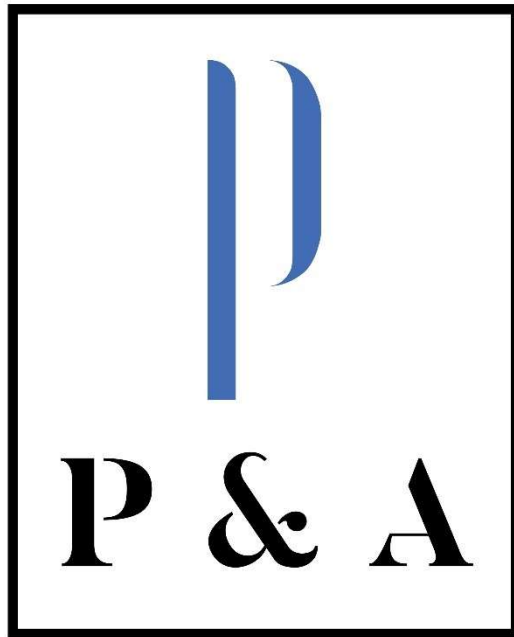


**NELSON COUNTY BOARD OF EDUCATION**  
**AUDITED FINANCIAL STATEMENTS AND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2022**



**PATRICK & ASSOCIATES, LLC**

124 Candlewood Drive  
Winchester, KY 40391

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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

### **Report on the Audit of the Financial Statements**

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 School District as of and for the year ended June 30, 2022, 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, 2022, 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. 87, *Leases*, for the year ended June 30, 2022, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 account 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

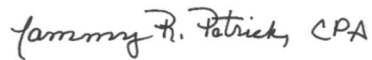
Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4-9 and pension and OPEB information on pages 55-62 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 accompanying combining and individual nonmajor fund financial statements, the 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 part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the audit 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, the school activity fund statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report date December 15, 2022, 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 Nelson County School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Jammy R. Patrick, CPA". The signature is written in a cursive, flowing style.

Patrick & Associates, LLC

Winchester, KY

December 15, 2022

## 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, 2022.

### Financial Highlights

- In the government-wide statements, the assets and deferred inflows of the District exceeded its total liabilities and deferred inflows on June 30, 2022 by \$22,179,539. Of this amount, \$39,260,351 represents the District's investment in capital assets net of related debt, \$4,314,866 is restricted, \$737,294 is related to the business-type activities and the remainder is an unrestricted net deficit of \$22,132,972.
- The District's ending net position increased by \$7,470,028, primarily due to increases in cash balances and decreased in liability amounts.
- The District's governmental funds reported a combined ending fund balance of \$9,852,436, an increase of \$629,876. Approximately 55 percent of this amount, \$5,382,293, is restricted for facility needs, approximately 3 percent, \$275,408, is committed for employee compensated absences, and 42 percent, \$4,194,735, is available for the District's operating needs.
- The general fund received \$45,895,582 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 56.6 cents for both real estate and tangible taxes, and 54.6 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 11 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. 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.

## **Management Discussion and Analysis (continued)**

**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 two 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 services and day care 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 19-21 of this report.

**Fiduciary funds.** Fiduciary fund is 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 uses the fiduciary fund to account for private purpose trust funds used for scholarships. The basic fiduciary fund financial statements can be found on pages 22-23 of this report.

### **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 24 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 55 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 NCBOE, assets and deferred outflows exceeded liabilities and deferred inflows by \$21,154,488 for governmental activities and \$1,025,051 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, 2022	June 30, 2021	June 30, 2022	June 30, 2021
<b>Assets</b>				
Current and other assets	\$ 11,814,296	\$ 9,860,808	\$ 1,957,389	\$ 644,671
Net capital assets	84,912,594	84,033,104	287,757	265,510
Total assets	96,726,890	93,893,912	2,245,146	910,181
<b>Deferred Outflows of Resources</b>				
Deferred pension differences and made after measurement date	8,662,295	6,644,219	379,424	785,176
Deferred saving from refunding bonds	883,680	1,095,998	-	-
Total deferred outflows of resources	9,545,975	7,740,217	379,424	785,176
Total assets and deferred outflows of resources	106,272,865	101,634,129	2,624,570	1,695,357
<b>Liabilities</b>				
Current liabilities	7,034,117	5,068,400	752	24,397
Non-current liabilities:				
Debt service due in more than one year	41,583,275	46,140,699	-	-
Net pension liability	14,851,748	14,547,989	650,462	3,216,383
Other post-employment benefits liability	11,475,086	13,422,200	502,655	579,811
Total liabilities	74,944,226	79,179,288	1,153,869	3,820,591
<b>Deferred Inflows of Resources</b>				
Deferred inflows of resources - pensions	2,826,532	697,952	123,794	35,772
Deferred inflows of resources - OPEB	7,347,619	4,546,708	321,856	292,465
Total deferred inflows of resources	10,174,151	5,244,660	445,650	328,237
Total liabilities and deferred inflows of resources	85,118,377	84,423,948	1,599,519	4,148,828
<b>Net pension</b>				
Net Investment in Capital Assets	38,972,594	34,967,122	287,757	159,235
Restricted	4,314,866	(22,837,203)	-	-
Other	-	-	737,294	575,333
Unrestricted	(22,132,972)	5,080,262	-	-
Total net position	\$ 21,154,488	\$ 17,210,181	\$ 1,025,051	\$ 734,568

A significant portion of the NCBOE's net position reflects its net investment in capital assets (e.g., buildings, vehicles, and equipment.) The NCBOE used the capital assets to provide services to students; consequently, these assets are not available for future spending. Although the NCBOE'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 deferred outflows of resources by \$1,612,324, a decrease in the net pension liability by \$2,262,162, a decrease in the other post-employment benefit liability of \$2,024,270 and an increase of \$5,046,904 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.** NCBOE's net position increased by \$7,470,028 from the prior fiscal year.

**Nelson County Board of Education Comparative Statement of Activities**

The fluctuation in expenses is due to the District's share of pension and other post-employment pension liability.

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Increase (Decrease)</u>
<b>Revenues</b>			
Program revenues			
Charges for services	\$ 453,528	\$ 409,093	\$ 44,435
Operating grants and contributions	25,008,238	9,603,775	15,404,463
Capital grants and contributions	832,256	-	832,256
General revenues			
Taxes	27,198,412	25,350,603	1,847,809
State and federal grants	11,484,990	8,152,012	3,332,978
Student activities	1,455,340	-	1,455,340
Other local revenue	761,518	2,620,722	(1,859,204)
Gain (loss) on sale of equipment	13,300	(35,307)	48,607
Unrestricted investment earnings	(12,429)	48,679	(61,108)
Total revenues	<u>67,195,153</u>	<u>46,149,577</u>	<u>21,045,576</u>
<b>Expenses</b>			
Instruction	33,730,917	19,733,580	13,997,337
Support services	13,792,648	13,349,775	442,873
Plant operations and maintenance	4,894,189	5,165,561	(271,372)
Student transportation	3,176,696	2,414,019	762,677
Day care	632,542	803,618	(171,076)
Community Services Operations	388,317	383,460	4,857
Land/site acquisitions	36,763	19,493	17,270
Building improvements	65,979	-	65,979
Debt Service	1,338,770	1,427,071	(88,301)
Depreciation	326,514	-	326,514
Food service operations	1,278,846	2,794,957	(1,516,111)
Daycare operations	62,944	(1,191,995)	1,254,939
Total Expenses	<u>59,725,125</u>	<u>44,899,539</u>	<u>14,825,586</u>
Change in net position	7,470,028	1,250,038	6,219,990
Net position - beginning	14,709,511	13,506,672	1,202,839
Net position - ending	<u>\$ 22,179,539</u>	<u>\$ 14,756,710</u>	<u>\$ 7,422,829</u>

## **Management Discussion and Analysis (continued)**

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

### **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 \$62,321,874 and expenditures of \$58,377,567. Of the revenues, \$0 related to charges for services, \$20,591,492 from operating grants and contributions, \$832,256 from capital grants and contributions, and \$40,898,126 related to general revenues and transfers.

Overall governmental net position increased by \$3,944,307 which can mainly be attributed to increases in tax revenues and federal funding.

#### **Business-Type Activities**

The business-type activities are food service and daycare services. These programs had revenues of \$4,873,279 and expenses of \$1,347,558 for the fiscal year 2022. Of the revenues, \$453,528 related to charges for services, \$4,416,746 from operating grants and contributions, \$3,005 related to investment earnings.

Overall Business-Type net position increased by \$3,525,721 which can mainly be attributed to increase in federal funding.

### **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 \$53,624,298 with actual amounts totaling \$53,904,393. Budgeted expenditures were \$53,624,298 compared to actual expenditures of \$49,434,250.

### **Capital Assets**

At the end of the fiscal year 2022, the District had \$85,200,351 invested in capital assets, \$84,912,594 is in governmental activities. For the fiscal year, capital asset increases totaled \$1,228,251 and depreciation totaled \$326,514. At June 30, 2021, the District had \$84,298,614 invested in capital assets, \$84,033,104 is in governmental activities. See detailed table in the notes to the financial statements.

## **Management Discussion and Analysis (continued)**

### **Debt**

At June 30, 2022, the District had \$45,940,000 in bonds outstanding, of this amount \$3,450,700 is to be paid from the KSFCC funding provided by the State of Kentucky. A total of \$4,620,000 is due within one year. At June 30, 2021, the District had \$50,455,000 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](mailto:jessica.rogers1@Nelson.kyschools.us).

