PRELIMINARY OFFICIAL STATEMENT

DATED JUNE 17, 2020

NEW ISSUE
Electronic Bidding via Parity®
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, 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).

$2,085,000*
MARTIN COUNTY SCHOOL DISTRICT FINANCE CORPORATION
SCHOOL BUILDING REFUNDING REVENUE BONDS,
SERIES 2020B

Dated: July 17, 2020 **Due: as shown below**

Interest on the Bonds is payable each April 1 and October 1, beginning October 1, 2020. The Bonds will mature as to principal on October 1, 2020 and each October 1 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 1-Oct	Amount	Interest Rate	Reoffering Yield	CUSIP	Maturing 1-Oct	Amount	Interest Rate	Reoffering Yield	CUSIP
2020	$190,000	%	%		2026	$190,000	%	%	
2021	$185,000	%	%		2027	$190,000	%	%	
2022	$185,000	%	%		2028	$200,000	%	%	
2023	$190,000	%	%		2029	$200,000	%	%	
2024	$190,000	%	%		2030	$175,000	%	%	
2025	$190,000	%	%						

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 Martin 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 Martin County Board of Education.

The Martin County (Kentucky) School District Finance Corporation will until June 25, 2020, at 11:30 A.M., E.S.T., receive competitive bids for the Bonds at the office of the Executive Director of the Kentucky School Facilities Construction Commission, 229 West Main Street, Suite 102, Frankfort, Kentucky 40601.

***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 $200,000.**

PURCHASER'S OPTION: The Purchaser of the Bonds, within 24 hours of the sale, may specify to the Financial 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.

RSA advisors

MARTIN COUNTY, KENTUCKY
BOARD OF EDUCATION

Kathleen Price, Chairperson
Steve Gauze, Member
James Bowie Clark, Member
Mickey McCoy, Member
Roger Harless, Member

Larry James, Superintendent/Secretary

MARTIN COUNTY SCHOOL DISTRICT
FINANCE CORPORATION

Kathleen Price, President
Steve Gauze, Member
James bowie Clark, Member
Mickey McCoy, Member
Roger Harless, Member

Larry James, Secretary
Earnest Hale, Treasurer

BOND COUNSEL

Steptoe & Johnson PLLC
Louisville, Kentucky

FINANCIAL ADVISOR

RSA Advisors, LLC
Lexington, Kentucky

PAYING AGENT AND REGISTRAR

U.S. Bank 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 Martin County School District Finance Corporation School Building Refunding Revenue Bonds, Series 2020B, 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

$2,085,000*

MARTIN COUNTY SCHOOL DISTRICT FINANCE CORPORATION
SCHOOL BUILDING REFUNDING REVENUE BONDS,
SERIES 2020B

**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 Martin County School District Finance Corporation (the "Corporation") School Building Refunding Revenue Bonds, Series 2020B (the "Bonds").

The Bonds are being issued to (i) pay the accrued interest and refund on a current basis on July 28, 2020 the outstanding Martin County School District Finance Corporation School Building Revenue Bonds, Taxable Series of 2010 (Build America Bonds - Direct Pay to Issuer), dated October 1, 2010 (the "2010 Bonds") maturing October 1, 2020 and thereafter (the "Refunded Bonds"); and (ii) pay the cost of the Bond issuance expenses (see "Plan of Refunding" herein). The Board has determined that the plan of refunding the Refunded Bonds will result in considerable interest cost savings to the Martin County School District (the "District") and is in the best interest of the District.

The Bonds are revenue bonds and constitute a limited indebtedness of the Corporation. The Bonds will be secured by a lien and a pledge of the rental income derived by the Corporation from leasing the Projects (as hereinafter defined) to the Martin 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 Martin 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, the Participation Agreement and the Lease Agreement, dated July 17, 2020, may be obtained at the office of Steptoe & Johnson PLLC, Bond Counsel, 700 N. Hurstbourne Parkway, Suite 115, Louisville, Kentucky 40222.

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 162.290 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

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 Commission will enter into a Participation Agreement with the Board whereunder the Commission, will agree to continue to pay approximately $214,821 to be applied to the debt service requirements of the Refunding Bonds through October 1, 2030; provided, however, that the contractual commitment of the Commission to pay the annual Agreed Participation is limited to the biennial budget period of the Commonwealth, with the first such biennial budget period terminating on June 30, 2022.

The General Assembly of the Commonwealth adopted the State's Budget for the fiscal year ending June 30, 2021. Inter alia, the Budget provides $124,836,200 in FY 2020-21 to pay debt service on existing and future bond issues; $58,000,000 of the Commission's previous Offers of Assistance made during the last biennium; and authorizes $58,000,000 in additional Offers of Assistance for the current biennium to be funded in the Budget for the biennium ending June 30, 2022.

The 1986, 1988, 1990, 1992, 1994, 1996, 1998, 2000, 2003, 2005, 2006, 2008, 2010, 2012, 2014, 2016, 2018 and 2020 Regular Sessions of the Kentucky General Assembly appropriated funds to be used for debt service of participating school districts. The appropriations for each biennium are shown in the following table:

Biennium	Appropriation
1986-88	$18,223,200
1988-90	14,050,700
1990-92	13,542,800
1992-94	3,075,300
1994-96	2,800,000
1996-98	4,996,000
1998-00	12,141,500
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
2020-21	2,946,900
Total	$183,861,200

In addition to the appropriations for new financings as shown, appropriations subsequent to that for 1986 included additional funds to continue to meet the annual debt requirements for all bond issues involving Commission participation issued in prior years.

COMMONWEALTH BUDGET FOR PERIOD ENDING JUNE 30, 2021

The Kentucky General Assembly, during its Regular Session, adopted a budget for the biennium ending June 30, 2021 which was approved and signed by the Governor. Such budget was effective beginning July 1, 2020.

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	Approximate Interest Rate Range	Final Maturity
2009R	$4,365,000	$535,000	$2,422,864	$1,942,136	3.500%	2020
2010-BABS	$3,300,000	$1,995,000	$0	$3,300,000	3.850% - 4.850%	2030
2016	$3,740,000	$3,685,000	$3,740,000	$0	2.000% - 3.000%	2036
2017	$31,690,000	$28,525,000	$11,469,849	$20,220,151	3.000% - 3.750%	2037
2018	$5,645,000	$5,490,000	$5,645,000	$0	3.000% - 4.000%	2038
2020A-REF	$1,425,000	$1,425,000	$0	$1,425,000	2.000%	2030
Totals:	$50,165,000	$41,655,000	$23,277,713	$26,887,287		

AUTHORITY

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

i) the issuance of approximately $2,085,000 of Bonds subject to a permitted adjustment of $200,000;

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 July 17, 2020, will bear interest from that date as described herein, payable semi-annually on April 1 and October 1 of each year, commencing October 1, 2020, and will mature as to principal on October 1, 2020 and each October 1 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 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 April 1 and October 1 of each year, beginning October 1, 2020 (Record Date is 15th day of month preceding interest due date).

Redemption

The Bonds maturing on or after October 1, 2027 are subject to redemption at the option of the Corporation prior to their stated maturity on any date falling on or after October 1, 2027, 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
October 1, 2027 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 Project financed from the Bond proceeds from the Corporation to the Board. The Bonds are secured by a pledge of revenue on and from the Project; provided, however, said lien and pledge are on parity with the liens and pledges securing the Corporation’s outstanding School Building Revenue Bonds issued to improve the building in which the Project is located.

The Lease; Pledge of Rental Revenues

The Board has leased the school Project securing the Bonds for an initial period from July 17, 2020, through June 30, 2021 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 October 1, 2030, the final maturity date of the Bonds. Under the lease, the Corporation has pledged the rental revenue to the payment of the Bonds.

STATE INTERCEPT

Under the terms of the 2020 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 Section 157.627(5) of the Act and KRS 160.160(5), in the event of a failure by the Board to pay the rentals due under the 2020 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 2020 Lease and Participation Agreement to the Corporation and the Commission 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.

COMMISSION'S PARTICIPATION

The Commission has determined that the Board is eligible for an average annual participation equal to approximately $214,598 from the Commission's appropriation by the Kentucky General Assembly which will be used to meet a portion of the debt service of the Bonds. <u>The plan for financing the Project will require the Commission to pay one hundred percent (100%) of the debt service of the Bonds.</u>

The Participation Agreement to be entered into with the Board will be limited to the biennial budget period of the Commonwealth of Kentucky, with the first such biennial period terminating on June 30, 2021. The right is reserved in the Commission to terminate the commitment to pay the agreed participation every two years thereafter. The obligation of the Commission to make payments of the agreed participation shall be automatically renewed each two years thereafter unless the Commission gives notice to the Board of its intention not to participate not less than sixty days prior to the end of the biennium. However, the Commission has expressed its intention to continue to pay the agreed participation in successive biennial budget periods until the Bonds are retired, but the Commission is not required to do so.

VERIFICATION OF MATHEMATICAL ACCURACY

AMTEC, will verify from the information provided to them the mathematical accuracy as of the date of the closing of the Bonds of (1) the computations contained in the provided schedules to determine that the anticipated receipts from the securities and cash deposits listed in the Financial Advisor's schedules, to be held in escrow, will be sufficient to pay, when due, the principal, interest and call premium payment requirements, if any, of the Prior Bonds, and (2) the computations of yield on both the securities and the Bonds contained in the provided schedules used by Bond Counsel in its determination that the interest on the Bonds is not includable in gross income for federal income tax purposes. AMTEC will express no opinion on the assumptions provided to them, nor as to the exemption from taxation of the interest on the Bonds.

THE PLAN OF REFUNDING

A sufficient amount of the proceeds of the Bonds at the time of delivery will be deposited into the Bond Fund for the Refunded Bonds. The Bond Fund deposit is intended to be sufficient to (i) pay the accrued interest and refund at or in advance of maturity all of the Martin County School District Finance Corporation School Building Revenue Bonds, Taxable Series of 2010 (Build America Bonds - Direct Pay to Issuer), dated October 1, 2010, maturing October 1, 2020 and thereafter (the "Refunded Bonds") on March 17, 2020; and (ii) pay the cost of the Bond issuance expenses (see "Plan of Refunding" herein). The Board has determined that the plan of refunding the Refunded Bonds will result in considerable interest cost savings to the Martin County School District (the "District") and is in the best interest of the District.

Any investments purchased for the Bond Fund shall be limited to (i) direct Obligations of or Obligations guaranteed by the United States government, or (ii) Obligations of agencies or corporations of the United States as permitted under KRS 66.480(1)(b) and (c) or (iii) Certificates of Deposit of FDIC banks fully collateralized by direct Obligations of or Obligations guaranteed by the United States.

The Plan of Refunding the Bonds of the Prior Issue as set out in the Preliminary Official Statement is tentative as to what Bonds of the Prior Issue shall be refunded and will not be finalized until the sale of the Refunding Bonds.

PURPOSE OF THE PRIOR BONDS

The Refunded Bonds were issued by the Corporation for the purpose of providing funds to finance improvements at Warfield Elementary School (the “Project”).

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 Commission to meet 100% of the debt service of the Bonds.

Fiscal Year Ending June 30	Current Local Bond Payments	-------- 2020B Refunding Revenue Bonds 100% SFCC ----------					Total Local Bond Payments
		Principal Portion	Interest Portion	Total Payment	SFCC Portion	Local Portion	
2020	$1,491,836					$0	$1,491,836
2021	$1,493,262	$190,000	$19,086	$209,086	$209,086	$0	$1,493,262
2022	$1,494,431	$185,000	$25,591	$210,591	$210,591	$0	$1,494,431
2023	$1,491,249	$185,000	$23,741	$208,741	$208,741	$0	$1,491,249
2024	$1,491,226	$190,000	$21,678	$211,678	$211,678	$0	$1,491,226
2025	$1,494,215	$190,000	$19,445	$209,445	$209,445	$0	$1,494,215
2026	$1,494,823	$190,000	$17,070	$207,070	$207,070	$0	$1,494,823
2027	$1,493,531	$190,000	$14,505	$204,505	$204,505	$0	$1,493,531
2028	$1,494,579	$190,000	$11,750	$201,750	$201,750	$0	$1,494,579
2029	$1,493,205	$200,000	$8,625	$208,625	$208,625	$0	$1,493,205
2030	$1,492,154	$200,000	$5,125	$205,125	$205,125	$0	$1,492,154
2031	$1,494,811	$175,000	$1,663	$176,663	$176,663	$0	$1,494,811
2032	$1,489,780					$0	$1,489,780
2033	$1,493,267					$0	$1,493,267
2034	$1,492,718					$0	$1,492,718
2035	$1,491,548					$0	$1,491,548
2036	$1,488,741					$0	$1,488,741
2037	$1,488,119					$0	$1,488,119
2038	$1,003,100					$0	$1,003,100
2039	$999,600					$0	$999,600
Totals:	$28,866,196	$2,085,000	$168,279	$2,253,279	$2,253,279	$0	$28,866,196

Note: Numbers 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	$2,085,000.00
Total Sources	$2,085,000.00
Uses:	
Deposit to Escrow Fund	$2,029,810.00
Underwriter's Discount (1%)	20,850.00
Cost of Issuance	34,340.00
Total Uses	$2,085,000.00

DISTRICT STUDENT POPULATION

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

Year	Average Daily Attendance	Year	Average Daily Attendance
1990-91	2,789.5	2005-06	2,002.3
1991-92	2,775.9	2006-07	1,992.6
1992-93	2,778.7	2007-08	1,952.8
1993-94	2,785.9	2008-09	1,922.4
1994-95	2,692.6	2009-10	1,917.9
1995-96	2,653.7	2010-11	1,890.3
1996-97	2,578.2	2011-12	1,949.2
1997-98	2,544.1	2012-13	1,904.3
1998-99	2,544.1	2013-14	1,814.3
1999-00	2,362.6	2014-15	1,818.4
2000-01	2,362.6	2015-16	1,802.2
2001-02	2,185.6	2016-17	1,746.9
2002-03	2,096.7	2017-18	1,664.8
2003-04	2,137.0	2018-19	1,635.6
2004-05	2,058.3		

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 Martin County School District for certain preceding school years.

Year	Capital Outlay Allotment	Year	Capital Outlay Allotment
1990-91	278,950.0	2005-06	200,230.0
1991-92	277,590.0	2006-07	199,260.0
1992-93	277,870.0	2007-08	195,280.0
1993-94	278,590.0	2008-09	192,242.0
1994-95	269,260.0	2009-10	191,791.0
1995-96	265,370.0	2010-11	189,034.0
1996-97	257,820.0	2011-12	194,915.0
1997-98	254,410.0	2012-13	190,429.0
1998-99	254,410.0	2013-14	181,431.0
1999-00	236,260.0	2014-15	181,840.0
2000-01	236,260.0	2015-16	180,216.0
2001-02	218,560.0	2016-17	174,690.0
2002-03	209,670.0	2017-18	166,480.0
2003-04	213,700.0	2018-19	163,559.1
2004-05	205,830.0		

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 $39,300 effective January 1, 2019.

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 ($0.30) 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
1991-92	41.3	333,371,773	1,376,825
1992-93	39.5	353,640,847	1,396,881
1993-94	41.4	348,968,952	1,444,731
1994-95	52.4	343,543,559	1,800,168
1995-96	55.5	358,270,099	1,988,399
1996-97	55.5	380,486,865	2,111,702
1997-98	51.8	383,896,466	1,988,584
1998-99	51.8	383,896,466	1,988,584
1999-00	54.3	432,000,855	2,345,765
2000-01	56.5	431,652,987	2,438,839
2001-02	54.3	433,775,685	2,355,402
2002-03	55.2	468,789,187	2,587,716
2003-04	55.2	465,757,972	2,570,984
2004-05	52.8	457,694,970	2,416,629
2005-06	61.7	503,593,734	3,107,173
2006-07	56	521,869,061	2,922,467
2007-08	61.7	599,643,920	3,699,803
2008-09	68.8	663,242,586	4,563,109
2009-10	68.8	729,253,823	5,017,266
2010-11	63.2	663,506,036	4,193,358
2011-12	66.7	655,715,195	4,373,620
2012-13	53.8	713,407,012	3,838,130
2013-14	51.7	681,476,644	3,523,234
2014-15	74.3	595,060,622	4,421,300
2015-16	66.7	598,010,863	3,988,732
2016-17	51.9	569,359,063	2,954,974
2017-18	68.7	458,461,244	3,149,629
2018-19	71.7	426,005,804	3,054,462

OVERLAPPING BOND INDEBTEDNESS

The following table shows any other overlapping bond indebtedness of the Martin County School District or other issuing agency within the County as reported by the State Local Debt Officer for the period ending June 30, 2020.

