

DATED OCTOBER 10, 2025

NEW ISSUE

**Electronic Bidding via Parity®
NOT Bank Interest Deduction Eligible
BOOK-ENTRY-ONLY SYSTEM**

**RATING
Moody's: " "**

In the opinion of Bond Counsel, under existing law (i) interest on the Bonds will be excludable from gross income of the holders thereof for purposes of federal taxation and (ii) interest on the Bonds will not be a specific item of tax preference for purposes of the federal alternative minimum tax; however, with respect to certain corporations, interest on the Bonds is taken into account in determining the annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. All subject to the qualifications described herein under the heading "Tax Exemption." The Bonds and interest thereon are exempt from income taxation and ad valorem taxation by the Commonwealth of Kentucky and political subdivisions thereof (see "Tax Exemption" herein)

\$27,960,000*

**NELSON COUNTY SCHOOL DISTRICT FINANCE CORPORATION
SCHOOL BUILDING REVENUE BONDS,
SERIES OF 2025**

Dated with Delivery: NOVEMBER 10, 2025

Due: as shown below

Interest on the Bonds is payable each May 1 and November 1, beginning May 1, 2026. The Bonds will mature as to principal on November 1, 2026, and thereafter as shown below. The Bonds are being issued in Book-Entry-Only Form and will be available for purchase in principal amounts of \$5,000 and integral multiples thereof.

| Maturing | | Interest Rate | Reoffering Yield | CUSIP | Maturing | | Interest Rate | Reoffering Yield | CUSIP |
|----------|-------------|---------------|------------------|-------|----------|-------------|---------------|------------------|-------|
| 1-Nov | Amount* | | | | 1-Nov | Amount* | | | |
| 2026 | \$5,000 | % | % | | 2036 | \$1,610,000 | % | % | |
| 2027 | \$5,000 | % | % | | 2037 | \$1,680,000 | % | % | |
| 2028 | \$5,000 | % | % | | 2038 | \$1,750,000 | % | % | |
| 2029 | \$5,000 | % | % | | 2039 | \$1,830,000 | % | % | |
| 2030 | \$380,000 | % | % | | 2040 | \$1,915,000 | % | % | |
| 2031 | \$1,045,000 | % | % | | 2041 | \$2,000,000 | % | % | |
| 2032 | \$1,140,000 | % | % | | 2042 | \$2,100,000 | % | % | |
| 2033 | \$1,185,000 | % | % | | 2043 | \$2,200,000 | % | % | |
| 2034 | \$1,230,000 | % | % | | 2044 | \$3,215,000 | % | % | |
| 2035 | \$1,285,000 | % | % | | 2045 | \$3,375,000 | % | % | |

The Bonds are subject to redemption prior to their stated maturity.

Notwithstanding the foregoing, the Corporation reserves the right to call, upon thirty (30) days notice, the Bonds in whole or in part on any date for redemption upon the total destruction by fire, lightning, windstorm or other hazard of any of the building(s) constituting the Project(s) and apply casualty insurance proceeds to such purpose.

The Bonds constitute a limited indebtedness of the Nelson County School District Finance Corporation and are payable from and secured by a pledge of the gross income and revenues derived by leasing the Project (as hereinafter defined) on an annual renewable basis to the Nelson County Board of Education.

The Nelson County (Kentucky) School District Finance Corporation will until October 21, 2025, at 11:00 A.M., E.D.S.T., receive competitive bids for the Bonds at the office of the Executive Director of the Kentucky School Facilities Construction Commission, 200 Mero Street - 5th Floor, Frankfort, Kentucky 40622.

***As set forth in the "Official Terms and Conditions of Bond Sale," the principal amount of Bonds sold to the successful bidder is subject to a Permitted Adjustment by increasing or decreasing the amount not to exceed \$2,795,000.**

PURCHASER'S OPTION: The Purchaser of the Bonds, within 24 hours of the sale, may specify to the Municipal Advisor that any Bonds may be combined immediately succeeding sequential maturities into a Term Bond(s), bearing a single rate of interest, with the maturities set forth above (or as may be adjusted as provided herein) being subject to mandatory redemption in such maturities for such Term Bond(s).

The Bonds will be delivered utilizing the BOOK-ENTRY-ONLY-SYSTEM administered by The Depository Trust Company.

The Corporation deems this preliminary Official Statement to be final for purposes of the Securities and Exchange Commission Rule 15c2-12(b)(1), except for certain information on the cover page hereof which has been omitted in accordance with such Rule and which will be supplied with the final Official Statement.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sales of these Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the laws of any such jurisdiction.



**NELSON COUNTY
BOARD OF EDUCATION**

Tracy Bowling, Chairperson
David Norman, Member
Amanda Deaton, Member
Joedy Gilliland, Member
Karen Lee, Member

Wes Bradley, Superintendent/Secretary

**NELSON COUNTY (KENTUCKY) SCHOOL DISTRICT
FINANCE CORPORATION**

Tracy Bowling, President
David Norman, Member
Amanda Deaton, Member
Joedy Gilliland, Member
Karen Lee, Member

Wes Bradley, Secretary
Tracey Rogers, Treasurer

BOND COUNSEL

Step toe & Johnson PLLC
Louisville, Kentucky

MUNICIPAL ADVISOR

RSA Advisors, LLC
Lexington, Kentucky

PAYING AGENT AND REGISTRAR

U.S. Bank Trust Company, National Association
Louisville, Kentucky

BOOK-ENTRY-ONLY-SYSTEM

REGARDING USE OF THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Nelson County School District Finance Corporation School Building Revenue Bonds, Series of 2025, identified on the cover page hereof. No person has been authorized by the Corporation or the Board to give any information or to make any representation other than that contained in the Official Statement, and if given or made such other information or representation must not be relied upon as having been given or authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Corporation or the Board since the date hereof.

Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency, except the Corporation will pass upon the accuracy or adequacy of this Official Statement or approve the Bonds for sale.

The Official Statement includes the front cover page immediately preceding this page and all Appendices hereto.

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**OFFICIAL STATEMENT
Relating to the Issuance of**

\$27,960,000*

**NELSON COUNTY SCHOOL DISTRICT FINANCE CORPORATION
SCHOOL BUILDING REVENUE BONDS,
SERIES OF 2025**

**Subject to Permitted Adjustment*

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and Appendices hereto, is to set forth certain information pertaining to the Nelson County School District Finance Corporation (the "Corporation") School Building Revenue Bonds, Series of 2025 (the "Bonds").

The Bonds are being issued to finance renovations to Thomas Nelson High School (the "Project").

The Bonds are revenue bonds and constitute a limited indebtedness of the Corporation. The Bonds will be secured by a statutory mortgage lien and a pledge of the rental income derived by the Corporation from leasing the school building Projects (as hereinafter defined) to the Nelson County Board of Education (the "Board") on a year to year basis (see "Security" herein).

All financial and other information presented in this Official Statement has been provided by the Nelson County Board of Education from its records, except for information expressly attributed to other sources. The presentation of financial and other information is not intended, unless specifically stated, to indicate future or continuing trends in the financial position or other affairs of the Board. No representation is made that past experience, as is shown by financial and other information, will necessarily continue or be repeated in the future.

This Official Statement should be considered in its entirety, and no one subject discussed should be considered more or less important than any other by reason of its location in the text. Reference should be made to laws, reports or other documents referred to in this Official Statement for more complete information regarding their contents.

Copies of the Bond Resolution authorizing the issuance of the Bonds and the Lease Agreement, dated November 10, 2025, may be obtained at the office of Steptoe & Johnson PLLC, Bond Counsel, 101 South Fifth Street, Suite 3200, Louisville, Kentucky 40202.

BOOK-ENTRY-ONLY-SYSTEM

The Bonds shall utilize the Book-Entry-Only-System administered by The Depository Trust Company ("DTC").

The following information about the Book-Entry only system applicable to the Bonds has been supplied by DTC. Neither the Corporation nor the Paying Agent and Registrar makes any representations, warranties or guarantees with respect to its accuracy or completeness.

DTC will act as securities depository for the Bonds. The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry

transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent and Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation or the Paying Agent and Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC or its nominee, the Paying Agent and Registrar or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation or the Paying Agent and Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice the Corporation or the Paying Agent and Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered. The Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's Book-Entry system has been obtained from sources that the Corporation believes to be reliable but the Corporation takes no responsibility for the accuracy thereof.

THE CORPORATION

The Corporation has been formed in accordance with the provisions of Sections 162.120 through 162.300 and Section 162.385 of the Kentucky Revised Statutes ("KRS"), and KRS Chapter 273 and KRS 58.180, as a non-profit, non-stock corporation for the purpose of financing necessary school building facilities for and on behalf of the Board. Under the provisions of existing Kentucky law, the Corporation is permitted to act as an agency and instrumentality of the Board for financing purposes and the legality of the financing plan to be implemented by the Board herein referred to has been upheld by the Kentucky Court of Appeals (Supreme Court) in the case of White v. City of Middlesboro, Ky. 414 S.W.2d 569.

Any bonds, notes or other indebtedness issued or contracted by the Corporation shall, prior to the issuance or incurrence thereon, be specifically approved by the Board. The members of the Board of Directors of the Corporation are the members of the Board. Their terms expire when they cease to hold the office and any successor members of the Board are automatically members of the Corporation upon assuming their public offices.

KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION; NO PARTICIPATION IN THIS ISSUE

The Kentucky School Facilities Construction Commission (the "Commission") is an independent corporate agency and instrumentality of the Commonwealth of Kentucky established pursuant to the provisions of KRS Sections 157.611 through 157.640, as amended, repealed and reenacted (the "Act") for the purpose of assisting local school districts in meeting the school construction needs of the Commonwealth in a manner which will ensure an equitable distribution of funds based upon unmet need.

The General Assembly of the Commonwealth adopted the State's Budget for the fiscal year ending June 30, 2026. Inter alia, the Budget provides \$116,928,400 in FY 23024-25 and \$126,269,500 in FY 2025-2026 to pay debt service on existing and future bond issues. There are \$75,900,000 of the Commission's previous Offers of Assistance made during the last biennium. It authorizes \$85,000,000 in additional Offers of Assistance for the current biennium to be funded in the Budget for the biennium ending June 30, 2026.

The 2000, 2003, 2005, 2006, 2008, 2010, 2012, 2014, 2016, 2018, 2020, 2022, and 2024 Regular Sessions of the Kentucky General Assembly appropriated funds to be used for new debt service of participating school districts. The appropriations for each biennium are shown in the following table:

| <u>Biennium</u> | <u>Appropriation</u> |
|-----------------|----------------------|
| 2000-02 | 8,100,000 |
| 2002-04 | 9,500,000 |
| 2004-06 | 14,000,000 |
| 2006-08 | 9,000,000 |
| 2008-10 | 10,968,000 |
| 2010-12 | 12,656,200 |
| 2012-14 | 8,469,200 |
| 2014-16 | 8,764,000 |
| 2016-18 | 23,019,400 |
| 2018-20 | 7,608,000 |
| 2020-22 | 2,946,900 |
| 2022-24 | 5,305,300 |
| <u>2024-26</u> | <u>22,280,000</u> |
| Total | \$142,617,000 |

In addition to the appropriations for new financings as shown, appropriations subsequent to that for 2000 included additional funds to continue to meet the annual debt requirements for all bond issues involving Commission participation issued in prior years.

BIENNIAL BUDGET FOR PERIOD ENDING JUNE 30, 2026

The Kentucky General Assembly is required by the Kentucky Constitution to adopt measures providing for the state's revenues and appropriations for each fiscal year. The Governor is required by law to submit a biennial State Budget (the "State Budget") to the General Assembly during the legislative session held in each even numbered year. State Budgets have generally been adopted by the General Assembly during those legislative sessions, which end in mid-April, to be effective upon the Governor's signature for appropriations commencing for a two-year period beginning the following July 1.

In the absence of a legislatively enacted budget, the Supreme Court has ruled the Governor has no authority to spend money from the state treasury except where there is a statutory, constitutional or federal mandate and the Commonwealth may be prevented from expending funds for certain state governmental functions, including the ability to pay principal of, premium, if any, and interest, when due, on obligations that are subject to appropriation.

The General Assembly adopted a budget for the biennial period ending June 30, 2026 which was approved and signed recently by the Governor. Such budget became effective July 1, 2024.

The Office of the State Budget Director makes available on its website monthly updates to the General Fund receipts and other Funds of the commonwealth. When published, the updates can be found at www.osbd.ky.gov.

OUTSTANDING BONDS

The following table shows the outstanding Bonds of the Board by the original principal amount of each issue, the current principal outstanding, the amount of the original principal scheduled to be paid with the corresponding interest thereon by the Board or the School Facilities Construction Commission, the approximate interest range; and, the final maturity date of the Bonds:

| Bond Series | Original Principal | Current Principal Outstanding | Principal Assigned to Board | Principal Assigned to Commission | Interest Rate Range | Final Maturity |
|----------------|---------------------|-------------------------------|-----------------------------|----------------------------------|---------------------|----------------|
| 2014-REF | \$18,770,000 | \$8,295,000 | \$18,770,000 | \$0 | 3.000% - 3.500% | 2029 |
| 2014-Energy | \$3,420,000 | \$2,195,000 | \$3,420,000 | \$0 | 3.000% - 3.625% | 2034 |
| 2015A-REF | \$8,485,000 | \$6,760,000 | \$6,863,863 | \$1,621,137 | 3.000% | 2030 |
| 2015B-REF | \$3,485,000 | - | \$1,871,079 | \$1,613,921 | - | 2025 |
| 2016-REF | \$8,905,000 | \$2,990,000 | \$7,593,895 | \$1,311,105 | 2.250% - 2.500% | 2027 |
| 2016 | \$6,525,000 | \$5,625,000 | \$5,977,526 | \$547,474 | 2.000% - 3.000% | 2036 |
| 2016B-REF | \$7,260,000 | \$3,875,000 | \$6,526,677 | \$733,323 | 2.125% - 2.375% | 2029 |
| 2017 Energy | \$3,480,000 | \$1,875,000 | \$1,636,290 | \$1,843,710 | 3.000% | 2032 |
| 2020-REF | \$505,000 | \$305,000 | \$505,000 | \$0 | 1.350% | 2031 |
| 2024 | \$19,315,000 | \$19,290,000 | \$18,865,022 | \$449,978 | 4.000% - 5.000% | 2044 |
| TOTALS: | \$80,150,000 | \$51,210,000 | \$72,029,352 | \$8,120,648 | | |

AUTHORITY

The Board of Directors of the Corporation has adopted a Bond Resolution which authorized among other things:

- i) the issuance of approximately \$27,960,000 of Bonds subject to a permitted adjustment of \$2,795,000;
- ii) the advertisement for the public sale of the Bonds;
- iii) the Official Terms and Conditions for the sale of the Bonds to the successful bidder; and,
- iv) the President and Secretary of the Corporation to execute certain documents relative to the sale and delivery of the Bonds.

THE BONDS

General

The Bonds will be dated November 10, 2025, will bear interest from that date as described herein, payable semi-annually on May 1 and November 1 of each year, commencing May 1, 2026, and will mature as to principal on November 1, 2026, and thereafter in the years and in the principal amounts as set forth on the cover page of this Official Statement.

Registration, Payment and Transfer

The Bonds are to be issued in fully-registered form (both principal and interest). U.S. Bank Trust Company, National Association, Louisville, Kentucky, the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date to Cede & Co., as the nominee of The Depository Trust Company. Please see Book-Entry-Only-System. Interest on the Bonds will be paid at rates to be established upon the basis of competitive bidding as hereinafter set forth, such interest to be payable on May 1 and November 1 of each year, beginning May 1, 2026 (Record Date is 15th day of month preceding interest due date).

Redemption

The Bonds maturing on or after November 1, 2034, are subject to redemption at the option of the Corporation prior to their stated maturity on any date falling on or after November 1, 2033, in any order of maturities (less than all of a single maturity to be selected by lot), in whole or in part, upon notice of such prior redemption being given by the Paying Agent in accordance with DTC requirements not less than thirty (30) days prior to the date of redemption, upon terms of the face amount, plus accrued interest, but without redemption premium.

| Redemption Date | Redemption Price |
|----------------------------------|------------------|
| November 1, 2033, and thereafter | 100% |

Notwithstanding the foregoing, the Corporation reserves the right, upon thirty (30) days notice, to call the Bonds in whole or in part on any date at par for redemption upon the total destruction by fire, lightning, windstorm or other hazard of any building constituting the Project and apply casualty insurance proceeds to such purpose.

SECURITY

General

The Bonds are revenue bonds and constitute a limited indebtedness of the Corporation. The Bonds are payable as to both principal and interest solely from the income and revenues derived from the leasing of the school building Projects financed from the Bond proceeds from the Corporation to the Board. The Bonds are secured by a statutory mortgage lien on and pledge of revenue from the school building Project; provided, however, said lien and pledge are on parity with a similar lien and pledge securing the Corporation's School Building Revenue Bonds previously issued to finance or refinance the school building (s) which constitute the school building Project (the "Parity Bonds"). Should the Board default in its obligations under the Lease or fail to renew the Lease, the Registered Owners of Bonds have the right to have a receiver appointed to administer the school building Project but foreclosure and sale are not available as remedies.

The Lease; Pledge of Rental Revenues

The Board has leased the school building Project securing the Bonds for an initial period from November 10, 2025, through June 30, 2026, with the option in the Board to renew said Lease from year to year for one year at a time, at annual rentals, sufficient in each year to enable the Corporation to pay, solely from the rental due under the Lease, the principal and interest on all of the Bonds as same become due. The Lease provides further that so long as the Board exercises its annual renewal options, its rentals will be payable according to the terms and provisions of the Lease until November 1, 2045, the final maturity date of the Bonds. Under the lease, the Corporation has pledged the rental revenue to the payment of the Bonds.

Authorization of General Obligation Bonds

The Kentucky Legislature recently passed and the Governor signed HB 727 which authorizes Kentucky Boards of Education to issue general obligation bonds within certain limitations prescribed by Kentucky law. The Board does not currently have any specific plan to issue general obligation bonds. Issuance by the Board of general obligation debt in the future would not affect either the Board's obligation to make lease payments to the Corporation for payment of debt service on the Bonds or the security for the Bonds.

STATE INTERCEPT

Under the terms of the Lease and any renewal thereof, so long as the Bonds remain outstanding and in conformance with the intent and purpose of KRS 160.160(5), in the event of a failure by the Board to pay the rentals due under the Lease, and unless sufficient funds have been transmitted to the Paying Agent, or will be so transmitted, for paying said rentals when due, the Board has granted under the terms of the Lease to the Corporation the right to notify and request the Kentucky Department of Education to withhold from the Board a sufficient portion of any undisbursed funds then held, set aside, or allocated to the Board and to request said Department or Commissioner of Education to transfer the required amount thereof to the Paying Agent for the payment of such rentals.

ADDITIONAL PARITY BONDS

The Corporation has reserved the right and privilege of issuing additional bonds from time to time payable from the income and revenues of said lands and school building Project and secured by a statutory mortgage lien and pledge of revenues, but only if and to the extent the issuance of such additional parity bonds are in accordance with plans and specifications approved by the Board, Commissioner of Education, and filed in the office of the Secretary of the Corporation and a Lease shall be entered into whereunder the annual rental payments during the life of such additional bonds shall be increased by the amount of the annual principal and interest requirements of such additional bonds.

THE PROJECT

After payment of the Bond issuance costs, the Board plans to deposit the net Bond proceeds to finance renovations to Thomas Nelson High School (the "Project").

The Board has reported construction bids have been let for the Project and award of the construction contract is expected prior to the sale and delivery of the Bonds.

Contractors for the Project are required to furnish to the Board a one hundred percent completion bond to assure their performance of the construction contract.

KENTUCKY DEPARTMENT OF EDUCATION SUPERVISION

Kentucky statutes, and the regulations of the Kentucky Department of Education ("KDE") issued there-under, generally require that a local school district submit to KDE for its prior approval the district's plans for the funding, financing, design, construction, renovation, and modification of school facilities. House Bill 678 of the 2022 Regular Session of the Kentucky General Assembly (2022 Ky. Acts, Ch. 185, hereinafter referred to as "HB 678"), enacted and effective April 8, 2022, eliminated until June 30, 2024 this requirement of prior approval for local school districts which elect by resolution to proceed without such prior approval and which so notify the Department. The District has adopted such a resolution and has so notified KDE. House Bill 727 of the 2024 Regular Session of the Kentucky General Assembly (2024 Ky Acts, Ch 126. Hereinafter re-ferred to as "HB 727"), enacted and effective April 9, 2024, extended the provisions of HB 678 through June 30, 2027.

Notwithstanding HB 679, and HB 727, KDE's supervision of local school districts continues to apply other areas of local school finance, including supervision of general operations such as the examination of business methods and accounts of a school district, requirements of prompt, detailed reports of receipts and expenditures and the annual approval of the district's operating budget. All local school boards which have entered into contracts for the issuance of bonds must maintain insurance protection in an amount equal to the full insurable value of the buildings financed by the bonds. This State Department of Education supervision and control is believed to be a major contribution toward the maintenance of Kentucky's perfect record of no defaults in payment of its revenue bonds for school purposes.

ESTIMATED BOND DEBT SERVICE

The following table shows by fiscal year the current bond payments of the Board. The plan of financing provides for the Board to meet 100% of the debt service of the Bonds.

| Fiscal Year Ending June 30 | Current Local Bond Payments | ----- School Building Revenue Bonds, Series 2025 ----- | | | Total Restricted Fund Bond Payments |
|-----------------------------------|------------------------------------|---|-------------------------|----------------------|--|
| | | Principal Portion | Interest Portion | Total Payment | |
| 2025 | \$5,398,903 | | | | \$5,398,903 |
| 2026 | \$5,445,318 | | \$588,013 | \$588,013 | \$6,033,332 |
| 2027 | \$5,446,786 | \$5,000 | \$1,245,105 | \$1,250,105 | \$6,696,891 |
| 2028 | \$5,439,293 | \$5,000 | \$1,244,905 | \$1,249,905 | \$6,689,198 |
| 2029 | \$5,438,953 | \$5,000 | \$1,244,705 | \$1,249,705 | \$6,688,658 |
| 2030 | \$5,440,730 | \$5,000 | \$1,244,505 | \$1,249,505 | \$6,690,235 |
| 2031 | \$4,107,509 | \$380,000 | \$1,236,805 | \$1,616,805 | \$5,724,314 |
| 2032 | \$2,676,950 | \$1,045,000 | \$1,208,305 | \$2,253,305 | \$4,930,255 |
| 2033 | \$2,572,143 | \$1,140,000 | \$1,164,605 | \$2,304,605 | \$4,876,748 |
| 2034 | \$2,567,393 | \$1,185,000 | \$1,118,105 | \$2,303,105 | \$4,870,498 |
| 2035 | \$2,575,443 | \$1,230,000 | \$1,069,805 | \$2,299,805 | \$4,875,248 |
| 2036 | \$2,570,791 | \$1,285,000 | \$1,019,505 | \$2,304,505 | \$4,875,296 |
| 2037 | \$1,974,369 | \$1,610,000 | \$961,605 | \$2,571,605 | \$4,545,974 |
| 2038 | \$1,971,369 | \$1,680,000 | \$894,125 | \$2,574,125 | \$4,545,494 |
| 2039 | \$1,971,170 | \$1,750,000 | \$821,220 | \$2,571,220 | \$4,542,390 |
| 2040 | \$1,973,569 | \$1,830,000 | \$742,420 | \$2,572,420 | \$4,545,989 |
| 2041 | \$1,973,369 | \$1,915,000 | \$658,158 | \$2,573,158 | \$4,546,526 |
| 2042 | 1975568.26 | \$2,000,000 | \$569,070 | \$2,569,070 | \$4,544,638 |
| 2043 | 1972762.4 | \$2,100,000 | \$474,770 | \$2,574,770 | \$4,547,532 |
| 2044 | 1972068 | \$2,200,000 | \$374,770 | \$2,574,770 | \$4,546,838 |
| 2045 | | \$3,215,000 | \$245,910 | \$3,460,910 | \$3,460,910 |
| 2046 | | \$3,375,000 | \$84,375 | \$3,459,375 | \$3,459,375 |
| TOTALS: | \$65,464,456 | \$27,960,000 | \$18,210,786 | \$46,170,786 | \$111,635,242 |

Notes: Numbers are rounded to the nearest \$1.00

ESTIMATED USE OF BOND PROCEEDS

The table below shows the estimated sources of funds and uses of proceeds of the Bonds, other than any portions thereof representing accrued interest:

| | |
|------------------------------|------------------------|
| Sources: | |
| Par Amount of Bonds | <u>\$27,960,000.00</u> |
| Total Sources | \$27,960,000.00 |
| Uses: | |
| Deposit to Construction Fund | \$27,230,110.00 |
| Underwriter's Discount (2%) | 559,200.00 |
| Cost of Issuance | <u>134,250.00</u> |
| Total Uses | \$27,960,000.00 |

DISTRICT STUDENT POPULATION

Selected school census and average daily attendance for the Nelson County School District is as follows:

| <u>Year</u> | <u>Average Daily Attendance</u> | <u>Year</u> | <u>Average Daily Attendance</u> |
|-------------|---------------------------------|-------------|---------------------------------|
| 2004-05 | 4,283.3 | 2015-16 | 4,189.7 |
| 2005-06 | 4,290.6 | 2016-17 | 4,176.1 |
| 2006-07 | 4,345.2 | 2017-18 | 4,091.2 |
| 2007-08 | 4,381.5 | 2018-19 | 3,992.1 |
| 2008-09 | 4,401.4 | 2019-20 | 3,970.4 |
| 2009-10 | 4,339.7 | 2020-21 | 3,967.3 |
| 2010-11 | 4,304.4 | 2021-22 | 4,123.5 |
| 2011-12 | 4,250.2 | 2022-23 | 4,123.5 |
| 2012-13 | 4,224.7 | 2023-24 | 3,954.2 |
| 2013-14 | 4,213.8 | 2024-25 | 4,112.8 |
| 2014-15 | 4,191.9 | | |

Source: Kentucky State Department of Education.