## Financial Statements

## NELSON COUNTY BOARD OF EDUCATION

## Statement of Net Position

June 30, 2022

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 8,497,277	\$ 1,695,714	\$ 10,192,991
Investments	1,036,854		1,036,854
Receivables			
Taxes -current	471,046	-	471,046
Accounts	150	-	150
Interfund Receivable	442,160	-	442,160
Intergovernmental - federal	1,366,809	211,852	1,578,661
Inventory	-	49,823	49,823
Total capital assets, net of depreciation	84,912,594	287,757	85,200,351
Total assets	<u>\$ 96,726,890</u>	<u>\$ 2,245,146</u>	<u>\$ 98,972,036</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows - pensions	2,872,659	125,814	2,998,473
Deferred outflows - OPEB contributions	5,789,636	253,610	6,043,246
Deferred saving from refunding bonds	883,680	-	883,680
Total deferred outflows of resources	<u>9,545,975</u>	<u>379,424</u>	<u>9,925,399</u>
Total assets and deferred outflows of resources	<u>106,272,865</u>	<u>2,624,570</u>	<u>108,897,435</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	606,822	752	607,574
Interfund payables	442,160	-	442,160
Accrued interest payable	164,717	-	164,717
Unearned revenue	912,878	-	912,878
Long term liabilities:			
Due within one year			
Bond obligations	4,620,000	-	4,620,000
Sick leave	287,540	-	287,540
Due beyond one year			
Bond obligations	41,320,000	-	41,320,000
Sick leave	263,275	-	263,275
Net pension liability	14,851,748	650,462	15,502,210
Net OPEB liability	11,475,086	502,655	11,977,741
Total liabilities	<u>74,944,226</u>	<u>1,153,869</u>	<u>76,098,095</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources - pensions	2,826,532	123,794	2,950,326
Deferred inflows of resources - OPEB	7,347,619	321,856	7,669,475
Total deferred inflows of resources	<u>10,174,151</u>	<u>445,650</u>	<u>10,619,801</u>
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	<u>85,118,377</u>	<u>1,599,519</u>	<u>86,717,896</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets net of related debt	38,972,594	287,757	39,260,351
Restricted for:			
Capital projects	4,314,866	-	4,314,866
Other	-	737,294	737,294
Unrestricted	(22,132,972)	-	(22,132,972)
Total net position	<u>\$ 21,154,488</u>	<u>\$ 1,025,051</u>	<u>\$ 22,179,539</u>

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

NELSON COUNTY SCHOOL DISTRICT

Statement of Activities

Year Ended June 30, 2022

					NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
					PRIMARY GOVERNMENT		
		PROGRAM REVENUES					
		Operating		Capital Grants			
		Charges for	Grants and	and	Governmenta	Business-type	
Functions/Programs	Expenses	Services	Contributions	Contributions	I Activities	Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
Instructional	\$ 33,730,917	\$ -	\$ 18,077,652	\$ -	\$(15,653,265)	\$ -	\$(15,653,265)
Support Services							
Student	2,615,038	-	144,459	-	(2,470,579)	-	(2,470,579)
Instructional Staff	2,826,292	-	475,535	-	(2,350,757)	-	(2,350,757)
District Administration	1,355,021	-	141,699	-	(1,213,322)	-	(1,213,322)
School Administration	4,855,758	-	151,644	-	(4,704,114)	-	(4,704,114)
Business	2,140,539	-	6,140	-	(2,134,399)	-	(2,134,399)
Plant operations and maintenance	4,894,189	-	392,891	-	(4,501,298)	-	(4,501,298)
Student Transportation	3,176,696	-	57,825	-	(3,118,871)	-	(3,118,871)
Day care	632,542	-	632,542	-	-	-	-
Community Services Operations	388,317	-	388,041	-	(276)	-	(276)
Land/site acquisitions	36,763	-	-	-	(36,763)	-	(36,763)
Building improvements	65,979	-	123,064	-	57,085	-	57,085
Other non-instructional services	-	-	-	-	-	-	-
Debt Service	1,338,770	-	-	832,256	(506,514)	-	(506,514)
Depreciation	320,746	-	-	-	(320,746)	-	(320,746)
Total governmental activities	58,377,567	-	20,591,492	832,256	(36,953,819)	-	(36,953,819)
Business-type activities:							
Food service operations	1,278,846	77,812	4,317,952	-	-	3,116,918	3,116,918
Daycare operations	62,944	375,716	98,794	-	-	411,566	411,566
Depreciation	5,768	-	-	-	-	(5,768)	(5,768)
Total business-type activities	1,347,558	453,528	4,416,746	-	-	3,522,716	3,522,716
Total primary government	\$ 59,725,125	\$ 453,528	\$ 25,008,238	\$ 832,256	\$(36,953,819)	\$ 3,522,716	\$(33,431,103)
General revenues							
Taxes:							
Property taxes					\$ 18,106,355	\$ -	\$ 18,106,355
Motor vehicle taxes					2,124,323	-	2,124,323
Distilled spirits taxes					4,854,598	-	4,854,598
Utility taxes					2,113,136	-	2,113,136
State formula grants					11,484,990	-	11,484,990
Student activities					1,455,340	-	1,455,340
Other local revenue					761,518	-	761,518
Gain on sale of equipment					13,300	-	13,300
Unrestricted investment earnings					(15,434)	3,005	(12,429)
Total general revenues and transfers					40,898,126	3,005	40,901,131
Change in net position					3,944,307	3,525,721	7,470,028
Net position - beginning (Restated)					17,210,181	(2,500,670)	14,709,511
Net position - ending					\$ 21,154,488	\$ 1,025,051	\$ 22,179,539

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

NELSON COUNTY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds  
June 30, 2022

	General Fund	Special Revenue Fund	Construction Fund	Total Non-Major Funds	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 3,114,870	\$ -	\$ 4,314,866	\$ 1,067,541	\$ 8,497,277
Invesments	1,036,854				1,036,854
Interfund receivables	442,160	-	-	-	442,160
Receivables					
Taxes-current	471,046	-	-	-	471,046
Accounts	150	-	-	-	150
Intergovernmental - federal	11,771	1,355,038	-	-	1,366,809
Total assets	<u>5,076,851</u>	<u>1,355,038</u>	<u>4,314,866</u>	<u>1,067,541</u>	<u>11,814,296</u>
<b>LIABILITIES</b>					
Accounts payable	606,708	-	-	114	606,822
Interfund payable	-	442,160	-	-	442,160
Unearned revenue	-	912,878	-	-	912,878
Total liabilities	<u>606,708</u>	<u>1,355,038</u>	<u>-</u>	<u>114</u>	<u>1,961,860</u>
<b>FUND BALANCE</b>					
Restricted	-	-	4,314,866	1,067,427	5,382,293
Committed	275,408	-	-	-	275,408
Unassigned	4,194,735	-	-	-	4,194,735
Total fund balance	<u>4,470,143</u>	<u>-</u>	<u>4,314,866</u>	<u>1,067,427</u>	<u>9,852,436</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 5,076,851</u>	<u>\$ 1,355,038</u>	<u>\$ 4,314,866</u>	<u>\$ 1,067,541</u>	<u>\$ 11,814,296</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, 2022

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 9,852,436</b>
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	84,912,594
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	2,872,659
OPEB contributions subsequent to measurement date	5,789,636
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	(14,851,748)
Net OPEB liability	(11,475,086)
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	(2,826,532)
OPEB plan investment differences	(7,347,619)
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	(45,940,000)
Accrued interest	(164,717)
Accrued sick leave	(550,815)
Deferred loss on refunding	883,680
<b>Net position of governmental activities</b>	<b><u>\$ 21,154,488</u></b>

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, 2022

	General Fund	Special Revenue Fund	Construction Fund	Non-Major Funds	Total Governmental Funds
<b>Revenues</b>					
From Local Sources					
Taxes					
Property	\$ 12,946,748	\$ -	\$ -	\$ 5,159,607	\$ 18,106,355
Motor vehicle	2,124,323	-	-	-	2,124,323
Distilled Spirits	4,854,598	-	-	-	4,854,598
Utilities	2,113,136	-	-	-	2,113,136
Transportation	36,587	-	-	-	36,587
Earnings on investments	(24,109)	-	1,080	7,595	(15,434)
Tuition	197,628	-	-	9,962	207,590
Student activities	-	-	-	1,455,340	1,455,340
Other local revenue	307,461	118,039	-	91,841	517,341
Intergovernmental - state	23,173,438	2,108,961	123,064	1,624,169	27,029,632
Intergovernmental - federal	165,772	5,713,334	-	-	5,879,106
Total revenues	<u>45,895,582</u>	<u>7,940,334</u>	<u>124,144</u>	<u>8,348,514</u>	<u>62,308,574</u>
<b>EXPENDITURES</b>					
Instruction	25,266,404	5,342,782	-	1,451,126	32,060,312
Support services					
Student	2,479,679	144,459	-	-	2,624,138
Instructional staff	2,356,081	470,211	-	-	2,826,292
District Administration	1,213,322	141,699	-	-	1,355,021
School Administration	4,704,113	151,645	-	-	4,855,758
Business	2,134,399	6,140	-	-	2,140,539
Plant operation and maintenance	4,501,298	392,891	-	-	4,894,189
Student Transportation	3,097,841	23,193	-	11,573	3,132,607
Day care	-	632,542	-	-	632,542
Community Services Operations	5,276	383,041	-	-	388,317
Land/Site acquisitions	-	-	641,442	-	641,442
Building improvements	-	-	287,071	-	287,071
Debt service					
Principal	-	-	-	4,515,000	4,515,000
Interest	-	-	-	1,338,770	1,338,770
Total expenditures	<u>45,758,413</u>	<u>7,688,603</u>	<u>928,513</u>	<u>7,316,469</u>	<u>61,691,998</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	137,169	251,731	(804,369)	1,032,045	616,576
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of equipment	13,300	-	-	-	13,300
Operating transfers in	1,262,623	86,594	5,120,315	5,191,414	11,660,946
Operating transfers (out)	(3,675,837)	(338,325)	(480,321)	(7,166,463)	(11,660,946)
Total other financing sources and (uses)	<u>(2,399,914)</u>	<u>(251,731)</u>	<u>4,639,994</u>	<u>(1,975,049)</u>	<u>13,300</u>
<b>NET CHANGE IN FUND BALANCE</b>	(2,262,745)	-	3,835,625	(943,004)	629,876
<b>FUND BALANCE - BEGINNING</b>	<u>6,732,888</u>	<u>-</u>	<u>479,241</u>	<u>2,010,431</u>	<u>9,222,560</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 4,470,143</u>	<u>\$ -</u>	<u>\$ 4,314,866</u>	<u>\$ 1,067,427</u>	<u>\$ 9,852,436</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, 2022

