NICHOLAS COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS

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Kelley Galloway
Smith Goolsby, PSC
Certified Public Accountants and Advisors

1200 Corporate Court • P. O. Box 990 • Ashland, Kentucky 41105
• Phone (606) 329-1811 (606) 329-1171 • Fax (606) 329-8756 (606) 325-0590
• Web www.kgsgcpa.com Member of Allinial GLOBAL

INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
Members of the Board of Education
Nicholas County School District
Carlisle, Kentucky 40311

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information on pages 6 through 9 and the Schedule of District's Proportionate Share of the Net Pension Liability, Schedule of Pension Contributions, Schedule of District's Proportionate Share of the Net OPEB Liability, and the Schedule of OPEB Contributions on pages 52 through 63 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
November 6, 2023

NICHOLAS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
FOR THE YEAR ENDED JUNE 30, 2023

As management of the Nicholas County School District ("the District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements.

FINANCIAL HIGHLIGHTS

- The beginning cash balance for all funds of the District, excluding agency funds, was approximately $2,454,766 and the ending balance was approximately $5,863,391, an increase of approximately $3,408,625.

- The General Fund had $9,489,360 in revenue, which consisted primarily of the State program (SEEK), and property, utilities, and motor vehicle taxes. There was $9,258,702 in General Fund expenditures.

- Bonds are issued as the District renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. The District's total debt increased by $6,408,337 during the current fiscal year.

- Net pension liabilities required to be recorded under GASB No. 68 increased during the year. Non-professional staff members are covered by the Kentucky County Employee Retirement System. Under this system, the District's share of the pension liability was $4,034,946 as of June 30, 2022, which represents an increase of $987,066 from the June 30, 2021 balance of $3,047,880. The Kentucky Teachers Retirement System covers the District's professional staff members. The District's allocated pension liability as of June 30, 2022 was $20,845,825, which represents a increase of $6,413,308 from the June 30, 2021 balance of $14,432,517. However, this pension liability is the responsibility of the Commonwealth of Kentucky.

- There are two sources of OPEB liabilities with which the District has to contend. The Kentucky Teachers Retirement System (KTRS) Medical Insurance Plan and Life Insurance Plan covers the District's professional staff members. The District's allocated OPEB liability as of June 30, 2022 for KTRS Medical Insurance Plan was $2,911,000 with the District's responsibility being $2,191,000 and the Commonwealth of Kentucky's responsibility being $720,000. The liability for the KTRS Life Insurance Plan is the responsibility of the Commonwealth of Kentucky and the District's allocated amount as of June 30, 2022 was $36,000. Non-professional staff members are covered by the County Employee Retirement System Insurance Fund. Under this fund the District's share of OPEB liability was $1,101,339 as of June 30, 2022.

OVERVIEW OF FINANCIAL STATEMENTS

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

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 similar to a private-sector business.

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (government activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues. The government-wide financial statements can be found on pages 10 and 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. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. The primary proprietary fund is our food service operations. All other activities of the District are included in the governmental funds.

The basic fund financial statements can be found on pages 12 through 20 of this report.

Notes to the financial statements: The notes provided additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 through 51 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by approximately $4.4 million as of June 30, 2023.

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

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

Net Position for the period ending June 30, 2023 and 2022

	2023	2022
Current Assets	$ 6,723,647	$ 3,355,150
Noncurrent Assets	32,603,910	28,474,141
Total Assets	39,327,557	31,829,291
Deferred Outflows	2,897,295	1,395,359
Current Liabilities	2,663,092	2,116,146
Noncurrent Liabilities	33,403,437	24,984,089
Total Liabilities	36,066,529	27,100,235
Deferred Inflows	1,717,078	2,363,359
Net Position		
Investment in Capital Assets (Net of Debt)	8,260,311	7,378,665
Restricted	290,515	738,045
Unrestricted Fund Balance	(4,109,581)	(4,355,654)
Total Net Position	$ 4,441,245	$ 3,761,056

The following table presents a summary of all governmental activities and business-type activities revenues and expenses for the fiscal year ended June 30, 2023, with comparison to 2022.

	2023	2022
Revenues:		
Local Revenue Sources	$ 1,847,157	$ 2,648,590
State Revenue Sources	10,576,634	5,752,719
Federal Revenue	3,711,758	3,516,432
Other Sources	44,481	26,504
Total Revenues	16,180,030	11,944,245
Expenses:		
Instruction	6,747,634	3,327,589
Student Support Services	313,990	322,330
Instructional Support	414,280	342,021
District Administration	967,521	641,415
School Administration	608,700	494,703
Plant Operations	1,847,485	2,287,130
Student Transportation	1,374,719	1,240,497
Business and Other Support Services	282,364	274,035
Community Services	139,112	132,132
Other – facilities	592,405	-
Interest	901,375	647,009
Food Services	1,310,256	1,103,724
Total Expenses	15,499,841	10,812,585
Revenues Over (Under) Expenses	$ 680,189	$ 1,131,660

Governmental Funds Revenue

The majority of revenue was derived from state funding making up 64.4% and federal funding of 22.9% of total revenue. Local revenues make up 11.4% of total revenue (22.1% in 2022).

District-Wide Support Allocation

District-wide support services expenditures were Transportation 8.9%, Maintenance & Operations 11.9%, and Business Functions 1.8% (as compared to 11.5%, 21.1%, and 2.5% in 2022, respectively).

The total cost of all programs and services for governmental activities was $14,189,586, compared with $9,708,861 in 2022.

The District's total revenues for the governmental funds for the fiscal year ended June 30, 2023 and 2022, net of inter-fund transfers and bond and debt proceeds, was approximately $15.8 million and $14.4 million, respectively.

Comments on Budget Comparisons

- The General fund budget compared to actual expenditures varied from line item to line item with the ending actual balance being $467,000 more than budget, including contingency, or approximately 5.3%.

- General Fund revenue compared to budget varied from line item to line item more this year than in the past due in part to taxes, state revenues, and interest income being more than budgeted.

Capital Assets

At the end of June 30, 2023, the District's investment in capital assets for its governmental and business-type activities was $32,603,910, representing an increase of $4,129,769 due mainly to ongoing construction.

Debt Service

At year-end, the District had approximately $27.6 million in outstanding debt, compared to $21.2 million last year.

Budgetary Implications

In Kentucky the public school fiscal year is July 1 - June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the District overall budget. By law the budget must have a minimum 2% contingency. The District adopted a budget with the required 2% contingency. The general fund cash balance for beginning the next fiscal year is $1,222,746. There was no significant Board action that impacts the finances for the new fiscal year.

Questions regarding this report should be directed to the Superintendent Douglas Bechanan or to his representative, Director of Financial Services Duane Kenney or by mail at:

Nicholas County School District
395 W. Main Street
Carlisle, Kentucky 40311

NICHOLAS COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	$ 5,466,380	$ 397,011	$ 5,863,391
Receivables (net of allowances for uncollectibles):			
Taxes	31,092	-	31,092
Intergovernmental	810,827	-	810,827
Inventories	-	18,337	18,337
Capital assets, not being depreciated	6,096,635	-	6,096,635
Capital assets, being depreciated, net	26,123,309	383,966	26,507,275
Total assets	38,528,243	799,314	39,327,557
Deferred Outflows of Resources			
Deferred savings from refunding bonds	64,118	-	64,118
Deferred outflows - pension related	757,026	133,641	890,667
Deferred outflows - OPEB related	1,866,014	76,496	1,942,510
Total deferred outflows of resources	2,687,158	210,137	2,897,295
Liabilities			
Accounts payable	606,795	5,755	612,550
Accrued interest payable	133,510	-	133,510
Unearned revenue	156,166	-	156,166
Portion due or payable within one year:			
Accrued sick leave	-	-	-
Bond obligations	1,665,000	-	1,665,000
Other obligations	95,866	-	95,866
Portion due or payable after one year:			
Accrued sick leave	259,069	-	259,069
Bond obligations	25,475,000	-	25,475,000
Other obligations	342,083	-	342,083
Net pension liability	3,429,518	605,428	4,034,946
Net OPEB liability	3,127,087	165,252	3,292,339
Total liabilities	35,290,094	776,435	36,066,529
Deferred Inflows of Resources			
Deferred inflows - pension related	89,973	15,883	105,856
Deferred inflows - OPEB related	1,538,116	73,106	1,611,222
Total deferred inflows of resources	1,628,089	88,989	1,717,078
Net Position			
Net investment in capital assets	7,876,345	383,966	8,260,311
Restricted for:			
Capital projects	358,146	-	358,146
Other	172,308	(239,939)	(67,631)
Unrestricted	(4,109,581)	-	(4,109,581)
Total net position	$ 4,297,218	$ 144,027	$ 4,441,245

The accompanying notes to financial statements
are an integral part of this statement.

NICHOLAS COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-Type Activities**	**Total**
Primary government:							
Governmental activities:							
Instruction	$ 6,747,634	$ -	$ 2,958,559	$ -	$ (3,789,075)	$ -	$ (3,789,075)
Support services:							
Students	313,990	-	(109)	-	(314,099)	-	(314,099)
Instructional staff	414,280	-	131,419	-	(282,861)	-	(282,861)
District administration	967,521	-	-	-	(967,521)	-	(967,521)
School administration	608,700	-	-	-	(608,700)	-	(608,700)
Business and other support services	282,364	-	-	-	(282,364)	-	(282,364)
Operation and maintenance of plant	1,847,485	-	(89,370)	-	(1,936,855)	-	(1,936,855)
Student transportation	1,374,719	-	172,347	-	(1,202,372)	-	(1,202,372)
Community services	139,112	-	139,112	-	-	-	-
Other - facilities	592,405	-	-	-	(592,405)	-	(592,405)
Interest	901,375	-	-	1,419,653	518,278	-	518,278
Total governmental activities	14,189,585	-	3,311,958	1,419,653	(9,457,974)	-	(9,457,974)
Business-type activities:							
Food service	1,310,256	44,481	1,421,459	-	-	155,684	155,684
Total business-type activities	1,310,256	44,481	1,421,459	-	-	155,684	155,684
Total primary government	$ 15,499,841	$ 44,481	$ 4,733,417	$ 1,419,653	$ (9,457,974)	$ 155,684	$ (9,302,290)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					$ 1,306,337	$ -	$ 1,306,337
Motor vehicle					396,439	-	396,439
Utilities					353,282	-	353,282
Intergovernmental revenues:							
State					7,031,178	-	7,031,178
Investment earnings					144,667	17,830	162,497
Other local revenues					732,746	-	732,746
Transfers					63,758	(63,758)	-
Total general revenues and transfers					10,028,407	(45,928)	9,982,479
Change in net position					570,433	109,756	680,189
Net position, June 30, 2022					3,726,785	34,271	3,761,056
Net position, June 30, 2023					$ 4,297,218	$ 144,027	$ 4,441,245

The accompanying notes to financial statements are an integral part of this statement.

