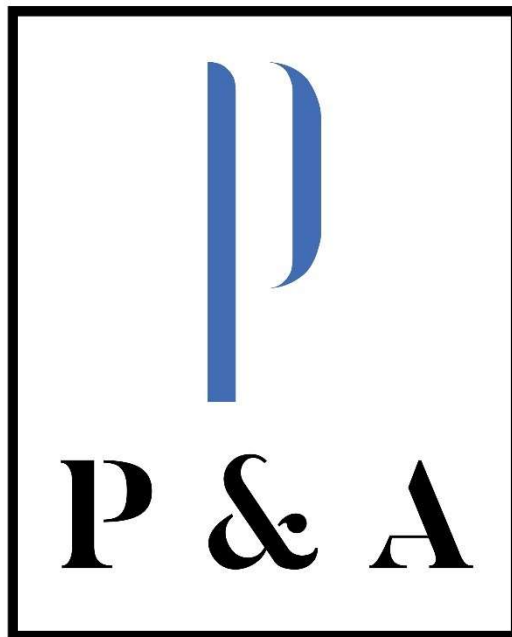


**NELSON COUNTY BOARD OF EDUCATION
AUDITED FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2023**



PATRICK & ASSOCIATES, LLC

124 Candlewood Drive
Winchester, KY 40391

Table of Contents

Independent Auditor’s Report1

Management Discussion and Analysis4

Financial Statements.....9

Statement of Net Position10

Statement of Activities.....11

Balance Sheet12

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position13

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds14

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,15

and Changes in Fund Balances to the Statement of Activities15

Budget and Actual General Fund16

Budget and Actual Special Revenue Fund.....17

Statement of Net Position - Proprietary Funds18

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds.....19

Statement of Cash Flows - Proprietary Funds20

Notes to the Financial Statements21

Schedule of the District’s Proportionate Share of Net Pension Liability – TRS and CERS.....52

Schedule of Contributions TRS and CERS - Pension53

Notes to Required Supplementary Information – Pension54

Schedule of the District’s Proportionate Share of the Net OPEB Liability Medical & Life Insurance Plans - TRS – OPEB 56

Schedule of the Contributions - TRS – OPEB57

Schedule of District’s Proportionate Share of the Net OPEB Liability – CERS.....58

Schedule of Contributions OPEB Liability – CERS59

Notes to Required Supplementary Information – OPEB.....60

Combining Balance Sheet – Non-Major Governmental Funds62

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds..63

Student Activity Funds – Combining Schedule of Cash Receipts, Cash Disbursements and Cash Balances.....64

Student Activity Funds – Nelson County High School65

Student Activity Funds – Thomas Nelson High School.....67

Schedule of Expenditures of Federal Awards.....69

Notes to the Schedule of Expenditures of Federal Awards.....72

**Independent Auditor’s Report On Internal Control Over Financial Reporting and On Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards73**

**Independent Auditor’s Report On Compliance for Each Major Program And On Internal Control Over Compliance
Required by the Uniform Guidance.....75**

Schedule of Findings and Questioned Costs78



PATRICK & ASSOCIATES, LLC

124 Candlewood Drive
Winchester, KY 40391

Independent Auditor's Report

Kentucky State Committee for School District Audits
Board of Education of the Nelson County School District
Bardstown, KY

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Nelson County School District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Nelson County School District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Change in Accounting Principle

As described in Note 1, the Nelson County School District implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription – Based Information Technology Arrangements*, for the year ended June 30, 2023, which represents a change in accounting principle. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

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 Nelson County School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Nelson County School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and OPEB information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

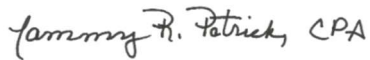
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Nelson County School District's basic financial statements. The combining and individual nonmajor fund financial statements, school activity fund statements, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

Supplementary Information (Continued)

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, school activity fund statements, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2023, on our consideration of the Nelson County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Nelson County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Nelson County School District's internal control over financial reporting and compliance.

Handwritten signature of Jammy R. Patrick, CPA in cursive.

Patrick & Associates, LLC
Winchester, Kentucky

November 10, 2023

Management Discussion and Analysis

As management of the Nelson County Board of Education (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023.

Financial Highlights

- In the government-wide statements, the assets and deferred outflows of the District exceeded its total liabilities and deferred inflows on June 30, 2023 by \$30,387,008. Of this amount, \$36,972,384 represents the District's investment in capital assets net of related debt, \$12,605,641 is restricted, \$965,445 is related to the business-type activities and the remainder is an unrestricted net deficit of \$20,156,462.
- The District's ending net position increased by \$8,257,291, primarily due to increases in total assets and deferred outflows of approximately \$10.5 million offset by increases in total liabilities and deferred inflows of approximately \$2.3 million. The main increase in cash included in the total assets and deferred outflows can be attributed to increased tax revenues and grant funding received for renovations to the UP Center.
- The District's governmental funds reported a combined ending fund balance of \$20,207,814, an increase of \$10,347,654. Approximately 62 percent of this amount, \$12,605,641, is restricted for facility needs, approximately 1 percent, \$179,102, is committed for employee compensated absences, and 37 percent, \$7,423,071, is available for the District's operating needs.
- The general fund received \$52,154,326 in revenues, which primarily consisted of funding from the State's Support Education Excellence in Kentucky (SEEK) program, and revenues from taxes which include property, motor vehicle, and utility taxes.
- The District levied tax rates of 73.2 cents for both real estate and tangible taxes, and 54.8 cents for motor vehicle taxes per \$100 in assessed value and 3% for utility tax.

Overview of the Financial Statements

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

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

The Statement of Net Position presents information on all of the assets and deferred outflows of resources and liabilities and deferred inflows of resources of the District at year-end with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

In both statements, the District's activities are shown in one category as governmental activities. The governmental activities of the District include services related to K-12 education. These activities are primarily supported through property taxes, Support Education Excellence in Kentucky (SEEK) funding, and other intergovernmental revenues.

The government-wide financial statements begin on page 10 of this report.

Management Discussion and Analysis (continued)

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 District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the District can be divided into three categories: governmental funds, proprietary fund, and fiduciary funds.

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

Because the focus of governmental 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, readers may better understand the long-term impact of the government's near-term financing decision. 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 between governmental funds and governmental activities.

The District maintains eight individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the general Fund, special revenue fund, district activity fund, student activity fund, capital outlay fund, facilities Support Program of Kentucky (FSPK) fund, construction fund and the debt service fund.

Proprietary funds. The District maintains three proprietary funds. The enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses the enterprise funds to accounts for its operations for school food service, day care service and adult education service programs.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 18-20 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the district's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The District currently does not maintain a fiduciary fund.

Notes to the basic financial statements

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

Other information

In addition to the basic financial statements and the accompanying notes, this report also presents certain required supplementary information. This information starts on page 52 of this report.

The District adopts an annual appropriated budget for each of its governmental funds. A budgetary comparison statement has been provided for the general and special revenue fund.

Management Discussion and Analysis (continued)

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$29,201,000 for governmental activities and \$1,186,008 for business-type activities at the close of the most recent fiscal year.

Nelson County Board of Education Comparative Statement of Net Position

| | Governmental Activities | | Business-type Activities | |
|--|-------------------------|----------------------|--------------------------|---------------------|
| | June 30, 2023 | June 30, 2022 | June 30, 2023 | June 30, 2022 |
| Assets | | | | |
| Current and other assets | \$ 23,569,504 | \$ 11,814,296 | \$ 2,510,128 | \$ 1,957,389 |
| Net capital assets | 78,071,821 | 84,912,594 | 220,563 | 287,757 |
| Total assets | <u>101,641,325</u> | <u>96,726,890</u> | <u>2,730,691</u> | <u>2,245,146</u> |
| Deferred Outflows of Resources | | | | |
| Deferred pension differences and contributions made after measurement date | 13,727,860 | 8,662,295 | 646,146 | 379,424 |
| Deferred saving from refunding bonds | 689,852 | 883,680 | - | - |
| Total deferred outflows of resources | <u>14,417,712</u> | <u>9,545,975</u> | <u>646,146</u> | <u>379,424</u> |
| Total assets and deferred outflows of resources | <u>116,059,037</u> | <u>106,272,865</u> | <u>3,376,837</u> | <u>2,624,570</u> |
| Liabilities | | | | |
| Current liabilities | 7,324,167 | 7,034,117 | 233,567 | 752 |
| Non-current liabilities: | | | | |
| Debt service due in more than one year | 37,950,421 | 41,583,275 | - | - |
| Net pension liability | 16,659,062 | 14,851,748 | 784,114 | 650,462 |
| Other post-employment benefits liability | 15,727,858 | 11,475,086 | 740,283 | 502,655 |
| Total liabilities | <u>77,661,508</u> | <u>74,944,226</u> | <u>1,757,964</u> | <u>1,153,869</u> |
| Deferred Inflows of Resources | | | | |
| Deferred inflows of resources - pensions | 2,042,164 | 2,826,532 | 96,121 | 123,794 |
| Deferred inflows of resources - OPEB | 7,154,365 | 7,347,619 | 336,744 | 321,856 |
| Total deferred inflows of resources | <u>9,196,529</u> | <u>10,174,151</u> | <u>432,865</u> | <u>445,650</u> |
| Total liabilities and deferred inflows of resources | <u>86,858,037</u> | <u>85,118,377</u> | <u>2,190,829</u> | <u>1,599,519</u> |
| Net pension | | | | |
| Net Investment in Capital Assets | 36,751,821 | 38,972,594 | 220,563 | 287,757 |
| Restricted | 11,643,162 | 4,314,866 | - | - |
| Other | 962,479 | - | 965,445 | 737,294 |
| Unrestricted | (20,156,462) | (22,132,972) | - | - |
| Total net position | <u>\$ 29,201,000</u> | <u>\$ 21,154,488</u> | <u>\$ 1,186,008</u> | <u>\$ 1,025,051</u> |

A significant portion of the District's net position reflects its net investment in capital assets (e.g., buildings, vehicles, and equipment.) The District used the capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Management Discussion and Analysis (continued)

There were increases in the total assets and deferred outflows of resources by \$10,538,439, an increase in the net pension liability by \$1,940,966, an increase in the other post-employment benefit liability of \$4,490,400 and a decrease of \$990,407 reported in deferred inflows. These changes are from the calculation of the pension liability for the District's proportionate share of the pension and other post-employment benefit liabilities.

Changes in net position. District's net position increased by \$8,257,291 from the prior fiscal year.

Nelson County Board of Education Comparative Statement of Activities

| | June 30, 2023 | June 30, 2022 | Increase (Decrease) |
|------------------------------------|----------------------|----------------------|------------------------|
| Revenues | | | |
| Program revenues | | | |
| Charges for services | \$ 1,112,915 | \$ 453,528 | \$ 659,387 |
| Operating grants and contributions | 39,241,107 | 25,008,238 | 14,232,869 |
| Capital grants and contributions | 832,351 | 832,256 | 95 |
| General revenues | | | |
| Taxes | 30,101,351 | 27,198,412 | 2,902,939 |
| State and federal grants | 11,221,284 | 11,484,990 | (263,706) |
| Student activities | 1,518,128 | 1,455,340 | 62,788 |
| Other local revenue | 514,773 | 761,518 | (246,745) |
| Gain (loss) on sale of equipment | - | 13,300 | (13,300) |
| Unrestricted investment earnings | 842,739 | (12,429) | 855,168 |
| Total revenues | <u>85,384,648</u> | <u>67,195,153</u> | <u>18,189,495</u> |
| Expenses | | | |
| Instruction | 37,885,502 | 33,730,917 | 4,154,585 |
| Support services | 15,373,761 | 13,792,648 | 1,581,113 |
| Plant operations and maintenance | 5,103,015 | 4,894,189 | 208,826 |
| Student transportation | 3,014,451 | 3,176,696 | (162,245) |
| Day care | 556,408 | 632,542 | (76,134) |
| Community Services Operations | 433,930 | 388,317 | 45,613 |
| Land/site acquisitions | 32,643 | 36,763 | (4,120) |
| Building improvements | 859,827 | 65,979 | 793,848 |
| Building acquisition/construction | 958,875 | - | 958,875 |
| Debt Service | 1,237,160 | 1,338,770 | (101,610) |
| Depreciation | 7,432,497 | 326,514 | 7,105,983 |
| Food service operations | 3,093,181 | 1,278,846 | 1,814,335 |
| Adult education operations | 837,074 | - | 837,074 |
| Daycare operations | 309,033 | 62,944 | 246,089 |
| Total Expenses | <u>77,127,357</u> | <u>59,725,125</u> | <u>17,402,232</u> |
| Change in net position | 8,257,291 | 7,470,028 | 787,263 |
| Net position - beginning | 22,129,717 | 14,709,511 | 7,420,206 |
| Net position - ending | <u>\$ 30,387,008</u> | <u>\$ 22,179,539</u> | <u>\$ 8,207,469</u> |

As noted earlier, the District used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the District's financial requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

Management Discussion and Analysis (continued)

Financial Highlights

Governmental Activities

The governmental activities include the following funds: general, special revenue, district activity, student activity, capital outlay, facility support program, construction, and debt service. These programs had revenues of \$80,666,115 and expenditures of \$70,460,114. Of the revenues, \$240,454 related to charges for services, \$35,454,403 from operating grants and contributions, \$832,351 from capital grants and contributions, and \$44,138,907 related to general revenues and transfers.

Overall governmental net position increased by \$8,046,512.

Business-Type Activities

The business-type activities are school food, daycare and adult education services. These programs had revenues of \$4,718,533 and expenses of \$4,507,754 for the fiscal year 2023. Of the revenues, \$872,461 related to charges for services, \$3,786,704 from operating grants and contributions, \$59,368 related to investment earnings.

Overall Business-Type net position increased by \$210,779.

General Fund Budget Highlights

The District's budget is prepared according to Kentucky law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The State Department of Education requires a zero-based budget with any budgeted remaining fund balance shown as a contingency expense in the budget process. The most significant budgeted fund is the General Fund.

A variance comparison is presented between the final budgeted amounts and the actual amounts. Revenues for the General Fund were budgeted at \$49,285,708 with actual amounts totaling \$52,154,326. Budgeted expenditures were \$55,200,819 compared to actual expenditures of \$51,834,611.

Capital Assets

At the end of the fiscal year 2023, the District had \$78,292,384 invested in capital assets, \$78,071,821 is in governmental activities. For the fiscal year, capital asset increases totaled \$524,530 and depreciation totaled \$7,432,497. At June 30, 2022, the District had \$85,200,351 invested in capital assets, \$84,912,594 is in governmental activities. See detailed table in the notes to the financial statements.

Debt

At June 30, 2023, the District had \$41,320,000 in bonds outstanding, of this amount \$2,696,131 is to be paid from the KSFCC funding provided by the State of Kentucky. A total of \$3,600,000 is due within one year. At June 30, 2022, the District had \$45,940,000 in bonds outstanding. See detailed table in the notes to the financial statements.

Request for Information

This financial report is designed to provide a general overview of the Nelson County Board of Education's finances. Questions concerning any of the information provided in the report or requests for additional financial information should be addressed to jessica.rogers1@Nelson.kyschools.us.

