proportionate share as a percentage of it's covered-employee payroll | 0.71% | 0.83% | 4.69% | 4.62% | 7.99% | 8.55% | 6.37% | 6.73% |

**Note:** Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

See the accompanying notes to the required supplementary information.

**TRS**

**(1) CHANGES OF BENEFIT TERMS**

There were no changes of benefit terms for the medical insurance fund or the life insurance fund.

**(2) CHANGES OF ASSUMPTIONS**

- In the 2020 experience study, rates of withdrawal, retirement, disability, mortality and salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub2010 Mortality Tables(Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, set-backs and
- The assumed long-term investment rate of return was changed from 8% to 7.1%. The price inflation assumption was
- The rates of member participation and spousal participation were adjusted to reflect actual experience more closely.

**(3) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLYDETERMINED CONTRIBUTIONS**

Medical Insurance Fund

The actuarially determined contribution rates, as a percentage of payroll used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculatedas of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2024:

| | |
|---|---|
| Valuation Date | June 30, 2022 |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level percent of payroll |
| Remaining Amortization | 26 years, closed |
| Asset Valuation Method | 5-year smoothed fair value |
| Inflation | 2.5% |
| Real wage growth | 0.25% |
| Wage inflation | 2.75% |
| Salary Increase | 3.0 to 7.5%, including inflation |
| Discount rate | 7.1% |

**CERS**

Other Pension Benefit Programs-Employees' Health Plan

**(1) CHANGES OF BENEFIT TERMS**

There were no changes of benefit terms.

**(2) CHANGES OF ASSUMPTIONS**

- Amortization period increased to 30.
- Salary increase changed from 3.30 – 11.55% to 3.30 – 10.30%
- Mortality methodology changed from RP-2000 to MP-2014

- Health care trend rates Pre-65 changed to having an initial trend rate of 6.25% decreasing to 4.05% over 13 years
- Health care trend rates Post-65 changed to having an initial trend rate of 5.5% decreasing to 4.05% over 11 years

## (3) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLYDETERMINED CONTRIBUTIONS

Recipients of CERS retirement benefits may elect to participate in a voluntary hospital/medical group insurance plan for themselves and their dependents. The cost of participation for their dependents is borne by the retiree. The retirement system will pay a portion of the cost of participation for the retiree based on years of service as follows: Less than 4 years – 0%, 4-9 years – 25%, 10-14 years – 50%, 15-
19 years – 75% and 20 or more years – 100%.

Contributions requirements for medical benefits are a portion of the actuarially determined rates of covered payroll, as disclosed above.

| | |
|---|---|
| Actuarial Valuations as Of | June 30, 2024 |
| Actuarial Cost Method | Entry Age Normal |
| Asset Valuation Method | 20% of difference between the market value of assets and the expected actuarial value of assets. |
| Amortization Method | Level percent of pay |
| Amortization Period | 30 years, closed at June 30, 2024 |
| Payroll Growth | 2.00% |
| Investment Return | 6.50% |
| Price Inflation | 2.50% |
| Salary Increase | 3.30 – 10.30%, varies by service |
| Mortality | MP-2014 mortality improvement scale using a base year of 2023 |
| Healthcare Trend Rates (Pre-65) | Initial trend starting at 6.25% and gradually decreasing to an ultimate trend rate of 4.05% over period of 13 years. |
| Healthcare Trend Rates (Post 65) | Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 4.05% over period of 11 years. |
| Healthcare Trend Rates (Phase-In) | Board certified rate is phased into the actuarially determined rate in accordance with HB362 enacted in 2018. |

Morgan County School District
**Combining Balance Sheet - Nonmajor Governmental Funds**
June 30, 2025

| | Capital Outlay | District Activity | Student Activity Fund | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and Cash Equivalents | $ - | $ 7,955 | $ 206,392 | $ 214,347 |
| Total Assets | - | 7,955 | 206,392 | 214,347 |
| **Liabilities** | | | | |
| Accounts Payable | | 40 | - | 40 |
| Total Liabilities | - | 40 | - | 40 |
| **Fund Balance** | | | | |
| Restricted | | 7,915 | | 7,915 |
| Committed | | | 206,392 | 206,392 |
| Total Fund Balance | $ - | $ 7,915 | $ 206,392 | $ 214,307 |

See the accompanying notes to the financial statements.