STATE SUPPORT

Support Education Excellence in Kentucky (SEEK). In determining the cost of the program to Support Education Excellence in Kentucky (SEEK), the statewide guaranteed base funding level is computed by dividing the amount appropriated by the prior year's statewide average daily attendance. The SEEK fund is a guaranteed amount of money per pupil in each school district of Kentucky. The current SEEK allotment is \$3,866 per pupil. The \$100 capital outlay allotment per each average daily attendance is included within the guaranteed amounts. Each district's base funding from the SEEK program is adjusted for the number of at-risk students, the number and types of exceptional children in the district, and cost of transporting students from and to school in the district.

Capital Outlay Allotment. The per pupil capital outlay allotment for each district from the public school fund and from local sources shall be kept in a separate account and may be used by the district only for capital outlay projects approved by the State Department of Education. These funds shall be used for the following capital outlay purposes:

- a. For direct payment of construction costs.
- b. For debt service on voted and funding bonds.
- c. For payment or lease-rental agreements under which the board will eventually acquire ownership of the school plant.
- d. For retirement of any deficit resulting from over-expenditure for capital construction, if such deficit resulted from certain declared emergencies.
- e. As a reserve fund for the above named purposes, to be carried forward in ensuing budgets.

The allotment for each school board of education in the Commonwealth for fiscal year 1978-79 was \$1,800 per classroom unit. The 1979 Session of the Kentucky General Assembly approved increases in this allotment in 1979-80 to \$1,900 per classroom unit. This rate remained unchanged in 1980-81. The 1981 Session of the Kentucky General Assembly decreased the allotment per classroom to \$1,800 and this allotment rate did not change from the 1981-82 rate, until the 1990-91 school year. Beginning with 1990-91, the Capital Outlay allotment for each district is based on \$100 per average daily attendance.

The following table shows the computation of the capital outlay allotment for the Nelson County School District for certain preceding school years as reported by the Kentucky Department of Education.

| Capital Outlay | | Capital Outlay | |
|----------------|-----------|----------------|-----------|
| Year | Allotment | Year | Allotment |
| 2004-05 | 428,330.0 | 2015-16 | 418,970.0 |
| 2005-06 | 429,060.0 | 2016-17 | 417,610.0 |
| 2006-07 | 434,520.0 | 2017-18 | 409,120.0 |
| 2007-08 | 438,150.0 | 2018-19 | 399,206.0 |
| 2008-09 | 440,136.0 | 2019-20 | 397,040.0 |
| 2009-10 | 433,966.0 | 2020-21 | 396,732.2 |
| 2010-11 | 430,442.0 | 2021-22 | 412,350.1 |
| 2011-12 | 425,020.0 | 2022-23 | 412,350.1 |
| 2012-13 | 422,468.0 | 2023-24 | 395,424.4 |
| 2013-14 | 421,378.0 | 2024-25 | 411,279.6 |
| 2014-15 | 419,193.0 | | |

Source: Kentucky Department of Education.

If the school district has no capital outlay needs, upon approval from the State, the funds can be used for school plant maintenance, repair, insurance on buildings, replacement of equipment, purchase of school buses and purchase of modern technological equipment for educational purposes. If any district has a special levy for capital outlay or debt service that is equal to the capital outlay allotment or a proportionate fraction thereof, and spends the proceeds of the levy for eligible purposes, the State may authorize the district to use all or a proportionate fraction of its capital outlay allotment for current expenses (school districts which use capital outlay allotments to meet current expenses are not eligible to participate in the School Facilities Construction Commission funds).

Facilities Support Program of Kentucky. School districts may be eligible to participate in the Facilities Support Program of Kentucky (FSPK), subject to the following requirements:

- 1) The district must have unmet needs as set forth and approved by the State Department of Education in a School Facilities Plan;
- 2) The district must commit to establish an equivalent tax rate of at least 5 cents, in addition to the 30 cents minimum current equivalent tax rate; and,
- 3) The new revenues generated by the 5 cent addition, must be placed in a restricted account for school building construction bonding.

LOCAL SUPPORT

Homestead Exemption. Section 170 of the Kentucky Constitution was amended at the General Election held November 2, 1971, to exempt from property taxes \$6,500 of value of single unit residential property of taxpayers 65 years of age or older. The 1972 General Assembly amended KRS Chapter 132 to permit counties and school districts to adjust their local tax revenues lost through the application of this Homestead Exemption. The "Single Unit" qualification has been enlarged to subsequent sessions of the General Assembly to provide that such exemption shall apply to such property maintained as the permanent resident of the owner and the dollar amount has been construed to mean \$6,500 in terms of the purchasing power of the dollar in 1972. Every two years thereafter, if the cost of living index of the U.S. Department of Labor has changed as much as 1%, the maximum exemption shall be adjusted accordingly. Under the cost of living formula, the maximum was increased to \$49,100 effective January 1, 2025.

Limitation on Taxation. The 1979 Special Session of the Kentucky General Assembly enacted House Bill 44 which provides that no school district may levy a general tax rate, voted general tax rate, or voted building tax rate which would generate revenues that exceeds the previous years revenues by four percent (4%).

The 1990 Regular Session of the Kentucky General Assembly in enacting the "School Reform" legislative package amended the provisions of KRS 160.470 which prohibited school districts from levying ad valorem property taxes which would generate revenues in excess of 4% of the previous year's revenues without said levy subject to recall to permit exceptions to the referendum under (1) KRS 160.470(12) [a new section of the statute] and (2) an amended KRS 157.440.

Under KRS 160.470(12)(a) for fiscal years beginning July 1, 1990 school districts are required to levy a "minimum equivalent tax rate" of thirty cents (\$.30) for general school purposes. The equivalent tax rate is defined as the rate which results when the income collected during the prior year from all taxes (including occupational or utilities) levied by the district for school purposes divided by the total assessed value of property plus the assessment for motor vehicles certified by the State Revenue Cabinet. Failure to levy the minimum equivalent rate subjects the board of the district to removal.

The exception provided by KRS 157.440(1)(a) permits school districts to levy an equivalent tax rate as defined in KRS 160.470(12)(a) which will produce up to 15% of those revenues guaranteed by the program to support education excellence in Kentucky. Levies permitted by this section of the statute are not subject to public hearing or recall provisions as set forth in KRS 160.470.

Local Thirty Cents Minimum. Effective for school years beginning after June 30, 1990, the board of education of each school district shall levy a minimum equivalent tax rate of thirty cents (\$.30) for general school purposes. If a board fails to comply, its members shall be subject to removal from office for willful neglect of duty.

Additional 15% Not Subject to Recall. Effective with the school year beginning July 1, 1990, each school district may levy an equivalent tax rate which will produce up to 15% of those revenues guaranteed by the SEEK program. Effective with the 1990-91 school year, the State will equalize the revenue generated by this levy at one hundred fifty percent (150%) of the statewide average per pupil equalized assessment. For 1993-94 and thereafter, this level is set at \$225,000. The additional 15% rate levy is not subject to the public hearing or recall provisions.

Assessment Valuation. No later than July 1, 1994, all real property located in the state and subject to local taxation shall be assessed at one hundred percent (100%) of fair cash value.

Special Voted and Other Local Taxes. Any district may, in addition to other taxes for school purposes, levy not less than four cents nor more than twenty cents on each one hundred dollars (\$100) valuation of property subject to local taxation, to provide a special fund for the purchase of sites for school buildings and the erection, major alteration, enlargement, and complete equipping of school buildings. In addition, districts may levy taxes on tangible and intangible property and on utilities, except generally any amounts of revenues generated above that provided for by House Bill 44 is subject to voter recall.

Local Tax Rates, Property Assessments and Revenue Collections

| Tax Year | Combined Equivalent Rate | Total Property Assessment | Property Revenue Collections |
|-----------------|---------------------------------|----------------------------------|-------------------------------------|
| 2004-05 | 57.8 | 1,416,449,656 | 8,187,079 |
| 2005-06 | 62.4 | 1,565,601,650 | 9,769,354 |
| 2006-07 | 62.7 | 1,707,841,078 | 10,708,164 |
| 2007-08 | 62.4 | 1,870,461,690 | 11,671,681 |
| 2008-09 | 64.1 | 1,981,554,694 | 12,701,766 |
| 2009-10 | 64.1 | 2,000,783,295 | 12,825,021 |
| 2010-11 | 65.2 | 2,085,528,160 | 13,597,644 |
| 2011-12 | 69.1 | 2,105,616,012 | 14,549,807 |
| 2012-13 | 72.5 | 2,134,145,154 | 15,472,552 |
| 2013-14 | 74.1 | 2,163,437,811 | 16,031,074 |
| 2014-15 | 77.8 | 2,240,619,728 | 17,432,021 |
| 2015-16 | 79.0 | 2,304,649,181 | 18,206,729 |
| 2016-17 | 80.3 | 2,421,416,362 | 19,443,973 |
| 2017-18 | 79.2 | 2,561,546,014 | 20,287,444 |
| 2018-19 | 79.7 | 2,668,536,097 | 21,268,233 |
| 2019-20 | 80.2 | 2,948,941,149 | 23,650,508 |
| 2020-21 | 75.1 | 3,210,958,421 | 24,114,298 |
| 2021-22 | 78.7 | 3,439,737,462 | 27,070,734 |
| 2022-23 | 78.4 | 3,801,434,579 | 29,803,247 |
| 2023-24 | 77.8 | 4,283,955,470 | 33,329,174 |
| 2024-25 | 73.0 | 4,940,696,050 | 36,067,081 |

Source: Kentucky State Department of Education.

OVERLAPPING BOND INDEBTEDNESS

The following table shows any other overlapping bond indebtedness of the Nelson County School District or other issuing agency within Nelson County as reported by the State Local Debt Officer for the period ending June 30, 2025.

| Issuer | Original Principal Amount | Amount of Bonds Redeemed | Current Principal Outstanding |
|---|----------------------------------|---------------------------------|--------------------------------------|
| County of Nelson General Obligation | 330,000 | 0 | 330,000 |
| City of Bloomfield Water & Sewer Revenue | 133,000 | 96,000 | 37,000 |
| Improvement Project Revenue | 1,520,000 | 251,500 | 1,268,500 |
| Refunding Revenue | 965,000 | 205,000 | 760,000 |
| City of New Haven Water & Sewer Revenue | 316,000 | 122,800 | 193,200 |

| | | | |
|------------------------------|------------------|------------------|------------------|
| Special Districts | | | |
| Nelson County Public Library | 2,965,000 | 2,300,000 | 665,000 |
| North Nelson Water District | 2,178,000 | 1,484,000 | 694,000 |
| Totals: | 8,407,000 | 4,459,300 | 3,947,700 |

Source: 2025 Kentucky Local Debt Report.

SEEK ALLOTMENT

The Board has reported the following information as to the SEEK allotment to the District, and as provided by the State Department of Education.

| SEEK | Base Funding | Local Tax Effort | Total State & Local Funding |
|---------|--------------|------------------|-----------------------------|
| 2004-05 | 15,543,584 | 8,187,079 | 23,730,663 |
| 2005-06 | 15,989,366 | 9,769,354 | 25,758,720 |
| 2006-07 | 16,289,622 | 10,708,164 | 26,997,786 |
| 2007-08 | 17,741,939 | 11,671,681 | 29,413,620 |
| 2008-09 | 18,010,965 | 12,701,766 | 30,712,731 |
| 2009-10 | 16,165,972 | 12,825,021 | 28,990,993 |
| 2010-11 | 15,342,687 | 13,597,644 | 28,940,331 |
| 2011-12 | 16,160,564 | 14,549,807 | 30,710,371 |
| 2012-13 | 15,873,098 | 15,472,552 | 31,345,650 |
| 2013-14 | 15,545,522 | 16,031,074 | 31,576,596 |
| 2014-15 | 15,621,604 | 17,432,021 | 33,053,625 |
| 2015-16 | 15,702,684 | 18,206,729 | 33,909,413 |
| 2016-17 | 15,566,166 | 19,443,973 | 35,010,139 |
| 2017-18 | 14,740,025 | 20,287,444 | 35,027,469 |
| 2018-19 | 13,882,890 | 21,268,233 | 35,151,123 |
| 2019-20 | 12,814,936 | 23,650,508 | 36,465,444 |
| 2020-21 | 11,460,239 | 24,114,298 | 35,574,537 |
| 2021-22 | 11,897,340 | 27,070,734 | 38,968,074 |
| 2022-23 | 11,633,634 | 29,803,247 | 41,436,881 |
| 2023-24 | 10,146,616 | 33,329,174 | 43,475,790 |
| 2024-25 | 10,347,959 | 36,067,081 | 46,415,040 |

- (1) Support Education Excellence in Kentucky (SEEK) replaces the minimum foundation program and power equalization funding. Capital Outlay is now computed at \$100 per average daily attendance (ADA). Capital Outlay is included in the SEEK base funding.
- (2) The Board established a current equivalent tax rate (CETR) of \$0.7300 for FY 2024-25. The equivalent tax rate" is defined as the rate which results when the income from all taxes levied by the district for school purposes is divided by the total assessed value of property plus the assessment for motor vehicles certified by the Commonwealth of Kentucky Revenue Cabinet.

State Budgeting Process

- i) Each district board of education is required to prepare a general school budget on forms prescribed and furnished by the Kentucky Board of Education, showing the amount of money needed for current expenses, debt service, capital outlay, and other necessary expenses of the school during the succeeding fiscal year and the estimated amount that will be received from all sources.
- ii) By September 15 of each year, after the district receives its tax assessment data from the Department of Revenue and the State Department of Education, 3 copies of the budget are forwarded to the State Department for approval or disapproval.
- iii) The State Department of Education has adopted a policy of disapproving a school budget if it is financially unsound or fails to provide for:
 - a) payment of maturing principal and interest on any outstanding voted school improvement bonds of the district or payment of rental in connection with any outstanding school building revenue bonds issued for the benefit of the school district; or
 - b) fails to comply with the law.

POTENTIAL LEGISLATION

No assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax exemption of such interest. In addition, current and future legislative proposals, if enacted into law, may cause interest on state or local government bonds (whether issued before, on the date of, or after enactment of such legislation) to be subject, directly or indirectly, to federal income taxation by, for example, changing the current exclusion or deduction rules to limit the amount of interest on such bonds that may currently be treated as tax exempt by certain individuals. For example, on August 16, 2022, President Biden signed the Inflation Reduction Act of 2022 (the “Inflation Reduction Act”). The Inflation Reduction Act imposes a minimum tax of 15 percent of the adjusted financial statement income on certain corporations whose income exceeds stated thresholds for tax years beginning after December 31, 2022. Under the Inflation Reduction Act, interest on debt obligations otherwise exempt from federal income tax would be included in the calculation of adjusted financial statement income for corporations subject to the minimum tax. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation.

Further, no assurance can be given that the introduction or enactment of any such future legislation, or any action of the IRS, including but not limited to regulation, ruling, or selection of the Bonds for audit examination, or the course or result of any IRS examination of the Bonds or obligations which present similar tax issues, will not affect the market price for the Bonds.

CONTINUING DISCLOSURE

As a result of the Board and issuing agencies acting on behalf of the Board offering for public sale municipal securities in excess of \$1,000,000, the Corporation and the Board will enter into a written agreement for the benefit of all parties who may become Registered or Beneficial Owners of the Bonds whereunder said Corporation and Board will agree to comply with the provisions of the Municipal Securities Disclosure Rules set forth in Securities and Exchange Commission Rule 15c2-12 by filing annual financial statements and material events notices with the Electronic Municipal Market Access (EMMA) System maintained by the Municipal Securities Rule Making Board.

As of the date of this Official Statement, the Corporation and the Board are in compliance “in all material respects” with the reporting requirements of the Rule for the past five years.

Financial information regarding the Board may be obtained from Superintendent, Nelson County Board of Education, 288 Wildcat Lane, Bardstown, KY 40004 Telephone: (502) 349-7000.

TAX EXEMPTION; NOT BANK QUALIFIED

Bond Counsel advises as follows with respect to the Bonds:

(A) The Bonds and the interest thereon are exempt from income and ad valorem taxation by the Commonwealth of Kentucky and all of its political subdivisions.

(B) The interest income from the Bonds is excludable from the gross income of the recipient thereof for Federal income tax purposes under existing law and will not be a specific item of tax preference for purposes of Federal alternative minimum tax, however, with respect to certain corporations, interest on the Bonds is taken into account in determining the annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

(C) As a result of designations and certifications by the Board and the Corporation, indicating the issuance of more than \$10,000,000 of tax-exempt obligations during the calendar year ending December 31, 2025, the Bonds are not "qualified tax-exempt obligations" within the meaning of the Internal Revenue Code of 1986, as amended.

The Corporation will provide the purchaser the customary no-litigation certificate, and the final approving Legal Opinions of Steptoe & Johnson PLLC, Bond Counsel, Louisville, Kentucky approving the legality of the Bonds. These opinions will accompany the Bonds when delivered, without expense to the purchaser.

Original Issue Premium

Certain of the Bonds may be initially offered and sold to the public at a premium ("Acquisition Premium" from the amounts payable at maturity thereon. "Acquisition Premium" is the excess of the cost of a bond over the stated redemption price of such bond at maturity or, for bonds that have one or more earlier call dates, the amount payable at the next earliest call date. The Bonds that bear an interest rate that is higher than the yield (as shown on the cover page hereof), are being initially offered and sold to the public at an Acquisition Premium (the "Premium Bonds"). For federal income tax purposes, the amount of Acquisition Premium on each bond the interest on which is excludable from gross income for federal income tax purposes ("tax-exempt bonds") must be amortized and will reduce the bondholder's adjusted basis in that bond. However, no amount of amortized Acquisition Premium on tax-exempt bonds may be deducted in determining bondholder's taxable income for federal income tax purposes. The amount of any Acquisition Premium paid on the Premium Bonds, or on any of the Bonds, that must be amortized during any period will be based on the "constant yield" method, using the original bondholder's basis in such bonds and compounding semiannually. This amount is amortized ratably over that semiannual period on a daily basis.

Holder of any Bonds, including any Premium Bonds, purchased at an Acquisition Premium should consult their own tax advisors as to the actual effect of such Acquisition Premium with respect to their own tax situation and as to the treatment of Acquisition Premium for state tax purposes.

Original Issue Discount

Certain of the Bonds (the "Discount Bonds") may be initially offered and sold to the public at a discount ("OID") from the amounts payable at maturity thereon. OID is the excess of the stated redemption price of a bond at maturity (the face amount) over the "issue price" of such bond. The issue price is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of bonds of the same maturity are sold pursuant to that initial offering. For federal income tax purposes, OID on each bond will accrue over the term of the bond. The amount accrued will be based on a single rate of interest, compounded semiannually (the "yield to maturity") and, during each semi-annual period, the amount will accrue ratably on a daily basis. The OID accrued during the period that an initial purchaser of a Discount Bond at its issue price owns it is added to the purchaser's tax basis for purposes of determining gain or loss at the maturity, redemption, sale or other disposition of that Discount Bond. In practical effect, accrued OID is treated as stated interest, that is, as excludable from gross income for federal income tax purposes.

In addition, original issue discount that accrues in each year to an owner of a Discount Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed above. Consequently, owners of any Discount Bond should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability, additional distribution requirements or other collateral federal income tax consequences although the owner of such Discount Bond has not received cash attributable to such original issue discount in such year.

Holders of Discount Bonds should consult their own tax advisors as to the treatment of OID and the tax consequences of the purchase of such Discount Bonds other than at the issue price during the initial public offering and as to the treatment of OID for state tax purposes.

ABSENCE OF MATERIAL LITIGATION

There is no controversy or litigation of any nature now pending or threatened (i) restraining or enjoining the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceedings of the Board or Corporation taken with respect to the issuance or sale thereof or (ii) which if successful would have a material adverse effect on the financial condition of the Board.

APPROVAL OF LEGALITY

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving legal opinion of Steptoe & Johnson PLLC, Bond Counsel. The form of the approving legal opinion of Bond Counsel will appear on each printed Bond.

NO LEGAL OPINION EXPRESSED AS TO CERTAIN MATTERS

Bond Counsel has reviewed the information contained in the Official Statement describing the Bonds and the provisions of the Bond Resolution and related proceedings authorizing the Bonds, but Bond Counsel has not reviewed any of the financial data, computations, tabulations, balance sheets, financial projections, and general information concerning the Corporation or District, and expresses no opinion thereon, assumes no responsibility for same and has not undertaken independently to verify any information contained herein.

BOND RATING

As noted on the cover page of this Official Statement, Moody's Investors Service has given the Bonds the indicated rating. Such rating reflects only the respective views of such organization. Explanations of the significance of the rating may be obtained from the rating agency. There can be no assurance that such rating will be maintained for any given period of time or will not be revised or withdrawn entirely by the rating agency, if in their judgement circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

MUNICIPAL ADVISOR

Prospective bidders are advised that RSA Advisors, LLC ("RSA") has been employed as Municipal Advisor in connection with the issuance of the Bonds. RSA's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery thereof. Bidders may submit a bid for the purchase of the Bonds at the time of the advertised public sale, either individually or as a member of a syndicate organized to submit a bid for the purchase of the Bonds.

APPROVAL OF OFFICIAL STATEMENT

The Corporation has approved and caused this "Official Statement" to be executed and delivered by its President. In making this "Official Statement" the Corporation relied upon information furnished to it by the Board of Education of the Nelson County School District and does not assume any responsibility as to the accuracy or completeness of any of the information in this Official Statement except as to copies of documents denominated "Official Terms and Conditions" and "Bid Form." The financial information supplied by the Board of Education is represented by the Board of Education to be correct. The Corporation deems this preliminary Official Statement to be final for purposes of Securities Exchange Commission Rule 15c2-12(b)(1) as qualified by the cover hereof.

No dealer, broker, salesman, or other person has been authorized by the Corporation, the Nelson County Board of Education or the Municipal Advisor to give any information or representations, other than those contained in this Official Statement, and if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Except when otherwise indicated, the information set forth herein has been obtained from the Kentucky Department of Education and the Nelson County School District and is believed to be reliable; however, such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the Municipal Advisor or by Counsel. The delivery of this Official Statement at any time does not imply that information herein is correct as of any time subsequent to the date hereof.

This Official Statement does not, as of its date, contain any untrue statement of a material fact or omit to state a material fact which should be included herein for the purpose for which the Official Statement is to be used or which is necessary in order to make the statements contained herein, in the light of the circumstances under which they were made, not misleading in any material respect.

By /s/ _____
President

By /s/ _____
Secretary

APPENDIX A

**Nelson County School District Finance Corporation
School Building Revenue Bonds
Series of 2025**

Demographic and Economic Data

NELSON COUNTY, KENTUCKY

Bardstown, the county seat of Nelson County and home of My Old Kentucky Home, is located in the outer Bluegrass Region of Central Kentucky. Bardstown is located 47 miles south of Louisville, Kentucky, 61 miles west of Lexington, Kentucky; and 154 miles northeast of Nashville, Tennessee. Bardstown had an estimated population of 14,115 in 2024.

Nelson County, with a topography that varies from nearly flat to rolling hills, covers a total land area of 423 square miles. Nelson County had an estimated 2024 population of 47,983 people.

The Economic Framework

In 2024, Nelson County had a labor force of 25,169 people with an unemployment rate of 4.30%. The top 5 jobs by occupation were as follows: sales - 1,795 (12.55%); office and administrative support - 1,701 (11.18%); production workers - 1,582 (11.06%); executive, managers and administrators - 1,449 (10.13%); and construction and extraction - 838 (5.86%).

Transportation

Highways serving Bardstown include the Blue Grass Parkway, U.S. Highway 62, U.S. 31E, U.S. 150, Kentucky 49 and Kentucky Highway 245. Interstate 65 is accessible 17 miles northwest of Bardstown via Kentucky 245. Twenty-one common carrier trucking companies provide interstate and/or intrastate service to Nelson County. Rail service is provided to Bardstown by the R.J. Corman Railroad Corporation. Samuels Field, two miles west of Bardstown, maintains a 4,000-foot paved runway. The nearest scheduled commercial airline service is available at Louisville International Airport, 41 miles north of Bardstown.

Power and Fuel

Electric power is provided to Bardstown by the Bardstown Municipal Electric Department. Nelson County is provided electric power by Kentucky Utilities Company and Salt River Electric Cooperative Corporation. Natural gas is provided to Bardstown by the Louisville Gas & Electric Company.

Education

Primary and secondary education is provided by the Bardstown Independent School System, the Nelson County and Bethlehem High School. Parochial schools available in Nelson County include one high school and five elementary schools. Eighteen institutions of higher learning are located within 60 miles of Bardstown. The Nelson County Area Technology Center provides secondary technical training. The nearest technical college providing post-secondary technical training is the Elizabethtown Technical College.

LOCAL GOVERNMENT

Structure

Bardstown is served by a mayor and six council members. The mayor is elected a four-year term and six council members to serve two-year terms. Nelson County is served by a county judge/executive and five magistrates. Each county official is elected to a four-year term.

Planning and Zoning

Joint agency - Joint City-County Planning Commission of Nelson County
Participating Cities-Bardstown, Bloomfield, Fairfield and New Haven
Zoning enforced - All areas
Subdivision regulations enforced - All areas
Local codes enforced - Building and housing within corporate limits of Bardstown
Mandatory state codes enforced - Kentucky Plumbing Code, National Electric code, Kentucky Boiler Regulations and Standards, Kentucky Building Code (modeled after BOCA code)

Local Fees and Licenses

The City of Bardstown levies a business license fee that ranges from \$10 to \$500 per year, depending upon the type of business. The annual business license fee is \$125 for manufacturing.