Financial Statements

NELSON COUNTY BOARD OF EDUCATION
Statement of Net Position
June 30, 2023

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 18,682,482 | \$ 2,167,588 | \$ 20,850,070 |
| Investments | 927,561 | - | 927,561 |
| Receivables | | | |
| Taxes -current | 358,708 | - | 358,708 |
| Accounts | 7,461 | 935 | 8,396 |
| Interfund Receivable | 1,047,978 | - | 1,047,978 |
| Intergovernmental - state | 13,193 | 146,702 | 159,895 |
| Intergovernmental - federal | 2,532,121 | 128,755 | 2,660,876 |
| Inventory | - | 66,148 | 66,148 |
| Total capital assets, net of depreciation | 78,071,821 | 220,563 | 78,292,384 |
| Total assets | <u>\$ 101,641,325</u> | <u>\$ 2,730,691</u> | <u>\$ 104,372,016</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows - pensions | 4,269,616 | 200,963 | 4,470,579 |
| Deferred outflows - OPEB contributions | 9,458,244 | 445,183 | 9,903,427 |
| Deferred saving from refunding bonds | 689,852 | - | 689,852 |
| Total deferred outflows of resources | <u>14,417,712</u> | <u>646,146</u> | <u>15,063,858</u> |
| Total assets and deferred outflows of resources | <u>116,059,037</u> | <u>3,376,837</u> | <u>119,435,874</u> |
| LIABILITIES | | | |
| Accounts payable and accrued expenses | 830,895 | 135 | 831,030 |
| Interfund payables | 814,546 | 233,432 | 1,047,978 |
| Accrued interest payable | 145,581 | - | 145,581 |
| Unearned revenue | 1,716,249 | - | 1,716,249 |
| Long term liabilities: | | | |
| Due within one year | | | |
| Bond obligations | 3,600,000 | - | 3,600,000 |
| Sick leave | 216,896 | - | 216,896 |
| Due beyond one year | | | |
| Bond obligations | 37,720,000 | - | 37,720,000 |
| Sick leave | 230,421 | - | 230,421 |
| Net pension liability | 16,659,062 | 784,114 | 17,443,176 |
| Net OPEB liability | 15,727,858 | 740,283 | 16,468,141 |
| Total liabilities | <u>77,661,508</u> | <u>1,757,964</u> | <u>79,419,472</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows of resources - pensions | 2,042,164 | 96,121 | 2,138,285 |
| Deferred inflows of resources - OPEB | 7,154,365 | 336,744 | 7,491,109 |
| Total deferred inflows of resources | <u>9,196,529</u> | <u>432,865</u> | <u>9,629,394</u> |
| Total Liabilities And Deferred Inflow Of Resources | <u>86,858,037</u> | <u>2,190,829</u> | <u>89,048,866</u> |
| NET POSITION | | | |
| Net Investment in Capital Assets net of related debt | 36,751,821 | 220,563 | 36,972,384 |
| Restricted for: | | | |
| Capital projects | 11,643,162 | - | 11,643,162 |
| Other | 962,479 | 965,445 | 1,927,924 |
| Unrestricted | (20,156,462) | - | (20,156,462) |
| Total net position | <u>\$ 29,201,000</u> | <u>\$ 1,186,008</u> | <u>\$ 30,387,008</u> |

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

NELSON COUNTY SCHOOL DISTRICT
Statement of Activities
Year Ended June 30, 2023

| Functions/Programs | Expenses | PROGRAM REVENUES | | | NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION | | |
|---------------------------------------|----------------------|-------------------------|--|--|--|-----------------------------|------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | PRIMARY GOVERNMENT | | |
| | | | | | Governmental Activities | Business-type Activities | Total |
| PRIMARY GOVERNMENT: | | | | | | | |
| Governmental activities: | | | | | | | |
| Instructional | \$ 37,885,502 | \$ 211,871 | \$ 22,191,553 | \$ - | \$ (15,482,078) | \$ - | \$ (15,482,078) |
| Support Services | | | | | | | |
| Student | 2,817,058 | - | 289,610 | - | (2,527,448) | - | (2,527,448) |
| Instructional Staff | 2,995,910 | - | 470,166 | - | (2,525,744) | - | (2,525,744) |
| District Administration | 1,642,391 | - | 13,764 | - | (1,628,627) | - | (1,628,627) |
| School Administration | 5,517,241 | - | 81,772 | - | (5,435,469) | - | (5,435,469) |
| Business | 2,401,161 | - | - | - | (2,401,161) | - | (2,401,161) |
| Plant operations and maintenance | 5,103,015 | - | 200,576 | - | (4,902,439) | - | (4,902,439) |
| Student Transportation | 3,014,451 | 28,583 | 222,211 | - | (2,763,657) | - | (2,763,657) |
| Day care | 556,408 | - | 556,408 | - | - | - | - |
| Community Services Operations | 433,930 | - | 433,930 | - | - | - | - |
| Land/site acquisitions | 32,643 | - | - | - | (32,643) | - | (32,643) |
| Building acquisition and construction | 958,875 | - | 10,582,063 | - | 9,623,188 | - | 9,623,188 |
| Building improvements | 859,827 | - | 412,350 | - | (447,477) | - | (447,477) |
| Debt Service | 1,237,160 | - | - | 832,351 | (404,809) | - | (404,809) |
| Depreciation | 7,305,684 | - | - | - | (7,305,684) | - | (7,305,684) |
| Total governmental activities | <u>72,761,256</u> | <u>240,454</u> | <u>35,454,403</u> | <u>832,351</u> | <u>(36,234,048)</u> | <u>-</u> | <u>(36,234,048)</u> |
| Business-type activities: | | | | | | | |
| Food service operations | 3,093,181 | 324,372 | 3,136,082 | - | - | 367,273 | 367,273 |
| Daycare operations | 309,033 | 548,089 | 70,956 | - | - | 310,012 | 310,012 |
| Adult education operations | 837,074 | - | 579,666 | - | - | (257,408) | (257,408) |
| Depreciation | 126,813 | - | - | - | - | (126,813) | (126,813) |
| Total business-type activities | <u>4,366,101</u> | <u>872,461</u> | <u>3,786,704</u> | <u>-</u> | <u>-</u> | <u>293,064</u> | <u>293,064</u> |
| Total primary government | <u>\$ 77,127,357</u> | <u>\$ 1,112,915</u> | <u>\$ 39,241,107</u> | <u>\$ 832,351</u> | <u>\$ (36,234,048)</u> | <u>\$ 293,064</u> | <u>\$ (35,940,984)</u> |
| General revenues | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes | | | | | \$ 20,494,522 | \$ - | \$ 20,494,522 |
| Motor vehicle taxes | | | | | 2,292,807 | - | 2,292,807 |
| Distilled spirits taxes | | | | | 5,013,477 | - | 5,013,477 |
| Utility taxes | | | | | 2,300,545 | - | 2,300,545 |
| State formula grants | | | | | 11,221,284 | - | 11,221,284 |
| Student activities | | | | | 1,518,128 | - | 1,518,128 |
| Other local revenue | | | | | 514,773 | - | 514,773 |
| Unrestricted investment earnings | | | | | 783,371 | 59,368 | 842,739 |
| Transfers | | | | | 141,653 | (141,653) | - |
| Total general revenues and transfers | | | | | <u>44,280,560</u> | <u>(82,285)</u> | <u>44,198,275</u> |
| Change in net position | | | | | 8,046,512 | 210,779 | 8,257,291 |
| Net position - beginning (Restated) | | | | | 21,154,488 | 975,229 | 22,129,717 |
| Net position - ending | | | | | <u>\$ 29,201,000</u> | <u>\$ 1,186,008</u> | <u>\$ 30,387,008</u> |

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

NELSON COUNTY SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2023

| | General Fund | Special Revenue Fund | Construction Fund | Total Non-Major Funds | Total |
|---|---------------------|----------------------|----------------------|-----------------------|----------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 6,074,165 | \$ - | \$ 11,643,162 | \$ 965,155 | \$ 18,682,482 |
| Invesments | 927,561 | - | - | - | 927,561 |
| Interfund receivables | 1,047,978 | - | - | - | 1,047,978 |
| Receivables | | | | | |
| Taxes-current | 358,708 | - | - | - | 358,708 |
| Accounts | 7,461 | - | - | - | 7,461 |
| Intergovernmental - state | 13,193 | - | - | - | 13,193 |
| Intergovernmental - federal | - | 2,532,121 | - | - | 2,532,121 |
| Total assets | <u>8,429,066</u> | <u>2,532,121</u> | <u>11,643,162</u> | <u>965,155</u> | <u>23,569,504</u> |
| LIABILITIES | | | | | |
| Accounts payable | 826,893 | 1,326 | - | 2,676 | 830,895 |
| Interfund payable | - | 814,546 | - | - | 814,546 |
| Unearned revenue | - | 1,716,249 | - | - | 1,716,249 |
| Total liabilities | <u>826,893</u> | <u>2,532,121</u> | <u>-</u> | <u>2,676</u> | <u>3,361,690</u> |
| FUND BALANCE | | | | | |
| Restricted | - | - | 11,643,162 | 962,479 | 12,605,641 |
| Committed | 179,102 | - | - | - | 179,102 |
| Unassigned | 7,423,071 | - | - | - | 7,423,071 |
| Total fund balance | <u>7,602,173</u> | <u>-</u> | <u>11,643,162</u> | <u>962,479</u> | <u>20,207,814</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 8,429,066</u> | <u>\$ 2,532,121</u> | <u>\$ 11,643,162</u> | <u>\$ 965,155</u> | <u>\$ 23,569,504</u> |

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

NELSON COUNTY SCHOOL DISTRICT
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2023

| | |
|--|----------------------|
| Total Fund Balances - Governmental Funds | \$ 20,207,814 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital assets are not reported in the fund financial statement because they are not current financial resources, but they are reported in the statement of net position | 78,071,821 |
| Deferred outflows of resources are not recorded in the governmental fund financials because they do not affect current resources but are recorded in the statement of net position. | |
| Pension contributions subsequent to measurement date | 4,269,616 |
| OPEB contributions subsequent to measurement date | 9,458,244 |
| Certain assets (obligations) are not a use of financial resources and therefore, are not reported in the government funds, but are presented in the statement of net position | |
| Net pension liability | (16,659,062) |
| Net OPEB liability | (15,727,858) |
| Deferred inflows of resources are not recorded in the governmental fund financials because they do not affect current resources but are recorded in the statement of net position | |
| Pension plan investment differences | (2,042,164) |
| OPEB plan investment differences | (7,154,365) |
| Certain liability (such as bond payable, the long-term portion of accrued sick leave, and other accrued liabilities) are not reported in the fund financial statement because they are not due and payable, but are presented in the statement of net position as follows: | |
| Bonds payable | (41,320,000) |
| Accrued interest | (145,581) |
| Accrued sick leave | (447,317) |
| Deferred loss on refunding | 689,852 |
| Net position of governmental activities | \$ 29,201,000 |

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

NELSON COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2023

| | General Fund | Special Revenue Fund | Construction Fund | Non-Major Funds | Total Governmental Funds |
|--|---------------------|-------------------------|----------------------|--------------------|--------------------------------|
| Revenues | | | | | |
| From Local Sources | | | | | |
| Taxes | | | | | |
| Property | \$ 14,792,371 | \$ - | \$ - | \$ 5,702,151 | \$ 20,494,522 |
| Motor vehicle | 2,292,807 | - | - | - | 2,292,807 |
| Distilled Spirits | 5,013,477 | - | - | - | 5,013,477 |
| Utilities | 2,300,545 | - | - | - | 2,300,545 |
| Transportation | 28,583 | - | - | - | 28,583 |
| Earnings on investments | 602,354 | - | 181,017 | - | 783,371 |
| Tuition | 211,871 | - | - | - | 211,871 |
| Student activities | - | - | - | 1,518,128 | 1,518,128 |
| Other local revenue | 254,262 | 173,651 | - | 86,860 | 514,773 |
| Intergovernmental - state | 26,397,983 | 2,845,348 | 10,000,000 | 1,826,764 | 41,070,095 |
| Intergovernmental - federal | 260,073 | 6,177,870 | - | - | 6,437,943 |
| Total revenues | <u>52,154,326</u> | <u>9,196,869</u> | <u>10,181,017</u> | <u>9,133,903</u> | <u>80,666,115</u> |
| EXPENDITURES | | | | | |
| Instruction | 28,940,229 | 7,057,762 | - | 1,807,142 | 37,805,133 |
| Support services | | | | | |
| Student | 2,527,448 | 289,610 | - | - | 2,817,058 |
| Instructional staff | 2,545,744 | 450,166 | - | - | 2,995,910 |
| District Administration | 1,628,627 | 13,764 | - | - | 1,642,391 |
| School Administration | 5,435,469 | 81,772 | - | - | 5,517,241 |
| Business | 2,401,161 | - | - | - | 2,401,161 |
| Plant operation and maintenance | 4,902,439 | 200,576 | - | - | 5,103,015 |
| Student Transportation | 3,453,494 | 20,074 | - | 5,794 | 3,479,362 |
| Day care | - | 556,408 | - | - | 556,408 |
| Community Services Operations | - | 433,930 | - | - | 433,930 |
| Land/Site acquisitions | - | - | 32,643 | - | 32,643 |
| Building Acquisition and Construction | - | - | 958,875 | - | 958,875 |
| Building Improvements | - | - | 859,827 | - | 859,827 |
| Debt service | | | | | |
| Principal | - | - | - | 4,620,000 | 4,620,000 |
| Interest | - | - | - | 1,237,160 | 1,237,160 |
| Total expenditures | <u>51,834,611</u> | <u>9,104,062</u> | <u>1,851,345</u> | <u>7,670,096</u> | <u>70,460,114</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 319,715 | 92,807 | 8,329,672 | 1,463,807 | 10,206,001 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Operating transfers in | 3,365,351 | 86,594 | 1,068,624 | 5,236,113 | 9,756,682 |
| Operating transfers (out) | (560,760) | (179,401) | (2,070,000) | (6,804,868) | (9,615,029) |
| Total other financing sources and (uses) | <u>2,804,591</u> | <u>(92,807)</u> | <u>(1,001,376)</u> | <u>(1,568,755)</u> | <u>141,653</u> |
| NET CHANGE IN FUND BALANCE | 3,124,306 | - | 7,328,296 | (104,948) | 10,347,654 |
| FUND BALANCE - BEGINNING (restated) | 4,477,867 | - | 4,314,866 | 1,067,427 | 9,860,160 |
| FUND BALANCE - ENDING | <u>\$ 7,602,173</u> | <u>\$ -</u> | <u>\$ 11,643,162</u> | <u>\$ 962,479</u> | <u>\$ 20,207,814</u> |

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

NELSON COUNTY SCHOOL DISTRICT
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
 and Changes in Fund Balances to the Statement of Activities
 For the Year Ended June 30, 2023

| | |
|--|----------------------|
| Net change in fund balances - total governmental funds | \$ 10,347,654 |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year. | |
| Capital outlays | 464,911 |
| Depreciation Expense | (7,305,684) |
| Generally expenditures recognized in the fund financial statements are limited to only those that use current financial resources, but expense are recognized in the statement of activities when they are incurred for the following: | |
| Accrued interest | 19,136 |
| Amortization of advance refunding and bond premium/discount | (186,105) |
| Governmental funds report CERS contributions as expenditures when paid. However, in the Statement of Activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pension, and investment experience. | |
| Pension Expense | 374,011 |
| OPEB Expense | (390,910) |
| Long-term debt proceeds are reported as other financing resources in funds, thereby increasing fund balances. In the statement of net position, however, issuing long-term debt increases liabilities and has no effect on net position. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. | |
| Debt principal repaid | 4,620,000 |
| Sick leave | 103,499 |
| Change in net position of governmental | \$ 8,046,512 |

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

NELSON COUNTY BOARD OF EDUCATION
Budget and Actual General Fund
For the Year Ended June 30, 2023

| | Budgeted Amounts | | Actual | Variance with Final Budget Favorable (Unfavorable) |
|--|-------------------|-------------------|---------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| From Local Sources | | | | |
| Taxes | | | | |
| Property | \$ 15,025,000 | \$ 15,025,000 | \$ 14,792,371 | \$ (232,629) |
| Motor vehicle | 2,050,000 | 2,050,000 | 2,292,807 | 242,807 |
| Distilled spirits | 5,000,000 | 5,000,000 | 5,013,477 | 13,477 |
| Utilities | 2,100,000 | 2,100,000 | 2,300,545 | 200,545 |
| Transportation | 25,000 | 25,000 | 28,583 | 3,583 |
| Earnings on investments | 24,918 | 24,918 | 602,354 | 577,436 |
| Tuition | 200,000 | 200,000 | 211,871 | 11,871 |
| Other local revenue | 255,000 | 255,000 | 254,262 | (738) |
| Intergovernmental - state | 24,430,790 | 24,430,790 | 26,397,983 | 1,967,193 |
| Intergovernmental - federal | 175,000 | 175,000 | 260,073 | 85,073 |
| Total Revenues | <u>49,285,708</u> | <u>49,285,708</u> | <u>52,154,326</u> | <u>2,868,618</u> |
| EXPENDITURES | | | | |
| Instruction | 28,788,845 | 28,685,845 | 28,940,229 | (254,384) |
| Support Services | | | | |
| Student | 2,705,875 | 2,705,875 | 2,527,448 | 178,427 |
| Instructional Staff | 2,905,235 | 2,905,235 | 2,545,744 | 359,491 |
| District Administration | 1,885,000 | 1,885,000 | 1,628,627 | 256,373 |
| School Administration | 5,296,840 | 5,296,840 | 5,435,469 | (138,629) |
| Business | 2,372,260 | 2,372,260 | 2,401,161 | (28,901) |
| Plant Operation and Maintenance | 5,755,000 | 5,755,000 | 4,902,439 | 852,561 |
| Student Transportation | 3,745,000 | 3,745,000 | 3,453,494 | 291,506 |
| Contingency | 1,849,764 | 1,849,764 | - | 1,849,764 |
| Total expenditures | <u>55,303,819</u> | <u>55,200,819</u> | <u>51,834,611</u> | <u>3,366,208</u> |
| EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES | (6,018,111) | (5,915,111) | 319,715 | 6,234,826 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating transfers in | 1,986,833 | 1,986,833 | 3,365,351 | 1,378,518 |
| Operating transfers out | (86,594) | (189,594) | (560,760) | (371,166) |
| Total other financing sources and (uses) | <u>1,900,239</u> | <u>1,797,239</u> | <u>2,804,591</u> | <u>1,007,352</u> |
| NET CHANGE IN FUND BALANCE | (4,117,872) | (4,117,872) | 3,124,306 | 7,242,178 |
| FUND BALANCE - BEGINNING (restated) | <u>4,117,872</u> | <u>4,117,872</u> | <u>4,477,867</u> | <u>359,995</u> |
| FUND BALANCE - ENDING | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 7,602,173</u> | <u>\$ 7,602,173</u> |