Morgan County School District

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

For the Year ended June 30, 2025

| | Capital Outlay | District Activity | Student Activity | Total |
|---|---|---|---|---|
| **Revenues** | | | | |
| From Local Sources | | | | |
| Student Activities | $ | $ | $ 517,435 | $ 517,435 |
| Other Local Revenue | | 500 | 73,299 | 73,799 |
| Intergovernmental - State | 164,694 | | | 164,694 |
| Intergovernmental - Federal | | | | - |
| Total Revenues | 164,694 | 500 | 590,734 | 755,928 |
| **Expenditures** | | | | |
| Instruction | | 19,274 | 527,030 | 546,303 |
| Instructional Staff Support Services | | 234 | 22,547 | 22,781 |
| Student Transportation | | | 5,084 | 5,084 |
| Other Non-Instruction | | | 7,278 | 7,278 |
| Building Acquisition & Construction | | | | - |
| Total Expenditures | - | 19,508 | 561,938 | 581,446 |
| **Excess (Deficit) of Revenues Over Expenditures** | 164,694 | (19,008) | 28,796 | 174,482 |
| **Other Financing Sources (Uses)** | | | | |
| Transfers In | | 19,448 | | 19,448 |
| Fund Transfers In (Out) | (164,694) | - | (19,448) | (184,142) |
| Bond Proceeds | | | | - |
| Total Other Financing Sources (Uses) | (164,694) | 19,448 | (19,448) | (164,694) |
| **Net Change in Fund Balances** | - | 441 | 9,347 | 9,788 |
| **Fund Balance Beginning** | | 7,474 | 197,045 | 204,519 |
| **Fund Balance Ending** | $ - | $ 7,915 | $ 206,392 | $ 214,307 |

See the accompanying notes to the financial statements.

Morgan County School District
**Combining Balance Sheet - School Activity Funds**
June 30, 2025

| | MORGAN COUNTY HIGH SCHOOL | MORGAN COUNTY MIDDLE SCHOOL | WRIGLEY ELEMENTARY | MORGAN COUNTY ELEMENTARY | EZEL ELEMENTARY | EAST VALLEY ELEMENTARY | TOTAL |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| Cash and cash equivalents | $ 150,284 | $ 29,728 | $ 5,278 | $ 10,010 | $ 4,305 | $ 6,789 | $ 206,392 |
| Total Assets | 150,284 | 29,728 | 5,278 | 10,010 | 4,305 | 6,789 | 206,392 |
| **LIABILITIES** | | | | | | | |
| Accounts payable | | | | | | | |
| **FUND BALANCE** | | | | | | | |
| Restricted | 150,284 | 29,728 | 5,278 | 10,010 | 4,305 | 6,789 | 206,392 |
| **TOTAL LIABILITIES AND FUND BALANCE** | $ 150,284 | $ 29,728 | $ 5,278 | $ 10,010 | $ 4,305 | $ 6,789 | $ 206,392 |

See the accompanying notes to the financial statements.