NICHOLAS COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund	Special Revenue Fund	Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	$ 1,222,746	$ -	$ 3,713,180	$ -	$ 530,454	$ 5,466.380
Receivables (net of allowances for uncollectibles):						
Taxes	31,092	-	-	-	-	31,092
Intergovernmental	-	810,827	-	-	-	810.827
Interfund receivable	641,860	-	-	-	-	641,860
Total assets	$ 1,895,698	$ 810,827	$ 3,713,180	$ -	$ 530,454	$ 6,950,159
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	$ 51,046	$ 12,801	$ 542,948	$ -	$ -	$ 606,795
Interfund payable	-	641,860	-	-	-	641,860
Unearned revenue	-	156,166	-	-	-	156,166
Total liabilities	51,046	810,827	542,948	-	-	1,404,821
Fund balances:						
Restricted	-	-	3,170,232	-	530,454	3,700,686
Committed	-	-	-	-	-	-
Unassigned	1,844,652	-	-	-	-	1,844,652
Total fund balances	1,844,652	-	3,170,232	-	530,454	5,545,338
Total liabilities and fund balances	$ 1,895,698	$ 810,827	$ 3,713,180	$ -	$ 530,454	$ 6,950,159

The accompanying notes to financial statements are an integral part of this statement.

NICHOLAS COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

Fund balances - total governmental funds		$ 5,545,338
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		32,219,944
Savings from refunding bonds are not available to pay current period expenditures and therefore are not reported in the funds.		64,118
Deferred outflows and inflows of resources related to pensions and OPEB plans are applicable to future periods and, therefore, are not reported in the governmental funds.		994,951
Some liabilities, including bonds, KISTA loans, and accrued sick leave, are not due and payable in the current period and therefore, are not reported in the governmental funds financial statements.		
Net pension liability	(3,429,518)	
Net OPEB liability	(3,127,087)	
Bonds payable	(27,140,000)	
KISTA loans	(437,949)	
Accrued interest payable	(133,510)	
Accrued sick leave	(259,069)	(34,527,133)
Net position of governmental activities		$ 4,297,218

The accompanying notes to financial statements are an integral part of this statement.

NICHOLAS COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Special Revenue Fund	Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
From local sources:						
Taxes -						
Property	$ 931,297	$ -	$ -	$ -	$ 375,040	$ 1,306,337
Motor vehicles	396,439	-	-	-	-	396,439
Utilities	353,282	-	-	-	-	353,282
Interest income	126,329	-	18,338	-	-	144,667
Tuition	-	-	-	-	-	-
Other local revenues	6,715	261,096	-	-	451,143	718,954
Intergovernmental - State	7,643,450	577,698	-	1,419,653	703,695	10,344,496
Intergovernmental - Indirect federal	-	2,490,589	-	-	-	2,490,589
Intergovernmental - Direct federal	31,848	-	-	-	-	31,848
Total revenues	9,489,360	3,329,383	18,338	1,419,653	1,529,878	15,786,612
Expenditures:						
Current:						
Instruction	4,358,937	2,958,559	-	-	450,196	7,767,692
Support services:						
Students	314,099	(109)	-	-	-	313,990
Instructional staff	282,861	131,419	-	-	-	414,280
District administration	967,521	-	-	-	-	967,521
School administration	608,700	-	-	-	-	608,700
Business and other support services	282,364	-	-	-	-	282,364
Operation and maintenance of plant	1,052,314	(89,370)	-	-	-	962,944
Student transportation	1,255,748	172,347	-	-	-	1,428,095
Community services	-	139,112	-	-	-	139,112
Other - Facilities	-	-	592,405	-	-	592,405
Building acquisitions and construction	-	-	5,131,462	-	-	5,131,462
Debt service	136,158	-	-	2,461,928	-	2,598,086
Total expenditures	9,258,702	3,311,958	5,723,867	2,461,928	450,196	21,206,651
Excess (deficiency) of revenues over (under) expenditures	230,658	17,425	(5,705,529)	(1,042,275)	1,079,682	(5,420,039)
Other financing sources (uses):						
Sale of assets	13,792	-	-	-	-	13,792
Payment to refunded bond escrow agent	-	-	-	-	-	-
Bond and KISTA proceeds	-	-	8,215,000	-	-	8,215,000
Transfers in	63,758	20,300	37,725	1,042,275	-	1,164,058
Transfers out	(20,300)	(37,725)	-	-	(1,042,275)	(1,100,300)
Total other financing sources and uses	57,250	(17,425)	8,252,725	1,042,275	(1,042,275)	8,292,550
Net change in fund balances	287,908	-	2,547,196	-	37,407	2,872,511
Fund balances, June 30, 2022	1,556,744	-	623,036	-	493,047	2,672,827
Fund balances, June 30, 2023	$ 1,844,652	$ -	$ 3,170,232	$ -	$ 530,454	$ 5,545,338

The accompanying notes to financial statements
are an integral part of this statement.

NICHOLAS COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Net change in fund balances - total governmental funds		$ 2,872,511
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	5,292,326	
Depreciation expense	(1,134,214)	4,158,112
Generally, expenditures recognized in the fund financial statements are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred for the following:		
Long-term portion of accrued sick leave		14,218
Amortization of deferred savings from refunding bonds		(10,018)
Interest payable		(99,934)
Governmental funds report pension 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 pensions, and investment experience.		
KTRS on-behalf revenues	(1,104,144)	
KTRS on-behalf pension and OPEB expense	1,012,587	
CERS contributions	30,695	
Pension expense	104,743	43,881
Bond and KISTA loan proceeds are recognized as revenues in the fund financial statements, but are increases in liabilities in the statement of net position.		
Bond and KISTA loan proceeds		(8,215,000)
Bond and KISTA loan payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.		1,806,663
Change in net position of governmental activities		$ 570,433

The accompanying notes to financial statements are an integral part of this statement.

NICHOLAS COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2023

	Food Service Fund
Assets	
Current assets:	
Cash and cash equivalents	$ 397,011
Accounts receivable	-
Inventories	18,337
Total current assets	415,348
Noncurrent assets:	
Capital assets, net of accumulated depreciation	383,966
Total noncurrent assets	383,966
Total assets	799,314
Deferred Outflows of Resources	
Deferred outflows - pension	133,641
Deferred outflows - OPEB	76,496
Total deferred outflows of resources	210,137
Total assets and deferred outflows of resources	$ 1,009,451
Liabilities	
Current liabilities:	
Accounts payable	$ 5,755
Total current liabilities	5,755
Noncurrent liabilities:	
Net pension liability	605,428
Net OPEB liability	165,252
Total noncurrent liabilities	770,680
Total liabilities	776,435
Deferred Inflows of Resources	
Deferred inflows - pension	15,883
Deferred inflows - OPEB	73,106
Total deferred inflows of resources	88,989
Net Position	
Invested in capital assets	383,966
Restricted	(239,939)
Total net position	144,027
Total liabilities, deferred inflows of resources, and net position	$ 1,009,451

The accompanying notes to financial statements
are an integral part of this statement.

NICHOLAS COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Food Service Fund
Operating revenues:	
Lunchroom sales	$ 44,481
Other operating revenues	-
Total operating revenues	44,481
Operating expenses:	
Salaries and wages	321,525
Employee benefits	307,428
Materials and supplies	634,830
Depreciation	28,343
Other operating expenses	18,130
Total operating expenses	1,310,256
Operating income (loss)	(1,265,775)
Nonoperating revenues (expenses):	
Federal grants	1,132,799
State grants	368
Investment income	17,830
On-behalf payments	231,770
Donated commodities	56,522
Transfers out	(63,758)
Total nonoperating revenue (expenses)	1,375,531
Increase (decrease) in net position	109,756
Net position, June 30, 2022	34,271
Net position, June 30, 2023	$ 144,027

The accompanying notes to financial statements
are an integral part of this statement.

NICHOLAS COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Food Service Fund
Cash flows from operating activities:	
Cash received from:	
Lunchroom sales and fees charged	$ 44,481
Cash paid to/for:	
Payments to suppliers and providers of goods and services	(588,330)
Payments to employees	(412,105)
Other payments	(18,130)
Net cash provided by (used for) operating activities	(974,084)
Cash flows from noncapital financing activities:	
Government grants	1,133,168
Transfer out	(63,758)
Net cash provided by noncapital and related financing activities	1,069,410
Cash flows from investing activities:	
Interest received on investments	17,830
Purchase of property, plant and equipment	-
Net cash provided by investing activities	17,830
Net increase (decrease) in cash and cash equivalents	113,156
Cash and cash equivalents, June 30, 2022	283,856
Cash and cash equivalents, June 30, 2023	$ 397,012
Reconciliation of operating income (loss) to net cash used for operating activities:	
Operating income (loss)	$ (1,265,775)
Adjustments to reconcile operating income (loss) to net cash used for operating activities:	
Depreciation	28,343
Donated commodities	56,522
On-behalf payments	231,770
Net pension and OPEB expense	(14,922)
Change in assets and liabilities:	
Inventory	(5,669)
Accounts payable	(4,353)
Net cash provided by (used for) operating activities	$ (974,084)
Non-cash items:	
Donated commodities	$ 56,522
On-behalf payments	231,770

The accompanying notes to financial statements are an integral part of this statement.

NICHOLAS COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues:				
Taxes -				
Property	$ 765,000	$ 815,000	$ 931,297	$ 116,297
Motor vehicles	250,000	275,000	396,439	121,439
Utilities	325,000	325,000	353,282	28,282
Interest income	17,500	20,000	126,329	106,329
Other local revenues	500	3,000	6,715	3,715
Intergovernmental - State	7,431,951	7,357,498	7,643,450	285,952
Intergovernmental - Direct federal	10,000	17,500	31,848	14,348
Total revenues	8,799,951	8,812,998	9,489,360	676,362
Expenditures:				
Current:				
Instruction	5,290,035	4,190,044	4,358,937	(168,893)
Support services:				
Students	367,703	371,998	314,099	57,899
Instructional staff	170,680	159,755	282,861	(123,106)
District administration	759,023	661,018	967,521	(306,503)
School administration	683,000	602,928	608,700	(5,772)
Business and other support services	260,195	220,839	282,364	(61,525)
Operation and maintenance of plant	944,830	904,971	1,052,314	(147,343)
Student transportation	1,184,485	1,019,745	1,255,748	(236,003)
Debt service	140,000	140,000	136,158	3,842
Contingency	520,000	520,000	-	520,000
Total expenditures	10,319,951	8,791,298	9,258,702	(467,404)
Excess (deficiency) of revenues over (under) expenditures	(1,520,000)	21,700	230,658	208,958
Other financing sources (uses):				
Sale of assets	-	-	13,792	13,792
Transfers in	20,000	40,000	63,758	23,758
Transfers out	-	(20,000)	(20,300)	(300)
Total other financing sources and uses	20,000	20,000	57,250	37,250
Net change in fund balances	(1,500,000)	41,700	287,908	246,208
Fund balances, June 30, 2022	1,500,000	-	1,556,744	1,556,744
Fund balances, June 30, 2023	$ -	$ 41,700	$ 1,844,652	$ 1,802,952

The accompanying notes to financial statements are an integral part of this statement.