Property Taxes

The Kentucky Constitution requires the state to tax all classes of taxable property, and state statutes allow local jurisdictions to tax only a few classes. All locally taxed property is subject to county taxes and school district taxes (either a county school district or an independent school district). Property located inside of city limits may also be subject to city property taxes.

Special local taxing jurisdictions (fire protection districts, watershed districts, and sanitation districts) levy taxes within their operating areas (usually a small portion of community or county).

Property assessments in Kentucky are at 100% fair cash value. A 15% reduction is automatically granted for accounts receivable.

LABOR MARKET STATISTICS

The Bardstown Labor Market Area includes Nelson County and the adjoining Kentucky counties of Anderson, Bullitt, Hardin, Jefferson, Larue, Marion, Spencer and Washington.

Population

| <u>Area</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> |
|---------------|-------------|-------------|-------------|
| Bardstown | 13,731 | 14,077 | 14,115 |
| Nelson County | 47,571 | 47,650 | 47,983 |

Source: Kentucky Cabinet for Economic Development

EDUCATION

Public Schools

| | <u>Bardstown Independent</u> | <u>Nelson County</u> |
|-------------------------------|----------------------------------|--------------------------|
| Total Enrollment (2023-24) | 2,459 | 4,272 |
| Pupil-Teacher Ratio (2023-24) | 14-1 | 14-1 |

Source: Kentucky Department of Education

Vocational Training

Ky Tech Schools are operated by the Cabinet for Workforce Development and provide secondary (Sec) and post-secondary (P/S) vocational-technical training.

| <u>Vocational School</u> | <u>Location</u> | <u>Enrollment 2023-24</u> |
|--------------------------------------|---------------------|-------------------------------|
| Breckinridge County ATC | Harned, KY | 622 |
| Bullitt County ATC | Shepardsville, KY | 672 |
| Casey County ATC | Liberty, KY | 590 |
| Four Rivers Career Academy | Frankfort, KY | 158 |
| Garrard County ATC | Lancaster, KY | 399 |
| Green County ATC | Greensburg, KY | 328 |
| Lake Cumberland ATC | Russell Springs, KY | 813 |
| Lincoln County ATC | Stanford, KY | 277 |
| Marion County ATC | Lebanon, KY | 693 |
| Meade County College & Career Center | Brandenburg, KY | 508 |
| Nelson County ATC | Bardstown, KY | 887 |
| Shelby County ATC | Shelbyville, KY | 473 |

Source: Kentucky Department of Education

Training Resources

Bluegrass State Skills Corporation - The Bluegrass State Skills Corporation (BSSC) was established in 1984 by the General Assembly of the Commonwealth of Kentucky as an independent, de jure corporation to stimulate economic development through customized business and industry specific skills training programs. The BSSC works with business and industry and Kentucky's educational institutions to establish programs of skills training. The BSSC is attached to the Kentucky Cabinet for Economic Development for administrative purposes, in recognition of the relationship between economic development and skills training efforts.

The BSSC is comprised of two economic development tools, matching grants and recently authorized Skills Training Investment Tax Credit. The BSSC grant program is available to new, expanding and existing business and industry. Eligible training activities include pre-employment skills training and assessment; entry-level skills upgrade and occupational upgrade training; train-the-trainer travel; and capacity building. The Skills Training Investment Credit Act provides credits to existing businesses for skills upgrade training.

Information on other customized training, assessment services and adult education services can be obtained by contacting the local economic development agency.

Colleges and Universities

| <u>School Name</u> | <u>Location</u> | <u>Undergraduate Enrollment Fall 2025</u> |
|---------------------------|--------------------|---|
| Asbury University | Wilmore, KY | 1,638 |
| Bellarmine University | Louisville, KY | 2,161 |
| Campbellsville University | Campbellsville, KY | 2,654 |
| Centre College | Danville, KY | 1,401 |
| Georgetown College | Georgetown, KY | 1,097 |
| Kentucky State University | Frankfort, KY | 1,340 |
| Lindsey Wilson College | Columbia, KY | 1,722 |
| Midway University | Midway, KY | 1,250 |
| Spalding University | Louisville, KY | 875 |
| Sullivan University | Louisville, KY | 2,062 |
| Transylvania University | Lexington, KY | 1,006 |
| University of Kentucky | Lexington, KY | 24,763 |
| University of Louisville | Louisville, KY | 14,187 |

Source: U.S. News & World Report

EXISTING INDUSTRY

Nelson County has a total of 1,601 businesses. In 2024, the leading industries in Nelson County were Manufacturing, Retail, Health Care and Social Services, and Education.

| <u>Top Industries by Jobs</u> | <u>Number of Jobs</u> |
|---------------------------------|-----------------------|
| Manufacturing | 2,657 |
| Retail | 2,141 |
| Health Care and Social Services | 1,357 |
| Education | 1,116 |

Source: Kentucky Cabinet for Economic Development.

APPENDIX B

**Nelson County School District Finance Corporation
School Building Revenue Bonds
Series of 2025**

Audited Financial Statement ending June 30, 2024

**NELSON COUNTY BOARD OF EDUCATION
AUDITED FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2024**



PATRICK & ASSOCIATES, LLC

124 Candlewood Drive
Winchester, KY 40391

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124 Candlewood Drive
Winchester, KY 40391

Independent Auditor's Report

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

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Nelson County School District as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Nelson County School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Nelson County School District, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Supplementary Information (Continued)

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2024, on our consideration of the Nelson County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Nelson County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Nelson County School District's internal control over financial reporting and compliance.

Patrick & Associates, LLC

Patrick & Associates, LLC
Winchester, Kentucky

November 15, 2024

Management Discussion and Analysis

As management of the Nelson County Board of Education (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2024.

Financial Highlights

- In the government-wide statements, the assets and deferred outflows of the District exceeded its total liabilities and deferred inflows on June 30, 2024 by \$34,411,510. Of this amount, \$19,345,344 represents the District's investment in capital assets net of related debt, \$32,462,992 is restricted, \$1,360,532 is related to the business-type activities and the remainder is an unrestricted net deficit of \$18,757,358.
- The District's ending net position increased by \$4,024,502, primarily due to increases in cash balances that can mainly be attributed to the bond proceeds received for construction projects offset by changes in investment in capital assets, changes in NPL, OPEB and bond liability amounts.
- The District's governmental funds reported a combined ending fund balance of \$41,017,291, an increase of \$20,207,305. Approximately 79 percent of this amount, \$32,462,992, is restricted for facility needs, approximately 1 percent, \$179,101, is committed for employee compensated absences, and 20 percent, \$8,375,198, is available for the District's operating needs.
- The general fund received \$51,379,143 in revenues, which primarily consisted of funding from the State's Support Education Excellence in Kentucky (SEEK) program, and revenues from taxes which include property, motor vehicle, and utility taxes.
- General fund SEEK revenue for the year totaled \$9,751,192 compared to \$11,221,284 in the prior year. This appears to be a \$1,470,092 decrease from the previous years' funding. This was the result of a significant decrease in property values paired with a decrease in the District's enrollment.
- The District levied tax rates of 71.8 cents for both real estate and tangible taxes, and 54.8 cents for motor vehicle taxes per \$100 in assessed value and 3% for utility tax.

Overview of the Financial Statements

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

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

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

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

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

The government-wide financial statements begin on page 9 of this report.

Management Discussion and Analysis (continued)

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the District can be divided into three categories: governmental funds, proprietary fund, and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decision. The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

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

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

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

Notes to the basic financial statements

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

Other information

In addition to the basic financial statements and the accompanying notes, this report also presents certain required supplementary information. This information starts on page 51 of this report.

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

Management Discussion and Analysis (continued)

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$32,834,833 for governmental activities and \$1,576,677 for business-type activities at the close of the most recent fiscal year.

Nelson County Board of Education Comparative Statement of Net Position

| | Governmental Activities | | Business-type Activities | |
|--|-------------------------|----------------------|--------------------------|---------------------|
| | June 30, 2024 | June 30, 2023 | June 30, 2024 | June 30, 2023 |
| Assets | | | | |
| Current and other assets | \$ 44,475,732 | \$ 23,569,504 | \$ 2,279,286 | \$ 2,510,128 |
| Net capital assets | 75,279,199 | 78,071,821 | 216,145 | 220,563 |
| Total assets | <u>119,754,931</u> | <u>101,641,325</u> | <u>2,495,431</u> | <u>2,730,691</u> |
| Deferred Outflows of Resources | | | | |
| Deferred pension differences and contributions made after measurement date | 12,457,064 | 13,727,860 | 426,705 | 646,146 |
| Deferred saving from refunding bonds | 531,529 | 689,852 | - | - |
| Total deferred outflows of resources | <u>12,988,593</u> | <u>14,417,712</u> | <u>426,705</u> | <u>646,146</u> |
| Total assets and deferred outflows of resources | <u>132,743,524</u> | <u>116,059,037</u> | <u>2,922,136</u> | <u>3,376,837</u> |
| Liabilities | | | | |
| Current liabilities | 8,598,913 | 7,324,167 | 199 | 233,567 |
| Non-current liabilities: | | | | |
| Debt service due in more than one year | 52,036,825 | 37,950,421 | - | - |
| Net pension liability | 16,034,414 | 16,659,062 | 549,244 | 784,114 |
| Other post-employment benefits liability | 7,857,040 | 15,727,858 | 269,136 | 740,283 |
| Total liabilities | <u>84,527,192</u> | <u>77,661,508</u> | <u>818,579</u> | <u>1,757,964</u> |
| Deferred Inflows of Resources | | | | |
| Deferred inflows of resources - pensions | 3,486,822 | 2,042,164 | 119,438 | 96,121 |
| Deferred inflows of resources - OPEB | 11,894,677 | 7,154,365 | 407,442 | 336,744 |
| Total deferred inflows of resources | <u>15,381,499</u> | <u>9,196,529</u> | <u>526,880</u> | <u>432,865</u> |
| Total liabilities and deferred inflows of resources | <u>99,908,691</u> | <u>86,858,037</u> | <u>1,345,459</u> | <u>2,190,829</u> |
| Net Position | | | | |
| Net Investment in Capital Assets | 19,129,199 | 36,751,821 | 216,145 | 220,563 |
| Restricted | 31,490,918 | 11,643,162 | - | - |
| Other | 972,074 | 962,479 | 1,360,532 | 965,445 |
| Unrestricted | (18,757,358) | (20,156,462) | - | - |
| Total net position | <u>\$ 32,834,833</u> | <u>\$ 29,201,000</u> | <u>\$ 1,576,677</u> | <u>\$ 1,186,008</u> |

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

Management Discussion and Analysis (continued)

There were decreases in the deferred outflows of resources by \$1,648,560, a decrease in the net pension liability by \$859,518, a decrease in the other post-employment benefit liability of \$8,341,965 and an increase of \$6,278,985 reported in deferred inflows. These changes are from the calculation of the pension liability for the District’s proportionate share of the pension and other post-employment benefit liabilities.

Changes in net position. District’s net position increased by \$4,024,502 from the prior fiscal year.

Nelson County Board of Education Comparative Statement of Activities

| | <u>June 30, 2024</u> | <u>June 30, 2023</u> | <u>Increase (Decrease)</u> |
|------------------------------------|----------------------|----------------------|--------------------------------|
| Revenues | | | |
| Program revenues | | | |
| Charges for services | \$ 1,048,822 | \$ 1,112,915 | \$ (64,093) |
| Operating grants and contributions | 28,857,588 | 39,241,107 | (10,383,519) |
| Capital grants and contributions | 562,866 | 832,351 | (269,485) |
| General revenues | | | |
| Taxes | 33,488,739 | 30,101,351 | 3,387,388 |
| State and federal grants | 9,751,192 | 11,221,284 | (1,470,092) |
| Student activities | 1,747,570 | 1,518,128 | 229,442 |
| Other local revenue | 783,476 | 514,773 | 268,703 |
| Unrestricted investment earnings | 1,456,546 | 842,739 | 613,807 |
| Total revenues | <u>77,696,799</u> | <u>85,384,648</u> | <u>(7,687,849)</u> |
| Expenses | | | |
| Instruction | 37,414,662 | 37,885,502 | (470,840) |
| Support services | 15,898,413 | 15,373,761 | 524,652 |
| Plant operations and maintenance | 5,303,037 | 5,103,015 | 200,022 |
| Student transportation | 3,195,563 | 3,014,451 | 181,112 |
| Day care | 1,123,586 | 556,408 | 567,178 |
| Community Services Operations | 430,963 | 433,930 | (2,967) |
| Site improvement | 153,439 | 32,643 | 120,796 |
| Building improvements | 1,538,488 | 859,827 | 678,661 |
| Building acquisition/construction | 153,610 | 958,875 | (805,265) |
| Debt Service | 1,119,266 | 1,237,160 | (117,894) |
| Depreciation | 3,899,508 | 7,432,497 | (3,532,989) |
| Food service operations | 3,336,828 | 3,093,181 | 243,647 |
| Adult education operations | (257,408) | 837,074 | (1,094,482) |
| Daycare operations | 362,342 | 309,033 | 53,309 |
| Total Expenses | <u>73,672,297</u> | <u>77,127,357</u> | <u>(3,455,060)</u> |
| Change in net position | 4,024,502 | 8,257,291 | (4,232,789) |
| Net position - beginning | <u>30,387,008</u> | <u>22,129,717</u> | <u>8,257,291</u> |
| Net position - ending | <u>\$ 34,411,510</u> | <u>\$ 30,387,008</u> | <u>\$ 4,024,502</u> |

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

Management Discussion and Analysis (continued)

Governmental Activities

The governmental activities include the following funds: general, special revenue, district activity, student activity, capital outlay, facility support program, construction, and debt service. These programs had revenues of \$73,806,762 and expenditures of \$70,172,929. Of the revenues, \$36,661 related to charges for services, \$25,659,682 from operating grants and contributions, \$562,866 from capital grants and contributions, and \$47,347,553 related to general revenues and transfers.

Overall governmental net position increased by \$3,666,833 which can mainly be attributed to the net of increases in investments in capital assets and fund balances related to bond proceeds offset by changes in NPL and OPEB amounts and increased liabilities related to the bond issuance.

Business-Type Activities

The business-type activities are food service, daycare services and adult education services. These programs had revenues of \$3,890,037 and expenses of \$3,499,369 for the fiscal year 2024. Of the revenues, \$812,161 related to charges for services, \$3,197,906 from operating grants and contributions, (\$120,030) related to general revenues.

Overall Business-Type net position increased by \$390,669 which can mainly be attributed to increase in federal funding.

General Fund Budget Highlights

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

A variance comparison is presented between the final budgeted amounts and the actual amounts. Revenues for the General Fund were budgeted at \$48,984,871 with actual amounts totaling \$51,379,143. Budgeted expenditures were \$56,243,701 compared to actual expenditures of \$50,208,177.

Capital Assets

At the end of the fiscal year 2024, the District had \$75,495,344 invested in capital assets, \$75,279,199 is in governmental activities. For the fiscal year, capital asset increases totaled \$1,102,468 and depreciation totaled \$3,899,508. At June 30, 2023, the District had \$78,292,384 invested in capital assets, \$78,071,821 is in governmental activities. See detailed table in the notes to the financial statements.

Debt

At June 30, 2024, the District had \$56,150,000 in bonds outstanding, of this amount \$2,644,866 is to be paid from the KSFCC funding provided by the State of Kentucky. A total of \$4,615,000 is due within one year. At June 30, 2023, the District had \$41,320,000 in bonds outstanding. See detailed table in the notes to the financial statements.

Request for Information

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

Financial Statements

NELSON COUNTY BOARD OF EDUCATION

Statement of Net Position

June 30, 2024

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|----------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 41,099,020 | \$ 2,158,230 | \$ 43,257,250 |
| Investments | 842,580 | - | 842,580 |
| Receivables | | | |
| Taxes -current | 414,255 | - | 414,255 |
| Accounts | 8,756 | - | 8,756 |
| Intergovernmental - state | 330 | - | 330 |
| Intergovernmental - federal | 2,110,791 | 74,425 | 2,185,216 |
| Inventory | - | 46,631 | 46,631 |
| Total capital assets, net of depreciation | <u>75,279,199</u> | <u>216,145</u> | <u>75,495,344</u> |
| Total assets | <u>119,754,931</u> | <u>2,495,431</u> | <u>122,250,362</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows - pensions | 5,159,668 | 176,739 | 5,336,407 |
| Deferred outflows - OPEB contributions | 7,297,396 | 249,966 | 7,547,362 |
| Deferred saving from refunding bonds | 531,529 | - | 531,529 |
| Total deferred outflows of resources | <u>12,988,593</u> | <u>426,705</u> | <u>13,415,298</u> |
| Total assets and deferred outflows of resources | <u>132,743,524</u> | <u>2,922,136</u> | <u>135,665,660</u> |
| LIABILITIES | | | |
| Accounts payable and accrued expenses | 913,490 | 199 | 913,689 |
| Accrued interest payable | 190,922 | - | 190,922 |
| Unearned revenue | 2,544,951 | - | 2,544,951 |
| Long term liabilities: | | | |
| Due within one year | | | |
| Bond obligations | 4,615,000 | - | 4,615,000 |
| Sick leave | 334,550 | - | 334,550 |
| Due beyond one year | | | |
| Bond obligations | 51,535,000 | - | 51,535,000 |
| Sick leave | 501,825 | - | 501,825 |
| Net pension liability | 16,034,414 | 549,244 | 16,583,658 |
| Net OPEB liability | 7,857,040 | 269,136 | 8,126,176 |
| Total liabilities | <u>84,527,192</u> | <u>818,579</u> | <u>85,345,771</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows of resources - pensions | 3,486,822 | 119,438 | 3,606,260 |
| Deferred inflows of resources - OPEB | 11,894,677 | 407,442 | 12,302,119 |
| Total deferred inflows of resources | <u>15,381,499</u> | <u>526,880</u> | <u>15,908,379</u> |
| Total Liabilities And Deferred Inflow Of Resources | <u>99,908,691</u> | <u>1,345,459</u> | <u>101,254,150</u> |
| NET POSITION | | | |
| Net Investment in Capital Assets net of related debt | 19,129,199 | 216,145 | 19,345,344 |
| Restricted for: | | | |
| Capital projects | 31,490,918 | - | 31,490,918 |
| Other | 972,074 | 1,360,532 | 2,332,606 |
| Unrestricted | <u>(18,757,358)</u> | <u>-</u> | <u>(18,757,358)</u> |
| Total net position | <u>\$ 32,834,833</u> | <u>\$ 1,576,677</u> | <u>\$ 34,411,510</u> |

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

NELSON COUNTY SCHOOL DISTRICT

Statement of Activities

Year Ended June 30, 2024

| Functions/Programs | Expenses | PROGRAM REVENUES | | | NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION | | |
|---------------------------------------|----------------------|-------------------------|--|--|--|-----------------------------|-----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | PRIMARY GOVERNMENT | | |
| | | | | | Governmental Activities | Business-type Activities | Total |
| PRIMARY GOVERNMENT: | | | | | | | |
| Governmental activities: | | | | | | | |
| Instructional | \$ 37,414,662 | \$ 191,329 | \$ 17,356,955 | \$ - | \$(19,866,378) | \$ - | \$(19,866,378) |
| Support Services | | | | | | | |
| Student | 3,307,185 | - | 1,219,601 | - | (2,087,584) | - | (2,087,584) |
| Instructional Staff | 3,562,208 | - | 1,818,052 | - | (1,744,156) | - | (1,744,156) |
| District Administration | 1,670,951 | - | 127,663 | - | (1,543,288) | - | (1,543,288) |
| School Administration | 5,408,431 | - | 1,969,158 | - | (3,439,273) | - | (3,439,273) |
| Business | 1,949,638 | - | 372,066 | - | (1,577,572) | - | (1,577,572) |
| Plant operations and maintenance | 5,303,037 | - | 345,562 | - | (4,957,475) | - | (4,957,475) |
| Student Transportation | 3,195,563 | 45,332 | 503,459 | - | (2,646,772) | - | (2,646,772) |
| Day care | 1,123,586 | - | 1,123,586 | - | - | - | - |
| Community Services Operations | 430,963 | - | 428,156 | - | (2,807) | - | (2,807) |
| Site improvement | 153,439 | - | - | - | (153,439) | - | (153,439) |
| Building acquisition and construction | 153,610 | - | - | - | (153,610) | - | (153,610) |
| Building improvements | 1,538,488 | - | 395,424 | - | (1,143,064) | - | (1,143,064) |
| Debt Service | 1,119,266 | - | - | 562,866 | (556,400) | - | (556,400) |
| Depreciation | 3,841,902 | - | - | - | (3,841,902) | - | (3,841,902) |
| Total governmental activities | <u>70,172,929</u> | <u>236,661</u> | <u>25,659,682</u> | <u>562,866</u> | <u>(43,713,720)</u> | <u>-</u> | <u>(43,713,720)</u> |
| Business-type activities: | | | | | | | |
| Food service operations | 3,336,828 | 187,168 | 3,086,053 | - | - | (63,607) | (63,607) |
| Daycare operations | 362,342 | 624,993 | 111,853 | - | - | 374,504 | 374,504 |
| Adult education operations | (257,408) | - | - | - | - | 257,408 | 257,408 |
| Depreciation | 57,606 | - | - | - | - | (57,606) | (57,606) |
| Total business-type activities | <u>3,499,368</u> | <u>812,161</u> | <u>3,197,906</u> | <u>-</u> | <u>-</u> | <u>510,699</u> | <u>510,699</u> |
| Total primary government | <u>\$ 73,672,297</u> | <u>\$ 1,048,822</u> | <u>\$ 28,857,588</u> | <u>\$ 562,866</u> | <u>\$(43,713,720)</u> | <u>\$ 510,699</u> | <u>\$(43,203,021)</u> |
| General revenues | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes | | | | | \$ 21,959,732 | \$ - | \$ 21,959,732 |
| Motor vehicle taxes | | | | | 2,118,296 | - | 2,118,296 |
| Distilled spirits taxes | | | | | 7,113,970 | - | 7,113,970 |
| Utility taxes | | | | | 2,296,741 | - | 2,296,741 |
| State formula grants | | | | | 9,751,192 | - | 9,751,192 |
| Student activities | | | | | 1,747,570 | - | 1,747,570 |
| Other local revenue | | | | | 783,476 | - | 783,476 |
| Unrestricted investment earnings | | | | | 1,371,489 | 85,057 | 1,456,546 |
| Transfers | | | | | 205,087 | (205,087) | - |
| Total general revenues and transfers | | | | | <u>47,347,553</u> | <u>(120,030)</u> | <u>47,227,523</u> |
| Change in net position | | | | | 3,633,833 | 390,669 | 4,024,502 |
| Net position - beginning | | | | | 29,201,000 | 1,186,008 | 30,387,008 |
| Net position - ending | | | | | <u>\$ 32,834,833</u> | <u>\$ 1,576,677</u> | <u>\$ 34,411,510</u> |

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

NELSON COUNTY SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2024

| | General Fund | Special Revenue Fund | Construction Fund | Total Non-Major Funds | Total |
|---|---------------------|-------------------------|----------------------|-----------------------------|----------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 8,201,984 | \$ 437,311 | \$ 30,308,530 | \$ 2,151,195 | \$ 41,099,020 |
| Invesments | 842,580 | - | - | - | 842,580 |
| Receivables | | | | | |
| Taxes-current | 414,255 | - | - | - | 414,255 |
| Accounts | - | - | - | 8,756 | 8,756 |
| Intergovernmental - state | 330 | - | - | - | 330 |
| Intergovernmental - federal | - | 2,110,791 | - | - | 2,110,791 |
| Total assets | <u>9,459,149</u> | <u>2,548,102</u> | <u>30,308,530</u> | <u>2,159,951</u> | <u>44,475,732</u> |
| LIABILITIES | | | | | |
| Accounts payable | 904,850 | 3,151 | - | 5,489 | 913,490 |
| Unearned revenue | - | 2,544,951 | - | - | 2,544,951 |
| Total liabilities | <u>904,850</u> | <u>2,548,102</u> | <u>-</u> | <u>5,489</u> | <u>3,458,441</u> |
| FUND BALANCE | | | | | |
| Restricted | - | - | 30,308,530 | 2,154,462 | 32,462,992 |
| Committed | 212,632 | - | - | - | 212,632 |
| Unassigned | 8,341,667 | - | - | - | 8,341,667 |
| Total fund balance | <u>8,554,299</u> | <u>-</u> | <u>30,308,530</u> | <u>2,154,462</u> | <u>41,017,291</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 9,459,149</u> | <u>\$ 2,548,102</u> | <u>\$ 30,308,530</u> | <u>\$ 2,159,951</u> | <u>\$ 44,475,732</u> |

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

NELSON COUNTY SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2024

| | |
|--|-----------------------------|
| Total Fund Balances - Governmental Funds | \$ 41,017,291 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital assets are not reported in the fund financial statement because they are not current financial resources, but they are reported in the statement of net position | 75,279,199 |
| Deferred outflows of resources are not recorded in the governmental fund financials because they do not affect current resources but are recorded in the statement of net position. | |
| Pension contributions subsequent to measurement date | 5,159,668 |
| OPEB contributions subsequent to measurement date | 7,297,396 |
| Certain assets (obligations) are not a use of financial resources and therefore, are not reported in the government funds, but are presented in the statement of net position | |
| Net pension liability | (16,034,414) |
| Net OPEB liability | (7,857,040) |
| Deferred inflows of resources are not recorded in the governmental fund financials because they do not affect current resources but are recorded in the statement of net position | |
| Pension plan investment differences | (3,486,822) |
| OPEB plan investment differences | (11,894,677) |
| Certain liability (such as bond payable, the long-term portion of accrued sick leave, and other accrued liabilities) are not reported in the fund financial statement because they are not due and payable, but are presented in the statement of net position as follows: | |
| Bonds payable | (56,150,000) |
| Accrued interest | (190,922) |
| Accrued sick leave | (836,375) |
| Deferred loss on refunding | 531,529 |
| | 531,529 |
| Net position of governmental activities | <u>\$ 32,834,833</u> |