Morgan County School District

**Combining Statement of Revenues, Expenditures and Changes In Fund Balance**

**- School Activity Fund**

For the Year ended June 30, 2025

| | MORGAN COUNTY HIGH SCHOOL | MORGAN COUNTY MIDDLE SCHOOL | WRIGLEY ELEMENTARY | MORGAN COUNTY ELEMENTARY | EZEL ELEMENTARY | EAST VALLEY ELEMENTARY | TOTAL |
|---|---|---|---|---|---|---|---|
| **Revenues** | | | | | | | |
| Student/Trust revenues | $ 339,489 | $ 118,656 | $ 42,574 | $ 44,473 | $ 19,205 | $ 26,337 | $ 590,734 |
| **Expenses** | | | | | | | |
| Student/Trust activities | 334,018 | 116,029 | 44,690 | 41,794 | 20,628 | 24,228 | 581,387 |
| **Net Change in Fund Balance** | 5,471 | 2,627 | (2,115) | 2,679 | (1,423) | 2,110 | 9,347 |
| **Fund Balance Beginning** | 144,813 | 27,101 | 7,393 | 7,331 | 5,728 | 4,679 | 197,045 |
| **Fund Balance Ending** | $ 150,284 | $ 29,728 | $ 5,278 | $ 10,010 | $ 4,305 | $ 6,789 | $ 206,392 |

See the accompanying notes to the financial statements.

Morgan County School District
**Statement of Revenues, Expenditures and Changes in Fund Balance - Morgan County High School**
For the Year ended June 30, 2025

| | FUND BALANCE BEGINNING | REVENUES | EXPENSES | TRANSFERS | FUND BALANCE ENDING |
|---|---|---|---|---|---|
| 121 Disnict-Fund 21 | $ - | $ - | $ (12,000) | $ 12,000 | $ 23,999 |
| 160 Adams | 363 | - | (422) | 59 | 844 |
| 165 Math Club | 50 | - | - | (50) | - |
| 200 Student Generated | 6,276 | 21,149 | (17,040) | (6,942) | 37,523 |
| 220 Lance Teachers | - | - | - | - | - |
| 230 Staff Generated | 603 | 4,644 | (3,467) | - | 8,714 |
| 310 Ans Club | 915 | 2,826 | (3,830) | 113 | 7,684 |
| 320 F.B.L.A. | 355 | 314 | (781) | 113 | 1,563 |
| 330 F.C.A. | - | - | - | - | - |
| 335 SAAD Club | - | - | - | - | - |
| 340 F.F.A. | 4,183 | 29,778 | (29,383) | - | 63,344 |
| 345 EDUCATORS RISING | 498 | 82 | (265) | - | 845 |
| 350 F.C.C.L.A. | 4,038 | 7,908 | (9,680) | 2,133 | 23,759 |
| 355 Cougar Cafe | - | 6,060 | (4,517) | - | 10,577 |
| 360 National Honor Society | 1,688 | 550 | (635) | 529 | 3,402 |
| 385 T.S.A. | 1,750 | 6,070 | (1,929) | - | 9,749 |
| 390 Student Council | 3,774 | 7,921 | (10,811) | (350) | 22,156 |
| 410 Band | - | 10,316 | (10,382) | 66 | 20,764 |
| 440 YO-AG | - | - | - | - | - |