NICHOLAS COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Interest income	$ -	$ -	$ -	$ -
Other local revenues	194,500	203,000	261,096	58,096
Intergovernmental - State	418,696	523,710	577,698	53,988
Intergovernmental - Indirect federal	1,035,814	2,555,640	2,490,589	(65,051)
Intergovernmental - Direct federal	-	-	-	-
Total revenues	1,649,010	3,282,350	3,329,383	47,033
Expenditures:				
Current:				
Instruction	1,332,041	3,167,398	2,958,559	208,839
Support services:				
Students	109,633	72,307	(109)	72,416
Instructional staff	72,992	72,850	131,419	(58,569)
Operation and maintenance of plant	-	90,237	(89,370)	179,607
Student transportation	59,647	79,904	172,347	(92,443)
Community services	94,697	94,341	139,112	(44,771)
Operation of non-instructional services	-	-	-	-
Total expenditures	1,669,010	3,577,037	3,311,958	265,079
Excess (deficiency) of revenues over (under) expenditures	(20,000)	(294,687)	17,425	312,112
Other financing sources (uses):				
Transfers in	20,000	20,000	20,300	300
Transfers out	-	-	(37,725)	(37,725)
Total other financing sources and uses	20,000	20,000	(17,425)	(37,425)
Net change in fund balances	-	(274,687)	-	274,687
Fund balances, June 30, 2022	-	-	-	-
Fund balances, June 30, 2023	$ -	$ (274,687)	$ -	$ 274,687

The accompanying notes to financial statements are an integral part of this statement.

(1) REPORTING ENTITY

The Nicholas County Board of Education ("Board"), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Nicholas County School District ("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 may influence operations and primary accountability for fiscal matters.

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

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

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements. Copies of this organization's financial statements may be obtained from the District's Finance Office at 395 W. Main Street, Carlisle, Kentucky 40311.

Nicholas County Board of Education Finance Corporation - In a prior year the Board of Education resolved to authorize the establishment of the Nicholas County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors. Copies of component unit reports may be obtained from the District's Finance office.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS

Basis of Presentation

The accounting policies of the Nicholas County School District substantially comply with the rules prescribed by the Kentucky Department of Education for local school districts.

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements provide information about the primary government (the District). The statements include a statement of net position and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses to programs or functions, except where allowable for certain grant programs. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining funds are aggregated and reported as non-major funds. Fiduciary funds are aggregated and reported by fund type.

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

The District has the following funds:

I. <u>Governmental Fund Types</u>

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

B. The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes.

1. The Special Revenue Fund 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. This is a major fund of the District.

2. The School Activity Fund is a special revenue fund used to account for funds collected at individual schools for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the *Uniform Program of Accounting for School Activity Funds.*

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

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

2. The Facility Support Program of Kentucky (FSPK) accounts for 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.

3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

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

II. <u>Proprietary Fund Types (Enterprise Fund)</u>

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

<u>Basis of Accounting</u>

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

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

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

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

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

Property Taxes

Property taxes are levied each October on the assessed value listed as of the prior January 1, for all real and personal property in 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. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2023, to finance the General Fund operations were $.414 per $100 valuation for real property, $.402 per $100 valuation for business personal property and $.555 per $100 valuation for motor vehicles. In addition, the District assessed a nickel levy in the amount of $.063 per $100 valuation for construction purposes, only.

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

In-Kind

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

Cash and Cash Equivalents

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

Inventories

Supplies and materials are charged to expenditures when purchased with the exception of the Proprietary Funds, which records inventory using the accrual basis of accounting. Inventories are stated at the lower of cost or market, on the first-in, first-out basis.

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 fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars ($5,000) with the exception of real property, for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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:

Description	Estimated Lives
Buildings 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
Other	10 years

Budgetary Process

The District is required by state law to adopt annual budgets. Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy, only amendments that aggregate greater than $50,000 require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

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

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, all payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance Reserves

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by the District itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint;
- Assigned fund balance - amounts the District intends to use for a specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; unassigned amounts are reported only in the General Fund.

When restricted, committed, assigned and unassigned resources are available for use, it is the District's policy to use restricted, committed and assigned resources first, then unassigned resources as they are needed.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

Interfund Activity

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

Accumulated Unpaid Sick Leave Benefits

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

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

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is not reported in the fund financial statements, but is reflected in the statement of net position.

Bond Issuance Costs

Debt issuance costs are expensed in the period they are incurred.

Deferred Inflows and Outflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. 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 that time.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. 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, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources, deferred inflows of resources related to OPEB, and OPEB expense, information about the OPEB plan's fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by plans. 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, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Recent Accounting Pronouncements

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* ("GASB 96"). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. The Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, 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. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. GASB 96 was effective for the District beginning with its year ending June 30, 2023. The adoption of this standard did not have a material effect on the District's financial statements.

In May 2022, the GASB issued Statement No. 99, *Omnibus 2022* ("GASB 99"), to provide guidance addressing various accounting and financial reporting issues identified during the implementation and application of certain GASB pronouncements or during the due process on other pronouncements. GASB 99 addresses, among other matters:

- Accounting and financial reporting for exchange or exchange-like financial guarantees;
- Clarification of certain provisions of Statement No.:
    - 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments,
    - 87, Leases,
    - 94, Public-Private and Public-Public Partnership and Availability Payment Arrangements,
    - 96, Subscription-Based Information Technology Arrangements (SBITA);
- Replacing the original deadline for use of the London Interbank Offered Rate (LIBOR) as a benchmark interest rate for hedges of interest rate risk of taxable debt with a deadline for when LIBOR ceases to be determined by the ICE Benchmark Administration using the methodology in place as of December 31, 2021;
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP);
- Disclosures related to non-monetary transactions; and
- Pledges of future revenues when resources are not received by the pledging government.

Requirements that relate to the extension of the use of LIBOR, accounting for SNAP distributions, disclosures for non-monetary transactions, pledges of future revenues by pledging governments, clarifications of certain provisions in Statement No. 34, and terminology updates were effective upon issuance. Requirements related to leases, public-public and public-private partnerships (PPPs), and SBITAs were effective for the District beginning with its year ending June 30, 2022. Requirements related to other requirements related to derivative instruments will be effective for the District for fiscal years beginning after June 15, 2023, and for all reporting periods thereafter. Adoption of the provisions required thru the year ending June 30, 2023, did not have a material effect on the District's financial statements. Management is currently evaluating the impact of the remaining provisions of this Statement on its financial statements.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections (an amendment of GASB Statement No. 62)* ("GASB 100"), which has as its primary objective to provide more straightforward guidance that is easier to understand and is more reliable, relevant, consistent, and comparable across governments for making decisions and assessing accountability. Improving the clarity of accounting and financial reporting requirements for accounting changes and error corrections will mean greater consistency in the application of these requirements in general.

GASB 100 prescribes accounting and financial reporting for each category of accounting change and error corrections, requiring that:

- Changes in accounting principle and error corrections be reported retroactively by restating prior periods;
- Changes in accounting estimate be reported prospectively by recognizing the change in the current period; and
- Changes to and within the financial reporting entity be reported by adjusting beginning balances of the current period.

- Requires that governments disclose the effects of each accounting change and error correction on beginning balances in a tabular format.

The requirements of GASB 100 will be effective for accounting changes and error corrections made by the District beginning with its year ending June 30, 2024. Management is currently evaluating the impact of this Statement on its financial statements.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences* ("GASB 101"), which supersedes the guidance in Statement No. 16, *Accounting for Compensated Absences*, issued in 1992. GASB 101 aligns recognition and measurement guidance for all types of compensated absences under a unified model. It also requires that a liability for specific types of compensated absences not be recognized until the leave is used. Additionally, it establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. For example, a liability for leave that has not been used would be recognized if the leave:

- Is attributable to services already rendered;
- Accumulates; and
- Is more likely than not to be used for time off or otherwise paid or settled. Some exceptions to this general rule include parental leave, military leave and jury duty leave for which a liability would not be recognized until the leave commences.

Additionally, GASB 101 (1) provides an alternative to the existing requirement to disclose the gross annual increases and decreases in long-term liability for compensated absences, allowing governments to disclose only the net annual change in the liability as long as it is identified as such; and (2) removes the disclosure of the government funds used to liquidate the liability for compensated absences. The requirements of GASB 101 will be effective for the District beginning with its year ending June 30, 2025. Management is currently evaluating the impact of this Statement on its financial statements.

(3) ESTIMATES

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

(4) CASH AND CASH EQUIVALENTS

The funds of the District must be deposited and invested under the terms of a contract. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At year-end, the carrying amount of the District's total cash and cash equivalents was $5,863,311 and the related bank balances totaled $5,994,058. Of the total cash balance, $3,643,449 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

The cash deposits held at financial institutions can be categorized according to three levels of risk.

The three levels of risks are as follows:

Category 1	Deposits, which are insured or collateralized with securities, held by the District or by its agent in the District's name.
Category 2	Deposits, which are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
Category 3	Deposits, which are not collateralized or insured.

Based on these three levels of risk, the District's uninsured cash deposits are classified as Category 2.

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

(5) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2023, was as follows:

Governmental Activities	Balance June 30, 2022	Additions	Deductions	Balance June 30, 2023
Land	$ 56,429	$ -	$ -	$ 56,429
Construction in progress	908,744	5,131,462	-	6,040,206
Land improvements	199,370	-	-	199,370
Buildings and improvements	40,275,657	-	-	40,275,657
Equipment	1,904,862	111,074	-	2,015,936
Vehicles	1,768,962	49,790	-	1,818,752
Totals	45,114,024	5,292,326	-	50,406,350
Less: accumulated depreciation				
Land improvements	108,822	9,968	-	118,790
Buildings and improvements	13,529,982	1,029,649	-	14,559,631
General equipment	2,095,148	4,349	-	2,099,497
Vehicles	1,318,240	90,248	-	1,408,488
Total accumulated depreciation	17,052,192	1,134,214	-	18,186,406
Governmental Activities Capital Assets - Net	$ 28,061,832	$ 4,158,112	$ -	$ 32,219,944
Business-Type Activities				
Food service equipment	$ 804,488	$ -	$ -	$ 804,488
Food service technology equipment	21,374	-	-	21,374
	825,862	-	-	825,862
Less: accumulated depreciation				
Food service equipment	392,179	28,343	-	420,522
Food service technology equipment	21,374	-	-	21,374
Total accumulated depreciation	413,553	28,343	-	441,896
Business-Type Activities Capital Assets - Net	$ 412,309	$ (28,343)	$ -	$ 383,966

Depreciation expense was allocated to governmental functions as follows:

Instruction	$ 142,185
Plant operation & maintenance	884,541
Student transportation	107,488
	$ 1,134,214

(6) LONG-TERM LIABILITIES

A summary of activity in bond obligations and other debts is as follows:

Description	Balance at June 30, 2022	Additions	Payments	Balance at June 30, 2023
General obligation bonds - $35,148,000 originally issued with interest rates ranging from 2.00% to 4.00%	$ 20,633,000	$ 8,215,000	$ 1,708,000	$ 27,140,000
KISTA loans	536,612	-	98,663	437,949
Accrued interest	33,576	99,934	-	133,510
Net pension liability	3,047,880	987,066	-	4,034,946
Net OPEB liability	2,179,973	1,112,366	-	3,292,339
Accumulated unpaid sick leave benefits	273,287	-	14,218	259,069
	$ 26,704,328	$ 10,414,366	$ 1,820,881	$ 35,297,813

The amount shown in the accompanying financial statements as debt obligations represents the District's future obligations to make lease payments relating to the bonds issued by the Nicholas County School District Finance Corporation, with original amounts of issues totaling $35,148,000.

