

OHIO VALLEY EDUCATIONAL COOPERATIVE

FINANCIAL REPORT

June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Ohio Valley Educational Cooperative
Shelbyville, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and major funds of the Ohio Valley Educational Cooperative (the Cooperative), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Cooperative's basis 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 and each major fund, and the aggregate remaining fund information of the Cooperative, as of June 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Cooperative'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 Cooperative's internal control. Accordingly, no such opinion is express.
- * 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 Cooperative's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, Budget Comparison, the Schedule of the Proportionate Share of Net Pension Liability and Net OPEB Liability and the Schedule of Contributions of Pension and OPEB be presented to supplement the basic financial statements. Such information 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 content. 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 or 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 Cooperative's basic financial statements. The schedule of expenditures of federal awards as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for*

Federal Awards, is presented for purposes of additional analysis and is 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 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2025, on our consideration of the Ohio Valley Educational Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Cooperative's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cooperative's internal control over financial reporting and compliance.

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
August 7, 2025

OHIO VALLEY EDUCATIONAL COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2023

As management of the Ohio Valley Educational Cooperative (the Cooperative), we offer readers of the Cooperative's financial statements this brief narrative overview and analysis of the financial activities of the Cooperative for the fiscal year ended June 30, 2023.

Financial Highlights

As of the close of the current fiscal year, the Cooperative reported ending net position of \$(3,300,853), which includes \$6,316,857 of net investment in capital assets net of related debt, and \$(4,993,554) of restricted assets for federal, state and local programs. The remaining deficit balance of \$(4,624,156) is unrestricted.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Cooperative's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) governmental fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

The statement of net position presents information of all of the Cooperative's assets and liabilities with the difference reported as net position.

The statement of activities presents information showing how the government's net position changed during the 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 cash flows. Thus, revenues and expenditures are reported in the statement for some items that will only result in cash flows in future fiscal periods (i.e. federal funds receivable).

The government-wide financial statement include not only the Cooperative itself, but also legally separate entities, which have a significant operational or financial relationship with the Cooperative. The Cooperative has one such entity, the Ohio Valley Educational Foundation, Inc. which is a 501 (c)(3) non-profit Cooperative. It is known as a blended component unit.

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. The Cooperative, like other governments, uses fund accounting to ensure and demonstrated compliance with finance-related legal requirements.

Government Funds

Governmental funds are used to account for essentially the same functions reported as government activities in the government-wide financial statements. Unlike government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of expendable resources, as well as balances of expendable resources, available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements.

Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, our readers may better understand the long-term impact on the government's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison. The Cooperative maintains two individual governmental funds. Information is presented separately in the government fund balance sheet and in the government fund statement of revenues, expenditures and changes in fund balances for the General Fund and the Special Revenue Fund.

Notes to Financial Statements.

The notes provide information that is essential to a full understanding of the government-wide and fund financial statements.

Government-Wide Financial Analysis

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position.

Changes in Net Position

Cash and certificates of deposit decreased by \$7,187,489. Accounts receivable increased by \$3,207,067. Accounts payable decreased by \$209,943. Payroll related liabilities increased by \$28,435

A summary of significant financial information is as follows:

	6/30/2023	6/30/2022
Total assets less capital assets	4,611,302	5,421,073
Total capital assets net of accumulated depreciation	6,597,438	6,087,059
Special revenues	48,603,836	25,219,327
General revenues	4,718,315	2,554,427
Change in net position	(2,322,641)	(384,795)
Ending net position (deficit)	(3,300,853)	(978,212)

A listing of expenditures by function can be found in the statement of activities on page 12 of this report.

Financial Analysis of the Cooperative's Funds

As noted earlier, the Cooperative used fund accounting to ensure and demonstrate compliance with finance -related legal requirements.

Government Funds Overview

The focus of the Cooperative's governmental funds is to provide information on current inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Cooperative's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's resources available for spending at the end of the fiscal year.

As of June 30, 2023, the unassigned ending fund balance of the Cooperative's governmental funds was \$5,888,398.

The Cooperative has two major governmental funds. These are 1) General Fund and 2) Special Revenue Fund.

1) The General Fund is the chief operating fund of the Cooperative. At the end of the June 30, 2023 fiscal year, the unassigned fund balance of the General Fund was \$5,888,398. The Cooperative received \$3,865,365 in revenue from indirect costs.

2) The Special Revenue Fund is used to account for all grant money. At the end of the June 30, 2023 fiscal year, the restricted fund balance of the Special Revenue Fund was a deficit of \$(4,993,554).

Capital Assets and Lease Obligations

The Cooperative's investment in capital assets as of June 30, 2023 amounted to \$4,232,262 (net of accumulated depreciation). A detail of the capital assets by category and the related accumulated depreciation can be found in Note 4 of the financial statements.

The Cooperative has Right-to-Use Assets totalling \$2,365,176 (net of amortization) and lease obligations totaling \$2,346,326.

This financial report is designed to provide our legislators, citizens, taxpayers, customers, and federal government officials as well as, investors and creditors with a general overview of the Ohio Valley Educational Cooperative's finances and to demonstrate the Cooperative's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Chief Financial Officer, Ohio Valley Educational Cooperative, P.O. Box 1249, Shelbyville, KY 40066.

OHIO VALLEY EDUCATIONAL COOPERATIVE
STATEMENT OF NET POSITION (DEFICIT)
June 30, 2023

ASSETS

Current Assets	
Cash and Cash Equivalents	\$13,032
Receivables	3,546,536
Current Portion, Prepaid Rent	<u>36,266</u>
Total Current Assets	3,595,834
Non-Current Assets	
Prepaid Rent, less Current Portion	1,015,468
Land	331,500
Capital Assets, net of Depreciation	4,232,262
Right-of-use Assets, net of Amortization	<u>2,365,176</u>
Total Non-Current Assets	7,944,406

TOTAL ASSETS 11,540,240

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions	3,329,930
Deferred Outflows Related to OPEB - CERS	1,657,406
Deferred Outflows Related to OPEB - TRS	<u>1,060,422</u>
Total Deferred Outflows of Resources	6,047,758

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES \$17,587,998

LIABILITIES

Current Liabilities	
Bank Overdraft	\$2,118,917
Accounts Payable	197,381
Accrued Payroll Liabilities	217,234
Compensated Absences	131,192
Current Portion of Lease Obligations	<u>274,489</u>
Total Current Liabilities	2,939,213
Non-Current Liabilities	
Accrued Retirement Sick Leave	197,626
Lease Obligations, less Current Portion	2,071,837
Net Pension Liability - CERS	8,908,313
Net OPEB Liability - CERS	2,433,086
Net OPEB Liability - TRS	<u>1,409,000</u>
Total Non-Current Liabilities	15,019,862