Issuer	Original Principal Amount	Amount of Bonds Redeemed	Current Principal Outstanding
County of Martin			
General Obligation	$7,530,000	$2,495,000	$5,035,000
Multiple Purposes	$200,000	$115,000	$85,000
Improvement Project	$485,000	$60,000	$425,000
City of Salyersville			
Water and Sewer Revenue	$903,000	$583,000	$320,000
City Hall Public Corporation	$276,000	$240,000	$36,000
Special Districts			
Martin County Library District	$1,125,000	$960,000	$165,000
Martin County Water District	$1,751,000	$307,200	$1,443,800
Martin County Water District #1	$554,000	$195,500	$358,500
Totals:	$12,824,000	$4,955,700	$7,868,300

Source: 2020 Kentucky Local Debt Report.

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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
1991-92	7,495,073	1,376,825	8,871,898
1992-93	7,592,987	1,396,881	8,989,869
1993-94	7,931,091	1,444,731	9,375,822
1994-95	8,033,607	1,800,168	9,833,775
1995-96	8,240,729	1,988,399	10,229,128
1996-97	8,813,433	2,111,702	10,925,135
1997-98	8,851,452	1,988,584	10,840,036
1998-99	9,192,273	1,988,584	11,180,857
1999-00	9,217,871	2,345,765	11,563,636
2000-01	9,855,070	2,438,839	12,293,909
2001-02	9,398,164	2,355,402	11,753,566
2002-03	9,211,174	2,587,716	11,798,890
2003-04	9,347,723	2,570,984	11,918,707
2004-05	9,082,470	2,416,629	11,499,099
2005-06	9,319,787	3,107,173	12,426,960
2006-07	9,421,283	2,922,467	12,343,750
2007-08	9,885,430	3,699,803	13,585,233
2008-09	9,580,182	4,563,109	14,143,291
2009-10	8,347,592	5,017,266	13,364,858
2010-11	8,321,920	4,193,358	12,515,278
2011-12	9,222,785	4,373,620	13,596,405
2012-13	8,836,758	3,838,130	12,674,888
2013-14	8,620,521	3,523,234	12,143,755
2014-15	9,120,502	4,421,300	13,541,802
2015-16	9,112,103	3,988,732	13,100,835
2016-17	9,113,542	2,954,974	12,068,516
2017-18	9,192,178	3,149,629	12,341,807
2018-19	9,172,046	3,054,462	12,226,508

(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 $0.717 for FY 2018-19. 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. 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 having outstanding at the time the Bonds referred to herein are offered 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.

The Board has been timely in making all required disclosure filings in the past five (5) years.

The Board has adopted new procedures to assure timely and complete filings in the future with regard to the Rule in order to provide required financial reports and operating data or notices of material events.

Financial information regarding the Board may be obtained from Superintendent, Martin County Board of Education, 104 East Main Street, PO Box 366, Inez, Kentucky 41224 (606) 298-3572.

TAX EXEMPTION; BANK QUALIFIED

Bond Counsel is of the opinion that:

(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 income taxation.

(C) As a result of designations and certifications by the Board and the Corporation, indicating the issuance of less than $10,000,000 of tax-exempt obligations during the calendar year ending December 31, 2020, the Bonds are "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 and Special Tax 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 are being 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.

Holders 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") are being 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 excludible 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.

FINANCIAL ADVISOR

Prospective bidders are advised that RSA Advisors, LLC ("RSA") has been employed as Financial 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 Martin 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 Martin County Board of Education or the Financial 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 Martin 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 Financial 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

Martin County School District Finance Corporation
School Building Refunding Revenue Bonds
Series 2020B

Demographic and Economic Data

MARTIN COUNTY, KENTUCKY

Inez, the county seat of Martin County, is located in the Eastern Region of Kentucky. Inez is located 140 miles southeast of Lexington, Kentucky; 211 miles southeast of Louisville, Kentucky; and 216 miles southeast of Cincinnati, Ohio. In 2019, Inez had a population of 627. Martin County had a 2019 population of 11,131.

The Economic Framework

The total number of people employed in Martin County in 2019 averaged 3,685 by 256 establishments. Office and administrative support employed 452 people; the construction and expansion sector employed 583 people; 333 people were employed as executives, managers and administrators; there were 278 production workers and 262 jobs in sales. Additionally, there were 413 jobs in mineral, oil and gas extraction; 124 jobs in health care and social services; 90 jobs in retail and 73 jobs in education. Martin County had an unemployment rate of 7.5% in 2019.

LOCAL GOVERNMENT

Structure

Inez is served by a mayor and four (4) council members. Martin County is served by a county judge/executive and five (5) magistrates.

Planning and Zoning

Local codes enforced - Building and housing
Mandatory state codes enforced - Kentucky Plumbing Code, National Electric Code, Kentucky Boiler Regulations and Standards, Kentucky Building Code (modeled after BOCA code)

LABOR MARKET STATISTICS

The Inez Labor Market Area includes Martin County and the adjoining Kentucky counties of Lawrence, Johnson, Floyd, Pike, Magoffin, Morgan Counties and the West Virginia Counties of Mingo and Wayne.

Population

Area	2017	2018	2019
Inez	645	636	627
Martin County	11,495	11,323	11,131

Source: Kentucky State Date Center, University of Louisville and Kentucky Cabinet for Economic Development.

Population Projections

Area	2025	2030	2035
Martin County	11,059	10,386	9,686

Source: Kentucky State Date Center, University of Louisville and Kentucky Cabinet for Economic Development.

EDUCATION

Public Schools

	Martin County
Total Enrollment (2018-19)	1,724
Pupil-Teacher Ratio	15.1 - 1

Vocational - Technical Education

Institution	Location	Enrollment (2016-2017)
Martin County ATC	Inez, KY	417
Knott County ATC	Hindman, KY	493
Millard ATC	Millard, KY	158
Belfry ATC	Belfry, KY	461
Morgan County ATC	West Liberty, KY	635
Breathitt County ATC	Jackson, KY	443
Letcher County ATC	Whitesburg, KY	546
Russell ATC	Russell, KY	426
Floyd County ATC (GARTH)	Martin, KY	316
Greenup County ATC	Greenup, KY	573

Colleges and Universities

Institution	Location	Enrollment (Fall 2016)
Big Sandy Community & Technical College	Prestonsburg, KY	5,057
University of Pikeville	Pikeville, KY	2,365
Kentucky Christian College	Grayson, KY	556
Alice Lloyd College	Pippa Passes, KY	605
Ashland Community & Technical College	Ashland, KY	2,775
Morehead State University	Morehead, KY	10,746
Hazard Community & Technical College	Hazard, KY	3,275

FINANCIAL INSTITUTIONS

Institution	Total Assets	Total Deposits
Inez Deposit Bank	$140,930,000	$121,753,000

Source: McFadden American Financial Directory, January-June 2020 Edition.

EXISTING INDUSTRY

Firm	Product	Total Employed
Debord:		
Honey Branch Field Office	Field Office - district support staff & field labor	68
Inez:		
C&S Vaults, Inc.	Burial vaults	18
Coalfield Lumber	Hardwood lumber	75
Mountain Citizen	Newspaper publishing	5
Tomahawk:		
Banks Miller Supply	Industrial merchant wholesalers	8

Source: Kentucky Cabinet for Economic Development (10/15/2018).

APPENDIX B

Martin County School District Finance Corporation
School Building Refunding Revenue Bonds
Series 2020B

Audited Financial Statement ending June 30, 2019

MARTIN COUNTY
SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES

For the year ended June 30, 2019

Prepared by:

WHITE & ASSOCIATES, PSC
CERTIFIED PUBLIC ACCOUNTANTS
1407 Lexington Road
Richmond, Kentucky 40475
Phone (859) 624-3926 Fax (859) 625-0227

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White & Associates, PSC
Certified Public Accountants & Consultants

1407 Lexington Road
Richmond, KY 40475
(859) 624-3926

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Martin County School District
Inez, KY
and the State Committee for School District Audits

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Martin County School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Martin County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 Martin County School District, as of June 30, 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedules of the District's Proportionate Share of the Net Pension and OPEB Liability and Schedule of Contributions for CERS and KTRS and Medical and Life and Health Insurance Plans comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Martin County School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2019, on our consideration of the Martin 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 Martin 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 Martin County School District's internal control over financial reporting and compliance.

White & Associates, PSC

Richmond, Kentucky
November 10, 2019

As management of the Martin County School District (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, 2019. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning balance for the General Fund was $3.016 million. The ending fund balance was $4.009 million.
- The district constructs and renovates facilities with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations.
- The District is in the process of constructing a new high school that is planned for completion in fiscal 2020.
- The General Fund had $17.404 million in revenue, including on behalf payments made by the state, which primarily consisted of the state program (SEEK), property, utility, and motor vehicle taxes. There were $16.421 million in General Fund expenditures.
- During fiscal year 2019 the District was less impacted by the loss of students in prior years, better collections of local tax revenue, and better business activities due to economic conditions leveling in the region.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found in the table of contents of this report.

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

The basic governmental fund financial statements can be found in the table of contents of this report.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of Martin County Schools, assets exceeded liabilities by $4.607 million for Governmental Activities, and $0.39 million for Business Type Activities as of June 30, 2019. The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

The 2019 government-wide net position compared to 2018 is as follows:

Table 1
Net Position
$ (in Millions)

	Governmental Activities		Business-type Activities		Totals	
	2018	2019	2018	2019	2018	2019
Current assets	21.07	14.79	0.79	0.73	21.86	15.54
Non-current assets	38.00	50.98	0.19	0.17	37.21	51.12
Total assets	59.09	65.77	0.97	0.90	60.07	66.66
Deferred outflows	3.69	2.95	0.16	0.12	3.85	3.07
Current liabilities	4.28	4.96	0.00	0.01	4.28	4.97
Non-current liabilities	53.35	56.20	0.48	0.49	53.83	56.69
Total liabilities	57.63	61.16	0.48	0.50	58.11	61.66
Deferred inflows	0.17	1.79	.05	.06	1.22	1.85
Net position:						
Invested in capital assets, net of debt	(2.03)	7.37	0.16	0.14	(1.87)	7.51
Committed					-	-
Restricted	16.09	8.44	0.41	0.32	16.50	8.76
Unrestricted (deficit)	(10.08)	(10.05)			(10.09)	(10.05)
Total net position	3.98	5.76	0.57	0.46	4.55	6.22

GOVERNMENTAL ACTIVITIES

Ending net position was $5.76 million for the District. This was an increase of $1,780,763 from 2018.

Table 2
Changes in Net Position
(in millions)

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2018	2019	2018	2019	2018	2019	2018-2019
Revenues:							
Charges for services	$ 0.05	$ 0.07	$ 0.21	$ 0.21	$ 0.26	$ 0.28	7.6%
Operating grants and contributions	8.57	3.38	1.39	1.46	9.96	4.84	-51.4%
Capital grants and contributions	3.03	3.12	-	-	3.03	3.12	2.9%
General revenues	13.13	18.23	0.00	0.00	13.13	18.23	38.8%
Total revenue	24.78	24.80	1.60	1.67	26.38	26.47	0.3%
Expenses:							
Instruction	$ 12.91	$ 12.36			$ 12.92	$ 12.36	-4.3%
Student	1.69	1.63			1.69	1.63	-3.5%
Instructional staff	0.98	0.91			0.98	0.91	-7.1%
District administration	0.88	0.54			0.88	0.54	-38.6%
School administration	0.95	0.91			0.95	0.91	-4.2%
Business	0.54	0.52			0.54	0.52	-3.7%
Plant operation & maintenance	1.97	2.05			1.97	2.05	4.1%
Student transportation	1.26	1.29			1.26	1.29	2.4%
Community services operations	0.34	0.35			0.34	0.35	2.9%
Debt Service		0.05				0.05	100%
Food Service Operations			1.22	1.68	1.21	1.68	-38.8%
Depreciation/Amortization	0.86	0.90	0.02	0.02	0.88	0.92	4.5%
Interest on long-term debt	1.61	1.51			1.61	1.51	-6.2%
Total Expenses	$ 24.00	$ 23.02	$ 1.24	$ 1.70	$ 25.23	$ 24.72	5%
Change in net position	$ 0.78	$ 1.78	$ 0.36	$ (0.03)	$ 1.14	$ 1.74	-2.0%

CAPITAL ASSETS

At the end of fiscal 2019, the District had $51.12 million invested in capital assets, including land, buildings, buses, computers and other equipment. This amount represents a net increase (including additions, deductions construction in progress) of $12.93 million.

Table 3
Capital Assets at Year-End
$ (Net of Depreciation)

	Governmental Activities		Business-type Activities		Totals	
	2018	2019	2018	2019	2018	2019
Land	501,150	501,150	-	-	501,150	501,150
Land Improvements	74,766	72,940	-	-	74,766	72,940
Buildings	14,927,681	14,624,622	-	-	14,927,681	14,624,622
Technology Equipment	21,165	13,517	-	-	21,165	13,517
Vehicles	1,155,715	1,003,111	-	-	1,155,715	1,003,111
General Equipment	566,885	509,381	160,773	136,826	727,658	646,207
Infrastructure	444,390	408,434	-	-	444,390	408,434
Construction in Progress	20,331,260	33,848,748	-	-	20,331,260	33,848,748
Totals	38,023,013	50,981,903	160,773	136,826	38,183,785	51,118,729

DEBT

The following describes our outstanding obligation for the fiscal year 2019.

SEE TABLE ON NEXT PAGE

Table 4

Outstanding Debt at Year-End (in Millions)

	Government Activities 2018	2019
General Obligation Bonds	$39.33	$43.06
Capital Lease Obligations	$0.72	$0.55
KSBIT Payable	$0.16	$0.11
Total Obligations	$40.21	$43.72

THE DISTRICT'S FUNDS

As the District completed the year, its General Fund reflected a fund balance of $4.01 million, which is an increase of $0.99 million. The unassigned portion of the fund balance was $3.97 million, compared to the $2.98 million from the preceding year. The amount of local taxes collected was $3.96 million compared to 2018 was $3.26 million which resulted in a decrease in local tax collections $.70 million. The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2019 for selected funds.

SEE TABLE ON NEXT PAGE

REVENUE	Fund 1	Fund 2	Fund 310	Fund 320	Fund 360	Fund 400	Fund 51
Local Revenue Sources	4,175,573	210,153		426,006			210,790
State Revenue Sources	13,210,694	575,399	163,559	938,078		2,019,834	107,417
Federal Revenue Sources	18,410	2,806,918					1,350,040
Other	3,800				158,168		1,775
Transfers	76,356	69,308					(76,356)
TOTALS	**17,484,833**	**3,661,778**	**163,559**	**1,364,084**	**158,168**	**2,019,834**	**1,593,666**
EXPENDITURES	**Fund 1**	**Fund 2**	**Fund 310**	**Fund 320**	**Fund 360**	**Fund 400**	**Fund 51**
Instruction	8,964,139	2,524,136					
Student Support Services	1,170,182	454,287					
Instructional Staff Support Services	623,880	285,895					
District Admin Support	537,885						
School Admin Support	907,830	4,823					
Business Support Services	468,689	51,716					
Plant Operation & Management	2,250,203	14,447					
Student Transportation	1,294,313						
Food Service Operations							1,708,827
Community Services	21,086	326,474					
Debt Service	183,404				51,080	3,238,293	
Site Improvement							
Building Renovations					13,624,004		
Other Items							
Transfers	69,308		201,282	1,612,891			
TOTALS	**16,490,919**	**3,661,778**	**201,282**	**1,612,891**	**13,675,084**	**2,021,460**	**1,708,827**
Excess / (Deficit)	993,914	-	(37,723)	(248,807)	(13,516,916)	(1,218,459)	(115,161)

COMMENTS ON BUDGET COMPARISONS

- Actual General Fund revenue was over the budget by $1.33 million. General Fund budget compared to actual revenue varied slightly in most line items. The line item that varied most significantly was franchise tax.

- Actual General Fund expenditures were under the budget by $1.54 million.

FUTURE BUDGETARY IMPLICATIONS

In Kentucky, the public schools' fiscal year is July 1 - June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency.

Issues which will impact future budgets include:

- Increased expenses to meet federal and state academic mandates
- Declining federal funds and federal funding not maintaining the pace of mandated pay increases
- The need of improving programming and meeting the academic audit recommendations and ESSA requirements.
- Insufficient funding of the state transportation formula
- Prior years settlement assessment from KSBIT for workers compensation claims
- Economic conditions in the region resulting in future reduction of population and the revenues associated
- Local assessed tax rates
- Staffing reassessment

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Contact Earnest Hale at 606-298-3572 or mail us at Martin County Board of Education, 104 E Main St., Inez, KY 41224.