<b>Net change in fund balances - total governmental funds</b>	<b>\$ 629,876</b>
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	1,200,236
Depreciation Expense	(320,746)
Retirement of capital assets	(368,153)
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	21,155
Amortization of advance refunding and bond premium/discount	(137,185)
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	
Pension Expense	(2,486,432)
OPEB Expense	1,218,372
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	4,515,000
Sick leave	(327,816)
<b>Change in net position of governmental</b>	<b><u>\$ 3,944,307</u></b>

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, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
From Local Sources				
Taxes				
Property	\$ 13,250,000	\$ 13,250,000	\$ 12,946,748	\$ (303,252)
Motor vehicle	1,750,000	1,750,000	2,124,323	374,323
Distilled spirits	4,100,000	4,100,000	4,854,598	754,598
Utilities	1,750,000	1,750,000	2,113,136	363,136
Transportation	50,000	50,000	36,587	(13,413)
Earnings on investments	48,336	48,336	(24,109)	(72,445)
Tuition	150,000	150,000	197,628	47,628
Other local revenue	195,000	195,000	307,461	112,461
Intergovernmental - state	24,672,500	24,672,500	23,173,438	(1,499,062)
Intergovernmental - federal	175,000	175,000	165,772	(9,228)
Total Revenues	<u>46,140,836</u>	<u>46,140,836</u>	<u>45,895,582</u>	<u>(245,254)</u>
<b>EXPENDITURES</b>				
Instruction	27,009,181	26,881,024	25,266,404	1,614,620
Support Services				
Student	2,610,165	2,610,169	2,479,679	130,490
Instructional Staff	2,478,990	2,627,705	2,356,081	271,624
District Administration	1,717,050	1,599,300	1,213,322	385,978
School Administration	5,017,015	5,011,723	4,704,113	307,610
Business	2,105,083	2,092,833	2,134,399	(41,566)
Plant Operation and Maintenance	4,648,425	4,974,848	4,501,298	473,550
Student Transportation	3,490,170	3,891,414	3,097,841	793,573
Community Services	17,650	17,650	5,276	12,374
Contingency	3,111,595	3,111,595	-	3,111,595
Total expenditures	<u>52,205,324</u>	<u>52,818,261</u>	<u>45,758,413</u>	<u>7,059,848</u>
<b>EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURE</b>	<b>(6,064,488)</b>	<b>(6,677,425)</b>	<b>137,169</b>	<b>6,814,594</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of equipment	-	-	13,300	13,300
Operating transfers in	1,020,032	1,994,330	1,262,623	(731,707)
Operating transfers (out)	(444,676)	(806,037)	(3,675,837)	(2,869,800)
Total other financing sources and (uses)	<u>575,356</u>	<u>1,188,293</u>	<u>(2,399,914)</u>	<u>(3,588,207)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(5,489,132)</b>	<b>(5,489,132)</b>	<b>(2,262,745)</b>	<b>3,226,387</b>
<b>FUND BALANCE - BEGINNING</b>	<b>5,489,132</b>	<b>5,489,132</b>	<b>6,732,888</b>	<b>1,243,756</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,470,143</b>	<b>\$ 4,470,143</b>

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, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
From Local Sources				
Other local revenue	\$ 125,000	\$ 162,183	\$ 118,039	\$ (44,144)
Intergovernmental - state	2,010,991	2,126,787	2,108,961	(17,826)
Intergovernmental - federal	7,980,674	8,800,168	5,713,334	(3,086,834)
Total Revenues	<u>10,116,665</u>	<u>11,089,138</u>	<u>7,940,334</u>	<u>(3,148,804)</u>
<b>EXPENDITURES</b>				
Instruction	7,815,891	8,193,205	5,342,782	2,850,423
Support Services				
Student	506,934	506,934	144,459	362,475
Instructional Staff	328,003	332,876	470,211	(137,335)
District Administration	-	-	141,699	(141,699)
School Administration	163,335	150,668	151,645	(977)
Business	-	-	6,140	(6,140)
Plant Operation and Maintenance	371,822	298,194	392,891	(94,697)
Student Transportation	-	-	23,193	(23,193)
Day Care	-	753,350	632,542	120,808
Community Services Operations	359,078	383,598	383,041	557
Total expenditures	<u>9,545,063</u>	<u>10,618,825</u>	<u>7,688,603</u>	<u>2,930,222</u>
<b>EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURE</b>	571,602	470,313	251,731	(218,582)
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	83,315	86,594	86,594	-
Operating transfers (out)	-	(656,907)	(338,325)	318,582
Total other financing sources and (uses)	<u>83,315</u>	<u>(570,313)</u>	<u>(251,731)</u>	<u>318,582</u>
<b>NET CHANGE IN FUND BALANCE</b>	654,917	(100,000)	-	100,000
<b>FUND BALANCE - BEGINNING</b>	<u>(654,917)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ -</u>	<u>\$ (100,000)</u>	<u>\$ -</u>	<u>\$ 100,000</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, 2022

	Enterprise Funds		
	School Food Services	Day Care Services	Total
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$ 1,576,097	\$ 119,617	\$ 1,695,714
Receivables	211,852	-	211,852
Inventories for consumption	49,823	-	49,823
Total current assets	1,837,772	119,617	1,957,389
Noncurrent Assets			
General equipment	1,766,754	78	1,766,832
Accumulated depreciation	(1,478,997)	(78)	(1,479,075)
Total noncurrent assets	287,757	-	287,757
Total Assets	2,125,529	119,617	2,245,146
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	105,516	20,298	125,814
Deferred outflows related to OPEB	212,695	40,915	253,610
Total deferred outflows of resources	318,211	61,213	379,424
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	752	-	752
Total current liabilities	752	-	752
Noncurrent liabilities			
Net pension liability	545,523	104,939	650,462
Net OPEB liability	421,562	81,093	502,655
Total noncurrent liabilities	967,085	186,032	1,153,117
Total liabilities	967,837	186,032	1,153,869
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	103,822	19,972	123,794
Deferred inflows related to OPEB	269,931	51,925	321,856
Total deferred inflows of resources	373,753	71,897	445,650
<b>NET POSITION</b>			
Net Investment in capital assets	287,757		287,757
Restricted	814,393	(77,099)	737,294
Total net position	\$ 1,102,150	\$ (77,099)	\$ 1,025,051

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, 2022

	Enterprise Funds		
	School Food	Day Care	
	Services	Services	Total
<b>OPERATING REVENUES</b>			
Lunchroom sales	\$ 77,812	\$ -	\$ 77,812
Tuition	-	375,716	375,716
Total operating revenues	<u>77,812</u>	<u>375,716</u>	<u>453,528</u>
<b>OPERATING EXPENSES</b>			
Salaries & benefits	1,409,736	278,466	1,688,202
Purchased professional services	695	1,890	2,585
Repairs and maintenance	24,829	1,019	25,848
Other purchased services	15,809	996	16,805
Supplies	1,429,635	34,767	1,464,402
Dues, Fees, and miscellaneous	8,310	10,350	18,660
Depreciation	5,768	-	5,768
Total operating expenses	<u>2,894,782</u>	<u>327,488</u>	<u>3,222,270</u>
Operating income (loss)	<u>(2,816,970)</u>	<u>48,228</u>	<u>(2,768,742)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Federal grants	3,918,469	-	3,918,469
Federal donated commodities	139,118	-	139,118
State grants	50,867	63,092	113,959
State on-behalf payments	209,498	35,702	245,200
State on-behalf payments	(209,498)	(35,702)	(245,200)
Pension expense	1,947,873	324,908	2,272,781
OPEB expense	(128,207)	(24,662)	(152,869)
Earnings from investments	3,005	-	3,005
Total nonoperating revenues (expenses)	<u>5,931,125</u>	<u>363,338</u>	<u>6,294,463</u>
Income (loss) before operating transfers	<u>3,114,155</u>	<u>411,566</u>	<u>3,525,721</u>
<b>Change in net position</b>	<u>3,114,155</u>	<u>411,566</u>	<u>3,525,721</u>
<b>NET POSITION - BEGINNING (Restated)</b>	<u>(2,012,005)</u>	<u>(488,665)</u>	<u>(2,500,670)</u>
<b>NET POSITION - ENDING</b>	<u>\$ 1,102,150</u>	<u>\$ (77,099)</u>	<u>\$ 1,025,051</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, 2022

	Enterprise Funds		
	School Food Services	Daycare Services	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 77,812	\$ 375,716	\$ 453,528
Payments to suppliers	(1,372,469)	(50,463)	(1,422,932)
Payments to employees	200,432	(13,922)	186,510
Net cash provided (used) by operating activities	(1,094,225)	311,331	(782,894)
<b>CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES</b>			
Operating grants and contributions	2,311,968	(201,451)	2,110,517
Net cash provided (used) by noncapital financing activities	2,311,968	(201,451)	2,110,517
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>			
Purchase of capital assets	(28,015)	-	(28,015)
Net cash provided (used) by capital financing activities	(28,015)	-	(28,015)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest	3,005	-	3,005
Net cash provided (used) by investing activities	3,005	-	3,005
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,192,733	109,880	1,302,613
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	383,364	9,737	393,101
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<u>\$ 1,576,097</u>	<u>\$ 119,617</u>	<u>\$ 1,695,714</u>
Reconciliation of operating income (loss) to net cash provided (used)			
by operating activities:			
Operating income (loss)	\$ (2,816,970)	\$ 48,228	\$ (2,768,742)
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	(7,484)	-	(7,484)
Inventory	(2,621)	-	(2,621)
Account Payables	(22,204)	(1,441)	(23,645)
Pension expense	1,947,873	324,908	2,272,781
OPEB expense	(128,207)	(24,662)	(152,869)
Federal donated commodities	139,118	-	139,118
On-behalf payments	(209,498)	(35,702)	(245,200)
Net cash provided (used) by operating activities	<u>\$ (1,094,225)</u>	<u>\$ 311,331</u>	<u>\$ (782,894)</u>
Schedule of non-cash transactions			
Federal donated commodities	\$ 139,118	-	\$ 139,118
State on-behalf payments	<u>\$ 209,498</u>	<u>\$ 35,702</u>	<u>\$ 245,200</u>