TOTAL LIABILITIES 17,959,075

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions	1,063,110
Deferred Inflows Related to OPEB - CERS	1,248,666
Deferred Inflows Related to OPEB - TRS	<u>618,000</u>
Total Deferred Inflows	2,929,776

NET POSITION

Net Investment in Capital Assets	6,316,857
Restricted - Special Revenue (Deficit)	(4,993,554)
Unrestricted Deficit	<u>(4,624,156)</u>
Total Net Position (Deficit)	(3,300,853)

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION \$17,587,998

The Notes to the Financial Statements are an Integral Part of this Statement

OHIO VALLEY EDUCATIONAL COOPERATIVE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS				
Governmental Activities				
General Government	\$3,718,493		686,164	(\$3,032,329)
Education	41,696,439		41,696,439	0
Plant Operation and Maintenance	6,297,711		6,297,711	0
Transportation	<u>66,783</u>		<u>66,783</u>	<u>0</u>
Total Governmental Activities	51,779,426	0	48,747,097	(3,032,329)
GENERAL REVENUES				
Project Grants/Revenues				542,902
Contributions				132,887
Interest income				33,889
Other revenue				<u>10</u>
Total general revenues				709,688
Change in net position				(2,322,641)
Net Position, beginning of year				<u>(978,212)</u>
Net Position, end of year				(\$3,300,853)

The Notes to the Financial Statements are an Integral Part of this Statement

OHIO VALLEY EDUCATIONAL COOPERATIVE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

ASSETS

Cash and Cash Equivalents	\$13,032
Receivables	<u>3,546,536</u>
Total Assets	\$3,559,568

LIABILITIES

Bank Overdraft	\$2,118,917
Accounts Payable	197,381
Accrued Payroll	217,234
Compensated Absences	<u>131,192</u>
Total Liabilities	2,664,724

FUND BALANCES

Restricted	(4,993,554)
Unassigned	<u>5,888,398</u>
Total Fund Balances	894,844

TOTAL LIABILITIES AND FUND BALANCES	\$3,559,568
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The Notes to the Financial Statements are an Integral Part of this Statement

OHIO VALLEY EDUCATIONAL COOPERATIVE
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2023

Amounts Reported for Governmental Activities in the Statement of Net Position
are Different Because:

Total Fund Balance - Governmental Funds	\$894,844
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Capital Assets are not Reported in the Fund Financial Statements Because they are not Current Financial Resources, but they are Reported in the Statement of Net Position	6,928,938
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Prepaid Rent	1,051,734
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Deferred Outflows of Resources	6,047,758
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Deferred Inflows of Resources	(2,929,776)
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Certain Liabilities are not Reported in the Fund Financial Statement Because
they are not Due and Payable, but they are presented in the Statement of
Net Position

Pension Liability	(8,908,313)
OPEB Liability	(3,842,086)
Lease Obligations	(2,346,326)
Accrued Retirement Sick Leave	<u>(197,626)</u>

Total Net Position - Governmental Activities	(\$3,300,853)
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The Notes to the Financial Statements are an Integral Part of this Statement

OHIO VALLEY EDUCATIONAL COOPERATIVE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2023

	<u>General Fund</u>	<u>Special Revenue Funds</u> Federal <u>Funds</u>	State and Local <u>Funds</u>	Total Governmental <u>Funds</u>
REVENUES				
Grant Revenues	\$686,164	\$43,065,389	\$5,538,447	\$49,290,000
Contributions	132,887			132,887
Indirect Cost Revenue	3,865,365			3,865,365
Interest Income	33,889			33,889
Other Revenue	<u>10</u>	<u> </u>	<u> </u>	<u>10</u>
Total Revenues	4,718,315	43,065,389	5,538,447	53,322,151
EXPENDITURES				
General Government	3,092,801	0	0	3,092,801
Foundation	115,115			115,115
Education	0	38,231,815	2,722,902	40,954,717
Plant Operation and Maintenance	145,873	7,595,892	828,008	8,569,773
Transportation	0	66,784		66,784
Capital Outlay	31,538	741,722		773,260
Indirect Cost	<u>0</u>	<u>3,625,851</u>	<u>239,514</u>	<u>3,865,365</u>
Total Expenditures	3,385,327	50,262,064	3,790,424	57,437,815
Excess (deficiency) or revenues				
Over (Under) Expenditures	1,332,988	(7,196,675)	1,748,023	(4,115,664)
OTHER FINANCING SOURCES (USES)				
Lease Financing	<u>0</u>	<u>443,935</u>	<u>0</u>	<u>443,935</u>
Net Change in Fund Balances	1,332,988	(6,752,740)	1,748,023	(3,671,729)
Fund Balance (Deficit) Beginning of Year	<u>4,555,410</u>	<u>(3,145,177)</u>	<u>3,156,340</u>	<u>4,566,573</u>
Fund Balance (Deficit) End of Year	\$5,888,398	(\$9,897,917)	\$4,904,363	\$894,844

The Notes to the Financial Statements are an Integral Part of this Statement

OHIO VALLEY EDUCATIONAL COOPERATIVE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

Net change in fund balance - total governmentatl funds (\$3,671,729)

Total net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expenses to allocate those expenditures over the life of the assets:

Capital asset purchases	773,260
Lease outlays	490,140
Amortization expense	(260,751)
Depreciation expense	(160,770)

Governmental funds reported prepaid rent as expenditures, while governmentatl activities did not	1,051,734
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Other financing sources related to leases reported in the statement of revenues, expenditures and changes in fund balance for the funds but not in the statement of activities	(443,935)
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Payment of principal on lease obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position	249,218
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Governmental funds report pension contrbutions as expenditures, however, in the combined statement of activities, the cost of pension benefits earned, net of employer contributions, is reported as pension expense	(119,711)
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Governmental funds report OPEB contributions as expenditures, however, in the combined statement of activities, the cost of OPEB benefitis earned, net of employer contributions, is reported as OPEB benefit.	(447,695)
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(Increase), decrease in accrued interest	2,864
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(Increase), decrease in accrued retirement sick leave	<u>214,734</u>
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Change in net position of governmental activities	(\$2,322,641)
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The Notes to the Financial Statements are an Integral Part of this Statement

Note 1. Nature of Cooperative

The Ohio Valley Educational Cooperative is a Political Subdivision created by the authority of the Statutes of the Commonwealth of Kentucky. It is a cooperative entity established to act as fiscal agent in the coordination and administration of Federal programs for participating Kentucky local school Cooperatives, and to provide centralized purchasing benefits to the Cooperatives. The Cooperative also has the Ohio Valley Educational Foundation, Inc. which is a 501(c)(3) which is reported as a blended component unit.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

The accounting and reporting policies of the Cooperative relating to the funds included in the accompanying basic financial statements conform to the accounting principles generally accepted in the United States applicable to state and local governments. Generally accepted accounting principles for local governments also include those principles presented by the Government Accounting Standards Board (GASB).