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

NELSON COUNTY BOARD OF EDUCATION
Budget and Actual Special Revenue Fund
For the Year Ended June 30, 2023

| | Budgeted Amounts | | Actual | Variance with Final Budget Favorable (Unfavorable) |
|--|------------------|-------------------|------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| From Local Sources | | | | |
| Other local revenue | \$ 137,000 | \$ 159,748 | \$ 173,651 | \$ 13,903 |
| Intergovernmental - state | 2,401,154 | 2,984,433 | 2,845,348 | (139,085) |
| Intergovernmental - federal | 2,448,957 | 7,932,031 | 6,177,870 | (1,754,161) |
| Total Revenues | <u>4,987,111</u> | <u>11,076,212</u> | <u>9,196,869</u> | <u>(1,879,343)</u> |
| EXPENDITURES | | | | |
| Instruction | 4,148,131 | 9,265,454 | 7,057,762 | 2,207,692 |
| Support Services | | | | |
| Student | 7,306 | 522,762 | 289,610 | 233,152 |
| Instructional Staff | 291,602 | 885,383 | 450,166 | 435,217 |
| District Administration | - | (91,967) | 13,764 | (105,731) |
| School Administration | 72,121 | 64,796 | 81,772 | (16,976) |
| Plant Operation and Maintenance | 74,273 | 74,224 | 200,576 | (126,352) |
| Student Transportation | - | - | 20,074 | (20,074) |
| Day Care | - | - | 556,408 | (556,408) |
| Community Services Operations | 422,130 | 408,100 | 433,930 | (25,830) |
| Total expenditures | <u>5,015,563</u> | <u>11,128,752</u> | <u>9,104,062</u> | <u>2,024,690</u> |
| EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES | (28,452) | (52,540) | 92,807 | 145,347 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating transfers in | 86,594 | 86,594 | 86,594 | - |
| Operating transfers out | (58,142) | 235,801 | (179,401) | (415,202) |
| Total other financing sources and (uses) | <u>28,452</u> | <u>322,395</u> | <u>(92,807)</u> | <u>(415,202)</u> |
| NET CHANGE IN FUND BALANCE | - | 269,855 | - | (269,855) |
| FUND BALANCE - BEGINNING | - | - | - | - |
| FUND BALANCE - ENDING | <u>\$ -</u> | <u>\$ 269,855</u> | <u>\$ -</u> | <u>\$ (269,855)</u> |

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

NELSON COUNTY BOARD OF EDUCATION
Statement of Net Position - Proprietary Funds
June 30, 2023

| | Enterprise Funds | | | Total |
|---------------------------------------|-------------------------|----------------------|--------------------------------|---------------------|
| | School Food Services | Day Care Services | Adult Education Services | |
| ASSETS | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | \$ 1,797,589 | \$ 369,999 | \$ - | \$ 2,167,588 |
| Receivables | 42,025 | 935 | 233,432 | 276,392 |
| Inventories for consumption | 66,148 | - | - | 66,148 |
| Total current assets | <u>1,905,762</u> | <u>370,934</u> | <u>233,432</u> | <u>2,510,128</u> |
| Noncurrent Assets | | | | |
| General equipment | 1,826,372 | 79 | - | 1,826,451 |
| Accumulated depreciation | (1,605,809) | (79) | - | (1,605,888) |
| Total noncurrent assets | <u>220,563</u> | <u>-</u> | <u>-</u> | <u>220,563</u> |
| Total Assets | <u>2,126,325</u> | <u>370,934</u> | <u>233,432</u> | <u>2,730,691</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred outflows related to pensions | 140,354 | 21,155 | 39,454 | 200,963 |
| Deferred outflows related to OPEB | 310,918 | 46,864 | 87,401 | 445,183 |
| Total deferred outflows of resources | <u>451,272</u> | <u>68,019</u> | <u>126,855</u> | <u>646,146</u> |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Accounts payable | 135 | - | - | 135 |
| Interfund Payable | - | - | 233,432 | 233,432 |
| Total current liabilities | <u>135</u> | <u>-</u> | <u>233,432</u> | <u>233,567</u> |
| Noncurrent liabilities | | | | |
| Net pension liability | 547,628 | 82,543 | 153,943 | 784,114 |
| Net OPEB liability | 517,017 | 77,929 | 145,337 | 740,283 |
| Total noncurrent liabilities | <u>1,064,645</u> | <u>160,472</u> | <u>299,280</u> | <u>1,524,397</u> |
| Total liabilities | <u>1,064,780</u> | <u>160,472</u> | <u>532,712</u> | <u>1,757,964</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred inflows related to pensions | 67,131 | 10,119 | 18,871 | 96,121 |
| Deferred inflows related to OPEB | 235,183 | 35,449 | 66,112 | 336,744 |
| Total deferred inflows of resources | <u>302,314</u> | <u>45,568</u> | <u>84,983</u> | <u>432,865</u> |
| NET POSITION | | | | |
| Net Investment in capital assets | 220,563 | - | - | 220,563 |
| Restricted | 989,940 | 232,913 | (257,408) | 965,445 |
| Total net position | <u>\$ 1,210,503</u> | <u>\$ 232,913</u> | <u>\$ (257,408)</u> | <u>\$ 1,186,008</u> |

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

NELSON COUNTY BOARD OF EDUCATION
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds
For the Year Ended June 30, 2023

| | Enterprise Funds | | | |
|---|-------------------------|----------------------|--------------------------------|---------------------|
| | School Food Services | Day Care Services | Adult Education Services | Total |
| | | | - | |
| OPERATING REVENUES | | | | |
| Lunchroom sales | \$ 324,372 | \$ - | \$ - | \$ 324,372 |
| Tuition | - | 548,089 | - | 548,089 |
| Total operating revenues | <u>324,372</u> | <u>548,089</u> | <u>-</u> | <u>872,461</u> |
| OPERATING EXPENSES | | | | |
| Salaries & benefits | 1,468,319 | 220,423 | 296,488 | 1,985,230 |
| Purchased professional services | 1,773 | 16,316 | - | 18,089 |
| Purchased property services | 27,921 | 1,397 | 4,567 | 33,885 |
| Other purchased services | 7,007 | 595 | 9,184 | 16,786 |
| Supplies | 1,492,000 | 38,680 | 100,597 | 1,631,277 |
| Dues, Fees, and miscellaneous | 5,732 | 60,552 | - | 66,284 |
| Depreciation | 126,813 | - | - | 126,813 |
| Total operating expenses | <u>3,129,565</u> | <u>337,963</u> | <u>410,836</u> | <u>3,878,364</u> |
| Operating income (loss) | <u>(2,805,193)</u> | <u>210,126</u> | <u>(410,836)</u> | <u>(3,005,903)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Federal grants | 2,729,434 | - | 157,386 | 2,886,820 |
| Federal donated commodities | 181,663 | - | - | 181,663 |
| State grants | 27,616 | 41,191 | 253,450 | 322,257 |
| State on-behalf payments | 197,369 | 29,765 | 168,830 | 395,964 |
| State on-behalf payments | (197,369) | (29,765) | (168,830) | (395,964) |
| Pension expense | 149,503 | 61,940 | (245,443) | (34,000) |
| OPEB expense | (42,563) | (3,245) | (11,965) | (57,773) |
| Earnings from investments | 59,368 | - | - | 59,368 |
| Total nonoperating revenues (expenses) | <u>3,105,021</u> | <u>99,886</u> | <u>153,428</u> | <u>3,358,335</u> |
| Income (loss) before operating transfers | 299,828 | 310,012 | (257,408) | 352,432 |
| Operating transfer out | (141,653) | - | - | (141,653) |
| Change in net position | 158,175 | 310,012 | (257,408) | 210,779 |
| NET POSITION - BEGINNING (Restated) | <u>1,052,328</u> | <u>(77,099)</u> | <u>-</u> | <u>975,229</u> |
| NET POSITION - ENDING | <u>\$ 1,210,503</u> | <u>\$ 232,913</u> | <u>\$ (257,408)</u> | <u>\$ 1,186,008</u> |

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

NELSON COUNTY BOARD OF EDUCATION
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2023

| | Enterprise Funds | | | |
|---|-------------------------|---------------------|--------------------------------|-----------------------|
| | School Food Services | Daycare Services | Adult Education Services | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | \$ 324,372 | \$ 548,089 | \$ - | \$ 872,461 |
| Payments to suppliers | (1,231,488) | (118,476) | (319,214) | (1,669,178) |
| Payments to employees | (1,665,688) | (250,188) | (260,452) | (2,176,328) |
| Net cash provided (used) by operating activities | <u>(2,572,804)</u> | <u>179,425</u> | <u>(579,666)</u> | <u>(2,973,045)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES | | | | |
| Operating grants and contributions | 2,936,199 | 70,957 | 579,666 | 3,586,822 |
| Net cash provided (used) by noncapital financing activities | <u>2,936,199</u> | <u>70,957</u> | <u>579,666</u> | <u>3,586,822</u> |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES | | | | |
| Purchase of capital assets | (59,619) | - | - | (59,619) |
| Operating transfer to general fund | (141,653) | - | - | (141,653) |
| Net cash provided (used) by capital financing activities | <u>(201,272)</u> | <u>-</u> | <u>-</u> | <u>(201,272)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest | 59,368 | - | - | 59,368 |
| Net cash provided (used) by investing activities | <u>59,368</u> | <u>-</u> | <u>-</u> | <u>59,368</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 221,491 | 250,382 | - | 471,873 |
| CASH AND CASH EQUIVALENTS - BEGINNING | 1,576,097 | 119,617 | - | 1,695,714 |
| CASH AND CASH EQUIVALENTS - ENDING | <u>\$ 1,797,588</u> | <u>\$ 369,999</u> | <u>\$ -</u> | <u>\$ 2,167,587</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Operating income (loss) | \$ (2,651,657) | \$ 219,785 | \$ (392,818) | \$ (2,824,690) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Depreciation | 5,768 | - | - | 5,768 |
| Changes in assets and liabilities: | | | | |
| Receivables | 169,827 | (935) | (233,432) | (64,540) |
| Inventory | (16,325) | - | - | (16,325) |
| Accounts Payable | (617) | - | 233,432 | 232,815 |
| Pension expense | (21,531) | (3,245) | (6,053) | (30,829) |
| OPEB expense | (42,563) | (6,415) | (11,965) | (60,943) |
| Federal donated commodities | 181,663 | - | - | 181,663 |
| On-behalf payments | (197,369) | (29,765) | (168,830) | (395,964) |
| Net cash provided (used) by operating activities | <u>\$ (2,572,804)</u> | <u>\$ 179,425</u> | <u>\$ (579,666)</u> | <u>\$ (2,973,045)</u> |
| Schedule of non-cash transactions | | | | |
| Federal donated commodities | \$ 181,663 | - | - | \$ 181,663 |
| State on-behalf payments | <u>\$ 197,369</u> | <u>\$ 29,765</u> | <u>\$ 168,830</u> | <u>\$ 395,964</u> |

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

NELSON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2023

Note I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements presented for the Nelson County Board of Education are prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (GASB). The District's significant accounting and reporting policies are described below.

The Financial Reporting Entity

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

As required by GAAP, these financial statements present the primary government and its component unit, an entity for which the government is considered to be financially accountable. This component unit is reported on a blended basis. A blended component unit, although a legally separate entity, is, in substance, part of the government's operations and so data from this unit is combined with data of the primary government. Separate financial statements are not issued for this component unit.

The District's reporting entity includes the following blended component unit:

The Nelson County Board of Education Finance Corporation was formed in accordance with the provisions of KRS Sections 162.120 through 162.300 and Section 162.385, and KRS Chapter 273 and KRS 58.180, as a non-profit, non-stock corporation for the purpose of financing necessary school building facilities on behalf of the Board of Education of the Nelson County School District. Under the provisions of existing Kentucky laws, the Corporation is permitted to act as an agency and instrumentality of the District for financing purposes. The Board serves as the Governing Board of the Corporation and all accounting and administrative functions are performed by the District, which records all activity of the Corporation as a blended component unit.

Basis of presentation and accounting

Government-wide

The Districts government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements report information about the reporting entity as a whole. Fiduciary activities of the District are not included in these statements. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through property taxes, intergovernmental revenue, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services rendered.

NELSON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2023

Note I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Activities presents a comparison between direct expenses and program revenue for the business-type activities and for each function of the District’s governmental activities. Program revenues includes (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including property taxes and general state aid, are presented as general revenues.

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all the District’s assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period earned while expenses are recognized in the period the liability incurred.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regard to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total column. In the Statement of Activities, those transactions between governmental and business-type activities have not been eliminated.

Fund Financial Statements

The fund financial statements of the District are organized into funds, each of which is considered to be a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific district functions or activities. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expenses. Funds are organized into three categories: governmental, proprietary, and fiduciary. Major individual governmental funds and enterprise funds are reported as separate columns in the fund financial statements.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are included in the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increase (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally collected 60 days after year-end) are recognized when due. The primary revenue sources which have been treated as susceptible to accrual by the District are taxes and intergovernmental revenues. Expenditures are recorded in the accounting period in which the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured.

NELSON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2023

Note I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major Governmental Funds:

General Fund – accounts for the general operating costs for the District and provides supports services to other funds. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use.

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

Construction Fund -The Construction Fund accounts for and reports proceeds from sales of bonds and other revenues to be used for authorized construction.

Non-Major Governmental Funds

District Activity Fund – The District Activity Fund is a special revenue fund type and is used to account for funds collected at individual schools for operation costs of the schools or school district that allows for more flexibility in the expenditures of those funds.

Student Activity Fund –The Student Activity Fund is a special revenue fund type and is used to account for funds student activity that are legally restricted to expenditures for specified purposes imposed by external parties, enabling legislation, or by board action.

Capital Outlay Fund – The Support Education Excellence in Kentucky (SEEK) Fund receives those funds designated by the state as capital outlay funds and is generally restricted for use in financing projects identified in the district’s facility plan (including payment of bonded lease obligations).

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

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

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expense and Changes in Net position, and a Statement of Cash Flows. The District does not have an internal service fund.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or noncurrent) are included in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period earned while expenses are recognized in the period the liability is incurred.

NELSON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2023

Note I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund Financial Statements (Continued)

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Enterprise Funds

School Food Services Fund – is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA.

Day Care Services Fund – is used to account for and report the activities of the day care programs where a fee is charged for participating.

Adult Education Services Fund – is used to account for and report the activities of the adult education programs where a fee is charged for participating.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Position and a Statement of Changes in Net Position. Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations or other governments. The Fiduciary Funds are accounted for on a spending or “economic resources” measurement focus and the accrual basis of accounting. Fiduciary funds are purely custodial and do not involve measurement of results of operations.

The District applies all Governmental Accounting Standards Board (GASB) pronouncements to proprietary funds as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements

Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicate the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Government-wide and fiduciary fund financial statement are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are “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 pay liabilities of the current period (60 days). Expenditures are recorded when the liability is incurred, except for unmatured interest on long-term debt which is recognized when due, other post-employment benefits, claims and judgments and compensated absences, which are recognized when expended. Revenues susceptible to accrual are interest, state and local shared revenue and federal and state grants. Expenditure-driven grants are recognized as revenue when qualifying expenditures have been incurred and all other grant requirements have been met.

NELSON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2023

Note I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary information

The District's budgetary process accounts for transactions on a modified accrual basis of accounting which is consistent with the accounting principles generally accepted in the United States of America. State law requires the district to formally and publicly examine anticipated receipts and expenditures for the next fiscal year by January 31 (draft budget), adopt a tentative working budget on or before May 30 for the next fiscal year and a final working budget must be submitted to the Kentucky Department of Education (KDE) by September 30 for the current year with a recommended reserve of at least two percent of total budgeted expenditures in the general and school food service funds. The Special Revenue Fund and the Construction fund are multi-year funds. A fund is multi-year when budgeted amounts in that fund may be received and expended over a period extending beyond one fiscal year. A budget projection is created one time for a project (grant or a construction project) which is in the year of its inception. After a budget completion is processed on a project, that budget remains with the project over the lifetime of the project.

