CARTER COUNTY
SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES

For the year ended June 30, 2025

Prepared by:

Allen & Associates, PLLC
PO Box 974
Richmond, Kentucky 40476
Phone (859) 806-5290 Fax (859) 349-0061

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT…..…….……..	1-3
MANAGEMENT DISCUSSION AND ANALYSIS……...……	4-8
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position…….……..	9
Statement of Activities…….……...	10
Fund Financial Statements:	
Balance Sheet - Governmental Funds……...…..…….…….....	11
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position…….……..	12
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds……	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities…….……...	14
Statement of Fund Net Position – Proprietary Fund…….…….…….	15
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund.…….……..……..	16
Statement of Cash Flows – Proprietary Fund……..……	17
Statement of Net Position – Fiduciary Fund……..……	18
Statement of Changes in Net Position – Fiduciary Fund……..……	19
Notes to the Financial Statements……..……..…....	20-54
REQUIRED SUPPLEMENTARY INFORMATION	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - General Fund …….	55
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Special Revenue Fund……..……...	56
Schedule of the District's Proportionate Share of the Net Pension Liability CERS and TRS…..……...……..	57
Schedule of Contributions CERS and TRS…….…….....	58
Notes to Required Supplementary Information – Pensions…….……..…….	59-60
Schedule of the District's Proportionate Share of the Net OPEB Liability – Medical and Life Insurance Plans – Teachers' Retirement System….…….……..	61
Schedule of Contributions - Medical and Life Insurance Plans – Teachers' Retirement System ……...……..	62

Schedule of the District's Proportionate Share of the Net OPEB Liability - Health Insurance Plan – County Employee Retirement System……..…….. 63
Schedule of Contributions - Health Insurance Plan – County Employee Retirement System …….……... 64
Notes to Required Supplementary Information - OPEB…….…. 65-66

SUPPLEMENTARY INFORMATION

Combining Statements – Nonmajor Funds and Other:
Combining Balance Sheet – Nonmajor Governmental Funds ……..……..…….. 67
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds…… 68
Combining Balance Sheet – School Activity Funds……...…….….. 69
Combining Statement of Revenues, Expenses, and Changes in Fund Balance - School Activity Funds……...…… 70
Statement of Revenues, Expenses, and Changes in Fund Balance - East Carter County High School……...…….…… 71
Statement of Revenues, Expenses, and Changes in Fund Balance - West Carter County High School……...…….…… 72

Schedule of Expenditures of Federal Awards…….…….. 73

Notes to the Schedule of Expenditures of Federal Awards…….. 74

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*…….…. 75-76

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE…… 77-79

SCHEDULE OF FINDINGS AND QUESTIONED COSTS……..……... 80-81

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS……...……..... 82

CORRECTIVE ACTION PLAN……..……...……..... 83

ALLEN & ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

859-806-5290
859-349-0061
www.allenandassociatescpa.com
PO Box 974, Richmond, KY 40476

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Carter County School District
Grayson, KY

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Carter County School District (District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter – Adoption of New Accounting Standard

As discussed in Note A to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, during the year ended June 30, 2025. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Allen + Associates, PLLC

Richmond, KY
March 11, 2026

CARTER COUNTY SCHOOL DISTRICT-GRAYSON, KY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FISCAL YEAR ENDED JUNE 30, 2025

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

FINANCIAL HIGHLIGHTS

- The beginning net position for Governmental Activities was **$62,418,908** ending the Fiscal Year on June 30, 2024.
- The ending net position for Governmental Activities increased **$23,351,940** to a balance of **$85,770,848** ending the Fiscal Year on June 30, 2025.
- An increase in net position is primarily due to State funds received for Capital Construction that have not been expending at June 30 and bond principal payments over debt incurred.
- Beginning district-wide net assets including capital assets and related long term debt was **61,613,825** ending the Fiscal Year June 30, 2024.
- The ending district-wide net position increased **$22,917,373** to **$84,531,198** ending the Fiscal Year June 30, 2025.
- An increase in District-wide net position is attributable to State and Federal grants expended for Capital Construction and bond principal payments paid over debt incurred.
- A significant portion of funding for the 2025 fiscal year was allocated using the prior year average daily attendance of **3,532**.
- A significant portion of the funding for the upcoming 2026 fiscal year will be based on average daily attendance from the 2025 school year**.** Average daily attendance for the Fiscal Year ended June 30, 2025 was **3,514**.
- During the 2025 Fiscal Year Carter County Board of Education expended **$26,080,135** on capital assets; made principal payments for the retirement of debt in the amount of $**2,283,000** and made bond sinking fund contributions of **$435,631**.

OVERVIEW OF FINANCIAL OF STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's financial statements consist of three basic components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements. This report 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 assets presents information on all of the District's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent past fiscal year. All changes in net assets are reported 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 (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The governmental-wide financial statements can be found on pages **9-18** of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the district are included in the governmental funds..

The basic governmental fund financial statements can be found on pages 9-18 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-57 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by **$84,531,198** million as of June 30, 2025.

The largest portion of the District's net assets 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 Assets for the period ending	**June 30, 2024**	**June 30, 2025**
Current Asset	**$61,912,500**	**$59,169,375**
Noncurrent Assets	**61,177,830**	**81,680,045**
Total Assets	**123,090,330**	**140,849,420**
Current Liabilities	**3,768,145**	**6,036,497**
Noncurrent Liabilities	**57,708,360**	**50,281,725**
Total Liabilities	**61,476,505**	**56,318,222**
Net Assets		
Investment in capital assets (net of debt)	**31,456,493**	**57,236,658**
Restricted-Other	**(484,508)**	**(873,404)**
Restricted for Future Construction	**48,209,161**	**42,117,191**
Unrestricted	**(17,567,772)**	**(13,949,248)**
Total Net Asset	**$ 61,613,825**	**$ 84,531,198**

Comments on Budget Comparisons

- The District's total revenue for the fiscal year ended June 30, 2025, net of Interfund transfers was **$76,520,470**.
- General fund budget compared to actual revenue varied from line item to line item with the ending actual balance being **$1,116,517** more than budget.
- General fund budget compared to actual expenditures varied from line item to line item with the ending actual balance being **$88,692** less than budget.
- General fund budget compared to actual other financing sources (uses) varied from line item to line item with the ending balance being **$9,023** more than budget.
- The net change in the general fund balance was **$1,185,171** more favorable than budget.

The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2025, excluding fund transfers and fiduciary funds.

	Amount
Revenues:	
Taxes	**$ 8,780,783**
State Aid Formula Grants	**32,523,718**
Operating Grants and Contributions	**27,138,655**
Capital Grant and Contributions	**4,246,018**
Charges for Services	**101,733**
Investment Earnings	**2,447,104**
Other	**1,282,459**
Total revenues	**$76,520,470**
Expenses	
Instruction	**$28,790,219**
Student Support Services	**2,141,116**
Staff Support	**1,268,660**
District Administration	**921,593**
School Administration	**2,240,737**
Business Support	**573,449**
Plant Operations	**6,570,420**
Student Transportation	**4,579,749**
Food Service Operations	**4,727,704**
Day Care Operations	**41,843**
Community Support	**660,491**
Interest on Long Term Debt	**1,087,116**
Total expenses	**$53,603,097**
Revenue in Excess of Expense	**$ 22,917,373**

Revenue

The largest source of revenue was derived from **State Aid Formula Grants**, **43%,** with local taxes making up **11%** of total revenue.

School Allocation

Instruction accounts for **54%** for of the school level expenditures.

BUDGETARY IMPLICATIONS

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal programs operate on a different fiscal calendar but are reflected in the district overall budget. State law requires the budget to contain a minimum of 2% in contingency. The district adopted a budget with **$7,041,727** in contingency in the current 20**26** school year.

Questions regarding this report should be directed to the Superintendent, Dr. Paul Green, **(606) 474-6696,** or to Jerry A. Lyons, Business Office Manager, **(606) 474-6696,** or by mail at 228 South Carol Malone Blvd., Grayson, KY 41143**.**

Carter County School District
Statement of Net Position
June 30, 2025

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 34,913,176	939,770	$ 35,852,946
Investments	16,909,050		16,909,050
OPEB asset		41,553	41,553
Receivables (net)			
Taxes	275,768		275,768
Accounts	5,025,233	321,124	5,346,357
Intergovernmental			-
Inventories		55,769	55,769
Prepaid expense	729,486		729,486
Capital assets:			-
Land, and construction in progress	2,092,173		2,092,173
Other capital assets, net of depreciation	71,901,849	174,107	72,075,956
Total capital assets	73,994,022	174,107	74,168,129
Total assets	131,846,735	1,532,323	133,379,058
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	2,497,211	484,002	2,981,213
Deferred outflows related to OPEB	4,270,061	150,421	4,420,482
Deferred savings from refunding bonds	110,220		110,220
Total deferred outflows of resources	6,877,492	634,423	7,511,915
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	138,724,227	2,166,746	140,890,973
LIABILITIES			
Accounts payable	2,531,108	275,744	2,806,852
Unearned revenue	212,062		212,062
Unamortized Bond Premium	40,692		40,692
Accrued Payroll & Related Expenses	692,100		692,100
Long-term liabilities:			
Due within 1 year:			
Bond obligations	2,344,000		2,344,000
Interest Payable	152,853		152,853
Total due within 1 year	2,496,853	-	2,496,853
Due in more than 1 year:			
Bond obligations	19,501,000		19,501,000
Sick leave	1,679,859		1,679,859
Net pension liability	10,589,786	2,041,108	12,630,894
Net OPEB liability	5,106,852		5,106,852
Total due in more than 1 year	36,877,497	2,041,108	38,918,605
Total liabilities	42,850,312	2,316,852	45,167,164
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	2,186,445	421,422	2,607,867
Deferred inflows related to OPEB	7,916,621	668,123	8,584,744
Total deferred inflows of resources	10,103,066	1,089,545	11,192,611
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	52,953,378	3,406,397	56,359,775
NET POSITION			
Net Investment in capital assets	57,062,550	174,107	57,236,657
Restricted for:			
Future Construction	42,117,191		42,117,191
Other	540,354		540,354
Deficit	(13,949,246)	(1,413,758)	(15,363,004)
Total net position	85,770,849	(1,239,651)	84,531,198
TOTAL LIABILITIES DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 138,724,227	$ 2,166,746	$ 140,890,973

See the accompanying notes to the financial statements.