Net Position/Fund Balances

In the statement of net position, the difference between the Cooperative's assets and liabilities is recorded as net position. The three components of net position are as follows:

Net investment in Capital Assets - This category records capital assets net of accumulated depreciation and reduce by any outstanding balances of bonds, mortgages, notes or other borrowing attributable to the acquisition, construction, or improvement of capital assets.

Restricted - Net Assets that are restricted by external sources such as banks or by law are reported separately as restricted net position. When assets are required to be retained in perpetuity, these are non spendable net assets are recorded separately from expendable net assets.

Unrestricted - This category represents net assets not appropriated for expenditures or legally segregated for a specific future use.

In the balance sheet of governmental funds the difference between the assets and liabilities is reported as fund balance. Fund balance is divided into the following classifications, as applicable:

Nonspendable - these funds include amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. There were no nonspendable amounts at June 30 2023.

Restricted - These funds are constrained for a specific purpose by external parties constitutional provisions or enabling legislation.

Committed - These funds are constrained for a specific purpose by the Cooperative using its highest level of decision-making authority. For resources to be considered committed, the specific purpose must be determined by a formal action of the Board of Directors. There were no committed amounts at June 30, 2023.

Assigned - These funds include amounts that the Cooperative intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Amounts may be assigned by the Cooperative's Executive Director. There were no assigned amounts at June 30, 2023.

Unassigned - These funds amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the policy of the Cooperative to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the Cooperative that committed amounts would be reduced first, followed by assigned amounts and then by unassigned amounts.

Basis of Presentation

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Cooperative.

The statement of activities demonstrates the degree to which expenses of a given function are affected by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Indirect expenses are allocated to each program area based on direct expenses. Program revenues include (1) changes to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Funds are characterized as either major or non-major. Major funds are those assets, liabilities, revenues, or expenditures are at least ten percent of the corresponding total (assets, liabilities, etc.,) for all funds or type and whose total assets, liabilities, revenues, or expenditures are at least five percent of the corresponding total for all governmental funds combined. The Cooperative may also designate any fund as major. The government reports the following major governmental funds:

General Fund

The general fund is the primary operating fund of the Cooperative. It accounts for all financial resources of the general government. The general fund receives membership dues from participating local school Cooperatives for the Cooperative's administrative purpose and to provide continuing educational staff development for educators in these local school Cooperatives.

Special Revenue Funds (Federal Funds and State and Local Funds)

The Special Revenue fund accounts for the activities of federal, state and local grant programs in accordance with restrictions established by the prospective grantors. Indirect costs are allocated to grant programs in accordance with the grant agreements.

Measurement Focus/ Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resource measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statement presents increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting revenues are recognized when earned. Expenses are recognized at time is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. The fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and fund financial statements.

Budgets and Budgetary Comparisons

The Cooperative does not formally adopt comprehensive budgets for each component fund within its operations. Budgets are developed for certain grant funds and specific items of expense for management's use and compliance with legal restrictions. As a result, Budget to Actual reports are not presented in the financial report for the fiscal year ended in June 30, 2023.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from the estimates.

Accounts Receivable

Accounts receivable consist of federal, state and local grant program funds received on a reimbursement basis. The amount receivable at year-end are those amounts expended but not yet reimbursed. The Cooperative considers all current accounts receivable at June 30, 2023 to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Compensated Absences

Employees of the Cooperative are entitled to paid sick days and paid annual leave depending on job classification, length of service, and other factors. An employee can carry over a maximum of twenty (20) unused vacation days to the next year. At June 30, 2023, Cooperative employees had accumulated \$131,192 of unused vacation compensation.

At June 30, 2023, Cooperative employees had \$658,752 of unused sick leave. While the Cooperative does not pay employees for unused sick leave benefits, employees covered by the Kentucky Retirement System will benefit from unused sick leave for the purposes of determining their retirement benefits. Upon retirement, the Cooperative pays the employee 30% of their unused sick pay. The liability for the estimated retirement portion of unused sick pay is recorded as accrued retirement sick leave and amounted to \$197,626 as of June 30, 2023. Regular sick pay is expensed when paid.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of resources of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until that time. In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until time.

Subsequent Events

Management has evaluated subsequent events through August 7, 2025 the date the financial statements were available to be issued.

Note 3

Cash and Cash Equivalents

Statutes authorize the Cooperative to invest in certificates of deposit, repurchase agreements, passbook savings accounts, bankers' acceptances, and other available bank investments provided that invested funds are covered by Federal depositor's insurance or approved securities are pledged as collateral to secure those funds on deposits in an amount equal to the amount of those funds. In addition, the Cooperative can invest in direct securities of the United States Government unless such an investment is strictly prohibited by law. Cash and cash equivalents consists of interest bearing and non-interest bearing checking accounts. The Cooperative maintained deposit of public funds with depository institutions issued by the Federal Deposit Insurance Corporation (FDIC) in accordance with Kentucky Revised Statute (KRS) 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on

deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Cooperative and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and an official record of the depository institution. At June 30, 2023, the Cooperative has a collateral security agreement in place that meets the above conditions.

Cash and Cash Equivalents at Year End Consisted of the following:

General Operating	(\$2,118,722)
Foundation	<u>12,837</u>
Total	(\$2,105,885)

Note 4 Capital Assets

Capital assets, which include land, buildings and improvements, furniture, equipment and vehicles, are reported in the applicable governmental columns in the government-wide financial statements. All capital assets are valued at their historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Land is not depreciated. The capitalization threshold for all assets \$5000.