Bonds

The General Fund, including utility taxes, the Facility Support Program Fund and the SEEK Capital Outlay Fund are obligated to make lease payments. The lease agreements provide, among other things, (1) for rentals sufficient to satisfy debt service requirements on bonds issued by the Nicholas County School District Finance Corporation, and Kentucky School Facility Construction Commission (KSFCC) to construct school facilities and (2) the District with the option to purchase the property under lease at any time by retiring the bonds then outstanding. The proceeds from certain refunding issues have been placed in escrow accounts to be used to service the related debt.

The original amount of present outstanding issues, the issue dates, and interest rates are summarized below:

ORIGINAL ISSUE	ISSUER	AMOUNT	INTEREST RATES
Issue of 2016	KSFCC 100%	$ 19,575,000	2.00% to 3.00%
Issue of 2019R	Nicholas County School District Finance Corporation & KSFCC	5,025,000	3.00%

Issue of 2021R	Nicholas County School District Finance Corporation & KSFCC	1,805,000	2.00% to 2.10%
Issue of 2022	KSFCC 100%	528,000	3.00%
Issue of 2022B	Nicholas County School District Finance Corporation & KSFCC	5,010,000	4.00%
Issue of 2022ECB	Nicholas County School District Finance Corporation	3,205,000	2.20% to 4.00%

The bonds may be called prior to maturity dates at redemption premiums specified in each issue.

In connection with the bond issues, the District entered into a participation agreement with the Kentucky School Facilities Construction Commission, whereby the Commission has agreed to provide amounts on an annual basis (reflected in the following table) toward the payment of principal and interest requirements on the bonds. The agreement is in effect for a period of two years. The obligation of the Commission to make said payments shall automatically renew every two years, unless the Commission provides the District notice of its intention not to participate within sixty days prior to the expiration of the two year period.

Assuming no issues are called prior to scheduled maturity, the minimum obligations of the funds at June 30, 2023, for debt service, (principal and interest) are as shown below:

	Kentucky School Facilities Construction Commission		Nicholas County School District		
Year	Principal	Interest	Principal	Interest	Total
2024	$ 998,043	$ 421,607	$ 666,957	$ 426,958	$ 2,513,565
2025	1,020,949	398,703	690,051	408,804	2,518,507
2026	1,045,524	374,130	692,476	390,044	2,502,174
2027	1,071,858	347,795	715,142	370,834	2,505,629
2028	1,098,872	320,782	733,128	350,892	2,503,674
2029-2033	5,644,623	1,108,916	2,592,377	1,485,144	10,831,060
2034-2038	3,820,078	262,980	2,813,922	1,023,300	7,920,280
2039-2042	156,359	12,694	3,379,641	404,136	3,952,830
	$ 14,856,306	$ 3,247,607	$ 12,283,694	$ 4,860,112	$ 35,247,719

Future minimum debt service on notes payable to KISTA, at June 30, 2023, are as follows:

Year	Principal	Interest	Total
2024	$ 95,866	$ 11,906	$ 107,772
2025	75,861	9,345	85,206
2026	76,206	7,287	83,493
2027	63,224	5,206	68,430
2028	51,562	3,475	55,037
2029-2033	75,230	4,214	79,444
	$ 437,949	$ 41,433	$ 479,382

Net Pension Liability

The net pension liability is $3,429,518 and $605,428 for governmental activities and business-type activities, respectively, at June 30, 2023. See Note (7) for more detailed information.

Net OPEB Liability

The net OPEB liability is $3,127,087 and $165,252 for governmental activities and business-type activities, respectively, at June 30, 2023. See Note (8) for more detailed information.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2023, this amount totaled $259,069 for those employees who were eligible for retirement.

(7) RETIREMENT PLANS

Kentucky Teachers Retirement System

Plan description: Teaching-certified employees of the Kentucky School District are provided pensions through the Teachers' Retirement System of the State of Kentucky (KTRS), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. KTRS 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). KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS issues a publicly available financial report that can be obtained at http://www.ktrs.ky.gov/05_publications/index.htm.

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

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

Non-university members receive monthly payments equal to 2% (service prior to July 1, 1983) and 2.5% (service after July 1, 1983) of their final average salaries for each year of credited service. Non-university members who became members on or after July 1, 2002, will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than 10 years. New members after July 1, 2002, who retire with 10 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 10 years. In addition, non-university members who retire July 1, 2004, and later with more than 30 years of service will have a multiplier for all years over 30 of 3%.

The final average salary is the member's five highest annual salaries except members at least age 55 with 27 or more years of service may use their three highest annual salaries. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all members is $440 multiplied by credited service.

For members on or after July 1, 2008, and before Jan. 1, 2022: Members become vested when they complete five years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

1.) Attain age 60 and complete five years of Kentucky service, or
2.) Complete 27 years of Kentucky service, or
3.) Attain age 55 and complete 10 years of Kentucky service.

The annual retirement allowance for non-university members is equal to: (a) 1.7% of final average salary for each year of credited service if their service is 10 years or less; (b) 2% of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) 2.3% of final average salary for each year of credited service if their service is greater than 20 years but no more than 26 years; (d) 2.5% of final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; (e) 3% of final average salary for years of credited service greater than 30 years.

The final average salary is the member's five highest annual salaries except members at least age 55 with 27 or more years of service may use their three highest annual salaries. For all members, the annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

For members on or after Jan. 1, 2022: To qualify for monthly retirement benefits, payable for life, members must either:

1.) Attain age 57 and complete 10 years of Kentucky service, or
2.) Attain age 65 and complete five years of Kentucky service.

Foundational Benefit - The annual foundational benefit for members is equal to service times a multiplier times final average salary. The final average salary is the member's five highest annual salaries. The annual foundational benefit is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 30 years of service.

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

Contributions: Contribution rates are established by Kentucky Revised Statutes (KRS). For members who began participating before Jan. 1, 2022, non- university members are required to contribute 12.855% of their salaries to the system; university members are required to contribute 10.4% of their salaries. KRS 161.565 allows each university to reduce the contribution of its members by 2.215%; therefore, university members contribute 8.185% of their salary to TRS. For members employed by local school districts, the state (as a non-employer contributing entity) contributes 13.105% of salary for those who joined before July 1, 2008, and 14.105% for those who joined on or after July 1, 2008, and before Jan. 1, 2022. Other participating employers are required to contribute the percentage contributed by members plus an additional 3.25% of members' gross salaries.

For members who began participating on or after Jan. 1, 2022, non-university members contribute 14.75% and university members contribute 9.775% of their salaries to the system. Employers of non-university members, including the state (as a non- employer contributing entity), contribute 10.75% of salary. University employers contribute 9.775% of member's salary to the system.

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

At June 30, 2023, the District did not report a liability for its proportionate share of the net pension liability because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State 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 Pension liability	$	-
Commonwealth's proportionate share of the Net Pension liability associated with the District		20,845,825
	$	20,845,825

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. An expected total pension liability as of June 30, 2022 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the Commonwealth as determined by the actuary. At June 30, 2022, the District's proportion was 0.123%.

For the year ended June 30, 2023, the District recognized pension expense of $760,326 and revenue of $760,326 for support provided by the State.

Actuarial Methods and Assumptions: The total pension liability was determined by applying procedures to the actuarial valuation as of June 30, 2021. The financial reporting actuarial valuation as of June 30, 2022, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	21.9 years
Asset Valuation Method	5-year smoothed market value
Single Equivalent Interest Rate	7.10%
Municipal Bond Index Rate	3.37%
Inflation	2.5%
Salary Increase	3.0-7.5%, including inflation
Investment Rate of Return	7.1%, net of pension plan investment expense, including inflation
Post-retirement Benefit Increases	1.50% annually

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 five-year period ending June 30, 2020 adopted by the Board on September 20, 2021. The assumed long-term investment rate of return was changed from 7.5% to 7.1% and the price inflation assumption was lowered from 3% to 2.5%. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large cap U.S. equity	37.4%	4.2%
Small cap U.S. equity	2.6%	4.7%
Developed international equity	16.5%	5.3%
Emerging markets equity	5.5%	5.4%
Fixed Income	15.0%	(0.1)%
High yield bonds	2.0%	1.7%
Other Additional Categories	5.0%	2.2%
Real Estate	7.0%	4.0%
Private Equity	7.0%	6.9%
Cash	2.0%	(0.3)%
Total	100.0%	

Discount Rate: The discount rate used to measure the total pension liability as of the Measurement Date 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 that employer contributions will be made at the actuarially determined contribution (ADC) rates for all future fiscal years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.10%)	Current discount rate (7.10%)	1% Increase (8.10%)
Commonwealth's proportionate share of the Net Pension liability associated with the District	$ 26,595,000	$ 20,845,825	$ 16,041,000

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued KTRS financial report which is publicly available at http://www.ktrs.ky.gov/.

County Employees Retirement System

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

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at https://kyret.ky.gov.

Benefits provided: Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents.

Contributions: Funding for CERS is provided by members, who contribute 5.00% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions, and by employers of members. For the year ending June 30, 2023, employers were required to contribute 26.79% (23.40% - pension, 3.39% - insurance) of the member's salary. During the year ending June 30, 2023, the District contributed $400,259 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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

At June 30, 2023, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2021. An expected total pension liability as of June 30, 2022 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2022. At June 30 2022, the District's proportion was 0.055816%.

For the year ended June 30, 2023, the District recognized pension expense of approximately $623,000. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 4,314	$ 35,933
Changes of assumptions	-	-
Net difference between projected and actual earnings on investments	103,441	-
Changes in proportion and differences between District contributions and proportionate share of contributions	382,653	69,923
District contributions subsequent to the measurement date	400,259	-
	$ 890,667	$ 105,856

The $400,259 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the average service life of all members. These will be recognized in pension expense as follows:

Year	
2024	$ 127,034
2025	176,801
2026	(33,907)
2027	114,624
	$ 384,552

Actuarial Methods and Assumptions: The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2021. The financial reporting actuarial valuation as of June 30, 2022, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of pay
Remaining Amortization Period	29 years, closed
Payroll Growth	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected market value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	**60.00%**	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Fixed Income	**20.00%**	
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	(0.91)%
Inflation Protected	**20.00%**	
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
Expected Real Return	**100.00%**	**4.28%**
Long Term Inflation Assumption		**2.30%**
Expected Nominal Return for Portfolio		**6.58%**

Discount Rate: The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	1% Decrease (5.25%)	Current discount rate (6.25%)	1% Increase (7.25%)
District's proportionate share of the net pension liability	$ 5,043,182	$ 4,034,946	$ 3,201,051

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report which is publicly available at https://kyret.ky.gov.

Payables to the pension plan: At June 30, 2023, there was no payable to CERS.

(8) OTHER POSTEMPLOYMENT BENEFIT ("OPEB") PLANS

Kentucky Teachers Retirement System OPEB Plans

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

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

Medical Insurance Plan

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

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

Contributions: In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three and three quarters percent (3.75%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three percent (3.00%) from the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to KTRS Medical Insurance Plan

At June 30, 2023, the District reported a liability of $2,191,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2022. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2021. An expected total OPEB liability as of June 30, 2022 was determined using standard roll-forward techniques. The total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the District's proportion was 0.117253%.