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

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total
PRIMARY GOVERNMENT:							
Governmental activities:							
INSTRUCTIONAL	$ 28,790,219		$ 21,644,718	$	$ (7,145,501)		$ (7,145,501)
STUDENT SUPPORT SERVICES	2,141,116		38,761		(2,102,355)		(2,102,355)
STAFF SUPPORT SERVICES	1,268,660		310,135		(958,526)		(958,526)
DISTRICT ADMINISTRATION	921,593		-		(921,593)		(921,593)
SCHOOL ADMINISTRATION	2,240,737		-		(2,240,737)		(2,240,737)
BUSINESS SUPPORT SERVICES	573,449		35,764		(537,685)		(537,685)
PLANT OPERATION AND MAINTENANCE	6,570,420		348,307		(6,222,113)		(6,222,113)
STUDENT TRANSPORTATION	4,579,749		24,146		(4,555,602)		(4,555,602)
FOOD SERVICE	1,293		-		(1,293)		(1,293)
COMMUNITY SERVICE OPERATIONS	660,491		551,320		(109,171)		(109,171)
FACILITY ACQUISITION & CONSTRUCTN	-			4,246,018	4,246,018		4,246,018
INTEREST ON LONG-TERM DEBT	1,087,116				(1,087,116)		(1,087,116)
Total governmental activities	48,834,843	-	22,953,150	4,246,018	(21,635,675)		(21,635,675)
Business-type activities:							
FOOD SERVICE	4,726,411	58,101	4,185,505			(482,805)	(482,805)
DAYCARE OPERATIONS	41,843	43,632				1,789	1,789
Total business-type activities	4,768,255	101,733	4,185,505	-	-	(481,017)	(481,017)
Total primary government	$ 53,603,097	$ 101,733	$ 27,138,655	$ 4,246,018	(21,635,675)	(481,017)	(22,116,691)
General revenues:							
Taxes					8,780,783		8,780,783
State and formula grants					32,523,718		32,523,718
Investment Earnings					2,400,655	46,449	2,447,104
Miscellaneous					1,282,459		1,282,459
Total general revenues					44,987,615	46,449	45,034,064
Change in net position					23,351,940	(434,568)	22,917,373
Net position - beginning					62,418,908	(805,083)	61,613,825
Net position - ending					$ 85,770,848	$ (1,239,651)	$ 84,531,197

See the accompanying notes to the financial statements.

Carter County School District
Balance Sheet
Governmental Funds
June 30, 2025

	General	Special Revenue	Construction	Total Other Funds	Total
ASSETS					
Cash and cash equivalents	$ 6,546,235	$ (4,712,126)	32,524,704	$ 554,364	$ 34,913,176
Investments			12,000,000	4,909,050	16,909,050
Receivables, net					
Taxes-current	275,768				275,768
Taxes-delinquent					-
Accounts	65,648	4,949,784		9,800	5,025,233
Prepaid Expenditures	729,486				729,486
Total assets	7,617,137	237,658	44,524,704	5,473,214	57,852,712
LIABILITIES					
Accounts payable	78,667	25,596	2,407,513	19,332	2,531,108
Accrued Payroll & Related Expenses	692,100				692,100
Advances From Grantors		212,062			212,062
Total liabilities	770,767	237,658	2,407,513	19,332	3,435,270
FUND BALANCE					
Nonspendable					-
Assigned	8,938				8,938
Restricted				5,453,882	5,453,882
Restricted Debt Service					-
Restricted Other					-
Restricted Future Construction			42,117,191		42,117,191
Unassigned	6,837,431				6,837,431
Total fund balance	6,846,369	-	42,117,191	5,453,882	54,417,442
TOTAL LIABILITIES AND FUND BALANCE	$ 7,617,137	$ 237,658	44,524,704	$ 5,473,214	$ 57,852,712

See the accompanying notes to the financial statements.

Carter County School District

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

June 30, 2025

Fund balances-total governmental funds	$	54,417,442
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.		73,994,022
Costs associated with bond issues and refundings are expensed in the fund financial statements because they are a use of current financial resources but are capitalized on the statement of net position using the economic resources focus		110,220
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, accrued interest payable, other accounts payable, and net pension obligations) are not due and payble in the current period and, therefore, are not reported in the funds		
Accrued interest payable		(152,853)
Bonds payable		(21,845,000)
Sick leave liability		(1,679,859)
Net pension liability		(10,589,786)
Net OPEB liability		(5,106,852)
Unamortized bond premium		(40,692)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		
Deferred outflows related to pensions		2,497,211
Deferred outflows related to OPEB		4,270,061
Deferred inflows related to OPEB		(7,916,621)
Deferred inflows related to pensions		(2,186,445)
Net position of governmental activities	$	85,770,848

See the accompanying notes to the financial statements.

Carter County School District

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2025

	General	Special Revenue	Construction	Other Governmental Funds	Total Governmental Funds
REVENUES					
From Local Sources					
Taxes					
Property	$ 4,664,972	$	$	$ 1,425,260	$ 6,090,232
Unmined Minerals	4,193				4,193
Franchise	892,026				892,026
Utilities	1,794,333				1,794,333
Student activities				367,054	367,054
Earnings on investments	316,914		1,947,332	136,410	2,400,655
Food Service				379,675	379,675
Other local revenue	79,392	246,025		190,751	516,169
Intergovernmental - state	32,523,718	2,977,281		3,882,867	39,383,867
Intergovernmental - federal	265,556	19,729,844		363,181	20,358,581
Total revenues	40,541,104	22,953,150	1,947,332	6,745,198	72,186,783
EXPENDITURES					
Instruction	23,839,317	5,897,356		941,169	30,677,842
Support Services					
Student	2,260,922	38,761		-	2,299,683
Instructional Staff	1,024,338	310,135		-	1,334,473
District Administration	1,056,822			-	1,056,822
School Administration	2,408,432			-	2,408,432
Business	571,325	35,764		-	607,089
Plant Operation & Maintenance	4,965,748	348,307		-	5,314,055
Student Transportation	3,467,186	24,146		76,173	3,567,505
Food Service	1,344				1,344
Community Operations	150,799	551,320		-	702,119
Building Acquistions & Construction			26,045,158	-	26,045,158
Debt Service				3,166,574	3,166,574
Total expenditures	39,746,232	7,205,788	26,045,158	4,183,916	77,181,094
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	794,872	15,747,362	(24,097,826)	2,561,282	(4,994,310)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	260,238	76,344	18,005,856	2,662,444	21,004,882
Operating transfers (out)	(145,310)	(15,823,706)		(4,777,546)	(20,746,562)
Total other financing sources and (uses)	114,928	(15,747,362)	18,005,856	(2,115,102)	258,320
NET CHANGE IN FUND BALANCE	909,800	-	(6,091,970)	446,180	(4,735,990)
FUND BALANCE-BEGINNING	5,936,569	-	48,209,161	5,007,702	59,153,432
FUND BALANCE-ENDING	$ 6,846,369	$ -	42,117,191	$ 5,453,882	$ 54,417,442

See the accompanying notes to the financial statements.

Carter County School District

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

Year ended June 30, 2025

Net change in fund balances-total governmental funds	$	(4,735,990)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
District pension contributions less costs of benefits earned net employee contributions		1,195,070
Governmental funds report district OPEB contributions as expenditures. However in the Statement of Activities, the cost of OPEB benefits earned net of employee contributions is reported as pension expense.		
District OPEB contributions less costs of benefits earned net employee contributions		1,589,509
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.		23,096,205
The difference in the issue amount of the refunding of bond proceeds and the amount for payment to the escrow account to pay the refunded bonds is amortized over the life of the refunding issue.		8,879
The difference in the issue amount of the refunding of bond proceeds and the amount for payment to the escrow account to pay the refunded bonds is amortized over the life of the refunding issue.		(220,439)
Bond and right of use asset 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.		2,283,000
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.		
Sick Leave		118,810
Accrued interest payable		16,897
Change in net position of governmental activities	$	23,351,941

See the accompanying notes to the financial statements.

Carter County School District
Statement of Fund Net Position
Proprietary Funds
June 30, 2025

	Enterprise Funds		
	School Food Services	Other Enterprise Fund	Total
ASSETS			
Cash and cash equivalents	$ 925,101	$ 14,669	$ 939,770
Accounts receivable	321,124		321,124
Inventories	55,769		55,769
Net OPEB asset	39,673	1,880	41,553
Capital assets:			
Other capital assets, net of depreciation	174,107		174,107
Total assets	1,515,774	16,549	1,532,323
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	468,689	15,314	484,002
Deferred outflows related to OPEB	145,947	4,474	150,421
	614,636	19,787	634,423
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2,130,410	36,336	2,166,746
LIABILITIES			
Accounts payable	275,744		275,744
Net pension liability	1,976,168	64,940	2,041,108
Total liabilities	2,251,912	64,940	2,316,852
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	408,014	13,408	421,422
Deferred inflows related to OPEB	647,333	20,790	668,123
Total defered inflows of resources	1,055,347	34,198	1,089,545
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	3,307,259	99,138	3,406,397
NET POSITION			
Net Investment in capital assets	174,107		174,107
Deficit	(1,350,956)	(62,802)	(1,413,758)
Total net position	(1,176,849)	(62,802)	(1,239,651)
TOTAL LIABILITIES DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 2,130,410	$ 36,336	$ 2,166,747

See the accompanying notes to the financial statements.

Carter County School District
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2025

	School Food Services	Other Enterprise Fund	Total
OPERATING REVENUES			
Lunchroom sales	$ 58,101	$	$ 58,101
Day Care Fees		39,835	39,835
Total operating revenues	58,101	39,835	97,935
OPERATING EXPENSES			
Salaries, Wages, and Benefits	1,627,325	32,138	1,659,463
Operations	2,805,643	9,705	2,815,348
Depreciation	35,123		35,123
Total operating expenses	4,468,091	41,843	4,509,934
Operating income (loss)	(4,409,990)	(2,009)	(4,411,999)
NONOPERATING REVENUES (EXPENSES)			
Intergovermental - state	269,464		269,464
Intergovermental - federal	3,916,041	3,798	3,919,839
Transfers out	(258,320)		(258,320)
Interest on investments	45,516	933	46,449
Total nonoperating revenues (expenses)	3,972,701	4,731	3,977,432
CHANGE IN NET POSITION	(437,289)	2,722	(434,568)
NET POSITION-BEGINNING	(739,560)	(65,523)	(805,083)
NET POSITION-ENDING	$ (1,176,849)	$ (62,802)	$ (1,239,651)

See the accompanying notes to the financial statements.