Expenditure budgets are appropriated at the major function level for each fund. Appropriations may not legally be over-expended, except in the case of grant receipts which could not be reasonably estimated at the time the budget was adopted.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and all highly liquid investments with a maturity of three months or less from the date of the acquisition. For the purposes of the statement of cash flows, the District defines cash and cash equivalents as amounts in demand deposits as well as short-term, highly liquid investments with original maturities of three months or less.

Deposits with Financial Institutions and Investments

The District's policy on investments primarily follow state statutes and regulations which authorize the District to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance.

Prepaid items

Prepaid items are charged to expenditure/expense at the time the items are used (consumption method).

Inventory

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

NELSON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2023

Note I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, deferred outflows, liabilities, deferred inflows, and net position/fund balance

Capital assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition values as of the date received. The District maintains a capitalization threshold of \$5,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are expensed.

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

| | |
|---------------------------|-------------|
| Building and improvements | 25-50 years |
| Land improvements | 20 years |
| Technology equipment | 5 years |
| Vehicles | 5-10 years |
| Audio-visual equipment | 15 years |
| Food service equipment | 10-12 years |
| Furniture and fixtures | 7 years |
| Rolling stock | 15 years |
| Other | 10 years |

Long-term obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of applicable bond premium or discount.

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

Deferred outflows/inflows of resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separated financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. The District reports three types of deferred outflows-contributions to the CERS pension system after the measurement period, contributions to the TRS medical insurance fund after the measurement period and the unrecognized portion of a deferred loss on the refinancing of long-term debt.

Note I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred outflows/inflows of resources (Continued)

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

Pension obligations

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the CERS and TRS and additions to/deductions from fiduciary net position on the same basis as they are reported by these multiple-employer cost-sharing OPEB systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized by the pension systems when due and payable in accordance with the benefit terms. Investments are reported at fair value by the pension systems. Both systems publish separate financial statements as described in Note for Postemployment Benefits Other Than Pensions.

Net position flow assumptions

Net position is classified into the following categories:

Net investment in capital assets – consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – consists of net position with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position – consists of all other net position that is not included in the other categories previously mentioned.

When both restricted and unrestricted resources are available for use in a specific program or for specific purpose, the District’s normal policy is to use restricted resources first to finance its activities.

Note I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund balance flow assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). When fund balance resources are available for a specific purpose in multiple classifications, the District uses the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

Fund balance policies

Governmental fund equity is classified as fund balance. GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on purpose for which resources can be used:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Management has classified prepaid items as being non-spendable as they are not expected to be converted to cash.

Restricted: This classification includes amounts for which constraints have been placed on the use of resources which are either.

1. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
2. Imposed by law through constitutional provisions or enabling legislation.

Committed: This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the District's Board of Directors, which is the District's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed.

Assigned: This classification includes spendable amounts for a specific purpose. The intent of an assigned fund balance is expressed by either the District's Board, or a subordinate high-level body, such as a finance committee, or an official, such as the superintendent, that has the authority to assign amounts to be used for assigned purposes.

Unassigned: This classification is the residual fund balance for the General Fund. It represents fund balance that has not been assigned, committed, or restricted.

Revenue and expenditures/expenses

Program revenues – amounts reported as program revenues include 1) charges to customers who purchase or use goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not property included amount program revenues are reported instead as general revenues.

Property taxes – Property taxes are levied each August on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 15, 2022 through April 17, 2023.

NELSON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2023

Note I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and expenditures/expenses (Continued)

Grants – unreimbursed expenditures due from grantor agencies are reflected in the government-wide financial statements as receivables and revenues. Grant revenues are recorded at the time eligible expenditures are incurred. Cash received from grantor agencies in excess of related grant expenditures is recorded as unavailable revenue on the Balance Sheet and unearned revenue on the Statement of Net Position.

Compensated absences – upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. On June 30, 2023, this amount totaled \$447,317.

Implementation of New Accounting Principle

The district adopted the provisions of GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA). The statement defines SBITA; (2) establishes that a SBITA results in a right-to-use subscription assets-an intangible asset-and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA.

Note II – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Violations of legal or contractual provisions

This District had no violations of legal or contractual provision in the fiscal year.

Cash deposits and cash equivalents

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

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

At year-end, the District's bank balances were collateralized by securities held by the pledging bank's trust department in the District's name and FDIC insurance. At year end, the carrying amount of the District's cash and cash equivalents was \$21,777,631. The bank balance for the same time was \$26,153,308.

NELSON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2023

Note I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables

Amounts are aggregated into a single account receivable line in the Statement of Net Position and Balance Sheet. Below is the detail of receivable for the governmental funds:

| Receivables | General Fund | Special Revenue Fund | School Food Service Fund | Day Care Services Fund | Adult Education Services Fund | Total |
|---------------------------|-------------------|----------------------|--------------------------|------------------------|-------------------------------|------------------|
| Taxes | \$ 358,708 | \$ - | \$ - | \$ - | \$ - | \$ 358,708 |
| Accounts | 7,461 | - | - | 935 | - | 8,396 |
| Intergovernmental - state | 13,193 | - | - | - | 146,702 | 159,895 |
| Intergovernmental-federal | - | 2,532,121 | 42,025 | - | 86,730 | 2,660,876 |
| Total Receivables | \$ 379,362 | \$ 2,532,121 | \$ 42,025 | \$ 935 | \$ 233,432 | 3,187,875 |

NELSON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2023

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

Capital assets

The changes in capital assets for the year ended June 30, 2023, are as follows:

| | Balance July 1, 2022 | Increases | Decreases | Balance June 30, 2023 |
|--|-------------------------|-----------------------|-------------|--------------------------|
| <u>Governmental activities:</u> | | | | |
| Non-depreciable capital assets | | | | |
| Land | \$ 4,925,961 | \$ - | \$ - | \$ 4,925,961 |
| Total - Non-depreciable capital assets | <u>4,925,961</u> | <u>-</u> | <u>-</u> | <u>4,925,961</u> |
| Depreciable capital assets | | | | |
| Land improvements | 155,475 | - | - | 155,475 |
| Buildings and Building Improvements | 130,947,402 | - | - | 130,947,402 |
| Technology equipment | 1,579,779 | - | - | 1,579,779 |
| Vehicles | 6,289,247 | 464,911 | - | 6,754,158 |
| General equipment | 2,112,105 | - | - | 2,112,105 |
| Total - Depreciable capital assets | <u>141,084,008</u> | <u>464,911</u> | <u>-</u> | <u>141,548,919</u> |
| Less: Accumulated depreciation | | | | |
| Land improvements | 45,461 | 14,725 | - | 60,186 |
| Buildings and building Improvements | 53,774,377 | 6,380,525 | - | 60,154,902 |
| Technology equipment | 1,134,448 | 162,313 | - | 1,296,761 |
| Vehicles | 4,638,246 | 602,248 | - | 5,240,494 |
| General equipment | 1,504,843 | 145,873 | - | 1,650,716 |
| | <u>61,097,375</u> | <u>7,305,684</u> | <u>-</u> | <u>68,403,059</u> |
| Governmental Activities Capital Assets - net | <u>\$ 84,912,594</u> | <u>\$ (6,840,773)</u> | <u>\$ -</u> | <u>\$ 78,071,821</u> |
| <u>Business-Type Activities</u> | | | | |
| General equipment | \$ 1,723,547 | \$ 59,619 | \$ - | \$ 1,783,166 |
| Technology Equipment | 43,285 | - | - | 43,285 |
| Total - Non-depreciable capital assets | <u>1,766,832</u> | <u>59,619</u> | <u>-</u> | <u>1,826,451</u> |
| Less: Accumulated depreciation | | | | |
| General equipment | 1,445,142 | 122,345 | - | 1,567,487 |
| Technology Equipment | 33,933 | 4,468 | - | 38,401 |
| Total - Depreciable capital assets | <u>1,479,075</u> | <u>126,813</u> | <u>-</u> | <u>1,605,888</u> |
| Business-Type Activities Capital Assets -net | <u>\$ 287,757</u> | <u>\$ (67,194)</u> | <u>\$ -</u> | <u>\$ 220,563</u> |

*Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Pension obligations

The District participates in both the Teachers' Retirement System of the State of Kentucky (TRS) and the Kentucky Public Pensions Authority (KPPA) - County Employees Retirement System (CERS) for non-hazardous duties based on each position's college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

Teacher's Retirement System of the State of Kentucky (TRS)

Plan Description

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 cost-sharing multiple-employer defined benefit plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth of Kentucky. KRS 161.250 provides that the general administration and management of TRS, and the responsibility for its proper operation, is vested in a board of trustees. TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS covers positions requiring teaching certification or otherwise requiring a college degree as well as any person providing part-time or substitute teaching services that are the same or similar to those teaching services provided by full-time, certified teachers. Copies of the TRS Comprehensive Annual Financial Report and Actuarial Valuations may be obtained at: <https://trs.ky.gov/administration/financial-reports-information/>.

Pension Benefits

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), or 2) complete 27 years of Kentucky service.

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 is than ten years. New members after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service including the first ten years.

Employees who retire July 1, 2004 or later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5 % to 3.0% to be used in their benefit calculation. Effective July 1, 2008 the system has been amended to change the benefit structure for members hired on or after that date. For members who enter TRS on or after January 1, 2022 TRS created a hybrid retirement plan with a foundational benefit which pays a lifetime retirement annuity.

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. TRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. When calculating the final average salary for employees entering the service on or after January 1, 2022 increases in compensation in the last five years prior to retirement are limited to the highest percentage increase generally available to the district's employees.

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.

For members hired on or after January 1, 2022, new members must be age 57 and have 10 years of service or age 65 and 5 years of service. The annual foundational benefit for members is equal to service times a multiplier times final average salary. The multiplier for non-university members who are age 65 and over with 5-9.99 years of service is 1.90%. The multiplier for non-university members with 10-19.99 years of service who are age 57-60 is 1.70%, age 61 - 1.74%, age 62 - 1.78%, age 63 - 1.82%, age 64 - 1.86% and age 65 and over 1.90%. The multiplier for non-university members with 20-29.99 years of service who are age 57-60 is 1.95%, age 61 - 1.99%, age 62 - 2.03%, age 63 - 2.07%, age 64 - 2.11% and age 65 and over 2.15%. The multiplier for non-university members with 30 or more years of service who are age 57-60 is 2.20%, age 61 - 2.24%, age 62 - 2.28%, age 63 - 2.32%, age 64 - 2.36% and age 65 and over 2.40%. 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.

Contributions

Contribution rates are established by Kentucky Revised Statutes ("KRS"). Non-university employees are required to contribute 9.105% of their salaries to the System. The Commonwealth, as a non-employer contributing entity, pays matching contributions at the rate of 16.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 16.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 16.105% of salaries. The required matching contribution for those employees classified as critical shortage is 24.8%. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

NELSON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2023

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Kentucky Public Pensions Authority (KPPA) - County Employees Retirement System (CERS)

Plan Description

Under the provisions of KRS 61.645, the Board of Trustees of the Kentucky Public Pensions Authority (KPPA) administers CERS and has the authority to establish and amend benefit provisions. CERS was created by the Kentucky General Assembly pursuant to the provision of KRS 78.520. CERS is a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky General Assembly. KRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth’s financial statements. CERS covers employees whose positions do not require a degree, substantially all full-time classified employees and these positions are considered non-hazardous. Copies of the TRS Comprehensive Annual Financial Report and Actuarial Valuations may be obtained at <https://kyret.ky.gov/Employers/GASB/Pages/default.aspx>.

Pension Benefits

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

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

Contributions

CERS pension benefits are grouped into three tiers, based on the hire date:

Tier 1 plan members who began participating prior to September 1, 2008, are required to contribute 5% (non-hazardous) or 8% (hazardous) of their annual creditable compensation. These members are classified in the Tier 1 structure of benefits. Interest is paid each June 30 on members’ accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest.

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Contributions (Continued)

Tier 2 plan members, who began participating on, or after, September 1, 2008 and before January 1, 2014, are required to contribute 6% (non-hazardous) or 9% (hazardous) of their annual credit compensation, while 1% of these contributions are deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(k) in the Pension Fund (See Kentucky Administrative Regulation 105 KAR 1:420 Employer's administrative duties). These members are classified in the Tier 2 structure of benefits. Interest is paid each June 30th on members' accounts as a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited.

Tier 3 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. Members contribute 5% (non-hazardous) or 8% (hazardous) of their annual creditable compensation, and an additional 1% to the health insurance fund (401(h) account) which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the KPPA board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received an employer pay credit is deposited to the member's account. A member's account is credited with a 4% (non-hazardous) or 7.5% (hazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution. CERS contribution rates for non-hazardous employees for pension 23.40%, insurance 3.39% for a combined total of 26.79%.

Funding for CERS is provided by members, who contribute 5.00% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions, and by employers of members. For the year ending June 30, 2023, employers were required to contribute 26.79% of the member's salary. During the year ending June 30, 2023, the District contributed \$1,780,045 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

Other Retirement Plans

The District also offers employees the option to participate in defined contribution plans under Sections 403(B) and 401(K) of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up the maximum allowable by laws. These plans are administered by an independent third-party administrator. The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until their termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, allows entities with little or no administrative involvement and who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statement statements. The District, therefore, does not report these assets and liabilities on its financial statements. Employee contributions made to the plan during the year total \$113,196. The District does not contribute to these plans.

NELSON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2023

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

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

On June 30, 2023, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District’s proportionate share of the net pension liability for TRS because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District.

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

| | |
|--|------------------------------|
| District's proportionate share of the net CERS pension liability | \$ 17,443,176 |
| Commonwealth's proportionate share of the net TRS pension liability associated with the District | <u>112,210,392</u> |
| | <u><u>\$ 129,653,568</u></u> |

The net pension liability for each plan was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District’s portion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. On June 30, 2022, the District’s proportion was .241294%.

For the year ended June 30, 2023, the District recognized CERS pension expense of \$1,780,045 which is a \$1,481,461 increase in governmental funds and \$298,584 increase in proprietary funds and \$722,995 related to TRS as being paid. The adjusted pension expense recognized on the statement of activities, based on actuarial valuation for the year ended June 30, 2022, was \$340,011 (an increase of \$374,011 in governmental funds and a decrease of \$34,000 in the business type activity funds). The District also recognized revenue of \$10,238,211 for TRS support provided by the Commonwealth.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 18,649 | \$ 155,339 |
| Changes of assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | 2,373,494 | 1,926,314 |
| Changes in proportion and difference between District contributions and proportionate share of contributions | 298,392 | 56,632 |
| District contributions subsequent to the measurement date | <u>1,780,045</u> | <u>-</u> |
| | <u><u>\$ 4,470,580</u></u> | <u><u>\$ 2,138,285</u></u> |

NELSON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2023

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Pension liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The amount reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date is \$1,780,045 and will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

| | |
|----------------------|------------|
| Year ending June 30: | |
| 2023 | \$ 210,022 |
| 2024 | (6,712) |
| 2025 | (146,582) |
| 2026 | 495,522 |
| 2027 | - |
| Thereafter | - |

Actuarial assumptions

The actuarially determined contributions effective for fiscal year ending 2022 were calculated as of June 30, 2020. Based on the June 30, 2020 actuarial valuation report, the actuarial methods and assumptions, applied to all periods included in the measurement:

| | CERS | KTRS |
|--|--|----------------|
| Inflation | 2.30% | 2.50% |
| Projected Salary Increases | 3.30% to 10.30% (varies by service) | 3.00% to 7.50% |
| Investment rate of return, net of investment expense and inflation | 6.25% | 7.10% |

For TRS, Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025 with a setback of 2 years for males and 1 year for females.

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 weighing the expected future renewal rates of return by the target asset allocation percentage and by adding expected inflation.