MARTIN COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 13,987,609	$ 728,176	$ 14,715,785
Receivables			
Taxes-current	82,346		82,346
Taxes-delinquent	43,830		43,830
Accounts	60,667		60,667
Intergovernmental-federal	614,885		614,885
Inventories		29,974	29,974
Land and construction in progress	34,349,898		34,349,898
Other capital assets, net of depreciation	16,632,006	136,826	16,768,832
Total capital assets	50,981,904	136,826	51,118,730
Total assets	65,771,241	894,976	66,666,217
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	2,067,860	96,072	2,163,932
Deferred outflows related to OPEB	839,499	25,029	864,528
Deferred savings from refunding bonds	44,381		44,381
Total deferred outflows of resources	2,951,740	121,101	3,072,841
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	68,722,981	1,016,077	69,739,058
LIABILITIES			
Accounts payable and accrued expenses	1,731,316	15,904	1,747,220
Accrued interest payable	406,946		406,946
Unearned revenue	606,730		606,730
Long-term liabilities:			
Due within 1 year:			
Bond obligations	2,065,000		2,065,000
Capital lease obligations	96,785		96,785
KSBIT payable	53,518		53,518
Total due within 1 year	2,215,303	-	2,215,303
Due in more than 1 year:			
Bond obligations	40,992,482		40,992,482
Capital lease obligations	457,006		457,006
KSBIT payable	53,519		53,519
Sick leave	299,231		299,231
Net pension liability	8,071,811	375,015	8,446,826
Net OPEB liability	6,329,038	109,322	6,438,360
Total due in more than 1 year	56,203,087	484,337	56,687,424
Total liabilities	61,163,382	500,241	61,663,623
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	783,865	36,418	820,283
Deferred inflows related to OPEB	1,014,505	22,510	1,037,015
Total deferred inflows of resources	1,798,370	58,928	1,857,298
NET POSITION			
Net Investment in capital assets	7,370,631	136,826	7,507,457
Restricted for:			
Capital projects	8,428,127		8,428,127
District activities	13,463		13,463
Food Services		320,082	320,082
Unrestricted (deficit)	(10,050,992)		(10,050,992)
Total net position	5,761,229	456,908	6,218,137
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 68,722,981	$ 1,016,077	$ 69,739,058

See accompanying notes to the financial statements.

MARTIN COUNTY SCHOOL DISTRICT
Statement of Activities
Year ended June 30, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position – Primary Government: Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
Instruction	$ 12,360,239	$ -	$ 2,178,151	$ -	$ (10,182,088)		$ (10,182,088)
Support Services							
Student	1,624,469		238,644.15		(1,385,825)		(1,385,825)
Instructional Staff	909,775		133,651.35		(776,124)		(776,124)
District Administration	537,885		79,018.50		(458,866)		(458,866)
School Administration	912,653		134,074.15		(778,579)		(778,579)
Business	520,405		76,450.59		(443,954)		(443,954)
Plant Operation & Maintenance	2,049,792	3,800	301,126.62	1,101,637	(643,228)		(643,228)
Student Transportation	1,294,313	67,703	190,142.27		(1,036,468)		(1,036,468)
Community Services Operations	347,560		51,058.63		(296,501)		(296,501)
Debt Service	51,080				(51,080)		(51,080)
Amortization	22,190				(22,190)		(22,190)
Depreciation*	879,971				(879,971)		(879,971)
Interest on general long-term debt	1,513,359			2,019,834	506,475		506,475
Total governmental activities	23,023,691	71,503	3,382,317	3,121,471	(16,448,400)		(16,448,400)
Business-type activities:							
Food service operations	1,684,880	210,790	1,457,457			$ (16,633)	(16,633)
Depreciation	23,947					(23,947)	(23,947)
Total business-type activities	1,708,827	210,790	1,457,457	-	-	(40,580)	(40,580)
Total primary government	$ 24,732,518	$ 282,293	$ 4,839,774	$ 3,121,471	(16,448,400)	(40,580)	(16,488,980)
General revenues:							
Taxes:							
Property taxes					1,826,901		1,826,901
Unmined minerals tax					24,238		24,238
Motor vehicle taxes					196,254		196,254
Franchise taxes					1,083,686		1,083,686
Other taxes					489,691		489,691
Uitility taxes					762,996		762,996
State and formula grants					13,229,104		13,229,104
Other local revenue					364,117		364,117
Unrestricted investment earnings					175,820	1,775	177,595
Transfers					76,356	(76,356)	-
Total general revenues and transfers					18,229,163	(74,581)	18,154,582
Change in net position					1,780,763	(115,161)	1,665,602
Net position - beginning					3,980,466	572,069	4,552,535
Net position - ending					$ 5,761,229	$ 456,908	$ 6,218,137

*Unallocated depreciation that excludes depreciation which is included in the direct expenses of various programs, if any.

See accompanying notes to the financial statements.

MARTIN COUNTY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2019

	Governmental Funds					
	General	**Special Revenue**	**Debt Service**	**Construction**	**Other Governmental Funds**	**Total**
ASSETS						
Cash and cash equivalents	$ 3,903,145	$ 2,236	$ -	$ 9,634,296	$ 447,932	$ 13,987,609
Receivables						
Taxes-current	82,346					82,346
Taxes-delinquent	43,830					43,830
Accounts		60,667				60,667
Intergovernmental-state	67,500	3,979				71,479
Intergovernmental-federal	3,558	539,848				543,406
Total assets	4,100,379	606,730	-	9,634,296	447,932	14,789,337
LIABILITIES						
Accounts payable	90,678			1,640,638		1,731,316
Unearned revenue		606,730				606,730
Total liabilities	90,678	606,730	-	1,640,638	-	2,338,046
FUND BALANCE						
Restricted				7,993,658	447,932	8,441,590
Committed	35,098					35,098
Unassigned	3,974,603					3,974,603
Total fund balance	4,009,701	-	-	7,993,658	447,932	12,451,291
TOTAL LIABILITIES AND FUND BALANCE	$ 4,100,379	$ 606,730	$ -	$ 9,634,296	$ 447,932	$ 14,789,337

See accompanying notes to the financial statements.

MARTIN COUNTY SCHOOL DISTRICT

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

June 30, 2019

Fund balances-total governmental funds	$	12,451,291
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.		50,981,904
Costs associated with bond issues and refundings are expensed in the fund financial statements because they are a use of current financial resources but are capitalized on the statement of net position using the economic resources focus		44,381
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, accrued interest payable, other accounts payable, and net pension obligations) are not due and payble in the current period and, therefore, are not reported in the funds		
Accrued interest payable		(406,946)
Bonds payable		(43,057,482)
KSBIT payable		(107,037)
Sick leave liability		(299,231)
Capital lease payable		(553,791)
Net pension liability		(8,071,811)
Net opeb liability		(6,329,038)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		
Deferred outflows related to pensions		2,067,860
Deferred outflows related to OPEB		839,499
Deferred inflows related to pensions		(783,865)
Deferred inflows related to OPEB		(1,014,505)
Net position of governmental activities	$	5,761,229

See accompanying notes to the financial statements.

MARTIN COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2019

	General	Special Revenue	Debt Service	Construction	Other Governmental Funds	Total Governmental Funds
REVENUES						
From Local Sources						
Taxes						
Property	$ 1,400,895	$ -	$ -	$ -	$ 426,006	$ 1,826,901
Motor vehicle	196,254					196,254
Unmined minerals	24,238					24,238
Franchise	1,083,686					1,083,686
Utilities	762,996					762,996
Other	489,691					489,691
Earnings on investments	9,234	392		166,194		175,820
Transportation	67,703					67,703
Other local revenue	140,876	209,761		(8,026)	21,506	364,117
Intergovernmental - state	13,210,694	575,399	2,019,834		1,101,637	16,907,564
Intergovernmental - federal	18,410	2,806,918				2,825,328
Total revenues	17,404,677	3,592,470	2,019,834	158,168	1,549,149	24,724,298
EXPENDITURES						
Instruction	8,964,139	2,524,136			18,979	11,507,254
Support Services						
Student	1,170,182	454,287				1,624,469
Instructional Staff	623,880	285,895				909,775
District Administration	537,885					537,885
School Administration	907,830	4,823				912,653
Business	468,689	51,716				520,405
Plant Operation & Maintenance	2,250,203	14,447				2,264,650
Student Transportation	1,294,313					1,294,313
Community Services Operations	21,086	326,474				347,560
Building acquistions & construction				13,600,374		13,600,374
Building improvements				23,630		23,630
Debt Service	183,404		3,238,293	51,080		3,472,777
Total expenditures	16,421,611	3,661,778	3,238,293	13,675,084	18,979	37,015,745
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	983,066	(69,308)	(1,218,459)	(13,516,916)	1,530,170	(12,291,447)
OTHER FINANCING SOURCES (USES)						
Sale of equipment	3,800					3,800
Bond proceeds				5,645,000		5,645,000
Bond discount				(104,404)		(104,404)
Operating transfers in	76,356	69,308	1,218,459	595,714		1,959,837
Operating transfers (out)	(69,308)				(1,814,173)	(1,883,481)
Total other financing sources and (uses)	10,848	69,308	1,218,459	6,136,310	(1,814,173)	5,620,752
NET CHANGE IN FUND BALANCE	993,914	-	-	(7,380,606)	(284,003)	(6,670,695)
FUND BALANCE-BEGINNING	3,015,787	-	-	15,374,264	731,935	19,121,986
FUND BALANCE-ENDING	$ 4,009,701	$ -	$ -	$ 7,993,658	$ 447,932	$ 12,451,291

See accompanying notes to the financial statements.

MARTIN COUNTY SCHOOL DISTRICT

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

Year ended June 30, 2019

Net change in fund balances-total governmental funds	$	(6,670,695)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
District pension contributions less costs of benefits earned net employee contributions		(706,149)
Governmental funds report district OPEB contributions as expenditures. However in the Statement of Activities, the cost of OPEB benefits earned net of employee contributions is reported as pension expense.		
District OPEB contributions less costs of benefits earned net employee contributions		(187,892)
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.		12,958,891
Bonds sold at a discount are a reduction in the amount owed and amortized over the discount period of the bonds sold.		65,139
The difference in the issue amount of the refunding of bond proceeds and the amount for payment to the escrow account to pay the refunded bonds is amortized over the life of the refunding issue.		(22,190)
Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.		(3,627,513)
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.		
Accrued interest payable		(69,884)
KSBIT payable		53,518
Noncurrent sick leave payable		(12,462)
Change in net position of governmental activities	$	1,780,763

See accompanying notes to the financial statements.

MARTIN COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
Year ended June 30, 2019

	Budgeted Amounts Original	Budgeted Amounts Final		Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES					
From Local Sources					
Taxes					
Property	$ 1,400,500	$ 1,400,500		$ 1,400,895	$ 395
Motor vehicle	175,000	175,000		196,254	21,254
Unmined minerals	20,000	20,000		24,238	4,238
Franchise	400,000	400,000		1,083,686	683,686
Utilities	750,000	750,000		762,996	12,996
Other	279,000	279,000		489,691	210,691
Transportation	40,000	40,000		67,703	27,703
Earnings on investments	8,050	8,050		9,234	1,184
Other local revenue	13,000	13,000		140,876	127,876
Intergovernmental - state	8,768,036	8,768,036	*	9,030,604	262,568
Intergovernmental - federal	36,344	36,344		18,410	(17,934)
Total revenues	11,889,930	11,889,930		13,224,587	1,334,657
EXPENDITURES					
Instruction	6,489,177	6,845,777	*	6,073,057	772,720
Support Services					
Student	935,438	935,438	*	788,662	146,776
Instructional Staff	400,092	402,092	*	436,073	(33,981)
District Administration	1,959,286	969,286	*	414,953	554,333
School Administration	663,804	663,804	*	610,820	52,984
Business	342,666	342,666	*	380,060	(37,394)
Plant Operation & Maintenance	2,043,974	2,043,974	*	2,169,769	(125,795)
Student Transportation	1,442,233	1,442,233	*	1,163,637	278,596
Community Services	21,000	21,000		21,086	(86)
Debt Service	119,543	119,543		183,404	(63,861)
Total expenditures	14,417,213	13,785,813		12,241,521	1,544,292
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	(2,527,283)	(1,895,883)		983,066	2,878,949
OTHER FINANCING SOURCES (USES)					
Operating transfers (out)				7,048	7,048
Sale of equipment				3,800	3,800
Total other financing sources and (uses)	-	-		10,848	10,848
NET CHANGE IN FUND BALANCE	(2,527,283)	(1,895,883)		993,914	2,889,797
FUND BALANCE-BEGINNING	2,887,283	2,887,283		3,015,787	128,504
FUND BALANCE-ENDING	$ 360,000	$ 991,400		$ 4,009,701	$ 3,018,301

* The on-behalf payments (please see the accompanying notes to the financial statements) were not budgeted, therfore, to better comare the actual to the budgeted amounts these amounts were deducted from both revenue and expenditures in the amount of $4,180,090.

MARTIN COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Special Revenue Fund
Year ended June 30, 2019

	Budgeted Amounts			Variance with Final Budget Favorable
	Original	**Final**	**Actual**	**(Unfavorable)**
REVENUES				
From Local Sources				
Earnings on investments	$ -	$ 44	$ 392	$ 348
Other local revenue	19,077	36,705	209,761	173,056
Intergovernmental - state	1,274,168	688,600	575,399	(113,201)
Intergovernmental - federal	2,346,458	2,871,747	2,806,918	(64,829)
Total revenues	3,639,703	3,597,096	3,592,470	(4,626)
EXPENDITURES				
Instruction	2,223,228	2,237,745	2,524,136	(286,391)
Support Services				
Student	531,834	541,834	454,287	87,547
Instructional Staff	557,256	472,712	285,895	186,817
School Administration			4,823	(4,823)
Business	52,423	52,423	51,716	707
Plant Operation & Maintenance	15,149	62,905	14,447	48,458
Community Services Operations	259,813	263,824	326,474	(62,650)
Total expenditures	3,639,703	3,631,443	3,661,778	(30,335)
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	-	(34,347)	(69,308)	(34,961)
OTHER FINANCING SOURCES (USES)				
Operating transfers in/out		34,347	69,308	34,961
Total other financing sources and (uses)	-	34,347	69,308	34,961
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE-BEGINNING	-	-	-	-
FUND BALANCE-ENDING	$ -	$ -	$ -	$ -

See accompanying notes to the financial statements.

MARTIN COUNTY SCHOOL DISTRICT

Statement of Net Position

Proprietary Fund

June 30, 2019

		Enterprise Fund
		School Food Services
ASSETS		
Cash and cash equivalents	$	728,176
Inventories		29,974
Capital assets:		
Other capital assets, net of depreciation		136,826
Total assets		894,976
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions		96,072
Deferred outflows related to OPEB		25,029
Total deferred outflows of resources		121,101
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		1,016,077
LIABILITIES		
Accounts payable		15,904
Net pension liability		375,015
Net OPEB liability		109,322
Total liabilities		500,241
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions		36,418
Deferred inflows related to OPEB		22,510
Total deferred inflows of resources		58,928
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		559,169
NET POSITION		
Net Investment in capital assets		136,826
Restricted		320,082
Total net position		456,908
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$	1,016,077

See accompanying notes to the financial statements.

MARTIN COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Fund

Year ended June 30, 2019

	Enterprise Fund
	School Food Services
OPERATING REVENUES	
Lunchroom sales	$ 210,790
Total operating revenues	210,790
OPERATING EXPENSES	
Depreciation	23,947
Food service operations	
Salaries and benefits	620,370
Operational	1,064,510
Total operating expenses	1,708,827
Operating income (loss)	(1,498,037)
NONOPERATING REVENUES (EXPENSES)	
Federal grants	1,350,040
State grants	107,417
Transfer	(76,356)
Earnings from investments	1,775
Total nonoperating revenues (expenses)	1,382,876
CHANGE IN NET POSITION	(115,161)
NET POSITION-BEGINNING	572,069
NET POSITION-ENDING	$ 456,908

See accompanying notes to the financial statements.

MARTIN COUNTY SCHOOL DISTRICT
Statement of Cash Flows - Proprietary Fund
Year ended June 30, 2019

	Enterprise Fund School Food Services
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 210,790
Payments to suppliers	(1,028,191)
Payments to employees	(620,370)
Net cash provided (used) by operating activities	(1,437,771)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer	(76,356)
Operating grants and contributions	1,457,457
Net cash provided (used) by noncapital financing activities	1,381,101
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	1,774
Net cash provided (used) by investing activities	1,774
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(54,896)
CASH AND CASH EQUIVALENTS-BEGINNING	783,072
CASH AND CASH EQUIVALENTS-ENDING	$ 728,176
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	$ (1,498,037)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	23,947
Changes in assets and liabilities:	
Receivables	2,289
Inventories	(363)
Deferrals	37,157
Pension liability	10,613
OPEB liability	(15,833)
Deferrals	7,338
Account payable	(4,882)
Net cash provided (used) by operating activities	$ (1,437,771)

NONCASH NONCAPITAL FINANCING ACTIVITIES
During the year, the district received $85,053 of food commodities from the U.S. Department of Agriculture.