Carter County School District
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2025

	Food Service	Other Proprietary Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 58,649	$ 39,835
Payments to suppliers	(2,681,383)	(9,705)
Payments to employees	(1,758,739)	(49,920)
Net cash provided (used) by operating activities	(4,381,473)	(19,790)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants and contributions	4,185,505	3,798
Transfers	(258,320)	
Net cash provided (used) by noncapital financing activities	3,927,185	3,798
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest	45,516	933
Net cash provided (used) by investing activities	45,516	933
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(408,772)	(15,060)
CASH AND CASH EQUIVALENTS-BEGINNING	1,333,873	29,728
CASH AND CASH EQUIVALENTS-ENDING	$ 925,101	$ 14,669
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ (4,409,990)	$ (2,009)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	35,123	-
Changes in assets and liabilities:		
Receivables	548	-
Inventory	4,564	
Deferred outflows	163,962	9,504
Deferred inflows	(250,902)	(15,246)
Pension liability	(30,179)	(11,811)
OPEB asset	(14,295)	(229)
Accounts payable	119,696	-
Net cash provided (used) by operating activities	$ (4,381,473)	$ (19,790)

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the district received $238,982 of food commodities from the U.S. Department of Agriculture.

During the year, the district recognized revenues and expenses for on-behalf payments relating to fringe benefits in the amount of $269,464 provided by state government.

See the accompanying notes to the financial statements.

Carter County School District
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2025

	Trust Funds
ASSETS	
Cash and cash equivalents	$ 160,634
Investments	11,207
Total assets	171,841
NET POSITION HELD IN TRUST	171,841

See the accompanying notes to the financial statements.

Carter County School District
Statement of Changes in Fiduiciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2025

		Trust Funds
ADDITIONS		
Investment income	$	5,895
Contributions/Donations		200
Total additions		6,095
DEDUCTIONS		
Community Services		3,000
Total Duductions		3,000
CHANGE IN NET POSITION		3,095
NET POSITION-BEGINNING		168,746
NET POSITION-ENDING	$	171,841

See the accompanying notes to the financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

Blended Component Unit

The Board authorized establishment of the Carter County Board of Education Finance Corporationa non-stock, non-profit corporation pursuant to Section 162.385 of the School Bond Act and Chapter273 and Section 58.180 of the Kentucky Revised Statutes (the "Corporation") to act as an agency of the District for financing the costs of school building facilities. The Board of Directors of the Corporation shall be the same persons who are at any time the members of the Board of Education of the Carter County Board of Education.

Basis of Presentation

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

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

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

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

The District has the following funds:

I. Governmental Fund Types

(A) General Fund

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

(B) Special Revenue (Grant) Fund

The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources (other thanexpendable trust funds or major capital projects) that are legally restricted to disbursements for specifiedpurposes. It includes federal financial programs where unused balances are returned to the grantor at theclose 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. KDErequires this fund to be a major fund.

(C) Student Activities Fund

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

(D) Capital Project Funds

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

SEEK Capital Outlay Fund

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

Building (FSPK) Fund

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

Construction Fund

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

(E) Debt Service Fund

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

II. Proprietary Funds (Enterprise Funds)

Food Service Fund

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

The District applies all GASB pronouncements to proprietary funds.

Basis of Accounting

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

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

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

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

Cash and Cash Equivalents

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

Inventories

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

Prepaid Assets

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

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

Capital Assets

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

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

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

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

Accrued Liabilities and Long-Term Obligations

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

Accumulated Unpaid Sick Leave Benefits

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

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

Fund Balances

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

Nonspendable: Permanently nonspendable by decree of the donor, such as an endowment,

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

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

Net Position

The Statement of Net Position presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as Net Position. Net Position is reported in three categories:

1) net investment in capital assets – consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of the assets; 2) restricted net position – resulting from constraints placed on net position by creditors, grantors,contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation adopted by the School District; 3) unrestricted net position – those assets that do not meet the definition of restricted net position or net investment in capital assets. It is the District's policy to first apply restricted net position and then unrestricted net position when an expense is incurred for which both restricted and unrestricted net position areavailable.

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of theprior January 1, for all real and personal property in the county. The billings are considered due uponreceipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax billmailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. The property tax rates assessed for the year ended June 30, 2025, to finance the General Fund operations were $.470 per $100 valuation of real property, $.470 per $100 valuation for business personal propertyand $.470 per $100 valuation for motor vehicles.

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

Operating and Non-Operating Revenues and Expenses

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

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

In-Kind

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

Contributions of Capital

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

Interfund Receivables/Payables

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

Interfund Transfers

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until the appropriate period. The District reports three types of deferred outflows contributions to the CERS's pension and OPEB plans after the measurement period and the unrecognized portion of a deferred loss on the refinancing of long-term debt.

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

Pensions

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

Postemployment Benefits Other Than OPEBs (OPEB)

For purposes of measuring the liability, deferred outflows of resources and deferred inflows ofresources related to OPEB, and OPEB expense, information about the fiduciary net position of the Teachers' Retirement System of the State of Kentucky (TRS), and the County Retirement System of Kentucky (CERS), and additions to/deductions from TRS's/CERS's fiduciary net position have been determined on the same basis as they are reported by TRS/CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordancewith the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Bond and Related Premiums, Discounts, and Issuance Costs

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

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

Estimates

The process of preparing financial statements in conformity accounting principles generally acceptedin the United States of America requires District's management to make estimates and assumptionsthat affect reported amounts of assets, liabilities, revenues, expenditures, designated fund balances, and disclosure of

contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Budgetary Process

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

Recent GASB Pronouncements

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

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

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

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

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

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

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

NOTE B – CASH AND CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT

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

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

At year end the District's bank balances were collateralized by securities held by the pledging bank's trust department in the District's name and FDIC insurance. At year end, the carrying amount of the District's cash and equivalents $35,852,946. The bank balance for the same time was $39,453,968.

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

NOTE C– CAPITAL ASSETS

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

Governmental Funds	July 1, 2024	Additions	Deductions	June 30, 2025
Land	$ 2,092,173	$ -	$ -	$ 2,092,173
Land Improvements	248,262	-	-	248,262
Buildings	75,678,399	26,045,158	-	101,723,556
Technology equipment	289,876	9,995	-	299,871
Vehicles	15,753,487	9,000	-	15,762,487
General equipment	599,248	15,982	-	615,230
Construction in progress	-	-	-	-
	$ 94,661,444	$ 26,080,135	$ -	$ 120,741,579
Land Improvements	$ 248,262	$ -	$ -	$ 248,262
Buildings	36,971,340	1,679,321	-	38,650,661
Technology equipment	275,013	4,843	-	279,856
Vehicles	6,005,128	1,259,710	-	7,264,838
General equipment	263,885	40,055	-	303,940
	$ 43,763,627	$ 2,983,930	$ -	$ 46,747,557
Capital Assets-net	$ 50,897,817	$ 23,096,205	$ -	$ 73,994,022

Proprietary Funds	July 1, 2024	Additions	Deductions	June 30, 2025
Buildings	$ -	$ -	$ -	$ -
Vehicles	22,951	-	-	22,951
General equipment	1,083,958	-	-	1,083,958
	$ 1,106,909	$ -	$ -	$ 1,106,909
Buildings	$ -	$ -	$ -	$ -
Vehicles	22,951	-	-	22,951
General equipment	874,728	35,123	-	909,851
	$ 897,678	$ 35,123	$ -	$ 932,801
Capital Assets-net	$ 209,230	$ 35,123	$ -	$ 174,107

Depreciation expense was not allocated to governmental functions.

NOTE D – DEBT OBLIGATIONS

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 Carter County School District Financial Corporation and the Kentucky School Construction Commission aggregating $21,845,000.

The original amount of each issue, the issue date, and interest rates are summarized below:

Issue Date	Proceeds	Rates
2011	7,665,000	5.00%
2012	3,460,000	1.00% to 3.625%
2013	3,805,000	2.00% to 2.25%
2014	655,000	4.00%
2015	5,300,000	2.00% to 2.25%
2015	3,130,000	2.00% to 3.25%
2018	8,635,000	1.25% to 3.00%
2021	1,200,000	2.00% to 2.10%
2023	1,573,000	4.00% to 5.00%
	$35,423,000	

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Carter County School District Financial Corporation and the Kentucky School Construction Commission to construct school facilities. The District has an 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.

In prior years The Carter County School Finance Corporation issued Qualified School Construction Bonds (QSCBs). The QSCB is a federal program that provides bond holders with annual tax credits that are approximately equal to the interest that states and communities would ordinarily pay to the holders of taxable bonds. Sequestration affected the subsidy received from July 1, 2023 through June 30, 2025 by reducing payments from the Federal Government by 5.7% ($21,845). The District was responsible to the bond holder for the reduction.

At June 30, 2025 the District had a balance of $4,909,050 in a QSCB sinking fund as required by bond indentures. Future required deposits of $320,636 is due annually until the bond is payable in full December 1, 2030

The changes in the general long-term debt for the year ended June 30, 2025, were as follows:

	Balance July 1, 2024	New Issues	Retirements	Balance June 30, 2025
Revenue Bonds	$ 24,128,000		$ 2,283,000	$ 21,845,000
Accrued Sick Leave	1,798,669	145,896	264,706	1,679,859
Total	$ 25,926,669	$ 145,896	$ 2,547,706	$ 23,524,859

The District has entered into "participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs.

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

	Carter County School District		Kentucky School Facilities Construction Commission		
Year	Principal	Interest	Principal	Interest	Total Principal
2026	1,811,573	681,197	532,427	143,937	2,344,000
2027	1,284,602	640,818	366,398	128,615	1,651,000
2028	1,318,278	602,943	369,722	116,673	1,688,000
2029	1,353,575	563,570	382,425	104,592	1,736,000
2030-2034	11,861,088	913,044	1,267,912	348,808	13,129,000
2035-2044	308,968	10,041	988,032	248,177	1,297,000
Total	$17,938.084	$ 3,411,613	$ 3,906,916	$ 1,090,803	$21,845,000

Net Pension & OPEB Liability

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

Description	2024 Outstanding	Additions	Retirements	2025 Outstanding
Net Pension Liability	$ 13,995,175	$	$ 1,364,281	$ 12,630,894
Net OPEB Liability	6,163,871		1,098,572	5,065,299
Totals	$ 20,159,046	$	$ 2,462,853	$ 17,696,193

NOTE E – RETIREMENT PLANS

The District's employees are provided with two pension plans, based on each position's college degree requirement. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree. The County Employees Retirement System coversemployees whose position does not require a college degree or teaching certification.

