

PRELIMINARY OFFICIAL STATEMENT

DATED JUNE 23, 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 computing 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).

\$5,315,000\*
SPENCER COUNTY SCHOOL DISTRICT FINANCE CORPORATION
SCHOOL BUILDING REVENUE BONDS
SERIES OF 2020

Dated: JULY 22, 2020

Due: as shown below

Interest on the Bonds is payable each February 1 and August 1, beginning February 1, 2021. The Bonds will mature as to principal on August 1, 2021, and each August 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.

Table with 10 columns: Maturing August 1, Amount\*, Interest Rate, Reoffering Yield, CUSIP, Maturing August 1, Amount\*, Interest Rate, Reoffering Yield, CUSIP. Rows list maturities from 2021 to 2030 with corresponding amounts and yields.

The Bonds are subject to redemption prior to their stated maturity as described herein.

Notwithstanding the foregoing, the Corporation reserves the right, upon thirty (30) days notice, to call the Bonds in whole or in part for redemption on any date at par 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 Spencer 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 on an annual renewable basis to the Spencer County Board of Education.

The Spencer County School District Finance Corporation will until July 1, 2020, at 1:00 P.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 \$530,000.

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.



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

**SPENCER COUNTY  
BOARD OF EDUCATION**

Sandy Clevenger, Chairperson  
Janet Bonham, Vice-Chair  
Debbie Herndon, Member  
Lynn Shelburne, Member  
Jeanie Stevens, Member

Chuck Adams, Superintendent/Secretary

**SPENCER COUNTY SCHOOL DISTRICT  
FINANCE CORPORATION**

Sandy Clevenger, President  
Janet Bonham, Vice-President  
Debbie Herndon, Member  
Lynn Shelburne, Member  
Jeanie Stevens, Member

Chuck Adams, Secretary  
Victoria Goodlett, 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 Spencer County School District Finance Corporation School Building Revenue Bonds, Series of 2020, 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.

## TABLE OF CONTENTS

	Page
Introduction. . . . .	1
Book-Entry-Only System. . . . .	1
The Corporation. . . . .	3
Kentucky School Facilities Construction Commission; No Participation in this Issue. . . . .	3
Commonwealth Budget For Period Ending June 30, 2021. . . . .	4
Outstanding Bonds. . . . .	4
Authority. . . . .	5
The Bonds. . . . .	5
General. . . . .	5
Registration, Payment and Transfer. . . . .	5
Redemption. . . . .	5
Security. . . . .	6
General. . . . .	6
The Lease; Pledge of Rental Revenues. . . . .	6
State Intercept. . . . .	6
The Projects. . . . .	6
Additional Parity Bonds. . . . .	6
Estimated Bond Debt Service . . . . .	7
Estimated Use of Bond Proceeds. . . . .	8
District Student Population. . . . .	8
State Support of Education. . . . .	8
Support Education Excellence in Kentucky (SEEK). . . . .	8
Capital Outlay Allotment. . . . .	9
Facilities Support Program of Kentucky. . . . .	9
Local Support. . . . .	10
Homestead Exemption. . . . .	10
Limitation on Taxation. . . . .	10
Local Thirty Cents Minimum. . . . .	10
Additional 15% Not Subject to Recall. . . . .	10
Assessment Valuation. . . . .	10
Special Voted and Other Local Taxes. . . . .	11
Local Tax Rates, Property Assessments, and Revenue Collections. . . . .	11
Overlapping Bond Indebtedness. . . . .	11
SEEK Allotment. . . . .	12
State Budgeting Process. . . . .	12
COVID-19. . . . .	13
Potential Legislation. . . . .	13
Continuing Disclosure. . . . .	14
Tax Exemption; Bank Qualified. . . . .	14
Original Issue Premium. . . . .	14
Original Issue Discount. . . . .	15
Absence of Material Litigation. . . . .	15
Approval of Legality. . . . .	15
No Legal Opinion Expressed as to Certain Matters. . . . .	15
Bond Rating. . . . .	15
Financial Advisor. . . . .	16
Approval of Official Statement. . . . .	16
Demographic and Economic Data. . . . .	APPENDIX A
Financial Data. . . . .	APPENDIX B
Continuing Disclosure Agreement. . . . .	APPENDIX C
Official Terms & Conditions of Bond Sale. . . . .	APPENDIX D
Official Bid Form. . . . .	APPENDIX E

**OFFICIAL STATEMENT  
Relating to the Issuance of**

**\$5,315,000\***

**SPENCER COUNTY SCHOOL DISTRICT  
FINANCE CORPORATION  
SCHOOL BUILDING REVENUE BONDS,  
SERIES OF 2020**

*\* 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 Spencer County School District Finance Corporation (the "Corporation") School Building Revenue Bonds, Series of 2020 (the "Bonds").