During the year, the district recognized revenues and expenses for on-behalf payments relating to fringe benefits in the amount of $96,440 for school food services.

See accompanying notes to the financial statements.

MARTIN COUNTY SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	School Activity Fund	Private Purpose Trust	Fiduciary Fund
ASSETS			
Cash and cash equivalents	$ 150,216	$ 75,086	$ 225,302
Investments	-	24,640	24,640
Total Assets	150,216	99,726	249,942
LIABILITIES			
Accounts payable	13,721	-	13,721
Due to student groups	136,495		136,495
Total Liabilities	150,216	-	150,216
NET POSITION			
Restricted for Permanent Fund		99,726	99,726
Total Net Position	-	99,726	99,726
TOTAL LIABILITIES AND NET POSITION	$ 150,216	$ 99,726	$ 249,942

See accompanying notes to the financial statements.

Martin County School District

Statement of Changes in Net Position

Fiduciary Fund

Year ended June 30, 2019

		Private Purpose Trust
Additions		
Earnings on investments	$	6,448
Additions to permanent corpus		6,618
Total Additions		13,066
Deductions		
Scholarships awarded		
Decrease in net position		13,066
Net position, beginning		86,660
Net position, ending	$	99,726

See accompanying notes to the financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Martin County Board of Education ("Board"), a five-member group, is the level of government, which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Martin 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. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

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

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

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

Blended Component Unit

Martin County Board of Education Finance Corporation

The Board authorized establishment of the Martin County Board of Education Finance Corporation a non-stock, non-profit corporation pursuant to Section 162.385 of the School Bond Act and Chapter 273 and Section 58.180 of the Kentucky Revised Statutes (the "Corporation") to act as an agency of the District for financing the costs of school building facilities. The Board of Directors of the Corporation shall be the same persons who are at any time the members of the Board of Education of the Martin County Board of Education.

Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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

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

The District has the following funds:

I. Governmental Fund Types

(A) General Fund

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

(B) Special Revenue (Grant) Fund

The Special Revenue (Grant) 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. This is a major fund of the District.

(C) District Activity Fund

The District Activity Fund is a Special Revenue Fund 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.

(D) Capital Project Funds

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

SEEK Capital Outlay Fund

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

Building (FSPK) Fund

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

Construction Fund

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

(D) Debt Service Fund

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

II. Proprietary Funds (Enterprise Funds)

Food Service Fund

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

The District applies all GASB pronouncements to proprietary funds.

III. Fiduciary Fund Types

Agency Funds

The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with "Accounting Procedures for Kentucky School Activity Funds," except for those accounted through the central office.

Private Purpose Trusts

Private Purpose Trust Funds are maintained within MUNIS and account for revenues generated by trusts set up to benefit students in Martin County. Of the net position of the private purpose trust, $99,726 is the Corpus which can be potentially spent along with $13,066 of the earnings for scholarships to benefit students in financial need and who meet other required criteria.

Basis of Accounting

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

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

Unearned Revenue – Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

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

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

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

Investments
The District holds stock in a corporation from a scholarship grant included in the District's Private Purpose Trust and is reported at fair value.

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

Prepaid Assets
Payments made that will benefit periods beyond June 30, 2019 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and expenditure/expense is reported in the year in which services are consumed.

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

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

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Accumulated Unpaid Sick Leave Benefits

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

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

Fund Balances

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

Nonspendable: Permanently nonspendable by decree of the donor, such as an endowment, or funds that are not in a spendable form, such as prepaid expenses or inventory on hand.

Restricted: Legally restricted under legislation, bond authority, or grantor contract.

Committed: Commitments of future funds for specific purposes passed by the Board.

Assigned: Funds that are intended by management to be used for a specific purpose, including encumbrances.

Unassigned: Funds available for any purpose; unassigned amounts are reported only in the General Fund unless a fund has a deficit.

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

Net Position

The Statement of Net Position presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as Net Position. Net Position is reported in three categories: 1) net investment in capital assets – consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of the assets; 2) restricted net position – resulting from constraints placed on net position by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation adopted by the School District; 3) unrestricted net position – those assets that do not meet the definition of restricted net position or net investment in capital assets. It is the District's policy to first apply restricted net position and then unrestricted net position when an expense is incurred for which both restricted and unrestricted net position are available.

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited in the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2019, to finance the General Fund operations were \$.809 per \$100 valuation of real property, \$.809 per \$100 valuation for business personal property and \$.223 per \$100 valuation for motor vehicles.

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

Operating and Non-Operating Revenues and Expenses

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

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

In-Kind

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

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

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

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

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

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

Pensions
For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous ("CERS") and Teachers Retirement System of the State of Kentucky ("KTRS") 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 OPEBs (OPEB)
For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Teachers' Retirement System of the State of Kentucky (TRS), and the County Retirement System of Kentucky (CERS), and additions to/deductions from TRS's/CERS's fiduciary net position have been determined on the same basis as

they are reported by TRS/CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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

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

Estimates
The process of preparing financial statements in conformity accounting principles generally accepted in the United States of America requires District’s management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, expenditures, designated fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Budgetary Process
The District prepares its budgets on the modified accrual basis of accounting, which is the same basis as used prepare the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy, all amendments require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end. The Kentucky Department of Education does not require the Capital Project Funds and Debt Service Funds to prepare budgets.

The District’s Special Revenue Fund expenditures exceeded its budget appropriations by $30,335.

New Pronouncements

GASB issued Statement No. 83, *Certain Asset retirement Obligations*, effective for the District’s fiscal year ending June 30, 2019.

GASB issued Statement No. 88, *Certain Disclosures Related to Debt*, including Direct Borrowings and Direct Placements, effective for the District’s fiscal year ending June 30, 2019.

The adoption of GASB Statement Numbers 83 and 88 did not have an impact on the District's financial position or results of operations.

The District will adopt the following new accounting pronouncements in future years:

GASB issued Statement No. 84, *Fiduciary Activities*, effective for the District's fiscal year ending June 30, 2020.

GASB issued Statement No. 87, *Leases*, effective for the District's fiscal year ending June 30, 2021.

GASB issued Statement No. 89, Accounting for Interest Costs Incurred before the End of a Construction Period, effective for the District's fiscal year ending June 30, 2021.

GASB Statement No. 90, Majority *Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, effective for the District's fiscal year ending June 30, 2020.

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

NOTE B – CASH AND CASH EQUIVALENTS

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

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

At year end the District's bank balances were collateralized by securities held by the pledging bank's trust department in the District's name and FDIC insurance. At year end, the carrying amount of the District's cash and cash equivalents was $14,941,087. The bank balance for the same time was $15,829,299.

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

NOTE C – INVESTMENTS

The District's investments, $24,640, consist of stock held from a corporation, Xcel Entergy, Inc., donated to the District for a scholarship grant.

Risks and Uncertainties – the District investments are exposed to various risks, such as interest rate, credit and market risks. Due to the level or risk associated with certain investments, it is at least reasonably possible that changes in the values of the investment will occur in the near term and that such changes could materially affect the account balance and the amounts reported in the financial statements.

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 contracts for future delivery of purchase obligations backed by the full fair and credit of the United States or its agencies, obligations of any corporation of the United States government, certificates of deposit, commercial paper rated in one of the three highest categories by nationally recognized rating agencies and securities in 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. The stock it holds represents 100% of the District's investments.

Custodial Credit Risk – the District's investments are 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 in active markets.
- Level 2 – Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in market that are not considered to be active.
- Level 3 – Investments reflect prices based upon unobservable sources.

The District's investments are classified level 1 investments.

NOTE D – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

SEE TABLE ON FOLLOWING PAGE

Governmental Activities		July 1, 2018		Additions		Deductions		June 30, 2019
Land	$	501,150	$	-	$	-	$	501,150
Land improvements		381,908		-		-		381,908
Buildings		25,456,760		321,374		-		25,778,134
Technology equipment		3,629,290		-		-		3,629,290
Vehicles		4,128,097		-		-		4,128,097
General equipment		1,380,910		-		1,115		1,379,795
Infrastructure		718,961		-		-		718,961
Construction in progress		20,331,260		13,632,030		114,543		33,848,748
Total at historical cost	$	56,528,336	$	13,953,404	$	115,658	$	70,366,082
Less: Accumulated depreciation								
Land improvements	$	307,142	$	1,827	$	-	$	308,968
Buildings		10,529,078		624,432		-		11,153,511
Technology equipment		3,608,125		7,648		-		3,615,773
Vehicles		2,972,383		152,603		-		3,124,986
General equipment		814,025		57,504		1,115		870,413
Infrastructure		274,570		35,956		-		310,527
Total accumulated depreciation	$	18,505,322	$	879,971	$	1,115	$	19,384,178
Governmental Activities								
Capital Assets-net	$	38,023,013	$	13,073,433	$	114,543	$	50,981,904

Business-Type Activities		July 1, 2018		Additions		Deductions		June 30, 2019
Buildings	$	-	$	-	$	-	$	-
Technology equipment		13,591		-		-		13,591
General equipment		522,886		-		-		522,886
Total at historical cost	$	536,477	$	-	$	-	$	536,477
Less: Accumulated depreciation								
Buildings	$	-	$	-	$	-	$	-
Technology equipment		13,591		-		-		13,591
General equipment		362,113		23,947		-		386,059
Total accumulated depreciation	$	375,704	$	23,947	$	-	$	399,650
Business-Type Activities								
Capital Assets-net	$	160,773	$	(23,947)	$	-	$	136,826

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

NOTE E – DEBT OBLIGATIONS

Bonds

The amount shown in the accompanying financial statements as bonded debt and lease obligations represent the District's future obligations to make payments relating to the bonds issued by the Martin County School District Finance Corporation.

The District, through the General Fund (including utility taxes), Building (FSPK) Fund, and the SEEK Capital Outlay Fund is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Fiscal Court to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The original amount of outstanding issues, the issue dates, interest rates, maturity dates, and outstanding balances, at June 30, 2019 are summarized below:

Bond Issues	Original Amount	Maturity Date	Interest Rates	2018 Bonds Outstanding	Additions	Retirements	2019 Bonds Outstanding
2009R	$ 4,365,000	9/1/2020	1.0-3.5%	$ 1,595,000	$ -	515,000	$ 1,080,000
2010	2,400,000	2/1/2030	2.0-4.0%	1,625,000	-	110,000	1,515,000
2010	3,300,000	10/1/2030	.70-4.85%	2,300,000	-	150,000	2,150,000
2016	3,740,000	8/1/2036	2.0-3.0%	3,715,000	-	20,000	3,695,000
2017	31,690,000	3/1/2037	3-3.75%	30,665,000	-	1,055,000	29,610,000
2018	5,645,000	11/1/2038	3-4.00%	-	5,645,000	-	5,645,000
				$ 39,900,000	$ 5,645,000	$ 1,850,000	$ 43,695,000
Less :	Discount			(676,784)	-	(39,266)	(637,518)
				$ 39,223,216	$ 5,645,000	$ 1,810,734	$ 43,057,482

The District has entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Kentucky Legislature, for the purpose of assisting local school districts in meeting school construction needs, created the Commission. The table following sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

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 obligations of the District, including amounts to be paid by the Commission, at June 30, 2019 for debt service, (principal and interest) are as follows:

Fiscal Year Ended June 30th	Principal Local	Principal KSFCC	Interest Local	Interest KSFCC	Principal Total	Interest Total
2020	819,911	1,245,089	671,925	772,901	2,065,000	1,444,826
2021	848,066	1,226,934	645,196	733,698	2,075,000	1,378,894
2022	871,619	1,123,381	622,812	696,265	1,995,000	1,319,076
2023	892,761	1,157,239	598,488	660,063	2,050,000	1,258,551
2024	917,596	1,192,404	573,630	622,484	2,110,000	1,196,114
2025-2029	5,003,938	6,536,062	2,466,416	2,497,112	11,540,000	4,963,528
2030-2034	5,798,347	6,241,653	1,664,382	1,372,978	12,040,000	3,037,360
2035-2039	5,898,867	3,921,133	572,241	297,665	9,820,000	869,906
	$21,051,105	$ 22,643,895	$ 7,815,091	$ 7,653,165	$43,695,000	$15,468,255

KSBIT

The District elected to finance the worker's compensation insurance deficit (KSBIT) with the now defunct Kentucky School Board Insurance Trust through the Kentucky Inter-local School Transportation Association (KISTA). The activity during fiscal year 2019 for the worker's compensation and property and liability deficit are as follows:

KSBIT Issues	Original Amount	Maturity Date	2018 KISTA Outstanding	Additions	Retirements	2019 KISTA Outstanding
KSBIT	$ 552,357	8/31/2020	$ 160,555	$ -	$ 53,518	$ 107,037

The minimum payments are as follows:

Fiscal Year Ended June 30th	Workers Compensation
2020	53,518
2021	53,519
Totals	$ 107,037

Accumulated Sick Leave Liability

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. The activity during fiscal year 2019 for accumulated sick leave is as follows:

	2018 Outstanding Balance	Additions	Retirements	2019 Outstanding Balance
Sick Leave	$ 286,769	$ 12,462	$ -	$ 299,231
Totals	$ 286,769	$ 12,462	$ -	$ 299,231

Net Pension & OPEB Liability

The net pension liability is $8,071,811 for governmental activities and $375,015 for business-type activities for a total of $8,446,826 as of June 30, 2019. (See Note G for additional information) The net OPEB liability is $6,329,038 for governmental activities and $109,322 for business-type activities for a total of $6,438,360 as of June 30, 2019. (See Note I for additional information)

Description	2018 Outstanding Balance	Additions	Retirements	2019 Outstanding Balance	Amount Due in 1 Year
Bonds, Net Premium and Discount	$ 39,223,216	$ 5,645,000	$ 1,810,734	$ 43,057,482	$ 2,065,000
Capital Lease (See Note F)	721,278	-	167,487	553,791	96,785
KSBIT	160,555	-	53,518	107,037	53,518
Sick Leave	286,769	12,462	-	299,231	-
Net Pension Liability	8,242,334	204,492	-	8,446,826	-
Net OPEB Liability	7,096,863	-	658,503	6,438,360	-
Totals	$ 55,835,420	$ 5,861,954	$2,690,242	$ 59,007,132	$ 2,215,033

NOTE F – LEASES

The following is an analysis of the leased property under capital lease by class:

KISTA Issue	Original Amount	Maturity Date	Interest Rates	2018 Lease Outstanding	Additions	Retirements	2019 Lease Outstanding
2018	$ 317,298	3/1/2028	2.0-3.0%	$ 317,298	$ -	106,029	$ 211,269
2013	229,049	3/1/2023	2.0%	111,884	-	23,157	88,727
2015	209,527	3/1/2025	1.0-2.65%	144,030	-	20,313	123,717
2016	$ 189,363	3/1/2026	2.0-2.625%	148,066	-	17,988	130,078
				$ 721,278	$ -	$ 167,487	$ 553,791

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2019:

Fiscal Year Ended June 30th	Local Principal	Interest	Total Payments
2020	$ 96,515	$ 13,422	$ 109,937
2021	93,504	11,486	104,990
2022	91,278	9,321	100,599
2023	93,413	7,165	100,578
2024	71,176	4,881	76,057
2025-2026	107,905	4,099	112,004
	$ 553,791	$ 50,374	$ 604,165

Total minimum lease payments	$ 604,165
Less: Amount representing interest	(50,374)
Present Value of Net Minimum Lease Payments	$ 553,791

The assets acquired through the capital leases are as follows:

	Governmental Activities
Buses	$ 1,032,468
Less accumulated depreciation	(455,785)
Total	$ 576,683

Commitments under operating lease agreements for office equipment provided for the minimum future rental payments as of June 30, 2019 are as follows:

Year Ending June 30,	Amount
2020	16,782
2021	16,782
2022	8,391
Total	$ 41,955

Expenditures for equipment under operating leases for the year ended June 30, 2019 totaled $16,782.

NOTE G – RETIREMENT PLANS

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

Teachers Retirement System Kentucky (TRS)

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

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

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

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New members (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than ten years. New members after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the system has been amended to change the benefit structure for members hired on or after that date.

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. A life insurance benefit, payable upon the death of a member, is $2,000 for active contributing members and $5,000 for retired or disabled members.