General information about the County Employees Retirement System Non-Hazardous ("CERS")

Plan description—Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Public Pensions Authority (KPPA), an agency of the Commonwealth of Kentucky. As of April 1, 2022, Kentucky Revised Statute ("KRS") Section 78.782 shifted the governance of CERS to a separate Board of Trustees of the County Employees Retirement System. The CERS Board manages the CERS trust, including investment

management. KPPA provides the day-to-day administration (KRS 61.505) for accounting and benefit administration for CERS. The Kentucky General Assembly has the authority to establish and amend benefit provisions includes financial statements and required supplementary information for CERS. That report may be obtained from http://kyret.ky.gov/.

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

. The Kentucky Public Pensions Authority issues a publicly available financial report that

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

Cost of living adjustments are provided at the discretion of the General Assembly. In 2013, the General Assembly established funding status thresholds which must be achieved before another COLA can be awarded to retirees. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both these components.

Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are $5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and $10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits

Employer Contributions – For the year ended June 30, 2025, employer contributions were established by the County Employees Retirement Systems in December 2022. The governing Board establishes employer contribution rates based on the annual actuarial valuation completed in November each year for the fiscal year beginning the following July 1. For fiscal year 2025, the employer contribution rate for CERS nonhazardous pensions was 19.71%. In fiscal year 2024, these rates were 23.34%. (See NOTE F for additional rate information for the OPEB plans.)

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

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

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

Teachers Retirement System Kentucky (TRS)

Plan description—Teaching-certified employees of the Kentucky School District are provided pensions through the Teachers' Retirement System of the State of Kentucky—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. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at http://www.trs.ky.gov/financial-reports-information .

Benefits provided—For members who have established an account in a retirement system administeredby 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.

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

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

Effective July 1, 2008, the System was amended to change the benefit structure for employees hired on or after that date. Members hired after July 1, 2008, must complete 27 years of service, attain age 60 and 5 years of service, or attain age 55 and 10 years of service. The annual retirement allowance for members hired after July 1,

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

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

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. TRS of Ky also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is $2,000 for active contributing employees and $5,000 for retired or disabled employees.

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

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

If an employee terminates covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.
Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions—Contribution rates are established by Kentucky Revised Statutes (KRS). Tiers 1, 2, and 3 non-university employees are required to contribute 9.105% of their salaries to the System for pension benefits. (See OPEB discussion for additional contribution rates.) The mandatory pension contribution for Tier 4 non-university employees hired on or after January 1, 2022, is 11%. Employer rates for Tiers 1 and 2 in FY 2025 were 31.95% and Tier 3 were 32.195 (only paid by the Commonwealth of Kentucky as on-behalf payments). Employer rates for Tiers 1 and 2 in FY 2024 were 30.855% and Tier 3 were 31.855%. Employer (only

Commonwealth of Kentucky) rates for Tier 4 in FY 2025 were 9.920% and in FY 2024 were 10.0%. 2% of the Tier 4 employee and employer contributions is allocated to the supplemental benefit (defined contribution portion of Tier 4). Those employees may also voluntarily contribute an additional amount, not to exceed the earnings on a paycheck. (See OPEB NOTE F for additional contribution rates.

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

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

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

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

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

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

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

At June 30, 2025, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for TRS of Ky because the Commonwealth of Kentucky provides the pension support directly to TRS of Ky on behalf of the District in a special funding situation.

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

District's proportionate share of CERS net pension liability	$	12,630,894
Commonwealth's proportionate share of the CERS net pension liability associated with the District		-
	$	12,630,894

The net pension liability for each plan was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actuarial liability of the employees and former employees relative to the total liability of the System as determined by the actuary. For the year ended June 30, 2025, the District's proportion was 0.0211204 percent. For the year ended June 30, 2025, the District recognized a decrease in pension expense of $1,313,634 related to CERS and decrease of pension expense of $544,363 related to TRS of Ky. The District also recognized on-behalf revenue of $5,530,119 for TRS of Ky support provided by the Commonwealth paid directly to TRS of Ky.

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

		Deferred Outflows of Resources		**Deferred Inflows of Resources**
Differences between expected and actual experience	$	611,358	$	
Changes of assumptions				570,688
Net difference between projected and actual earnings on pension plan investments		867,459		1,679,557
Changes in proportion and differences between District contributions and proportionate share of contributions				357,642
District contributions subsequent to the measurement date		1,502,396		
	$	2,981,213	$	2,607,867

$1,502,396 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026.

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

	Year Ended June 30,
2025	$ (740,786)
2026	104,900
2027	(312,180)
2028	(180,984)
	$ (1,129,050)

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

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

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

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

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years, at a minimum. The most recent experience study was based on experience through June 30, 2022 and adopted by the CERS Board of Trustees on May 9, 2023. In 2024, the CERS Actuarial Committee requested an update on the key economic assumptions to evaluate these assumptions for the 2024 evaluation. GRS relied on capital market assumptions, CERS 2024 investment policy for the target asset allocation, and changes to investment consultants assumptions based on 2024 market conditions to develop recommended assumptions for inflation, investment returns, and payroll growth. The long-term expected rate of

return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized the table below. The current long-term inflation assumption is 2.3% per annum for the non-hazardous plan.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equity	35.40%	5.00%
Small Cap U.S. Equity	2.60%	5.50%
Developed International Equity	15.70%	5.50%
Emerging Markets Equity	5.30%	6.10%
Fixed Income	15.00%	1.90%
High Yield Bonds	2.00%	3.80%
Other Additional Categories	8.00%	3.60%
Real Estate	7.00%	3.20%
Private Equity	7.00%	8.00%
Cash	2.00%	1.60%
Total	100.00%	

Discount rate—For CERS, the discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers

will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.50%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.For TRS of Ky, the discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. The actuary assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at the Actuarially Determined Contribution rates for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees. Therefore, the long- term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease	Current Discount Rate	1% Increase
CERS	5.50%	6.50%	7.50%
District's proportionate share of net pension liability	$ 16,283,286	$ 12,630,894	$ 9,600,371

	1% Decrease	Current Discount Rate	1% Increase
KTRS	6.10%	7.10%	8.10%
Commonwealth's proportionate share of net pension liability	$ 196,820,497	$ 77,940,614	$ 112,913,238

Pension plan fiduciary net position—Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of both CERS and TRS of Ky.

Deferred Compensation

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, was amended by GASBS No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The GASB standards allow entities with little or no administrative involvement who do not perform the investing

function for these plans to omit plan assets and related liabilities for these defined contribution plans from their financial statements. The District therefore does not show these assets and liabilities in this financial statement.

NOTE F – OTHER POST-EMPLOYMENT BENEFIT PLANS

The District's employees are provided with two OPEB plans, based on each position's college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Teachers Retirement System of Kentucky (TRS of Ky) covers positions requiring teaching certification or otherwise requiring a college degree. Retired District employees receive some health care benefits depending on their length of service. In accordance with Kentucky Revised Statutes, these benefits are provided and advance funded on an actuarially determined basis through the CERS and TRS of Ky plans. The CERS governance structure discussed in NOTE 6 for pension plan governance also applies to the CERS OPEB plans. The Kentucky Public Pensions Authority's publicly available financial report includes the CERS OPEB plan reports and may be obtained from https://www.kyret.ky.gov/Publications/Pages/Actuarial-Valuations.aspx. TRS of Ky issues a publicly available financial report that can be obtained at https://trs.ky.gov/administration/financial-reports-information/.

CERS Other Postemployment Benefits

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

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

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

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

At June 30, 2025, the District reported an asset of $870,115 for its proportionate share of the CERS collective net OPEB asset. The collective net OPEB asset was measured as of June 30, 2024, and the total OPEB liability used to calculate the collective net OPEB asset was based on a projection of the District's long-term share of contributions to OPEB plan relative to the projected contributions of all participating employers, actuarially

determined. At June 30, 2025, the District's proportion was 0.211412% percent. The District recognized a negative OPEB expense of $1,618,279 as the OPEB asset decreased and the related deferred inflows of resources and deferred outflows of resources decreased.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 202,887	$ 2,877,345
Changes of assumptions	331,369	258,041
Net difference between projected and actual earnings on pension plan investments	321,460	655,184
Changes in proportion and differences between District contributions and proportionate share of contributions	14,399	253,174
District contributions subsequent to the measurement date		
	$ 870,115	$ 4,043,744

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

	Year Ended June 30,
2025	$ (1,277,010)
2026	(1,009,034)
2027	(837,619)
2028	(49,965)
	$ (3,173,628)

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

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

Post-retirement mortality rates (non-disabled) used a system-specific mortality table based on mortality experience from 2013 – 2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.
The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2022 valuation were based on a review of recent plan experience for the period ending June 30, 2022 and adopted by the CERS Board of Trustees on May 9, 2023. The investment return, price inflation, and payroll growth assumption were adopted by the Board in May 2024 for use with the June 30, 2024 valuation to reflect future economic expectations.

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

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

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

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

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

Collective Net OPEB Liability

	1% Decrease	Current Discount Rate	1% Increase
CERS	4.99%	5.99%	6.99%
District's proportionate share of net OPEB liability	$ 494,469	$ (365,701)	$ (1,088,933)

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:

Sensitivity of the above to changes in healthcare trend rates

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of net OPEB liability	$ (879,832)	$ (365,701)	$ 233,225

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

TRS of Ky POST-EMPLOYMENT HEALTH CARE BENEFITS

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

Plan description—In addition to the pension benefits described in NOTE E, KRS 161.675 requires TRS of Ky to provide post-employment healthcare benefits to eligible employees and dependents. The TRS of Ky Medical Insurance Fund is a cost-sharing multiple-employer defined benefit plan. Changes made to the medical plan may be made by the TRS of Ky Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

Benefits Provided—To be eligible for medical benefits, the member must have retired either for service or disability. The TRS of Ky Medical Insurance Fund offers coverage to employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired employees and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS of Ky Medicare Eligible Health Plan.

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

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

At June 30, 2025, the District reported a liability of $5,431,000 for its proportionate share of the collective net OPEB liability for medical insurance. The collective net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2024, the District's proportion was 0.243657 percent.