NELSON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2023

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Actuarial assumptions (Continued)

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

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

For CERS, the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2010 through 2015, is outlined in a report dated August 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

NELSON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2023

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Actuarial assumptions (Continued)

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---------------------------------------|-------------------|--|
| Equity | 60.00% | |
| Public Equity | 50.0% | 4.45% |
| Private Equity | 10.0% | 10.15% |
| Fixed Income | 20.00% | |
| Core Bonds | 10.0% | 0.28% |
| Specialty Credit/High Yield | 10.0% | 2.28% |
| Cash | 0.0% | -0.91% |
| Inflation Protected | 20.00% | |
| Real Estate | 7.0% | 3.67% |
| Real Return | 13.0% | 4.07% |
| Expected Real Return | 100.00% | 4.28% |
| Long-Term Inflation Assumption | | 2.30% |
| Expected Nominal Return for Portfolio | | 6.58% |

Discount Rate

For TRS, the discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees until the 2038 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2035 and a municipal bond index rate of 3.50% was applied to all periods of projected benefit payments after 2035. The Single Equivalent Interest Rate ("SEIR") that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

For CERS, 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 contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. The future contributions are projected assuming that each participating employer in the System contributes the actuarially determined employer contribution rate each future year calculated in accordance with the current funding policy. The assumed future employer contributions reflect the provisions of House Bill 362 (passed during the 2018 Legislative session) which limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028.

NELSON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2023

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Discount Rate (Continued)

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

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---------------|--------------------------|---------------|
| TRS | 6.10% | 7.10% | 8.10% |
| District's proportionate share of net pension liability | \$ - | \$ - | \$ - |
| CERS | 5.25% | 6.25% | 7.25% |
| District's proportionate share of net pension liability | \$ 21,801,806 | \$ 17,443,176 | \$ 13,838,227 |

Other postemployment benefit (OPEB) obligations

The District's employees are provided with two OPEB plans, based on each position's college degree requirement. TRS covers positions requiring teaching certification or otherwise requiring a college degree. The CERS covers employees whose position does not require a college degree or teaching certification. Retired district employees receive some health care benefit depending on their length of service. In accordance with Kentucky Revised Statutes, these benefits are provided and advance funded on an actuarially determined basis through the TRS and CERS plans. The TRS publicly available financial report may be obtained from <https://trs.ky.gov/administration/financial-reports-information/>. CERS issues a publicly available financial report that can be obtained at <https://kyret.ky.gov/Employers/GASB/Pages/default.aspx>.

TRS – OPEB

The Commonwealth of Kentucky (State) reports a liability, deferred outflows of resources and deferred inflows of resources, and expenses as a result of the statutory requirement to contribute to the TRS Medical Insurance (Health Trust) and Life Insurance Plans (Life Trust). The following information is about the TRS plans:

TRS Medical Insurance Fund (Health Trust)

Plan description - In addition to the retirement annuity plan described previously, KRS 161.675 requires TRS to provide access to post-employment healthcare benefits for eligible employees and dependents. The TRS medical plan (Health Trust) is a cost-sharing multiple-employer defined benefit plan. The Health Trust is funded by employer and member contributions. Changes to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance (KDEI), and the General Assembly.

The TRS medical plan is funded by employee contributions to an account established pursuant to 26 U.S.C. sec. 401(h). Additional funding is derived from the Kentucky Teacher's' Retirement System insurance trust fund that went into effect on July 1, 2010. The insurance trust fund provides a trust separate from the account established pursuant to 26 U.S.C. sec. 401(h). The insurance trust fund includes employer and retired member contribution required under KRS 161.550 and KRS 161.675(4)(b)

NELSON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2023

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

TRS Medical Insurance Fund (Health Trust) (Continued)

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, 7.50% of the gross annual payroll of members is contributed. 3.75% is paid by member contributions and .75% from State appropriation and 3.00% from the employer. The State contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010, who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

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

TRS Postemployment Life Insurance Benefits (Life Trust)

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

Benefits Provided - The TRS Life Insurance Plan provides a life insurance benefit of \$5,000 payable for members who retire based on service or disability. Active members may receive a \$2,000 lump sum payable. The benefit is payable to the member's estate or to a party designated by the member.

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

CERS – OPEB

Plan description - CERS health insurance benefits are subject to various participation dates to determine eligibility and health insurance contribution rates. For employees who initiated participation in the CERS system prior to July 1, 2003, KPPA pays a percentage of the monthly contribution rate for insurance covered based on the retired member's years of service and type of service. Non-hazardous members receive a contribution subsidy for both the member and dependent coverage.

Benefits provided - Percentage of premium subsidies for CERS ranges from 0% for less than 4 years of service to 100% for 20 years or more service. For members who initiated participation in CERS system after July 1, 2003 until August 31, 2008, members must have 120 months of service in a state-administered retirement system to qualify for participation in the KPPA health plans.

NELSON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2023

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

CERS – OPEB (Continued)

Members who began participating with KPPA on or after September 1, 2008 must have 180 months of service upon retirement to participate in the KPPA health plans. Non-hazardous retiree receives \$10 toward the monthly premium for each full year of service.

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

Contribution

CERS allocates a portion of the employer contributions to the health insurance benefit plan. For the 2022 measurement period, CERS allocated 3.39% of the 26.79% actuarially required contribution rate paid by employers for funding the healthcare benefit. In addition, 1% of the tier 2 and 3 employee contributions of 6% are allocated to the health insurance plan.

On June 30, 2022, the amount recognized by the District as its proportionate share of the net OPEB liability, the related Commonwealth support, and the total portion of the net OPEB liability with the District were as follows:

| | |
|---|-----------------------------|
| District's proportionate share of the net TRS OPEB MIF liability | \$ 11,707,000 |
| District's proportionate share of the net CERS OPEB MIF liability | 4,761,141 |
| Total district proportionate share | <u>\$ 16,468,141</u> |
| Commonwealth's proportionate share of the net TRS OPEB - MIF liability associated with the District | 3,846,000 |
| Total OPEB MIF liability associated with the District | <u><u>\$ 20,314,141</u></u> |

For the year ended June 30, 2023, the District recognized CERS OPEB expense of \$722,995 which is a \$246,286 increase in governmental funds, \$11,592 increase in proprietary funds, and \$722,995 related to TRS as being paid. The net OPEB liability for each plan 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, 2020. For the year ended June 30, 2023, based on actuarial valuation, the district recognized on the statement of activities adjusted total net OPEB expense of \$(448,683), (decrease of \$390,910 in governmental funds and an decrease of \$57,773 in the business type activity funds).

On June 30, ,2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the followings sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 479,249 | \$ 6,012,840 |
| Changes of assumptions | 3,130,008 | 620,474 |
| Net difference between project and actual earnings on OPEB plan investments | 1,508,573 | 693,331 |
| Changes in proportion and difference between District contributions and proportionate share of contributions | 3,804,724 | 164,464 |
| District contributions subsequent to the measurement date | 980,873 | - |
| Total | <u><u>\$ 9,903,427</u></u> | <u><u>\$ 7,491,109</u></u> |

NELSON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2023

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Of the total amount reported as deferred outflows of resources related to OPEB, \$980,873 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the Year Ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District’s OPEB expense as follows:

| Year ending June 30: | TRS | CERS |
|----------------------|-------------|-------------|
| 2023 | \$ (49,000) | \$ (29,502) |
| 2024 | (7,000) | (41,450) |
| 2025 | 60,000 | (267,927) |
| 2026 | 826,000 | 13,324 |
| 2027 | 663,000 | - |
| Thereafter | 264,000 | - |

Actuarial assumptions for TRS are as follows:

| | |
|--|---|
| Inflation | 2.50% |
| Real wage growth | 0.25% |
| Wage inflation | 2.75% |
| Salary increases, including wage inflation | 3.00%-7.50% |
| Long-term Investment Rate of Return, net of OPEB plan investment expense, including inflation | |
| Health Trust | 7.10% |
| Life Trust | 7.10% |
| Single Equivalent Interest Rate, Net of OPEB plan investment Expense, including price Inflation | |
| Heath Trust | 7.10% |
| Life Trust | 7.10% |
| Health Trust Cost Trends | |
| Under Age 65 | 7.00% for FYE 2022 decreasing to an ultimate rate of 4.50% by FYE 2032 |
| Ages 65 and Older Medicare Part B | 5.125% for FYE 2022 decreasing to an ultimate rate of 4.50% by FYE 2025 |
| Premiums | 6.97% for FYE 2022 with an ultimate rate of 4.50% by 2034 |

Actuarial assumptions for CERS are as follows:

| | |
|-----------------------------|------------------------------------|
| Inflation | 2.30% |
| Payroll growth | 2.00% |
| Salary increases, including | 3.30% to 10.30%, varies by service |
| Investment Return | 6.25% |

NELSON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2023

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement. For CERS, mortality rates were based on 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 demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2020 valuation were based on the results of the most recent actuarial experience studies for the System, which covered the five-year period ending June 30, 2015.

The long-term expected rate of return on OPEB plan investments was determined based on the allocation of assets by asset class and by the mean and variance of real returns. The municipal bond rate is the monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate (formerly published monthly by the Board of Governors of the Federal Reserve System).

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

| Asset Class | Medical Insurance Trust | |
|-----------------------------|-------------------------|--|
| | Target Allocation | 30-Year Expected Geometric Real Rate of Return |
| Global Equity | 58.00% | 5.40% |
| Fixed Income | 9.00% | 0.00% |
| Real Estate | 6.50% | 4.30% |
| Private Equity | 8.50% | 7.70% |
| Other Additional Categories | 17.00% | 2.50% |
| Cash (LIBOR) | 1.00% | -0.50% |
| Total | 100.0% | |

| Asset Class | Life Insurance Trust | |
|-----------------------------|----------------------|--|
| | Target Allocation | 30-Year Expected Geometric Real Rate of Return |
| U.S. Equity | 40.00% | 4.30% |
| International Equity | 23.00% | 5.60% |
| Fixed Income | 18.00% | 0.00% |
| Real Estate | 6.00% | 4.30% |
| Private Equity | 5.00% | 7.70% |
| Other Additional Categories | 6.00% | 2.50% |
| Cash (LIBOR) | 2.00% | -0.50% |
| Total | 100.00% | |

NELSON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2023

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Discount Rate - The discount rate used to measure the State’s total OPEB liability for life insurance was 7.50%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class, are summarized in the following table:

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|-----------------------------|-------------------|--|
| Growth | 62.50% | |
| US Equity | 18.75% | 4.50% |
| Non-US Equity | 18.75% | 5.30% |
| Private Equity | 10.00% | 6.70% |
| Specialty Credit/High Yield | 15.00% | 3.90% |
| Liquidity | 14.50% | |
| Core Bonds | 13.50% | -0.25% |
| Cash | 1.00% | -0.75% |
| Diversifying Strategies | 23.00% | |
| Real Estate | 5.00% | 5.30% |
| Opportunistic | 3.00% | 2.25% |
| Real Return | 15.00% | 3.95% |
| Total | 100.00% | |

Discount Rate

For TRS, the discount rate used to measure the TOL at June 30, 2022 was 7.10% for the Health Trust and 7.10% for the Life Trust.

The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection’s basis was an actuarial valuation performed as of June 30, 2021. In addition to the actuarial methods and assumptions of the June 30, 2021 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows.

- Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 2.75%.
- The pre-65 retiree health care costs for members retired on or after July 1, 2010 were assumed to be paid by either the State or the retirees themselves.
- As administrative expenses, other than the administrative fee of \$8.00 PMPM paid to KEHP by TRS were assumed to be paid in all years by the employer as they come due, they were not considered.
- Cash flows occur mid-year.

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Discount Rate (Continued)

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

To reflect these adjustments, open group projections were used and assumed an equal, pro rata reduction to the current statutory amounts in the years if/when the Health Trust is projected to achieve a Funded Ratio of 100% or more. Here, the current statutory amounts are adjusted to achieve total contributions equal to the Actuarially Determined Contribution (ADC), as determined by the prior year’s valuation and in accordance with the Health Trust’s funding policy. As the specific methodology to be used for the adjustments has yet to be determined, there may be differences between the projected results and future experience. This may also include any changes to retiree contributions for KEHP coverage pursuant to KRS 161.674(4)(b).

- In developing the adjustments to the statutory contributions in future years, the following was assumed:
 - Liabilities and cash flows are net of expected retiree contributions and any implicit subsidy attributable to coverage while participating in KEHP.
 - For the purposes of developing estimates for new entrants, active headcounts were assumed to remain flat for all future years.

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

Life Trust Discount rate.

The discount rate used to measure the TOL as of the Measurement Date was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection’s basis was an actuarial valuation performed as of June 30, 2021. In addition to the actuarial methods and assumptions of the June 30, 2021 actuarial valuation, the following actuarial methods and assumptions were used in the projection of the Life Trust’s cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 2.75%
- The employer will contribute the Actuarially Determined Contribution (ADC) in accordance with the Life Trust’s funding policy determined by a valuation performed on a date two years prior to the beginning of the fiscal year in which the ADC applies.
- As administrative expenses were assumed to be paid in all years by the employer as they come due, they were not considered.
- Active employees do not explicitly contribute to the plan.
- Cash flows occurred mid-year.

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

NELSON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2023

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Long-term rate of return

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

Risk management

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

NELSON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2023

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Long-Term Debt

The Kentucky School Facility Construction Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting the school construction needs. Through a “participation agreement” with the District, the Commission agreed to pay annual debt service requirements on behalf of the District.

The bonds may be called prior to maturity at dates and redemption premiums specified in each issue. Assuming no issues are called prior to maturity, the minimum obligation of the District, including amounts to be paid by the Commission, on June 30, 2023 for debt services are as follows:

| | Interest Rates | Maturity | Original Issue | Beginning Balance | Increases | Decreases | Ending Balance | Due within one year |
|---|----------------|-----------|----------------------|----------------------|---------------------|---------------------|----------------------|---------------------|
| Governmental Activities: | | | | | | | | |
| Revenue Bonds: | | | | | | | | |
| Series 2014 | 1.50 - 3.625% | 6/1/2034 | \$ 3,420,000 | \$ 2,645,000 | \$ - | \$ 140,000 | \$ 2,505,000 | \$ 155,000 |
| Series 2016 | 2.00 - 3.00% | 5/1/2035 | 6,525,000 | 5,960,000 | - | 105,000 | 5,855,000 | 115,000 |
| Series 2017 | 2.00 - 3.00% | 3/1/2032 | 3,480,000 | 2,520,000 | - | 205,000 | 2,315,000 | 215,000 |
| Refunding Revenue Bonds: | | | | | | | | |
| Series 2011 | 0.75 - 2.375% | 4/1/2023 | 10,670,000 | 1,235,000 | - | 1,235,000 | - | - |
| Series 2014 | 2.00 - 3.50% | 12/1/2029 | 18,770,000 | 12,025,000 | - | 905,000 | 11,120,000 | 1,390,000 |
| Series 2015A | 2.00 - 3.00% | 12/1/2030 | 8,485,000 | 7,770,000 | - | 100,000 | 7,670,000 | 450,000 |
| Series 2015B | 2.00 - 2.25% | 9/1/2025 | 3,485,000 | 1,455,000 | - | 370,000 | 1,085,000 | 375,000 |
| Series 2016A | 2.00 - 2.50% | 12/1/2027 | 8,905,000 | 5,970,000 | - | 955,000 | 5,015,000 | 115,000 |
| Series 2016B | 2.00 - 2.375% | 5/1/2029 | 7,260,000 | 5,930,000 | - | 580,000 | 5,350,000 | 735,000 |
| Series 2020 | 1.35% | 2/1/2031 | 505,000 | 430,000 | - | 25,000 | 405,000 | 50,000 |
| | | | <u>\$ 71,505,000</u> | <u>\$ 45,940,000</u> | <u>\$ -</u> | <u>\$ 4,620,000</u> | <u>\$ 41,320,000</u> | <u>\$ 3,600,000</u> |
| Other Liabilities | | | | | | | | |
| Sick leave | | | | \$ 550,815 | \$ - | \$ 103,498 | \$ 447,317 | \$ 216,896 |
| Pension Liability | | | | 14,851,748 | 1,807,314 | - | 16,659,062 | - |
| OPEB Liability | | | | 11,475,086 | 4,252,771 | - | 15,727,857 | - |
| Total Other Liabilities | | | | <u>26,877,649</u> | <u>6,060,085</u> | <u>103,498</u> | <u>32,834,236</u> | <u>216,896</u> |
| Total Governmental Activities Liabilities | | | | <u>\$ 72,817,649</u> | <u>\$ 6,060,085</u> | <u>\$ 4,723,498</u> | <u>\$ 74,154,236</u> | <u>\$ 3,816,896</u> |

The future principal and interest payments on long-term debt are as follows:

| Fiscal Year | District | | Kentucky School Facility | | Total | |
|-------------|----------------------|---------------------|--------------------------|-------------------|----------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| Ending 2024 | \$ 3,983,757 | \$ 1,099,598 | \$ 501,243 | \$ 61,623 | \$ 4,485,000 | \$ 1,161,221 |
| 2025 | 4,078,410 | 959,694 | 511,590 | 51,277 | 4,590,000 | 1,010,971 |
| 2026 | 4,201,737 | 855,371 | 488,263 | 40,178 | 4,690,000 | 895,549 |
| 2027 | 4,328,386 | 744,421 | 321,614 | 30,303 | 4,650,000 | 774,724 |
| 2028 | 4,459,271 | 624,896 | 215,729 | 23,315 | 4,675,000 | 648,211 |
| 2029 | 4,603,361 | 493,538 | 221,639 | 17,404 | 4,825,000 | 510,942 |
| 2030 | 4,770,911 | 345,169 | 149,089 | 11,280 | 4,920,000 | 356,449 |
| 2031 | 3,191,197 | 223,194 | 123,803 | 7,199 | 3,315,000 | 230,393 |
| 2032 | 1,304,268 | 155,574 | 30,732 | 4,895 | 1,335,000 | 160,469 |
| 2033 | 1,038,346 | 115,046 | 31,654 | 3,973 | 1,070,000 | 119,019 |
| 2034 | 1,082,397 | 81,989 | 32,603 | 3,023 | 1,115,000 | 85,012 |
| 2035 | 781,418 | 47,455 | 33,582 | 2,045 | 815,000 | 49,500 |
| 2036 | 800,410 | 24,012 | 34,590 | 1,038 | 835,000 | 25,050 |
| | <u>\$ 38,623,869</u> | <u>\$ 5,769,957</u> | <u>\$ 2,696,131</u> | <u>\$ 257,553</u> | <u>\$ 41,320,000</u> | <u>\$ 6,027,510</u> |

NELSON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2023

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Interfund transfers

Interfund transfers are used to fund operations in the various accounts. The composition of interfund transfers as of June 30, 2023 is as follows:

| | Transfers In From Other Funds | Transfers Out To Other Funds |
|----------------------|----------------------------------|---------------------------------|
| General Fund | \$ 3,365,351 | \$ 560,760 |
| Special Revenue Fund | 86,594 | 179,401 |
| District Activity | 68,655 | 703 |
| Student Activity | 142,649 | 107,601 |
| Capital Outlay Fund | - | 412,350 |
| Building Fund | - | 6,284,214 |
| Construction | 1,068,624 | 2,070,000 |
| Debt Service Fund | 5,024,809 | - |
| Food Service Fund | - | 141,653 |
| Totals | <u>\$ 9,756,682</u> | <u>\$ 9,756,682</u> |

Transfers were made between funds to cover operations, indirect costs, construction projects, and debt service payments.