The Bonds are being issued to finance construction of a bus garage and renovation of old Taylorsville Elementary School to become an early learning center (the "Projects").

The Bonds are revenue bonds and constitute a limited indebtedness of the Corporation. The Bonds will be secured by a pledge of the rental income derived by the Corporation from leasing the Project to the Spencer 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 Spencer County Board of Education from its records, except for information expressly attributed to other sources. The presentation of financial and other information is not intended, unless specifically stated, to indicate future or continuing trends in the financial position or other affairs of the Board. No representation is made that past experience, as is shown by financial and other information, will necessarily continue or be repeated in the future.

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

Copies of the Bond Resolution authorizing the issuance of the Bonds and the Lease Agreement dated July 22, 2020, may be obtained at the office of Steptoe & Johnson PLLC, Bond Counsel, 700 N. Hurstbourne Parkway, Ste. 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 2 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](http://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; NO PARTICIPATION IN THIS ISSUE**

The 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 repealed, amended, and reenacted (the "Act") for the purpose of assisting local school districts in meeting the school construction needs of the Commonwealth in a manner which will ensure an equitable distribution of funds based upon unmet need.

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

<u>Biennium</u>	<u>Appropriation</u>
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	<u>2,946,900</u>
Total	\$183,861,200

### 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, 2021 which was approved and signed by the Governor. Such budget is 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
2005	\$755,000	\$290,000	\$755,000	\$0	4.000%	2025
2009-REF	\$5,940,000	\$350,000	\$4,584,287	\$1,355,713	3.375%	2021
2011-REF	\$9,740,000	\$5,620,000	\$9,195,587	\$544,413	2.500% - 2.625%	2024
2016-REF	\$10,055,000	\$8,105,000	\$8,641,030	\$1,413,970	2.625% - 3.000%	2027
2016	\$18,235,000	\$17,740,000	\$17,087,904	\$1,147,096	2.000% - 3.000%	2036
2018	\$7,015,000	\$6,955,000	\$6,482,442	\$472,558	3.000% - 3.875%	2038
Totals:	\$51,740,000	\$39,060,000	\$46,746,250	\$4,933,750		



## AUTHORITY

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

- i) the issuance of approximately \$5,315,000 of Bonds subject to a permitted adjustment of \$530,000;
- 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 22, 2020, will bear interest from that date as described herein, payable semi-annually on February 1 and August 1 of each year, commencing February 1, 2021 and will mature as to principal on August 1, 2021, and each August 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 February 1 and August 1 of each year, beginning February 1, 2021 (Record Date is 15th day of month preceding interest due date).

### Redemption

The Bonds maturing on or after August 1, 2029, are subject to redemption at the option of the Corporation prior to their stated maturity on any date falling on or after August 1, 2028, 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
August 1, 2028 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 for redemption on any day at par 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.

## **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 Projects financed from the Bond proceeds from the Corporation to the Board. The Bonds are secured by pledges of revenues on and from the Project; provided, however, said lien and pledge are on parity with similar lien and pledge securing the Corporation's School Building Revenue Bonds previously issued to improve or refinance certain of the building(s) in which the Project is located (the "Parity Bonds").

### **The Lease; Pledge of Rental Revenues**

The Board has leased the school Project securing the Bonds for an initial period from July 22, 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 August 1, 2040, 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 Lease, and any renewal thereof, the Board has agreed so long as the Bonds remain outstanding, and in conformance with the intent and purpose of KRS 160.160(5), in the event of a failure by the Board to pay the rentals due under the Lease, and unless sufficient funds have been transmitted to the Paying Agent, or will be so transmitted, for paying said rentals when due, the Board has granted under the terms of the Lease to the Corporation the right to notify and request the Kentucky Department of Education to withhold from the Board a sufficient portion of any undisbursed funds then held, set aside, or allocated to the Board and to request said Department or Commissioner of Education to transfer the required amount thereof to the Paying Agent for the payment of such rentals.

## **THE PROJECTS**

After payment of the Bond issuance costs, the Board plans to deposit the net Bond proceeds to finance construction of a new bus garage and renovation of old Taylorsville Elementary School to become an early learning center (the "Projects").