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

NELSON COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2024

| | General Fund | Special Revenue Fund | Construction Fund | Non-Major Funds | Total Governmental Funds |
|--|---------------------|-------------------------|----------------------|---------------------|--------------------------------|
| REVENUES | | | | | |
| From Local Sources | | | | | |
| Taxes | | | | | |
| Property | \$ 15,533,798 | \$ - | \$ - | \$ 6,425,934 | \$ 21,959,732 |
| Motor vehicle | 2,118,296 | - | - | - | 2,118,296 |
| Distilled Spirits | 7,113,970 | - | - | - | 7,113,970 |
| Utilities | 2,296,741 | - | - | - | 2,296,741 |
| Transportation | 45,332 | - | - | - | 45,332 |
| Earnings on investments | 868,916 | - | 502,573 | - | 1,371,489 |
| Tuition | 191,329 | - | - | - | 191,329 |
| Student activities | - | - | - | 1,747,570 | 1,747,570 |
| Other local revenue | 436,352 | 233,200 | - | 113,924 | 783,476 |
| Intergovernmental - state | 22,478,099 | 2,822,534 | - | 958,290 | 26,258,923 |
| Intergovernmental - federal | 296,310 | 9,418,507 | - | - | 9,714,817 |
| Total revenues | <u>51,379,143</u> | <u>12,474,241</u> | <u>502,573</u> | <u>9,245,718</u> | <u>73,601,675</u> |
| EXPENDITURES | | | | | |
| Instruction | 27,982,032 | 8,571,705 | - | 1,954,390 | 38,508,127 |
| Support services | | | | | |
| Student | 2,598,956 | 708,229 | - | - | 3,307,185 |
| Instructional staff | 2,312,809 | 1,249,399 | - | - | 3,562,208 |
| District Administration | 1,670,951 | - | - | - | 1,670,951 |
| School Administration | 5,232,916 | 175,515 | - | - | 5,408,431 |
| Business | 1,949,638 | - | - | - | 1,949,638 |
| Plant operation and maintenance | 5,103,692 | 199,345 | - | - | 5,303,037 |
| Student Transportation | 3,353,979 | - | - | - | 3,353,979 |
| Day care | - | 1,123,586 | - | - | 1,123,586 |
| Community Services Operations | 3,204 | 427,759 | - | - | 430,963 |
| Site improvement | - | - | 153,439 | - | 153,439 |
| Building Acquisition and Construction | - | - | 153,610 | - | 153,610 |
| Building Improvements | - | - | 1,538,488 | - | 1,538,488 |
| Debt service | | | | | |
| Principal | - | - | - | 4,485,000 | 4,485,000 |
| Interest | - | - | - | 1,119,266 | 1,119,266 |
| Total expenditures | <u>50,208,177</u> | <u>12,455,538</u> | <u>1,845,537</u> | <u>7,558,656</u> | <u>72,067,908</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 1,170,966 | 18,703 | (1,342,964) | 1,687,062 | 1,533,767 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Bond proceeds | - | - | 19,315,000 | - | 19,315,000 |
| Bond discount | - | - | (290,026) | - | (290,026) |
| Sale or Comp for loss of equipment | 46,158 | - | - | - | 46,158 |
| Operating transfers in | 534,465 | 311,547 | 983,358 | 5,574,922 | 7,404,292 |
| Operating transfers (out) | (798,637) | (331,076) | - | (6,069,492) | (7,199,205) |
| Total other financing sources and (uses) | <u>(218,014)</u> | <u>(19,529)</u> | <u>20,008,332</u> | <u>(494,570)</u> | <u>19,276,219</u> |
| NET CHANGE IN FUND BALANCE | 952,952 | (826) | 18,665,368 | 1,192,492 | 20,809,986 |
| FUND BALANCE - BEGINNING (RESTATED) | 7,601,347 | 826 | 11,643,162 | 961,970 | 20,207,305 |
| FUND BALANCE - ENDING | <u>\$ 8,554,299</u> | <u>\$ -</u> | <u>\$ 30,308,530</u> | <u>\$ 2,154,462</u> | <u>\$ 41,017,291</u> |

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

NELSON COUNTY SCHOOL DISTRICT
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
 and Changes in Fund Balances to the Statement of Activities
 For the Year Ended June 30, 2024

| | |
|---|----------------------|
| Net change in fund balances - total governmental funds | \$ 20,809,986 |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| <p>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.</p> | |
| Capital outlays | 1,049,280 |
| Asset Retirements | (204,420) |
| Depreciation Expense | (3,841,902) |
| <p>Generally expenditures recognized in the fund financial statements are limited to only those that use current financial resources, but expense are recognized in the statement of activities when they are incurred for the following:</p> | |
| Accrued interest | (45,341) |
| Amortization of advance refunding and bond premium/discount | 45,587 |
| <p>Governmental funds report CERS contributions as expenditures when paid. However, in the Statement of Activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pension, and investment experience.</p> | |
| Pension Expense | 70,043 |
| OPEB Expense | 969,658 |
| <p>Long-term debt proceeds are reported as other financing resources in funds, thereby increasing fund balances. In the statement of net position, however, issuing long-term debt increases liabilities and has no effect on net position. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.</p> | |
| Bond proceeds | (19,315,000) |
| Debt principal repaid | 4,485,000 |
| Sick leave | (389,058) |
| Change in net position of governmental | \$ 3,633,833 |

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

NELSON COUNTY BOARD OF EDUCATION

Budget and Actual General Fund

For the Year Ended June 30, 2024

| | Budgeted Amounts | | Actual | Variance with |
|--|-------------------|-------------------|---------------------|--|
| | Original | Final | | Final Budget Favorable (Unfavorable) |
| REVENUES | | | | |
| From Local Sources | | | | |
| Taxes | | | | |
| Property | \$ 15,866,381 | \$ 15,886,381 | \$ 15,533,798 | \$ (352,583) |
| Motor vehicle | 2,300,000 | 2,300,000 | 2,118,296 | (181,704) |
| Distilled spirits | 5,313,225 | 5,313,225 | 7,113,970 | 1,800,745 |
| Utilities | 2,300,000 | 2,300,000 | 2,296,741 | (3,259) |
| Transportation | 25,000 | 25,000 | 45,332 | 20,332 |
| Earnings on investments | 500,000 | 500,000 | 868,916 | 368,916 |
| Tuition | 200,000 | 200,000 | 191,329 | (8,671) |
| Other local revenue | 125,000 | 125,000 | 436,352 | 311,352 |
| Intergovernmental - state | 22,135,265 | 22,135,265 | 22,478,099 | 342,834 |
| Intergovernmental - federal | 200,000 | 200,000 | 296,310 | 96,310 |
| Total Revenues | <u>48,964,871</u> | <u>48,984,871</u> | <u>51,379,143</u> | <u>2,394,272</u> |
| EXPENDITURES | | | | |
| Instruction | 28,806,183 | 28,806,183 | 27,982,032 | 824,151 |
| Support Services | | | | |
| Student | 2,677,874 | 2,677,874 | 2,598,956 | 78,918 |
| Instructional Staff | 2,687,242 | 2,687,242 | 2,312,809 | 374,433 |
| District Administration | 1,771,868 | 1,771,868 | 1,670,951 | 100,917 |
| School Administration | 5,276,400 | 5,276,400 | 5,232,916 | 43,484 |
| Business | 2,098,122 | 2,098,122 | 1,949,638 | 148,484 |
| Plant Operation and Maintenance | 5,407,725 | 5,427,725 | 5,103,692 | 324,033 |
| Student Transportation | 4,110,640 | 4,110,640 | 3,353,979 | 756,661 |
| Community Services | - | - | 3,204 | (3,204) |
| Contingency | 3,290,576 | 3,387,647 | - | 3,387,647 |
| Total expenditures | <u>56,126,630</u> | <u>56,243,701</u> | <u>50,208,177</u> | <u>6,035,524</u> |
| EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES | (7,161,759) | (7,258,830) | 1,170,966 | 8,429,796 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sale or comp for loss of equipment | - | - | 46,158 | 46,158 |
| Operating transfers in | 308,142 | 308,142 | 534,465 | 226,323 |
| Operating transfers out | (472,383) | (472,383) | (798,637) | (326,254) |
| Total other financing sources and (uses) | <u>(164,241)</u> | <u>(164,241)</u> | <u>(218,014)</u> | <u>(53,773)</u> |
| NET CHANGE IN FUND BALANCE | (7,326,000) | (7,423,071) | 952,952 | 8,376,023 |
| FUND BALANCE - BEGINNING (restated) | <u>7,326,000</u> | <u>7,423,071</u> | <u>7,601,347</u> | <u>178,276</u> |
| FUND BALANCE - ENDING | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 8,554,299</u> | <u>\$ 8,554,299</u> |

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

NELSON COUNTY BOARD OF EDUCATION
 Budget and Actual Special Revenue Fund
 For the Year Ended June 30, 2024

| | Budgeted Amounts | | Actual | Variance with |
|--|-------------------|-------------------|-------------------|---------------------|
| | Original | Final | | Final Budget |
| | | | | Favorable |
| | | | | (Unfavorable) |
| REVENUES | | | | |
| From Local Sources | | | | |
| Other local revenue | \$ 154,986 | \$ 195,469 | \$ 233,200 | \$ 37,731 |
| Intergovernmental - state | 2,807,483 | 3,536,487 | 2,822,534 | (713,953) |
| Intergovernmental - federal | 8,203,150 | 9,854,240 | 9,418,507 | (435,733) |
| Total Revenues | <u>11,165,619</u> | <u>13,586,196</u> | <u>12,474,241</u> | <u>(1,111,955)</u> |
| EXPENDITURES | | | | |
| Instruction | 8,723,054 | 9,675,571 | 8,571,705 | 1,103,866 |
| Support Services | | | | |
| Student | 1,015,222 | 1,280,355 | 708,229 | 572,126 |
| Instructional Staff | 904,315 | 1,363,273 | 1,249,399 | 113,874 |
| School Administration | 64,796 | 83,260 | 175,515 | (92,255) |
| Plant Operation and Maintenance | 74,224 | 483,452 | 199,345 | 284,107 |
| Day Care | - | 30,389 | 1,123,586 | (1,093,197) |
| Community Services Operations | 412,461 | 406,881 | 427,759 | (20,878) |
| Total expenditures | <u>11,194,072</u> | <u>13,323,181</u> | <u>12,455,538</u> | <u>867,643</u> |
| EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES | (28,453) | 263,015 | 18,703 | (244,312) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating transfers in | 86,594 | 134,965 | 311,547 | 176,582 |
| Operating transfers out | (58,141) | (77,882) | (331,076) | (253,194) |
| Total other financing sources and (uses) | <u>28,453</u> | <u>57,083</u> | <u>(19,529)</u> | <u>(76,612)</u> |
| NET CHANGE IN FUND BALANCE | - | 320,098 | (826) | (320,924) |
| FUND BALANCE - BEGINNING | - | - | 826 | 826 |
| FUND BALANCE - ENDING | <u>\$ -</u> | <u>\$ 320,098</u> | <u>\$ -</u> | <u>\$ (320,098)</u> |

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

NELSON COUNTY BOARD OF EDUCATION
Statement of Net Position - Proprietary Funds
June 30, 2024

| | Enterprise Funds | | | Total |
|--|-------------------------|----------------------|--------------------------------|---------------------|
| | School Food Services | Day Care Services | Adult Education Services | |
| ASSETS | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | \$ 1,424,118 | \$ 734,112 | \$ - | \$ 2,158,230 |
| Receivables | 74,425 | - | - | 74,425 |
| Inventories for consumption | 46,631 | - | - | 46,631 |
| Total current assets | <u>1,545,174</u> | <u>734,112</u> | <u>-</u> | <u>2,279,286</u> |
| Noncurrent Assets | | | | |
| General equipment | 1,879,560 | 79 | - | 1,879,639 |
| Accumulated depreciation | (1,663,415) | (79) | - | (1,663,494) |
| Total noncurrent assets | <u>216,145</u> | <u>-</u> | <u>-</u> | <u>216,145</u> |
| Total Assets | <u>1,761,319</u> | <u>734,112</u> | <u>-</u> | <u>2,495,431</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred outflows related to pensions | 152,387 | 24,352 | - | 176,739 |
| Deferred outflows related to OPEB | 215,524 | 34,442 | - | 249,966 |
| Total deferred outflows of resources | <u>367,911</u> | <u>58,794</u> | <u>-</u> | <u>426,705</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>2,129,230</u> | <u>792,906</u> | <u>-</u> | <u>2,922,136</u> |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Accounts payable | 69 | 130 | - | 199 |
| Interfund Payable | - | - | - | - |
| Total current liabilities | <u>69</u> | <u>130</u> | <u>-</u> | <u>199</u> |
| Noncurrent liabilities | | | | |
| Net pension liability | 473,566 | 75,678 | - | 549,244 |
| Net OPEB liability | 232,053 | 37,083 | - | 269,136 |
| Total noncurrent liabilities | <u>705,619</u> | <u>112,761</u> | <u>-</u> | <u>818,380</u> |
| Total liabilities | <u>705,688</u> | <u>112,891</u> | <u>-</u> | <u>818,579</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred inflows related to pensions | 102,981 | 16,457 | - | 119,438 |
| Deferred inflows related to OPEB | 351,301 | 56,141 | - | 407,442 |
| Total deferred inflows of resources | <u>454,282</u> | <u>72,598</u> | <u>-</u> | <u>526,880</u> |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | <u>1,159,970</u> | <u>185,489</u> | <u>-</u> | <u>1,345,459</u> |
| NET POSITION | | | | |
| Net Investment in capital assets | 216,145 | - | - | 216,145 |
| Restricted | 753,115 | 607,417 | - | 1,360,532 |
| Total net position | <u>\$ 969,260</u> | <u>\$ 607,417</u> | <u>\$ -</u> | <u>\$ 1,576,677</u> |

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

NELSON COUNTY BOARD OF EDUCATION
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds
For the Year Ended June 30, 2024

| | Enterprise Funds | | | |
|---|-------------------------|----------------------|-----------------------|---------------------|
| | School Food Services | Day Care Services | Adult | Total |
| | | | Education Services | |
| OPERATING REVENUES | | | | |
| Lunchroom sales | \$ 187,168 | \$ - | \$ - | \$ 187,168 |
| Tuition | - | 624,993 | - | 624,993 |
| Total operating revenues | 187,168 | 624,993 | - | 812,161 |
| OPERATING EXPENSES | | | | |
| Salaries & benefits | 1,482,938 | 203,289 | - | 1,686,227 |
| Purchased professional services | 2,043 | 15,854 | - | 17,897 |
| Purchased property services | 38,631 | 3,265 | - | 41,896 |
| Other purchased services | 5,511 | 799 | - | 6,310 |
| Supplies | 1,703,021 | 52,214 | - | 1,755,235 |
| Property | 4,187 | - | - | 4,187 |
| Dues, Fees, and miscellaneous | 6,246 | 67,416 | - | 73,662 |
| Depreciation | 57,606 | - | - | 57,606 |
| Total operating expenses | 3,300,183 | 342,837 | - | 3,643,020 |
| Operating income (loss) | (3,113,015) | 282,156 | - | (2,830,859) |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Federal grants | 2,729,009 | - | - | 2,729,009 |
| Federal donated commodities | 139,095 | - | - | 139,095 |
| State grants | - | 80,892 | - | 80,892 |
| State on-behalf payments | 217,949 | 30,961 | - | 248,910 |
| State on-behalf payments | (217,949) | (30,961) | - | (248,910) |
| Pension expense | 50,245 | 3,724 | 133,360 | 187,329 |
| OPEB expense | 73,453 | 7,732 | 124,048 | 205,233 |
| Earnings from investments | 85,057 | - | - | 85,057 |
| Total nonoperating revenues (expenses) | 3,076,859 | 92,348 | 257,408 | 3,426,615 |
| Income (loss) before operating transfers | (36,156) | 374,504 | 257,408 | 595,756 |
| Operating transfer out | (205,087) | - | - | (205,087) |
| Change in net position | (241,243) | 374,504 | 257,408 | 390,669 |
| NET POSITION - BEGINNING | 1,210,503 | 232,913 | (257,408) | 1,186,008 |
| NET POSITION - ENDING | \$ 969,260 | \$ 607,417 | \$ - | \$ 1,576,677 |

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

NELSON COUNTY BOARD OF EDUCATION
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2024

| | Enterprise Funds | | | |
|---|-------------------------|---------------------|--------------------------------|-----------------------|
| | School Food Services | Daycare Services | Adult Education Services | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | \$ 187,168 | \$ 624,993 | \$ - | \$ 812,161 |
| Payments to suppliers | (1,633,493) | (138,483) | - | (1,771,976) |
| Payments to employees | (1,577,189) | (222,794) | 257,408 | (1,542,575) |
| Net cash provided (used) by operating activities | <u>(3,023,514)</u> | <u>263,716</u> | <u>257,408</u> | <u>(2,502,390)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES | | | | |
| Operating grants and contributions | 2,823,262 | 100,397 | (257,408) | 2,666,251 |
| Net cash provided (used) by noncapital financing activities | <u>2,823,262</u> | <u>100,397</u> | <u>(257,408)</u> | <u>2,666,251</u> |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES | | | | |
| Purchase of capital assets | (53,188) | - | - | (53,188) |
| Operating transfer to general fund | (205,087) | - | - | (205,087) |
| Net cash provided (used) by capital financing activities | <u>(258,275)</u> | <u>-</u> | <u>-</u> | <u>(258,275)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest | 85,057 | - | - | 85,057 |
| Net cash provided (used) by investing activities | <u>85,057</u> | <u>-</u> | <u>-</u> | <u>85,057</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (373,470) | 364,113 | - | (9,357) |
| CASH AND CASH EQUIVALENTS - BEGINNING | 1,797,588 | 369,999 | - | 2,167,587 |
| CASH AND CASH EQUIVALENTS - ENDING | <u>\$ 1,424,118</u> | <u>\$ 734,112</u> | <u>\$ -</u> | <u>\$ 2,158,230</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Operating income (loss) | \$ (3,113,015) | \$ 282,156 | \$ - | \$ (2,830,859) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Depreciation | 57,606 | - | - | 57,606 |
| Changes in assets and liabilities: | | | | |
| Receivables | (32,400) | 935 | 233,432 | 201,967 |
| Inventory | 19,517 | - | - | 19,517 |
| Accounts Payable | (66) | 130 | (233,432) | (233,368) |
| Pension expense | 50,245 | 3,724 | 133,360 | 187,329 |
| OPEB expense | 73,453 | 7,732 | 124,048 | 205,233 |
| Federal donated commodities | 139,095 | - | - | 139,095 |
| On-behalf payments | (217,949) | (30,961) | - | (248,910) |
| Net cash provided (used) by operating activities | <u>\$ (3,023,514)</u> | <u>\$ 263,716</u> | <u>\$ 257,408</u> | <u>\$ (2,502,390)</u> |
| Schedule of non-cash transactions | | | | |
| Federal donated commodities | \$ 139,095 | - | - | \$ 139,095 |
| State on-behalf payments | <u>\$ 217,949</u> | <u>\$ 30,961</u> | <u>\$ -</u> | <u>\$ 248,910</u> |

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

NELSON COUNTY BOARD OF EDUCATION

Notes to the Financial Statements

Year Ended June 30, 2024

Note I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Financial Reporting Entity

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

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

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

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

Basis of presentation and accounting

Government-wide

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

NELSON COUNTY BOARD OF EDUCATION

Notes to the Financial Statements

Year Ended June 30, 2024

Note I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Fund Financial Statements

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

Governmental Fund Financial Statements

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

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

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

NELSON COUNTY BOARD OF EDUCATION

Notes to the Financial Statements

Year Ended June 30, 2024

Note I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major Governmental Funds:

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

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

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

Non-Major Governmental Funds

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

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

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

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

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

Proprietary Fund Financial Statements

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

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

NELSON COUNTY BOARD OF EDUCATION

Notes to the Financial Statements

Year Ended June 30, 2024

Note I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund Financial Statements (Continued)

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

Enterprise Funds

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

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

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

Fiduciary Fund Financial Statements

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

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

Measurement focus and basis of accounting

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

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

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

NELSON COUNTY BOARD OF EDUCATION

Notes to the Financial Statements

Year Ended June 30, 2024

Note I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary information

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

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

Estimates

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

Cash and cash equivalents

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

Deposits with Financial Institutions and Investments

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

Prepaid items

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

Inventory

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

Note I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital assets

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

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

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

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

Long-term obligations

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

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

Deferred outflows/inflows of resources

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

Note I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Deferred outflows/inflows of resources (Continued)

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

Pension obligations

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Net position flow assumptions

Net position is classified into the following categories:

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

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

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

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

Note I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund balance flow assumptions

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

Fund balance policies

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

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

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

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

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

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

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

Revenue and expenditures/expenses

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

Property taxes – Property taxes are levied each August on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 16, 2023 through April 15, 2024.

NELSON COUNTY BOARD OF EDUCATION

Notes to the Financial Statements

Year Ended June 30, 2024

Note I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and expenditures/expenses (Continued)

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

Compensated absences – upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. On June 30, 2024, this amount total \$863,375.

Note II – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Violations of legal or contractual provisions

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

Cash deposits and cash equivalents

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

Custodial credit risk is the risk that in the event of a bank failure, a government’s deposits may not be returned to it. The District’s deposit policy for custodial credit risk requires compliance with the provisions of state law. On June 30, 2024, the District’s bank balance was exposed to custodial credit risk because the bank did not adequately collateralize the District’s deposits in accordance with the security agreement.

At year end, the carrying amount of the District’s cash and cash equivalents was \$40,257,250. The bank balance for the same time was \$48,984,306.

- Uncollateralized and Uninsured \$7,891,726

Receivables

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

| Receivables | General Fund | Special Revenue Fund | Student Activity Fund | School Food Service Fund | Total |
|---------------------------|-------------------|----------------------|-----------------------|--------------------------|------------------|
| Taxes | \$ 414,255 | \$ - | \$ - | \$ - | \$ 414,255 |
| Accounts | - | - | 8,756 | - | 8,756 |
| Intergovernmental - state | 330 | - | - | - | 330 |
| Intergovernmental-federal | - | 2,110,791 | - | 74,425 | 2,185,216 |
| Total Receivables | <u>\$ 414,585</u> | <u>\$ 2,110,791</u> | <u>\$ 8,756</u> | <u>\$ 74,425</u> | <u>2,608,557</u> |

NELSON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2024

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

Capital assets

The changes in capital assets for the year ended June 30, 2024, are as follows:

| | Balance July 1, 2023 | Increases | Decreases | Balance June 30, 2024 |
|---|-------------------------|-----------------------|----------------|--------------------------|
| <u>Governmental activities:</u> | | | | |
| Non-depreciable capital assets | | | | |
| Land | \$ 4,925,961 | \$ - | \$ - | \$ 4,925,961 |
| Total - Non-depreciable capital assets | <u>4,925,961</u> | <u>-</u> | <u>-</u> | <u>4,925,961</u> |
| Depreciable capital assets | | | | |
| Land improvements | 155,475 | - | - | 155,475 |
| Buildings and Building Improvements | 130,947,402 | - | - | 130,947,402 |
| Technology equipment | 1,579,779 | - | - | 1,579,779 |
| Vehicles | 6,754,158 | 362,836 | 204,420 | 6,912,574 |
| General equipment | 2,112,105 | 686,444 | - | 2,798,549 |
| Total - Depreciable capital assets | <u>141,548,919</u> | <u>1,049,280</u> | <u>204,420</u> | <u>142,393,779</u> |
| Less: Accumulated depreciation | | | | |
| Land improvements | 60,186 | 3,576 | - | 63,762 |
| Buildings and building Improvements | 60,154,902 | 3,329,107 | - | 63,484,009 |
| Technology equipment | 1,296,761 | 76,400 | - | 1,373,161 |
| Vehicles | 5,240,494 | 336,462 | 204,420 | 5,372,536 |
| General equipment | 1,650,716 | 96,357 | - | 1,747,073 |
| | <u>68,403,059</u> | <u>3,841,902</u> | <u>204,420</u> | <u>72,040,541</u> |
| Governmental Activities Capital Assets - net | <u>\$ 78,071,821</u> | <u>\$ (2,792,622)</u> | <u>\$ -</u> | <u>\$ 75,279,199</u> |
| <u>Business-Type Activities</u> | | | | |
| General equipment | \$ 1,783,166 | \$ 53,188 | \$ - | \$ 1,836,354 |
| Technology Equipment | 43,285 | - | - | 43,285 |
| Total - Non-depreciable capital assets | <u>1,826,451</u> | <u>53,188</u> | <u>-</u> | <u>1,879,639</u> |
| Less: Accumulated depreciation | | | | |
| General equipment | 1,567,487 | 55,316 | - | 1,622,803 |
| Technology Equipment | 38,401 | 2,290 | - | 40,691 |
| Total - Depreciable capital assets | <u>1,605,888</u> | <u>57,606</u> | <u>-</u> | <u>1,663,494</u> |
| Business-Type Activities Capital Assets - net | <u>\$ 220,563</u> | <u>\$ (4,418)</u> | <u>\$ -</u> | <u>\$ 216,145</u> |

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

NELSON COUNTY BOARD OF EDUCATION

Notes to the Financial Statements

Year Ended June 30, 2024

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

Pension obligations

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

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

Plan Description

TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a cost-sharing multiple-employer defined benefit plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth of Kentucky. KRS 161.250 provides that the general administration and management of TRS, and the responsibility for its proper operation, is vested in a board of trustees. TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS covers positions requiring teaching certification or otherwise requiring a college degree as well as any person providing part-time or substitute teaching services that are the same or similar to those teaching services provided by full-time, certified teachers. Copies of the TRS Comprehensive Annual Financial Report and Actuarial Valuations may be obtained at: <https://trs.ky.gov/administration/financial-reports-information/>.