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

Contributions—Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.855% of their salaries to the System.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions in the amount of 13.105% of salaries for local school district employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district employees whose salaries are federally funded, the employer contributes 15.355% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

Medical Insurance Plan

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

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. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

Funding policy—In order to fund the post-retirement healthcare benefit, seven and one half percent (7.50%) of the gross annual payroll of members is contributed. Three point seventy-five percent (3.75%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three percent (3.00%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

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

At June 30, 2019 the District did not report a liability for the District's proportionate share of the net pension liability 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 State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of KTRS net pension liability	$	-
Commonwealth's proportionate share of the KTRS net pension liability associated with the District		29,066,259
	$	29,066,259

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability 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. At June, 30, 2018, the District's proportion was 0.222%.

Actuarial Methods and Assumptions—The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of pay, closed
Remaining Amortization Period	27.4 years
Asset Valuation Method	5-year smoothed market
Single Equivalent Interest Rate	7.50%
Municipal Bond Index Rate	3.89%
Projected Salary Increase	3.50 – 7.30%, includes wage inflation of 3.50%
Investment Rate of Return	7.5%, includes price inflation of 3.00%

The following represents assumptions and changes of assumptions from the prior valuation to the valuation performed as of June 30, 2018:

- Municipal Bond Index Rate increased to 3.89%.
- Single Equivalent Interest Rate increased to 7.50%.

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025 (with a setforward of 1 year for females and 2 years for males). The most recent experience study based on the results from July 1, 2010 – June 30, 2015 adopted by the Board on September 19, 2016.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	40.0%	4.4%
Non U.S. Equity	22.0%	5.3%
Fixed Income	15.0%	1.5%
Additional Categories	8.0%	3.6%
Real Estate	6.0%	4.4%
Alternatives	7.0%	6.7%
Cash	2.0%	0.8%
Total	100.0%	

Discount Rate: The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at the Actuarially Determined Contribution rates, adjusted by 95%, 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 through 2037 and a municipal bond index rate of 3.56% was applied to all periods of projected benefit payments after 2037. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

The following table presents the net pension liability of the Commonwealth associated with the District, calculated using the discount rate of 7.50%, as well as what the Commonwealth's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

		1% Decrease		Current Discount Rate		1% Increase
KTRS		6.50%		7.50%		8.50%
Commonwealth's proportionate share of net pension liability	$	37,257,731	$	29,066,259	$	22,174,230

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

County Employees Retirement System

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

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

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

Contributions: Funding for CERS is provided by members, who contribute 5.00% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions, and by employers of members. For the year ending June 30, 2019, employers were required to contribute 21.48% of the member's salary. During the year ending June 30, 2019, the District contributed $645,248 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

CERS-Medical Insurance Plan

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

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

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2018. An expected total pension liability as of June 30, 2018 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2018. At June 30, 2018, the District's proportion was 0.138693%.

District's proportionate share of CERS net pension liability	$	8,446,826
Commonwealth's proportionate share of the KTRS net pension liability associated with the District		-
	$	8,446,826

For the year ended June 30, 2019, the District recognized pension expense of $740,195. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	$	275,512		123,644
Changes of assumptions		825,501		-
Net difference between projected and actual earnings on pension plan investments		392,784		494,066
Changes in proportion and differences between District contributions and proportionate share of contributions		24,887		202,573
District contributions subsequent to the measurement date		645,248		-
	$	2,163,932	$	820,283

The $645,248 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

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

		Year Ended June 30,
2019	$	589,108
2020		266,187
2021		(111,559)
2022		(45,335)
	$	698,401

Actuarial Methods and Assumptions—The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2018. The financial reporting actuarial valuation as of June 30, 2018, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	27 years
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increase	4% average
Investment Rate of Return	7.5%

The following represents assumptions and changes of assumptions from the prior valuation to the valuation performed as of June 30, 2018:

- The assumed investment rate of return increased to 7.50%.
- The assumed rate of inflation increased to 3.25%.
- The Salary Increase increased to 4.00%.
- The Asset Valuation Method changed to 20% of the difference between the market value of assets and the expected actuarial value of assets.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for CERS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013 is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

The 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
Combined Equity	35.0%	5.85%
Combined Fixed Income	24.0%	6.69%
Global Bond	4.0%	3.00%
Real Return (Diversified Inflation Strategies)	10.0%	7.00%
Real Estate	5.0%	9.00%
Absolute Return (Diversified Hedge Funds)	10.0%	5.00%
Private Equity	10.0%	6.50%
Cash Equivalent	2.0%	1.50%
	100.0%	

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

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

	1% Decrease	**Current Discount Rate**	**1% Increase**
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	$ 10,633,680	$ 8,446,286	$ 6,614,626

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

Payables to the pension plan: At June 30, 2018, there are no payables to CERS.

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 statements. The District, therefore, does not report these assets and liabilities on its financial statements.

Employee contributions made to the plans during the year totaled $212,665. The District does not contribute to these plans.

NOTE H – ACCOUNTING STANDARDS STATEMENT NO. 75

Government Accounting Standards Board (GASB) Statement No. 75 replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployments Benefits Other Than OPEB's, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB.

Reporting under GASB 75 is effective for fiscal years commencing after June 15, 2017.

NOTE I – POSTEMPLOYMENT BENEFITS OTHER THAN OPEB

The District's employees participate in retirement systems of either TRS or CERS as described earlier. The following describes the postemployment benefits other than OPEB for both systems.

TRS – General Information about the OPEB Plans

Plan description – Teaching-certified employees of the District are provided OPEBs through TRS – a cost-sharing multiple-employer defined benefit OPEB plan with special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the

Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at http://www.trs.ky.gov/financial-reports-information .

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

Retiree Medical Plan funded by the Medical Insurance Fund

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

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

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

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

At June 30, 2019, the District reported a liability of $3,976,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the District's proportion was .114601 percent.

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

District's proportionate share of KTRS net OPEB liability	$	3,976,000
Commonwealth's proportionate share of the KTRS net OPEB liability associated with the District		3,427,000
	$	7,403,000

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	$	-	$	379,000
Changes of assumptions		102,000		-
Net difference between projected and actual earnings on pension plan investments		-		30,000
Changes in proportion and differences between District contributions and proportionate share of contributions		-		121,000
District contributions subsequent to the measurement date		198,786		-
	$	300,786	$	530,000

The $198,786 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the collective net OPEB liability for the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

		Year Ended June 30,
2020	$	(84,000)
2021		(84,000)
2022		(84,000)
2023		(71,000)
2024		(73,000)
Thereafter		(32,000)
	$	(428,000)

Changes of Benefit Terms - None

Changes of Assumptions- The amortization period decreased to 23 years and the Municipal Bond Index Rate increased to 3.89%.

Actuarial Methods and Assumptions—The total OPEB liability was determined using an actuarial valuation of the June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	23 years, closed
Asset Valuation Method	5-year smoothed value
Single Equivalent Interest Rate	8.00%
Municipal Bond Index Rate	3.89%
Investment Rate of Return	8.0%, includes price inflation
Inflation	3.0%
Real Wage Growth	.50%
Wage Inflation	3.50%
Salary Increase	3.50 to 7.20%, including wage inflation
Discount Rate	8.0%

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025 (with a setforward of 1 year for females and 2 years for males). The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

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

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	58.0%	4.6%
Fixed Income	9.0%	1.2%
Real Estate	5.5%	3.8%
Private Equity	6.5%	6.3%
High Yield	20.0%	3.3%
Cash	1.0%	0.9%
	100.0%	

Discount Rate: The discount rate used to measure the total OPEB liability was 8.00%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projections basis was an actuarial valuation performed as of June 30, 2017. In addition to 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 3.50%.
- For the retiree health care costs of those beneficiaries under age 65, the KEHP implicit rate subsidies were assumed to be paid in all years by the employer directly to plan members as the benefits come due.
- As administrative expenses 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 MIF were based upon the contribution rates defined in statue and the projected payroll of active employees. Per KRS 161.540(1)(c).3 and 161.550(5), when the MIF achieves a sufficient prefunded status, as determined by the retirement system's actuary, the following MIF statutory contributions are to be decreased, suspended, or eliminated:

- Employee Contributions
- School District/ University Contributions
- State Contributions for KEHP premium subsidies payable to retirees who retire after June 30, 2010

To reflect these adjustments, open group projections were used and assumed an equal, pro rata reduction to the current statutory amount in the years if/when the MIF 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 MIF's funding policy (Schedule E). As the specific methodology to be used for the adjustments has yet to be determined, there may be differences between the projected results and future experience. This may also include any changes to retiree contributions for KEHP coverage pursuant to KRS 161.675(4)(b).

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

- Liabilities and cash flows are net of expected retiree contributions and any implicit subsidies attributable to coverage while participating in KEHP.
- A 0% active member growth rate was assumed for the purposes of developing estimates for new entrants (membership dates beyond June 30, 2016).

Based on these assumptions, the MIF's fiduciary net position was not projected to be depleted.

The following table presents the net OPEB liability of the Commonwealth associated with the District, calculated using the discount rate of 8.00%, as well as what the Commonwealth's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
KTRS	7.00%	8.00%	9.00%
District's & State's proportionate share of net OPEB liability	$ 8,681,000	$ 7,403,000	$ 6,338,000

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

	1% Decrease	Current Trend Rate	1% Increase
District's & State's proportionate share of net OPEB liability	$ 6,138,000	$ 7,403,000	$ 8,963,000

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

Other Post Employment Benefits Liabilities related to the Life Insurance Plan funded by - Life Insurance Plan (LIF)

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

Benefits provided - Effective July 1, 2000, the Kentucky Teachers' Retirement System shall:

- Provide a life insurance benefit in a minimum amount of five thousand dollars ($5,000) for its members who are retired for service or disability. This life insurance benefit shall be payable upon the death of a member retired for service or disability to the member's estate or to a party designated by the member on a form prescribed by the retirement system; and
- Provide a life insurance benefit in a minimum amount of two thousand dollars ($2,000) for its active contributing members. This life insurance benefit shall be payable upon the death of an active contributing member to the member's estate or to a party designated by the member on a form prescribed by the retirement system.

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

Note: Members employed on a substitute or part-time basis and working at least 69% of a full contract year in a single fiscal year will be eligible for a life insurance benefit for the balance of the fiscal year or the immediately succeeding fiscal year under certain conditions. For non-vested members employed on a substitute or part-time basis, the life insurance benefit is provided if death occurs as the result of a physical injury on the job. For vested members employed on a substitute or part-time basis, death does not have to be the result of a physical injury on the job for life insurance benefits to be provided.

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

At June 30, 2019, the District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of KTRS net OPEB liability	$	-
Commonwealth's proportionate share of the KTRS net OPEB liability associated with the District		59,000
	$	59,000

For the year ended June 30, 2019, the District recognized OPEB expense of $84,993 and revenue of $84,993 for support provided by the State.

Changes of Benefit Terms— Discount rate decreased to 7.5%. Amortization method changed from open to closed. Municipal bond interest rate increased to 3.89%. Inflation increased to 3.5%. Wage inflation increased to 4.0%.

Actuarial Methods and Assumptions—The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	30 years, closed
Asset Valuation Method	5-year smoothed value
Single Equivalent Interest Rate	7.5%
Municipal Bond Index Rate	3.89%
Investment Rate of Return	7.5%, includes price inflation
Inflation	3.5%
Real Wage Growth	.50%
Wage Inflation	4.00%
Salary Increase	4.00-8.10%, including wage inflation
Discount Rate	8.0%

The following represents assumptions and changes of assumptions from the prior valuation to the valuation performed as of June 30, 2018:

- Amortization period switched to closed.
- Projected salary increases increased to 4%.
- Inflation rate increased to 3.5%.
- Wage inflation increased to 4%.
- Municipal Bond Index Rate increased to 3.89%.

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025 (with a setforward of 1 year for females and 2 years for males). The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

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

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity	40.0%	4.2%
International Equity	23.0%	5.2%
Fixed Income	18.0%	1.2%
Real Estate	6.0%	3.8%
Private Equity	5.0%	6.3%
Other Additional Categories	6.0%	3.3%
Cash	2.0%	0.9%
	100.0%	

Discount Rate: The discount rate used to measure the total OPEB liability was 8.0%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projections basis was an actuarial valuation performed as of June 30, 2018. In addition to 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 4.00%.
- The employer will contribute the Actuarially Determined Contribution (ADC) in accordance with the funds 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 occur mid-year.

Based on these assumptions, the LIF's fiduciary net position was not projected to be depleted.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 8.00%, as well as the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
KTRS	7.00%	8.00%	9.00%
District's proportionate share of net OPEB liability	$ 89,000	$ 59,000	$ 34,000

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

CERS – General Information about the OPEB Plans

Other Pension Benefit Programs-Employees' Health Plan

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

Benefits provided – Post Retirement Death Benefits – members with a least 4 years creditable service the System will pay a $5,000 death benefit. Insurance benefits as described above.

Contributions - Requirements for medical benefits are a portion of the actuarially determined rates of covered payroll, as disclosed above. Current employees pay 1% toward the insurance fund.

The unfunded medical benefit obligation of the CERS, based upon the entry age normal cost method, as of June 30, 2018 was as follows:

Total medical benefit obligation	$ 3,092,623
Net position available for benefits at actuarial value	(2,371,430)
Unfunded medical benefit obligation	$ 721,193

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

At June 30, 2019, the District reported a liability of $2,462,360 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the District's proportion was .13868700 percent.

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

District's proportionate share of net OPEB liability	$ 2,462,360
Commonwealth's proportionate share of the net OPEB liability associated with the District	-
	$ 2,462,360

For the year ended June 30, 2019, the District recognized OPEB expense of $108,127. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	286,955
Changes of assumptions	491,770	5,689
Net difference between projected and actual earnings on pension plan investments	-	169,608
Changes in proportion and differences between District contributions and proportionate share of contributions	-	44,763
District contributions subsequent to the measurement date	71,972	-
	$ 563,742	$ 507,015

The $71,972 (includes $39,723 Implicit Subsidy) reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the collective net OPEB liability for the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

	Year Ended June 30,
2020	$ 79
2021	79
2022	79
2023	33,020
2024	(30,060)
Thereafter	(18,442)
	$ (15,245)

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

GASB 75 requires that the liability associated with this implicit subsidy be included in the calculation of the Total OPEB Liability.

Changes of Benefit Terms-None

Changes of Assumptions-There have been no changes in actuarial assumption since June 30, 2017.

Actuarial Methods and Assumptions—The total OPEB liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2018. The financial reporting actuarial valuation used the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Amortization Period	27 years, Closed
Asset Valuation Method	20% of difference in market and expected market value
Price Inflation	3.25%
Salary Increase	4.00%, average
Investment Return	7.50%
Payroll Growth	4.0%
Mortality	RP-2000 Combined Mortality Table, projected to 2013 With Scale BB (set back 1 year females)
Healthcare Trend Rates (Pre-65)	Initial trend starting at 7.50% and gradually decreasing To an ultimate trend rate of 5.00% over period of 5 years.
Healthcare Trend Rates (Post 65)	Initial trend starting at 5.50% and gradually decreasing To an ultimate trend rate of 5.00% over period of 2 years.

Discount rate: The discount rate used to measure the total OPEB liability was 5.85%. The rate is based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 3.62%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2018. Future contributions from plan members and employers will be made with the Board's current funding policy, which includes the requirement that each participating employer in the System contribute the actuarially determined contribution rate, which is determined using a closed funding period (26 years as of June 30, 2017) and actuarial assumptions adopted by the Board.

The following table presents the net OPEB liability of the District, calculated using the discount rate of 5.85%, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.85%) or 1-percentage-point higher (6.85%) than the current rate:

	1% Decrease	**Current Discount Rate**	**1% Increase**
CERS	4.85%	5.85%	6.85%
District's proportionate share of net OPEB liability	$ 3,198,211	$ 2,462,360	$ 1,835,550

Sensitivity of the District's proportionate share of net OPEB liability to changes in the discount rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 5.85%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.85%) or 1-percentage-point higher (6.85%) than the current rate:

	1% Decrease	**Current Trend Rate**	**1% Increase**
District's proportionate share of net OPEB liability	$ 1,833,251	$ 2,462,360	$ 3,203,898

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

NOTE J – COMMITMENTS

The District has commitments of $14,625,246 for construction projects. The District has committed $35,098 of General Fund balance for sick leave.

NOTE K - CONTINGENCIES

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

NOTE L - LITIGATION

The District has no pending or threatened litigation involving amounts exceeding $10,000 individually or in the aggregate as of June 30, 2019.