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

District's proportionate share of KTRS net OPEB liability	$ 5,431,000
Commonwealth's proportionate share of the KTRS net OPEB liability associated with the District	4,838,000
	$ 10,269,000

For the year ended June 30, 2025, the District recognized a decrease in OPEB expense of $1,374,736. In addition, the District recognized on-behalf revenue and expenses of $464,267 for support provided by the State as a nonemployer contributing entity. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$	$ 1,631,000
Changes of assumptions	1,383,000	
Net difference between projected and actual earnings on pension plan investments		174,000
Changes in proportion and differences between District contributions and proportionate share of contributions	1,655,000	2,736,000
District contributions subsequent to the measurement date	512,367	
	$ 3,550,367	$ 4,541,000

Of the total amount reported as deferred outflows of resources related to OPEB, $581,042 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2025.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Actuarial assumptions – The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Long-term investment rate of return	7.1%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.00 – 7.50%, including inflation
Inflation rate	2.50%
Wage Inflation	2.75%
Single Equivalent Interest Rate	7.10%, net of OPEB Plan investment expense, including inflation
Healthcare cost trend rates	
Medical Trend	6.50% for FYE 2024 decreasing to an ultimate rate of 4.50% by FY 2031
Medicare Part B Premiums	5.92% for FYE 2024 with an ultimate rate of 4.50% by 2035

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the in the June 30, 2024 valuation were based on the results of the most recent actuarial experience studies for the System, which covered the five-year period ending June 30, 2020, adopted by the Board on September 20, 2021.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends) used in the June 30, 2024 valuation of the Health Trust were based on a review of recent plan experience done concurrently with the June 30, 2024 valuation. The health care cost trend assumption was updated for the June 30, 2023 valuation and was show as an assumption change in the TOL roll forward, while the change in initial per capita claims costs were included with experience in the TOL roll forward.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equity	35.40%	5.00%
Small Cap U.S. Equity	2.60%	5.50%
Developed International Equity	15.70%	5.50%
Emerging Markets Equity	5.30%	6.10%
Fixed Income	15.00%	1.90%
High Yield Bonds	2.00%	3.80%
Other Additional Categories	8.00%	3.60%
Real Estate	7.00%	3.20%
Private Equity	7.00%	8.00%
Cash	2.00%	1.60%
Total	100.00%	

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

- Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 2.75%
- The pre-65 retiree health care costs for members retired on or after July 1, 2010 were assumed to be paid by either the State or the retirees themselves.
- Administrative expenses, except the administrative fee of $8 PMPM paid to KEHP by TRS, were assumed to paid in all years by the employer as they come due and are not considered in the cash flow projections.
- Cash flows occur mid-year.
- Future contributions to the Health Trust were based upon the contribution rates defined in statute and the projected payroll of active employees. Per KRS 161.540(1)(c).3 and 161.550(5), when the Health Trust achieves a sufficient prefunded status, as determined by the retirement system's actuary, the following Health Trust statutory contributions are to be decreased, suspended, or eliminated:
  - Employee contributions
  - School District/University Contributions
  - State Contributions for KEHP premium subsidies payable to retirees who retire after June 30, 2010.

These adjustments were incorporated into the valuation with open group projections that assumed an equal, pro rata reduction to the current statutory amounts in the years if/when the Health Trust is projected to achieve a Funded Ratio of 100% or more. Here, the current statutory amounts are adjusted to achieve total contributions equal to

the Actuarially Determined Contribution (ADC), as determined by the prior year's valuation and in accordance with the Health Trust's funding policy (Schedule B). As the specific methodology to be used for the adjustments has yet to be determined, there may be differences between the projected results and future experience. This may also include any changes to retiree contributions for KEHP coverage pursuant to KRS 161.675(4)(b).

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
KTRS	6.10%	7.10%	8.10%
District's proportionate share of net OPEB liability	$ 7,215,000	$ 5,431,000	$ 3,952,000

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

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of net OPEB liability	$ 3,669,000	$ 5,431,000	$ 7,261,000

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

TRS Life Insurance Plan

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

Benefits provided – TRS provides a life insurance benefit of $5,000 payable for members who retire based on service or disability. TRS provides a life insurance benefit of $2,000 payable for its active contributing members. The life insurance benefit is payable upon the death of the member to the member's estate or to a party designated by the member.
Contributions – The Commonwealth of Kentucky contributed 0.08% of salary to the Life Insurance Trust for the fiscal year ended June 30, 2025 and 0.08% for fiscal year June 30, 2024.

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

At June 30, 2025, the District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of KTRS net OPEB liability	$	-
Commonwealth's proportionate share of the KTRS net OPEB liability associated with the District		110,000
	$	110,000

For the year ended June 30, 2025, the District recognized OPEB revenue and expense of $464,237 for support provided by the State.

Actuarial assumptions – The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 – 7.50%, including inflation
Inflation rate	2.50%
Real Wage Growth	0.50%
Wage Inflation	2.75%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including inflation.

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members.
The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the in the June 30, 2024 valuation were based on the results of the most recent actuarial experience studies for the System, which covered the five-year period ending June 30, 2020, adopted by the Board on September 20, 2021.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends) used in the June 30, 2024 valuation of the Health Trust were based on a review of recent plan experience done concurrently with the June 30, 2024 valuation. The health care cost trend assumption was updated for the June 30, 2023 valuation and wash show as an assumption change in the TOL roll forward, while the change in initial per capita claims costs were included with experience in the TOL roll forward.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equity	35.40%	5.00%
Small Cap U.S. Equity	2.60%	5.50%
Developed International Equity	15.70%	5.50%
Emerging Markets Equity	5.30%	6.10%
Fixed Income	15.00%	1.90%
High Yield Bonds	2.00%	3.80%
Other Additional Categories	8.00%	3.60%
Real Estate	7.00%	3.20%
Private Equity	7.00%	8.00%
Cash	2.00%	1.60%
Total	100.00%	

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

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

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

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

NOTE G – CONTINGENCIES

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

NOTE H – LITIGATION

The District has no pending or threatened litigation involving amounts exceeding $20,000 individually or in the aggregate as of June 30, 2025.

NOTE I – INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, illegal acts etc. Each of these

risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which include Workers' Compensation insurance.

NOTE J – RISK MANAGEMENT

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

NOTE K – COBRA

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

NOTE L – TRANSFER OF FUNDS

The following transfers were made during the year:

From Fund	To Fund		Amount	Purpose
General	Special Revenue	$	76,344	KETS Technology
General	Student Activity	$	68,966	Student Athletic Support
Special Revenue	General	$	1,918	Indirect Cost
Special Revenue	Construction	$	15,821,788	Capital Construction
FSPK	Construction	$	2,184,068	Capital Construction
Capital Outlay	Debt Service	$	353,213	Debt Payments
FSPK	Debt Service	$	2,093,342	Debt Payments
Food Service	General	$	258,320	Debt Payments

NOTE M– ON-BEHALF PAYMENTS

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

Plan/Desription	Amount
Retirement	$ 5,065,882
MIF & LIF	464,237
Health Insurance	5,822,544
Life Insurance	7,835
Administrative Fee	62,652
HRA/Dental/Vision	319,988
Federal Reimbursements	(315,324)
KEN Services	45,100
AT&T	
MUNIS	23,598
McAfeeVirus	2,356
SFCC Debt Service	677,504
Total	$ 12,176,372

01-3900 OnBehalf Payments	11,229,404.16
40-3900 OnBehalf Payments	677,504.20
51-3900 Onbehalf Payments	269,463.77
52-3900 Onbehalf Payments	-
Total	12,176,372.13

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

NOTE N– SUBSEQUENT EVENTS

The District has evaluated subsequent events through March 11, 2026, the date the financialstatements were available to be issued.

Carter County School District
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2025

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
From Local Sources				
Taxes	$ 7,151,574.00	$ 6,942,342.00	$ 7,355,523	$ 413,181
Earnings on investments	525,000	525,000	316,914	(208,086)
Intergovernmental - state	32,821,261	31,714,645	32,523,718	809,073
Intergovernmental - federal	219,600	219,600	265,556	45,956
Other Sources	67,000	23,000	79,392	56,392
Total revenues	40,784,435	39,424,587	40,541,104	1,116,517
EXPENDITURES				
Instruction	25,226,896	23,388,376	23,839,317	(450,941)
Support Services				
Student	2,204,222	2,234,981.50	2,260,922	(25,941)
Instructional Staff	1,414,750	1,318,115.29	1,024,338	293,778
District Administration	893,409	861,058.86	1,056,822	(195,763)
School Administration	2,485,553	2,434,098.20	2,408,432	25,666
Business	702,990	598,515.98	571,325	27,191
Plant Operation & Maintenance	5,206,738	5,263,657.87	4,965,748	297,910
Student Transportation	3,346,756	3,582,412.35	3,467,186	115,227
Food Service	4,070	2,909.41	1,344	1,566
Daycare	186,639			-
Community Services		121,738.85	150,799	(29,060)
Total expenditures	41,672,024	39,805,864	39,746,232	59,632
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	(887,590)	(381,277)	794,872	1,176,149
OTHER FINANCING SOURCES (USES)				
Sale of equipment	5,000	5,000		(5,000)
Operating transfers in	199,465	199,465	260,238	60,773
Operating transfers (out)	(145,000)	(145,000)	(145,310)	(310)
Total other financing sources and (uses)	59,465	59,465	114,928	55,463
NET CHANGE IN FUND BALANCE	(828,125)	(321,812)	909,800	1,231,612
FUND BALANCE-BEGINNING	6,813,360	6,813,360	5,936,569	(876,790)
FUND BALANCE-ENDING	$ 5,985,235	$ 6,491,548	$ 6,846,369	$ 354,822

See the accompanying notes to the financial statements.

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

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
From Local Sources				
Other local revenue	$	$	$ 246,025	$ 246,025
Earnings on investments	1,535,048		-	-
Intergovernmental - state		2,740,605	2,977,281	236,676
Intergovernmental - federal	3,689,085	3,983,026	19,729,844	15,746,818
Other	90,697	167,137		(167,137)
Total revenues	5,314,830	6,890,768	22,953,150	16,062,382
EXPENDITURES				
Instruction	4,515,815	5,998,244	5,897,356	100,888
Support Services				
Student	57,568	10,330	38,761	(28,431)
Instructional Staff	218,454	167,409	310,135	(142,726)
District Administration			-	-
Business Support Services	25,000	25,000	35,764	-
Plant Operation & Maintenance	91,000	199,012	348,307	(149,295)
Student Transportation		10,740	24,146	(13,406)
Community Services Operations	491,993	554,157	551,320	2,838
Total expenditures	5,399,830	6,964,892	7,205,788	(230,132)
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	(85,000)	(74,124)	15,747,362	15,832,250
OTHER FINANCING SOURCES (USES)				
Operating transfers in	85,000	85,000	76,344	(8,656)
Operating transfers (out)		(10,876)	(15,823,706)	(15,812,830)
Total other financing sources and (uses)	85,000	74,124	(15,747,362)	(15,821,486)
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE-BEGINNING	-	-	-	-
FUND BALANCE-ENDING	$ -	$ -	$ -	$ -

See the accompanying notes to the financial statements.