| 500 Athletics | 1,937 | 55,358 | (52,204) | 5,226 | 114,725 |
| 510 Cheerleaders | 4,072 | 10,647 | (12,345) | 593 | 27,658 |
| 520 Cross Country | 7,450 | 8,419 | (5,919) | - | 21,787 |
| 525 Track | 3,379 | 2,417 | (1,600) | - | 7,396 |
| 530 Boys Soccer | - | - | - | - | - |
| 535 Girls Soccer | 601 | 750 | (1,111) | - | 2,462 |
| 540 Volleyball | 512 | 1,265 | (260) | 182 | 2,219 |
| 550 Tennis | 10,119 | 6,143 | (6,905) | 606 | 23,773 |
| 560 Quanerback Club | 6,746 | 3,916 | (5,846) | (91) | 16,417 |
| 565 Football | 210 | - | - | (209) | 1 |
| 570 Softball | 2,491 | 15,418 | (11,216) | 617 | 29,742 |
| 580 Boys Golf | 5,061 | 6,654 | (6,784) | (1,104) | 17,396 |
| 585 Girls Golf | - | 1,050 | (711) | - | 1,761 |
| 610 class of 2028 | - | 5,628 | (2,564) | 11,190 | 19,382 |
| 620 Project Prom/Grad | 75 | 7,450 | (5,788) | (650) | 12,663 |
| 625 Class Of2025 | 12,069 | 27,294 | (40,020) | 657 | 80,041 |
| 630 Class Of2026 | 581 | 5,246 | (2,828) | 150 | 8,805 |
| 635 Class Of2024 | 11,049 | - | - | (11,049) | - |
| 640 Girls Basketball | 2,348 | 3,507 | (4,818) | 1,038 | 11,712 |
| 650 Boys Basketball | 1,401 | 11,046 | (12,405) | (42) | 24,809 |
| 670 Science | 32 | 570 | (250) | - | 852 |
| 680 Baseball | 11,573 | 17,402 | (13,159) | (3,670) | 38,464 |
| 690 Concessions/ Athletics | 13,247 | 21,601 | (17,083) | (9,447) | 42,483 |
| 700 Yearbook | 4,303 | 96 | (3,403) | - | 7,802 |
| 720 AP English III | - | - | - | - | - |
| 730 Interact Club | 2,296 | 2,535 | (1,945) | (2,133) | 4,642 |
| 740 Anti-Bully Project | 290 | - | - | - | 290 |
| 750 Drama Club/Theater | 965 | - | - | - | 965 |
| 760 Key Club | - | - | - | - | - |
| 795 Project Prom Dress | 283 | - | - | - | 283 |
| 800 Youth Service | 75 | 11,308 | (5,994) | (389) | 16,987 |
| 805 JAG | 45 | 1,645 | (2,216) | 694 | 4,599 |
| 810 Work Ready | 3 | - | - | - | 3 |
| 815 Bass Fishing | 3,703 | 5,887 | (5,584) | - | 15,173 |
| 825 Tabletop Gaming | - | - | - | - | - |
| 830 Start-up | - | 1,000 | (1,000) | - | 2,000 |
| 835 ARCHERY | 9,278 | 6,821 | (3,430) | - | 19,529 |
| 840 BAND BOOSTERS | 1,049 | 400 | (1,449) | - | 2,897 |
| 845 Class of2027 | 2,988 | 400 | (41) | 160 | 3,589 |
| 850 MS Archery | 90 | - | - | - | 90 |
| TOTALS | $ 144,813 | $ 339,489 | $ (334,018) | $ - | $ 150,284 |