On-Behalf payments

The Commonwealth of Kentucky makes payments on-behalf of the District for the employer’s portion of health benefits, teacher’s retirement, technology, and debt service.

| | |
|---|----------------------|
| Kentucky Teachers Retirement System | \$ 10,458,365 |
| Health, Life, Vision & Dental Insurance | 4,705,929 |
| Technology | 139,722 |
| Debt Service | 832,351 |
| Total On-Behalf | <u>\$ 16,136,367</u> |

Investments

The District’s investments on June 30, 2023 are as follows:

| <u>General Fund Investments</u> | <u>Rating</u> | <u>Maturities</u> | <u>Fair Value</u> |
|---------------------------------|---------------|-------------------|-------------------|
| Certificates of Deposit | N/R | 1-5 years | \$ 528,910 |
| US Government Bonds | Aaa | 1-5 years | 398,651 |
| | | | <u>\$ 927,561</u> |

Risk and Uncertainties

The District invests in investment securities. Investment securities are exposed to various risks, such as interest rate, credit and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amount balances and the amounts reported in the financial statements.

NELSON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2023

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Investments (Continued)

Interest Rate Risk

The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Under Kentucky Revised Statutes Section 66.480, the District is authorized to invest in obligations of the United States and its agencies and instrumentalities, obligations and contract for future delivery or purchase of obligations backed by the full faith and credit of the United States or of its agencies, obligations of any corporation or the United States government, certificates of deposit, commercial paper rated in one of the three highest categories by nationally recognized rating agencies and securities. Mutual funds shall be eligible investments pursuant to this section. The District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer.

Custodial Credit Risk

The District's investments in CV Investments, is uninsured and uncollateralized.

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

- Level 1 – Investments reflect prices quoted on active markets.
- Level 2 – Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include input in markets that are considered to be active.
- Level 3 – Investments reflect prices based on unobservable sources.

Investments as noted in the above table are classified as Level 1 investments.

New Pronouncements

The GASB has issued the following reporting standards that will become effective for fiscal year 2023 and later years' financial statements.

GASB Statement No. 100, Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62-the primary objective of this Statement is to enhance accounting and financial report requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

GASB Statement No. 101, Compensated Absences-the objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

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

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Commitments and Contingencies

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

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

The district also had construction commitments for on-going projects at June 30, 2023.

Restatement of Beginning Balances

The beginning fund balance for the General Fund was increased by \$7,724 to correct a prior year error. The beginning net position for the Food Service Fund was decreased by \$49,822 to account for the change in pension allocation between the funds.

Nelson County School District
REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the District's Proportionate Share of Net Pension Liability – TRS and CERS
For the Year Ended June 30, 2023

| | Reporting Fiscal Year (Measurement Date) 2023 (2022) | Reporting Fiscal Year (Measurement Date) 2022 (2021) | Reporting Fiscal Year (Measurement Date) 2021 (2020) | Reporting Fiscal Year (Measurement Date) 2020 (2019) | Reporting Fiscal Year (Measurement Date) 2019 (2018) | Reporting Fiscal Year (Measurement Date) 2018 (2017) | Reporting Fiscal Year (Measurement Date) 2017 (2016) | Reporting Fiscal Year (Measurement Date) 2016 (2015) | Reporting Fiscal Year (Measurement Date) 2015 (2014) |
|---|--|--|--|--|--|--|--|--|--|
| Teacher's Retirement System of the State of Kentucky (TRS) | | | | | | | | | |
| District's proportion of the net pension liability | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% |
| District's proportionate share of the net pension liability | - | - | - | - | - | - | - | - | - |
| State's proportionate share of pension liability associated with the District | \$ 112,210,392 | \$ 84,531,410 | \$ 89,167,132 | \$ 84,728,763 | \$ 168,684,244 | \$ 182,723,668 | \$ 144,669,837 | \$ 122,991,359 | |
| Total | \$ 112,210,392 | \$ 84,531,410 | \$ 89,167,132 | \$ 84,728,763 | \$ 168,684,244 | \$ 182,723,668 | \$ 144,669,837 | \$ 122,991,359 | \$ - |
| District's covered-employee payroll | \$ 24,118,048 | \$ 23,269,070 | \$ 20,591,845 | \$ 18,394,531 | \$ 18,928,279 | \$ 18,260,022 | \$ 18,312,036 | \$ 18,016,715 | |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% |
| Plan fiduciary net position as a percentage of the total pension liability | 56.41% | 65.59% | 58.27% | 58.80% | 59.30% | 39.80% | 35.22% | 42.49% | 45.59% |
| County Employee Retirement System (CERS) | | | | | | | | | |
| District's proportion of the net pension liability | 0.241294% | 0.243142% | 0.231611% | 0.234756% | 0.247339% | 0.245751% | 0.241810% | 0.248350% | 0.000000% |
| District's proportionate share of the net pension liability | \$ 17,443,176 | \$ 15,502,210 | \$ 17,764,372 | \$ 16,510,494 | \$ 15,063,700 | \$ 14,384,562 | \$ 11,905,816 | \$ 10,678,078 | |
| State's proportionate share of the net pension liability | - | - | - | - | - | - | - | - | - |
| Total | \$ 17,443,176 | \$ 15,502,210 | \$ 17,764,372 | \$ 16,510,494 | \$ 15,063,700 | \$ 14,384,562 | \$ 11,905,816 | \$ 10,678,078 | \$ - |
| District's covered-employee payroll | \$ 7,641,218 | \$ 6,811,930 | \$ 6,244,058 | \$ 5,934,087 | \$ 6,147,811 | \$ 6,115,449 | \$ 6,003,620 | \$ 5,880,370 | \$ - |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 228.28% | 227.57% | 284.50% | 278.23% | 245.03% | 235.22% | 198.31% | 181.59% | 0.00% |
| Plan fiduciary net position as a percentage of the total pension liability | 52.42% | 57.33% | 58.27% | 50.45% | 53.54% | 53.30% | 59.00% | 59.97% | 66.80% |

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal year is determined as of June 30.

See the accompanying notes to the required supplementary information.

Nelson County School District
REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Contributions TRS and CERS - Pension
For the Year Ended June 30, 2023

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-------|
| Teacher's Retirement System of the State of Kentucky (TRS) | | | | | | | | | |
| Contractually required contribution | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contributions in relation to the contractually | - | - | - | - | - | - | - | - | - |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered-employee payroll | \$ 24,118,048 | \$ 23,269,070 | \$ 20,591,845 | \$ 18,394,531 | \$ 18,928,279 | \$ 18,260,022 | \$ 18,312,036 | \$ 18,016,715 | \$ - |
| District's contributions as a percentage of its | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| County Employee Retirement System (CERS) | | | | | | | | | |
| Contractually required contribution | \$ 1,780,045 | \$ 1,433,756 | \$ 1,502,321 | \$ 997,175 | \$ 885,517 | \$ 837,505 | \$ 730,042 | \$ 739,754 | \$ - |
| Contributions in relation to the contractually | 1,780,045 | 1,433,756 | 1,502,321 | 997,175 | 885,517 | 837,505 | 730,042 | 739,754 | - |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered-employee payroll | \$ 7,641,218 | \$ 6,811,930 | \$ 6,244,058 | \$ 5,934,087 | \$ 6,147,811 | \$ 6,115,449 | \$ 6,003,620 | \$ 5,880,370 | \$ - |
| District's contributions as a percentage of its | 23.30% | 21.05% | 24.06% | 16.80% | 14.40% | 13.69% | 12.16% | 12.58% | 0.00% |

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal year is determined as of June 30.

See the accompanying notes to the required supplementary information.

Nelson County School District
REQUIRED SUPPLEMENTARY INFORMATION

Notes to Required Supplementary Information – Pension
For the Year Ended June 30, 2023

TRS

Changes of benefit terms

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 D of the actuary report found at <https://trs.ky.gov/wp-content/uploads/2023/06/TRS-GASB-68-Report-2022-Actuary.pdf>.

Changes of assumptions

- In 2014, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.16% to 5.23%.
- In 2015, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.23% to 4.88%.
- In 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%.
- In 2017, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.20% to 4.49%.
- In 2018, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.49% to 7.50%.
- 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 change to the Pub2010 Mortality Table (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 7.50 percent to 7.10 percent and the price inflation assumption was lowered from 3.00 percent to 2.50 percent. In addition, the calculation of the SEIR results in an assumption change from 7.50% to 7.10%.

CERS

Changes of Benefit Terms

2022 None

2021 None

2020 None

2019 None

2018 None

2017 None

2016 None

Changes of Assumptions 2022 None

Notes to Required Supplementary Information – Pension
For the Year Ended June 30, 2023
(Continued)

CERS (Continued)

2021 Pension and OPEB - the salary increase assumption changed from 3.30% - 10.30% to 3.30% - 11.55% OPEB - single discount rate changed from 5.68% to 5.34%

2020 Pension and OPEB - the salary increase assumption changed from 3.05% to 3.30% - 10.30% OPEB - single discount rate changed from 5.85% to 5.68%

2019 Pension and OPEB - the salary increases assumption was changed from 2.00% to 3.05% OPEB, the single discount rate changed from 5.84% to 5.85%

2018 Pension and OPEB - the assumed investment return was changed from 7.50% to 6.25%; the price inflation assumption was changed from 3.25% to 2.40%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service; and the payroll growth assumption (applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%. OPEB - the single discount rate changed from 6.89 to 5.84%.

2017 None

2016 Pension -the assumed investment rate of return was decreased from 7.75% to 7.50%; the assumed rate of inflation was reduced from 3.50% to 3.25%; the assumed rate of wage inflation was reduced from 1.00% to 0.75%; payroll growth assumption was reduced from 4.50% to 4.00%; and the assumed rates of retirement, withdrawal, and disability were updated to more accurately reflect experience.

Life Insurance Plan Changes of Benefit Terms

2022 Benefit change due to the benefit tier that was added for members joining the system after January 1, 2022.

2021 None

2020 None

2019 None

2018 None

Changes of Assumptions

2022 The municipal bond index rate increased from 2.19% to 3.37%.

2021 The municipal bond index rate decreased from 3.50% to 2.19%

2020 The municipal bond index rate decreased from 3.89% to 3.50%

2019 The municipal bond index rate increased from 3.56% to 3.89%

2018 None

Nelson County School District
REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the District's Proportionate Share of the Net OPEB Liability Medical & Life Insurance Plans - TRS – OPEB
For the Year Ended June 30, 2023

| | Reporting Fiscal Year (Measurement Date) 2023 (2022) | Reporting Fiscal Year (Measurement Date) 2022 (2021) | Reporting Fiscal Year (Measurement Date) 2021 (2020) | Reporting Fiscal Year (Measurement Date) 2020 (2019) | Reporting Fiscal Year (Measurement Date) 2019 (2018) | Reporting Fiscal Year (Measurement Date) 2018 (2017) |
|---|---|---|---|---|---|---|
| MEDICAL INSURANCE PLAN | | | | | | |
| District's proportion of the collective OPEB liability | 0.471575% | 0.341324% | 0.333261% | 0.328576% | 0.328940% | 0.328850% |
| District's proportionate share of the collective net OPEB liability | \$ 11,707,000 | \$ 7,324,000 | \$ 8,411,000 | \$ 9,617,000 | \$ 11,413,106 | \$ 11,726,113 |
| State's proportionate share of the collective net OPEB liability associated with the District | 3,846,000 | 5,948,000 | 6,737,000 | 7,766,000 | 9,836,000 | 9,579,000 |
| Total | <u>\$ 15,553,000</u> | <u>\$ 13,272,000</u> | <u>\$ 15,148,000</u> | <u>\$ 17,383,000</u> | <u>\$ 21,249,106</u> | <u>\$ 21,305,113</u> |
| District's covered-employee payroll | \$ 24,118,048 | \$ 23,269,070 | \$ 20,591,845 | \$ 18,394,531 | \$ 18,928,279 | \$ 18,260,022 |
| District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll | 48.54% | 31.48% | 40.85% | 52.28% | 60.30% | 64.22% |
| Plan fiduciary net position as a percentage of the total OPEB | 47.75% | 51.74% | 39.05% | 32.58% | 25.50% | 21.20% |
| LIFE INSURANCE PLAN | | | | | | |
| District's proportion of the collective OPEB liability | 0.000000% | 0.000000% | 0.000000% | 0.000000% | 0.000000% | 0.000000% |
| District's proportionate share of the collective net OPEB liability | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| State's proportionate share of the collective net OPEB liability associated with the District | 191,000 | 79,000 | 204,000 | 180,000 | 169,000 | 128,000 |
| Total | <u>\$ 191,000</u> | <u>\$ 79,000</u> | <u>\$ 204,000</u> | <u>\$ 180,000</u> | <u>\$ 169,000</u> | <u>\$ 128,000</u> |
| District's covered-employee payroll | \$ 24,118,048 | \$ 23,269,070 | \$ 20,591,845 | \$ 18,394,531 | \$ 18,928,279 | \$ 18,260,022 |
| District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Plan fiduciary net position as a percentage of the total OPEB | 73.97% | 89.15% | 71.57% | 73.40% | 75.00% | 80.00% |

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal year is determined as of June 30.

See the accompanying notes to the required supplementary information.

Nelson County School District
REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Contributions - TRS – OPEB
For the Year Ended June 30, 2023

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|----------------|------------------|----------------|----------------|----------------|----------------|
| MEDICAL INSURANCE PLAN | | | | | | |
| Contractually required contribution | \$ 722,995 | \$ 1,023,092 | \$ 588,561 | \$ 572,141 | \$ 580,994 | \$ 613,167 |
| Contributions in relation to the contractually required contribution | <u>722,995</u> | <u>1,023,092</u> | <u>588,561</u> | <u>572,141</u> | <u>580,994</u> | <u>613,167</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered-employee payroll | \$ 24,118,048 | \$ 23,269,070 | \$ 20,591,845 | \$ 18,394,531 | \$ 18,928,279 | \$ 18,260,022 |
| District's contributions as a percentage of it's covered-employee payroll | 3.00% | 4.40% | 2.86% | 3.11% | 3.07% | 3.36% |
| LIFE INSURANCE PLAN | | | | | | |
| Contractually required contribution | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contributions in relation to the contractually required contribution | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered-employee payroll | \$ 24,118,048 | \$ 23,269,070 | \$ 20,591,845 | \$ 18,394,531 | \$ 18,928,279 | \$ 18,260,022 |
| District's contributions as a percentage of it's covered-employee payroll | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal year is determined as of June 30.