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

District's proportionate share of the net OPEB liability	$ 2,191,000
Commonwealth's proportionate share of the Net OPEB liability associated with the District	720,000
	$ 2,911,000

For the year ended June 30, 2023, the District recognized OPEB expense of $17,000 and revenue of $38,472 for support provided by the State. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 921,000
Changes of assumptions	445,000	-
Net difference between projected and actual earnings on investments	116,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	768,000	203,000
District contributions subsequent to the measurement date	103,696	-
	$ 1,432,696	$ 1,124,000

Of the total amount reported as deferred outflows of resources related to OPEB, $103,696 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, 2024. 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		
2024	$	(62,000)
2025		(43,000)
2026		(16,000)
2027		137,000
2028		124,000
Thereafter		65,000
	$	205,000

Actuarial methods and assumptions: The total OPEB liability was determined by applying procedures to the actuarial valuation as of June 30, 2021. The financial reporting actuarial valuation as of June 30, 2022, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Investment rate of return	7.1%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.0 – 7.5%, including wage inflation
Inflation rate	2.5%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Municipal bond index rate	3.37%
Discount rate	7.1%
Single equivalent interest rate	7.1%, net of OPEB plan investment expense, including price inflation
Healthcare cost trend rates	
Under 65	7% for FY 2022 decreasing to an ultimate rate of 4.5% by FY 2032
Ages 65 and Older	5.125% for FY 2022* decreasing to an ultimate rate of 4.5% by FY 2025
Medicare Part B Premiums	6.97% for FY 2022 with an ultimate rate of 4.5% by 2034

**Based on known expected increase in Medicare-eligible costs in the year following the valuation date, an increase rate of 20% was used for 2021.*

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	5.1%
Fixed Income	9.0%	(0.1)%
Real Estate	6.5%	4.0%
Private Equity	8.5%	6.9%
Additional categories: high yield	8.0%	1.7%
Other Additional Categories	9.0%	2.2%
Cash	1.0%	(0.3)%
Total	100.0%	

Discount rate: The discount rate used to measure the TOL as of the measurement date was 7.1%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB Statement No. 75. The projection's basis was an actuarial valuation performed as of June 30, 2021. In addition to the actuarial methods and assumptions of the June 30, 2021, actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 2.75%.
- The pre-65 retiree health care costs for members retired on or after July 1, 2010 were assumed to be paid by either the State or the retirees themselves.
- As administrative expenses, other than the administrative fee of $8.00 PMPM paid to KEHP by TRS, were assumed to be paid in all years by the employer as they come due, they were not considered.
- Cash flows occur mid-year.
- Future contributions to the Health Trust were based upon the contribution rates defined in statute and the projected payroll of active employees. Per KRS 161.540(1)(c).3 and 161.550(5), when the Health Trust achieves a sufficient prefunded status, as determined by the retirement system's actuary, the following Health Trust statutory contributions are to be decreased, suspended, or eliminated:
  - Employee contributions
  - School District/University Contributions
  - State Contributions for KEHP premium subsidies payable to retirees who retire after June 30, 2010.

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 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, 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 also may include any changes to retiree contributions for KEHP coverage pursuant to KRS 161.675(4)(b).

- In developing the adjustments to the statutory contributions in future years, the following was assumed:

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

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

The FNP projections are based upon the health trust's financial status on the valuation date, the indicated set of methods and assumptions, and the requirements of GASB Statement No. 75. As such, the FNP projections are not reflective of the cash flows and asset accumulations that would occur on an ongoing basis, reflecting the impact of future members. Therefore, the results of these tests do not necessarily indicate whether or not the health trust will actually run out of money, the financial condition of the trust, or the trust's ability to make benefit payments in future years.

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

	1% Decrease (6.1%)	Current discount rate (7.1%)	1% Increase (8.1%)
District's proportionate share of the net OPEB liability	$ 2,749,000	$ 2,191,000	$ 1,729,000

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

	1% Decrease	Current trend rate	1% Increase
District's proportionate share of the net OPEB liability	$ 1,643,000	$ 2,191,000	$ 2,873,000

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

Life Insurance Plan

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

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

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to KTRS Life Insurance Plan

At June 30, 2023, the District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	$	-
Commonwealth's proportionate share of the Net OPEB liability associated with the District		36,000
	$	36,000

The net OPEB liability was measured as of June 30, 2022, and the total pension liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. An expected total OPEB liability as of June 30, 2022 was determined using standard roll-forward techniques. The District's proportion of the net OPEB liability was based on the actual liability of the employees and former employees relative to the total liability of the Commonwealth as determined by the actuary. At June 30, 2022, the District's proportion was 0.11514%. For the year ended June 30, 2023, the District recognized OPEB expense of $-0- and revenue of $2,733 for support provided by the State.

Actuarial methods and assumptions: The total OPEB liability was determined by applying procedures to the actuarial valuation as of June 30, 2021. The financial reporting actuarial valuation as of June 30, 2022, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Investment rate of return	7.1%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.0 – 7.5%, including wage inflation
Inflation rate	2.5%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Municipal Bond Index Rate	2.13%
Discount Rate	7.1%
Single Equivalent Interest Rate	7.1%, net of OPEB plan investment expense, including price inflation

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees and active members. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation and rates of plan election used in the June 30, 2021, valuation were based on the results of the most recent actuarial experience study for the system, which covered the five-year period ending June 30, 2020, adopted by the board on September 20, 2021. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System.

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

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

	Target Allocation	Expected Geometric Real Rate of Return
U.S. Equity	40.0%	4.4%
International Equity	23.0%	5.6%
Fixed Income	18.0%	(0.1)%
Real Estate	6.0%	4.0%
Private Equity	5.0%	6.9%
Additional Categories	6.0%	2.1%
Cash	2.0%	(0.3)%
Total	100.0%	

Discount rate: The discount rate used to measure the total OPEB liability as of the measurement date was 7.1%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB Statement No. 75. The projection's basis was an actuarial valuation performed as of June 30, 2021. In addition to the actuarial methods and assumptions of the June 30, 2021, actuarial valuation, the following actuarial methods and assumptions were used in the projection of the life insurance 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 Insurance Trust's funding policy determined by a valuation performed on a date two years prior to the beginning of the fiscal year in which the ADC applies.
- As administrative expenses were assumed to be paid in all years by the employer as they come due, they were not considered.
- Active employees do not contribute to the plan.
- Cash flows occur midyear.

Based on these assumptions, the Life Insurance Trust's fiduciary net position was not projected to be depleted. The FNP projections are based upon the Life Insurance Trust's financial status on the valuation date, the indicated set of methods and assumptions, and the requirements of GASB Statement No. 75. As such, the FNP projections are not reflective of the cash flows and asset accumulations that would occur on an ongoing basis, reflecting the impact of future members. Therefore, the results of these tests do not necessarily indicate whether the Life Insurance Trust actually will run out of money, the financial condition of the trust, or the trust's ability to make benefit payments in future years.

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

	1% Decrease (6.1%)	Current discount rate (7.1%)	1% Increase (8.1%)
Commonwealth's proportionate share of the net OPEB liability	$ 55,000	$ 36,000	$ 20,000

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

County Employees Retirement System Insurance Fund

Plan description: The County Employees Retirement System ("CERS") Insurance Fund was established to provide post-employment healthcare benefits to eligible members and dependents. The CERS Insurance Fund is a cost-sharing, multiple employer defined benefit plan administered by the Kentucky Retirement Systems' (KRS) board of trustees.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at https://kyret.ky.gov.

Benefits provided: 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, KRS pays a percentage of the monthly contribution rate for insurance coverage based on the retired member's years of service and type of service. Non-hazardous members receive a contribution subsidy for only the member's health insurance premium.

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

Contributions: CERS allocates a portion of the employer contributions to the health insurance benefit plans. For the year ending June 30, 2023, CERS allocated 3.39% of the 26.79% actuarially required contribution rate paid by employers for funding the healthcare benefit. In addition, 1.00% of the contributions by employees hired after September 1, 2008 are allocated to the health insurance plan. During the year ending June 30, 2023, the District contributed $57,965 to the CERS Insurance Fund. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

Implicit Subsidy: The fully-insured premiums KRS pays for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. This implicit subsidy is included in the calculation of the total OPEB liability.

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

At June 30, 2023, the District reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2021. An expected total pension liability as of June 30, 2022 was determined using standard roll-forward techniques. District's proportion of the net OPEB liability was based on contributions to CERS during the fiscal year ended June 30, 2022. At June 30 2022, the District's proportion was 0.055806%.

For the year ended June 30, 2023, the District recognized OPEB expense of approximately $155,938, including an implicit subsidy of $35,625. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 110,859	$ 252,563
Changes of assumptions	174,184	143,527
Net difference between projected and actual earnings on investments	44,701	-
Changes in proportion and differences between District contributions and proportionate share of contributions	122,105	91,132
District contributions subsequent to the measurement date	57,965	-
	$ 509,814	$ 487,222

Of the total amount reported as deferred outflows of resources related to OPEB, $57,965 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, 2024.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB are amortized over the average service life of all members. These will be recognized in OPEB expense as follows:

Year	
2024	$ (13,116)
2025	(8,198)
2026	(45,542)
2027	31,483
	$ (35,373)

Actuarial Methods and Assumptions - The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	29 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%

Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.20% at January 1, 2024 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Post-65	Initial trend starting at 9.00% in 2024, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Non-Hazardous Systems, and the PUB- 2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010
Post-retirement (non-disabled)	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
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

The single discount rates used to calculate the total OPEB liability within each plan changed since the prior year. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2021, valuation process and was updated to better reflect the plan's anticipated long-term healthcare costs. There were no other material assumption changes.

Senate Bill 209 passed during the 2022 legislative session and increased the insurance dollar contribution for members hired on or after July 1, 2003, by $5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023. Senate Bill 209 also allows members receiving the insurance dollar contribution to participate in a medical insurance reimbursement plan that would provide the reimbursement of premiums for health plans other than those administered by KPPA. The total OPEB liability as of June 30, 2022, is determined using these updated benefit provisions. There were no other material plan provision changes.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	**60.00%**	
Public Equity	50.00%	4.45%

Private Equity	10.00%	10.15%
Fixed Income	**20.00%**	
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	(0.91)%
Inflation Protected	**20.00%**	
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
Expected Real Return	**100.00%**	**4.28%**
Long Term Inflation Assumption		**2.30%**
Expected Nominal Return for Portfolio		**6.58%**

Discount rate - The discount rate used to measure the total OPEB liability was 5.70%. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.69%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2022. However, the cost associated with the implicit employer subsidy was not included in the calculation of the KRS' actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KRS' trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.70%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.70%) or 1-percentage-point higher (6.70%) than the current rate:

	1% Decrease (4.70%)	Current discount rate (5.70%)	1% Increase (6.70%)
District's proportionate share of the net OPEB liability	$ 1,472,315	$ 1,101,339	$ 749,666

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

	1% Decrease	Current trend rate	1% Increase
District's proportionate share of the net OPEB liability	$ 818,821	$ 1,101,339	$ 1,440,590

OPEB plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CERS financial report which is publicly available at https://kyret.ky.gov.