<u>Description</u>	Useful Life (Years)
Buildings and Improvements	40
Furniture and equipment	7
Vehicles	5

A summary of changes in capital assets for the year ended June 30, 2023 is as follows:

Primary Government:	Beginning Balance	Additions	Disposals	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$331,500			\$331,500
Capital Assets Being Depreciated:				
Buildings and Improvements	4,091,047	335,015		4,426,062
Furniture & Equipment	195,620	438,245		633,865
Vehicle	<u>39,457</u>			<u>39,457</u>
Total assets being depreciated	4,326,124	773,260		5,099,384
Less accumulated depreciation:				
Buildings and Improvements	572,274	90,940		663,214
Furniture & Equipment	110,815	61,939		172,754
Vehicle	<u>23,263</u>	<u>7,891</u>		<u>31,154</u>
Total accumulated depreciation	706,352	160,770		867,122
Total capital assets being depreciated, net	3,619,772	612,490		4,232,262
Right-of-Use Assets Being Amortized:				
Buildings	2,158,450	490,140		2,648,590
Equipment	<u>170,738</u>			<u>170,738</u>
Total assets to be amortized	2,329,188	490,140		2,819,328
Less accumulated amortization:				
Buildings	181,959	247,186		429,145
Equipment	<u>11,442</u>	<u>13,565</u>		<u>25,007</u>
Total accumulated amortization	193,401	260,751		454,152
Total assets being amortized, net	2,135,787	229,389		2,365,176
Governmental activities assets, net	\$6,087,059			\$6,928,938

Depreciation expense charged to general government for the year ended June 30, 2023 was \$160,770 and amortization expense on right-of-use assets was \$260,751.

Note 5 Leases

The Cooperative as lessee has entered into lease agreements involving building space and equipment.

The total of the Cooperative's leases are recorded at cost of \$2,819,328 less accumulated amortization of \$454,152. The discount rate used for these leases range from 1.49% to 3.00%. The future lease payments under these lease agreements are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$274,489	\$39,588	\$314,077
2025	280,710	37,001	317,711
2026	286,510	34,349	320,859
2027	219,234	31,973	251,207
2028	153,637	22,508	176,145
2029-2033	694,144	67,168	761,312
2034-2040	<u>437,602</u>	<u>11,313</u>	<u>448,915</u>
	\$2,346,326	\$243,900	\$2,590,226

Long-term lease obligation activity is as follows:

	Balance 7/1/2022	Increases	Decreases	Balance Due Within 6/30/2023	One Year
Primary Government					
<u>Governmental Activities</u>					
Lease Obligations	\$2,151,609	\$443,935	\$249,218	\$2,346,326	\$274,489

Note 6 Future Funding

The Cooperative's grants are provided by federal, state and local governmental agencies and are to be used for designated purposes. If the grantor determines the funds were not used for the intended purpose, the grantor may request a refund of monies advanced, or refuse to reimburse the Cooperative for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the Cooperative's grant programs is predicated upon the grantor's intent to continue their programs.

Note 7 Concentration of Credit Risk

The Cooperative receives a substantial amount of its support from the Kentucky Department of Education, the federal government and local school Cooperatives. A significant reduction in the level of this support would have a significant effect on the Cooperative's programs and activities.

NOTE 8 – RETIREMENT PLANS

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

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

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

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

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

Non-university members receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July, 1983) of their final average salaries for each year of credited service. Non-university members who became members on or after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than ten years. New member after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, members who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation.

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

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

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

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

For members after January 1, 2022 – condition for retirement; attainment of age 57 and 10 years of service or attainment of age 65 and 5 years of service. The annual foundational benefit for non-university members is equal to service times a multiplier times final average salary, based on a table. The annual foundational benefit is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 30 years of service. The annual supplemental benefit is equal to the account balance which includes member and employer contributions and interest credited annually on June 30. Options include annuitizing the balance or receiving the balance as a lump sum either at the time of retirement or at a later date.

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

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

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

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

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

KENTUCKY PUBLIC PENSIONS AUTHORITY

County Employees Retirement System (CERS)

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

Plan description: Substantially all full-time classified employees of OVEC participate in the County Employees Retirement System ("CERS"). CERS is a cost-sharing, multiple-employer, defined benefit pension plan administered by the Kentucky General Assembly. The plan covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members.

Contributions: Funding for CERS is provided by members who contribute 5% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions and by employers of members who contribute 23.40% of the member's salary. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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

OVEC contributed \$1,281,410 for the year ended June 30, 2023, or 100% of the required contribution. The contribution was allocated \$1,119,261 to the CERS pension fund and \$162,149 to the CERS insurance fund.

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

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

Tier 1

Participation date – Before September 1, 2008

Unreduced retirement – 27 years service or 65 years old and 4 years service

Reduced retirement – At least 5 years service and 55 years old or at least 25 years service and any age

Tier 2

Participation date – September 1, 2008 – December 31, 2013

Unreduced retirement – At least 5 years service and 65 years old or age 57+ and sum of years plus age equal to 87+

Reduced retirement – At least 10 years service and 60 years old

Tier 3

Participation date – After December 31, 2013

Unreduced retirement – At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+

Reduced retirement – Not available

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

CERS and TRS

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources:

At June 30, 2023, OVEC reported a liability of \$8,908,313 for its proportionate share of the net pension liability for CERS. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, and rolled forward using generally accepted actuarial procedures. OVEC's proportion of the net pension liability was based on a projection of OVEC's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2022 OVEC's proportionate share was 0.12323 percent.

OVEC did not report a liability for their proportionate share of the net pension liability for TRS because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of OVEC. The Commonwealth of Kentucky recognized \$13,072,435 as its proportionate share of the net pension liability for TRS. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as June 30, 2021, and rolled forward using generally accepted actuarial procedures. OVEC's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2023 the State's proportion was 0.0772 percent.

For the year ended June 30, 2023, OVEC recognized pension expense of \$1,419,907 related to CERS and \$476,801 related to TRS. OVEC also recognized revenue of \$1,192,741 for TRS support provided by the Commonwealth of Kentucky. At June 30, 2023, OVEC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$9,524	\$79,332
Changes of assumptions	0	0
Net difference between projected and actual earnings on plan investments	1,212,155	983,778
Changes in proportion and differences between OVEC contributions and proportionate share of contributions	988,989	0
OVEC contributions subsequent to the measurement	<u>1,119,262</u>	<u>0</u>
TOTAL	\$3,329,930	\$1,063,110

The \$1,119,262 of deferred outflows of resources resulting from OVEC's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2023 will be recognized in pension expense as follows:

Year ending June 30,	
2024	\$687,652
2025	281,699
2026	(74,860)
2027	253,067
2028	0
thereafter	<u>0</u>
TOTAL	\$1,147,558

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

CERS:

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

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

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

TRS:

Valuation date	6/30/2021
Actuarial cost method	Entry age
Investment rate of return	7.10%, net of plan investment expense, including inflation
Projected salary increases	3.0 - 7.50%, including inflation
Inflation rate	2.50%
Municipal Bond Index Rate	2.13%
Single Equivalent Interest Rate	7.10%