Pension Benefits

For members who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either 1) attain age fifty-five (55), or 2) complete 27 years of Kentucky service.

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

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

NELSON COUNTY BOARD OF EDUCATION

Notes to the Financial Statements

Year Ended June 30, 2024

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

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

Pension Benefits (Continued)

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

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

For members hired on or after January 1, 2022, new members must be age 57 and have 10 years of service or age 65 and 5 years of service. The annual foundational benefit for members is equal to service times a multiplier times final average salary. The multiplier for non-university members who are age 65 and over with 5-9.99 years of service is 1.90%. The multiplier for non-university members with 10-19.99 years of service who are age 57-60 is 1.70%, age 61 - 1.74%, age 62 - 1.78%, age 63 - 1.82%, age 64 - 1.86% and age 65 and over 1.90%. The multiplier for non-university members with 20-29.99 years of service who are age 57-60 is 1.95%, age 61 - 1.99%, age 62 - 2.03%, age 63 - 2.07%, age 64 - 2.11% and age 65 and over 2.15%. The multiplier for non-university members with 30 or more years of service who are age 57-60 is 2.20%, age 61 - 2.24%, age 62 - 2.28%, age 63 - 2.32%, age 64 - 2.36% and age 65 and over 2.40%. The annual foundational benefit is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 30 years of service. The annual supplemental benefit is equal to the account balance which includes member and employer contributions and interest credited annually on June 30. Options include annuitizing the balance or receiving the balance as a lump sum either at the time of retirement or at a later date.

Contributions

Contribution rates are established by Kentucky Revised Statutes ("KRS"). Non-university employees other than TRS 4 employees are required to contribute 9.105% of salary and TRS 4 members contribute 11.00% of salary to the retirement system and 2% of each is for the supplemental plan. The Commonwealth, as a non-employer contributing entity, pays matching contributions at the rate of 16.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 16.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 16.105% of salaries. The required matching contribution for those employees classified as critical shortage is 24.55%. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

NELSON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2024

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

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

Plan Description

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

Pension Benefits

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

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

Contributions

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

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

NELSON COUNTY BOARD OF EDUCATION

Notes to the Financial Statements

Year Ended June 30, 2024

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

Contributions (Continued)

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

Tier 3 plan members, who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute 5% (non-hazardous) or 8% (hazardous) of their annual creditable compensation, and an additional 1% to the health insurance fund (401(h) account) which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the KPPA board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received an employer pay credit is deposited to the member's account. A member's account is credited with a 4% (non-hazardous) or 7.5% (hazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution. CERS contribution rates for non-hazardous employees for pension 23.24%, insurance 0.00% for a combined total of 23.34%.

Funding for CERS is provided by members, who contribute 5.00% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions, and by employers of members. For the year ending June 30, 2024, employers were required to contribute 23.34% of the member's salary. During the year ending June 30, 2024, the District contributed \$1,906,950 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

Other Retirement Plans

The District also offers employees the option to participate in defined contribution plans under Sections 403(B) and 401(K) of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum allowable by law. These plans are administered by an independent third-party administrator. The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until their termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, allows entities with little or no administrative involvement and who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statement statements. The District, therefore, does not report these assets and liabilities on its financial statements. Employee contributions made to the plan during the year total \$130,569. The District does not contribute to these plans.

NELSON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2024

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

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

On June 30, 2024, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District’s proportionate share of the net pension liability for TRS because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District.

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

| | |
|--|-----------------------|
| District's proportionate share of the net CERS pension liability | \$ 16,583,658 |
| Commonwealth's proportionate share of the net TRS pension liability associated with the District | <u>113,980,277</u> |
| | <u>\$ 130,563,935</u> |

The net pension liability for each plan was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District’s portion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. On June 30, 2023, the District’s proportion was .258453%.

For the year ended June 30, 2024, the District recognized CERS pension expense of \$1,906,950 which is a \$1,617,225 increase in governmental funds and \$289,725 increase in proprietary funds and \$1,382,843 related to TRS as being paid. The adjusted pension expense recognized on the statement of activities, based on actuarial valuation for the year ended June 30, 2024, was \$(257,372) (a decrease of \$70,043 in governmental funds and a decrease of \$187,329 in the business type activity funds). The District also recognized revenue of \$6,856,051 for TRS support provided by the Commonwealth.

On June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 858,504 | \$ 45,063 |
| Changes of assumptions | - | 1,519,904 |
| Net difference between projected and actual earnings on pension plan investments | 1,791,505 | 2,017,715 |
| Changes in proportion and difference between District contributions and proportionate share of contributions | 779,449 | 23,578 |
| District contributions subsequent to the measurement date | <u>1,906,950</u> | <u>-</u> |
| | <u>\$ 5,336,408</u> | <u>\$ 3,606,260</u> |

NELSON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2024

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

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

The amount reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date is \$1,906,950 and will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

| | | |
|----------------------|----|-----------|
| Year ending June 30: | | |
| 2024 | \$ | (114,188) |
| 2025 | | (272,282) |
| 2026 | | 370,214 |
| 2027 | | (160,546) |
| 2028 | | - |
| Thereafter | | - |

Actuarial assumptions

The actuarially determined contributions effective for fiscal year ending 2023 is based on the required contribution calculated with the June 30, 2021 actuarial valuation. Based on the June 30, 2023 actuarial valuation report, the actuarial methods and assumptions, applied to all periods included in the measurement:

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

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

NELSON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2024

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

Actuarial assumptions (Continued)

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|--------------------------------|-------------------|--|
| Large Cap U.S. Equity | 35.4% | 5.0% |
| Small Cap U.S. Equity | 2.6% | 5.5% |
| Developed International Equity | 15.7% | 5.5% |
| Emerging Markets Equity | 5.3% | 6.1% |
| Fixed Income | 15.0% | 1.9% |
| High Yield Bonds | 5.0% | 3.8% |
| Other Additional Categories | 5.0% | 3.6% |
| Real Estate | 7.0% | 3.2% |
| Private Equity | 7.0% | 8.0% |
| Cash | 2.0% | 1.6% |
| Total | 100.0% | |

For CERS, a system-specific mortality table was used based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

For CERS, the long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real 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 estimate of arithmetic real rate of return for each major asset class.

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---------------------------------------|-------------------|--|
| Equity | | |
| Public Equity | 50.00% | 5.90% |
| Private Equity | 10.00% | 11.73% |
| Fixed Income | | |
| Core Bonds | 10.00% | 2.45% |
| Specialty Credit/High Yield | 10.00% | 3.65% |
| Cash | 0.00% | 1.39% |
| Inflation Protected | | |
| Real Estate | 7.00% | 4.99% |
| Real Return | 13.00% | 5.15% |
| Expected Real Return | 100.00% | 5.75% |
| Long-Term Inflation Assumption | | 2.50% |
| Expected Nominal Return for Portfolio | | 8.25% |

NELSON COUNTY BOARD OF EDUCATION

Notes to the Financial Statements

Year Ended June 30, 2024

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

Discount Rate

For TRS, the discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. We assumed that Plan member contributions will be made at the current contribution rates and that Employer contributions will be made at the Actuarially Determined Contribution rates for all fiscal years in the future. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

For CERS, the discount rate used to measure the total pension liability was 6.50% for fiscal year ending June 30, 2023. The single discount rate is based on the expected rate of return on pension plan investments for each plan. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the non-hazardous and hazardous pension plans’ fiduciary net position and future contributions were separately projected and were each sufficient to finance all the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability of each plan.

The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. The future contributions are projected assuming that each participating employer contributes the actuarially determined employer contribution rate each future year calculated in accordance with the current funding policy. The assumed future employer contributions reflect the provisions of House Bill 362 (passed during the 2018 Legislative session) which limits the increases to the employer contribution rates to 12% in any given future year. Therefore, for the purposes of this calculation, the provisions of House Bill 362 do not impact the projected contribution rates.

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:

| | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|---|--------------------|----------------------------------|--------------------|
| TRS | 6.10% | 7.10% | 8.10% |
| District's proportionate share of net pension liability | \$ - | \$ - | \$ - |
| CERS | 5.50% | 6.50% | 7.50% |
| District's proportionate share of net pension liability | \$ 20,937,871 | \$ 16,583,658 | \$ 12,965,145 |

Other postemployment benefit (OPEB) obligations

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

NELSON COUNTY BOARD OF EDUCATION

Notes to the Financial Statements

Year Ended June 30, 2024

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

TRS – OPEB

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

TRS Medical Insurance Fund (Health Trust)

Plan description

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

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

Benefits Provided

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

Contributions

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

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

NELSON COUNTY BOARD OF EDUCATION

Notes to the Financial Statements

Year Ended June 30, 2024

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

TRS Postemployment Life Insurance Benefits (Life Trust)

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

Benefits Provided

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

Contributions

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

CERS – OPEB

Plan description

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

Benefits provided

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

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

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

Contributions

For the 2023 measurement period, CERS did not allocate any of the 23.34% actuarially required contribution rate paid by employers to be used for funding of the healthcare benefit. However, 1% of the tier 2 and 3 employee contributions of 6% are allocated to the health insurance plan.

On June 30, 2024, the amount recognized by the District as its proportionate share of the net OPEB liability, the related Commonwealth support, and the total portion of the net OPEB liability with the District were as follows:

NELSON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2024

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

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

| | |
|---|----------------------|
| District's proportionate share of the net TRS OPEB MIF liability | \$ 8,483,000 |
| District's proportionate share of the net CERS OPEB MIF liability | <u>(356,824)</u> |
| Total district proportionate share | \$ 8,126,176 |
| Commonwealth's proportionate share of the net TRS OPEB - MIF liability associated with the District | <u>7,150,000</u> |
| Total OPEB MIF liability associated with the District | <u>\$ 15,276,176</u> |

For the year ended June 30, 2024, the District did not recognize CERS OPEB expense. The net OPEB liability for each plan was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022. For the year ended June 30, 2024, based on actuarial valuation, the district recognized on the statement of activities adjusted total net OPEB expense of \$(1,174,890)(a decrease of \$969,658 in governmental funds and a decrease of \$205,232 in the business type activity funds).

On June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 248,760 | \$ 7,941,540 |
| Changes of assumptions | 2,630,204 | 489,366 |
| Net difference between project and actual earnings on OPEB plan investments | 826,782 | 750,594 |
| Changes in proportion and difference between District contributions and proportionate share of contributions | 3,342,685 | 3,120,619 |
| District contributions subsequent to the measurement date | <u>498,931</u> | <u>-</u> |
| Total | <u>\$ 7,547,362</u> | <u>\$ 12,302,119</u> |

Of the total amount reported as deferred outflows of resources related to OPEB, \$498,931 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the Year Ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

| Year ending June 30: | TRS | CERS |
|----------------------|--------------|----------------|
| 2024 | \$ (364,000) | \$ (1,109,860) |
| 2025 | (315,000) | (1,355,181) |
| 2026 | 250,000 | (1,052,087) |
| 2027 | 122,000 | (916,559) |
| 2028 | (223,000) | - |
| Thereafter | 439,000 | - |

NELSON COUNTY BOARD OF EDUCATION

Notes to the Financial Statements

Year Ended June 30, 2024

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

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

Actuarial assumptions for TRS are as follows:

| | |
|--|--|
| Inflation | 2.50% |
| Real wage growth | 0.25% |
| Wage inflation | 2.75% |
| Salary increases, including wage inflation | 3.00%-7.50% |
| Long-term Investment Rate of Return, net of OPEB plan investment expense, including inflation | |
| Health Trust | 7.10% |
| Life Trust | 7.10% |
| Single Equivalent Interest Rate, Net of OPEB plan investment Expense, including price Inflation | |
| Heath Trust | 7.10% |
| Life Trust | 7.10% |
| Health Trust Cost Trends | |
| Medical Trend | 6.75% for FYE 2023 decreasing to an ultimate rate of 4.50% by FYE 2032 |
| Medicare Part B Premiums | 1.55% for FYE 2023 with an ultimate rate of 4.50% by FYE 2034 |

Actuarial assumptions for CERS are as follows:

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

For TRS, Mortality rates were based on the Pub2010 (Teachers Amount-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, deferred vested retirees, and active members. For CERS, mortality rates were based on system-specific mortality table based on mortality experience from 2013-2018 projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2022 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.

NELSON COUNTY BOARD OF EDUCATION

Notes to the Financial Statements

Year Ended June 30, 2024

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

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

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

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 | Health Insurance Trust | |
|--------------------------------|------------------------|---------------------|
| | Target Allocation | 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 | 15.00% | 5.50% |
| Emerging Markets Equity | 5.00% | 6.10% |
| Fixed Income | 9.00% | 1.90% |
| High Yield Bonds | 8.00% | 3.80% |
| Other Additional Categories | 9.00% | 3.70% |
| Real Estate | 6.50% | 3.20% |
| Private Equity | 8.50% | 8.00% |
| Cash | 1.00% | 1.60% |
| Total | <u>100.0%</u> | |

| Asset Class | Life Insurance Trust | |
|--------------------------------|----------------------|---------------------|
| | Target Allocation | Real Rate of Return |
| U.S. Equity | 40.00% | 5.20% |
| Developed International Equity | 15.00% | 5.50% |
| Emerging Markets Equity | 5.00% | 6.10% |
| Fixed Income | 21.00% | 1.90% |
| Other Additional Categories | 5.00% | 4.00% |
| Real Estate | 7.00% | 3.20% |
| Private Equity | 5.00% | 8.00% |
| Cash | 2.00% | 1.60% |
| Total | <u>100.00%</u> | |

Discount Rate

The discount rate used to measure the TOL as of the Measurement Date was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection’s basis was an actuarial valuation performed as of June 30,2022.

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

NELSON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2024

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

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

Discount Rate (Continued)

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

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|---------------------------------------|-------------------|--|
| Equity | | |
| Public Equity | 50.00% | 5.90% |
| Private Equity | 10.00% | 11.73% |
| Fixed Income | | |
| Core Fixed Income | 10.00% | 2.45% |
| Specialty Credit | 10.00% | 3.65% |
| Cash | 0.00% | 1.39% |
| Inflation Protected | | |
| Real Estate | 7.00% | 4.99% |
| Real Return | 13.00% | 5.15% |
| Expected Real Return | 100.00% | 5.75% |
| Long-Term Inflation Assumption | | 2.50% |
| Expected Nominal Return for Portfolio | | 8.25% |

The discount rate used to measure the State’s total OPEB liability for life insurance was 7.50%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected

For TRS, the discount rate used to measure the TOL at June 30, 2022 was 7.10% for the Health Trust and 7.10% for the Life Trust. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection’s basis was an actuarial valuation performed as of June 30, 2022. In addition to the actuarial methods and assumptions of the June 30, 2022 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

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

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

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

Discount Rate (Continued)

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

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

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

Life Trust Discount rate.

The discount rate used to measure the TOL as of the Measurement Date was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection's basis was an actuarial valuation performed as of June 30, 2022. In addition to the actuarial methods and assumptions of the June 30, 2022 actuarial valuation, the following actuarial methods and assumptions were used in the projection of the Life Trust's cash flows:

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

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

Long-term rate of return

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

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

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

Municipal bond rate

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

Projected future benefit payments for all current plan members were projected through 2122.

CERS

Single discount rates of 5.93% for the CERS non-hazardous system were used to measure the total OPEB liability as of June 30, 2023. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.50% and a municipal bond rate of 3.86%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2023. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan's fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the plan's actuarially determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the plan's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit study.

The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. Future contributions are projected assuming that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy.

The proportionate share(s) of the Collective OPEB Amounts for employers that participate in these cost-sharing multiple employers plans were determined using the employers' actual contributions for the fiscal year ending June 30, 2023. This method is expected to be reflective of the employers' long-term contribution effort as well as be transparent to individual employers and their external auditors.

There were no non-employer contributions during fiscal year ending June 30, 2024.

Risk management

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

NELSON COUNTY BOARD OF EDUCATION

Notes to the Financial Statements

Year Ended June 30, 2024

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

Long-Term Debt

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

The bonds may be called prior to maturity at dates and redemption premiums specified in each issue. Assuming no issues are called prior to maturity, the minimum obligation of the District, including amounts to be paid by the Commission, on June 30, 2024 for debt services are as follows:

| | Interest | Maturity | Original Issue | Beginning Balance | Increases | Decreases | Ending Balance | Due within one year |
|---|---------------|-----------|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|
| Governmental Activities: | | | | | | | | |
| Revenue Bonds: | | | | | | | | |
| Series 2014 | 1.50 - 3.625% | 6/1/2034 | \$ 3,420,000 | \$ 2,505,000 | \$ - | \$ 155,000 | \$ 2,350,000 | \$ 155,000 |
| Series 2016 | 2.00 - 3.00% | 5/1/2035 | 6,525,000 | 5,855,000 | - | 115,000 | 5,740,000 | 115,000 |
| Series 2017 | 2.00 - 3.00% | 3/1/2032 | 3,480,000 | 2,315,000 | - | 215,000 | 2,100,000 | 225,000 |
| Series 2024 | 4.00 - 5.00% | 6/1/2044 | 19,315,000 | - | 19,315,000 | - | 19,315,000 | 25,000 |
| Refunding Revenue Bonds: | | | | | | | | |
| Series 2014 | 2.00 - 3.50% | 12/1/2029 | 18,770,000 | 11,120,000 | - | 1,390,000 | 9,730,000 | 1,435,000 |
| Series 2015A | 2.00 - 3.00% | 12/1/2030 | 8,485,000 | 7,670,000 | - | 450,000 | 7,220,000 | 460,000 |
| Series 2015B | 2.00 - 2.25% | 9/1/2025 | 3,485,000 | 1,085,000 | - | 375,000 | 710,000 | 385,000 |
| Series 2016A | 2.00 - 2.50% | 12/1/2027 | 8,905,000 | 5,015,000 | - | 1,000,000 | 4,015,000 | 1,025,000 |
| Series 2016B | 2.00 - 2.375% | 5/1/2029 | 7,260,000 | 5,350,000 | - | 735,000 | 4,615,000 | 740,000 |
| Series 2020 | 1.35% | 2/1/2031 | 505,000 | 405,000 | - | 50,000 | 355,000 | 50,000 |
| | | | <u>\$ 80,150,000</u> | <u>\$ 41,320,000</u> | <u>\$ 19,315,000</u> | <u>\$ 4,485,000</u> | <u>\$ 56,150,000</u> | <u>\$ 4,615,000</u> |
| Other Liabilities | | | | | | | | |
| Sick leave | | | | \$ 447,317 | \$ 389,058 | \$ - | \$ 836,375 | \$ 334,550 |
| Pension Liability | | | | 16,659,062 | - | 624,648 | 16,034,414 | - |
| OPEB Liability | | | | 15,727,857 | - | 7,870,817 | 7,857,040 | - |
| Total Other Liabilities | | | | <u>32,834,236</u> | <u>389,058</u> | <u>8,495,465</u> | <u>24,727,829</u> | <u>334,550</u> |
| Total Governmental Activities Liabilities | | | | <u>\$ 74,154,236</u> | <u>\$ 19,704,058</u> | <u>\$ 12,980,465</u> | <u>\$ 80,877,829</u> | <u>\$ 4,949,550</u> |

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

| Fiscal Year Ending | District | | Kentucky School Facility | | Total | |
|--------------------|----------------------|----------------------|--------------------------|-------------------|----------------------|----------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2025 | \$ 4,087,401 | \$ 1,696,451 | \$ 527,599 | \$ 68,699 | \$ 4,615,000 | \$ 1,765,150 |
| 2026 | 4,211,058 | 1,632,819 | 503,942 | 57,930 | 4,715,000 | 1,690,749 |
| 2027 | 4,337,079 | 1,521,496 | 337,921 | 47,428 | 4,675,000 | 1,568,924 |
| 2028 | 4,467,312 | 1,401,623 | 232,688 | 39,788 | 4,700,000 | 1,441,411 |
| 2029 | 4,610,724 | 1,269,944 | 239,276 | 33,198 | 4,850,000 | 1,303,142 |
| 2030 | 4,777,569 | 1,121,280 | 167,431 | 26,369 | 4,945,000 | 1,147,649 |
| 2031 | 3,582,121 | 999,039 | 142,879 | 21,554 | 3,725,000 | 1,020,593 |
| 2032 | 2,249,430 | 915,782 | 50,570 | 18,487 | 2,300,000 | 934,269 |
| 2033 | 2,062,714 | 837,447 | 52,286 | 16,772 | 2,115,000 | 854,219 |
| 2034 | 2,145,940 | 763,416 | 54,060 | 14,996 | 2,200,000 | 778,412 |
| 2035 | 1,889,103 | 686,340 | 55,897 | 13,160 | 1,945,000 | 699,500 |
| 2036 | 1,952,201 | 618,589 | 57,799 | 11,260 | 2,010,000 | 629,849 |
| 2037 | 1,425,863 | 548,506 | 24,137 | 9,294 | 1,450,000 | 557,800 |
| 2038 | 1,479,898 | 491,472 | 25,102 | 8,329 | 1,505,000 | 499,801 |
| 2039 | 1,538,894 | 432,275 | 26,106 | 7,325 | 1,565,000 | 439,600 |
| 2040 | 1,602,849 | 370,720 | 27,151 | 6,280 | 1,630,000 | 377,000 |
| 2041 | 1,666,763 | 306,606 | 28,237 | 5,194 | 1,695,000 | 311,800 |
| 2042 | 1,735,633 | 239,935 | 29,367 | 4,065 | 1,765,000 | 244,000 |
| 2043 | 1,804,422 | 168,340 | 30,578 | 2,853 | 1,835,000 | 171,193 |
| 2044 | 1,878,160 | 93,908 | 31,840 | 1,592 | 1,910,000 | 95,500 |
| | <u>\$ 53,505,134</u> | <u>\$ 16,115,988</u> | <u>\$ 2,644,866</u> | <u>\$ 414,573</u> | <u>\$ 56,150,000</u> | <u>\$ 16,530,561</u> |

NELSON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2024

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

Interfund transfers

Interfund transfers are used to fund operations in the various accounts. The composition of interfund transfers as of June 30, 2024 is as follows:

| | Transfers In From Other Funds | Transfers Out To Other Funds |
|----------------------|----------------------------------|---------------------------------|
| General Fund | \$ 534,465 | \$ 798,637 |
| Special Revenue Fund | 311,547 | 331,076 |
| District Activity | 370,980 | 30,291 |
| Student Activity | 162,542 | 400,231 |
| Building Fund | - | 5,638,970 |
| Construction | 983,358 | - |
| Debt Service Fund | 5,041,400 | - |
| Food Service Fund | - | 205,087 |
| Totals | <u>\$ 7,404,292</u> | <u>\$ 7,404,292</u> |

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

On-Behalf payments

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

| | |
|---|----------------------|
| Kentucky Teachers Retirement System | \$ 7,429,907 |
| Health, Life, Vision & Dental Insurance | 5,147,181 |
| Technology | 134,107 |
| Debt Service | 562,866 |
| Total On-Behalf | <u>\$ 13,274,061</u> |

Investments

The District’s investments on June 30, 2024 are as follows:

| <u>General Fund Investments</u> | <u>Rating</u> | <u>Maturities</u> | <u>Fair Value</u> |
|---------------------------------|---------------|-------------------|-------------------|
| Certificates of Deposit | N/R | 1-5 years | \$ 431,989 |
| US Government Bonds | Aaa | 1-5 years | 410,591 |
| | | | <u>\$ 842,580</u> |

Risk and Uncertainties

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

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

Investments (Continued)

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk

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

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

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

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

New Pronouncements

There were no new pronouncements.

Commitments and Contingencies

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

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

The district also had construction commitments for on-going projects at June 30, 2024.

NELSON COUNTY BOARD OF EDUCATION

Notes to the Financial Statements

Year Ended June 30, 2024

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

Restatement of Beginning Balances

The beginning fund balance for the General Fund was decreased by \$826, the Special Revenue Fund was increased by \$826, the District Activity Fund was increased by \$2,675 and the beginning fund balance for the Student Activity Fund was decreased by \$3,184 for a net adjustment of \$509. This trivial adjustment was done to correct an error in the prior year.