The Board has reported construction bids have been let for the Projects and approval of the Kentucky Department of Education, Buildings and Grounds, to award the construction contracts are expected prior to the sale and delivery of the Bonds.

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

## **ADDITIONAL PARITY BONDS**

The Corporation has reserved the right and privilege of issuing additional bonds from time to time payable from the income and revenues of said lands and school building Project and secured by the same pledges of revenues, but only if and to the extent the issuance of such additional parity bonds are in accordance with the plans and specifications approved by the Board, Commissioner of Education, and filed in the office of the Secretary of the Corporation.

**ESTIMATED BOND DEBT SERVICE**

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

Fiscal Year Ending June 30	Current	2020 Series School Building Revenue Bonds (100% Local)			Total
	Local Bond Payments	Principal	Interest	Total	Local Bond Payments
2020	\$2,804,688				\$2,804,688
2021	\$2,803,108	\$0	\$85,853	\$85,853	\$2,888,962
2022	\$2,801,429	\$115,000	\$162,438	\$277,438	\$3,078,867
2023	\$2,797,865	\$120,000	\$160,145	\$280,145	\$3,078,010
2024	\$2,801,745	\$120,000	\$157,685	\$277,685	\$3,079,430
2025	\$2,802,582	\$120,000	\$155,105	\$275,105	\$3,077,687
2026	\$2,797,008	\$125,000	\$152,348	\$277,348	\$3,074,355
2027	\$2,801,967	\$130,000	\$149,350	\$279,350	\$3,081,317
2028	\$2,803,044	\$130,000	\$146,165	\$276,165	\$3,079,209
2029	\$2,800,833	\$140,000	\$142,720	\$282,720	\$3,083,553
2030	\$2,803,033	\$140,000	\$139,010	\$279,010	\$3,082,043
2031	\$2,804,807	\$140,000	\$135,160	\$275,160	\$3,079,967
2032	\$2,803,766	\$145,000	\$131,098	\$276,098	\$3,079,863
2033	\$2,805,198	\$150,000	\$126,745	\$276,745	\$3,081,943
2034	\$2,803,682	\$155,000	\$122,093	\$277,093	\$3,080,775
2035	\$2,804,050	\$160,000	\$117,170	\$277,170	\$3,081,220
2036	\$2,801,326	\$165,000	\$112,010	\$277,010	\$3,078,336
2037	\$1,465,359	\$580,000	\$99,945	\$679,945	\$2,145,304
2038	\$1,461,496	\$600,000	\$80,620	\$680,620	\$2,142,116
2039	\$1,464,536	\$505,000	\$62,135	\$567,135	\$2,031,671
2040		\$775,000	\$40,375	\$815,375	\$815,375
2041		\$800,000	\$13,600	\$813,600	\$813,600
<b>Totals:</b>	<b>\$52,031,523</b>	<b>\$5,315,000</b>	<b>\$2,491,768</b>	<b>\$7,806,768</b>	<b>\$59,838,291</b>

Note: Numbers are rounded to the nearest \$1.00.

**ESTIMATED USE OF BOND PROCEEDS**

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

<b>Sources:</b>	
Par Amount of Bonds	<u>\$5,315,000.00</u>
Total Sources	\$5,315,000.00
<b>Uses:</b>	
Deposit to Construction Fund	\$5,157,590.00
Underwriter's Discount (2%)	106,300.00
Cost of Issuance	<u>51,110.00</u>
Total Uses	\$5,315,000.00

**DISTRICT STUDENT POPULATION**

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

<u>Year</u>	<u>Average Daily Attendance</u>	<u>Year</u>	<u>Average Daily Attendance</u>
2000-01	5,306.3	2010-11	5,500.3
2001-02	5,251.4	2011-12	5,449.6
2002-03	5,210.0	2012-13	5,493.3
2003-04	5,196.0	2013-14	5,583.5
2004-05	5,234.0	2014-15	5,617.9
2005-06	5,289.3	2015-16	5,628.3
2006-07	5,274.2	2016-17	5,714.1
2007-08	5,321.2	2017-18	5,700.2
2008-09	5,353.2	2018-19	5,704.3
2009-10	5,383.8	2019-20	5,669.4

*Source: Kentucky State Department of Education.*

**STATE SUPPORT**

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

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

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

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

The following table shows the computation of the capital outlay allotment for the Spencer County School District for certain preceding school years.