NOTE M – INSURANCE AND RELATED ACTIVITIES

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

NOTE N – RISK MANAGEMENT

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

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

NOTE O - COBRA

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

NOTE P – TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From	To	Purpose		Amount
Debt Service	Building Fund	Debt Service	Debt payments	$	1,218,459
Construction	Building Fund	Construction Fund	Construction		405,923
Construction	Capital Outlay	Construction Fund	Construction		189,791
Construction	Capital Outlay	Building Fund	Construction		11,491
Indirect Cost	Food Service	General Fund	Indirect Cost		76,356
Special Revenue	General Fund	Special Revenue	KETS	$	69,308

NOTE Q – DEFICIT FUND AND OPERATING BALANCES

The following funds had a deficit change in fund balance/net position and/or deficit fund balance/net position:

Fund		Change in Net Position/ Net Change in Fund Balance
Construction	$	(7,380,606)
Capital Outlay		(37,723)
Food Service		(115,161)
FSPK Fund	$	(248,807)

NOTE R – ON-BEHALF PAYMENTS

For fiscal year 2019, the Commonwealth of Kentucky contributed estimated payments on behalf of the District as follows:

Plan/Description		Amount
Kentucky Teachers Retirement System (GASB 68 & 75)	$	2,284,042
Health Insurance		2,013,444
Life Insurance		3,733
Administrative Fee		30,756
HRA/Dental/Vision		139,712
Federal Reimbursements		(279,705)
Technology		84,548
SFCC Debt Service Payments		2,019,834
Total	$	6,296,364

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

NOTE S – RESTRICTED FUND BALANCES

The following funds had restricted fund balances.

Fund		Amount	Purpose
Construction	$	7,993,658	Future Construction
Food Service		320,082	Food Service Operations
Capital Outlay		318,545	SFCC Requirements
FSPK Fund		115,924	SFCC Requirements
District Activity	$	13,463	District Activities

NOTE T – SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 10, 2019, the date the financial statements were available to be issued.

MARTIN COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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

CERS and KTRS

For the Year Ended June 30, 2019

	Reporting Fiscal Year (Measurement Date) 2019 (2018)	**Reporting Fiscal Year** (Measurement Date) 2018 (2017)	**Reporting Fiscal Year** (Measurement Date) 2017 (2016)	**Reporting Fiscal Year** (Measurement Date) 2016 (2015)
COUNTY EMPLOYEE'S RETIREMENT SYSTEM (CERS):				
Districts' proportion of the net pension liability	0.13869%	0.14082%	0.148300%	0.16939%
District's proportionate share of the net pension liability	$ 8,446,826	$ 8,242,334	$ 7,301,767	$ 6,141,527
State's proportionate share of the net pension liability associated with the District	-	-	-	-
Total	$ 8,446,826	$ 8,242,334	$ 7,301,767	$ 6,141,527
District's covered-employee payroll	$ 3,437,950	$ 3,428,497	$ 3,549,664	$ 3,421,658
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	245.69%	240.41%	205.70%	179.49%
Plan fiduciary net position as a percentage of the total pension liability	53.54%	53.30%	59.00%	59.97%
KENTUCKY TEACHER'S RETIREMENT SYSTEM (KTRS):				
Districts' proportion of the net pension liability	0.222%	0.227%	0.247%	0.243%
District's proportionate share of the net pension liability	$ -	$ -	$ -	$ -
State's proportionate share of the net pension liability associated with the District	29,066,259	61,207,927	72,836,946	56,545,670
Total	$ 29,066,259	$ 61,207,927	$ 72,836,946	$ 56,545,670
District's covered-employee payroll	$ 8,346,833	$ 8,521,737	$ 9,065,390	$ 8,803,205
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.000%	0.000%	0.000%	0.000%
Plan fiduciary net position as a percentage of the total pension liability	59.30%	39.80%	35.22%	42.29%

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

See the accompanying notes to the required supplementary information.

MARTIN COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CONTRIBUTIONS

CERS and KTRS

For the Year Ended June 30, 2019

	2019	2018	2017	2016
COUNTY EMPLOYEE'S RETIREMENT SYSTEM (CERS):				
Contractually required contribution	$ 637,486	$ 628,519	$ 593,951	$ 605,573
Contributions in relation to the contractually required contributions	637,486	628,519	593,951	605,573
Contribution deficiency (excess)	-	-	-	-
District's covered-employee payroll	$ 4,530,872	$ 3,437,950	$ 3,428,497	$ 3,549,664
District's contributions as a percentage of it's covered-employee payroll	14.07%	18.28%	17.32%	17.06%
KENTUCKY TEACHER'S RETIREMENT SYSTEM (KTRS):				
Contractually required contribution	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contributions	-		-	-
Contribution deficiency (excess)	-	-	-	-
District's covered-employee payroll	$ 8,174,489	$ 8,346,833	$ 8,521,737	$ 9,065,390
District's contributions as a percentage of it's covered-employee payroll	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 is determined as of June 30.

See the accompanying notes to the required supplementary information.

(1) CHANGES OF ASSUMPTIONS

KTRS

The following represents assumptions and changes of assumptions from the prior valuation to the valuation performed as of June 30, 2018:

- Municipal Bond Index Rate increased to 3.89%.
- Single Equivalent Interest Rate increased to 7.50%.

CERS

The following represents assumptions and changes of assumptions from the prior valuation to the valuation performed as of June 30, 2018:

- The assumed investment rate of return increased to 7.50%.
- The assumed rate of inflation increased to 3.25%.
- The Salary Increase increased to 4.00%.
- The Asset Valuation Method changed to 20% of the difference between the market value of assets and the expected actuarial value of assets.

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

KTRS

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

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of pay, closed
Remaining Amortization Period	27.4 years
Asset Valuation Method	5-year smoothed market
Single Equivalent Interest Rate	7.50%
Municipal Bond Index Rate	3.89%
Projected Salary Increase	3.50 – 7.30%, includes wage inflation of 3.50%
Investment Rate of Return	7.5%, includes price inflation of 3.00%

CERS

The Board of Trustees uses this actuarial valuation to certify the employer contribution rates for CERS for the fiscal year beginning July 1, 2018 and ending June 30, 2019. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of that schedule:

Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	27 years
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increase	4% average
Investment Rate of Return	7.5%

(3) CHANGES OF BENEFITS

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

MARTIN COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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

MEDICAL AND LIFE INSURANCE PLANS - TEACHERS' RETIREMENT SYSTEM

Year Ended June 30, 2019

	Reporting Fiscal Year (Measurement Date) 2019 (2018)	**Reporting Fiscal Year** (Measurement Date) 2018 (2017)
MEDICAL INSURANCE PLAN		
District's proportion of the collective net OPEB liability (asset)	0.11460%	0.11963%
District's proportionate share of the collective net OPEB liability (asset)	$ 3,976,000	$ 4,266,000
State's proportionate share of the collective net OPEB liability (asset) associated with the District	3,427,000	3,484,000
Total	$ 7,403,000	$ 7,750,000
District's covered-employee payroll	$ 8,346,833	$ 8,521,737
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	47.63%	50.06%
Plan fiduciary net position as a percentage of the total OPEB liability	25.50%	21.20%
LIFE INSURANCE PLAN		
District's proportion of the collective net OPEB liability (asset)	0.00000%	0.00000%
District's proportionate share of the collective net OPEB liability (asset)	$ -	$ -
State's proportionate share of the collective net OPEB liability (asset) associated with the District	59,000	47,000
Total	$ 59,000	$ 47,000
District's covered-employee payroll	$ 8,346,833	$ 8,521,737
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	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 is determined as of June 30.

See the accompanying notes to the required supplementary information.

MARTIN COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CONTRIBUTIONS

MEDICAL AND LIFE INSURANCE PLANS

TEACHERS' RETIREMENT SYSTEM

Year Ended June 30, 2019

	2019	2018
MEDICAL INSURANCE PLAN		
Contractually required contribution	$ 198,786	$ 200,779
Contributions in relation to the contractually required contribution	198,786	200,779
Contribution deficiency (excess)	-	-
District's covered-employee payroll	$ 8,174,489	$ 8,346,833
District's contributions as a percentage of it's covered-employee payroll	2.43%	2.41%
LIFE INSURANCE PLAN		
Contractually required contribution	$ -	$ -
Contributions in relation to the contractually required contribution	-	-
Contribution deficiency (excess)	-	-
District's covered-employee payroll	$ 8,174,489	$ 8,346,833
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	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 is determined as of June 30.

See the accompanying notes to the required supplementary information.

MARTIN COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY -HEALTH INSURANCE PLAN

COUNTY EMPLOYEE RETIREMENT SYSTEM

Year Ended June 30, 2019

	Reporting Fiscal Year (Measurement Date) 2019 (2018)	**Reporting Fiscal Year** (Measurement Date) 2018 (2017)
HEALTH INSURANCE PLAN		
District's proportion of the collective net OPEB liability (asset)	0.11460%	0.14082%
District's proportionate share of the collective net OPEB liability (asset)	$ 2,462,360	$ 2,830,863
State's proportionate share of the collective net OPEB liability (asset) associated with the District	-	-
Total	$ 2,462,360	$ 2,830,863
District's covered-employee payroll	$ 3,437,950	$ 3,428,497
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	71.62%	82.57%
Plan fiduciary net position as a percentage of the total OPEB liability	57.62%	13.00%

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

See the accompanying notes to the required supplementary information.

MARTIN COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CONTRIBUTIONS - HEALTH INSURANCE PLAN

COUNTY EMPLOYEE RETIREMENT SYSTEM

Year Ended June 30, 2019

	2019	2018
HEALTH INSURANCE PLAN		
Contractually required contribution	$ 71,972	$ 65,595
Contributions in relation to the contractually	71,972	65,595
Contribution deficiency (excess)	-	-
District's covered-employee payroll	$ 4,530,872	$ 3,437,950
District's contributions as a percentage of it's covered-employee payroll	1.59%	1.91%

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 is determined as of June 30.

See the accompanying notes to the required supplementary information.

TRS

(1) CHANGES OF BENEFIT TERMS

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

(2) CHANGES OF ASSUMPTIONS

Medical Insurance Fund

- The amortization period decreased to 23 years and the Municipal Bond Index Rate increased to 3.89%.

Life Insurance Fund

- Amortization period switched to closed.
- Projected salary increases increased to 4%.
- Inflation rate increased to 3.5%.
- Wage inflation increased to 4%.
- Municipal Bond Index Rate increased to 3.89%.

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

Medical Insurance Fund

The actuarially determined contribution rates, as a percentage of payroll used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2019:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	23 years, closed
Asset Valuation Method	5-year smoothed value
Single Equivalent Interest Rate	8.00%
Municipal Bond Index Rate	3.89%
Investment Rate of Return	8.0%, includes price inflation
Inflation	3.0%
Real Wage Growth	.50%
Wage Inflation	3.50%
Salary Increase	3.50 to 7.20%, including wage inflation
Discount Rate	8.0%

Life Insurance Fund

The actuarially determined contribution rates, as a percentage of payroll used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2019:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	30 years, closed
Asset Valuation Method	5-year smoothed value
Single Equivalent Interest Rate	7.5%
Municipal Bond Index Rate	3.89%
Investment Rate of Return	7.5%, includes price inflation
Inflation	3.5%
Real Wage Growth	.50%
Wage Inflation	4.00%
Salary Increase	4.00-8.10%, including wage inflation
Discount Rate	8.0%

CERS

Other Pension Benefit Programs-Employees' Health Plan

(1) CHANGES OF BENEFIT TERMS

None.

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

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

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Amortization Period	27 years, Closed
Asset Valuation Method	20% of difference in market and expected market value
Price Inflation	3.25%
Salary Increase	4.00%, average
Investment Return	7.50%
Payroll Growth	4.0%
Mortality	RP-2000 Combined Mortality Table, projected to 2013 With Scale BB (set back 1 year females)
Healthcare Trend Rates (Pre-65)	Initial trend starting at 7.50% and gradually decreasing To an ultimate trend rate of 5.00% over period of 5 years.
Healthcare Trend Rates (Post 65)	Initial trend starting at 5.50% and gradually decreasing To an ultimate trend rate of 5.00% over period of 2 years.

MARTIN COUNTY SCHOOL DISTRICT
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2019

	Other Governmental Funds			
	Capital Outlay	FSPK	District Activity	Total
Assets				
Cash and Cash Equivalents	$ 318,545	$ 115,924	$ 13,463	$ 447,932
Total Assets	318,545	115,924	13,463	447,932
Liabilities				
Accounts Payable	-	-	-	-
Total Liabiliites	-	-	-	-
Fund Balances				
Restricted	318,545	115,924	13,463	447,932
Total Fund Balance	318,545	115,924	13,463	447,932
Total Liabilities & Fund Balances	$ 318,545	$ 115,924	$ 13,463	$ 447,932

See accompanying notes to the financial statements.

MARTIN COUNTY SCHOOL DISTRICT

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

Year ended June 30, 2019

	Other Governmental Funds			
	Capital Outlay	**FSPK**	**District Activity**	**Total**
Revenues				
From Local Sources				
Taxes				
Property	$ -	$ 426,006	$ -	$ 426,006
Other local revenue			21,506	21,506
Intergovernmental - State	163,559	938,078		1,101,637
Total Revenues	163,559	1,364,084	21,506	1,549,149
Expenditures				
Instruction			18,979	18,979
Total Expenditures	-	-	18,979	18,979
Excess (Deficit) of Revenues Over Expenditures	163,559	1,364,084	2,527	1,530,170
Other Financing Sources (Uses)				
Transfers (Out)	(201,282)	(1,612,891)		(1,814,173)
Total Other Financing Sources (Uses)	(201,282)	(1,612,891)	-	(1,814,173)
Net change in fund balances	(37,723)	(248,807)	2,527	(284,003)
Fund Balance Beginning	356,268	364,731	10,936	731,935
Fund Balance ending	$ 318,545	$ 115,924	$ 13,463	$ 447,932

See accompanying notes to the financial statements.

MARTIN COUNTY SCHOOL DISTRICT

Combining Balance Sheet of Fiduciary Fund- School Activity Funds

June 30, 2019

		SCHOOL ACTIVITY FUNDS					
	SHELDON CLARKE HIGH SCHOOL	MARTIN COUNTY MIDDLE SCHOOL	EDEN ELEMENTARY	INEZ ELEMENTARY	WARFIELD ELEMENTARY	PRIVATE PURPOSE TRUST	FIDUCIARY FUND TOTALS
ASSETS							
Cash and cash equivalents	$ 91,969	$ 12,057	$ 7,161	$ 18,426	$ 20,603	$ 75,086	$ 225,302
Investments			-			24,640	24,640
Total Assets	91,969	12,057	7,161	18,426	20,603	99,726	249,942
LIABILITIES							
Accounts payable	12,000	1,721	-	-	-	-	13,721
Total Liabilities	12,000	1,721	-	-	-	-	13,721
FUND BALANCE							
Scholarships						99,726	99,726
School Activities	79,969	10,336	7,161	18,426	20,603		136,495
Total Fund Balance	79,969	10,336	7,161	18,426	20,603	99,726	236,221
TOTAL LIABILITIES AND FUND BALANCE	$ 91,969	$ 12,057	$ 7,161	$ 18,426	$ 20,603	$ 99,726	$ 249,942

See accompanying notes to the financial statements.

MARTIN COUNTY SCHOOL DISTRICT

Combining Statement of Revenues, Expenses and Changes in Fund Balance-School Activity Funds

Year ended June 30, 2019

	SCHOOL ACTIVITY FUNDS						
	SHELDON CLARKE HIGH SCHOOL	MARTIN COUNTY MIDDLE SCHOOL	EDEN ELEMENTARY	INEZ ELEMENTARY	WARFIELD ELEMENTARY	PRIVATE PURPOSE TRUST	FIDUCIARY FUND TOTALS
REVENUES							
Student revenues	$ 316,174	$ 78,693	$ 92,086	$ 84,180	$ 54,984	$ -	$ 626,117
Trust activites	-					13,066	13,066
Total revenues	316,174	78,693	92,086	84,180	54,984	13,066	639,183
EXPENDITURES							
Student activities	309,138	86,937	89,013	83,080	47,976		616,144
Trust actvities							-
Total expenditures	309,138	86,937	89,013	83,080	47,976	-	616,144
Excess (Deficit) of Revenues Over Expenses	7,036	(8,244)	3,073	1,100	7,008	13,066	23,039
FUND BALANCE-BEGINNING	72,933	18,580	4,088	17,326	13,595	86,660	213,182
FUND BALANCE-ENDING	$ 79,969	$ 10,336	$ 7,161	$ 18,426	$ 20,603	$ 99,726	$ 236,221

See accompanying notes to the financial statements.