Nelson County School District
REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the District's Proportionate Share of Net Pension Liability – TRS and CERS
For the Year Ended June 30, 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) |
|---|---|---|---|---|---|---|---|---|
| Teacher's Retirement System of the State of Kentucky (TRS) | | | | | | | | |
| District's proportion of the net pension liability | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% |
| District's proportionate share of the net pension liability | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| State's proportionate share of pension liability associated with the District | <u>113,980,277</u> | <u>112,210,392</u> | <u>84,531,410</u> | <u>89,167,132</u> | <u>84,728,763</u> | <u>168,684,244</u> | <u>182,723,668</u> | <u>144,669,837</u> |
| Total | <u>\$ 113,980,277</u> | <u>\$ 112,210,392</u> | <u>\$ 84,531,410</u> | <u>\$ 89,167,132</u> | <u>\$ 84,728,763</u> | <u>\$ 168,684,244</u> | <u>\$ 182,723,668</u> | <u>\$ 144,669,837</u> |
| District's covered-employee payroll | \$ 26,833,230 | \$ 24,118,048 | \$ 23,269,070 | \$ 20,591,845 | \$ 18,394,531 | \$ 18,928,279 | \$ 18,260,022 | \$ 18,312,036 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% |
| Plan fiduciary net position as a percentage of the total pension liability | 57.68% | 56.41% | 65.59% | 58.27% | 58.80% | 59.30% | 39.80% | 35.22% |
| County Employee Retirement System (CERS) | | | | | | | | |
| District's proportion of the net pension liability | 0.258453% | 0.241294% | 0.243142% | 0.231611% | 0.234756% | 0.247339% | 0.245751% | 0.241810% |
| District's proportionate share of the net pension liability | \$ 16,583,658 | \$ 17,443,176 | \$ 15,502,210 | \$ 17,764,372 | \$ 16,510,494 | \$ 15,063,700 | \$ 14,384,562 | \$ 11,905,816 |
| State's proportionate share of the net pension liability | - | - | - | - | - | - | - | - |
| Total | <u>\$ 16,583,658</u> | <u>\$ 17,443,176</u> | <u>\$ 15,502,210</u> | <u>\$ 17,764,372</u> | <u>\$ 16,510,494</u> | <u>\$ 15,063,700</u> | <u>\$ 14,384,562</u> | <u>\$ 11,905,816</u> |
| District's covered-employee payroll | \$ 8,270,652 | \$ 7,641,218 | \$ 6,811,930 | \$ 6,244,058 | \$ 5,934,087 | \$ 6,147,811 | \$ 6,115,449 | \$ 6,003,620 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 200.51% | 228.28% | 227.57% | 284.50% | 278.23% | 245.03% | 235.22% | 198.31% |
| Plan fiduciary net position as a percentage of the total pension liability | 57.48% | 52.42% | 57.33% | 58.27% | 50.45% | 53.54% | 53.30% | 59.00% |

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

See the accompanying notes to the required supplementary information.

Nelson County School District
REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Contributions TRS and CERS - Pension
For the Year Ended June 30, 2024

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Teacher's Retirement System of the State | | | | | | | | | |
| Contractually required contribution | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contributions in relation to the contractually required contribution | - | - | - | - | - | - | - | - | - |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered-employee payroll | \$ 26,833,230 | \$ 24,118,048 | \$ 23,269,070 | \$ 20,591,845 | \$ 18,394,531 | \$ 18,928,279 | \$ 18,260,022 | \$ 18,312,036 | \$ 18,016,715 |
| District's contributions as a percentage of its covered-employee payroll | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| County Employee Retirement System | | | | | | | | | |
| Contractually required contribution | \$ 1,906,950 | \$ 1,780,045 | \$ 1,433,756 | \$ 1,502,321 | \$ 997,175 | \$ 885,517 | \$ 837,505 | \$ 730,042 | \$ 739,754 |
| Contributions in related to the contractually required contribution | 1,906,950 | 1,780,045 | 1,433,756 | 1,502,321 | 997,175 | 885,517 | 837,505 | 730,042 | 739,754 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered-employee payroll | \$ 8,270,652 | \$ 7,641,218 | \$ 6,811,930 | \$ 6,244,058 | \$ 5,934,087 | \$ 6,147,811 | \$ 6,115,449 | \$ 6,003,620 | \$ 5,880,370 |
| District's contributions as a percentage of | 23.06% | 23.30% | 21.05% | 24.06% | 16.80% | 14.40% | 13.69% | 12.16% | 12.58% |

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

See the accompanying notes to the required supplementary information.

Nelson County School District
REQUIRED SUPPLEMENTARY INFORMATION

Notes to Required Supplementary Information – Pension
For the Year Ended June 30, 2024

TRS

Changes of benefit terms

A new benefit tier was added for members joining the System on and after January 1, 2022. A description of the benefit provisions applicable to these members can be found in Schedule D of the actuary report found at <https://trs.ky.gov/wp-content/uploads/2024/06/TRS-GASB-68-Report-2022-Actuary.pdf>.

Changes of assumptions

- In 2014, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.16% to 5.23%.
- In 2015, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.23% to 4.88%.
- In 2016 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2016 valuation, the Assumed Salary Scale, Price Inflation, and Wage Inflation were adjusted to reflect a decrease. In addition, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.88% to 4.20%.
- In 2017, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.20% to 4.49%.
- In 2018, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.49% to 7.50%.
- In the 2020 experience study, rates of withdrawal, retirement, disability, mortality, and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was change to the Pub2010 Mortality Table (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, set-backs, and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees, and actives. The assumed long-term investment rate of return was changed from 7.50 percent to 7.10 percent and the price inflation assumption was lowered from 3.00 percent to 2.50 percent. In addition, the calculation of the SEIR results in an assumption change from 7.50% to 7.10%.

CERS

Changes of Benefit Terms

2022 None

2021 None

2020 None

2019 None

2018 None

2017 None

2016 None

Notes to Required Supplementary Information – Pension

For the Year Ended June 30, 2024

(Continued)

CERS (Continued)

Changes of Assumptions

2022 None

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

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

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

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

2017 None

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

Life Insurance Plan Changes of Benefit Terms

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

2021 None

2020 None

2019 None

2018 None

Changes of Assumptions

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

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

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

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

2018 None

Nelson County School District
REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the District's Proportionate Share of the Net OPEB Liability Medical & Life Insurance Plans - TRS – OPEB
For the Year Ended June 30, 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 | | | | | | | |
| District's proportion of the collective OPEB liability | 0.348297% | 0.471575% | 0.341324% | 0.333261% | 0.328576% | 0.329400% | 0.328850% |
| District's proportionate share of the collective net OPEB liability | \$ 8,483,000 | \$ 11,707,000 | \$ 7,324,000 | \$ 8,411,000 | \$ 9,617,000 | \$ 11,413,106 | \$ 11,726,113 |
| State's proportionate share of the collective net OPEB liability associated with the District | 7,150,000 | 3,846,000 | 5,948,000 | 6,737,000 | 7,766,000 | 9,836,000 | 9,579,000 |
| Total | <u>\$ 15,633,000</u> | <u>\$ 15,553,000</u> | <u>\$ 13,272,000</u> | <u>\$ 15,148,000</u> | <u>\$ 17,383,000</u> | <u>\$ 21,249,106</u> | <u>\$ 21,305,113</u> |
| District's covered-employee payroll | \$ 26,833,230 | \$ 24,118,048 | \$ 23,269,070 | \$ 20,591,845 | \$ 18,394,531 | \$ 18,928,279 | \$ 18,260,022 |
| District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll | 31.61% | 48.54% | 31.48% | 40.85% | 52.28% | 60.30% | 64.22% |
| Plan fiduciary net position as a percentage of the total OPEB | 52.97% | 47.75% | 51.74% | 39.05% | 32.58% | 25.50% | 21.20% |
| LIFE INSURANCE PLAN | | | | | | | |
| District's proportion of the collective OPEB liability | 0.00000% | 0.00000% | 0.00000% | 0.00000% | 0.00000% | 0.00000% | 0.00000% |
| District's proportionate share of the collective net OPEB liability | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| State's proportionate share of the collective net OPEB liability associated with the District | 177,000 | 191,000 | 79,000 | 204,000 | 180,000 | 169,000 | 128,000 |
| Total | <u>\$ 177,000</u> | <u>\$ 191,000</u> | <u>\$ 79,000</u> | <u>\$ 204,000</u> | <u>\$ 180,000</u> | <u>\$ 169,000</u> | <u>\$ 128,000</u> |
| District's covered-employee payroll | \$ 26,833,230 | \$ 24,118,048 | \$ 23,269,070 | \$ 20,591,845 | \$ 18,394,531 | \$ 18,928,279 | \$ 18,260,022 |
| District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Plan fiduciary net position as a percentage of the total OPEB | 76.91% | 73.97% | 89.15% | 71.57% | 73.40% | 75.00% | 80.00% |

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

See the accompanying notes to the required supplementary information.

Nelson County School District
REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Contributions - TRS – OPEB
For the Year Ended June 30, 2024

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| MEDICAL INSURANCE PLAN | | | | | | | |
| Contractually required contribution | \$ 498,931 | 722,995 | 1,023,092 | 588,561 | 572,141 | 580,994 | 613,167 |
| Contributions in relation to the contractually required contribution | 498,931 | 722,995 | 1,023,092 | 588,561 | 572,141 | 580,994 | 613,167 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered-employee payroll | \$ 26,833,230 | \$ 24,118,048 | \$ 23,269,070 | \$ 20,591,845 | \$ 18,394,531 | \$ 18,928,279 | \$ 18,260,022 |
| District's contributions as a percentage of it's covered-employee payroll | 1.86% | 3.00% | 4.40% | 2.86% | 3.11% | 3.07% | 3.36% |
| LIFE INSURANCE PLAN | | | | | | | |
| Contractually required contribution | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contributions in relation to the contractually required contribution | - | - | - | - | - | - | - |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered-employee payroll | \$ 26,833,230 | \$ 24,118,048 | \$ 23,269,070 | \$ 20,591,845 | \$ 18,394,531 | \$ 18,928,279 | \$ 18,260,022 |
| District's contributions as a percentage of it's covered-employee payroll | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

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

See the accompanying notes to the required supplementary information.

Nelson County School District
REQUIRED SUPPLEMENTARY INFORMATION

Schedule of District's Proportionate Share of the Net OPEB Liability – CERS
For the Year Ended June 30, 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 | | | | | | | |
| District's proportion of the collective OPEB liability | 0.258443% | 0.241252% | 0.243085% | 0.231541% | 2.346980% | 0.247336% | 0.245751% |
| District's proportionate share of the collective net OPEB liability | \$ (356,824) | \$ 4,761,141 | \$ 4,653,741 | \$ 5,591,011 | \$ 3,947,515 | \$ 4,391,402 | \$ 4,940,437 |
| State's proportionate share of the collective net OPEB liability associated with the District | - | - | - | - | - | - | - |
| Total | \$ (356,824) | \$ 4,761,141 | \$ 4,653,741 | \$ 5,591,011 | \$ 3,947,515 | \$ 4,391,402 | \$ 4,940,437 |
| District's covered-employee payroll | \$ 8,270,652 | \$ 7,641,218 | \$ 6,811,930 | \$ 6,244,058 | \$ 5,934,087 | \$ 6,147,811 | \$ 6,115,449 |
| District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll | -4.31% | 62.31% | 68.32% | 89.54% | 66.52% | 71.43% | 80.79% |
| Plan fiduciary net position as a percentage of the total OPEB | 60.95% | 62.91% | 58.41% | 51.67% | 60.44% | 57.62% | 52.39% |

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

See the accompanying notes to the required supplementary information.

Nelson County School District
REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Contributions OPEB Liability – CERS
For the Year Ended June 30, 2024

| HEALTH INSURANCE PLAN | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually required contribution | \$ - | \$ - | \$ 391,455 | \$ 282,393 | \$ 311,477 | \$ 323,375 | \$ 287,426 |
| Contributions in relation to the contractually required contribution | - | - | 391,455 | 282,393 | 311,477 | 323,375 | 287,426 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered-employee payroll | \$ 8,270,652 | \$ 7,641,218 | \$ 6,811,930 | \$ 6,244,058 | \$ 5,934,087 | \$ 6,147,811 | \$ 6,115,449 |
| District's contributions as a percentage of it's covered-employee payroll | 0.00% | 0.00% | 5.75% | 4.52% | 5.25% | 5.26% | 4.70% |

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

See the accompanying notes to the required supplementary information.

Nelson County School District
REQUIRED SUPPLEMENTARY INFORMATION

Notes to Required Supplementary Information – OPEB
For the Year Ended June 30, 2024

TRS

Note I - Changes of Benefit Terms

Health and Life Trust

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

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

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

- None

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

- None

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

- None

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

Health Trust

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

- Life Trust - none

Note II - Changes to assumptions or other inputs

Health Trust

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

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

Notes to Required Supplementary Information – OPEB
For the Year Ended June 30, 2024
(Continued)

Life Trust

None

CERS

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

NELSON COUNTY SCHOOL DISTRICT

Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2024

| | District Activity Fund | Student Activity Fund | Capital Outlay Fund | Facility Support Program (FSKP) Fund | Debt Service Fund | Total Non-Major Funds |
|---|---------------------------|--------------------------|------------------------|--|----------------------|-----------------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 202,947 | \$ 765,860 | \$ 395,424 | \$ 786,964 | \$ - | \$ 2,151,195 |
| Investments | - | - | - | - | - | - |
| Receivables | | | | | | |
| Taxes-current | - | - | - | - | - | - |
| Accounts | - | 8,756 | - | - | - | 8,756 |
| Intergovernmental - state | - | - | - | - | - | - |
| Intergovernmental - federal | - | - | - | - | - | - |
| Total assets | <u>202,947</u> | <u>774,616</u> | <u>395,424</u> | <u>786,964</u> | <u>-</u> | <u>2,159,951</u> |
| LIABILITIES | | | | | | |
| Accounts payable | - | 5,489 | - | - | - | 5,489 |
| Unearned revenue | - | - | - | - | - | - |
| Total liabilities | <u>-</u> | <u>5,489</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>5,489</u> |
| FUND BALANCE | | | | | | |
| Restricted | 202,947 | 769,127 | 395,424 | 786,964 | - | 2,154,462 |
| Committed | - | - | - | - | - | - |
| Unassigned | - | - | - | - | - | - |
| Total fund balance | <u>202,947</u> | <u>769,127</u> | <u>395,424</u> | <u>786,964</u> | <u>-</u> | <u>2,154,462</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 202,947</u> | <u>\$ 774,616</u> | <u>\$ 395,424</u> | <u>\$ 786,964</u> | <u>\$ -</u> | <u>\$ 2,159,951</u> |

NELSON COUNTY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds
For the Year Ended June 30, 2024

| | District Activity Fund | Student Activity Fund | Capital Outlay Fund | Facility Support Program (FSKP) Fund | Debt Service Fund | Total Non-Major Funds |
|--|---------------------------|--------------------------|------------------------|---|----------------------|-----------------------------|
| Revenues | | | | | | |
| From Local Sources | | | | | | |
| Taxes | | | | | | |
| Property | \$ - | \$ - | \$ - | \$ 6,425,934 | \$ - | \$ 6,425,934 |
| Motor vehicle | - | - | - | - | - | - |
| Distilled Spirits | - | - | - | - | - | - |
| Utilities | - | - | - | - | - | - |
| Transportation | - | - | - | - | - | - |
| Earnings on investments | - | - | - | - | - | - |
| Tuition | - | - | - | - | - | - |
| Student activities | 10,863 | 1,736,707 | - | - | - | 1,747,570 |
| Other local revenue | 2,700 | 111,224 | - | - | - | 113,924 |
| Intergovernmental - state | - | - | 395,424 | - | 562,866 | 958,290 |
| Intergovernmental - federal | - | - | - | - | - | - |
| Total revenues | <u>13,563</u> | <u>1,847,931</u> | <u>395,424</u> | <u>6,425,934</u> | <u>562,866</u> | <u>9,245,718</u> |
| EXPENDITURES | | | | | | |
| Instruction | 321,783 | 1,632,607 | - | - | - | 1,954,390 |
| Support services | | | | | | |
| Student | - | - | - | - | - | - |
| Instructional staff | - | - | - | - | - | - |
| District Administration | - | - | - | - | - | - |
| School Administration | - | - | - | - | - | - |
| Business | - | - | - | - | - | - |
| Plant operation and maintenance | - | - | - | - | - | - |
| Student Transportation | - | - | - | - | - | - |
| Day care | - | - | - | - | - | - |
| Community Services Operations | - | - | - | - | - | - |
| Site improvement | - | - | - | - | - | - |
| Building Acquisition and Construction | - | - | - | - | - | - |
| Building Improvements | - | - | - | - | - | - |
| Debt service | | | | | | |
| Principal | - | - | - | - | 4,485,000 | 4,485,000 |
| Interest | - | - | - | - | 1,119,266 | 1,119,266 |
| Total expenditures | <u>321,783</u> | <u>1,632,607</u> | <u>-</u> | <u>-</u> | <u>5,604,266</u> | <u>7,558,656</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (308,220) | 215,324 | 395,424 | 6,425,934 | (5,041,400) | 1,687,062 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Bond proceeds | - | - | - | - | - | - |
| Bond discount | - | - | - | - | - | - |
| Sale of equipment | - | - | - | - | - | - |
| Operating transfers in | 370,980 | 162,542 | - | - | 5,041,400 | 5,574,922 |
| Operating transfers (out) | (30,291) | (400,231) | - | (5,638,970) | - | (6,069,492) |
| Total other financing sources and (uses) | <u>340,689</u> | <u>(237,689)</u> | <u>-</u> | <u>(5,638,970)</u> | <u>5,041,400</u> | <u>(494,570)</u> |
| NET CHANGE IN FUND BALANCE | 32,469 | (22,365) | 395,424 | 786,964 | - | 1,192,492 |
| FUND BALANCE - BEGINNING (RESTATED) | 170,478 | 791,492 | - | - | - | 961,970 |
| FUND BALANCE - ENDING | <u>\$ 202,947</u> | <u>\$ 769,127</u> | <u>\$ 395,424</u> | <u>\$ 786,964</u> | <u>\$ -</u> | <u>\$ 2,154,462</u> |

NELSON COUNTY SCHOOL DISTRICT

Student Activity Funds – Combining Schedule of Cash Receipts, Cash Disbursements and Cash Balances
For the Year Ended June 30, 2024

| School | CASH | | | CASH |
|-------------------------------------|--------------|--------------|---------------|---------------|
| | BALANCES | RECEIPTS | DISBURSEMENTS | BALANCES |
| | July 1, 2023 | | | June 30, 2024 |
| Nelson County High School | \$ 289,964 | \$ 645,429 | \$ 688,310 | \$ 247,083 |
| Thomas Nelson High School | 120,491 | 493,299 | 481,352 | 132,438 |
| Bloomfield Middle School | 57,872 | 127,750 | 118,087 | 67,535 |
| New Haven Elementary School | 89,576 | 91,289 | 84,714 | 96,151 |
| Bloomfield Elementary School | 32,248 | 32,202 | 37,308 | 27,142 |
| Arts Collaboration | 317 | - | - | 317 |
| The Academy | 900 | - | 285 | 615 |
| The Up Center | - | 68,841 | 51,694 | 17,147 |
| Boston Elementary School | 44,681 | 87,211 | 78,232 | 53,660 |
| Cox's Creek Elementary School | 12,300 | 118,530 | 109,937 | 20,893 |
| Foster Heights Elementary School | 71,387 | 81,622 | 100,586 | 52,423 |
| Nelson County Early Learning Center | 5,976 | 12,076 | 12,864 | 5,188 |
| Old Kentucky Home Middle School | 54,179 | 240,396 | 246,040 | 48,535 |
| Vocational School | 11,601 | 11,828 | 23,429 | - |
| Total School Activity Funds | \$ 791,492 | \$ 2,010,473 | \$ 2,032,838 | \$ 769,127 |

NELSON COUNTY SCHOOL DISTRICT

Student Activity Funds – Nelson County High School

Schedule of Cash Receipts, Cash Disbursements and Cash Balances

For the Year Ended June 30, 2024

| Activity | CASH BALANCES July 1, 2023 | RECEIPTS AND TRANSFERS | DISBURSEMENTS AND TRANSFERS | CASH BALANCES June 30, 2024 |
|---------------------------------|----------------------------------|---------------------------|--------------------------------|-----------------------------------|
| GENERAL | \$ 6,145 | \$ 3,311 | \$ 1,851 | \$ 7,605 |
| STAFF VENDING | 410 | - | 52 | 358 |
| SCHOOL STORE | 579 | 33,146 | 33,462 | 263 |
| AP EXAM | 2,482 | 952 | 1,000 | 2,434 |
| FRYSC | 3,440 | 2,459 | 2,310 | 3,589 |
| STUDENT VENDING | 2,088 | 684 | 1,247 | 1,525 |
| PROJECT GRADUATION PROMOTION | 4,037 101 | 37,151 - | 37,898 101 | 3,290 - |
| SWEEP | - | 121,378 | 121,378 | - |
| ATHLETICS | 32,086 | 68,414 | 86,305 | 14,195 |
| GATE CHANGE | - | 6,100 | 6,100 | - |
| CONCESSIONS | 22,645 | 73,195 | 73,708 | 22,132 |
| CONCESSION EQUIPMENT | - | 10,039 | 3,781 | 6,258 |
| FOOTBALL | 13,900 | 44,070 | 45,040 | 12,930 |
| BOYS BASKETBALL | 5,369 | 40,136 | 45,062 | 443 |
| GIRLS BASKETBALL | 6,983 | 22,513 | 21,059 | 8,437 |
| BOYS SOCCER | 3,163 | 24,062 | 24,032 | 3,193 |
| GIRLS SOCCER | 7,315 | 16,204 | 17,454 | 6,065 |
| VOLLEYBALL | 11,989 | 29,711 | 23,433 | 18,267 |
| CHEERLEADERS | 1,345 | 7,176 | 6,596 | 1,925 |
| BOWLING | 64 | 66 | 130 | - |
| TRACK/XCOUNTRY | 4,967 | 4,580 | 5,438 | 4,109 |
| GOLF | 542 | 375 | 550 | 367 |
| DANCE | 1,497 | 25,991 | 23,851 | 3,637 |
| ARCHERY | 10,614 | 17,105 | 19,143 | 8,576 |
| TENNIS | 1 | 4,871 | 2,252 | 2,620 |
| BASEBALL | 3,187 | 46,470 | 38,589 | 11,068 |
| SOFTBALL | 6,905 | 12,518 | 15,072 | 4,351 |
| SWIM TEAM | 2,539 | 3,077 | 5,594 | 22 |
| WRESTLING | 6,290 | 12,412 | 15,332 | 3,370 |
| BASS FISHING | 2,395 | 7,513 | 3,623 | 6,285 |
| LITTLE LEAGUE BASKETBALL | 10,871 | 19,454 | 27,773 | 2,552 |
| LITTLE LEAGUE FOOTBALL | 7,406 | 32,491 | 37,568 | 2,329 |
| UNIFIED BASKETBALL | 742 | 915 | 422 | 1,235 |
| ESPORTS | 304 | 63 | - | 367 |
| TRACK | 2,561 | 10,368 | 8,570 | 4,359 |
| NORTH NELSON WRESTLING | - | 8,838 | 7,650 | 1,188 |
| ATHLETICS DISTRICT-REGION | 3,316 | 1,799 | 3,597 | 1,518 |
| LL BASEBALL | 4,602 | - | - | 4,602 |
| STUDENT LEADERSHIP | 3,345 | 1,113 | 2,067 | 2,391 |
| KYA | 248 | - | - | 248 |
| KEY CLUB | 1,571 | 5,475 | 5,970 | 1,076 |

NELSON COUNTY SCHOOL DISTRICT
Student Activity Funds – Nelson County High School
Schedule of Cash Receipts, Cash Disbursements, and Cash Balances
For the Year Ended June 30, 2024
(Continued)

| Activity | CASH BALANCES July 1, 2023 | RECEIPTS AND TRANSFERS | DISBURSEMENTS AND TRANSFERS | CASH BALANCES June 30, 2024 |
|----------------------|----------------------------------|---------------------------|--------------------------------|-----------------------------------|
| BETA | \$ 879 | \$ 8,108 | \$ 8,764 | \$ 223 |
| FBLA | 1,553 | 43,003 | 44,107 | 449 |
| OUTDOOR CLASSROOM | 8,421 | 5,537 | 5,632 | 8,326 |
| FFA REGION | 4,776 | 1,024 | 5,800 | - |
| FFA ALUMNI | 103 | - | - | 103 |
| ACADEMIC TEAM | - | 1,393 | 750 | 643 |
| NHS | 418 | 1,090 | 1,102 | 406 |
| PEPBLUB | 491 | - | 491 | - |
| FCA | 717 | - | - | 717 |
| YEARBOOK | 35,732 | 3,710 | 15,365 | 24,077 |
| DANCES | 14,252 | 24,823 | 21,751 | 17,324 |
| CHOIR | - | 853 | 641 | 212 |
| DRAMA | 11,637 | 9,434 | 15,860 | 5,211 |
| BAND | 6,810 | 22,125 | 25,100 | 3,835 |
| ROTC | 2,799 | 9,102 | 9,156 | 2,745 |
| ART | 105 | 385 | 345 | 145 |
| CLUB 1 | 142 | - | 142 | - |
| CLUB 2 | 1,014 | - | - | 1,014 |
| GIFTED MINDS LEADERS | 1,309 | - | 1,309 | - |
| STUDENT ENTERPRISE | 620 | 6,090 | 4,650 | 2,060 |
| ARTS COLLAB | 42 | 738 | 466 | 314 |
| CLUB 3 | 100 | - | - | 100 |
| Subtotal | 289,964 | 893,610 | 936,491 | 247,083 |
| Interfund Transfers | | (248,181) | (248,181) | |
| Total | \$ 289,964 | \$ 645,429 | \$ 688,310 | \$ 247,083 |