See the accompanying notes to the required supplementary information.

Nelson County School District
REQUIRED SUPPLEMENTARY INFORMATION

Schedule of District's Proportionate Share of the Net OPEB Liability – CERS
For the Year Ended June 30, 2023

| | Reporting Fiscal Year (Measurement Date) 2023 (2022) | Reporting Fiscal Year (Measurement Date) 2022 (2021) | Reporting Fiscal Year (Measurement Date) 2021 (2020) | Reporting Fiscal Year (Measurement Date) 2020 (2019) | Reporting Fiscal Year (Measurement Date) 2019 (2018) | Reporting Fiscal Year (Measurement Date) 2018 (2017) |
|---|---|---|---|---|---|---|
| HEALTH INSURANCE PLAN | | | | | | |
| District's proportion of the collective OPEB liability | 0.241252% | 0.243085% | 0.231541% | 0.234698% | 0.247336% | 0.245751% |
| District's proportionate share of the collective net OPEB liability | \$ 4,761,141 | \$ 4,653,741 | \$ 5,591,011 | \$ 3,947,515 | \$ 4,391,402 | \$ 4,940,437 |
| State's proportionate share of the collective net OPEB liability associated with the District | - | - | - | - | - | - |
| Totals | <u>\$ 4,761,141</u> | <u>\$ 4,653,741</u> | <u>\$ 5,591,011</u> | <u>\$ 3,947,515</u> | <u>\$ 4,391,402</u> | <u>\$ 4,940,437</u> |
| District's covered-employee payroll | \$ 7,641,218 | \$ 6,811,930 | \$ 6,244,058 | \$ 5,934,087 | \$ 6,147,811 | \$ 6,115,449 |
| District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll | 62.31% | 68.32% | 89.54% | 66.52% | 71.43% | 80.79% |
| Plan fiduciary net position as a percentage of the total OPEB | 60.95% | 58.41% | 51.67% | 60.44% | 57.62% | 52.39% |

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal year is determined as of June 30.

See the accompanying notes to the required supplementary information.

Nelson County School District
REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Contributions OPEB Liability – CERS
For the Year Ended June 30, 2023

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| HEALTH INSURANCE PLAN | | | | | | |
| Contractually required contribution | \$ 257,878 | \$ 391,455 | \$ 282,393 | \$ 311,477 | \$ 323,375 | \$ 287,426 |
| Contributions in relation to the contractually required contribution | 257,878 | 391,455 | 282,393 | 311,477 | 323,375 | 287,426 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered-employee payroll | \$ 7,641,218 | \$ 6,811,930 | \$ 6,244,058 | \$ 5,934,087 | \$ 6,147,811 | \$ 6,115,449 |
| District's contributions as a percentage of it's covered-employee payroll | 3.37% | 5.75% | 4.52% | 5.25% | 5.26% | 4.70% |

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal year is determined as of June 30.

See the accompanying notes to the required supplementary information.

Nelson County School District
REQUIRED SUPPLEMENTARY INFORMATION

Notes to Required Supplementary Information – OPEB
For the Year Ended June 30, 2023

TRS

Note I - Changes of Benefit Terms

Health and Life Trust

June 30, 2022 (Valuation Date: June 30, 2021)

- A new benefit tier was added for members joining the System on and after January 1, 2022.

June 30, 2021 (Valuation Date: June 30, 2020)

- None

June 30, 2020 (Valuation Date: June 30, 2019)

- None

June 30, 2019 (Valuation Date: June 30, 2018)

- None

June 30, 2018 (Valuation Date: June 30, 2017)

Health Trust

With the passage of House Bill 471, the eligibility for non-singe 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.

- Life Trust - none

Note II - Changes to assumptions or other inputs

Health Trust

The changes adopted by the Board on September 20, 2021, include various demographic and economic assumptions summarized below:

- Price Inflation changed assumed rate from 3.00% to 2.50%,
- Wage Inflation changed assumed rated from 3.50% to 2.75%,
- Assumed investment rate of return changed from 8.00% for the Health Trust and 7.50% for the Life Trust to 7.10% for both
- Assumed Salary Scale adjusted to reflect a decrease of 0.25% in merit and promotion for all ages
- Assumed rate of mortality have been revised to the Pub-2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with the MP-2020 improvement scale with various set-forwards, set-backs, and adjustments
- Assumed rate of Withdrawal, Disability, Retirement, and Mortality have been adjusted to more closely reflect experience, and
- Assumed rates of member and spousal participation have been adjusted to more closely reflect experience

Notes to Required Supplementary Information – OPEB
For the Year Ended June 30, 2023
(Continued)

Life Trust

None

CERS

Single discount rates of 5.20% for the CERS non-hazardous insurance plan and 5.05% for the CERS hazardous insurance plan were used to measure the total OPEB liability as of June 30, 2021. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 1.92%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2021. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan's fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the plan's actuarially determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the plan's trust. Therefore, municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

NELSON COUNTY SCHOOL DISTRICT

Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2023

| | District Activity Fund | Student Activity Fund | Capital Outlay Fund | Facility Support Program (FSKP) Fund | Debt Service Fund | Total Non-Major Funds |
|---|---------------------------|--------------------------|------------------------|--|----------------------|-----------------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 170,479 | \$ 794,676 | \$ - | \$ - | \$ - | \$ 965,155 |
| Investments | - | - | - | - | - | - |
| Interfund receivables | - | - | - | - | - | - |
| Receivables | | | | | | |
| Taxes-current | - | - | - | - | - | - |
| Accounts | - | - | - | - | - | - |
| Intergovernmental - state | - | - | - | - | - | - |
| Intergovernmental - federal | - | - | - | - | - | - |
| Total assets | <u>170,479</u> | <u>794,676</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>965,155</u> |
| LIABILITIES | | | | | | |
| Accounts payable | 2,676 | - | - | - | - | 2,676 |
| Interfund payable | - | - | - | - | - | - |
| Unearned revenue | - | - | - | - | - | - |
| Total liabilities | <u>2,676</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,676</u> |
| FUND BALANCE | | | | | | |
| Restricted | 167,803 | 794,676 | - | - | - | 962,479 |
| Committed | - | - | - | - | - | - |
| Unassigned | - | - | - | - | - | - |
| Total fund balance | <u>167,803</u> | <u>794,676</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>962,479</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 170,479</u> | <u>\$ 794,676</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 965,155</u> |

NELSON COUNTY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds
For the Year Ended June 30, 2023

| | District Activity Fund | Student Activity Fund | Capital Outlay Fund | Facility Support Program (FSKP) Fund | Debt Service Fund | Total Non-Major Funds |
|--|---------------------------|--------------------------|------------------------|---|----------------------|-----------------------------|
| Revenues | | | | | | |
| From Local Sources | | | | | | |
| Taxes | | | | | | |
| Property | \$ - | \$ - | \$ - | \$ 5,702,151 | \$ - | \$ 5,702,151 |
| Motor vehicle | - | - | - | - | - | - |
| Distilled Spirits | - | - | - | - | - | - |
| Utilities | - | - | - | - | - | - |
| Transportation | - | - | - | - | - | - |
| Earnings on investments | - | - | - | - | - | - |
| Tuition | - | - | - | - | - | - |
| Student activities | 74,591 | 1,443,537 | - | - | - | 1,518,128 |
| Other local revenue | 24,437 | 62,423 | - | - | - | 86,860 |
| Intergovernmental - state | - | - | 412,350 | 582,063 | 832,351 | 1,826,764 |
| Intergovernmental - federal | - | - | - | - | - | - |
| Total revenues | <u>99,028</u> | <u>1,505,960</u> | <u>412,350</u> | <u>6,284,214</u> | <u>832,351</u> | <u>9,133,903</u> |
| EXPENDITURES | | | | | | |
| Instruction | 234,309 | 1,572,833 | - | - | - | 1,807,142 |
| Support services | | | | | | |
| Student | - | - | - | - | - | - |
| Instructional staff | - | - | - | - | - | - |
| District Administration | - | - | - | - | - | - |
| School Administration | - | - | - | - | - | - |
| Business | - | - | - | - | - | - |
| Plant operation and maintenance | - | - | - | - | - | - |
| Student Transportation | 2,068 | 3,726 | - | - | - | 5,794 |
| Day care | - | - | - | - | - | - |
| Community Services Operations | - | - | - | - | - | - |
| Land/Site acquisitions | - | - | - | - | - | - |
| Building Acquisition and Construction | - | - | - | - | - | - |
| Building Improvements | - | - | - | - | - | - |
| Debt service | | | | | | |
| Principal | - | - | - | - | 4,620,000 | 4,620,000 |
| Interest | - | - | - | - | 1,237,160 | 1,237,160 |
| Total expenditures | <u>236,377</u> | <u>1,576,559</u> | <u>-</u> | <u>-</u> | <u>5,857,160</u> | <u>7,670,096</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (137,349) | (70,599) | 412,350 | 6,284,214 | (5,024,809) | 1,463,807 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Operating transfers in | 68,655 | 142,649 | - | - | 5,024,809 | 5,236,113 |
| Operating transfers (out) | (703) | (107,601) | (412,350) | (6,284,214) | - | (6,804,868) |
| Total other financing sources and (uses) | <u>67,952</u> | <u>35,048</u> | <u>(412,350)</u> | <u>(6,284,214)</u> | <u>5,024,809</u> | <u>(1,568,755)</u> |
| NET CHANGE IN FUND BALANCE | (69,397) | (35,551) | - | - | - | (104,948) |
| FUND BALANCE - BEGINNING (restated) | <u>237,200</u> | <u>830,227</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,067,427</u> |
| FUND BALANCE - ENDING | <u>\$ 167,803</u> | <u>\$ 794,676</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 962,479</u> |

NELSON COUNTY SCHOOL DISTRICT

Student Activity Funds – Combining Schedule of Cash Receipts, Cash Disbursements and Cash Balances
For the Year Ended June 30, 2023

| School | CASH | | | CASH |
|-------------------------------------|-------------------|---------------------|---------------------|-------------------|
| | BALANCES | RECEIPTS | DISBURSEMENTS | BALANCES |
| | July 1, 2022 | | | June 30, 2023 |
| Nelson County High School | \$ 275,673 | \$ 488,773 | \$ 474,482 | \$ 289,964 |
| Thomas Nelson High School | 157,264 | 453,830 | 490,603 | 120,491 |
| Bloomfield Middle School | 53,432 | 106,484 | 98,860 | 61,056 |
| New Haven Elementary School | 82,599 | 77,850 | 70,873 | 89,576 |
| Bloomfield Elementary School | 30,245 | 47,479 | 45,476 | 32,248 |
| Arts Collaboration | - | 317 | - | 317 |
| The Academy | 900 | - | - | 900 |
| Boston Elementary School | 37,930 | 66,386 | 59,635 | 44,681 |
| Cox's Creek Elementary School | 31,875 | 88,768 | 108,343 | 12,300 |
| Foster Heights Elementary School | 89,879 | 103,473 | 121,965 | 71,387 |
| Nelson County Early Learning Center | 7,371 | 12,951 | 14,346 | 5,976 |
| Old Kentucky Home Middle School | 50,496 | 114,727 | 111,044 | 54,179 |
| Vocational School | 12,005 | 27,804 | 28,208 | 11,601 |
| Total School Activity Funds | <u>\$ 829,669</u> | <u>\$ 1,588,842</u> | <u>\$ 1,623,835</u> | <u>\$ 794,676</u> |

NELSON COUNTY SCHOOL DISTRICT

Student Activity Funds – Nelson County High School

Schedule of Cash Receipts, Cash Disbursements and Cash Balances

For the Year Ended June 30, 2023

| Activity | CASH BALANCES July 1, 2022 | RECEIPTS AND TRANSFERS | DISBURSEMENTS AND TRANSFERS | CASH BALANCES June 30, 2023 |
|---------------------------|----------------------------------|---------------------------|--------------------------------|-----------------------------------|
| GENERAL | \$ 6,029 | \$ 5,938 | \$ 5,822 | \$ 6,145 |
| STAFF VENDING | 443 | 60 | 93 | 410 |
| SCHOOL STORE | - | 5,699 | 5,120 | 579 |
| AP EXAM | 1,777 | 1,350 | 645 | 2,482 |
| FRYSC | 3,700 | 350 | 610 | 3,440 |
| STUDENT VENDING | 2,039 | 49 | - | 2,088 |
| PROJECT GRADUATION | 2,772 | 26,318 | 25,053 | 4,037 |
| PROMOTION | 101 | - | - | 101 |
| ATHLETICS | 59,584 | 111,882 | 139,380 | 32,086 |
| ATHLETIC VENDING | 1,717 | - | 1,717 | - |
| CONCESSIONS | 11,835 | 60,209 | 49,399 | 22,645 |
| FOOTBALL | 21,341 | 24,971 | 32,412 | 13,900 |
| BOYS BASKETBALL | 9,560 | 17,601 | 21,792 | 5,369 |
| GIRLS BASKETBALL | 516 | 12,778 | 6,311 | 6,983 |
| BOYS SOCCER | 2,005 | 11,131 | 9,973 | 3,163 |
| GIRLS SOCCER | 8,362 | 8,030 | 9,077 | 7,315 |
| VOLLEYBALL | 7,331 | 13,812 | 9,154 | 11,989 |
| CHEERLEADERS | 2,988 | 3,434 | 5,077 | 1,345 |
| BOWLING | 64 | - | - | 64 |
| TRACK/XCOUNTRY | 8,480 | 7,186 | 10,699 | 4,967 |
| GOLF | 3,033 | - | 2,491 | 542 |
| DANCE | 955 | 11,203 | 10,661 | 1,497 |
| ARCHERY | 10,258 | 9,401 | 9,045 | 10,614 |
| TENNIS | 925 | 1,107 | 2,031 | 1 |
| BASEBALL | 1,164 | 21,310 | 19,287 | 3,187 |
| SOFTBALL | 6,659 | 17,897 | 17,651 | 6,905 |
| SWIM TEAM | 3,444 | 4,058 | 4,963 | 2,539 |
| WRESTLING | 460 | 12,827 | 6,997 | 6,290 |
| BASS FISHING | 1,984 | 2,206 | 1,795 | 2,395 |
| LITTLE LEAGUE BASKETBALL | - | 28,905 | 18,034 | 10,871 |
| LITTLE LEAGUE FOOTBALL | - | 7,406 | - | 7,406 |
| UNIFIED BASKETBALL | 924 | - | 182 | 742 |
| ESPORTS | 11 | 654 | 361 | 304 |
| TRACK | - | 8,591 | 6,030 | 2,561 |
| NORTH NELSON WRESTLING | - | 663 | 663 | - |
| ATHLETICS DISTRICT-REGION | - | 12,881 | 9,565 | 3,316 |
| LL BASEBALL | - | 16,629 | 12,027 | 4,602 |
| LL VOLLEYBALL | - | 1,480 | 1,480 | - |
| STUDENT LEADERSHIP | 4,524 | 104 | 1,283 | 3,345 |
| KYA | 248 | - | - | 248 |
| KEY CLUB | 1,762 | 3,139 | 3,330 | 1,571 |

NELSON COUNTY SCHOOL DISTRICT
Student Activity Funds – Nelson County High School
Schedule of Cash Receipts, Cash Disbursements, and Cash Balances
For the Year Ended June 30, 2023
(Continued)

| Activity | CASH BALANCES July 1, 2022 | RECEIPTS AND TRANSFERS | DISBURSEMENTS AND TRANSFERS | CASH BALANCES June 30, 2023 |
|----------------------|----------------------------------|---------------------------|--------------------------------|-----------------------------------|
| BETA | \$ 880 | \$ 9,471 | \$ 9,472 | \$ 879 |
| FBLA | 1,619 | 7,641 | 7,707 | 1,553 |
| STLP | 68 | - | 68 | - |
| FFA | 2,367 | 1,560 | 3,927 | - |
| OUTDOOR CLASSROOM | 1,101 | 7,820 | 500 | 8,421 |
| FFA REGION | 4,837 | 2,054 | 2,115 | 4,776 |
| FFA ALUMNI | 103 | - | - | 103 |
| ACADEMIC TEAM | 196 | 2,620 | 2,816 | - |
| NHS | 628 | 330 | 540 | 418 |
| PEPBLUB | 491 | - | - | 491 |
| FCA | 744 | - | 27 | 717 |
| YEARBOOK | 33,043 | 3,422 | 733 | 35,732 |
| DANCES | 8,017 | 15,410 | 9,175 | 14,252 |
| CHOIR | 140 | 68 | 208 | - |
| DRAMA | 15,674 | 2,535 | 6,572 | 11,637 |
| BAND | 9,584 | 5,479 | 8,253 | 6,810 |
| ROTC | 5,243 | - | 2,444 | 2,799 |
| ART | 545 | 200 | 640 | 105 |
| CLUB 1 | 142 | - | - | 142 |
| CLUB 2 | 1,550 | - | 536 | 1,014 |
| GIFTED MINDS LEADERS | 1,309 | - | - | 1,309 |
| STUDENT ENTERPRISE | 297 | 2,835 | 2,512 | 620 |
| ARTS COLLAB | - | 444 | 402 | 42 |
| CLUB 3 | 100 | - | - | 100 |
| Subtotal | 275,673 | 533,148 | 518,857 | 289,964 |
| Interfund Transfers | | (44,375) | (44,375) | |
| Total | \$ 275,673 | \$ 488,773 | \$ 474,482 | \$ 289,964 |