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

NELSON COUNTY BOARD OF EDUCATION  
Statement of Fiduciary Net Position  
June 30, 2022

	Private Purpose
<b>ASSETS</b>	
Cash and cash equivalents	\$ -
Investments	-
	<hr/>
Total Assets	\$ -
	<hr/>
<b>LIABILITIES</b>	
Total liabilities	-
	<hr/>
Total Liabilities	-
	<hr/>
<b>NET POSITION</b>	
Restricted for Permanent Fund	-
	<hr/>
Total Net Position	-
	<hr/>
<b>TOTAL LIABILITIES &amp; NET POSITION</b>	<b>\$ -</b>
	<hr/>

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



NELSON COUNTY BOARD OF EDUCATION  
Statement of Changes in Net Position - Fiduciary Funds  
Year Ended June 30, 2022

	Private Purpose
<b>Additions</b>	
Earnings on investments	\$ -
<b>Deductions</b>	
Benefits paid	7,099
<b>Change in net position</b>	(7,099)
<b>Net position, beginning</b>	7,099
<b>Net position, ending</b>	\$ -

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

## **NELSON COUNTY BOARD OF EDUCATION**

### **Notes to the Financial Statements**

**Year Ended June 30, 2022**

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#### **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 District's 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, 2022**

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#### **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.

## NELSON COUNTY BOARD OF EDUCATION

### Notes to the Financial Statements

Year Ended June 30, 2022

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#### Note I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

#### 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.

## NELSON COUNTY BOARD OF EDUCATION

### Notes to the Financial Statements

Year Ended June 30, 2022

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#### Note I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### 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.

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

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.

##### 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 Fiduciary Fund is used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments. Revenues consist of donations and interest income. Expenditures represent scholarships.

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.

**Note I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**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 the 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 statement in conformity with accounting principles generally accepted in the United States requires management to make estimate 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.

**NELSON COUNTY BOARD OF EDUCATION**

**Notes to the Financial Statements**

**Year Ended June 30, 2022**

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**Note I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**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.

**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.

**NELSON COUNTY BOARD OF EDUCATION**

**Notes to the Financial Statements**

**Year Ended June 30, 2022**

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**Note I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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.



**NELSON COUNTY BOARD OF EDUCATION**

**Notes to the Financial Statements**

**Year Ended June 30, 2022**

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**Note I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**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.

## **NELSON COUNTY BOARD OF EDUCATION**

### **Notes to the Financial Statements**

**Year Ended June 30, 2022**

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#### **Note I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **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 extend of the constraints place on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints place 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 Director, 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, 2021 through April 18, 2022.

**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.

**NELSON COUNTY BOARD OF EDUCATION****Notes to the Financial Statements****Year Ended June 30, 2022****Note I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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, 2022, this amount total \$550,815.

**Implementation of New Accounting Principle**

The District adopted the provisions of GASB Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This pronouncement did not impact the preparation of these financial statements.

**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 \$11,229,845. The bank balance for the same time was \$14,791,724.

**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:

	General	Special	District	School	School	Day Care	
Receivables	Fund	Revenue	Activity	Activity	Food	Service	Total
		Fund	Fund	Fund	Fund	Fund	
Taxes	\$ 471,046	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 471,046
Accounts	150	-	-	-	-	-	150
Intergovernmental-federal	11,771	1,355,038	-	-	211,852	-	1,578,661
Total Receivables	<u>\$ 482,967</u>	<u>\$ 1,355,038</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 211,852</u>	<u>\$ -</u>	<u>2,049,857</u>

**NELSON COUNTY BOARD OF EDUCATION**

**Notes to the Financial Statements**

**Year Ended June 30, 2022**

**Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS**

**Capital assets**

The changes in capital assets for the year ended June 30, 2022, are as follows:

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
<b><u>Governmental activities:</u></b>				
Non-depreciable capital assets				
Land	\$ 4,321,283	\$ 604,678	\$ -	\$ 4,925,961
Total - Non-depreciable capital assets	<u>4,321,283</u>	<u>604,678</u>	<u>-</u>	<u>4,925,961</u>
Depreciable capital assets				
Land improvements	155,475	-	-	155,475
Buildings and Building Improvements	130,940,219	7,183	-	130,947,402
Technology equipment	1,324,566	255,213	-	1,579,779
Vehicles	6,348,968	308,432	368,153	6,289,247
General equipment	2,087,375	24,730	-	2,112,105
Total - Depreciable capital assets	<u>140,856,603</u>	<u>595,558</u>	<u>368,153</u>	<u>141,084,008</u>
Less: Accumulated depreciation				
Land improvements	44,821	640	-	45,461
Buildings and building Improvements	53,496,803	277,574	-	53,774,377
Technology equipment	1,126,726	7,722	-	1,134,448
Vehicles	4,978,175	28,224	368,153	4,638,246
General equipment	1,498,257	6,586	-	1,504,843
	<u>61,144,782</u>	<u>320,746</u>	<u>368,153</u>	<u>61,097,375</u>
Governmental Activities Capital Assets - net	<u>\$ 84,033,104</u>	<u>\$ 879,490</u>	<u>\$ -</u>	<u>\$ 84,912,594</u>
<b><u>Business-Type Activities</u></b>				
General equipment	\$ 1,695,532	\$ 28,015	\$ -	\$ 1,723,547
Technology Equipment	43,285	-	-	43,285
Total - Non-depreciable capital assets	<u>1,738,817</u>	<u>28,015</u>	<u>-</u>	<u>1,766,832</u>
Less: Accumulated depreciation				
General equipment	1,439,565	5,577	-	1,445,142
Technology Equipment	33,742	191	-	33,933
Total - Depreciable capital assets	<u>1,473,307</u>	<u>5,768</u>	<u>-</u>	<u>1,479,075</u>
Business-Type Activities Capital Assets - net	<u>\$ 265,510</u>	<u>\$ 22,247</u>	<u>\$ -</u>	<u>\$ 287,757</u>

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

## NELSON COUNTY BOARD OF EDUCATION

### Notes to the Financial Statements

Year Ended June 30, 2022

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#### 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.

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

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

# NELSON COUNTY BOARD OF EDUCATION

## Notes to the Financial Statements

Year Ended June 30, 2022

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

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

#### Contributions

Contributions rates are established by Kentucky Revised Statutes (KRS). Beginning January 1, 2022 non-university employees are required to contribute 12.855% of their salaries for employees entering service prior to January 1, 2022 and 14.75% for employees entering service on or after January 1, 2022. The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions in the amount of 13.105% of salaries for local school district employees hired before July 1, 2008, 14.105% for those hired after July 1, 2008 and 10.75% for those hired on or after January 1, 2022. For local school district employees whose salaries are federally funded, the employer contributes 16.105% of salaries and employees paid with non-federal funds the district contributes 3% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

#### Kentucky Public Pensions Authority (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 of age or at least 25 years' service and any age
Tier 2	Participation date	September 1, 2008 – December 31, 2013
	Unreduced retirement	At least 5 years' service and 65 years old or age 57+ and sum of service years plus age equal 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

## NELSON COUNTY BOARD OF EDUCATION

### Notes to the Financial Statements

Year Ended June 30, 2022

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

##### 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.

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 30<sup>th</sup> 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 21.17%, insurance 5.78% for a combined total of 26.95%.

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, 2022, employers were required to contribute 26.95% of the member's salary. During the year ending June 30, 2022, the District contributed \$1,825,211 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 to 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 \$454,995. The District does not contribute to these plans.

**NELSON COUNTY BOARD OF EDUCATION****Notes to the Financial Statements****Year Ended June 30, 2022****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, 2022, 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	\$ 15,502,210
Commonwealth's proportionate share of the net TRS pension liability associated with the District	<u>84,531,410</u>
	<u>\$100,033,620</u>

The net pension liability for each plan was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ended, June 30, 2021, using generally accepted actuarial principles. 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, 2021, the District's proportion was .243142%. For the year ended June 30, 2022, the District recognized CERS pension expense of \$1,433,756 which is a \$1,183,234 increase in governmental funds and \$250,552 increase in proprietary funds and \$1,023,203 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 \$(213,651) (a decrease of \$2,486,432 in governmental funds and an increase of \$2,272,781 in the business type activity funds). The District also recognized revenue of \$7,251,966 for TRS support provided by the Commonwealth.

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

	Deferred Outflows of	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 178,013	\$ 150,459
Changes of assumptions	208,058	-
Net difference between projected and actual earnings on pension	601,383	2,667,567
Changes in proportion and difference between District and proportionate share of contributions	577,263	132,300
District contributions subsequent to the measurement date	<u>1,433,756</u>	<u>-</u>
	<u>\$ 2,998,473</u>	<u>\$ 2,950,326</u>

The amount reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date is \$1,433,756 and will be recognized as a reduction of the net pension liability in the year ending June 30, 2022.