NELSON COUNTY SCHOOL DISTRICT

Student Activity Funds – Thomas Nelson High School

Schedule of Cash Receipts, Cash Disbursements and Cash Balances

For the Year Ended June 30, 2024

| Activity | CASH | | | CASH |
|------------------------|--------------|---------------|---------------|---------------|
| | BALANCES | RECEIPTS | DISBURSEMENTS | BALANCES |
| | July 1, 2023 | AND TRANSFERS | AND TRANSFERS | June 30, 2024 |
| GENERAL | \$ 3,533 | \$ 13,317 | \$ 15,104 | \$ 1,746 |
| STAFF VENDING | 492 | 919 | 739 | 672 |
| SCHOOL STORE | 4,248 | 3,079 | 2,539 | 4,788 |
| AP EXAM | 1,252 | 4,441 | 4,265 | 1,428 |
| FRYSC | 2,463 | 1,316 | 2,247 | 1,532 |
| PROJECT GRADUATION | 78 | 25,895 | 25,608 | 365 |
| HOUSE 1 | 1,195 | 101 | 590 | 706 |
| HOUSE 2 | 22 | 944 | 859 | 107 |
| HOUSE 3 | 49 | 67 | 67 | 49 |
| HOUSE 4 | 888 | 98 | 241 | 745 |
| LIBRARY | 467 | 36 | - | 503 |
| PROMOTION | 1,081 | - | 1,000 | 81 |
| PE | 114 | - | - | 114 |
| Sweep | - | 23,650 | 23,650 | - |
| ATHLETICS | 10,117 | 94,181 | 94,679 | 9,619 |
| GATE CHANGE | - | 6,000 | 6,000 | - |
| CONCESSIONS | 8,783 | 34,248 | 38,816 | 4,215 |
| CONCESSION EQUIPMENT | 1,739 | 1,644 | 1,058 | 2,325 |
| FOOTBALL | 6,497 | 5,327 | 10,821 | 1,003 |
| BOYS BASKETBALL | 1,603 | 38,734 | 35,109 | 5,228 |
| GIRLS BASKETBALL | 4,903 | 24,754 | 17,517 | 12,140 |
| BOYS SOCCER | 6,591 | 7,985 | 5,228 | 9,348 |
| GIRLS SOCCER | 1,022 | 11,878 | 10,070 | 2,830 |
| VOLLEYBALL | 6,468 | 24,650 | 20,348 | 10,770 |
| CHEERLEADERS | - | 216 | 216 | - |
| BOWLING | 574 | 1 | 254 | 321 |
| TRACK/XCOUNTRY | 469 | 18,509 | 18,978 | - |
| GOLF | - | 1,492 | 1,455 | 37 |
| DANCE | 1,099 | - | - | 1,099 |
| ARCHERY | 2,459 | 8,044 | 5,454 | 5,049 |
| TENNIS | 223 | 3,137 | 1,982 | 1,378 |
| BASEBALL | 79 | 20,813 | 20,892 | - |
| SOFTBALL | 2,244 | 8,891 | 11,135 | - |
| SWIM TEAM | 1,227 | 1,752 | 2,979 | - |
| WRESTLING | - | 1,300 | 1,300 | - |
| BASS FISHING | 2,701 | 21,484 | 14,902 | 9,283 |
| LITTLE LEAGUE FOOTBALL | 201 | 9 | 210 | - |
| ESPORTS | 207 | 239 | 240 | 206 |
| MS BASEBALL | 179 | 500 | 679 | - |
| MS SOCCER | 481 | 60 | 536 | 5 |
| MS GIRLS SOCCER | 898 | - | 896 | 2 |
| MS FOOTBALL | - | 181 | 35 | 146 |
| SHOOTING SPORTS | - | 1,957 | 38 | 1,919 |
| STUDENT LEADERSHIP | 4,768 | 20,356 | 21,775 | 3,349 |

NELSON COUNTY SCHOOL DISTRICT
Student Activity Funds – Thomas Nelson High School
Schedule of Cash Receipts, Cash Disbursements, and Cash Balances
For the Year Ended June 30, 2024
(Continued)

| Activity | CASH | RECEIPTS | DISBURSEMENTS | CASH |
|---------------------|--------------|---------------|---------------|---------------|
| | BALANCES | AND TRANSFERS | AND TRANSFERS | BALANCES |
| | July 1, 2023 | | | June 30, 2024 |
| KYA | 1,503 | - | - | 1,503 |
| KEY CLUB | 4,035 | - | - | 4,035 |
| BETA | 1,280 | 6,071 | 5,295 | 2,056 |
| FBLA | 2,046 | 5,118 | 4,354 | 2,810 |
| STLP | 8 | - | - | 8 |
| FFA | 3,409 | 45,832 | 46,135 | 3,106 |
| OUTDOOR CLASSROOM | 9,904 | 10,096 | 11,522 | 8,478 |
| FFA ALUMNI | 1,382 | 131 | 1,513 | - |
| SPEECH | 1,309 | - | - | 1,309 |
| ACADEMIC TEAM | - | 375 | 375 | - |
| NHS | 85 | 420 | 409 | 96 |
| PEP CLUB | 229 | - | - | 229 |
| FCA | 251 | - | - | 251 |
| YEARBOOK | 648 | 993 | 1,641 | - |
| CHOIR | 298 | 3,810 | 4,108 | - |
| DRAMA | 7,788 | 11,412 | 9,855 | 9,345 |
| BAND | 1,529 | 13,203 | 12,944 | 1,788 |
| ART | 264 | - | 252 | 12 |
| CLUB 1 | 216 | - | 199 | 17 |
| CLUB 2 | 2,793 | - | - | 2,793 |
| CLUB 3 | - | 100 | - | 100 |
| CLUB 4 | 100 | 1,782 | 488 | 1,394 |
| Subtotal | 120,491 | 531,548 | 519,601 | 132,438 |
| Interfund Transfers | | (38,249) | (38,249) | |
| Total | \$ 120,491 | \$ 493,299 | \$ 481,352 | \$ 132,438 |

NELSON COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

| FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE/SUBTITLE | FEDERAL ASSISTANCE LISTING NUMBER | PASS THROUGH ENTITY IDENTIFYING NUMBER | PROVIDED TO SUBRECIPIENTS | TOTAL FEDERAL EXPENDITURES |
|---|--|---|------------------------------|--|
| <u>UNITED STATES DEPARTMENT OF AGRICULTURE</u> | | | | |
| Child Nutrition Cluster - | | | | |
| Passed Through Kentucky Department of Education: School Breakfast Program | 10.553 | 7760005-23 7760005-24 | | \$ 137,106 570,780 <hr/> 707,886 |
| Passed Through Kentucky Department of Education: Summer Food Service Program for Children | 10.559 | 7690024-24 | | 96,472 |
| Passed Through Kentucky Department of Education: National School Lunch Program | 10.555 | 7750002-23 7750002-24 9980000-23 | | 304,125 1,298,278 147,312 <hr/> 1,749,715 |
| Non-Cash Assistance (Commodities) National School Lunch Program | 10.555 | 4002806 | | 139,095 |
| TOTAL CHILD NUTRITION CLUSTER | | | | <hr/> 2,693,168 |
| Passed Through Kentucky Department of Education: Child and Adult Care Food Program | 10.558 | 7790021-23 7790021-24 | | 10,677 53,089 <hr/> 63,766 |
| Passed Through Kentucky Department of Education: State Administrative Expenses for Child Nutrition | 10.560 | 7700001-20 | | 7,849 |
| Farm To School State Formula Grant | 10.579 | 7840027-22 | | 25,000 |
| TOTAL UNITED STATES DEPARTMENT OF AGRICULTURE | | | | <hr/> 2,789,783 |
| <u>UNITED STATES DEPARTMENT OF JUSTICE</u> | | | | |
| STOP School Violence | 16.839 | Direct | | 95,444 |
| TOTAL UNITED STATES DEPARTMENT OF JUSTICE | | | | <hr/> 95,444 |
| <u>UNITED STATES DEPARTMENT OF LABOR</u> | | | | |
| WOPA Dislocated Worker Formula Grants | 17.278 | Direct | | 1,132 |
| TOTAL UNITED STATES DEPARTMENT OF LABOR | | | | <hr/> 1,132 |
| <u>UNITED STATES DEPARTMENT OF EDUCATION</u> | | | | |
| Special Education Cluster - | | | | |
| Passed Through Kentucky Department of Education: Special Education Grants to States | 84.027A | 3810002-23 3810002-24 | | 375,040 410,237 <hr/> 785,277 |
| Passed Through Kentucky Department of Education: Special Education Preschool Grants | 84.173A | 3800002-23 3800002-24 | | 558 22,208 <hr/> 22,766 |
| TOTAL SPECIAL EDUCATION CLUSTER | | | | <hr/> 808,043 |
| Passed Through Kentucky Department of Education: Adult Education - Basic Grants to States | 84.002 | Direct | | 86,553 |
| Passed Through Kentucky Department of Education: Title I Grants To Local Educational Agencies | 84.010 84.010A | 2300003452 3100002-22 3100002-23 | | 108,326 1,022 220,929 <hr/> 330,277 |

The accompanying notes are an integral part of this schedule.

NELSON COUNTY SCHOOL DISTRICT
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2024
 (Continued)

| FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE/SUBTITLE | FEDERAL ASSISTANCE LISTING NUMBER | PASS THROUGH ENTITY IDENTIFYING NUMBER | PROVIDED TO SUBRECIPIENTS | TOTAL FEDERAL EXPENDITURES |
|--|--|---|------------------------------|------------------------------------|
| Passed Through Kentucky Department of Education: | | | | |
| Career and Technical Education -- Basic Grants to States | 84.048 | 3710002-23 3710002-24 | | \$ 4,854 24,561 <hr/> 29,415 |
| Passed Through Kentucky Department of Education: | | | | |
| Safe And Drug-Free Schools And Communities-National Programs | 84.184 | Unknown | | 150,232 |
| Passed Through Save The Children Federation, Inc. | | | | |
| Twenty-First Century Community Learning Centers | 84.287 | 3400002-22 3400002-23 | | 50 212,399 <hr/> 212,449 |
| Passed Through Kentucky Department of Education: | | | | |
| Supporting Effective Instruction State Grant | 84.367 | 3230003-23 3300002-24 | | 2,235 66,730 <hr/> 68,965 |
| Passed Through Kentucky Department of Education: | | | | |
| Student Support and Academic Enrichment Program | 84.424A | 3420002-22 3420002-24 | | 9,147 1,139 <hr/> 10,286 |
| Passed Through Kentucky Department of Education: | | | | |
| Education Stabilization Fund Plan Act of 2021 (ARP) | 84.425U | 4300002-21 | | 961,448 |
| Passed Through Kentucky Department of Education: | | | | |
| Education Stabilization Fund | | | | |
| American Rescue Plan-Elementary and Secondary School Emergency Relief - Homeless Children and Youth (ARP-HCV) | 84.425W | 4300002-21 | | 3,944 |
| Total Education Stabilization Fund | | | | <hr/> 965,392 |
| TOTAL UNITED STATES DEPARTMENT OF EDUCATION | | | | <hr/> 2,661,612 |
| <u>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</u> | | | | |
| Passed Through Kentucky Department of Education: | | | | |
| Child Care and Development Block Grant | 93.575 | ARPA CRRSA | | 335,001 2,031 <hr/> 337,032 |
| TOTAL UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | <hr/> 337,032 |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <hr/> \$ - | <hr/> \$ 5,885,003 |

The accompanying notes are an integral part of this schedule.

NELSON COUNTY SCHOOL DISTRICT

Notes to the Schedule of Expenditures of Federal Awards Year Ended June 30, 2024

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes federal grant activity of the Nelson County School District under the programs of the federal government for the year ended June 30, 2024. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Nelson County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 2. Significant Accounting Policies

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

Note 3. Food Distribution

Nonmonetary assistance is reported in the schedule at the fair value of the commodities received and disbursed. For the year ended June 30, 2024, the District received food commodities totaling \$139,095.

Note 4. Indirect Cost Rate

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



124 Candlewood Drive
Winchester, KY 40391

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract, Including Appendix II Instructions for Submissions of the Audit Report*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Nelson County School District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Nelson County School District's basic financial statements, and have issued our report thereon dated November 11, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Patrick & Associates, LLC

Patrick & Associates, LLC
Winchester, Kentucky

November 11, 2024



PATRICK & ASSOCIATES, LLC

124 Candlewood Drive
Winchester, KY 40391

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Nelson County School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Nelson County School District's major federal programs for the year ended June 30, 2024. The Nelson County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Nelson County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, Uniform Guidance, and the Independent Auditor's Contract, we:

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

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

Report on Internal Control over Compliance

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

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

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

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

Patrick & Associates, LLC

Patrick & Associates, LLC
Winchester, Kentucky

November 11, 2024

Schedule of Findings and Questioned Costs

SUMMARY OF AUDITOR'S RESULTS

| | |
|---|---|
| What type of report was issued for the financial statements? | Unmodified |
| Were there significant deficiencies in internal control disclosed? If so, were any significant deficiencies material (GAGAS)? | None Reported |
| Were any material noncompliances reported (GAGAS)? | No |
| Were there material weaknesses in internal control disclosed for major programs? | No |
| Were there any significant deficiencies in internal control disclosed that were not considered to be material weaknesses? | None Reported |
| What type of report was issued on compliance for major programs? | Unmodified |
| Did the audit disclose findings as it relates to major programs that are required to be reported as described in Uniform Guidance? | No |
| Major Programs | Special Education Cluster [Federal Assistance Number 84.027A, 84.173A] Education Stabilization Fund [Federal Assistance Number 84.425U, and 84.425W] |
| Dollar threshold of Type A and B programs? | \$750,000 |
| Low risk auditee? | Yes |

FINDINGS – FINANCIAL STATEMENT AUDIT

No findings at the financial statement level.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAMS AUDIT

No major federal award findings.

SUMMARY SCHEDULE – PRIOR YEAR AUDIT FINDINGS

FINDINGS – FINANCIAL STATEMENT AUDIT

There were no prior year findings.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no prior year findings.

APPENDIX C

**Nelson County School District Finance Corporation
School Building Revenue Bonds
Series of 2025**

Continuing Disclosure Undertaking Agreement

CONTINUING DISCLOSURE UNDERTAKING AGREEMENT

This Continuing Disclosure Undertaking Agreement ("Agreement") made and entered into as of November 10, 2025, by and between the Board of Education of Nelson County, Kentucky ("Board"); the Nelson County School District Finance Corporation, an agency and instrumentality of the Board ("Corporation") and the Registered and Beneficial Owners of the Bonds hereinafter identified as third-party beneficiaries to this Agreement. For the purposes of this Agreement "Beneficial Owner" means the person or entity treated as the owner of the Bonds for federal income tax purposes and "Registered Owner" means the person or entity named on the registration books of the bond registrar.

WITNESSETH:

WHEREAS, the Corporation has acted as issuing agency for the Board pursuant to the provisions of Section 162.385 of the Kentucky Revised Statutes ("KRS") and the Corporation's Bond Resolution in connection with the authorization, sale and delivery of \$27,960,000 of the Corporation's School Building Revenue Bonds, Series of 2025, dated November 10, 2025 ("Bonds"), which Bonds were offered for sale under the terms and conditions of a Final Official Statement ("FOS") prepared by RSA Advisors, LLC, Lexington, Kentucky ("Municipal Advisor") and approved by the authorized representatives of the Board and the Corporation, and

WHEREAS, the Securities and Exchange Commission ("SEC"), pursuant to the Securities and Exchange Act of 1934, has amended the provisions of SEC Rule 15c2-12 relating to financial disclosures by the issuers of municipal securities under certain circumstances ("Rule"), and

WHEREAS, it is intended by the parties to this Agreement that all terms utilized herein shall have the same meanings as defined by the Rule, and

WHEREAS, the Board is an "obligated person" as defined by the Rule and subject to the provisions of said Rule, and

WHEREAS, failure by the Board and the Corporation to observe the requirements of the Rule will inhibit the subsequent negotiation, transfer and exchange of the Bonds with a resulting diminution in the market value thereof to the detriment of the Registered and Beneficial Owners of said Bonds and the Board;

NOW, THEREFORE, in order to comply with the provisions of the Rule and in consideration of the purchase of the Bonds by the Registered and Beneficial Owners, the parties hereto agree as follows:

1. ANNUAL FINANCIAL INFORMATION

The Board agrees to provide the annual financial information contemplated by Rule 15c2-12(b)(5)(i) relating to the Board for its fiscal years ending June 30 of each year, commencing with the fiscal year ending June 30, 2025, to (a) the Municipal Securities Rulemaking Board ("MSRB"), or any successor thereto for purposes of its Rule, through the continuing disclosure service portal provided by the MSRB's Electronic Municipal Market Access ("EMMA") system as described in 1934 Act Release No. 59062, or any similar system that is acceptable to the Securities and Exchange Commission and (b) the State Information Depository ("SID"), if any (the Commonwealth of Kentucky has not established a SID as of the date of this Agreement) within nine (9) months of the close of each fiscal year.

For the purposes of the Rule "annual financial information" means financial information and operating data provided annually, of the type included in the FOS with respect to the Board in accordance with guidelines established by the National Federation of Municipal Analysts, and shall include annual audited financial statements for the Board in order that the recipients will be provided with ongoing information regarding revenues and operating expenses of the Board and the information provided in the FOS under the headings "OUTSTANDING BONDS", "BOND DEBT SERVICE", "DISTRICT STUDENT POPULATION", "LOCAL SUPPORT – Local Tax Rates, Property Assessment and Revenue Collections and SEEK Allotment". If audited financial statements are not available when the annual financial information is filed, unaudited financial statements shall be included, to be followed by audited financial statements when available.

The audited financial statements shall be prepared in accordance with Generally Accepted Accounting Principles, Generally Accepted Auditing Standards or in accordance with the appropriate sections of KRS or Kentucky Administrative Regulations.

The parties hereto agree that this Agreement is entered into among them for the benefit of those who become Registered and Beneficial Owners of the Bonds as third party beneficiaries to said Agreement.

2. MATERIAL EVENTS NOTICES

Under the Rule, Section 15c2-12(b)(5)(i)(C), the following sixteen (16) events must be disclosed within ten (10) business days following the occurrence of said event to MSRB via EMMA and the SID, if any:

1. Principal/interest payment delinquency;
2. Nonpayment related default, if material;
3. Unscheduled draw on debt service reserve reflecting financial difficulties;
4. Unscheduled draw on credit enhancement reflecting financial difficulties;
5. Substitution of credit or liquidity provider, or its failure to perform;
6. Adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the securities, or other material events affecting the tax status of the security;
7. Modifications to rights of security holders, if material;
8. Bond call, if material and tender offers;
9. Defeasance;
10. Release, substitution or sale of property securing the repayment of the security, if material;
11. Rating change;
12. Merger, consolidation, acquisition or sale of all or substantially all assets of an obligated person, other than in the ordinary course of business, and the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to such action, other than pursuant to its terms, if material;
13. Bankruptcy, insolvency, receivership or similar event of the obligated person;
14. Successor, additional or change in trustee, if material;
15. Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material, and;
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

For purposes of this Agreement the term “financial obligation” means:

- (A) Debt obligation;
- (B) Derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or
- (C) Guarantee of paragraph (A) or (B) above.

Notice of said material events shall be given to the entities identified in this Section by the Board on a timely basis (within ten (10) business days of the occurrence). Notwithstanding the foregoing, the provisions of the documents under which the Bonds are authorized and issued do not provide for a debt service reserve, credit enhancements or credit or liquidity providers.

In accordance with Rule Section 15c2-12(b)(5)(i)(D), the Board agrees that in the event of a failure to provide the Annual Financial Information required under Section 1 of this Agreement, it will notify MSRB via EMMA of such failure in a timely manner.

The Finance Officer of the Board shall be the responsible person for filing the annual financial information and/or notices of the events set forth above within the time prescribed in this Agreement. The Board shall cause the Finance Officer to institute an internal tickler system as a reminder of the obligations set forth herein. By December 1 of each fiscal year and each 30 days thereafter the Finance Officer will contact the auditor for the Board to determine when the audited financial statements will be finalized. The Finance Officer will impress upon the auditor the necessity of having such audited financial report on or before September 15. Within 5 days of receipt of such audited financial report the finance officer will cause the annual financial information to be filed as required by this Agreement.

3. SPECIAL REQUESTS FOR INFORMATION

Upon the request of any Registered or Beneficial Owner of the Bonds or the original purchaser of the Bonds or any subsequent broker-dealer buying or selling said Bonds on the secondary market ("Underwriters"), the Board shall cause financial information or operating data regarding the conduct of the affairs of the Board to be made available on a timely basis following such request.

4. DISCLAIMER OF LIABILITY

The Board and the Corporation hereby disclaim any liability for monetary damages for any breach of the commitments set forth in this Agreement and remedies for any breach of the Board's continuing disclosure undertaking shall be limited to an action for specific performance or mandamus in a court of competent jurisdiction in Kentucky following notice and an opportunity to cure such a breach.

5. FINAL OFFICIAL STATEMENT

That the Final Official Statement prepared by the Municipal Advisor and approved by the authorized representatives of the Board and the Corporation is hereby incorporated in this Agreement as fully as if copied herein and the "annual financial information" required under Section 1 hereof shall in summary form update the specific information set forth in said FOS.

6. DURATION OF THE AGREEMENT

This Agreement shall be in effect so long as any of the Bonds remain outstanding and unpaid; provided, however, that the right is reserved in the Board to delegate its responsibilities under the Agreement to a competent agent or trustee, or to adjust the format of the presentation of annual financial information so long as the intent and purpose of the Rule to present adequate and accurate financial information regarding the Board is served.

7. AMENDMENT; WAIVER

Notwithstanding any other provision of this Agreement, the Board may amend this Agreement, and any provision of this Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 1, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the holders of the Bonds in the same manner as provided in the Bond Resolution for amendments to the Bond Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Registered Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Agreement, the Board shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Board. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a material event under Section 15c2-12(b)(5)(i)(C) of the Rule, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

8. DEFAULT

In the event of a failure of the Board to comply with any provision of this Agreement, the Corporation may and, at the request of any Underwriter or any Registered Owner or Beneficial Owner of Bonds, shall take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Board to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed an event of default under the Bond Resolution, and the sole remedy under this Agreement in the event of any failure of the Board to comply with this Agreement shall be an action to compel performance.

In witness whereof the parties hereto have executed this Agreement as of the date first above written.

**BOARD OF EDUCATION OF NELSON
COUNTY, KENTUCKY**

Chairperson

Attest:

Secretary

**NELSON COUNTY SCHOOL
DISTRICT FINANCE CORPORATION**

President

Attest:

Secretary

APPENDIX D

**Nelson County School District Finance Corporation
School Building Revenue Bonds
Series of 2025**

Official Terms and Conditions of Bond Sale

**OFFICIAL
TERMS AND CONDITIONS OF BOND SALE**

\$27,960,000*
Nelson County School District Finance Corporation
School Building Revenue Bonds, Series of 2025
Dated November 10, 2025

SALE: October 21, 2025 AT 11:00 A.M. E.D.S.T.

As published on PARITY®, a nationally recognized electronic bidding system, the Nelson County School District Finance Corporation ("Corporation") will until October 21, 2025, at the hour of 11:00 A.M. E.D.S.T., in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 200 Mero Street, 5th Floor, Frankfort, KY 40622, receive competitive bids for the revenue bonds herein described. To be considered, bids must be submitted on an Official Bid Form and must be delivered to the Corporation at the address indicated on the date of sale no later than the hour indicated. Bids may be submitted manually or by facsimile or electronically via PARITY. Bids will be considered by the Corporation and may be accepted without further action by the Corporation's Board of Directors.

Subject to a Permitted Adjustment* increasing or decreasing the issue by up to \$2,795,000.

**NELSON COUNTY SCHOOL
DISTRICT FINANCE CORPORATION**

The Corporation has been formed in accordance with the provisions of Sections 162.120 through 162.300 and Section 162.385 of the Kentucky Revised Statutes ("KRS"), and KRS Chapter 273 and KRS 58.180, as a non-profit, non-stock corporation for the purpose of financing necessary school building facilities for and on behalf of the Board of Education of Nelson County, Kentucky (the "Board"). Under the provisions of existing Kentucky law, the Corporation is permitted to act as an agency and instrumentality of the Board for financing purposes and the legality of the financing plan to be implemented by the Bonds herein referred to has been upheld by the Kentucky Court of Appeals (Supreme Court) in the case of White v. City of Middlesboro, Ky. 414 S.W.2d 569.

STATUTORY AUTHORITY, PURPOSE OF ISSUE AND SECURITY

These Bonds are authorized pursuant to KRS 162.120 through 162.300, 162.385, and KRS 58.180 and are issued in accordance with a Resolution of the Corporation's Board of Directors. Said Bonds are revenue bonds and constitute a limited indebtedness of the Corporation payable from rental revenues derived by the Corporation from the Board under the Lease identified below. Said Bonds are being issued to finance renovations to Thomas Nelson High School (the "Project") and are secured by a statutory mortgage lien upon and a pledge of the revenues from the rental of the school building Project property to the Board under the Lease on a year to year basis; the first rental period ending June 30, 2026; provided, however, said lien and pledge are on parity with a similar lien and pledge securing the Corporation's School Building Revenue Bonds previously issued to finance or refinance the school building(s) which constitute the school building Project (the "Parity Bonds").

Should the Board default in its obligations under the Lease or fail to renew the Lease, the Registered Owners of Bonds have the right to have a receiver appointed to administer the school building Project but foreclosure and sale are not available as remedies.

The rental of the school building Project property from the Corporation to the Board is to be effected under a certain Lease Agreement by and between the Corporation and the Board (the "Lease"), whereunder the school building Project property is leased to the Board for the initial period ending June 30, 2026, with an option in the Board to renew the Lease each year at rentals sufficient to provide for the principal and interest requirements on the Bonds as they become due, plus the costs of insurance, maintenance, depreciation, and bond issuance and administration expenses; the Board being legally obligated only for the initial rental period and for one year at a time thereafter each time the Lease is renewed.

Under the terms of the Lease, and any renewal thereof, the Board has agreed so long as the Bonds remain outstanding, and in conformance with the intent and purpose of KRS 160.160(5), in the event of a failure by the Board to pay the rentals due under the Lease, and unless sufficient funds have been transmitted to the Paying Agent, or will be so transmitted, for paying said rentals when due, the Board has granted under the terms of the Lease to the Corporation the right to notify and request the Kentucky Department of Education to withhold from the Board a sufficient portion of any undisbursed funds then held, set aside, or allocated to the Board and to request said Department or Commissioner of Education to transfer the required amount thereof to the Paying Agent for the payment of such rentals.