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

Target Allocations

CERS

The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

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

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

TRS

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large cap U.S. Equity	37.40%	4.20%
Small cap U.S. Equity	2.60%	4.70%
Developed international equity	16.50%	5.30%
Emerging markets equity	5.50%	5.40%
Fixed income	15.00%	-0.10%
High yield bonds	2.00%	1.70%
Other additional categories	5.00%	2.20%
Real estate	7.00%	4.00%
Private equity	7.00%	6.90%
Cash	<u>2.00%</u>	-0.30%
	100.00%	

Discount Rate

CERS

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

TRS

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

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

	CERS Discount Rate	CERS District's Proportionate Share of Net Pension Liability
1% decrease	5.25%	\$11,134,286
Current discount rate	6.25%	\$8,908,313
1% increase	7.25%	\$7,067,249

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) -CERS

Plan Description – As more fully described in Note 8, OVEC participates in the County Employees' Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating agency. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

Contributions – As more fully described in Note 8, plan members contribute to CERS for non-hazardous job classifications. For the year ended June 30, 2023, the employer's contribution was 3.39% to the insurance trust for non-hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per KRS Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

For the year ended June 30, 2023, the District contributed \$36,469 or 100% of the required contribution for non-hazardous job classifications.

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

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

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

Tier 3	Participation date	After December 31, 2013
	Insurance eligibility	15 years of service credit required
	Benefit	Set dollar amount based on service credit accrued, increased annually

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources –
At June 30, 2023, OVEC reported a liability for its proportionate share of the net OPEB liability of \$2,433,086.

The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021 and rolled forward using generally accepted actuarial procedures. OVEC's proportion of the net OPEB liability was based on a projection of OVEC's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. OVEC's proportionate share at June 30, 2022 was 0.123287%.

For the year ended June 30, 2023, OVEC recognized expense of \$509,618. At June 30, 2023, OVEC reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$244,910	\$557,963
Changes in assumptions	384,810	317,081
Net difference between projected and actual earnings on plan investments	453,066	354,313
Changes in proportion and differences between OVEC contributions and proportionate share of contributions	412,471	19,309
OVEC contributions subsequent to the measurement date	<u>162,149</u>	<u>0</u>
TOTAL	\$1,657,406	\$1,248,666

The \$162,149 of deferred outflows of resources resulting from OVEC's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. This includes an adjustment of \$87,722 related to the implicit subsidy, which is required to be recognized as a deferred outflow of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ending June 30,	
2024	\$135,820
2025	105,430
2026	(40,452)
2027	45,793
2028	0
thereafter	<u>0</u>
TOTAL	\$246,591

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

Non-hazardous

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

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

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

The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

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

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

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

	Discount Rate	OVEC's Proportionate Share of Net OPEB Liability
1% decrease	4.70%	\$3,252,648
Current discount rate	5.70%	\$2,433,086
1% increase	6.70%	\$1,755,581

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

	OVEC's Proportionate Share of Net OPEB Liability
1% decrease	\$1,808,945
Current trend rate	\$2,433,086
1% increase	\$3,182,561

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

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) -TRS

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

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

Medical Insurance Plan

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

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

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs - At June 30, 2023, OVEC reported a liability of \$1,409,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to OVEC. The collective net OPEB liability was measured as of June 30, 2022 and rolled forward using generally accepted actuarial procedures. OVEC's proportion of the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of OVEC's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, OVEC proportionate was 0.056767%.

The amount recognized by OVEC 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 OVEC were as follows:

OVEC's proportionate share of the net OPEB liability	\$1,409,000
State's proportionate share of the net OPEB liability associated with OVEC	<u>461,000</u>
TOTAL	\$1,870,000

For the year ended June 30, 2023, OVEC recognized OPEB expense of \$(38,000) and revenue of \$115,000 for support provided by the State. June 30, 2023, OVEC reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$0	\$592,000
Changes in assumptions	286,000	0
Net difference between projected and actual earnings on plan investments	75,000	0
Changes in proportion and differences between OVEC contributions and proportionate share of contributions	621,000	26,000
OVEC contributions subsequent to the measurement date	<u>78,422</u>	<u>0</u>
TOTAL	\$1,060,422	\$618,000

Of the total amount reported as deferred outflows related to OPEB, \$649,153 resulting from contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OVEC's OPEB expense as follows:

Year ending June 30,	
2024	\$26,000
2025	37,000
2026	51,000
2027	122,000
2028	93,000
thereafter	<u>35,000</u>
TOTAL	\$364,000

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

Investment rate of return	7.1% net of OPEB plan investment expense, including inflation
Projected salary increases	3.0% -7.5%, including wage inflation
Inflation rate	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Healthcare cost trend rates	
KEHP Group	7.0% for FY 2022 decreasing to an ultimate rate of 4.5% by FY 2032
MEHP Group	5.125% for FY 2022 decreasing to an ultimate rate of 4.5% by FY 2025
Medicare Part B Premiums	6.97% for FY 2022 with an ultimate rate of 4.5% by FY 2034
Municipal Bond Index Rate	2.13%
Discount Rate	7.10%
Single Equivalent Interest Rate	7.1%, net of OPEB plan investment expense, including inflation

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

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

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

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

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

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

	1% Decrease	Current Rate	1% Increase
	6.10%	7.10%	8.10%
OVEC's net OPEB liability	\$1,768,000	\$1,409,000	\$1,112,000

Sensitivity of OVEC's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates – The following presents OVEC's proportionate share of the collective net OPEB liability, as well as what OVEC'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
OVEC's net OPEB liability	\$1,056,000	\$1,409,000	\$1,848,000

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

Life Insurance Plan

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

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

Contributions – In order to fund the post-retirement life insurance benefit, three hundredths of one percent (0.03%) of the gross annual payroll of members is contributed by the state.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs – At June 30, 2023, OVEC 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 OVEC. The amount recognized by OVEC as its proportionate share of OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with OVEC were as follows:

OVEC's proportionate share of net OPEB liability	\$0
State's proportionate share of the net OPEB liability associated with OVEC	<u>23,000</u>
Total	\$23,000

For the year ended June 30, 2023, OVEC recognized revenue of \$1,750 for support provided by the State.