**NELSON COUNTY BOARD OF EDUCATION****Notes to the Financial Statements****Year Ended June 30, 2022**

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

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:	
2022	\$ (71,499)
2023	(221,921)
2024	(445,167)
2025	(647,022)
2026	-
Thereafter	-

**Actuarial assumptions**

For TRS, the actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported (as of June 30, 2018 for the fiscal year 2021 contributions). The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of that schedule:

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years that began fiscal year 2014
Asset valuation method	5-year smoothing market
Inflation	2.50%
Salary Increase	3.00-7.50%, including inflation
Investment rate of return	7.10%, net of pension plan investment expense, including inflation

For CERS, the actuarially determined contribution rates effective for fiscal year ending 2019 were calculated as of June 30, 2018. The following actuarial methods and assumptions were used:

Actuarial cost method	Entry Age Normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method	Level Percent of Pay
Amortization period	30 years, closed
Payroll Growth Rate	2.00%
Investment return	6.25%
Inflation	2.30%
Salary increases	3.30%-10.30%, varies by service

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

The actuarial assumptions used were based on the results of an actuarial experience study for the 5-year period ending June 30, 2020, adopted by the TRS Board of Trustees on September 20, 2021.

**NELSON COUNTY BOARD OF EDUCATION****Notes to the Financial Statements****Year Ended June 30, 2022****Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

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

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
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, system-specific mortality table based on mortality experience from 2012-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a based year of 2019.

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

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
Growth		
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Liquidity		
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Diversifying Strategies		
Real Estate	10.00%	5.40%
Opportunistic	0.00%	NA
Real Return	10.00%	4.55%
Total	100.00%	

**NELSON COUNTY BOARD OF EDUCATION****Notes to the Financial Statements****Year Ended June 30, 2022**

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

For TRS, the discount rates 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 contribution rates will be made at the Actuarially Determined Contribution rates for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of project benefit payments to determine the total pension liability.

For CERS, a single discount rate of 6.25% was used to measure both the non-hazardous and hazardous system to measure the total pension liability for the fiscal year ending June 30, 2021. The single discount rate was based on the expected rate of return on pension plan investments for each system. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the pension plan's fiduciary net position and future contributions were projected to be sufficient to finance all the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for each system. 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 contribute the actuarially determined employer contribution rate each future year calculated in accordance with the current funding policy.

The following table present 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 and 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	\$ 19,882,319	\$ 15,502,210	\$ 11,877,772

**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>.

## NELSON COUNTY BOARD OF EDUCATION

### Notes to the Financial Statements

Year Ended June 30, 2022

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

##### **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)

###### Benefits provided

To be eligible for medical benefits through TRS, the member must have retired either for service or disability. The TRS medical plan offers coverage to members under the age of 65 through the Kentucky Employees Health Plan (KEHP) 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. The Commonwealth of Kentucky bears risk for excess claims expenses that exceed the premium equivalents charged for the Kentucky Employees Health Plan. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan. For 2022, TRS will contribute \$696.84 towards insurance costs, less the shared responsibility cost of \$148.50. Under-65 retirees who are not Medicare eligible and continue on the KEHP are responsible for the remaining costs left from the total premium costs.

###### Contributions

In order to fund the TRS post-retirement healthcare benefit, seven and one-half percent (7.5%) of the gross annual payroll of members is contributed. Three percent (3.00%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three percent (3.00%) from the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

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

**TRS Postemployment Life Insurance Benefits (Life Trust)**

Plan description

TRS administers the life insurance plan as provided by KRS 161.655 to eligible active and retired members. The TRS Life Insurance benefit is a cost-sharing multiple-employer defined benefit plan with a special funding situation. This benefit is financed by actuarially determined contributions from the 207 participating employers. Changes made to the life insurance plan may be made by the TRS Board of Trustees and the General Assembly.

Benefits provided

The benefit TRS provides is \$5,000 for members who are retired for service or disability, and \$2,000 for active contributing members. For members entering on or before January 1, 2022, the life insurance benefit is \$5,000 for a eligible active members.

Contributions

For TRS to fund the post-retirement life insurance benefit, the state contributes three hundredths of one percent (.03%) of the gross annual payroll of members.

**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.

Benefit 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.

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 2020 measurement period, CERS allocated 6.21% of the 28.05% 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.

**NELSON COUNTY BOARD OF EDUCATION****Notes to the Financial Statements****Year Ended June 30, 2022****Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

On June 30, 2021, 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	\$ 7,324,000
District's proportionate share of the net CERS OPEB MIF liability	<u>4,653,741</u>
Total district proportionate share	\$ 11,977,741
Commonwealth's proportionate share of the net TRS OPEB - MIF liability associated with the District	<u>5,948,000</u>
	<u>\$ 17,925,741</u>

The net OPEB liability for each plan was measured as of June 30, 2021, 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, 2022, the District recognized OPEB expense of \$391,455 which is a \$323,055 increase in governmental funds and \$68,400 increase in proprietary funds. For the year ended June 30, 2022, based on actuarial valuation, the district recognized on the statement of activities adjusted total net OPEB expense of \$1,065,503 (increase of \$1,218,372 in governmental funds and an decrease of \$152,869 in the business type activity funds).

On June 30, ,2021, 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	\$ 731,802	\$ 5,744,452
Changes of assumptions	3,148,795	4,327
Net difference between project and actual earnings on OPEB	234,469	1,743,482
Changes in proportion and difference between District	513,633	177,214
District contributions subsequent to the measurement date	<u>1,414,547</u>	<u>-</u>
Total	<u>\$ 6,043,246</u>	<u>\$ 7,669,475</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$371,962 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, 2022. 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
2021	\$ (729,000)	\$ 105,127
2022	(733,000)	(5,442)
2023	(702,000)	(17,487)
2024	(653,000)	(245,974)
2025	(100,000)	-
Thereafter	40,000	-

**NELSON COUNTY BOARD OF EDUCATION****Notes to the Financial Statements****Year Ended June 30, 2022**

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

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 2021 decreasing to an ultimate rate of 4.50% by FYE 2031
Ages 65 and Older	5.00% for FYE 2022 decreasing to an ultimate rate of 4.50% by FYE 2024
Medicare Part B Premiums	4.40% for FYE 2021 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%

**Mortality Rates**

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

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.

**NELSON COUNTY BOARD OF EDUCATION****Notes to the Financial Statements****Year Ended June 30, 2022****Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)****Rate of Return**

For TRS, 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.

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:

<b>Asset Class</b>	<b>MIF Target Allocation</b>	<b>30-Year Expected Geometric Real Rate of Return</b>
Global Equity	58.00%	5.10%
Fixed Income	9.00%	-0.10%
Real Estate	6.50%	4.00%
Private Equity	8.50%	6.90%
High Yield	8.00%	1.70%
Other Additional Categories	9.00%	2.00%
Cash (LIBOR)	1.00%	-0.30%
Total	100.0%	

<b>Asset Class</b>	<b>LIF* Target Allocation</b>	<b>30-Year Expected Geometric Real Rate of Return</b>
U.S. Equity	40.00%	4.40%
International Equity	23.00%	5.60%
Fixed Income	18.00%	-0.10%
Real Estate	6.00%	4.00%
Private Equity	5.00%	6.90%
Other Additional Categories	6.00%	2.10%
Cash (LIBOR)	2.00%	-0.30%
Total	100.00%	

For CERS, the long-term expected rate of return on OPEB investments was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of estimates of arithmetic real rate of return for each major asset class is summarized in the table below. The current long-term inflation assumption is 2.30% per annum.



**NELSON COUNTY BOARD OF EDUCATION****Notes to the Financial Statements****Year Ended June 30, 2022**

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
<b>Growth</b>	<b>68.50%</b>	
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
<b>Liquidity</b>	<b>11.50%</b>	
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
<b>Diversifying Strategies</b>	<b>20.00%</b>	
Real Estate	10.00%	5.40%
Opportunistic	0.00%	NA
Real Return	10.00%	4.55%

**Discount Rate**

For TRS, the discount rate used to measure the TOL at June 30, 2021 was 7.10% for the Health Trust.

The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of June 30, 2020. In addition to the actuarial methods and assumptions of the June 30, 2020 actuarial valuation, the following actuarial methods and assumptions were used into project 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 PM paid to KEHP by TRS were assumed to be paid in all years by the employers as they come due, they were not considered.
- Cash flows occur mid-year.
- Future contributions to the Health Trust were based upon the contribution rates defined in statute and the projected payroll of active employees. Per KRS 161.540(1).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 re 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

## NELSON COUNTY BOARD OF EDUCATION

### Notes to the Financial Statements

Year Ended June 30, 2022

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

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 an implicit subsidy attributable to coverage while participating in KEHP.
  - For the purpose 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 rates was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of June 30, 2020. In addition to the Actuarial methods and assumptions of the June 30, 2020 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 year by the employer as they come due, they were not considered.
- Active employees do not contribute to the plan.
- Cash flows occurred mid-year.

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

Long-term rate of return

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.

Municipal bond rate

The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used, if necessary, for this purpose is the monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

**NELSON COUNTY BOARD OF EDUCATION**

**Notes to the Financial Statements**

**Year Ended June 30, 2022**

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

Periods of projected benefit payments for all current plan members were projected through 2119.

**CERS**

Single discount rates of 5.20% for the CERS non-hazardous system 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, the plan's fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. There, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the System's actuarially determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the System's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicitly subsidy.

The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. Future contributions are projected assuming that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy, as most recently revised by House Bill 8, passed during the 2021 legislative session. The assumed future employer contributions reflect the provision 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.