ADDITIONAL PARITY BONDS

The Corporation has reserved the right and privilege of issuing additional bonds from time to time payable from the income and revenues of said lands and school building Project property and secured by a statutory mortgage lien and pledge of revenues, but only if and to the extent the issuance of such additional parity bonds are in accordance with the plans and specifications which have been approved by the Board, Commissioner of Education, and filed in the office of the Secretary of the Corporation and a Lease shall be entered into whereunder the annual rental payments during the life of such additional bonds shall be increased by the amount of the annual principal and interest requirements of such additional bonds.

BOND MATURITIES, PRIOR REDEMPTION PROVISIONS AND PAYING AGENT

All such Bonds shall be in denominations in multiples of \$5,000 within the same maturity, bear interest from November 10, 2025, payable on May 1, 2026, and semi-annually thereafter and shall mature as to principal on November 1 in each of the years as follows:

| <u>Year</u> | <u>Amount*</u> | <u>Year</u> | <u>Amount*</u> |
|-------------|----------------|-------------|----------------|
| 2026 | \$5,000 | 2036 | \$1,610,000 |
| 2027 | 5,000 | 2037 | 1,680,000 |
| 2028 | 5,000 | 2038 | 1,750,000 |
| 2029 | 5,000 | 2039 | 1,830,000 |
| 2030 | 380,000 | 2040 | 1,915,000 |
| 2031 | 1,045,000 | 2041 | 2,000,000 |
| 2032 | 1,140,000 | 2042 | 2,100,000 |
| 2033 | 1,185,000 | 2043 | 2,200,000 |
| 2034 | 1,230,000 | 2044 | 3,215,000 |
| 2035 | 1,285,000 | 2045 | 3,375,000 |

*Subject to a Permitted Adjustment of the amount of Bonds awarded of up to \$2,795,000 which may be applied in any or all maturities.

The Bonds maturing on or after November 1, 2034 are subject to redemption at the option of the Corporation prior to their stated maturity on any date falling on or after November 1, 2033, in any order of maturities (less than all of a single maturity to be selected by lot), in whole or in part, upon notice of such prior redemption being given by the Paying Agent in accordance with DTC requirements not less than thirty (30) days prior to the date of redemption, upon terms of the face amount, plus accrued interest, but without redemption premium.

Notwithstanding the foregoing, the Corporation reserves the right, upon thirty (30) days notice, to call the Bonds in whole or in part on any date at par for redemption upon the total destruction by fire, lightning, windstorm or other hazard of any building constituting the Project and apply casualty insurance proceeds to such purpose.

The Bonds are to be issued in fully registered form (both principal and interest). U.S. Bank Trust Company, National Association, Louisville, Kentucky, has been designated as the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date to Cede & Co. Principal and interest will be payable through the Book-Entry-Only-System administered by The Depository Trust Company: Please see "BOOK-ENTRY-ONLY-SYSTEM" below. Interest on the Bonds will be paid at rates to be established upon the basis of competitive bidding as hereinafter set forth, such interest to be payable on May 1 and November 1 of each year, beginning May 1, 2026 (Record Date is the 15th day of month preceding interest due date).

BIDDING CONDITIONS AND RESTRICTIONS

(A) Bids must be made on Official Bid Form, contained in Information for Bidders available from the undersigned or RSA Advisors, LLC, Lexington, Kentucky, by visiting www.rsamuni.com submitted manually, by facsimile or electronically via PARITY[®].

(B) Electronic bids for the Bonds must be submitted through PARITY[®] and no other provider of electronic bidding services will be accepted. Subscription to the PARITY[®] Competitive Bidding System is required in order to submit an electronic bid. The Corporation will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by PARITY[®] shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in PARITY[®] conflict with the terms of the Official Terms and Conditions of Bond Sale, this Official Terms and Conditions of Sale of Bonds shall prevail. Electronic bids made through the facilities of PARITY[®] shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to

the Corporation. The Corporation shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by PARITY®. The use of PARITY® facilities are at the sole risk of the prospective bidders. For further information regarding PARITY®, potential bidders may contact PARITY®, telephone (212) 404-8102. Notwithstanding the foregoing, non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form.

(C) The minimum bid shall be not less than \$27,400,800 (98% of par) plus accrued interest. Interest rates shall be in multiples of 1/8 or 1/20 of 1% or both. Only one interest rate shall be permitted per Bond, and all Bonds of the same maturity shall bear the same rate. Interest rates must be on an ascending scale, in that the interest rate stipulated in any year may not be less than that stipulated for any preceding maturity. There is no limit on the number of different interest rates.

(D) The maximum permissible net interest cost for the Bonds shall not exceed "The Bond Buyer's" Index of 20 Municipal Bonds as established on the Thursday immediately preceding the sale of said Bonds plus 1.50%.

(E) The determination of the best purchase bid for said Bonds shall be made on the basis of all bids submitted for exactly \$27,960,000 principal amount of Bonds offered for sale under the terms and conditions herein specified, but the Corporation may adjust the principal amount of Bonds upward or downward by \$2,795,000 (the "Permitted Adjustment") which may be awarded to such best bidder may be a minimum of \$25,165,000 or a maximum of \$30,755,000. In the event of such Permitted Adjustment, no rebidding or recalculation of a submitted bid will be required or permitted and the Underwriter's Discount on the Bonds as submitted by the successful bidder shall be held constant. The Underwriter's Discount shall be defined as the difference between the purchase price of the Bonds submitted by the bidder and the price at which the Bonds will be issued to the public, calculated from information provided by the bidder, divided by the par amount of the Bonds bid. The price of which such adjusted principal amount of Bonds will be sold will be the same price per \$5,000 of Bonds as the price per \$5,000 for the \$27,960,000 of Bonds bid.

(F) If three (3) or more bids for the Bonds are received as a result of this competitive sale, the successful purchaser will be required to certify on or before the issue date the reasonably expected initial offering price to the public for each Maturity of the Bonds which prices are the prices for each Maturity of the Bonds used by the successful purchaser in formulating its bid to purchase the Bonds.

If less than three (3) bids for the Bonds are received as a result of this competitive sale, the successful purchaser, by submitting a bid pursuant to a published Notice of Sale, has agreed in writing that they will certify on or before the issue date (and provide reasonable supporting documentation for such Certification, such as a copy of the Pricing wire or equivalent communication) for each Maturity of the Bonds (i) the first price at which at least 10% of each Maturity of the Bonds was sold to the Public, or (ii) that they will neither offer nor sell any of the Bonds of each Maturity to any person at a price that is higher than the Initial Offering Price for such maturity during the Holding Period for such Maturity.

Bids will not be subject to cancellation or withdrawal by the bidder in the event that three bids are not received and the Issuer determines to apply the hold-the-offering-price rule.

For purposes of the above the following terms are defined as follows:

(a)*Holding Period* means, with respect to a Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the successful purchaser has sold at least 10% of such Maturity to the Public at prices that are no higher than the Initial Offering Price for such Maturity.

(b)*Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(c)*Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.

(d)*Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is October 21, 2025.

(e)*Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the

Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

(G) The successful bidder may elect to notify the Municipal Advisor within twenty-four (24) hours of the award of the Bonds that certain serial maturities as awarded may be combined with immediately succeeding serial maturities as one or more Term Bonds; provided, however, (a) bids must be submitted to permit only a single interest rate for each term bond specified, and (b) Term Bonds will be subject to mandatory redemption by lot on November 1 in accordance with the maturity schedule setting the actual size of the issue.

(H) CUSIP identification numbers will be printed on the Bonds at the expense of the Corporation. The purchaser shall pay the CUSIP Service Bureau Charge. Improper imprintation or the failure to imprint CUSIP numbers shall not constitute cause for a failure or refusal by the purchaser to accept delivery of and pay for said Bonds in accordance with the terms of any accepted proposal for the purchase of said Bonds.

(I) The Corporation will provide to the successful purchaser a Final Official Statement in accordance with SEC Rule 15c2-12. A Final Official Statement will be provided in Electronic Form to the successful bidder, in sufficient time to meet the delivery requirements of the successful bidder under SEC and Municipal Securities Rulemaking Board Delivery Requirements. The successful bidder will be required to pay for the printing of Final Official Statements.

(J) Bids need not be accompanied by a certified or bank cashier's good faith check, BUT the successful bidder will be required to wire transfer an amount equal to 2% of the amount of the principal amount of Bonds awarded to the order of the Corporation by the close of business on the day following the award. Said good faith amount which will be forfeited as liquidated damages in the event of a failure of the successful bidder to take delivery of such Bonds when ready. The good faith amount (without interest) will be applied to the purchase price upon delivery of the Bonds. The successful bidder shall not be required to take up and pay for said Bonds unless delivery is made within 45 days from the date the bid is accepted.

(K) Delivery will be made utilizing the DTC Book-Entry-Only-System.

(L) The Corporation reserves the right to reject any and all bids or to waive any informality in any bid. The Bonds are offered for sale subject to the principal and interest not being subject to Federal or Kentucky income taxation or Kentucky ad valorem taxation on the date of their delivery to the successful bidder, in accordance with the Final Approving Legal Opinion of Steptoe & Johnson PLLC, Bond Counsel, Louisville, Kentucky, which Opinion will be qualified in accordance with the section hereof on TAX EXEMPTION.

(M) The Corporation and the Board agree to cooperate with the successful bidder in the event said purchaser desires to purchase municipal bond insurance regarding the Refunding Bonds; provided, however, that any and all expenses incurred in obtaining said insurance shall be solely the obligation of the successful bidder should the successful bidder so elect to purchase such insurance.

STATE SUPPORT OF EDUCATION

The 1990 Regular Session of the General Assembly of the Commonwealth enacted a comprehensive legislative package known as the Kentucky Education Reform Act ("KERA") designed to comply with the mandate of the Kentucky Supreme Court that the General Assembly provide for as efficient and equitable system of schools throughout the State.

KERA became fully effective on July 13, 1990. Elementary and Secondary Education in the Commonwealth is supervised by the Commissioner of Education as the Chief Executive Officer of the State Department of Education ("DOE"), an appointee of the reconstituted State Board for Elementary and Secondary Education (the "State Board"). Some salient features of KERA are as follows:

KRS 157.330 establishes the fund to Support Education Excellence in Kentucky ("SEEK") funded from biennial appropriations from the General Assembly for distribution to school districts. The base funding guaranteed to each school district by SEEK for operating and capital expenditures is determined in each fiscal year by dividing the total annual SEEK appropriation by the state-wide total of pupils in average daily attendance ("ADA") in the preceding fiscal year; the ADA for each district is subject to adjustment to reflect the number of at risk students (approved for free lunch programs under state and federal guidelines), number and types of exceptional children, and transportation costs.

KRS 157.420 establishes a formula which results in the allocation of funds for capital expenditures in school districts at \$100 per ADA pupil which is included in the SEEK allotment (\$4,326) for the current biennium which is required to be segregated into a Capital Outlay Allotment Fund which may be used only for (1) direct payment of construction costs; (2) debt service on voted and funding bonds; (3) lease rental payments in support of bond issues; (4) reduction of deficits resulting from over expenditures for emergency capital construction; and (5) a reserve for each of the categories enumerated in 1 through 4 above.

KRS 160.470(12)(a) requires that effective for fiscal years beginning July 1, 1990 each school district shall levy a minimum equivalent tax rate of \$.30 for general school purposes. The equivalent tax rate is defined as the rate which results when the income collected during the prior year from all taxes levied by the district (including utilities gross receipts license and special voted) for school purposes is divided by the total assessed value of property, plus the assessment for motor vehicles certified by the Revenue Cabinet of the Commonwealth. Any school district board of education which fails to comply with the minimum equivalent tax rate levy shall be subject to removal from office.

KRS 160.470(12)(2) provides that for fiscal years beginning July 1, 1990 each school district may levy an equivalent tax rate which will produce up to 15% of those revenues guaranteed by the SEEK program. Any increase beyond the 4% annual limitation imposed by KRS 132.017 is not subject to the recall provisions of that Section. Revenue generated by the 15% levy is to be equalized at 150% of the state-wide average per pupil equalized assessment.

KRS 157.440(2) permits school districts to levy up to 30% of the revenue guaranteed by the SEEK program, plus the revenue produced by the 15% levy, but said additional tax will not be equalized with state funds and will be subject to recall by a simple majority of those voting on the question.

KRS 157.620(1) also provides that in order to be eligible for participation from the Kentucky School Facilities Construction Commission for debt service on bond issues the district must levy a tax which will produce revenues equivalent to \$.05 per \$100 of the total assessed value of all property in the district (including tangible and intangible property and motor vehicles) in addition to the minimum \$.30 levy required by KRS 160.470(12). A district having a special voted tax which is equal to or higher than the required \$.05 tax, must commit and segregate for capital purposes at least an amount equal to the required \$.05 tax. Those districts which levy the additional \$.05 tax are also eligible for participation in the Kentucky Facilities Support ("KFS") program for which funds are appropriated separately from SEEK funds and are distributed to districts in accordance with a formula taking into account outstanding debt and funds available for payment from both local and state sources under KRS 157.440(1)(b).

KRS 160.460 provides that as of July 1, 1994 all real property located in the Commonwealth subject to local taxation shall be assessed at \$57,158 to be applied to fair cash value.

BIENNIAL BUDGET FOR PERIOD ENDING JUNE 30, 2026

The Kentucky General Assembly is required by the Kentucky Constitution to adopt measures providing for the state's revenues and appropriations for each fiscal year. The Governor is required by law to submit a biennial State Budget (the "State Budget") to the General Assembly during the legislative session held in each even numbered year. State Budgets have generally been adopted by the General Assembly during those legislative sessions, which end in mid-April, to be effective upon the Governor's signature for appropriations commencing for a two-year period beginning the following July 1.

In the absence of a legislatively enacted budget, the Supreme Court has ruled the Governor has no authority to spend money from the state treasury except where there is a statutory, constitutional or federal mandate and the Commonwealth may be prevented from expending funds for certain state governmental functions, including the ability to pay principal of, premium, if any, and interest, when due, on obligations that are subject to appropriation.

The General Assembly recently adopted a budget for the biennial period ending June 30, 2026 which was approved and signed by the Governor. Such budget became effective beginning July 1, 2024. The Office of the State Budget Director makes available on its website monthly updates to the General Fund receipts and other Funds of the commonwealth. When published, the updates can be found at www.osbd.ky.gov.

POTENTIAL LEGISLATION

No assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax exemption of such interest. In addition, current and future legislative proposals, if enacted into law, may cause interest on state or local government bonds (whether issued before, on the date of, or after enactment of such legislation) to be subject, directly or indirectly, to federal

income taxation by, for example, changing the current exclusion or deduction rules to limit the amount of interest on such bonds that may currently be treated as tax exempt by certain individuals. For example, on August 16, 2022, President Biden signed the Inflation Reduction Act of 2022 (the "Inflation Reduction Act"). The Inflation Reduction Act imposes a minimum tax of 15 percent of the adjusted financial statement income of certain corporations whose income exceeds stated thresholds for tax years beginning after December 31, 2022. Under the Inflation Reduction Act, interest on debt obligations otherwise exempt from federal income tax would be included in the calculation of adjusted financial statement income for corporations subject to the minimum tax. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation.

Further, no assurance can be given that the introduction or enactment of any such future legislation, or any action of the IRS, including but not limited to regulation, ruling, or selection of the Bonds for audit examination, or the course or result of any IRS examination of the Bonds or obligations which present similar tax issues, will not affect the market price for the Bonds.

CONTINUING DISCLOSURE

As a result of the Board and issuing agencies acting on behalf of the Board offering for public sale municipal securities in excess of \$1,000,000, the Corporation and the Board will enter into a written agreement for the benefit of all parties who may become Registered or Beneficial Owners of the Bonds whereunder said Corporation and Board will agree to comply with the provisions of the Municipal Securities Disclosure Rules set forth in Securities and Exchange Commission Rule 15c2-12 (the "Rule") by filing annual financial statements and material events notices with the Electronic Municipal Market Access ("EMMA") System maintained by the Municipal Securities Rule Making Board.

Financial information regarding the Board may be obtained from Superintendent, Nelson County Board of Education, 288 Wildcat Lane, Bardstown, Kentucky 40004 (606.789.2530).

TAX EXEMPTION; NOT BANK QUALIFIED

Bond Counsel advises as follows with respect to the Bonds:

(A) The Bonds and the interest thereon are exempt from income and ad valorem taxation by the Commonwealth of Kentucky and all of its political subdivisions.

(B) The interest income from the Bonds is excludable from the gross income of the recipient thereof for Federal income tax purposes under existing law and interest on the Bonds will not be a specific item of tax preference for purposes of computing the Federal alternative minimum tax on individuals, however, with respect to certain corporations, interest on the Bonds is taken into account in determining the annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

(C) As a result of certifications by the Board and the Corporation, indicating the issuance of MORE than \$10,000,000 of tax-exempt obligations during the calendar year ending December 31, 2025, the Bonds may NOT be treated by financial institutions as "qualified tax-exempt obligations" within the meaning of the Internal Revenue Code of 1986, as amended.

BOOK-ENTRY-ONLY-SYSTEM

The Bonds shall utilize the Book-Entry-Only-System administered by The Depository Trust Company ("DTC").

DTC will act as securities depository for the Bonds. The Bonds initially will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond Certificate will be issued, in the aggregate principal amount of the Bonds, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. "Direct Participants" include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or

maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds ("Beneficial Ownership Interest") are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their Beneficial Ownership interests in Bonds, except in the event that use of the book-entry system for the Securities is discontinued. Transfers of ownership interest in the Securities are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co., effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Bonds to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments of the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' account on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Issuer, or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer or the Trustee, disbursements of such payments to Direct Participants shall be the responsibility of DTC, and disbursements of such payment to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Beneficial Ownership Interests purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Beneficial Ownership Interests by causing the Direct Participant to transfer the Participant's interest in the Beneficial Ownership Interests, on DTC's records, to the purchaser or the Trustee, as appropriate. The requirements for physical delivery of Bonds in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Bond Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered by the Bond Registrar.

NEITHER THE ISSUER, THE BOARD NOR THE BOND REGISTRAR/PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE BOND REGISTRAR/PAYING AGENT AS BEING AN OWNER WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE

PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PURCHASE PRICE OF TENDERED BONDS OR THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE BOND RESOLUTION TO BE GIVEN TO HOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

**NELSON COUNTY SCHOOL
DISTRICT FINANCE CORPORATION**

**by /s/ Wes Bradley
Secretary**

APPENDIX E

**Nelson County School District Finance Corporation
School Building Revenue Bonds
Series of 2025**

Official Bid Form

OFFICIAL BID FORM

(Bond Purchase Agreement)

The Nelson County School District Finance Corporation (“Corporation” or “Issuer”), will until 11:00 A.M. E.D.S.T., on October 21, 2025, receive in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 200 Mero Street, 5th Floor, Frankfort, KY 40622, (telephone 502-564-5582; fax 888-979-6152) competitive bids for its \$27,960,000 School Building Revenue Bonds, Series of 2025, dated November 10, 2025; maturing November 1, 2026 through 2045 (“Bonds”).

We hereby bid for said \$27,960,000* principal amount of Bonds, the total sum of \$_____ (not less than \$27,400,800) plus accrued interest from November 10, 2025 payable May 1, 2026 and semiannually thereafter at the following annual rates, (rates on ascending scale in multiples of 1/8 or 1/20 of 1%; number of interest rates unlimited) and maturing as to principal on November 1 in the years as follows:

| <u>Year</u> | <u>Amount*</u> | <u>Rate</u> | <u>Year</u> | <u>Amount*</u> | <u>Rate</u> |
|-------------|----------------|-------------|-------------|----------------|-------------|
| 2026 | \$5,000 | _____ % | 2036 | \$1,610,000 | _____ % |
| 2027 | 5,000 | _____ % | 2037 | 1,680,000 | _____ % |
| 2028 | 5,000 | _____ % | 2038 | 1,750,000 | _____ % |
| 2029 | 5,000 | _____ % | 2039 | 1,830,000 | _____ % |
| 2030 | 380,000 | _____ % | 2040 | 1,915,000 | _____ % |
| 2031 | 1,045,000 | _____ % | 2041 | 2,000,000 | _____ % |
| 2032 | 1,140,000 | _____ % | 2042 | 2,100,000 | _____ % |
| 2033 | 1,185,000 | _____ % | 2043 | 2,200,000 | _____ % |
| 2034 | 1,230,000 | _____ % | 2044 | 3,215,000 | _____ % |
| 2035 | 1,285,000 | _____ % | 2045 | 3,375,000 | _____ % |

* Subject to Permitted Adjustment

We understand this bid may be accepted for as much as \$30,755,000 of Bonds or as little as \$25,165,000 of Bonds, at the same price per \$5,000 Bond, with the variation in such amount occurring in any maturity or all maturities, which will be determined at the time of acceptance of the best bid.

We further understand that by submitting a bid we agree as follows:

If three (3) or more bids for the Bonds are received as a result of this competitive sale, the successful purchaser will be required to certify on or before the issue date the reasonably expected initial offering price to the public for each Maturity of the Bonds which prices are the prices for each Maturity of the Bonds used by the successful purchaser in formulating its bid to purchase the Bonds.

If less than three (3) bids for the Bonds are received as a result of this competitive sale, the successful purchaser, by submitting a bid pursuant to a published Notice of Sale, has agreed in writing that they will certify on or before the issue date (and provide reasonable supporting documentation for such Certification, such as a copy of the Pricing wire or equivalent communication) for each Maturity of the Bonds (i) the first price at which at least 10% of each Maturity of the Bonds was sold to the Public, or (ii) that they will neither offer nor sell any of the Bonds of each Maturity to any person at a price that is higher than the Initial Offering Price for such maturity during the Holding Period for such Maturity.

Bids will not be subject to cancellation or withdrawal by the bidder in the event that three bids are not received and the Issuer determines to apply the hold-the-offering-price rule.

For purposes of the above the following terms are defined as follows:

(a)*Holding Period* means, with respect to a Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the successful purchaser has sold at least 10% of such Maturity to the Public at prices that are no higher than the Initial Offering Price for such Maturity.

(b)*Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(c)*Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for

purposes of this certificate generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.

(d)*Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is October 21, 2025.

(e)*Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

Electronic bids for the Bonds must be submitted through PARITY[®] and no other provider of electronic bidding services will be accepted. Subscription to the PARITY[®] Competitive Bidding System is required in order to submit an electronic bid. The Corporation will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by PARITY[®] shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in PARITY[®] conflict with the terms of the Official Terms and Conditions of Sale of Bonds, this Official Terms and Conditions of Sale of Bonds shall prevail. Electronic bids made through the facilities of PARITY[®] shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to the Corporation. The Corporation shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by PARITY[®]. The use of PARITY[®] facilities are at the sole risk of the prospective bidders. For further information regarding PARITY[®], potential bidders may contact PARITY[®], telephone (212) 404-8102. Notwithstanding the foregoing, non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form.

The successful bidder may elect to notify the Municipal Advisor within twenty-four (24) hours of the award of the Bonds that certain serial maturities as awarded may be combined with immediately succeeding serial maturities as one or more Term Bonds; provided, however, (a) bids must be submitted to permit only a single interest rate for each Term Bond specified, and (b) Term Bonds will be subject to mandatory redemption on November 1 in accordance with the maturity schedule setting the actual size of the issue.

The DTC Book-Entry-Only-System will be utilized on delivery of this issue.

It is understood that the Corporation will furnish the final approving Legal Opinion of Steptoe & Johnson PLLC Bond Counsel, Louisville, Kentucky.

No certified or bank cashier's check will be required to accompany a bid, but the successful bidder shall be required to wire transfer an amount equal to 2% of the principal amount of Bonds awarded by the close of business on the date following the award. Said good faith amount will be applied (without interest) to the purchase price on delivery. Wire transfer procedures should be arranged through U.S. Bank Trust Company, National Association, Louisville, Kentucky, Attn: Mr. Charles Lush, Vice President (502.797.6421).

Bids must be submitted only on this form and must be fully executed.

If we are the successful bidder, we agree to accept and make payment for the Bonds in Federal Funds on or about November 10, 2025, and upon acceptance by the Issuer's Municipal Advisor this Official Bid Form shall become the Bond Purchase Agreement.

Respectfully submitted,

Bidder

By _____
Authorized Officer

Address

Total interest cost from November 10, 2025 to final maturity \$ _____
 Plus discount or less any premium \$ _____
 Net interest cost (Total interest cost plus discount) \$ _____
 Average interest rate or cost _____%

The above computation of net interest cost and of average interest rate or cost is submitted for information only and is not a part of this Bid.

Accepted by RSA Advisors, LLC, as Municipal Advisor and Agent for the Nelson County School District Finance Corporation for \$ _____ amount of Bonds at a price of \$ _____ as follows:

| <u>Year</u> | <u>Amount</u> | <u>Rate</u> | | <u>Year</u> | <u>Amount</u> | <u>Rate</u> | |
|-------------|---------------|-------------|---|-------------|---------------|-------------|---|
| 2026 | _____,000 | _____ | % | 2036 | _____,000 | _____ | % |
| 2027 | _____,000 | _____ | | 2037 | _____,000 | _____ | |
| 2028 | _____,000 | _____ | | 2038 | _____,000 | _____ | |
| 2029 | _____,000 | _____ | | 2039 | _____,000 | _____ | |
| 2030 | _____,000 | _____ | | 2040 | _____,000 | _____ | |
| 2031 | _____,000 | _____ | | 2041 | _____,000 | _____ | |
| 2032 | _____,000 | _____ | | 2042 | _____,000 | _____ | |
| 2033 | _____,000 | _____ | | 2043 | _____,000 | _____ | |
| 2034 | _____,000 | _____ | | 2044 | _____,000 | _____ | |
| 2035 | _____,000 | _____ | | 2045 | _____,000 | _____ | |

Dated: October 21, 2025

RSA ADVISORS, LLC
as Agent for the Nelson County
School District Finance Corporation