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

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

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups: service, retirees, contingent annuitants, disabled retirees and active members. The demographic actuarial assumptions for retirement disability incidence, withdrawal, rates of plan participation and rates of plan election used in the June 30, 2021, valuation were based on the results of

the most recent actuarial experience study for the system, which covered the five-year period ending June 30, 2021, adopted by the board on September 20, 2022. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Real Rate of Return</u>
U.S. Equity	40.00%	4.40%
International Equity	23.00%	5.60%
Fixed Income	18.00%	-0.10%
Real Estate	6.00%	4.00%
Private Equity	5.00%	6.90%
Additional Category: High Yield	6.00%	2.10%
Cash	2.00%	-0.30%
Total	100.00%	

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

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

NOTE 11 – PREPAID RENT

OVEC paid \$1,088,000 in prepaid rent on August 17, 2022 for the period July 1, 2022 to July 1, 2052. Prepaid rent for future years are as follows:

Year Ending June 30,

2024	\$36,266
2025	36,266
2026	36,266
2027	36,266
2028	36,266
2029-2033	181,330
2034-2038	181,330
2039-2043	181,330
2044-2048	181,330
2049-2052	<u>145,084</u>
	\$1,051,734

NOTE 12 – GASB 96

During the year, GASB 96, *Subscriptions Based Information Technology Arrangement (SBITA)* was adopted. The objective of this statement is to better meet the information needs of financial statement users.

OHIO VALLEY EDUCATIONAL COOPERATIVE
BUDGETARY COMPARISON SCHEDULE FOR GENERAL FUND
For The Year Ended June 30, 2023

	Original/Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable <u>(Unfavorable)</u>
Grant Revenues	\$580,950	\$686,164	105,214
Contributions	0	132,887	132,887
Indirect Cost Revenue	1,286,045	3,865,365	2,579,320
Interest Income	20,000	33,889	13,889
Other Revenue	<u>0</u>	<u>10</u>	<u>10</u>
Total Revenues	1,886,995	4,718,315	\$2,831,320
General Government	1,816,995	3,207,916	(1,390,921)
Plant Operation and Maintenance	60,000	145,873	(85,873)
Capital Outlay	<u>10,000</u>	<u>31,538</u>	<u>(21,538)</u>
Total Expenditures	1,886,995	3,385,327	(1,498,332)
Net Change in Fund Balance	0	1,332,988	1,332,988
Fund Balance, Beginning of Year	<u>0</u>	<u>4,555,410</u>	<u>4,555,410</u>
Fund Balance, End of Year	0	5,888,398	5,888,398

OHIO VALLEY EDUCATIONAL COOPERATIVE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE COOPERATIVE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Data based on June 30,

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Cooperative's proportion of the net pension liability (asset)									
TRS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CERS	<u>\$8,908,313</u>	<u>\$7,151,654</u>	<u>\$7,280,188</u>	<u>\$6,562,815</u>	<u>\$5,843,830</u>	<u>\$4,832,725</u>	<u>\$4,765,562</u>	<u>\$3,463,623</u>	<u>\$2,507,905</u>
Total	\$8,908,313	\$7,151,654	\$7,280,188	\$6,562,815	\$5,843,830	\$4,832,725	\$4,765,562	\$3,463,623	\$2,507,905
Cooperative's proportionate share of the net pension liability (asset)									
CERS	0.123230%	0.112169%	0.093980%	0.093314%	0.095953%	0.082564%	0.09679%	0.080560%	0.077300%
Cooperative's covered employee payroll									
CERS	\$3,405,742	\$3,002,174	\$2,865,040	\$2,369,711	\$2,544,708	\$2,110,498	\$2,415,995	\$1,862,948	\$2,438,084
Cooperative's proportionate share of the net pension liability (asset) as a percentage of its covered payroll									
CERS	261.57%	238.22%	254.10%	276.95%	229.65%	228.99%	197.25%	185.92%	102.86%
Plan fiduciary net position as a percentage of the total pension liability									
CERS	52.42%	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%

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

OHIO VALLEY EDUCATIONAL COOPERATIVE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE COORATIVE PENSION CONTRIBUTIONS

Data based on June 30,

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions										
CERS	\$1,119,262	\$720,996	\$579,420	\$552,960	\$408,983	\$368,474	\$294,414	\$300,067	\$237,526	\$334,993
Contributions in relation to the contractually required contribution										
CERS	<u>1,119,262</u>	<u>720,996</u>	<u>579,420</u>	<u>\$381,784</u>	<u>\$408,983</u>	<u>\$368,474</u>	<u>\$294,414</u>	<u>\$300,067</u>	<u>\$237,526</u>	<u>\$334,993</u>
Contribution deficiency (excess)										
CERS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District's covered employee payroll										
CERS	\$6,164,980	\$3,405,742	\$3,002,174	\$2,865,040	\$2,521,473	\$2,544,708	\$2,110,498	\$2,415,995	\$1,862,948	\$2,438,084
Contributions as a percentage of covered employee payroll										
CERS	20.02%	21.17%	19.30%	16.20%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%

OHIO VALLEY EDUCATIONAL COOPERATIVE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE COOPEATIVE'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

Data based on June 30,

	2022	2021	2020	2019	2018	2017
Cooperative's proportion of the net OPEB liability (asset)						
CERS	\$2,433,086	\$2,156,494	\$2,269,186	\$1,569,516	\$1,703,644	\$1,659,819
TRS - Medical Insurance	\$1,409,000	\$851,000	\$944,000	\$1,001,000	\$1,049,000	\$1,184,000
TRS - Life Insurance	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total	\$3,842,086	\$3,007,494	\$3,213,186	\$2,570,516	\$2,752,644	\$2,843,819
Cooperative's proportionate share of the net OPEB liability (asset)						
CERS	0.123287%	0.112643%	0.093974%	0.093315%	0.095954%	0.082564%
TRS - Medical Insurance	0.567670%	0.369643%	0.037406%	0.034189%	0.030236%	0.033194%
TRS - Life Insurance	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%
Total						
State's proportionate share of the net OPEB liability (asset) associated with the Cooperative						
TRS - Medical Insurance	\$461,000	\$691,000	\$756,000	\$808,000	\$904,000	\$967,000
TRS - Life Insurance	<u>\$23,000</u>	<u>\$9,000</u>	<u>\$23,000</u>	<u>\$19,000</u>	<u>\$16,000</u>	<u>\$13,000</u>
Total	\$484,000	\$700,000	\$779,000	\$827,000	\$920,000	\$980,000
Cooperative's covered employee payroll						
TRS	\$6,164,980	\$2,345,567	\$2,202,033	\$1,984,400	\$1,793,548	\$1,895,667
CERS	<u>\$3,405,742</u>	<u>\$3,002,174</u>	<u>\$2,865,040</u>	<u>\$2,521,473</u>	<u>\$2,544,708</u>	<u>\$2,110,498</u>
Total	\$9,570,722	\$5,347,741	\$5,067,073	\$4,505,873	\$4,338,256	\$4,006,165
Cooperative's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll						
CERS	71.44%	71.83%	79.20%	62.24%	66.95%	78.65%
TRS - Medical Insurance	22.85%	36.28%	42.87%	50.44%	58.49%	62.46%
TRS - Life Insurance	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability						
CERS	51.67%	62.91%	51.67%	60.44%	57.62%	52.40%
TRS - Medical Insurance	47.75%	51.70%	39.10%	32.58%	25.54%	21.18%
TRS - Life Insurance	73.97%	89.20%	71.60%	73.40%	74.97%	79.99%