CARTER COUNTY SCHOOL DISTRICT

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

CERS and TRS

For the year ended June 30, 2025

	Reporting Fiscal Year (Measurement Date) 2025 (2024)	Reporting Fiscal Year (Measurement Date) 2024 (2023)	Reporting Fiscal Year (Measurement Date) 2023 (2022)	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)	Reporting Fiscal Year (Measurement Date) 2017 (2016)	Reporting Fiscal Year (Measurement Date) 2016 (2015)
COUNTY EMPLOYEE'S RETIREMENT SYSTEM:										
Districts' proportion of the net pension liability (asset)	0.211204%	0.21810%	0.21875%	0.23535%	0.15957%	0.15375%	0.16017%	0.16477%	0.16767%	0.16939%
District's proportionate share of the net pension liability (asset)	$ 12,630,894	$ 13,995,175	$ 15,813,612	$ 15,005,090	$ 11,382,311	$ 10,813,025	$ 9,754,841	$ 9,644,436	$ 8,255,576	$ 7,283,086
State's proportionate share of the net pension liability (asset) associated with the District	-	-	-	-	-	-	-	-	-	-
Total	$ 12,630,894	$ 13,995,175	$ 15,813,612	$ 15,005,090	$ 11,382,311	$ 10,813,025	$ 9,754,841	$ 9,644,436	$ 8,255,576	$ 7,283,086
District's covered-employee payroll	$ 6,630,609	$ 10,627,812	$ 6,498,111	$ 6,183,940	$ 3,801,299	$ 3,576,288	$ 3,973,000	$ 4,017,598	$ 3,999,811	$ 3,952,293
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	190.49%	131.68%	243.36%	242.65%	299.43%	302.35%	245.53%	240.05%	206.40%	184.27%
Plan fiduciary net position as a percentage of the total pension liability (asset)	61.61%	57.68%	52.00%	57.33%	47.81%	50.54%	53.40%	53.30%	59.00%	59.97%
KENTUCKY TEACHER'S RETIREMENT SYSTEM:										
Districts' proportion of the net pension liability (asset)	0.474%	0.503%	0.514%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
District's proportionate share of the net pension liability (asset)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
State's proportionate share of the net pension liability (asset) associated with the District	77,940,614	85,690,529	71,466,294	66,707,186	52,971,915	51,873,848	50,850,207	105,942,079	116,532,506	91,110,678
Total	$ 77,940,614	$ 85,690,529	$ 71,466,294	$ 66,707,186	$ 52,971,915	$ 51,873,848	$ 50,850,207	$ 105,942,079	$ 116,532,506	$ 91,110,678
District's covered-employee payroll	$ 19,603,292	$ 19,523,160	$ 19,330,268	$ 18,950,089	$ 12,922,900	$ 12,830,543	$ 13,029,458	$ 12,925,599	$ 12,940,309	$ 12,485,277
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Plan fiduciary net position as a percentage of the total pension liability (asset)	60.36%	57.70%	56.40%	65.59%	58.27%	58.80%	59.30%	39.80%	35.22%	42.29%

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

See the accompanying notes to the required supplementary information.

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
COUNTY EMPLOYEE'S RETIREMENT SYSTEM:										
Contractually required contribution	$ 1,547,584	$ 1,481,518	$ 1,377,953	$ 1,328,630	$ 889,228	$ 861,730	$ 799,218	$ 728,252	$ 750,487	$ 682,368
Contributions in relation to the contractually required contribution	1,547,584	1,481,518	1,377,953	1,328,630	889,228	861,730	799,218	728,252	$ 750,487	$ 682,368
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	$ 6,630,609	$ 10,627,812	$ 6,498,111	$ 6,183,940	$ 3,695,874	$ 3,801,299	$ 3,576,288	$ 3,973,000	$ 4,017,598	$ 3,999,811
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	23.34%	13.94%	21.21%	21.49%	24.06%	22.67%	22.35%	18.33%	18.68%	17.06%
KENTUCKY TEACHER'S RETIREMENT SYSTEM:										
Contractually required contribution	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	$ 19,603,292	$ 19,523,160	$ 19,330,268	$ 18,950,089	$ 12,859,956	$ 12,922,900	$ 12,830,543	$ 13,029,458	$ 12,925,599	$ 12,940,309
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

See the accompanying notes to the required supplementary information.

(1) CHANGES OF BENEFITS

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

(2) CHANGES OF ASSUMPTIONS

TRS

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

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

CERS

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

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

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

TRS

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

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

CERS

The Board of Trustees uses this actuarial valuation to certify the employer contribution rates for CERS

for the fiscal year beginning July 1, 2023 and ending June 30, 2024. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of that schedule:

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

CARTER COUNTY SCHOOL DISTRICT

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

MEDICAL AND LIFE INSURANCE PLANS - TEACHERS' RETIREMENT SYSTEM

For the year ended June 30, 2025

	Reporting Fiscal Year (Measurement Date) 2025 (2024)	**Reporting Fiscal Year** (Measurement Date) 2024 (2023)	**Reporting Fiscal Year** (Measurement Date) 2023 (2022)	**Reporting Fiscal Year** (Measurement Date) 2022 (2021)	**Reporting Fiscal Year** (Measurement Date) 2021 (2020)	**Reporting Fiscal Year** (Measurement Date) 2020 (2019)	**Reporting Fiscal Year** (Measurement Date) 2019 (2018)	**Reporting Fiscal Year** (Measurement Date) 2018 (2017)
MEDICAL INSURANCE PLAN								
Districts' proportion of the net OPEB liability (asset)	0.46072%	0.37311%	0.37311%	0.27456%	0.20180%	0.20427%	0.20194%	0.20862%
District's proportionate share of the net OPEB liability (asset)	$ 5,431,000	$ 6,465,000	$ 9,263,000	$ 4,504,509	$ 5,093,000	$ 5,979,000	$ 7,007,000	$ 7,439,000
State's proportionate share of the collective net OPEB liability (asset) associated with the District	4,838,000	5,449,000	3,043,000	5,891,000	4,080,000	4,828,000	6,038,000	6,076,000
Total	$ 10,269,000	$ 11,914,000	$ 12,306,000	$ 10,395,509	$ 9,173,000	$ 10,807,000	$ 13,045,000	$ 13,515,000
District's covered-employee payroll	$ 19,603,292	$ 19,523,160	$ 19,330,268	$ 18,950,089	$ 12,922,900	$ 12,830,543	$ 13,029,458	$ 12,925,599
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	27.70%	33.11%	47.92%	23.77%	39.41%	46.60%	53.78%	57.55%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	59.81%	52.97%	47.75%	51.74%	39.10%	32.60%	25.50%	21.20%
LIFE INSURANCE PLAN								
Districts' proportion of the net OPEB liability (asset)	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
District's proportionate share of the net OPEB liability (asset)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
State's proportionate share of the net OPEB liability (asset) associated with the District	110,000	135,000	151,000	64,000	123,000	112,000	104,000	81,000
Total	$ 110,000	$ 135,000	$ 151,000	$ 64,000	$ 123,000	$ 112,000	$ 104,000	$ 81,000
District's covered-employee payroll	$ 19,603,292	$ 19,523,160	$ 19,330,268	$ 18,950,089	$ 12,922,900	$ 12,830,543	$ 13,029,458	$ 12,925,599
District's proportionate share of the net OPEB liability (asseet) as a percentage of its covered-employee payroll	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)		76.91%	73.97%	89.15%	71.60%	73.40%	75.00%	80.00%

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

See the accompanying notes to the required supplementary information.

CARTER COUNTY SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - MEDICAL AND LIFE INSURANCE PLANS -

TEACHERS' RETIREMENT SYSTEM

For the year ended June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018
MEDICAL INSURANCE PLAN								
Contractually required contribution	$ 956,707	$ 926,821	$ 657,707	$ 898,446	$ 347,922	$ 356,425	$ 355,690	$ 359,713
Contributions in relation to the contractually required contribution	956,707	926,821	657,707	898,446	347,922	356,425	355,690	359,713
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
District's covered-employee payroll	$ 19,603,292	$ 19,523,160	$ 19,330,268	$ 18,950,089	$ 12,859,956	$ 12,922,900	$ 12,830,543	$ 13,029,458
District's proportionate share as a percentage of it's covered-employee payroll	4.88%	4.75%	3.40%	4.74%	2.71%	2.76%	2.77%	2.76%
LIFE INSURANCE PLAN								
Contractually required contribution	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
District's covered-employee payroll	$ 19,603,292	$ 19,523,160	$ 19,330,268	$ 18,950,089	$ 12,859,956	$ 12,922,900	$ 12,830,543	$ 13,029,458
District's proportionate share as a percentage of it's covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

See the accompanying notes to the required supplementary information.

CARTER COUNTY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY -
HEALTH INSURANCE PLAN - COUNTY EMPLOYEE RETIREMENT SYSTEM
For the year ended June 30, 2025

	Reporting Fiscal Year (Measurement Date) 2025 (2024)	Reporting Fiscal Year (Measurement Date) 2024 (2023)	Reporting Fiscal Year (Measurement Date) 2023 (2022)	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
HEALTH INSURANCE PLAN								
Districts' proportion of the net OPEB liability (asset)	21.14120%	0.21810%	0.21872%	0.27456%	0.15370%	0.15371%	1.60160%	0.16477%
District's proportionate share of the net OPEB liability (asset)	$ (494,469)	$ (301,129)	$ 4,316,390	$ 4,504,509	$ 3,582,419	$ 2,585,282	$ 2,843,679	$ 3,312,420
State's proportionate share of the collective net OPEB liability (asset) associated with the District	-	-	-	-	-	-	-	-
Total	$ (494,469)	$ (301,129)	$ 4,316,390	$ 4,504,509	$ 3,582,419	$ 2,585,282	$ 2,843,679	$ 3,312,420
District's covered-employee payroll	$ 6,630,609	$ 10,627,812	$ 6,498,111	$ 6,183,940	$ 3,801,299	$ 3,576,288	$ 3,973,000	$ 4,017,598
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	-7.46%	-2.83%	66.43%	72.84%	94.24%	72.29%	71.58%	82.45%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	-5.31%	-4.63%	60.94	73.08%	51.67%	60.44%	57.62%	13.00%

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

See the accompanying notes to the required supplementary information.