MARTIN COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Balance - Sheldon Clarke High School

Year ended June 30, 2019

	FUND BALANCE BEGINNING	REVENUES	EXPENSES	TRANSFERS	FUND BALANCE ENDING
GENERAL OPERATING	$ 596	$ 6,155	$ 5,520	$ 54	$ 1,285
INTEREST	-	54	-	(54)	-
DISTRICT MONEY	4,222	5,179	1,635	-	7,766
STAFF POP SALES	771	1,914	1,912	-	773
SCHOOL STORE	6,599	20,588	15,833	(8,100)	3,254
LIBRARY	1,429	-	-	-	1,429
JKG	3,880	500	1,605	(80)	2,695
FOOTBALL	1,627	19,606	20,868	905	1,270
BOYS BASKETBALL	13,697	29,575	36,579	2,199	8,892
BASEBALL	5,596	30,415	30,711	(1,387)	3,913
WRESTLING	1	1,811	9,767	7,956	1
BOYS TENNIS	-	175	530	355	-
BOYS TRACK	1	-	120	120	1
GIRLS GOLF	4,527	2,129	3,108	-	3,548
BOYS GOLF	617	-	677	149	89
VOLLEYBALL	4,025	21,583	18,903	-	6,705
GIRLS BASKETBALL	5,654	14,047	13,485	473	6,689
SOFTBALL	2,067	7,847	4,768	(448)	4,698
GIRLS SOCCER	1,440	6,973	5,765	-	2,648
BOYS SOCCER	1,219	8,702	4,833	-	5,088
GIRLS TENNIS	-	176	530	354	-
GIRLS TRACK	24	-	120	97	1
FISHING TEAM	1,827	21,148	22,679	-	296
ZIP ZONE	-	22,347	15,988	(6,359)	-
CHEERLEADERS	-	2,911	4,231	1,320	-
DANCETEAM	399	2,126	2,725	201	1
ACADEMIC TEAM	319	3,255	3,764	1,000	810
BAND	1,399	5,174	6,482	25	116
BETA CLUB	800	5,652	5,448	388	1,392
ENVIRONMENTAL CLUB	219	-	-	-	219
FCCLA	1,072	16,657	16,851	1,790	2,668
E DISCOVERY	2,131	-	-	-	2,131
COOK AROUND THE WORLD	544	37	-	(320)	261
YEARBOOK	126	5,082	2,345	-	2,863
STUDENT COUNCIL	116	-	-	-	116
FCA	413	562	600	-	375
PROM	2,769	5,400	7,550	25	644
CARDINAL SHOWCASE	195	-	-	-	195
ART CLUB	673	570	185	-	1,058
SENIOR TRIP	295	15,174	15,192	(188)	89
JROTC	1,140	6,670	6,987	-	823
BOOK CLUB	120	-	-	-	120
CCSC	54	4,608	906	25	3,781
DRAMA PLAY	288	21,243	19,829	(500)	1,202
UNITE CLUB	42	-	-	-	42
MOCK TRAIL	-	129	107	-	22
Totals	$ 72,933	$ 316,174	$ 309,138	$ -	$ 79,969

See accompanying notes to the financial statements.

Martin County School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Program or Award Amount	Expenditures
U.S. Department of Agriculture					
Passed Through State Department of Education					
School Breakfast Program	10.553				
Fiscal Year 18		7760005 18	$ -	$ N/A	$ 78,521
Fiscal Year 19		7760005 19	-	N/A	312,703
National School Lunch Program	10.555				
Fiscal Year 18		7750002 18	-	N/A	185,935
Fiscal Year 19		7750002 19	-	N/A	684,244
Summer Food Service	10.559				
Fiscal Year 18		7740023 18	-	N/A	86,208
Fiscal Year 18		7690024 18	-	N/A	9,024
Child Nutrition Cluster Subtotal					1,356,635
Fruit & Vegetable Program	10.582				
Fiscal Year 18		7720012 18	-	N/A	2,163
Fiscal Year 19		7720012 19	-	N/A	28,925
					31,088
Passed Through State Department of Agriculture					
Food Donation-Commodities	10.565				
Fiscal Year 19		510.4950	-	N/A	85,053
Total U.S. Department of Agriculture					1,472,776
US Department of Education					
Passed Through State Department of Education					
* **Title I Grants to Local Educational Agencies**	84.010A				
Fiscal Year 17		3100002 17	-	1,263,525	19,593
Fiscal Year 18		3100002 18	-	1,209,179	220,238
Fiscal Year 19		3100002 19	-	1,165,053	805,682
					1,045,513
Special Education Grants to States	84.027A				
Fiscal Year 18		3810002 18	-	517,724	19,926
Fiscal Year 19		3810002 19	-	516,766	279,695
Special Education - Preschool Grants	84.173A				
Fiscal Year 19		3800002 19	-	34,185	34,185
Special Education Cluster Subtotal					333,806
Vocation Education - Basic Grants to States	84.048				
Fiscal Year 18		3710002 18	-	12,394	2,152
Fiscal Year 19		3710002 19	-	33,000	13,709
					15,861
Rural Education	84.358B				
Fiscal Year 19		3140002 19	-	33,929	33,929
Improving Teacher Quality State Grants	84.367A				
Fiscal Year 18		3230002 18	-	128,116	62,474
Fiscal Year 19		3230002 19	-	123,745	123,745
					186,219
Striving Readers Comprehensive Literacy	84.287C				
Fiscal Year 18		466E	-	293,698	189,172
Rehabilitation Services	84.126A				
Fiscal Year 19		376E	-	30,772	30,772
Title IV Part A	84.424				
Fiscal Year 18		552D	-	31,789	31,789
Fiscal Year 19		552E		87,256	31,843
					63,632
School Climate Transformation Grant	84.184G				
Fiscal Year 15		S184G140131	-	1,586,398	298,761
Total U.S. Department of Education					2,197,665
U.S. Department of Labor					
Passed through State Department of Education					
Jobs for Kentucky Graduates	17.250				
Fiscal Year 19		382E	-	60,000	60,000
Fiscal Year 18		382D	-		
Total U.S. Department of Labor					60,000
U.S. Department of Defense					
ROTC	12.000				
Fiscal Year 19		504E	-	N/A	33,091
Total U.S. Department of Defense					33,091
U.S. Department of Health and Human Services					
Passed through Big Sandy Area Community Action Program					
* **Head Start**	93.600				
Fiscal Year 17		04CH2596	-	483,211	25,767
Fiscal Year 18		04CH2596	-	504,967	35,536
Fiscal Year 19		04CH010269	-	757,093	545,939
Total U.S. Department of Health and Human Services					607,242
Total Expenditure of Federal Awards					$ 4,370,774

* Major program

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Martin County School District under the programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Martin County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE B – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities received and disbursed. For the year ended June 30, 2019, the District received food commodities totaling $85,053.

NOTE D – INDIRECT COST RATE

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

White & Associates, PSC
Certified Public Accountants & Consultants

1407 Lexington Road
Richmond, KY 40475
(859) 624-3926

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

To the Board of Education of the Martin County School District
Inez, KY

and the State Committee for School District Audits

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* and the audit requirements prescribed by the Kentucky State Committee for School District Audits, in the *Auditor Responsibilities* and State *Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit contract and Requirements issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Martin County School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Martin County School District's basic financial statements, and have issued our report thereon dated November 10, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Martin County School District in a separate letter dated November 10, 2019.

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.

White & Associates, PSC

Richmond, KY

November 10, 2019

White & Associates, PSC
Certified Public Accountants & Consultants

1407 Lexington Road
Richmond, KY 40475
(859) 624-3926

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

To the Board of Education of the Martin County School District
Inez, KY
and the State Committee of School District Audits

Report on Compliance for Each Major Federal Program

We have audited the Martin County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Martin County School District's major federal programs for the year ended June 30, 2019. Martin 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Martin County School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 *Auditor Responsibilities* and State *Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit contract and Requirements. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Martin County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Martin County School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Martin 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, 2019.

Report on Internal Control over Compliance

Management of the Martin County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Martin County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Martin County School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

White & Associates, PSC

Richmond, KY

November 10, 2019

MARTIN COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

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, was any significant deficiencies material (GAGAS)?	None Reported
Was any material noncompliance reported (GAGAS)?	No
Were there material weaknesses in internal control disclosed for major programs?	No
Were there any significant deficiencies in internal control disclosed that were not considered to be material weaknesses?	None reported
What type of report was issued on compliance for major programs?	Unmodified
Did the audit disclose findings as it relates to major programs that Is required to be reported as described in the Uniform Guidance?	No
Major Programs	Title I [CFDA 84.010A] Head Start [CFDA 93.600]
Dollar threshold of Type A and B programs	$750,000
Low risk auditee?	Yes

FINDINGS - FINANCIAL STATEMENT AUDIT

No findings at the financial statement audit level.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

No findings at the major federal award programs level.

MARTIN COUNTY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDISNGS

For the year ended June 30, 2019

There were no prior year findings.

White & Associates, PSC
CERTIFIED PUBLIC ACCOUNTANTS

MANAGEMENT LETTER POINTS

Martin County School District
Inez, Kentucky

In planning and performing our audit of the financial statements of the Martin County School District for the year ended June 30, 2019, we considered the District's internal controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the District's internal control in our report dated November 10, 2019. This letter does not affect our report dated November 10, 2019, on the financial statements of the Martin County School District. The conditions observed are as follows:

<u>WARFIELD ELEMENTARY</u>
No conditions.

<u>EDEN ELEMENTARY</u>
<u>1-19</u>
Statement of Condition: Instances of lack of segregation of duties in the process of ticket sales.

Recommendation for Correction: Precautions must be taken to protect activity fund money from loss and limit the liability of persons handling money. The ticket seller gives the entire ticket to the customer and collects the fee. The ticket taker tears the ticket in half, gives half to the customer, and retains half. The ticket seller and the ticket taker must be two separate people. Both must sign the Requisition and Report of Ticket Sales (F-SA-1) form.

Management's Response to the Recommendation: Management has reviewed the Auditors note as to the instances of Lack of Segregation of Duties in the process of ticket sales. We have contacted the Eden Elementary Finance Clerk and Principal and discussed with both, the Redbook guidelines pertaining the segregation of duties pertaining to ticket sales. All parties have an understanding of how important Redbook guidelines being followed reduces the instances of theft of school activity funds and how that segregation of duties in this instance is just one more layer to improve the process. Principal will monitor more closely the ticket sales throughout the year, make sure two persons perform the process, make clear the duties of his personnel in this process and step in where necessary to ensure compliance.

2-19

Statement of Condition: Teachers/sponsors not turning in money collected from students or other sources timely. (34299, 34309, 34310, 34365, 34391, 34401)

Recommendation for Correction: All money collected by a teacher/sponsor shall be turned in to the school treasurer the day the money is collected along with the appropriate supporting documentation.

Management Response to the Recommendation: Management has reviewed the Auditors note as to the timely collection of funds from the Teachers and Sponsors. We have contacted the Eden Elementary School Finance Clerk and Principal and discussed with both the necessity of ensuring that all funds collected must be turned in to the Clerk on the day collection is made. Principal has discussed and directed Faculty and Sponsors to turn in funds the day it is collected. If funds cannot be turned in to clerk for some reason they are to contact clerk to arrange for clerk to pick up funds and to procure proper documentation. Finance Clerk received Redbook training in September 2019 to update and reinforce procedures.

3-19

Statement of Condition: Instances of receipts not being deposited timely. (34298-34301, 34309, 34310)

Recommendation for Correction: All monies should be deposited on a daily basis. In the event that less than $100 is on hand to deposit, smaller amounts may be held in a secure location until $100 is collected. At a minimum, deposits shall be made on a weekly basis even if the deposit amount is less than $100. The total of the deposit slip shall match the total receipts written since the last deposit. Each deposit shall be verified by a second person daily.

Management Response to the Recommendation: Management has reviewed the Auditors note as to the instances of receipts not being deposited timely. We have contacted the Eden Elementary Finance Clerk and Principal and discussed with both, the Redbook guidelines pertaining deposits. Redbook is very clear of the procedures for deposits. Principal has been instructed that it is his duty to make allowances to provide time for the Finance Clerk to have the ability to go to the bank to make deposits daily or as needed per Redbook. The Principal understands and agrees to make this a priority.

4-19

Statement of Condition: Purchase Orders are being utilized; however there were several instances of the Purchase Orders being approved after the obligation of funds or purchase being made. (4601, 4632, 4637)

Recommendation for Correction: The person requesting to make a purchase or expend activity funds will prepare a Purchase Request/Order (F-SA-7) and have it approved by the sponsor and principal. After proper approval, a Purchase Order number shall be issued or an (EPES) Purchase Order generated so the expenditure can be purchased or ordered.

Management Response to the Recommendation: Management has reviewed the Auditors note as to the instances of Purchase Orders being approved after the obligation of funds or purchases being made. We have contacted the Eden Elementary Finance Clerk and Principal and discussed with both, the Redbook guidelines pertaining to how the Purchasing process is to be implemented step by step. Finance Clerk has attended Redbook retraining in September 2019 to update and reinforce procedures. Training covered the proper flow of paperwork and procedures of Redbook pertaining to purchasing of goods and services. Principal and Clerk were instructed on the need for knowing the pricing and purpose of funds expended to adhere to budgetary constraints prior to issuing purchase orders.

INEZ ELEMENTARY

5-19

Statement of Condition: Purchase Orders are being utilized; however there were instances of the Purchase Orders being approved after the obligation of funds or purchase being made.

Recommendation for Correction: The person requesting to make a purchase or expend activity funds will prepare a Purchase Request/Order (F-SA-7) and have it approved by the sponsor and principal. After proper approval, a Purchase Order number shall be issued or an (EPES) Purchase Order generated so the expenditure can be purchased or ordered.

Management Response to the Recommendation: Management has reviewed the Auditors note as to the instances of Purchase Orders being approved after the obligation of funds or purchases being made. We have contacted the Eden Elementary Finance Clerk and Principal and discussed with both, the Redbook guidelines pertaining to how the Purchasing process is to be implemented step by step. Clerk has attended Redbook retraining in September 2019 to update and reinforce procedures. Training covered the proper flow of paperwork and procedures of Redbook pertaining to purchasing of goods and services. Principal and Clerk were instructed on the need for knowing the pricing and purpose of funds expended to adhere to budgetary constraints prior to issuing purchase orders.

MARTIN COUNTY MIDDLE SCHOOL

No conditions.

SHELDON CLARK HIGH SCHOOL

6-19

Statement of Condition: Supporting documentation for the amount of cash & checks being turned in is not available. (35436)

Recommendation for Correction: Each time money is collected, the sponsor will insure that supporting documentation is properly filled out. This supporting documentation along with the money is to be turned in to the school treasurer before the end of the day.

Management Response to the Recommendation: Management has reviewed the Auditors note as to the seriousness of this issue, the need for all moneys received to have supporting documentation, documents to be filled out properly, and filed as to track and reduce the possibility of fraud occurring. We have contacted the Sheldon Clark High School Finance Clerk and Principal and discussed with both the necessity of ensuring that all funds are documented and accounted for with strict adherence to Redbook guidelines. Finance Clerk received Redbook training in September 2018 to update and reinforce procedures. The main topic of the training was the emphasis on supporting documentation and the process to track and secure funds from possible fraud. Both Principal and Clerk are in agreement with management and will report on this process going forward. Principal will review and report to the Superintendent monthly on a sample of receipts in the coming year.

7-19
Statement of Condition: Purchase Orders are being utilized but not consistently.

Recommendation for Correction: The person requesting to make a purchase or expend activity funds will prepare a Purchase Request/Order (F-SA-7) and have it approved by the sponsor and principal. After proper approval, a Purchase Order number shall be issued or an (EPES) Purchase Order generated so the expenditure can be purchased or ordered.

Management Response to the Recommendation: Management has reviewed the Auditors note as to the instances of Purchase Orders being approved after the obligation of funds or purchases being made. We have contacted the Sheldon Clark High School Finance Clerk and Principal and discussed with both, the Redbook guidelines pertaining to how the Purchasing process is to be implemented step by step. Finance Clerk has attended Redbook retraining in September 2019 to update and reinforce procedures. Training covered the proper flow of paperwork and procedures of Redbook pertaining to purchasing of goods and services. Principal and Clerk were instructed on the need for knowing the pricing and purpose of funds expended to adhere to budgetary constraints prior to issuing purchase orders.

Condition 5-19 and 6-19 is a repeat condition from the prior year. All other prior year conditions were corrected. Larry James, Superintendent, is the person responsible for initiation of the corrective action plan for the above conditions which will be implemented immediately. The corrective action plan is the management response for each condition.