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

OHIO VALLEY EDUCATIONAL COOPERATIVE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE COOPERATIVE'S OPEB CONTRIBUTIONS

Data based on June 30,

	2023	2022	2021	2020	2019	2018	2017
Contractually required contributions							
CERS	\$162,149	\$196,852	\$142,903	\$136,376	\$132,629	\$119,601	\$99,827
TRS - Medical Insurance	\$78,422	\$75,005	\$70,367	\$66,061	\$59,532	\$53,819	\$56,870
TRS - Life Insurance	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total	\$240,571	\$271,857	\$213,270	\$202,437	\$192,161	\$173,420	\$156,697
Contributions in relation to the contractually required contribution							
CERS	\$162,149	\$196,852	\$142,903	\$123,842	\$132,629	\$119,601	\$99,827
TRS - Medical Insurance	\$78,422	\$75,005	\$70,367	\$59,532	\$59,532	\$53,819	\$56,870
TRS - Life Insurance	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total	\$240,571	\$271,857	\$213,270	\$183,374	\$192,161	\$173,420	\$156,697
Contribution deficiency (excess)							
CERS	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TRS - Medical Insurance	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TRS - Life Insurance	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cooperative's covered employee payroll							
TRS	\$2,614,067	\$2,500,167	\$2,345,567	\$2,202,033	\$1,984,400	\$1,793,548	\$1,895,667
CERS	<u>\$6,219,307</u>	<u>\$3,405,742</u>	<u>\$3,002,174</u>	<u>\$2,865,040</u>	<u>\$2,521,473</u>	<u>\$2,544,708</u>	<u>\$2,110,498</u>
Total	\$8,833,374	\$5,905,909	\$5,347,741	\$5,067,073	\$4,505,873	\$4,338,256	\$4,006,165
Contributions as a percentage of covered employee payroll							
TRS	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
CERS	3.39%	5.78%	4.76%	4.76%	5.26%	4.70%	4.73%

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

OHIO VALLEY EDUCATIONAL COOPERATIVE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2023

GENERAL INFORMATION

Contributions

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

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

Payroll

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

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

CHANGES OF ASSUMPTIONS

June 30, 2023 – KPPA Pension and OPEB Nonhazardous

Pension – There have been no changes in actuarial assumptions or methods since June 30, 2021.
OPEB – The discount rates used to calculate the total OPEB liability increased since the prior year. There were no other material assumption changes.

June 30, 2022 – TRS Pension and OPEB

Health Trust and Life Trust

A new benefit tier was added for members joining the System on and after January 1, 2022. A description of the benefit provisions applicable to these members can be found in Schedule B of the State report.

June 30, 2021 – KPPA Pension Nonhazardous

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

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

June 30, 2021 – KPPA OPEB Nonhazardous

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

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

June 30, 2021 – TRS Pension

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

June 30, 2021 – TRS OPEB

The following changes to assumptions were made during the year:

Health Trust and Life Trust

In the 2020 experience study, rates of withdrawal, retirement, disability, mortality, and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the PUB2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, set-backs, and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees, and actives.

The assumed long-term investment rate of return was changed from 8.00% for the Health Trust and 7.50% for the Life Trust to 7.10%.

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

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

June 30, 2020 – KPPA Pension and KPPA OPEB Nonhazardous

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

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

June 30, 2020 – TRS Pension and TRS OPEB

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

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

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

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

June 30, 2019 – KPPA Pension and KPPA OPEB Nonhazardous

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

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

June 30, 2019 -TRS Pension and TRS OPEB

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

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

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

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

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

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

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

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

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

June 30, 2018 -KPPA Pension and KPPA OPEB Nonhazardous

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

June 30, 2018 -TRS Pension and TRS OPEB

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

For TRS Pension the assumed discount rate was increased from 4.49% to 7.50%.

For TRS OPEB-Medical Insurance Plan health care trend rates were updated.

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

June 30, 2017 -KPPA Pension Nonhazardous

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

The assumed rate of return was decreased from 7.50% to 6.25%.

The assumed rate of inflation was reduced from 3.25% to 2.30%.

Payroll growth assumption was reduced from 4% to 2%.

June 30, 2017 -TRS Pension

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

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

June 30, 2016 -KPPA Pension and KPPA OPEB Nonhazardous

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

June 30, 2017 -TRS Pension

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

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

June 30, 2016 – TRS Pension

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

June 30, 2015 -KPPA Pension Nonhazardous

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

The assumed rate of return was decreased from 7.75% to 7.50%.

The assumed rate of inflation was reduced from 3.50% to 3.25%.

The assumed rate of wage inflation was reduced from 1.00% to 0.75%.

Payroll growth assumption was reduced from 4.5% to 4.0%.

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

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

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

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

June 30, 2015 -TRS Pension

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

June 30, 2014 -KPPA Pension Nonhazardous and TRS Pension

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

June 30, 2014 – TRS Pension

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

OHIO VALLEY EDUCATIONAL COOPERATIVE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

Federal Grantor/Passed-Through Grantor Program or Cluster Title	Federal Assistance Lising Number	Pass Through Grantor's Number	Federal Expenditures
<u>U. S. Department of Education</u>			
Passed through Kentucky Department of Education Special Education Cluster (IDEA) Special Education Grants to States (IDEA, Part B)	84.027	3810002	\$1,006,037
Supporting Effective Instruction	84.367A	3230003	119,934
Title I	84.010A	3100202	14,626
Competitive Grant for State Assessment	84.368A	5980001	240,797
COVID			
CRRSA Regional Cooperative Plan	84.425D	4200003	1,693,768
Diversity, Equity and Inclusion, ESSER II	84.425D	4200003	118,374
Deeper Learning, ARP ESSER	84.425D	4300005	991,071
ARP ESSER	84.425U	4300003	22,224
Kentucky Academy for Equity in Teaching, ESSER I	84.425D	4000003	23,478
Emergency Assistance to Non-Public Schools	84.425R	GREANS	1,633,563
Emergency Assistance to Non-Public Schools	84.425V	ARPEAN	<u>19,112,017</u>
			23,594,495
Passed through Kentucky Department of Vocational Rehabilitation			
Rehabilitation Services	84.126A	not provided	62,135
U.S. Department of Education			
Education Innovation and Research	84.411C	direct	835,012
School Based Mental Health	84.184H	direct	<u>63,178</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			25,936,214
<u>U.S. Department of Justice</u>			
STOP School Violence Training	16.839	direct	<u>164,169</u>
TOTAL DEPARTMENT OF JUSTICE			164,169