CARTER COUNTY SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - HEALTH INSRUANCE PLAN - COUNTY EMPLOYEE RETIREMENT SYSTEM

For the year ended June 30, 2025

MEDICAL INSURANCE PLAN	2025	2024	2023	2022	2021	2020	2019	2018
Contractually required contribution	$ 99,457	$ 29,450	$ 252,245	$ 362,753	$ 180,942	$ 108,373	$ 85,818	$ 76,400
Contributions in relation to the contractually required contribution	99,457	29,450	252,245	362,753	180,942	108,373	85,818	76,400
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
District's covered-employee payroll	$ 6,630,609	$ 10,627,812	$ 6,498,111	$ 6,183,940	$ 3,695,874	$ 3,801,299	$ 3,576,288	$ 3,973,000
District's proportionate share as a percentage of it's covered-employee payroll	1.50%	0.28%	3.88%	5.87%	4.90%	2.85%	2.40%	1.92%

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

See the accompanying notes to the required supplementary information.

TRS

(1) CHANGES OF BENEFIT TERMS

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

(2) CHANGES OF ASSUMPTIONS

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

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

Medical Insurance Fund

The actuarially determined contribution rates, as a percentage of payroll used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculatedas of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2023:

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

CERS

Other Pension Benefit Programs-Employees' Health Plan

(1) CHANGES OF BENEFIT TERMS

There were no changes of benefit terms.

(2) CHANGES OF ASSUMPTIONS

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

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

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

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

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

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

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

	Capital Outlay	District Activity	Student Activity Fund	FSPK Building Fund	Debt Service Fund	Total
Assets						
Cash and Cash Equivalents	$ -	$ 44,279	$ 505,606	$ -	$ 4,478	$ 554,364
Accounts Receivable			9,800			9,800
Investments					4,909,050	4,909,050
Total Assets	-	44,279	515,406	-	4,913,528	5,473,214
Liabilities						
Accounts Payable	$ -	$ 1,452	$ 17,880	$ -	$ -	$ 19,332
Total Liabilities	-	1,452	17,880	-	-	19,332
Fund Balance						
Restricted		42,827	497,527	-	4,913,528	5,453,882
Total Fund Balance	$ -	$ 42,827	$ 497,527	$ -	$ 4,913,528	$ 5,453,882

See the accompanying notes to the financial statements.

Carter County School District

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

For the Year ended June 30, 2025

	Capital Outlay	District Activity	Student Activity	FSPK Building Fund	Debt Service Fund	Total
Revenues						
From Local Sources						
Student Activities	$ -	$ 62,336	$ 304,718	$ -	$ -	$ 367,054
Property Tax				1,425,260		1,425,260
Earnings on Investments		2,168	18,796		115,446	136,410
Food Service		101	379,573			379,675
Other Local Revenue		1,432	189,319			190,751
Intergovernmental - State	353,213			2,852,150	677,504	3,882,867
Intergovernmental - Federal		30			363,151	363,181
Total Revenues	353,213	66,068	892,406	4,277,410	1,156,101	6,745,198
Expenditures						
Instruction		78,756	862,413			941,169
Instructional Staff Support Services						-
Student Transportation		1,766	74,407			76,173
Debt Service					3,166,574	3,166,574
Building Acquisition & Construction						-
Total Expenditures	-	80,522	936,820	-	3,166,574	4,183,916
Excess (Deficit) of Revenues Over Expenditures	353,213	(14,455)	(44,413)	4,277,410	(2,010,473)	2,561,282
Other Financing Sources (Uses)						
Transfers In			215,889		2,446,555	2,662,444
Fund Transfers (Out)	(353,213)		(146,923)	(4,277,410)		(4,777,546)
Total Other Financing Sources (Uses)	(353,213)	-	68,966	(4,277,410)	2,446,555	(2,115,102)
Net Change in Fund Balances	-	(14,455)	24,553	-	436,082	446,180
Fund Balance Beginning	-	57,282	472,974	-	4,477,446	5,007,702
Fund Balance Ending	$ -	$ 42,827	$ 497,527	$ -	$ 4,913,528	$ 5,453,882

See the accompanying notes to the financial statements.

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

	EAST CARTER HIGH SCHOOL	WEST CARTER HIGH SCHOOL	WEST CARTER MIDDLE SCHOOL	EAST CARTER MIDDLE SCHOOL	CARTER CITY ELEMENTARY	HERITAGE ELEMENTARY	STAR ELEMENTARY	TYGART CREEK ELEMENTARY	PRICHARD ELEMENTARY	OLIVE HILL ELEMENTARY	YOUTH SERVICE CENTER	CARTER COUNTY CAREER & TECHNICAL	TOTAL
ASSETS													
Cash and cash equivalents	$ 88,548	$ 117,220	$ 22,788	$ 79,125	$ 16,340	$ 21,371	$ 12,831	$ 33,800	$ 24,735	$ 42,658	$ 9,170	$ 28,941	$ 497,527
Total Assets	88,548	117,220	22,788	79,125	16,340	21,371	12,831	33,800	24,735	42,658	9,170	28,941	497,527
LIABILITIES													
Accounts payable													
FUND BALANCE													
School activities	88,548	117,220	22,788	79,125	16,340	21,371	12,831	33,800	24,735	42,658	9,170	28,941	497,527
TOTAL LIABILITIES AND FUND BALANCE	$ 88,548	$ 117,220	$ 22,788	$ 79,125	$ 16,340	$ 21,371	$ 12,831	$ 33,800	$ 24,735	$ 42,658	$ 9,170	$ 28,941	$ 497,527

See the accompanying notes to the financial statements.

Carter County School District
Combining Statement of Revenues, Expenditures and Changes In Fund Balance
- School Activity Fund
For the Year ended June 30, 2025

	EAST CARTER HIGH SCHOOL	WEST CARTER HIGH SCHOOL	WEST CARTER MIDDLE SCHOOL	EAST CARTER MIDDLE SCHOOL	CARTER CITY ELEMENTARY	HERITAGE ELEMENTARY	STAR ELEMENTARY	TYGART CREEK ELEMENTARY	PRICHARD ELEMENTARY	OLIVE HILL ELEMENTARY	Youth Service Center	CARTER COUNTY CAREER & TECHNICAL	TOTAL
Revenues													
Student/Trust revenues	$ 301,866	$ 206,043	$ 65,441	$ 149,345	$ 10,724	53,232	$ 11,997	$ 14,059	$ 10,273	$ 44,599	$ 57	$ 24,153	$ 891,788
Expenses													
Student/Trust activities	321,098	237,142	71,705	150,641	10,497	48,212	4,195	10,595	16,922	34,787	1,374	29,651	936,820
Excess (Deficit) of Revenues Over Expenses	(19,232)	(31,099)	(6,265)	(1,296)	226	5,020	7,801	3,464	(6,649)	9,812	(1,317)	(5,498)	(45,032)
Transfers	25,859	30,917	6,770	(5,445)	419	678	(100)	200	400	(1,619)	10,487	1,019	69,585
Fund Balance Beginning	81,921	117,402	22,283	85,866	15,694	15,673	5,130	30,137	30,984	34,465		33,420	472,974
Fund Balance Ending	$ 88,548	$ 117,220	$ 22,788	$ 79,125	$ 16,340	$ 21,371	$ 12,831	$ 33,800	$ 24,735	$ 42,658	$ 9,170	$ 28,941	$ 497,527

See the accompanying notes to the financial statements.

Carter County School District

Statement of Revenues, Expenditures and Changes in the Fund Balance - East Carter High School

For the Year ended June 30, 2025

	FUND BALANCE BEGINNING	REVENUES	EXPENSES	TRANSFERS	FUND BALANCE ENDING
7504 ACADEMIC TEAM	$	133	$ 70	$ **(64)**	$ -
7507 A.P.E.S.	123				123
7508 AP CLUB	2,524	845	1,599		1,769
7510 BAND	2,687	7,668	9,943		412
7511 BETA CLUB	367	4,708	3,998		1,077
7514 BOOK CLUB	450				450
7517 CENTRAL	4,166	6,317	2,284		8,199
7520 CULINARY	-	520	-		520
7521 DRAMA CLUB	15				15
7523 FBLA	774	13,659	15,406	1,745	772
7524 FCA	142				142
7525 FCCLA	1,228	3,483	4,131	520	1,100
7527 FFA	5,093	25,674	27,112	(3,250)	405
7529 FMD	502	110			612
7530 FRENCH	67				67
7532 GUIDANCE	1,277		53		1,224
7533 IT	-				-
7535 JROTC	8,779	2,530	5,649		5,659
7536 LIBRARY	5,569	5,387	6,262		4,694
7542 RADD UNITE	898				898
7547 SPECIAL EDUCATION	1,352		26		1,326
7549 TEACHER'S LOUNGE	232	2,008	1,581		659
7553 UNIFIED CLUB	437	915	1,101		252
7555 YEARBOOK	1,113	2,333	809		2,637
7557 ARCHERY	326	800	630		496
7558 BASEBALL	-	11,747	14,568	4,603	1,783
7559 BASKETBALL-BOYS	-	18,195	18,195		-
7560 BASKETBALL-GIRLS	134	12,256	11,756	275	909
7561 CHEERLEADERS	1,141	65,007	73,649	7,502	(0)
7562 CROSS COUNTRY	5,697	6,059	4,660	1,726	8,823
7564 FISHING	384	2,589	316		2,657
7565 FOOTBALL	-	49,408	49,034		374
7566 GENERAL ATHLETICS	-	4,847	3,045	(275)	1,526
7567 GOLF	70	430	4,214	3,740	26
7572 SOCCER-BOYS	582	7,219	9,084	1,439	155
7573 SOCCER-GIRLS	4,093	5,671	6,881	1,439	4,322
7574 DISTRICT SOCCER	50				50
7575 SOFTBALL	345	4,044	7,570	3,453	271
7576 TENNIS	8,860	5,254	7,190	2,302	9,226
7577 TRACK	8,421		4,287	4,258	8,393
7579 VOLLEYBALL	-	2,859	5,535	2,676	-
7580 CLASS OF 2024	1,432				1,432
7582 CLASS OF 2027	675	1,250			1,925
7585 TSA	-		99	99	-
7600 STLP	-	60		-	60
7697 CLASS OF 2028	-	800		-	800
7698 TRACK-GIRLS	180				180
7712 COMMUNITY WORKPLACE TRANS	25				25
7714 CLASS OF 2025	6,261	1,870	4,287		3,845
7715 WRESTLING	949	1,011	604		1,356
7719 CLASS OF 2026	2,260	11,185	4,303	(4,090)	5,052
7720 CLASS DUES DONATIONS	500				500
7726 SENIOR TRIP	1,673	18,503	18,303		1,873
	-				-
	-				-
	-				-
TOTALS	$ 81,852	$ 307,352	$ 328,233	$ 28,097	$ 89,068

See the accompanying notes to the financial statements.