We would like to thank the Finance Officer, Earnest Hale and his department for their support and assistance during our audit.

This report is intended solely for the information and use of the Board of Education, management, and others within the district and is not intended to be and should not be used by anyone other than these specified parties.

White & Associates, PSC
White & Associates, PSC
Richmond, Kentucky
November 10, 2019

APPENDIX C

Martin County School District Finance Corporation
School Building Refunding Revenue Bonds
Series 2020B

Continuing Disclosure Undertaking Agreement

CONTINUING DISCLOSURE UNDERTAKING AGREEMENT

This Continuing Disclosure Undertaking Agreement ("Agreement") made and entered into as of the 17th day of July, 2020, by and between the Board of Education of Martin County, Kentucky School District ("Board"); the Martin 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.

W I T N E S S E T H:

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 $2,085,000 of the Corporation's School Building Refunding Revenue Bonds, Series 2020B, dated as of July 17, 2020 ("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 ("Financial 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 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 March 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 Financial 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
MARTIN COUNTY SCHOOL DISTRICT

____
Chairman

Attest:

____
Secretary

MARTIN COUNTY SCHOOL
DISTRICT FINANCE CORPORATION

____
President

Attest:

____
Secretary

APPENDIX D

Martin County School District Finance Corporation
School Building Refunding Revenue Bonds
Series 2020B

Official Terms and Conditions of Bond Sale

OFFICIAL TERMS AND CONDITIONS OF BOND SALE

$2,085,000*
Martin County School District Finance Corporation
School Building Refunding Revenue Bonds, Series 2020B
Dated as of July 17, 2020

SALE: June 25, 2020 AT 11:30 A.M., E.S.T.

The Martin County (Kentucky) School District Finance Corporation (the "Corporation") will until 11:30 A.M., E.D.S.T., on June 25, 2020 receive at the office of the Executive Director, Kentucky School Facilities Construction Commission, 700 Louisville Road, Carriage House, Frankfort, Kentucky, 40601, competitive bids for the purchase of $2,085,000 principal amount of Martin County School District Finance Corporation School Building Refunding Revenue Bonds, Series 2020B (the "Refunding Bonds"), dated and bearing interest from July 17, 2020, payable on October 1, 2020, and semi-annually thereafter on April 1 and October 1 of each year, in denominations in multiples of $5,000 within the same maturity maturing on October 1 thereafter in each of the years as follows:

MATURITY	PRINCIPAL AMOUNT*	MATURITY	PRINCIPAL AMOUNT*
2020	$ 190,000	2026	$ 190,000
2021	185,000	2027	190,000
2022	185,000	2028	200,000
2023	190,000	2029	200,000
2024	190,000	2030	175,000
2025	190,000		

*Subject to adjustment as set forth herein.

REDEMPTION PROVISIONS

The Bonds maturing on or after October 1, 2028 are subject to redemption at the option of the Corporation prior to their stated maturities on any date falling on or after October 1, 2027, 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 Projects and apply casualty insurance proceeds to such purpose.

The Refunding Bonds are to be issued in fully registered form (both principal and interest). U.S. Bank National Association, Louisville, Kentucky, the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date to each Registered Owner of record as of the 15th day of the month preceding the due date which shall be Cede & Co., as the Nominee of The Depository Trust Company ("DTC"). Please see "Book-Entry-Only- System" below.

MARTIN COUNTY (KENTUCKY) 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 the Martin County School District (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.

AUTHORITY AND PURPOSE

The Refunding Bonds are being issued under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including Sections 162.120 through 162.300, 162.385, and Section 58.180 of the Kentucky Revised Statutes, within the meaning of the decision of the Court of Appeals of Kentucky (Supreme Court) in the case of Hemlepp v. Aronberg, 369 S.W.2d 121, for the purpose of providing funds to retire all of the outstanding Martin County (Kentucky) School District Finance Corporation School Building Revenue Bonds, Taxable Series of 2009 ("Build America Bonds - Direct Pay to Issuer"), dated October 1, 2009 (the "Prior Bonds") maturing on and after October 1, 2020 (the "Refunded Bonds") prior to their stated maturities on July 28, 2020.

The Prior Bonds were authorized pursuant to the provisions of Sections 54AA of the Internal Revenue Code as "Build America Bonds" whereunder the US Treasury agreed to pay an interest subsidy equal to 35% of the total interest requirements of the Prior Bonds if the interest on the Prior Bonds was required to be included in the gross income of the recipients.

Under the provisions of the Budget Control Act of 2011, 125 Stat. 240, ("Sequestration") the US Treasury acting through the Internal Revenue Service reduced the promised interest subsidy for the Federal fiscal year ending September 30, 2013 by the amount of 8.7% and for the Federal fiscal year ending September 30, 2020 by 7.2%. The interest subsidy payments were and continue to be in fact paid at reduced amounts.

The provisions of the Prior Bonds state that the Corporation may redeem and retire all or any part of the principal amount of the Prior Bonds if the U.S. Treasury fails to remit all or any part of the interest subsidy to the Corporation.

SCHOOL FACILITIES CONSTRUCTION COMMISSION

The Kentucky School Facilities Construction Commission is an independent corporate agency and instrumentality of the Commonwealth of Kentucky established pursuant to the provisions of Sections 157.611 through 157.640 of the Kentucky Revised Statutes, 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 Commission will enter into a Participation Agreement with the Board whereunder the Commission, will agree to continue to pay approximately $214,821 to be applied to the debt service requirements of the Refunding Bonds through October 1, 2030; provided, however, that the contractual commitment of the Commission to pay the annual Agreed Participation is limited to the biennial budget period of the Commonwealth, with the first such biennial budget period terminating on June 30, 2022.

The General Assembly of the Commonwealth adopted the State's Budget for the fiscal year ending June 30, 2021.

PROCEEDS TO RETIRE ALL BONDS OF PRIOR ISSUE

The Bonds of the Prior Issue were issued under the authority of Sections 162.120 through 162.300 and 162.385 of the Kentucky Revised Statutes for the purpose of providing funds to finance improvements to Warfield Elementary School (the "Project"). Under the terms of the Resolution authorizing the Prior Bonds, those Bonds are payable from the income and revenues of the Project financed from the proceeds thereof. The Prior Bonds are secured by a statutory mortgage lien upon and a pledge of revenues from the rental of the Project to the Board under the Lease Agreement, dated October 1, 2010 (the "Prior Lease").

The total principal amount of the Prior Issue currently outstanding is $1,995,000, scheduled to mature on October 1 in each of the years 2020 through 2030. Prior Bonds maturing October 1, 2020 and thereafter will be retired on or about July 28, 2020 from the proceeds of the Refunding Bonds.

The 2020 Bond Resolution adopted by the Corporation's Board of Directors authorizes the payment and retirement of the Refunded Bonds including principal and accruing interest prior to their stated maturities through the deposit of the required amount of proceeds of the Refunding Bonds in the Prior Bond Fund or a special Escrow Fund for application to the retirement of the Refunded Bonds.

The 2020 Bond Resolution expressly provides that upon delivery of the Refunding Bonds and the deposit of sufficient funds in accordance with the preceding paragraph neither the statutory mortgage lien upon nor the pledge of the revenues from the rental of the Project under the Prior Lease shall constitute the security and source of payment for any of the Refunded Bonds of the Prior Issue and the Registered Owners of such Refunded Bonds of the Prior Issue shall be paid from and secured by the monies deposited in the Prior Bond Fund or Escrow Fund for the retirement thereof upon the delivery of the Refunding Bonds.

SECURITY FOR REFUNDING BONDS

The Refunding Bonds will constitute a limited indebtedness of the Corporation and will be payable as to both principal and interest solely from the income and revenues of the school Project financed from the proceeds of the Prior Bonds. The Refunding Bonds are secured by a statutory mortgage lien upon and pledge of the revenues derived from the rental of the school Project to the Board under a Lease Agreement dated July 17, 2020 (the "2020 Lease").

Under the 2020 Lease the Board has leased the school property securing the Refunding Bonds in accordance with the provisions of KRS 162.140 for an initial period from the date of delivery through June 30, 2021, with the option in the Board to renew said 2020 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 rentals due under the 2020 Lease, the principal and interest on all of the Refunding Bonds as same become due.

The 2020 Lease provides that the Prior Lease will be canceled effective upon the deposit or escrow of sufficient funds to provide for the retirement of the Refunded Bonds. The 2020 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 2020 Lease until October 1, 2030, the final maturity date of the Refunding Bonds, and such annual rentals shall be deposited as received in the Bond Fund for the Refunding Bonds and used and applied for the payment of all maturing principal of and interest on the Refunding Bonds.

Under the terms of the 2020 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 Section 157.627(5) of the Act and KRS 160.160(5), in the event of a failure by the Board to pay the rentals due under the 2020 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 2020 Lease and Participation Agreement to the Corporation and the Commission 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.

Under the terms of the 2020 Bond Resolution and the 2020 Lease the statutory mortgage lien securing the Refunding Bonds which is created and granted pursuant to KRS 162.200 upon the school Project are and shall be restricted in their application to the exact locations of said school building Project and to such easements and rights of way for ingress, egress and the rendering of services thereto as may be necessary for the proper use and maintenance of said school buildings; the right being reserved to erect or construct upon any land not occupied by the school Project other independently financed school buildings, free and clear of said statutory mortgage lien, which other independently financed school buildings may or may not have a party wall with and adjoin said school buildings constituting the Project, provided no part of the cost of said other independently financed school building is paid from the proceeds of the sale of the Refunding Bonds.

BIDDING CONDITIONS AND RESTRICTIONS

(A) The terms and conditions of the sale of the Refunding Bonds are as follows:

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

(2) 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.

(3) The minimum bid shall be not less than $2,064,150 (99% 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.

(4) The determination of the best purchase bid for said Refunding Bonds shall be made on the basis of all bids submitted for exactly $2,085,000 principal amount of Refunding Bonds offered for sale under the terms and conditions herein specified; provided, however, the Corporation reserves the right to increase or decrease the total principal amount of Refunding Bonds sold to such best bidder, in the amount of not exceeding $200,000, with such increase or decrease to be made in any maturity, and the total amount of Refunding Bonds awarded to such best bidder will be a minimum of $1,885,000 or a maximum of $2,285,000. In the event of any such adjustment, no rebidding or recalculation of a submitted bid will be required or permitted. The price at which such adjusted principal amount of Bonds will be sold will be at the same price per $5,000 of Refunding Bonds as the price per $5,000 for the $2,085,000 of Refunding Bonds bid.

(5) 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 as of the Sale Date 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 June 25, 2020.

(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).

(6) The successful bidder may elect to notify the Financial 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 October 1 in accordance with the maturity schedule setting the actual size of the issue.

(7) The successful purchaser shall be required (without further advice from the Corporation) to wire transfer an amount equal to 2% of the principal amount of Refunding Bonds actually awarded to the Paying Agent U.S. Bank National Association, Louisville, Kentucky, Attn: Mr. Chuck Lush, Trust Officer (502-562-6436).by the close of business on the day following the award as a good faith deposit said amount will be applied (without interest) to the purchase price upon delivery and will be forfeited if the purchaser fails to take delivery.

(8) All Refunding Bonds of the same maturity shall bear the same and a single interest rate from the date thereof to maturity.

(9) The right to reject bids for any reason deemed acceptable by the Corporation, and the right to waive any possible informalities or irregularities in any bid, which in the sole judgment of the Corporation shall be minor or immaterial, is expressly reserved.

(10) CUSIP identification numbers will be printed on the Refunding Bonds at the expense of the Corporation. The purchaser shall pay the CUSIP Service Bureau assignment 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 Refunding Bonds in accordance with the terms of any accepted proposal for the purchase of said Bonds.

(B) The Bonds will be delivered utilizing the DTC Book-Entry-Only-System.

(C) Said Bonds are offered for sale on the basis of the principal of said Bonds not being subject to Kentucky ad valorem taxation and on the basis of the interest on said Bonds not being subject to Federal or Kentucky income taxation on the date of their delivery to the successful bidder. See TAX EXEMPTION below.

(D) 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.

(E) If, prior to the delivery of the Bonds, any event should occur which alters the tax exempt status of the Bonds, or of the interest thereon, the purchaser shall have the privilege of avoiding the purchase contract by giving immediate written notice to the Corporation, whereupon the good faith check of the purchaser will be returned to the purchaser, and all respective obligations of the parties will be terminated.

(F) 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 ($3,911) 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 157.440(1) 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 157.440(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 100% of fair cash value.

COMMONWEALTH BUDGET FOR PERIOD ENDING JUNE 30, 2021

The Kentucky General Assembly, during its Regular Session, adopted a budget for the Fiscal Year ending June 30, 2020 which was approved and signed by the Governor. Such budget is effective beginning July 1, 2020.

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 Refunding Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Refunding 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. Prospective purchasers of the Refunding 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 Refunding Bonds for audit examination, or the course or result of any IRS examination of the Refunding Bonds or obligations which present similar tax issues, will not affect the market price for the Refunding Bonds.

CONTINUING DISCLOSURE

As a result of the Board and issuing agencies acting on behalf of the Board having outstanding at the time the Bonds referred to herein are offered 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.

Financial information regarding the Board may be obtained from Superintendent, Martin County Board of Education, 104 East Main Street S., Inez, Kentucky 41224 (606) 298-3572.

TAX EXEMPTION; "BANK QUALIFIED"

Bond Counsel advises as follows:

(A) The Refunding 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 Refunding 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 calculating the Federal alternative minimum tax.

(C) As a result of certifications by the Board and the Corporation, indicating the issuance of less than $10,000,000 of tax-exempt obligations during the calendar year ending December 31, 2020, the Refunding Bonds may be treated by financial institutions as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code.

The Corporation will provide the purchaser the customary no-litigation certificate, and the final approving Legal Opinion 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.

BOOK-ENTRY-ONLY-SYSTEM

The Refunding 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.

MARTIN COUNTY SCHOOL DISTRICT
FINANCE CORPORATION

By /s/ Larry James
Secretary

APPENDIX E

Martin County School District Finance Corporation
School Building Refunding Revenue Bonds
Series 2020B

Official Bid Form

OFFICIAL BID FORM
(Bond Purchase Agreement)

The Martin County School District Finance Corporation ("Corporation"), will until 11:30 A.M., E.D.S.T., on June 25, 2020, receive in the office of the Executive Director of the Kentucky Schools Facilities Construction Commission, 700 Louisville Road, Carriage House, Frankfort, Kentucky, 40601, (telephone 502-564-5582; Fax 888-979-6152) competitive bids for its $2,085,000 School Building Refunding Revenue Bonds, Series of 2020, dated July 17, 2020; maturing October 1, 2020 through 2030 ("Bonds").

We hereby bid for said $2,085,000 principal amount of Bonds, the total sum of $_______________ (not less than $2,064,150) plus accrued interest from July 17, 2020 payable October 1, 2020 and semiannually thereafter (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 October 1 in each of the years as follows:

Year	Amount*	Rate	Year	Amount*	Rate
2020	$ 190,000	________%	2026	$ 190,000	________%
2021	185,000	________%	2027	190,000	________%
2022	185,000	________%	2028	200,000	________%
2023	190,000	________%	2029	200,000	________%
2024	190,000	________%	2030	175,000	________%
2025	190,000	________%			

*We understand this bid may be accepted for as much as $2,285,000 of Bonds or as little as $1,885,000, 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 by the Secretary of the Corporation 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 as of the Sale Date 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 June 25, 2020.

(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.

The successful bidder may elect to notify the Financial 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 October 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 Opinions of Steptoe & Johnson PLLC, Bond and Special Tax 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 Refunding 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 National Association, Louisville, Kentucky, Attn: Mr. Charles Lush (502-562-6436).

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 on or about July 17, 2020 and upon acceptance by the Issuer's Financial Advisor this Official Bid Form shall become the Bond Purchase Agreement.

Respectfully submitted,

____
Bidder

By ______________________________
Authorized Officer

____
Address

Total interest cost from July 17, 2020 to final maturity	$____________
Plus discount or less any premium	$____________
Net interest cost (Total interest cost plus discount or less any premium)	$____________
Average interest rate or cost (ie NIC)	____________%

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 Agent for the Martin County School District Finance Corporation for $______________ amount of Bonds at a price of $____________ as follows:

Year	Amount	Rate	Year	Amount	Rate
2020	______,000	______%	2026	______,000	______%
2021	______,000	______%	2027	______,000	______%
2022	______,000	______%	2028	______,000	______%
2023	______,000	______%	2029	______,000	______%
2024	______,000	______%	2030	______,000	______%
2025	______,000	______%			

Dated: June 25, 2020

____
RSA Advisors, LLC,
Financial Advisor and Agent for Martin County
School District Finance Corporation