**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, 2022

### 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, 2022 for debt services are as follows:

	Interest	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	\$ 2,775,000	\$ -	\$ 130,000	\$ 2,645,000	\$ 140,000
Series 2016	2.00 - 3.00%	5/1/2035	6,525,000	6,060,000	-	100,000	5,960,000	105,000
Series 2017	2.00 - 3.00%	3/1/2032	3,480,000	2,720,000	-	200,000	2,520,000	205,000
Refunding Revenue Bonds:								
Series 2011	0.75 - 2.375%	4/1/2023	10,670,000	2,445,000	-	1,210,000	1,235,000	1,235,000
Series 2014	2.00 - 3.50%	12/1/2029	18,770,000	12,905,000	-	880,000	12,025,000	905,000
Series 2015A	2.00 - 3.00%	12/1/2030	8,485,000	7,870,000	-	100,000	7,770,000	100,000
Series 2015B	2.00 - 2.25%	9/1/2025	3,485,000	1,815,000	-	360,000	1,455,000	370,000
Series 2016A	2.00 - 2.50%	12/1/2027	8,905,000	6,910,000	-	940,000	5,970,000	955,000
Series 2016B	2.00 - 2.375%	5/1/2029	7,260,000	6,495,000	-	565,000	5,930,000	580,000
Series 2020	1.35%	2/1/2031	505,000	460,000	-	30,000	430,000	25,000
			<u>\$ 71,505,000</u>	<u>\$ 50,455,000</u>	<u>\$ -</u>	<u>\$ 4,515,000</u>	<u>\$ 45,940,000</u>	<u>\$ 4,620,000</u>
Other Liabilities								
Sick leave				\$ 222,999	\$ 327,816	\$ -	\$ 550,815	\$ 287,540
Pension Liability				14,547,989	303,759	-	14,851,748	-
OPEB Liability				13,422,200	-	1,947,114	11,475,086	-
Total Other Liabilities				<u>28,193,188</u>	<u>631,575</u>	<u>1,947,114</u>	<u>26,877,649</u>	<u>287,540</u>
Total Governmental Activities Liabilities				<u>\$ 78,648,188</u>	<u>\$ 631,575</u>	<u>\$ 6,462,114</u>	<u>\$ 72,817,649</u>	<u>\$ 4,907,540</u>

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

Fiscal Year Ending	District		Kentucky School Facility		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 3,865,431	\$ 1,159,378	\$ 754,569	\$ 77,782	\$ 4,620,000	\$ 1,237,160
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>\$ 42,489,300</u>	<u>\$ 6,929,335</u>	<u>\$ 3,450,700</u>	<u>\$ 335,335</u>	<u>\$ 45,940,000</u>	<u>\$ 7,264,670</u>

**NELSON COUNTY BOARD OF EDUCATION**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2022**

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**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, 2022 is as follows:

	Transfers In From Other Funds	Transfers Out To Other Funds
General Fund	\$ 1,262,623	\$ 3,675,837
Special Revenue Fund	86,594	338,325
District Activity	44,081	7,617
Student Activity	125,819	49,283
Capital Outlay Fund		1,313,878
Building Fund		5,795,685
Construction	5,120,315	480,321
Debt Service Fund	5,021,514	
	<u>\$ 11,660,946</u>	<u>\$ 11,660,946</u>

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

**NELSON COUNTY BOARD OF EDUCATION****Notes to the Financial Statements****Year Ended June 30, 2022**

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**Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)****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	\$ 7,251,966
Health, Life, Vision & Dental Insurance	4,432,607
Technology	151,339
Debt Service	832,256
Total On-Behalf	<u>\$ 12,668,168</u>

**Investments**

The General Fund investments on June 30, 2022 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	\$ 531,944
US Government Bonds	Aaa	1-5 years	206,861
US Government Bonds	Aaa	6-10 years	197,856
Municipal Bonds	AA	7-12 months	100,193
			<u>\$ 1,036,854</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.

**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.

**NELSON COUNTY BOARD OF EDUCATION**

**Notes to the Financial Statements**

**Year Ended June 30, 2022**

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

**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 investment account is invested 100% in fixed income instruments.

**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 several reporting standards that will become effective for fiscal year 2022 and later years' financial statements.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements provides guidance on the accounting and financial reporting for subscription-based 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.

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 reporting 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.

**NELSON COUNTY BOARD OF EDUCATION**

**Notes to the Financial Statements**

**Year Ended June 30, 2022**

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**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.

**Restatement of Beginning Balance**

The beginning net position for food service fund was decreased by (\$47,200), and increased by \$1 in the day care fund due to a difference in pension and OPEB allocation from the prior year.



**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, 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)
<b>Teacher's Retirement System of the State of Kentucky (TRS)</b>							
District's proportion of the net pension liability	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	\$ 84,531,410	\$ 89,167,132	\$ 84,728,763	\$ 168,684,244	\$ 182,723,668	\$ 144,669,837	\$ 122,991,359
Total	<u>\$ 84,531,410</u>	<u>\$ 89,167,132</u>	<u>\$ 84,728,763</u>	<u>\$ 168,684,244</u>	<u>\$ 182,723,668</u>	<u>\$ 144,669,837</u>	<u>\$ 122,991,359</u>
District's covered-employee payroll	\$ 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%
Plan fiduciary net position as a percentage of the total pension liability	65.59%	58.27%	58.80%	59.30%	39.80%	35.22%	42.49%
<b>County Employee Retirement System (CERS)</b>							
District's proportion of the net pension liability	0.243142%	0.231611%	0.234756%	0.247339%	0.245751%	0.241810%	0.248350%
District's proportionate share of the net pension liability	\$ 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	<u>\$ 15,502,210</u>	<u>\$ 17,764,372</u>	<u>\$ 16,510,494</u>	<u>\$ 15,063,700</u>	<u>\$ 14,384,562</u>	<u>\$ 11,905,816</u>	<u>\$ 10,678,078</u>
District's covered-employee payroll	<u>\$ 6,811,930</u>	<u>\$ 6,244,058</u>	<u>\$ 5,934,087</u>	<u>\$ 6,147,811</u>	<u>\$ 6,115,449</u>	<u>\$ 6,003,620</u>	<u>\$ 5,880,370</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	227.57%	284.50%	278.23%	245.03%	235.22%	198.31%	181.59%
Plan fiduciary net position as a percentage of the total pension liability	57.33%	58.27%	50.45%	53.54%	53.30%	59.00%	59.97%

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 CERS and TRS - Pension  
For the Year Ended June 30, 2022

	2022	2021	2020	2019	2018	2017	2016
<b>Teacher's Retirement System of the State of Kentucky (TRS)</b>							
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 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 covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>County Employee Retirement System (CERS)</b>							
Contractually required contribution	\$ 1,433,756	\$ 1,502,321	\$ 997,175	\$ 885,517	\$ 837,505	\$ 730,342	\$ 739,754
Contributions in relation to the contractually required contribution	1,433,756	1,502,321	997,175	885,517	837,505	730,342	739,754
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 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 covered-employee payroll	21.05%	24.06%	16.80%	14.40%	13.69%	12.17%	12.58%

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, 2022

TRS

Changes of benefit terms

None

Changes of assumptions

The assumption changes adopted by the Board on September 20, 2021, are summarized below:

- Prince Inflation assumed rate changed from 3.00% to 2.50%,
- Wage Inflation assumed rate changed from 3.50% to 2.75%,
- Assumed investment rate of return changed from 7.50% to 7.10%,
- Assumed Salary Scale changed to a service-based table and adjusted to reflect a decrease of 0.25% in merit and promotion of all ages,
- An administrative expense load of 0.32% of payroll has been added to the normal cost rate,
- 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, and
- Assumed rate of withdrawal, disability, and retirement have been adjusted to reflect experience more closely.
- Increased load for unused sick leave from 2.0% to 3.0% for all activity liability at the time of retirement.

CERS

There have been no actuarial assumption or method changes since June 30, 2020. Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for certain qualifying members who become “totally and permanently disabled” in the line of duty or as a result of a duty-related disability. The total pension liability as of June 30, 2021 is determined using these updated benefit provisions. There were no other material plan provision changes.

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, 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)
<b>MEDICAL INSURANCE PLAN</b>					
District's proportion of the collective OPEB liability	0.341324%	0.333261%	0.328576%	0.328940%	0.328850%
District's proportionate share of the collective net OPEB liability	\$ 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	5,948,000	6,737,000	7,766,000	9,836,000	9,579,000
Total	<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	\$ 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 percentage of its covered-employee payroll	31.48%	40.85%	52.28%	60.30%	64.22%
Plan fiduciary net position as a percentage of the total OPEB	51.74%	39.05%	32.58%	25.50%	21.20%
<b>LIFE INSURANCE PLAN</b>					
District's proportion of the collective OPEB liability	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
District's proportionate share of the collective net OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the collective net OPEB liability associated with the District	79,000	204,000	180,000	169,000	128,000
Total	<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	\$ 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%
Plan fiduciary net position as a percentage of the total OPEB	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, 2022

	2022	2021	2020	2019	2018
<b>MEDICAL INSURANCE PLAN</b>					
Contractually required contribution	\$ 1,023,092	\$ 588,561	\$ 572,141	\$ 580,994	\$ 613,167
Contributions in relation to the contractually required contribution	<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>
District's covered-employee payroll	\$ 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	4.40%	2.86%	3.11%	3.07%	3.36%
<b>LIFE INSURANCE PLAN</b>					
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 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%

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, 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)
<b>HEALTH INSURANCE PLAN</b>					
District's proportion of the collective OPEB liability	0.243085%	0.231541%	0.234698%	0.247336%	0.245751%
District's proportionate share of the collective net OPEB liability	\$ 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	-	-	-	-	-
Total	<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	\$ 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	68.32%	89.54%	66.52%	71.43%	80.79%
Plan fiduciary net position as a percentage of the total OPEB	62.91%	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, 2022

	2022	2021	2020	2019	2018
<b>HEALTH INSURANCE PLAN</b>					
Contractually required contribution	\$ 391,455	\$ 282,393	\$ 311,477	\$ 323,375	\$ 287,426
Contributions in relation to the contractually required contribution	<u>391,455</u>	<u>282,393</u>	<u>311,477</u>	<u>323,375</u>	<u>287,426</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 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	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, 2022

TRS

Note I - Changes of Benefit Terms

Health Trust

- None

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 rate 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