See the accompanying notes to the financial statements.

**Morgan County School District**
**Schedule of Expenditures of Federal Awards By Grant**
**For the Year Ended June 30, 2025**

| *Award Information* | *AL/other #* | *Pass-Through Entity Name* | *Pass-Through Entity #* | *Passed-through to Subrecipients ($)* | *Federal Expenditures ($)* |
|---|---|---|---|---|---|
| ***Child Nutrition Cluster-Cluster*** | | | | | |
| United States Department of Agriculture | | | | | |
| School Breakfast Program | | | | | |
| School Breakfast Program | 10.553 | KY Department of Education | 7760005-24 | | 85,180 |
| School Breakfast Program | 10.553 | KY Department of Education | 7760005-25 | | 322,979 |
| Total School Breakfast Program | | | | 0 | 408,159 |
| National School Lunch Program | | | | | |
| National School Lunch Program | 10.555 | KY Department of Education | 7750002-24 | | 195,324 |
| National School Lunch Program | 10.555 | KY Department of Education | 7750002-25 | | 740,933 |
| Total National School Lunch Program | | | | 0 | 936,257 |
| Summer Food Service Program for Children | | | | | |
| Summer Food Service Program for Children | 10.559 | KY Department of Education | 7740023-24 | | 67,732 |
| Summer Food Service Program for Children | 10.559 | KY Department of Education | 7690024-24 | | 6,937 |
| Total Summer Food Service Program for Children | | | | 0 | 74,669 |
| *Total United States Department of Agriculture* | | | | | 1,419,085 |
| ***Total Child Nutrition Cluster-Cluster*** | | | | | 1,419,085 |
| ***Special Education Cluster (IDEA)-Cluster*** | | | | | |
| Department of Education | | | | | |
| Special Education Grants to States | | | | | |
| Special Education Grants to States | 84.027 | KY Department of Education | 3810002-22 | | 7,055 |
| Special Education Grants to States | 84.027 | KY Department of Education | 3810002-23 | | 188,032 |
| Special Education Grants to States | 84.027 | KY Department of Education | 3810002-24 | | 340,271 |
| Total Special Education Grants to States | | | | 0 | 535,358 |
| Special Education Preschool Grants | | | | | |
| Special Education Preschool Grants | 84.173 | KY Department of Education | 3800002-22 | | 1,967 |
| Special Education Preschool Grants | 84.173 | KY Department of Education | 3800002-23 | | 26,007 |
| Special Education Preschool Grants | 84.173 | KY Department of Education | 3800002-24 | | 6,006 |
| Total Special Education Preschool Grants | | | | 0 | 33,980 |
| *Total Department of Education* | | | | | 569,338 |
| ***Total Special Education Cluster (IDEA)-Cluster*** | | | | | 569,338 |
| ***Other Programs (Treated individually for major program determination)*** | | | | | |
| United States Department of Agriculture | | | | | |
| Child and Adult Care Food Program | | | | | |
| Child and Adult Care Food Program | 10.558 | KY Department of Education | 7800016-25 | | 309 |
| Child and Adult Care Food Program | 10.558 | KY Department of Education | 7790021-25 | | 4,563 |
| Total Child and Adult Care Food Program | | | | 0 | 4,872 |
| State Administrative Expenses for Child Nutrition | | | | | |
| State Administrative Expenses for Child Nutrition | 10.560 | KY Department of Education | 7700001-24 | | 2,631 |
| Total State Administrative Expenses for Child Nutrition | | | | 0 | 2,631 |
| *Total United States Department of Agriculture* | | | | | 7,503 |
| Department of Education | | | | | |
| Adult Education - Basic Grants to States | | | | | |
| Adult Education - Basic Grants to States | 84.002 | KY Department of Education | 10231984 | | 28,610 |
| Total Adult Education - Basic Grants to States | | | | 0 | 28,610 |
| Title I Grants to Local Educational Agencies | | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | KY Department of Education | 3100002-23 | | 116,262 |
| Title I Grants to Local Educational Agencies | 84.010 | KY Department of Education | 3100002-24 | | 746,430 |
| Total Title I Grants to Local Educational Agencies | | | | 0 | 862,692 |
| Title I State Agency Program for Neglected and Delinquent Children and Youth | | | | | |
| Title I State Agency Program for Neglected and Delinquent Children and Youth | 84.013 | KY Department of Education | S013A210019 | | 363 |
| Title I State Agency Program for Neglected and Delinquent Children and Youth | 84.013 | KY Department of Education | S013A210019 | | 37,476 |
| Total Title I State Agency Program for Neglected and Delinquent Children and Youth | | | | 0 | 37,839 |
| Career and Technical Education -- Basic Grants to States | | | | | |
| Career and Technical Education -- Basic Grants to States | 84.048 | KY Department of Education | 3710002-23 | | 1,584 |
| Career and Technical Education -- Basic Grants to States | 84.048 | KY Department of Education | 3710002-24 | | 19,762 |
| Total Career and Technical Education -- Basic Grants to States | | | | 0 | 21,346 |
| Rural Education | | | | | |
| Rural Education | 84.358 | KY Department of Education | 3140002-22 | | 14,348 |
| Rural Education | 84.358 | KY Department of Education | 3140002-23 | | 39,237 |
| Rural Education | 84.358 | KY Department of Education | 3140002-24 | | 4,910 |
| Total Rural Education | | | | 0 | 58,495 |
| Student Support and Academic Enrichment Program | | | | | |
| Student Support and Academic Enrichment Program | 84.424 | KY Department of Education | 3420002-23 | | 17,971 |
| Student Support and Academic Enrichment Program | 84.424 | KY Department of Education | 3420002-24 | | 41,299 |
| Total Student Support and Academic Enrichment Program | | | | 0 | 59,270 |
| Education Stabilization Fund | | | | | |
| Education Stabilization Fund | 84.425 | KY Department of Education | ] | | 25,812 |
| Total Education Stabilization Fund | | | | 0 | 25,812 |
| *Total Department of Education* | | | | | 1,094,064 |
| ***Total Other Programs (Treated individually for major program determination)*** | | | | | 1,101,567 |
| ***Total Expenditures of Federal Awards*** | | | | $ 0 | $ 3,089,990 |