Payables to the OPEB plan - At June 30, 2023, there was no payable to CERS.

(9) CONTINGENCIES

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

The District is subject to certain legal proceedings arising from normal business activities. Administrative officials believe that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the accompanying financial statements.

(10) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky Employer's Mutual Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. It is managements' opinion that the District is in compliance with the COBRA requirements.

(12) INTERFUND TRANSACTIONS

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Interfund receivables and payables between funds are eliminated in the Statement of Net Position. The composition of interfund balances as of June 30, 2023 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue Fund	$ 641,860

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Operating	General	Special Revenue	Technology Match	$ 20,300
Operating	Special Revenue	Construction	Capital Outlay	37,725
Operating	Food Service	General	Indirect Cost	63,758
Operating	Building	Debt Service	Debt Service	1,042,275

(13) ON-BEHALF PAYMENTS

For the year ended June 30, 2023, total payments of $4,384,081 were made by the Commonwealth of Kentucky on behalf of the District for life insurance, health insurance, and KTRS matching and administrative fees, and vocational education. These payments were recognized as on-behalf payments and are recorded in the appropriate revenue and expense account on the Statement of Activities and the Government Funds Statement of Revenue, Expenditures, and Changes in Fund Balance.

On-behalf payments at June 30, 2023 consisted of the following:

Teacher Retirement-pension	$ 1,901,998
Teacher Retirement-OPEB	41,205
Health Insurance	1,063,630
Life Insurance	1,737
Admin Fee	13,904
HRA/Dental/Vision	85,050
Federal Reimbursement	(226,954)
Technology	83,858
Debt Service	1,419,653
Total on-behalf	$ 4,384,081

REQUIRED SUPPLEMENTARY INFORMATION

NICHOLAS COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2023

	Reporting Fiscal Year (Measurement Date) 2023 (2022)	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)	Reporting Fiscal Year (Measurement Date) 2017 (2016)	Reporting Fiscal Year (Measurement Date) 2016 (2015)	Reporting Fiscal Year (Measurement Date) 2015 (2014)
COUNTY EMPLOYEES RETIREMENT SYSTEM:									
District's proportion of the net pension liability	0.05582%	0.04779%	0.05036%	0.05451%	0.05692%	0.06028%	0.05863%	0.05846%	0.05824%
District's proportionate share of the net pension liability	$ 4,034,946	$ 3,947,880	$ 3,862,340	$ 3,833,572	$ 3,466,358	$ 3,528,491	$ 2,886,702	$ 2,513,637	$ 1,890,000
District's covered payroll	$ 1,509,230	$ 1,215,275	$ 1,280,098	$ 1,383,360	$ 1,396,354	$ 1,489,634	$ 1,398,611	$ 1,364,173	$ 1,336,220
District's proportionate share of the net pension liability as a percentage of its covered payroll	267.351%	250.798%	301.722%	277.120%	248.244%	236.870%	206.398%	184.261%	141.444%
Plan fiduciary net position as a percentage of the total pension liability	52.420%	57.330%	47.810%	50.450%	53.540%	53.300%	55.500%	59.970%	66.800%
KENTUCKY TEACHER'S RETIREMENT SYSTEM:									
District's proportion of the net pension liability	0.123%	0.111%	0.118%	0.125%	0.129%	0.135%	0.141%	0.141%	0.140%
District's proportionate share of the net pension liability	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
State's proportionate share of the net pension liability associated with the District	$ 20,845,825	$ 14,432,517	$ 16,737,156	$ 17,054,877	$ 16,899,438	$ 36,410,785	$ 41,669,787	$ 32,758,535	$ 28,850,987
Total	$ 20,845,825	$ 14,432,517	$ 16,737,156	$ 17,054,877	$ 16,899,438	$ 36,410,785	$ 41,669,787	$ 32,758,535	$ 28,850,987
District's covered payroll	$ 4,393,830	$ 4,040,943	$ 4,224,530	$ 4,462,318	$ 4,481,046	$ 4,509,696	$ 4,457,318	$ 4,408,979	$ 4,399,936
District's proportionate share of the net pension liability as a percentage of its covered payroll	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Plan fiduciary net position as a percentage of the total pension liability	56.410%	65.590%	58.300%	58.800%	59.300%	39.830%	35.220%	42.490%	45.590%

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

NICHOLAS COUNTY SCHOOL DISTRICT
SCHEDULE OF PENSION CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
COUNTY EMPLOYEES RETIREMENT SYSTEM:										
Contractually required contribution	$ 400,259	$ 319,504	$ 234,548	$ 247,059	$ 224,381	$ 202,192	$ 207,804	$ 173,703	$ 173,942	$ 183,604
Contributions in relation to the contractually required contribution	400,259	319,504	234,548	247,059	224,381	202,192	207,804	173,703	173,942	183,604
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered payroll	$ 1,710,509	$ 1,509,230	$ 1,215,275	$ 1,280,098	$ 1,383,360	$ 1,396,354	$ 1,489,634	$ 1,398,611	$ 1,364,173	$ 1,336,220
District's contributions as a percentage of its covered payroll	23.40%	21.17%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%
KENTUCKY TEACHER'S RETIREMENT SYSTEM:										
Contractually required contribution	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered payroll	$ 4,422,988	$ 4,393,830	$ 4,040,943	$ 4,224,530	$ 4,462,318	$ 4,481,046	$ 4,509,696	$ 4,457,318	$ 4,408,979	$ 4,399,936
District's contributions as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

NICHOLAS COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2023

	Reporting Fiscal Year (Measurement Date) 2023 (2022)	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
COUNTY EMPLOYEES RETIREMENT SYSTEM - INSURANCE FUND:						
District's proportion of the net OPEB liability	0.05581%	0.04779%	0.05034%	0.05449%	0.05691%	0.06028%
District's proportionate share of the net OPEB liability	$ 1,101,339	$ 914,973	$ 1,215,606	$ 916,565	$ 1,010,498	$ 1,211,874
District's covered payroll	$ 1,509,230	$ 1,215,275	$ 1,280,098	$ 1,383,360	$ 1,396,354	$ 1,489,634
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	72.974%	75.289%	94.962%	66.256%	72.367%	81.354%
Plan fiduciary net position as a percentage of the total OPEB liability	60.950%	62.910%	51.670%	60.400%	57.600%	52.400%
KENTUCKY TEACHER'S RETIREMENT SYSTEM - MEDICAL INSURANCE PLAN:						
District's proportion of the net OPEB liability	0.117%	0.107%	0.114%	0.120%	0.123%	0.129%
District's proportionate share of the net OPEB liability	$ 2,191,000	$ 1,265,000	$ 1,591,000	$ 1,946,000	$ 2,300,000	$ 2,533,000
State's proportionate share of the net OPEB liability associated with the District	720,000	1,028,000	1,274,000	1,571,000	1,982,000	2,069,000
Total	$ 2,911,000	$ 2,293,000	$ 2,865,000	$ 3,517,000	$ 4,282,000	$ 4,602,000
District's covered payroll	$ 3,903,633	$ 3,489,367	$ 3,710,100	$ 3,858,333	$ 3,941,800	$ 4,056,633
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Plan fiduciary net position as a percentage of the total OPEB liability	47.750%	51.740%	39.050%	32.600%	25.500%	21.180%

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

NICHOLAS COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2023

	Reporting Fiscal Year (Measurement Date) 2023 (2022)	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
KENTUCKY TEACHER'S RETIREMENT SYSTEM - LIFE INSURANCE PLAN:						
District's proportion of the net OPEB liability	0.115%	0.104%	0.111%	0.117%	0.121%	0.126%
District's proportionate share of the net OPEB liability	$ -	$ -	$ -	$ -	$ -	$ -
State's proportionate share of the net OPEB liability associated with the District	$ 36,000	$ 14,000	$ 39,000	$ 36,000	$ 34,000	$ 28,000
Total	$ 36,000	$ 14,000	$ 39,000	$ 36,000	$ 34,000	$ 28,000
District's covered payroll	$ 4,393,830	$ 4,040,943	$ 4,224,530	$ 4,462,318	$ 4,481,046	$ 4,509,696
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Plan fiduciary net position as a percentage of the total OPEB liability	73.970%	89.150%	71.570%	73.400%	75.000%	79.990%

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

NICHOLAS COUNTY SCHOOL DISTRICT
SCHEDULE OF OPEB CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2023

	2023	2022	2021	2020	2019	2018	2017
COUNTY EMPLOYEES RETIREMENT SYSTEM - INSURANCE FUND:							
Contractually required contribution	$ 57,965	$ 87,248	$ 57,833	$ 60,933	$ 72,773	$ 65,612	$ 70,456
Contributions in relation to the contractually required contribution	57,965	87,248	57,833	60,933	72,773	65,612	70,456
Contribution deficiency (excess)	-	-	-	-	-	-	-
District's covered payroll	$ 1,710,509	$ 1,509,230	$ 1,215,275	$ 1,280,098	$ 1,396,354	$ 1,396,354	$ 1,489,634
District's contributions as a percentage of its covered payroll	3.39%	5.78%	4.76%	4.76%	5.26%	4.70%	4.73%
KENTUCKY TEACHER'S RETIREMENT SYSTEM - MEDICAL INSURANCE PLAN:							
Contractually required contribution	$ 103,696	$ 117,109	$ 104,681	$ 111,303	$ 115,750	$ 118,254	$ 121,699
Contributions in relation to the contractually required contribution	103,696	117,109	104,681	111,303	115,750	118,254	121,699
Contribution deficiency (excess)	-	-	-	-	-	-	-
District's covered payroll	$ 3,456,533	$ 3,903,633	$ 3,489,367	$ 3,710,100	$ 3,858,333	$ 3,941,800	$ 4,056,633
District's contributions as a percentage of its covered payroll	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

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

NICHOLAS COUNTY SCHOOL DISTRICT
SCHEDULE OF OPEB CONTRIBUTIONS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2023

	2023	2022	2021	2020	2019	2018	2017
KENTUCKY TEACHER'S RETIREMENT SYSTEM - LIFE INSURANCE PLAN:							
Contractually required contribution	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-
Contribution deficiency (excess)	-	-	-	-	-	-	-
District's covered payroll	$ 3,456,533	$ 3,903,633	$ 3,489,367	$ 3,710,100	$ 3,858,333	$ 3,941,800	$ 4,056,633
District's contributions as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

(1) CHANGES OF ASSUMPTIONS

KTRS

In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the Board adopted an interest smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions.

In the 2016 valuation, rates of withdrawal, retirement, disability, mortality and rates of salary increase were adjusted to more closely reflect actual experience. In the 2016 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables projected to 2025 with projection scale BB, set forward two year for males and one year for females rather than the RP-2000 Mortality Tables projected to 2020 with projection scale AA, which was used prior to 2016.

The following change of assumptions were adopted by the Board of Trustees and reflected in the liability measurement as of June 30, 2018:

- Increased the Single Equivalent Interest Rate (SEIR) from 4.49% to 7.50%

In the 2020 experience study, rates of withdrawal, retirement, disability, mortality and salary increase were adjusted to more closely reflect actual experience. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set-forwards, set-backs and adjustments for each of the groups: service retirees, contingent annuitants, disabled retirees and actives. The assumed long-term investment rate of return was changed from 7.5% to 7.1% and the price inflation assumption was lowered from 3% to 2.5%.