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, 2022

	District Activity	School Activity Fund	Capital Outlay Fund	Facility Support Program (FSKP) Fund	Debt Service Fund	Total Non-Major Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 237,200	\$ 830,341	\$ -	\$ -	\$ -	\$ 1,067,541
Interfund receivables	-	-	-	-	-	-
Receivables						
Taxes-current	-	-	-	-	-	-
Accounts	-	-	-	-	-	-
Intergovernmental - federal	-	-	-	-	-	-
Total assets	<u>237,200</u>	<u>830,341</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,067,541</u>
<b>LIABILITIES</b>						
Accounts payable	-	114	-	-	-	114
Interfund payable	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>114</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>114</u>
<b>FUND BALANCE</b>						
Restricted	237,200	830,227	-	-	-	1,067,427
Committed	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balance	<u>237,200</u>	<u>830,227</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,067,427</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 237,200</u>	<u>\$ 830,341</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,067,541</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, 2022

	District Activity Fund	Student Activity Fund	Capital Outlay Fund	Facility Support Program	Debt Service Fund	Total Non-Major Funds
<b>Revenues</b>						
From Local Sources						
Taxes						
Property	\$ -	\$ -	\$ -	\$ 5,159,607	\$ -	\$ 5,159,607
Motor vehicle	-	-	-	-	-	-
Distilled Spirits	-	-	-	-	-	-
Utilities	-	-	-	-	-	-
Transportation	-	-	-	-	-	-
Earnings on investments	-	130	2,769	4,696	-	7,595
Tuition	9,962	-	-	-	-	9,962
Student activities	94,292	1,361,048	-	-	-	1,455,340
Other local revenue	9,671	82,170	-	-	-	91,841
Intergovernmental - state	-	-	513,178	278,735	832,256	1,624,169
Intergovernmental - federal	-	-	-	-	-	-
Total revenues	<u>113,925</u>	<u>1,443,348</u>	<u>515,947</u>	<u>5,443,038</u>	<u>832,256</u>	<u>8,348,514</u>
<b>EXPENDITURES</b>						
Instruction	139,106	1,312,020	-	-	-	1,451,126
Support services						
Student	-	-	-	-	-	-
Instructional staff	-	-	-	-	-	-
District Administration	-	-	-	-	-	-
School Administration	-	-	-	-	-	-
Business	-	-	-	-	-	-
Plant operation and maintenance	-	-	-	-	-	-
Student Transportation	-	11,573	-	-	-	11,573
Day care	-	-	-	-	-	-
Community Services Operations	-	-	-	-	-	-
Land/Site acquisitions	-	-	-	-	-	-
Building improvements	-	-	-	-	-	-
Debt service						
Principal	-	-	-	-	4,515,000	4,515,000
Interest	-	-	-	-	1,338,770	1,338,770
Total expenditures	<u>139,106</u>	<u>1,323,593</u>	<u>-</u>	<u>-</u>	<u>5,853,770</u>	<u>7,316,469</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(25,181)	119,755	515,947	5,443,038	(5,021,514)	1,032,045
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of equipment	-	-	-	-	-	-
Operating transfers in	44,081	125,819	-	-	5,021,514	5,191,414
Operating transfers (out)	(7,617)	(49,283)	(1,313,878)	(5,795,685)	-	(7,166,463)
Total other financing sources and (uses)	<u>36,464</u>	<u>76,536</u>	<u>(1,313,878)</u>	<u>(5,795,685)</u>	<u>5,021,514</u>	<u>(1,975,049)</u>
<b>NET CHANGE IN FUND BALANCE</b>	11,283	196,291	(797,931)	(352,647)	-	(943,004)
<b>FUND BALANCE - BEGINNING</b>	225,917	633,936	797,931	352,647	-	2,010,431
<b>FUND BALANCE - ENDING</b>	<u>\$ 237,200</u>	<u>\$ 830,227</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,067,427</u>

NELSON COUNTY SCHOOL DISTRICT

Schedule of Student Activity – Nelson County High School  
For the Year Ended June 30, 2022

Acct:	Activity	CASH BALANCES July 1, 2021	RECEIPTS AND TRANSFERS	DISBURSEMENTS AND TRANSFERS	CASH BALANCES June 30, 2022
7201	GENERAL	\$ 1,771	\$ 5,435	\$ 1,177	\$ 6,029
7202	STAFF VENDING	443	-	-	443
7204	AP EXAM	2,546	928	1,697	1,777
7205	FRYSC	4,151	509	960	3,700
7206	STUDENT VENDING	2,039	-	-	2,039
7207	PROJECT GRADUATION	4,059	31,556	32,843	2,772
7218	PROMOTION	101			101
7301	ATHLETICS	26,174	256,269	222,859	59,584
7303	ATHLETIC VENDING	1,717			1,717
7304	CONCESSIONS	2,432	108,337	98,934	11,835
7306	FOOTBALL	12,040	32,536	23,235	21,341
7307	BOYS BASKETBALL	3,669	26,390	20,499	9,560
7308	GIRLS BASKETBALL	2,017	15,727	17,228	516
7309	BOYS SOCCER	3,021	11,340	12,356	2,005
7310	GIRLS SOCCER	7,875	10,534	10,047	8,362
7311	VOLLEYBALL	1,858	16,982	11,509	7,331
7312	CHEERLEADERS	9,203	29,888	36,103	2,988
7313	BOWLING	839	1,715	2,490	64
7314	TRACK/XCOUNTRY	6,656	36,323	34,499	8,480
7315	GOLF	1,291	10,537	8,795	3,033
7316	DANCE	678	23,479	23,202	955
7317	ARCHERY	13,609	17,921	21,272	10,258
7318	TENNIS	1,594	6,063	6,732	925
7319	BASEBALL	10,419	35,177	44,432	1,164
7320	SOFTBALL	3,439	28,628	25,408	6,659
7321	SWIM TEAM	3,194	2,048	1,798	3,444
7322	WRESTLING	564	1,650	1,754	460
7323	BASS FISHING	2,335	2,938	3,289	1,984
7325	LITTLE LEAGUE FOOTBALL		1,000	1,000	-
7326	UNIFIED BASKETBALL	582	1,065	723	924
7327	ESPORTS		1,614	1,603	11
7401	STUDENT LEADERSHIP	2,259	4,184	1,919	4,524
7402	KYA	248	-	-	248
7403	KEY CLUB	1,251	7,293	6,782	1,762

NELSON COUNTY SCHOOL DISTRICT  
Schedule of Student Activity – Nelson County High School  
For the Year Ended June 30, 2022  
(Continued)

7404	BETA	321	17,858	17,299	880
7405	FBLA	1,619	-	-	1,619
7406	STLP	68	-	-	68
7408	FFA	3,693	11,823	13,149	2,367
7409	OUTDOOR CLASSROOM	2,702	2,899	4,500	1,101
7410	FFA REGION	5,321	3,705	4,189	4,837
7411	FFA ALUMNI	2,105	1,998	4,000	103
7413	ACADEMIC TEAM	545	351	700	196
7414	NHS	18	1,800	1,190	628
7415	PEPBLUB	490	1	-	491
7416	FCA	744	-	-	744
7418	YEARBOOK	36,314	4,250	7,521	33,043
7419	DANCES	9,438	25,931	27,352	8,017
7420	CHOIR	1,387	1,503	2,750	140
7421	DRAMA	16,141	4,413	4,880	15,674
7422	BAND	8,667	12,892	11,975	9,584
7423	ROTC	4,995	4,595	4,347	5,243
7424	ART	321	224	-	545
7425	CLUB 1	142	-	-	142
7426	CLUB 2	3,586	6,421	8,457	1,550
7436	GIFTED MINDS LEADERS	1,356	-	47	1,309
7437	STUDENT ENTERPRISE	2,971	4,361	7,035	297
7439	CLUB 3	-	100	-	100
	Subtotal	237,018	833,191	794,536	275,673
	Interfund Transfers		(377,539)	(377,539)	
	Total	\$ 237,018	\$ 455,652	\$ 416,997	\$ 275,673

NELSON COUNTY SCHOOL DISTRICT

Schedule of Student Activity – Thomas Nelson High School  
For the Year Ended June 30, 2022

Acct:	Activity	CASH BALANCES July 1, 2021	RECEIPTS AND TRANSFERS	DISBURSEMENTS AND TRANSFERS	CASH BALANCES June 30, 2022
7201	GENERAL	\$ 4,454	\$ 17,431	\$ 19,503	\$ 2,382
7202	STAFF VENDING	16	377	272	121
7203	SCHOOL STORE	963	27,468	27,216	1,215
7204	AP EXAM	1,189	2,898	2,889	1,198
7205	FRYSC	3,876	7,621	8,284	3,213
7207	PROJECT GRADUATION	211	16,762	15,568	1,405
7208	HOUSE 1	615	1,266	940	941
7209	HOUSE 2	3	1,925	1,920	8
7210	HOUSE 3	49	-	-	49
7211	HOUSE 4	954	122	188	888
7213	LIBRARY	468	-	1	467
7218	PROMOTION	822	1,391	32	2,181
7221	PE	114	-	-	114
7301	ATHLETICS	15,567	199,165	194,908	19,824
7302	GATE CHANGE	-	6,000	6,000	-
7304	CONCESSIONS	708	82,950	74,422	9,236
7305	CONCESSION EQUIPMENT	847	7,697	5,346	3,198
7306	FOOTBALL	1,241	90,725	89,290	2,676
7307	BOYS BASKETBALL	-	54,038	51,412	2,626
7308	GIRLS BASKETBALL	10,294	40,231	39,906	10,619
7309	BOYS SOCCER	4,927	17,174	14,228	7,873
7310	GIRLS SOCCER	3,219	7,678	7,826	3,071
7311	VOLLEYBALL	3,378	36,530	37,049	2,859
7312	CHEERLEADERS	226	16,230	15,739	717
7313	BOWLING	2,337	1,097	2,405	1,029
7314	TRACK/XCOUNTRY	2,119	15,100	16,815	404
7315	GOLF	807	10,919	10,677	1,049
7316	DANCES	1,099	-	-	1,099
7317	ARCHERY	709	22,464	21,770	1,403
7318	TENNIS	86	-	-	86
7319	BASEBALL	2,754	28,647	18,793	12,608
7320	SOFTBALL	1,171	23,193	19,310	5,054
7321	SWIM TEAM	549	4,073	2,852	1,770
7322	WRESTLING	125	4,285	4,410	-
7323	BASS FISHING	2,553	2,967	3,974	1,546
7324	LITTLE LEAGUE BASKEBALL	-	2,178	1,089	1,089
7325	LITTLE LEAGUE FOOTBALL	51	150	-	201
7327	ESPORTS	91	-	-	91
7401	STUDENT LEADERSHIP	2,715	18,775	16,759	4,731
7402	KYA	1,503	-	-	1,503
7403	KEY CLUB	4,035	-	-	4,035