NELSON COUNTY SCHOOL DISTRICT

Student Activity Funds – Thomas Nelson High School

Schedule of Cash Receipts, Cash Disbursements and Cash Balances

For the Year Ended June 30, 2023

| Activity | CASH | RECEIPTS | DISBURSEMENTS | CASH |
|-------------------------|--------------|---------------|---------------|---------------|
| | BALANCES | AND TRANSFERS | AND TRANSFERS | BALANCES |
| | July 1, 2022 | | | June 30, 2023 |
| GENERAL | \$ 2,382 | \$ 2,959 | \$ 1,808 | \$ 3,533 |
| STAFF VENDING | 121 | 1,129 | 758 | 492 |
| SCHOOL STORE | 1,215 | 4,632 | 1,599 | 4,248 |
| AP EXAM | 1,198 | 1,658 | 1,604 | 1,252 |
| FRYSC | 3,213 | 4,700 | 5,450 | 2,463 |
| PROJECT GRADUATION | 1,405 | 13,425 | 14,752 | 78 |
| HOUSE 1 | 941 | 254 | - | 1,195 |
| HOUSE 2 | 8 | 253 | 239 | 22 |
| HOUSE 3 | 49 | 116 | 116 | 49 |
| HOUSE 4 | 888 | 155 | 155 | 888 |
| LIBRARY | 467 | - | - | 467 |
| PROMOTION | 2,181 | 100 | 1,200 | 1,081 |
| PE | 114 | - | - | 114 |
| ATHLETICS | 19,824 | 94,122 | 103,829 | 10,117 |
| GATE CHANGE | - | - | - | - |
| CONCESSIONS | 9,236 | 42,220 | 42,673 | 8,783 |
| CONCESSION EQUIPMENT | 3,198 | - | 1,459 | 1,739 |
| FOOTBALL | 2,676 | 26,474 | 22,653 | 6,497 |
| BOYS BASKETBALL | 2,626 | 23,508 | 24,531 | 1,603 |
| GIRLS BASKETBALL | 10,619 | 20,050 | 25,766 | 4,903 |
| BOYS SOCCER | 7,873 | 11,161 | 12,443 | 6,591 |
| GIRLS SOCCER | 3,071 | 3,552 | 5,601 | 1,022 |
| VOLLEYBALL | 2,859 | 16,717 | 13,108 | 6,468 |
| CHEERLEADERS | 717 | 10,361 | 11,078 | - |
| BOWLING | 1,029 | 470 | 925 | 574 |
| TRACK/XCOUNTRY | 404 | 21,249 | 21,184 | 469 |
| GOLF | 1,049 | 880 | 1,929 | - |
| DANCES | 1,099 | - | - | 1,099 |
| ARCHERY | 1,403 | 9,033 | 7,977 | 2,459 |
| TENNIS | 86 | 1,149 | 1,012 | 223 |
| BASEBALL | 12,608 | 14,917 | 27,446 | 79 |
| SOFTBALL | 5,054 | 6,654 | 9,464 | 2,244 |
| SWIM TEAM | 1,770 | 920 | 1,463 | 1,227 |
| WRESTLING | - | 5,200 | 5,200 | - |
| BASS FISHING | 1,546 | 5,461 | 4,306 | 2,701 |
| LITTLE LEAGUE BASKEBALL | 1,089 | - | 1,089 | - |
| LITTLE LEAGUE FOOTBALL | 201 | - | - | 201 |
| ESPORTS | 91 | 320 | 204 | 207 |
| MS BASEBALL | - | 379 | 200 | 179 |
| MS SOCCER | - | 561 | 80 | 481 |
| MS GIRLS SOCCER | - | 1,750 | 852 | 898 |

NELSON COUNTY SCHOOL DISTRICT
Student Activity Funds – Thomas Nelson High School
Schedule of Cash Receipts, Cash Disbursements, and Cash Balances
For the Year Ended June 30, 2023
(Continued)

| Activity | CASH BALANCES July 1, 2022 | RECEIPTS AND TRANSFERS | DISBURSEMENTS AND TRANSFERS | CASH BALANCES June 30, 2023 |
|---------------------|----------------------------------|---------------------------|--------------------------------|-----------------------------------|
| STUDENT LEADERSHIP | \$ 4,731 | \$ 23,735 | \$ 23,698 | \$ 4,768 |
| KYA | 1,503 | - | - | 1,503 |
| KEY CLUB | 4,035 | - | - | 4,035 |
| BETA | 3,309 | 8,615 | 10,644 | 1,280 |
| FBLA | 1,637 | 3,508 | 3,099 | 2,046 |
| STLP | 8 | - | - | 8 |
| FFA | 6,496 | 46,553 | 49,640 | 3,409 |
| OUTDOOR CLASSROOM | 5,885 | 17,298 | 13,279 | 9,904 |
| FFA ALUMNI | 3,382 | - | 2,000 | 1,382 |
| SPEECH | 1,309 | - | - | 1,309 |
| ACADEMIC TEAM | 38 | 337 | 375 | - |
| NHS | 970 | - | 885 | 85 |
| PEP CLUB | 229 | - | - | 229 |
| FCA | 251 | - | - | 251 |
| YEARBOOK | 558 | 90 | - | 648 |
| CHOIR | 995 | 4,535 | 5,232 | 298 |
| DRAMA | 7,206 | 8,544 | 7,962 | 7,788 |
| BAND | 808 | 8,168 | 7,447 | 1,529 |
| ART | 264 | - | - | 264 |
| CLUB 1 | 404 | - | 188 | 216 |
| CLUB 2 | 8,836 | 1,925 | 7,968 | 2,793 |
| CLUB 3 | 100 | - | - | 100 |
| Subtotal | 157,264 | 469,797 | 506,570 | 120,491 |
| Interfund Transfers | | (15,967) | (15,967) | |
| Total | \$ 157,264 | \$ 453,830 | \$ 490,603 | \$ 120,491 |

NELSON COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

| FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE/SUBTITLE | FEDERAL ASSISTANCE LISTING NUMBER | PASS THROUGH ENTITY IDENTIFYING NUMBER | PROVIDED TO SUBRECIPIENTS | TOTAL FEDERAL EXPENDITURES |
|--|--|--|------------------------------|---|
| <u>UNITED STATES DEPARTMENT OF AGRICULTURE</u> | | | | |
| Child Nutrition Cluster - | | | | |
| Passed Through Kentucky Department of Education: School Breakfast Program | 10.553 | 7760005-22 7760005-23 | | \$ 216,907 <u>620,129</u> 837,036 |
| Passed Through Kentucky Department of Education: Summer Food Service Program for Children | 10.559 | 7690024-22 7740023-22 | | 3,063 <u>29,760</u> 32,823 |
| Passed Through Kentucky Department of Education: National School Lunch Program | 10.555 | 7750002-22 7750002-23 9980000-22 9980000-23 | | 461,859 1,407,392 109,832 <u>50,617</u> 2,029,700 |
| Non-Cash Assistance (Commodities) National School Lunch Program TOTAL CHILD NUTRITION CLUSTER | 10.555 | 4003435 | | <u>181,663</u> <u>3,081,222</u> |
| Passed Through Kentucky Department of Education: Child and Adult Care Food Program | 10.558 | 7790021-22 7790021-23 | | 7,330 <u>36,971</u> 44,301 |
| Secondary Education, Two-Year Postsecondary Education, And Agriculture In The K-12 Classroom | 10.226 | Direct | | 12,528 |
| Passed Through Kentucky Department of Education: State Administrative Expenses for Child Nutrition | 10.560 | 7700001-20 | | 4,784 |
| Farm To School State Formula Grant | 10.575 | Direct | | 38,738 |
| Pandemic EBT Administrative Costs | 10.649 | 9990000-22 | | <u>3,135</u> |
| TOTAL UNITED STATES DEPARTMENT OF AGRICULTURE | | | | <u>3,184,708</u> |
| <u>UNITED STATES DEPARTMENT OF JUSTICE</u> | | | | |
| Public Safety Partnership And Community Policing Grants | 16.710 | Direct | | <u>138,328</u> |
| TOTAL UNITED STATES DEPARTMENT OF JUSTICE | | | | <u>138,328</u> |
| <u>UNITED STATES DEPARTMENT OF LABOR</u> | | | | |
| WIOA Dislocated Worker Formula Grants | 17.278 | Direct | | <u>17,051</u> |
| TOTAL UNITED STATES DEPARTMENT OF LABOR | | | | <u>17,051</u> |
| <u>UNITED STATES DEPARTMENT OF EDUCATION</u> | | | | |
| Special Education Cluster - | | | | |
| Passed Through Kentucky Department of Education: Special Education Grants to States | 84.027A | 3810002-21 3810002-22 | | 270,769 665,735 |
| Passed Through Kentucky Department of Education: Special Education Grants to States Plan Act of 2021 (ARP) | 84.027X | 4910002-21 | | 242,223 |
| Passed Through Kentucky Department of Education: Special Education Preschool Grants | 84.173A | 3800002-21 3800002-22 | | 43,614 37,134 |

The accompanying notes are an integral part of this schedule.

NELSON COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023
(Continued)

| FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE/SUBTITLE | FEDERAL ASSISTANCE LISTING NUMBER | PASS THROUGH ENTITY IDENTIFYING NUMBER | PROVIDED TO SUBRECIPIENTS | TOTAL FEDERAL EXPENDITURES |
|---|--|---|------------------------------|---|
| <u>UNITED STATES DEPARTMENT OF EDUCATION (CONTINUED)</u> | | | | |
| Passed Through Kentucky Department of Education: | | | | |
| Individuals With Disabilities Education Act/American Rescue Plan Act of 2021 (ARP) | 84.173X | 4900002-21 | | \$ 6,318 |
| TOTAL SPECIAL EDUCATION CLUSTER | | | | <u>1,265,793</u> |
| Passed Through Kentucky Department of Education: | | | | |
| Title I Grants to Local Educational Agencies | 84.010A | 3100002-21 3100002-22 3100002-23 | | 4,090 155,074 615,558 <u>774,722</u> |
| Passed Through Kentucky Department of Education: | | | | |
| Career and Technical Education -- Basic Grants to States | 84.048 | 3710002-21 3710002-22 | | 2,005 51,820 <u>53,825</u> |
| School Safety National Activities | 84.184 | Direct | | 158,362 |
| Passed Through Save The Children Federation, Inc. | | | | |
| Twenty-First Century Community Learning Centers | 84.287 | 3400002-21 3400002-22 | | 157,704 204,914 <u>362,618</u> |
| Passed Through Kentucky Department of Education: | | | | |
| Supporting Effective Instruction State Grant | 84.367 | 3230002-20 3230002-21 3300002-22 | | 12,750 43,924 113,469 <u>170,143</u> |
| Passed Through Kentucky Department of Education: | | | | |
| Student Support and Academic Enrichment Program | 84.424A | 3420002-21 3420002-22 3420002-23 | | 753 2,191 1,652 <u>4,596</u> |
| Passed Through Kentucky Division of Family Resource And Youth Service Centers | | | | |
| Education Stabilization Fund Governor's Emergency Education Relief Fund | 84.425C | CARE-20, 147 | | 98,498 |
| Passed Through Kentucky Department of Education: | | | | |
| Education Stabilization Fund Elementary and Secondary School Emergency Relief Fund Plan Act of 2021 (ARP) | 84.425D | 4200002-21 | | 1,285,083 |
| Passed Through Kentucky Department of Education: | | | | |
| Education Stabilization Fund Plan Act of 2021 (ARP) | 84.425U | 4300002-21 4300003-21 | | 1,120,613 5,046 <u>1,125,659</u> |
| Total Education Stabilization Fund | | | | <u>2,509,240</u> |
| TOTAL UNITED STATES DEPARTMENT OF EDUCATION | | | | <u>5,299,299</u> |

The accompanying notes are an integral part of this schedule.

NELSON COUNTY SCHOOL DISTRICT
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2023
 (Continued)

| FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE/SUBTITLE | FEDERAL ASSISTANCE LISTING NUMBER | PASS THROUGH ENTITY IDENTIFYING NUMBER | PROVIDED TO SUBRECIPIENTS | TOTAL FEDERAL EXPENDITURES |
|--|--|---|------------------------------|------------------------------------|
| <u>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</u> | | | | |
| Passed Through Kentucky Department of Education: | | | | |
| Cooperative Agreements To Promote Adolescent Health Through | | | | |
| School-Based HIV/STD Prevention And School-Based Surveillar | 93.079 | 2100001-21 2100001-22 | | \$ 300 84,444 <hr/> 84,744 |
| Passed Through Kentucky Department of Education: | | | | |
| Child Care and Development Block Grant | 93.575 | PON27362200000980 CRRSA | | 484,241 72,167 <hr/> 556,408 |
| TOTAL UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | <hr/> 641,152 |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <hr/> \$ - | <hr/> \$ 9,280,538 |

NELSON COUNTY SCHOOL DISTRICT

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

Note 2. Significant Accounting Policies

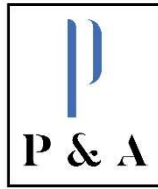
Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on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

Note 3. Food Distribution

Nonmonetary assistance is reported in the schedule at the fair value of the commodities received and disburse. For the year ended June 30, 2023, the District received food commodities totaling \$181,663.

Note 4. Indirect Cost Rate

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



PATRICK & ASSOCIATES, LLC

124 Candlewood Drive
Winchester, KY 40391

Independent Auditor's Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Kentucky State Committee for School District Audits
Board of Education of the Nelson County School District
Bardstown, KY

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract, Including Appendix II Instructions for Submissions of the Audit Report*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Nelson County School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Nelson County School District's basic financial statements, and have issued our report thereon dated November 10, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

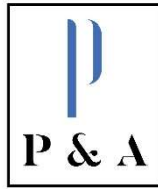
Purpose of This Report

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

James R. Patrick, CPA

Patrick & Associates, LLC
Winchester, Kentucky

November 10, 2023



PATRICK & ASSOCIATES, LLC

124 Candlewood Drive
Winchester, KY 40391

Independent Auditor's Report On Compliance for Each Major Program And On Internal Control Over Compliance Required by the Uniform Guidance

Kentucky State Committee for School District Audits
Board of Education of the Nelson County School District
Bardstown, KY

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract, Including Appendix II – Instruction for Submission of the Audit Report*. 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 Nelson County School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Nelson County School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, Uniform Guidance, and the Independent Auditor's Contract, 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 Nelson County School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Nelson County School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Nelson County School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

Sammy R. Patrick, CPA

Patrick & Associates, LLC
Winchester, Kentucky

November 10, 2023

Schedule of Findings and Questioned Costs

SUMMARY OF AUDITOR'S RESULTS

| | |
|---|--|
| What type of report was issued for the financial statements? | Unmodified |
| Were there significant deficiencies in internal control disclosed? If so, were any significant deficiencies material (GAGAS)? | None Reported |
| Were any material noncompliances reported (GAGAS)? | No |
| Were there material weaknesses in internal control disclosed for major programs? | No |
| Were there any significant deficiencies in internal control disclosed that were not considered to be material weaknesses? | None Reported |
| What type of report was issued on compliance for major programs? | Unmodified |
| Did the audit disclose findings as it relates to major programs that are required to be reported as described in Uniform Guidance? | No |
| Major Programs | Title I Grants To Local Educational Agencies [Federal Assistance Number 84.010A] Education Stabilization Fund [Federal Assistance Number 84.425C, 84.425D, and 84.425U] |
| Dollar threshold of Type A and B programs? | \$750,000 |
| Low risk auditee? | Yes |

FINDINGS – FINANCIAL STATEMENT AUDIT

No findings at the financial statement level.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAMS AUDIT

No major federal award findings.

SUMMARY SCHEDULE – PRIOR YEAR AUDIT FINDINGS

FINDINGS – FINANCIAL STATEMENT AUDIT

There were no prior year findings.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no prior year findings.