U.S. Department of Agriculture

Passed through Kentucky Department of Education

Child and Adult Care Food Program (CACFP)	10.558	7790021	269,286
Child and Adult Care Food Program (CACFP)	10.558	7800016	10,205
State Administrative Expense (SAE)	10.560	7700001	<u>69,962</u>

TOTAL U.S. DEPARTMENT OF AGRICULTURE			349,453
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Corporation for National and Community ServicePassed through the Kentucky Department for Family
Resource Centers and Volunteer Service

Americorps State and National	94.006	not provided	<u>669,346</u>
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TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			669,346
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U.S. Health and Human Services

Federal Direct

Head Start Cluster

Head Start COVID	93.600	direct	792,659
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Head Start	93.600	direct	<u>22,352,223</u>
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TOTAL U.S. HEALTH AND HUMAN SERVICES			23,144,882
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TOTAL EXPENDITURES OF FEDERAL AWARDS			\$50,264,064
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There were no subrecipients during the year

The accompanying notes are an integral part of this schedule

OHIO VALLEY EDUCATIONAL COOPERATIVE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Ohio Valley Educational Cooperative (the Cooperative) under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirement 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 Cooperative, it is not intended to and does not *present the financial position, changes in net position or cash flows of the Cooperative*.

Note 2 - Summary of Significant Accounting Policies

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

The Cooperative used the 10 percent de minimis indirect cost rate.

Note 3 - Subrecipients

There have been no awards provided by the Cooperative to subrecipients.

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

To the Board of Directors
Ohio Valley Educational Cooperative
Shelbyville, Kentucky

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Ohio Valley Educational Cooperative (the Cooperative), for the year ended June 30, 2023, and the related notes to the financial statements, and have issued our report dated August 7, 2025.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Cooperative's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cooperative's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we considered to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cooperative'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 determination of financial statement amounts. 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*.

Cooperative's Response to Findings

The Cooperative's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Cooperative's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

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

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
August 7, 2025

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

**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 Directors
Ohio Valley Educational Cooperative
Shelbyville, Kentucky

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

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
August 7, 2025

OHIO VALLEY EDUCATIONAL COOPERATIVE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

An unmodified opinion was issued on the financial statements

Internal control over financial reporting

Material weakness(es) identified:	☒ yes	☐ no
Significant deficiency(s) identified that are not considered to be material weakness(es)?	☐ yes	☒ none reported
Noncompliance material to financial statements noted?	☐ yes	☒ no

Federal Awards

An unmodified opinion was issued on compliance for all major programs

Internal control over major programs

Material weakness(es) identified:	☐ yes	☒ no
Significant deficiency(s) identified that are not considered to be material weakness(es)?	☐ yes	☒ none reported

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

☐ yes ☒ no

Identification of major programs

<u>ALNvNumber</u>	<u>Name of Federal Program or Cluster</u>
84.425	Education Stablization Fund (ESF)
94.006	Americorps State and National

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

Auditee qualified as low-risk auditee?

☐ yes ☒ no

Section II - Financial Statement Findings

Material Weakness

2023-001 Financial Statement Closing Procedures

Condition:	Management did not have the requested audit information ready for a timely financial statement audit.
Criteria:	Internal controls should be in place and operating in order to provide necessary audit information for an audit report to be issued in a timely manner.
Cause:	Due to personnel and staffing shortages, internal control procedures were not in place to provide timely financial statement information for the audit.
Effect:	Not having a financial statement audit prepared in a timely manner could lead to delays in discovery of error and inaccurate financial reporting.
Recommendation:	Procedures should be in place to ensure financial statement close on a timely basis and audit services be obtained in a timely basis to ensure a timely issued audit report and prevent any delays in discovery of potential errors.

Section III - Federal Award Findings and Questioned Costs

None Reported

Section IV - Summary Schedule of Prior Audit Findings

Prior Year - Financial Statement Findings

2022-001 This has been repeated this year as 2023-001

Prior Year - Federal Award Findings and Questioned Costs

None were reported last year

**OHIO VALLEY EDUCATIONAL COOPERATIVE
CORRECTIVE ACTION PLAN
Year Ended June 30, 2023**

The Ohio Valley Educational Cooperative (the Cooperative) respectfully submits the following corrective action plan for the year ended June 30, 2023.

Name and address of independent public accounting firm: Denise M. Keene, CPA, PO Box 1444, Georgetown, Kentucky 40324

Audit period: July 1, 2022 through June 30, 2023

The findings from the June 30, 2022 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section I of the schedule, Summary of Auditors' Results, does not include the findings and is not addressed.

Findings – Financial Statement Audit

Finding No. 2023-001

Recommendation:

Have procedures in place to ensure financial statement close on a timely basis before the commencement of fieldwork to ensure a timely issued audit report and prevent any delays in discovery of potential errors.

Management response:

In the opinion of the Cooperative's management, the untimely submission of materials for the 2023 audit is due to staff capacity. The Chief Financial Officer for the year 2023 had responsibility over Finance and Human Resources, and the Cooperative experienced significant growth during the 2022-2023 fiscal year.

1. Planned Corrective Action – ***Increased Staff Capacity***. Upon the retirement of the Chief Financial Officer on September 30, 2023, the Cooperative's management redistributed his duties among two positions, Director of Finance (since revised to CFO), and Chief Human Resources Officer. The Director of Finance is professional with more than 25 years of experience in financial management leadership with non-profit organizations. An additional Staff Accountant has added capacity for more timely financial reporting by maintaining up-to-date journal entries.

Multiple staff (CFO, Staff Accountant, and Accounting Coordinators) have completed training on OVEC's financial accounting system through MIP Fund Accounting courses. This

investment increases the Cooperative's capacity for financial reporting and ensures reporting can be completed in the event of staff absences or turnover.

Improved Coordination. The Chief Executive Officer and CFO regularly coordinate financial decision-making and reporting. The CEO and CFO use a system of calendar reminders to manage the completion of essential financial tasks, such as drawdowns, invoice processing, reports, and audit deadlines.

2. Anticipated Completion Date – Progress on the corrective action plan above has been demonstrated through the 2023-2024, 2024-2025, and 2025-2026 fiscal years. Only one past due audit remains (2023-2024), and the Cooperative's management anticipates completion of past due audits by December 31, 2025.
3. Responsible Contact Person – Jason Adkins (Chief Executive Officer) is responsible for the continued implementation of corrective action.

Sincerely,



Jason Adkins
Chief Executive Officer