CERS

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

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2017:

- Decreased the price inflation assumption to 2.30%.
- Decreased the assumed rate of return to 6.25%.
- Decreased the payroll growth assumption to 2.00%.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2019:

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.30% (varies by service).
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) is a system specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2022.
- The mortality table used for post-retirement (disabled) is PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020:

- Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2019.

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

KTRS

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

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	25.4 years
Asset Valuation Method	5-year smoothed fair value
Inflation	3.0%
Salary Increase	3.5% to 7.3%, including inflation
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation

CERS

The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of that schedule:

Valuation Date	June 30, 2020
Experience Study	July 1, 2013 - June 30, 2018

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	30 years closed period at June 30, 2019 (Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases)
Payroll growth	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB362 enacted in 2018
Mortality	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.

(3) CHANGES OF BENEFITS

KTRS

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

CERS

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The total pension liability as of June 30, 2022 is determined using these updated benefit provisions.

Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for qualified members who become "totally and permanently disabled" as a result of a duty-related disability. The minimum disability benefit increased from 25% of the member's monthly final rate of pay to 75% of the member's monthly average pay. The insurance premium for the member, the member's spouse, and the member's dependent children shall also be paid in full by the System. For non-hazardous members to be eligible for this benefit, they must be working in a position that could be certified as a hazardous position. There were no other material plan provision changes since the prior valuation.

(1) CHANGES OF ASSUMPTIONS

KTRS

Medical Insurance Plan & Life Insurance Plan: The following change of assumptions were adopted by the Board of Trustees and reflected in the liability measurement as of June 30, 2020:

- In the 2020 experience study, rates of withdrawal, retirement, disability, mortality and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub-2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, set-backs and adjustments for each of the groups: service retirees, contingent annuitants, disabled retirees and actives.
- The assumed long-term investment rate of return was changed from 7.5% to 7.1%. The price inflation assumption was lowered from 3% to 2.5%.
- The rates of member participation and spousal participation were adjusted to reflect actual experience more closely.

For 2022, the health care trend rates were updated to reflect future anticipated experience.

CERS Insurance Fund

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2017:

- Decreased the price inflation assumption to 2.30%.
- Decreased the assumed rate of return to 6.25%.
- Decreased the payroll growth assumption to 2.00%.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2019:

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.30% (varies by service).
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) is a system specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
- The mortality table used for post-retirement (disabled) is PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

For the June 30, 2020 measurement date, the assumed increase in future health care costs, or trend assumption, is reviewed on an annual basis and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. The assumed impact of the Cadillac Tax (previously a 0.9% load on employer paid non-Medicare premiums for those who became participants prior to July 1, 2003) was removed to reflect its repeal since the prior valuation.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2022:

- The single discount rates used to calculate the total OPEB liability increased from 5.34% to 5.70%.

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

KTRS

Medical Insurance Plan - The medical insurance plan is not funded based on an actuarially determined contribution, but instead is funded based on statutorily determined amounts. For 2022, the KTRS Board of Trustees approved a single contribution amount of up to $696.84. KTRS will contribute this amount towards insurance costs, less the Shared Responsibility cost of $148.50.

Life Insurance Plan - The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of the schedule:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	25 years, Closed
Asset valuation method	Five-year smoothed fair value
Inflation	3%
Real wage growth	0.5%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5% - 7.2%
Discount rate	7.5%

CERS Insurance Fund

The following actuarial methods and assumptions, for actuarially determined contributions effective for fiscal year ending June 30, 2022:

Experience Study	July 1, 2008 - June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 years, closed period at June 30, 2019 (Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases)
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 11.55%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 6.40% at January 1, 2022 and gradually decreasing to an ultimate

	trend rate of 4.05% over a period of 14 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post – 65	Initial trend starting at 6.30% on January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement. Additionally, Humana provided "Not to Exceed" 2022 Medicare premiums, which were incorporated and resulted in an assumed 2.90% increase in Medicare premiums at January 1, 2022.
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.
Mortality	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.

(3) CHANGES OF BENEFITS

KTRS

Medical Insurance Plan

June 30, 2022:

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

Life Insurance Plan

June 30, 2022:

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

CERS

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2022, is determined using these updated benefit provisions.

Senate Bill 169 passed during the 2022 legislative session 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 OPEB liability as of June 30, 2022, is determined using these updated benefit provisions.

Senate Bill 209 passed during the 2022 legislative session increased the insurance dollar contribution for members hired on or after July 1, 2003 by $5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023.

SUPPLEMENTARY INFORMATION

NICHOLAS COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2023

	School Activity Fund	Capital Outlay Fund	Building Fund	Total Non-Major Governmental Funds
ASSETS:				
Cash and cash equivalents	$ 172,308	$ 96,661	$ 261,485	$ 530,454
Accounts receivable	-	-	-	-
Total assets	$ 172,308	$ 96,661	$ 261,485	$ 530,454
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts payable	$ -	$ -	$ -	$ -
Total liabilities	-	-	-	-
Fund Balances:				
Restricted	172,308	96,661	261,485	530,454
Unassigned	-	-	-	-
Total fund balance	172,308	96,661	261,485	530,454
Total liabilities and fund balances	$ 172,308	$ 96,661	$ 261,485	$ 530,454

NICHOLAS COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Student Activity Fund	Capital Outlay Fund	Building Fund	Total Non-Major Governmental Funds
REVENUES:				
From local sources -				
Taxes -				
Property	$ -	$ -	$ 375,040	$ 375,040
Other local revenues	451,143	-	-	451,143
Intergovernmental - State	-	96,661	607,034	703,695
Total revenues	451,143	96,661	982,074	1,529,878
EXPENDITURES:				
Current -				
Instruction	450,196	-	-	450,196
Student support services	-	-	-	-
Instructional staff support services	-	-	-	-
Debt service	-	-	-	-
Total expenditures	450,196	-	-	450,196
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	947	96,661	982,074	1,079,682
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	(1,042,275)	(1,042,275)
Total other financing sources (uses)	-	-	(1,042,275)	(1,042,275)
NET CHANGE IN FUND BALANCE	947	96,661	(60,201)	37,407
FUND BALANCE JUNE 30, 2022	171,361	-	321,686	493,047
FUND BALANCE JUNE 30, 2023	$ 172,308	$ 96,661	$ 261,485	$ 530,454

NICHOLAS COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Cash Balance June 30, 2022	Receipts	Disbursements	Cash Balance June 30, 2023	Accounts Payable	Restricted Fund Balance June 30, 2023
Nicholas County High School	$ 145,643	$ 370,220	$ 366,339	$ 149,524	$ -	$ 149,524
Nicholas County Elementary	25,718	80,923	83,857	22,784	-	22,784
	$ 171,361	$ 451,143	$ 450,196	$ 172,308	$ -	$ 172,308

NICHOLAS COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SCHOOL ACTIVITY FUNDS
NICHOLAS COUNTY HIGH SCHOOL
FOR THE YEAR ENDED JUNE 30, 2023

	Cash Balance June 30, 2022	Receipts	Disburse-ments	Cash Balance June 30, 2023	Accounts Payable	Restricted Fund Balance June 30, 2023
General	$ 1,163	$ 17,959	$ 12,347	$ 6,775	$ -	$ 6,775
Soph. Class 2024	4,514	6,415	5,513	5,416	-	5,416
Health-PE	250	1,315	1,266	299	-	299
Testing Incentives	1,153	847	507	1,493	-	1,493
Class 2023 FR	2,703	130	2,262	571	-	571
Drama Club	1,577	-	-	1,577	-	1,577
Band	4,738	15,880	15,601	5,017	-	5,017
Class 2022 10th	956	920	1,057	819	-	819
AG Science	-	405	24	381	-	381
Interact	1,736	608	446	1,898	-	1,898
Project Grad	3,287	-	-	3,287	-	3,287
9th Sci Fee	656	530	217	969	-	969
Science Lab/Chemistry	924	909	-	1,833	-	1,833
FFA WLC Scholarship	91	10,624	10,715	-	-	-
Poster Machine	68	-	-	68	-	68
Flower Fund	96	33	-	129	-	129
Bluejacket Madness	-	6,161	6,161	-	-	-
Class of 2025 Soph	913	1,685	645	1,953	-	1,953
FFA	3,259	32,621	35,879	1	-	1
Banquet FFA	890	2,520	2,922	488	-	488
FCCLA	578	827	1,405	-	-	-
Food to Table	4,500	-	1,557	2,943	-	2,943
Academic Team	29	-	-	29	-	29
Middle School	-	616	349	267	-	267
Library	322	-	-	322	-	322
Greenhouse	11,518	10,502	10,785	11,235	-	11,235
Yearbook	12,225	8,542	6,300	14,467	-	14,467
Science Fair/Biology	574	250	626	198	-	198
FBLA	1,171	14,570	13,574	2,167	-	2,167
Angel Tree	1,073	306	1,169	210	-	210
NCHS Honor Society	4	576	575	5	-	5
AmeriCorps	-	150	-	150	-	150
Athletic Fund	175	42,833	39,908	3,100	-	3,100
Concessions	9,988	44,432	36,547	17,873	-	17,873
All A	1,000	-	500	500	-	500
Volleyball 38th	-	1,681	496	1,185	-	1,185
38th District BB GB	3,491	874	-	4,365	-	4,365
Region 10 Girls	1,220	-	-	1,220	-	1,220

NICHOLAS COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SCHOOL ACTIVITY FUNDS (CONCLUDED)
NICHOLAS COUNTY HIGH SCHOOL
FOR THE YEAR ENDED JUNE 30, 2023

	Cash Balance June 30, 2022	Receipts	Disburse-ments	Cash Balance June 30, 2023	Accounts Payable	Restricted Fund Balance June 30, 2023
Region 10 Boys FB	-	873	873	-	-	-
Region 10 Boys BB	1,900	5,469	3,337	4,032	-	4,032
Cross Country	387	4,677	4,265	799	-	799
Golf	-	427	242	185	-	185
Track	150	4,822	3,635	1,337	-	1,337
Tennis	117	54	115	56	-	56
Cheerleading State Comp	197	1,803	2,000	-	-	-
Volleyball Fund	11,658	8,692	16,022	4,328	-	4,328
Football Fund	7,158	10,656	15,266	2,548	-	2,548
Baseball Fund	8,561	41,274	39,710	10,125	-	10,125
Boys Basketball Fund	9,721	32,054	32,656	9,119	-	9,119
Girls Basketball Fund	4,436	6,811	7,069	4,178	-	4,178
Softball Fund	11,651	3,098	13,481	1,268	-	1,268
HS Cheerleaders	3,839	14,372	14,395	3,816	-	3,816
MS Football	41	100	73	68	-	68
MS Girls BB	1,376	2,384	1,623	2,137	-	2,137
MS Cheerleaders	360	-	360	-	-	-
M/S Athletic	1,006	8,407	3,288	6,125	-	6,125
ORVC VB	1,870	-	-	1,870	-	1,870
7th Science Fees	-	110	-	110	-	110
MS Honor Society	3,274	2,294	3,038	2,530	-	2,530
MS Classroom	56	914	970	-	-	-
8th Science Fees	974	270	489	755	-	755
7th Grade Classroom	36	53	89	-	-	-
District Activity Acct	33	-	-	33	-	33
Startup	-	3,800	3,650	150	-	150
Chromebook	-	10,745	10,000	745	-	745
	145,643	389,880	385,999	149,524	-	149,524
Less: Intrafund Transfers	-	(19,660)	(19,660)	-	-	-
	$ 145,643	$ 370,220	$ 366,339	$ 149,524	$ -	$ 149,524