The accompanying notes are an integral part of this schedule

## NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Morgan County School District under the programs of the federal government for the year endedJune 30, 2025. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Morgan County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

## NOTE B – SIGNIFICANT ACCOUNTING POLICIES

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

## NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities received and disbursed. For the year ended June 30, 2025, the District received food commodities totaling $126,755.

## NOTE D – INDIRECT COST RATE

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

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

To the Board of Education of the Morgan County School District
West Liberty, KY

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits, in the *Auditor Responsibilities and State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements, the financial statements of the governmental activities, the business-type activities each major fund, and the aggregate remaining fund information of Morgan County School District, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Morgan County School District's basic financial statements, and have issued our report thereon dated November 15, 2024

**Report on Internal Control over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

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

**Purpose of This Report**

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

Allen + Associates, PLLC

Richmond, KY
February 15, 2026

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

To the Board of Education of the Morgan County School District
West Liberty, KY

## Report on Compliance for Each Major Federal Program

### *Opinion on Each Major Federal Program*

We have audited Morgan County School District's (District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of District's major federal programs for the year ended June 30, 2025. District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

### *Basis for Opinion on Each Major Federal Program*

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

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

### *Responsibilities of Management for Compliance*

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

### *Auditor's Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards,

*Government Auditing Standards*, and the Uniform Guidance will not always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance and the audit requirements prescribed by the Kentucky State Committee for School District Audits, in the *Auditor Responsibilities and State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements, we:

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

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

**Report on Internal Control over Compliance**

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

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

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

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

Allen + Associates, PLLC

Richmond, KY
February 15, 2026

MORGAN COUNTY SCHOOL DISTRICT
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
For the Year Ended June 30, 2025

## SUMMARY OF AUDITOR'S RESULTS

| | |
|---|---|
| What type of report was issued for the financial statements? | Unmodified |
| Were there significant deficiencies in internal control disclosed? If so, was any significant deficiencies material (GAGAS)? | No |
| Was any material noncompliance reported (GAGAS)? | No |
| Were there material weaknesses in internal control disclosed for major programs? | No |
| Were there any significant deficiencies in internal control disclosed that were not considered to be material weaknesses? | None Reported |
| What type of report was issued on compliance for major programs? | Unmodified |
| Did the audit disclose findings as it relates to major programs that Is required to be reported as described in the Uniform Guidance? | No |

Major Programs: Child Nutrition Cluster [ALNs 10.553, 10.555, 10.559]

Title I Grants to Local Educational Agencies [ALN 84.010, 84,048]

| | |
|---|---|
| Dollar threshold of Type A and B programs | $750,000 |
| Low risk auditee? | Yes |

## FINDINGS - FINANCIAL STATEMENT AUDIT

No findings at the major federal award programs level.

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

No findings at the major federal award programs level.

## FINDINGS - FINANCIAL STATEMENT AUDIT

No findings at the major federal award programs level.

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

No findings at the major federal award programs level.