NELSON COUNTY SCHOOL DISTRICT  
Schedule of Student Activity – Thomas Nelson High School  
For the Year Ended June 30, 2022  
(Continued)

7404	BETA	3,079	9,637	9,407	3,309
7405	FBLA	1,233	8,483	8,079	1,637
7406	STLP	8	-	-	8
7408	FFA	2,220	36,348	32,072	6,496
7409	OUTDOOR CLASSROOM	4,174	25,764	24,053	5,885
7411	FFA ALUMNI	3,749	318	685	3,382
7412	SPEECH	1,275	34		1,309
7413	ACADEMIC TEAM	38	-	-	38
7414	NHS	168	2,395	1,593	970
7415	PEP CLUB	229	-	-	229
7416	FCA	252	-	1	251
7418	YEARBOOK	669	172	283	558
7420	CHOIR	534	9,492	9,031	995
7421	DRAMA	4,319	37,845	34,958	7,206
7422	BAND	173	7,288	6,653	808
7424	ART	264	-	-	264
7425	CLUB 1	404	-	-	404
7426	CLUB 2	7,120	4,903	3,187	8,836
7439	CLUB 3	-	100	-	100
	Subtotal	106,753	912,306	861,795	157,264
	Interfund Transfers		(443,548)	(443,548)	
	Total	<u>\$ 106,753</u>	<u>\$ 468,758</u>	<u>\$ 418,247</u>	<u>\$ 157,264</u>

NELSON COUNTY SCHOOL DISTRICT

Summary Schedule of Student Activity – Nelson County School District  
For the Year Ended June 30, 2022

School	CASH BALANCES	RECEIPTS	DISBURSEMENTS	CASH BALANCES
	July 1, 2021			June 30, 2022
Nelson County High School	\$ 237,018	\$ 455,652	\$ 416,997	\$ 275,673
Thomas Nelson High School	106,753	468,758	418,247	157,264
Bloomfield Middle School	22,524	149,404	118,496	53,432
New Haven Elementary School	46,432	101,768	65,601	82,599
Bloomfield Elementary School	44,667	20,628	35,050	30,245
The Academy	900	-	-	900
Boston Elementary School	28,666	55,551	46,287	37,930
Cox's Creek Elementary School	15,108	82,497	65,730	31,875
Foster Heights Elementary School	63,718	93,656	67,495	89,879
Nelson County Early Learning Center	7,393	17,610	17,632	7,371
Old Kentucky Home Middle School	44,148	118,278	111,930	50,496
Vocational School	16,609	5,365	9,411	12,563
Total School Activity Funds	<u>\$ 633,936</u>	<u>\$ 1,569,167</u>	<u>\$ 1,372,876</u>	<u>\$ 830,227</u>

NELSON COUNTY SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2022

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	7760005-21 7760005-22		\$ 104,848 702,016 <u>806,864</u>
Passed Through Kentucky Department of Education:				
Summer Food Service Program for Children	10.559	7690024-21 7740023-21		58,447 570,482 <u>628,929</u>
Passed Through Kentucky Department of Education:				
National School Lunch Program	10.555	7750002-21 7750002-22 7970000-21 9980000-22		323,549 1,906,831 95,831 115,604 <u>2,441,815</u>
Non-Cash Assistance (Commodities)				
National School Lunch Program	10.555	4002079		139,118
TOTAL CHILD NUTRITION CLUSTER				<u>4,016,726</u>
Passed Through Kentucky Department of Education:				
Child and Adult Care Food Program	10.558	7790021-21 7790021-22		2,539 23,941 <u>26,480</u>
Passed Through Kentucky Department of Education:				
State Administrative Expenses for Child Nutrition	10.560	7700001-20		<u>3,829</u>
Passed Through Kentucky Department of Education:				
Child Nutrition Discretionary Grants Limited Availability	10.579	7840027-19		<u>28,015</u>
Passed Through Kentucky Department of Education:				
Pandemic EBT Administrative Costs	10.649	9990000		<u>3,063</u>
TOTAL UNITED STATES DEPARTMENT OF AGRICULTURE				<u>4,078,113</u>
<u>UNITED STATES DEPARTMENT OF JUSTICE</u>				
Passed Through Kentucky Department of Education:				
Public Safety Partnership And Community Policing Grants	16.710	2020SVWX0080		<u>144,697</u>
TOTAL UNITED STATES DEPARTMENT OF JUSTICE				<u>144,697</u>
<u>UNITED STATES DEPARTMENT OF LABOR</u>				
Passed Through Kentucky Department of Education:				
WIOA Dislocated Worker Formula Grants	17.278	9100001-89		<u>33,096</u>
TOTAL UNITED STATES DEPARTMENT OF LABOR				<u>33,096</u>
<u>UNITED STATES DEPARTMENT OF EDUCATION</u>				
Special Education Cluster -				
Passed Through Kentucky Department of Education:				
Special Education Grants to States	84.027A	3810002-18 3810002-19 3810002-20 3810002-21		8,850 63,573 574,501 702,786
Passed Through Kentucky Department of Education:				
Special Education Preschool Grants	84.173A	3800002-19 3800002-20 3800002-21		1,799 51,202 14,804 <u>1,417,515</u>
TOTAL SPECIAL EDUCATION CLUSTER				<u>1,417,515</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, 2022  
(Continued)

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE/SUBTITLE	FEDERAL ASSISTANC E LISTING NUMBER	PASS THROUGH ENTITY IDENTIFYING NUMBER	PROVIDED TO SUBRECIPIENTS	TOTAL FEDERAL EXPENDITURES
Passed Through Kentucky Department of Education: Title I Grants to Local Educational Agencies	84.010A	3100002-19 3100002-20 3100002-21		\$ 2,820 78,478 493,358 <u>574,656</u>
Passed Through Kentucky Department of Education: Career and Technical Education -- Basic Grants to States	84.048	3710002-20 3710002-21		11,787 67,555 <u>79,342</u>
Twenty-First Century Community Learning Centers	84.287	3400002-19 3400002-20		53,309 139,539 <u>192,848</u>
Passed Through Kentucky Department of Education: Supporting Effective Instruction State Grants	84.367A	3230002-20 3230002-21		74,748 109,161 <u>183,909</u>
Passed Through Kentucky Department of Education: Student Support and Academic Enrichment Program	84.424A	3420002-19 3420002-20 3420002-21		36,905 25,317 31,675 <u>93,897</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		101,502
Passed Through Kentucky Department of Education: Education Stabilization Fund Elementary and Secondary School Emergency Relief Fund	84.425D	4200002-21 4200002-20 4200003-21		884,023 8,106 302,958 <u>1,195,087</u>
Passed Through Kentucky Department of Education:	84.425U	4300003-21 4300002-21		5,096 1,025,186 <u>1,030,282</u>
Total Education Stabilization Fund				<u>2,326,871</u>
TOTAL UNITED STATES DEPARTMENT OF EDUCATION				<u>4,869,038</u>
<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 Surveilla	93.079	2100001-20		600
Passed Through Kentucky Department of Education: Child Care And Development Block Grant	93.575	ARPA CRRSA		363,765 268,777 <u>632,542</u>
TOTAL UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES				<u>633,142</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	<u>\$ 9,758,086</u>

The accompanying notes are an integral part of this schedule.

## NELSON COUNTY SCHOOL DISTRICT

### Notes to the Schedule of Expenditures of Federal Awards Year Ended June 30, 2022

#### **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, 2022. 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 disbursed. For the year ended June 30, 2022, the District received food commodities totaling \$139,118.

#### **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 Controller 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, 2022, 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 December 15, 2022.

**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 report (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 may exist that have not been identified.

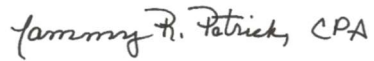
**Compliance and Other Matters**

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 determination of financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We did not note any matters during the current audit that were required to be reported to management of the Nelson County School District. However, we did issue a separate management letter dated, December 15, 2022, which addresses the status of matters that were reported in the prior year management letter.

**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 Audit Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Jammy R. Patrick, CPA". The signature is written in a cursive, flowing style.

Patrick & Associates, LLC

Winchester, KY

December 15, 2022



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 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 Nelson County School District's major federal programs for the year ended June 30, 2022. 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, 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, 2022.

#### **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 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 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 Submissions 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 Nelson County School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related 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 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 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 Nelson County School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and there is not a guarantee that an audit conducted in accordance with generally accepted audit standards, *Government Auditing Standards*, and the 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 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*, The 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 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 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 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 efficiencies 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 tested based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Patrick & Associates, LLC

Winchester, KY

December 15, 2022

## 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?	None Reported
If so, was any significant deficiencies material (GAGAS)?	
Was any material noncompliance reported (GAGAS)?	No
Were there material weaknesses in internal control disclosed for major programs?	No
Were there any significant deficiencies in internal control disclosed that were not considered to be material weaknesses?	None Reported
What type or report was issued on compliance for major programs?	Unmodified
Did the audit disclose findings as it related to major programs that are required to be reported as described in Uniform Guidance?	No
Major Programs	Child Nutrition Cluster [Federal Assistance Number 10.553, 10.555, 10.559] Education Stabilization Fund [Federal Assistance Number 84.425C, 84.425D, 84.425U]
Dollar threshold of Type A and B programs?	\$750,000
Did the auditee qualify as low-risk?	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.