Carter County School District

Statement of Revenues, Expenditures and Changes in the Fund Balance - West Carter High School

For the Year ended June 30, 2025

	FUND BALANCE BEGINNING	REVENUES	EXPENSES	TRANSFERS	FUND BALANCE ENDING
7502 4-H	$ 156	$ -	$ -	$	$ 156
7503 16TH REGIONAL PRINCIPAL	431	-	-	-	431
7504 ACADEMIC TEAM	100	4,740	4,258	-	582
7508 AP CLUB	8	-	-	-	8
7509 ART	122	359	284	-	196
7510 BAND	1,497	5,589	5,908		1,178
7511 BETA CLUB	418	-	-	-	418
7512 BD	210	-	-	-	210
7513 BIOLOGY CLUB	632	-		-	632
7517 CENTRAL	1,471	7,928	3,276	(1,788)	4,335
7519 CROCHET	10				10
7522 ENGLISH					-
7523 FBLA		65			65
7525 FCCLA	377	1,834	1,194	-	1,017
7527 FFA	8,547	57,850	55,108	3,850	15,138
7528 FLOWER FUND	36	-	30		6
7529 FMD	2,145	96	278	83	2,046
7533 IT	45	-	-	-	45
7534 JOURNALISM	37			-	37
7535 JROTC	1,741	4,210	4,907	-	1,044
7536 LIBRARY	61	-	-	-	61
7537 MATH	46	-	-	-	46
7538 MOCK TRIAL	120	-	-	-	120
7540 PEP CLUB	343	-	-	-	343
7541 PROM	371	4,145	1,351	-	3,165
7544 SENIOR FAREWELL	181	-	-	-	181
7545 SENIOR SPOTLIGHT	87	1,275	1,152	-	210
7547 SPECIAL EDUCATION	55	148	-	-	203
7548 SPORTS MEDICINE	2,871	-	2,095	1,184	1,960
7549 TEACHER'S LOUNGE	1,002	1,035	1,105	-	932
7552 THOMAS BONZO	76	61	-	-	138
7554 Y-CLUB		10,554	11,925	1,371	-
7555 YEARBOOK	7,259	4,205	2,376	(860)	8,228
7557 ARCHERY		-	276	513	237
7558 BASEBALL	2,398	3,064	1,745	(311)	3,406
7559 BASKETBALL-BOYS	21,422	16,231	17,593	(5,043)	15,016
7560 BASKETBALL-GIRLS	21,639	18,027	13,537	(5,456)	20,673
7561 CHEERLEADERS	10,357	4,442	11,478	7,689	11,011
7562 CROSS COUNTRY	-	8	210	308	106
7564 FISHING	-	500	540	40	-
7565 FOOTBALL		18,079	16,612	(1,467)	0
7566 GENERAL ATHLETICS	-	-	49,823	51,287	1,463
7568 GOLF-BOYS	4,195	320	3,228	1,196	2,483
7572 SOCCER-BOYS		1,873	3,702	2,109	280
7573 SOCCER-GIRLS	1,186	3,880	3,187	(408)	1,470
7575 SOFTBALL		8,260	5,790	(2,470)	-
7576 TENNIS	297	682	1,102	718	595
7577 TRACK					-
7578 TRACK-BOYS		1,335	3,716	2,381	-
7579 VOLLEYBALL	3,535	11,942	11,112	(771)	3,594
7580 CLASS OF 2024	458		263	-	195
7581 CLASS OF 2025	5,887	3,858	8,956	-	789
7582 CLASS OF 2027	652	296	485	-	463
7584 CLASS OF 2023	1,837	-	-	(1,837)	0
7609 FAMILY RESOURCE & YOUTH S	9,138	2,995	4,209		7,924
7706 TOURNAMENT	117				117
7715 WRESTLING	1,242	573	601	41	1,255
7719 CLASS OF 2026	588	3,097	3,844	2,026	1,868
7722 MEDIA	820	1,500		(2,320)	-
7723 SOPHOMORE BRACELET FUNDRA	245	-	-	-	245
7725 RIFLE TEAM	519		146	513	885
7926 ROBOTS	416	1,357	1,768	-	5
					-
TOTALS	$ 117,402	$ 206,411	$ 259,172	52,579	$ 117,220

See the accompanying notes to the financial statements.

Carter County School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2025

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Expenditures
US Department of Agriculture				
Passed Through State Department of Education				
* STATE ADMINISTRATIVE REIMBURSEMENT	10.560	770000124	$ -	$ 4,652
* STATE ADMINISTRATIVE REIMBURSEMENT	10.560	799000025	-	22,548
* SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	774002324	-	309,667
* SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	774002325		277,275
* SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	769002424	-	31,685
* SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	769002425	-	28,460
* FOOD SERVICE PROGRAM FOR CHILDREN	10.555	775000224		348,200
* FOOD SERVICE PROGRAM FOR CHILDREN	10.555	775000225	-	1,700,321
* FOOD SERVICE PROGRAM FOR CHILDREN	10.553	776000524		162,675
* FOOD SERVICE PROGRAM FOR CHILDREN	10.553	776000525	-	791,576
Child Nutrition Cluster Subtotal				3,677,059
Passed Through State Department of Agriculture				
Food Donation-Commodities	10.565			
Fiscal Year 25		510.4950	-	238,982
Total US Department of Agriculture				3,916,041
US Department of Education				
Passed Through State Department of Education				
Title I Grants to Local Educational Agencies	84.010	3100002 23	-	34,337
Title I Grants to Local Educational Agencies	84.010	3100002 24	-	1,752,869
				1,787,206
Vocation Education - Basic Grants to States	84.048	3710002 23	-	5,839
Vocation Education - Basic Grants to States	84.048	3710002 24	-	74,112
				79,951
Special Education Grants to States	84.027	3810002 23	-	807
Special Education Grants to States	84.027	3810002 24	-	1,102,799
Special Education - Preschool Grants	84.173	3800002 24	-	65,827
Special Education Cluster Subtotal				1,169,433
Rural Education	84.358B	3140002 23	-	118,530
Rural Education	84.358B	3140002 24	-	99,150
				217,680
Title IV Part A	84.424	3420002 22	-	4,339
Title IV Part A	84.424	3420002 23	-	274,827
Title IV Part A	84.424	3420002 24	-	278,770
				557,936
* **Elementary and Secondary School Emergency Relief Fund - COVID**	84.425	430000521	-	76,300
* **Elementary and Secondary School Emergency Relief Fund - COVID**	84.425D	430000221	-	12,022,115
* **American Rescue Plan Emergency & Secondary Funds**	84.425	430000321	-	8,945
* **American Rescue Plan Emergency & Secondary Funds**	84.425W	498000221	-	14,383
* **American Rescue Plan Emergency & Secondary Funds**	84.425D	420000221	-	3,810,679
				15,932,422
The Prichard Committee				
Kentucky School Initiative	84.215J	N/A		238,739
Total US Department of Education				19,983,367
US Department of Defense				
ROTC	15.000	504I	-	140,622
Total U.S. Department of Defense				140,622
Total Expenditure of Federal Awards				$ 24,040,030

* Major program

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

NOTE B – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities received and disbursed. For the year ended June 30, 2025, the District received food commodities totaling $238,982.

NOTE D – INDIRECT COST RATE

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

ALLEN & ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

859-806-5290
859-349-0061
www.allenandassociatescpa.com
PO Box 974, Richmond, KY 40476

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

To the Board of Education of the Carter County School District
Grayson, KY

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits, in the *Auditor Responsibilities and State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements, the financial statements of the governmental activities, the business-type activities each major fund, and the aggregate remaining fund information of Carter County School District, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Carter County School District's basic financial statements, and have issued our report thereon dated March 11, 2026

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Allen + Associates, PLLC

Richmond, KY
March 11, 2026

ALLEN & ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

859-806-5290
859-349-0061
www.allenandassociatescpa.com
PO Box 974, Richmond, KY 40476

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

To the Board of Education of the Carter County School District
Grayson, KY

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Carter County School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will not always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher

than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Carter County School District's compliance with the requirements of each major federal program as a whole.

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

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

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2025-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Carter County School District's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Carter County School District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

Allen + Associates, PLLC

Richmond, KY
March 11, 2026

CARTER COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2025

SUMMARY OF AUDITOR'S RESULTS

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

Major Programs:
Elementary and Secondary School Emergency Relief Fund – COVID 19 [ALN 84.425]
Child Nutrition Cluster [ALNs 10.560, 10.559, 10.553]

Dollar threshold of Type A and B programs	$750,000
Low risk auditee?	No

FINDINGS - FINANCIAL STATEMENT AUDIT

No findings at the financial statement level.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

Finding 2025-001 - Supplanting
ALN: 84.367 for 2024 and 2025 grants
Grant: Supporting Effective Instruction State Grants
Agency: US Department of Education
Pass Through: KY Department of Education
Type of Finding: Compliance

Criteria: **Funds for this grant are only allowed for supplementing and are not allowed for supplanting.**

Condition: **$390,178 of expenditures were located by the KY Department of Education during their review of the Federal Program and found to not be in compliance with grant award contract.**

Cause: **Carter County Board of Education did not have internal controls in place to prevent expenditures of this grant to be made in a manner that prevented non-compliance.**

CARTER COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended June 30, 2025

FINDINGS - FINANCIAL STATEMENT AUDIT

No prior year findings at the financial statement level.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

No prior year findings at the major federal award programs level.

CARTER COUNTY SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
Year ended June 30, 2025

Date: March 11, 2026

Oversight Agency: Kentucky Department of Education

The *Carter School District* respectfully submits the following corrective action plan for the year ended June 30, 2025.

Name and Address of Independent Public Accounting Firm: Allen & Associates, PLLC, Richmond, Kentucky 40475.

Audit Period: For the year ended June 30, 2025.

The finding from the year ended June 30, 2025 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

2025-001

Recommendation for Correction: We recommend that internal controls are put into place to ensure that grant compliance requirements are adhered to.

Management Response to the Recommendation: This was repaid because it was not allowable for class size reduction. It was transferred to 552K and paid for technology coordinators. In reality this was just a journal entry.

If the Kentucky Department of Education has questions regarding this plan, please call me at 606-474-6696.

Sincerely yours,

Dr. Jennifer Fraley

Dr. Jennifer Fraley, Superintendent