NICHOLAS COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Program or Award Amount	Expenditures	
U.S. Department of Education						
Passed through Kentucky Department of Education:						
Title I Grants to Local Educational Agencies	84.010	3100002-22	-	$ 531,824	$ 398,609	
Title I Grants to Local Educational Agencies	84.010	3100002-20	-	5,000	4,211	
Title I Grants to Local Educational Agencies	84.010	3100002-21	-	485,589	223,987	
					626,807	
Migrant Education - State Grant Program	84.011	310002-21	-	103,910	105,656	
Migrant Education - State Grant Program	84.011	310002-22	-	103,910	27,157	
Migrant Education - State Grant Program	84.011	310002-20	-	114,105	11,000	
Migrant Education - State Incentive Grant Program	84.011	310002-19	-	18,295	18,298	
Migrant Education - State Grant Program	84.011	310002-21	-	88,478	19,028	
					181,139	
Special Education Cluster (IDEA):						
Special Education Grants to States - IDEA, Part B	84.027	3810002-21	-	213,419	143,772	
Special Education Grants to States - IDEA, Part B	84.027	3810002-22	-	252,647	56,640	
Special Education Preschool Grants	84.173	3800002-21	-	8,493	8,493	
Total Special Education Cluster					208,905	
Rural Education	84.358	3140002-22	-	23,392	9,690	
Rural Education	84.358	3140002-21	-	23,392	22,802	
					32,492	
Improving Teacher Quality State Grants	84.367	3230002-22	-	70,130	58,374	
Improving Teacher Quality State Grants	84.367	3230002-21	-	68,222	16,489	
					74,863	
Student Support and Academic Enrichment Grant	84.424	34200002-20	-	34,324	(1,411)	
Student Support and Academic Enrichment Grant	84.424	34200002-22	-	37,300	8,265	
Student Support and Academic Enrichment Grant	84.424	34200002-21	-	36,082	19,643	
					26,497	
Vocational Education Basic Grants to States	84.048	3710006-22	-	23,278	23,278	
					23,278	
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425U	473G	-	2,831,934	1,160,072	*
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	554G	-	245,000	(1,299,094)	*
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	554GD	-	1,397,009	1,397,009	*
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	554GS	-	69,269	49,790	*
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	554I	-	-	(169)	*
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	563J	-	34,557	9,003	*
COVID-19 - GEER Funds	84.425C	613F	-	100,000	34,667	*
					1,351,278	*
Total U.S. Department of Education					2,525,259	

NICHOLAS COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Program or Award Amount	Expenditures
U.S. Department of Agriculture					
Child Nutrition Cluster:					
National School Lunch Program	10.555	7750002-23	-	-	492,613
National School Lunch Program	10.555	7750002-22	-	-	195,581
National School Lunch Program	10.555	9980000-22	-	-	31,024
National School Lunch Program	10.555	9980000-23	-	-	16,324
School Breakfast Program	10.553	7760005-23	-	-	258,411
School Breakfast Program	10.553	7760005-22	-	-	111,349
Summer Food Service Program for Children	10.559	7690024-22	-	-	1,682
Summer Food Service Program for Children	10.559	7740023-22	-	-	16,240
					1,123,224
Non-cash Assistance:					
Food Donation	10.555	057502-02	-	-	56,522
Total Child Nutrition Cluster					1,179,746
State Pandemic EFT	10.649	9990000-22	-	-	3,135
State Administrative Expenses for Child Nutrition	10.560	7700001-21	-	-	368
Total U.S. Department of Agriculture					1,183,249
Total expenditures of Federal Awards					$ 3,708,508

* Denotes major program.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - BASIS OF PRESENTATION

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

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2023, commodities on hand are included in the total inventory of $18,337.

NOTE D - INDIRECT COST RATE

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

Kelley Galloway
Smith Goolsby, PSC
Certified Public Accountants and Advisors

1200 Corporate Court • P. O. Box 990 • Ashland, Kentucky 41105
• Phone (606) 329-1811 (606) 329-1171 • Fax (606) 329-8756 (606) 325-0590
• Web www.kgsgcpa.com Member of Allinial GLOBAL

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
Members of the Board of Education
Nicholas County School District
Carlisle, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Nicholas County School District (the "District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 6, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated November 6, 2023.

Purpose of this Report

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

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
November 6, 2023

Kelley Galloway
Smith Goolsby, PSC
Certified Public Accountants and Advisors

1200 Corporate Court • P. O. Box 990 • Ashland, Kentucky 41105
• Phone (606) 329-1811 (606) 329-1171 • Fax (606) 329-8756 (606) 325-0590
• Web www.kgsgcpa.com Member of Allinial GLOBAL.

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
Members of the Board of Education
Nicholas County School District
Carlisle, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the 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 compliancc requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
November 6, 2023

NICHOLAS COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

(A) SUMMARY OF AUDIT RESULTS

Type of Auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal Control over financial reporting:	
Material weakness(es) identified?	______ yes __x__ no
Significant deficiency(ies) identified?	______ yes __x__ none reported
Noncompliance material to the financial statements noted?	______ yes __x__ no
Federal Awards	
Internal control over major federal programs:	
Material weakness(es) identified?	______ yes __x__ no
Significant deficiency(ies) identified?	______ yes __x__ none reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	______ yes __x__ no

Identification of major federal programs:

COVID-19 – Elementary and Secondary School Emergency Relief Fund and COVID-19 – GEER Funds (84.425U, 84.425D, and 84.425C)

Dollar threshold to distinguish between Type A and Type B Programs:	$ 750,000
The District qualified as a low risk auditee?	__x__ yes ______ no

(B) FINANCIAL STATEMENT FINDINGS

None noted in the current year.

(C) FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings in the current year.

NICHOLAS COUNTY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2023

There were no findings in the prior year.

Kelley Galloway Smith Goolsby, PSC
Certified Public Accountants and Advisors

1200 Corporate Court • P. O. Box 990 • Ashland, Kentucky 41105
• Phone (606) 329-1811 (606) 329-1171 • Fax (606) 329-8756 (606) 325-0590
• Web www.kgsgcpa.com Member of Allinial GLOBAL

Kentucky State Committee for School District Audits
Members of the Board of Education
Nicholas County School District
Carlisle, Kentucky

In planning and performing our audit of the financial statements of Nicholas County School District (the "District") as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit, we became aware of matters that are an opportunity for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated November 6, 2023, on the financial statements of the District.

We will review the status of these comments during our next audit engagement. We have already discussed these comments with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of the matters, or to assist you in implementing the recommendations.

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
November 6, 2023

NICHOLAS COUNTY SCHOOL DISTRICT

MANAGEMENT LETTER POINTS

FOR THE YEAR ENDED JUNE 30, 2023

2023-1 High School Activity Fund - Deposits

Statement of Condition: We noted several instances where checks received were not deposited in a timely manner.

Criteria for Condition: Checks received should be deposited by the next business day at the latest.

Cause of Condition: Oversight.

Effect of the Condition: Deposits could be misplaced or stolen.

Recommendation of the Condition: We recommend that further procedures be implemented to ensure all deposits are made in a timely manner.

Management Response: The Finance Officer and Superintendent have reviewed instances and discussed with the Principals, as well as the Bookkeeper and Athletic Directors. Previous on-going training corrected past issues of completeness and correctness. Point of discussion was that all checks must be turned in same day or next business day as received by staff members, coaches, sponsors, etc. Principals will implement additional protocol to be alerted of any deposits turned in late by coaches/sponsors, so this can be addressed as it takes place.

2023-2 Booster Clubs

Statement of Condition: We noted that the Band booster club did not submit a budget at the beginning of the year as required.

Criteria for Condition: According to Redbook guidelines, each external support/booster organization must submit an annual external budget worksheet (Form F-SA-4B) to the principal within the first thirty days of the school year or within the thirty days of the first transaction of the group.

Cause of Condition: Unknown.

Effect of the Condition: Noncompliance with Redbook.

Recommendation of the Condition: We recommend that booster organizations submit necessary forms in a timely manner.

Management Response: The Finance Officer and Superintendent have reviewed instances and discussed with the Princpals, as well as Bookkeeper. This finding will be reviewed with the current Booster Officers. These officers are new as of January 2023, and have completed Redbook Training. This shouldn't be an issue for FY2024. Principal and Bookkeeper agree to create procedures to ensure these reports are obtained within the proper timelines per Redbook Guidelines

2023-3 Gate Receipts

Statement of Condition: We noted 2 instances where the Form F-SA-1, Requisition and Report of Ticket Sales, had missing signatures.

Criteria for Condition: Per Redbook guidelines, the person in charge of sales, the ticket taker and the school treasurer are to sign the Form F-SA-1.

Cause of Condition: Oversight.

Effect of the Condition: Segregation of duties between gate workers is not properly documented.

Recommendation of the Condition: We recommend that Redbook guidelines be followed and the form be completed in full.

Management Response: The Finance Officer and Superintendent have reviewed instances and discussed with the Principals, as well as the Bookkeeper and Athletic Directors. Previous on-going training corrected past issues of completeness and correctness. Point of discussion was that all Gate Receipt forms must be signed by all parties, as required. Proper oversight by administrators prior to accepting unsigned documents will be primary focus moving forward, with monthly reporting to the Finance Director.

2023-4 Construction Account

Statement of Condition: We noted the new construction account had not been reconciled during the year which required an adjustment to record the interest earned on the account.

Criteria for Condition: Good internal controls require all bank accounts to be reconciled on a monthly basis.

Cause of Condition: Oversight.

Effect of the Condition: Interest had not been recorded for the year, so the balance was understated.

Recommendation of the Condition: We recommend that all bank accounts be reconciled on a monthly basis, even ones with little activity.

Management Response: The Finance Officer and Superintendent have reviewed instances and discussed. Finance Officer will reconcile account monthly when there are construction projects active.

2023-5 Classified Employee Contracts

Statement of Condition: We noted that employee contracts were not provided to classified employees for fiscal year 2023.

Criteria for Condition: KRS 161.011 requires that all classified employees be provided written contracts annually.

Cause of Condition: District personnel thought the contract was automatically renewed unless canceled.

Effect of the Condition: Noncompliance with KRS.

Recommendation of the Condition: We recommend that the District formally renew written contracts with classified employees annually.

Management Response: The Finance Officer and Superintendent have reviewed instances. District will renew contracts annually as per KRS 161.011.

Status of Prior Year Management Points

All conditions were corrected, except 2022-1 was repeated above as 2023-1. Mr. Doug Bechanan, Superintendent, is the person responsible for initiation of the corrective action plan for the above conditions which will be implemented immediately. The corrective actions plan is the management response for each condition.