<u>Year</u>	<u>Capital Outlay Allotment</u>	<u>Year</u>	<u>Capital Outlay Allotment</u>
2000-01	187,720.0	2010-11	251,828.0
2001-02	199,270.0	2011-12	251,247.0
2002-03	212,160.0	2012-13	253,669.0
2003-04	203,000.0	2013-14	257,937.0
2004-05	215,530.0	2014-15	258,504.0
2005-06	220,400.0	2015-16	258,450.0
2006-07	233,960.0	2016-17	262,340.0
2007-08	241,870.0	2017-18	263,800.0
2008-09	246,523.0	2018-19	270,797.8
2009-10	249,625.0	2019-20	273,630.0

If the school district has no capital outlay needs, upon approval from the State, the funds can be used for schoolplant 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) and (2) an amended KRS 157.440.

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

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

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

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

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

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

**Local Tax Rates, Property Assessments and Revenue Collections**

<u>Tax Year</u>	<u>Combined Equivalent Rate</u>	<u>Total Property Assessment</u>	<u>Property Revenue Collections</u>
2000-01	54.2	484,713,062	2,627,145
2001-02	55.4	549,516,663	3,044,322
2002-03	54.6	619,631,348	3,383,187
2003-04	54.6	696,102,680	3,800,721
2004-05	59.2	756,246,951	4,476,982
2005-06	59.9	833,396,710	4,992,046
2006-07	59.2	938,157,690	5,553,894
2007-08	59.9	1,066,115,600	6,386,032
2008-09	58	1,115,675,993	6,470,921
2009-10	58	1,111,668,431	6,447,677
2010-11	61	1,133,002,762	6,911,317
2011-12	63.4	1,154,726,606	7,320,967
2012-13	65.4	1,173,415,075	7,674,135
2013-14	65.8	1,175,180,758	7,732,689
2014-15	67.1	1,190,235,841	7,986,482
2015-16	68	1,217,155,254	8,276,656
2016-17	68.3	1,246,768,281	8,515,427
2017-18	69.3	1,289,739,324	8,937,894
2018-19	67.6	1,416,330,581	9,574,395
2019-20	67.3	1,488,545,333	10,017,910

**OVERLAPPING BOND INDEBTEDNESS**

The following table shows any other overlapping bond indebtedness of the Spencer 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.

<u>Issuer</u>	<u>Original Principal Amount</u>	<u>Amount of Bonds Redeemed</u>	<u>Current Principal Outstanding</u>
County of Spencer			
General Obligation	665,000	471,685	193,315
Improvement Project Revenue	250,000	205,000	45,000
City of Taylorsville			
Airport Public Corporation	164,000	90,500	73,500
Water & Sewer Revenue	3,935,000	1,231,500	2,703,500
Improvement Project Revenue	3,302,000	492,000	2,810,000
Special Districts			
Spencer County Fire Protection District	305,800	152,900	152,900
<b>Totals:</b>	<b>8,621,800</b>	<b>2,643,585</b>	<b>5,978,215</b>

Source: 2020 Kentucky Local Debt Report.

**SEEK ALLOTMENT**

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

	<u>Base Funding</u>	<u>Local Tax Effort</u>	<u>Total State &amp; Local Funding</u>
2019-20 SEEK	11,461,194	10,017,910	21,479,104
2018-19 SEEK	11,721,930	9,574,395	21,296,325
2017-18 SEEK	11,355,037	8,937,894	20,292,931
2016-17 SEEK	11,348,036	8,515,427	19,863,463
2015-16 SEEK	11,225,522	8,276,656	19,502,178
2014-15 SEEK	11,020,288	7,986,482	19,006,770
2013-14 SEEK	10,653,779	7,732,689	18,386,468
2012-13 SEEK	10,231,997	7,674,135	17,906,132
2011-12 SEEK	10,104,064	7,320,967	17,425,031
2010-11 SEEK	9,382,308	6,911,317	16,293,625
2009-10 SEEK	9,150,764	6,447,677	15,598,441
2008-09 SEEK	9,855,418	6,470,921	16,326,339
2007-08 SEEK	9,759,576	6,386,032	16,145,608
2006-07 SEEK	8,905,486	5,553,894	14,459,380
2005-06 SEEK	8,443,891	4,992,046	13,435,937
2004-05 SEEK	7,759,137	4,476,982	12,236,119
2003-04 SEEK	7,148,595	3,800,721	10,949,316
2002-03 SEEK	6,934,064	3,383,187	10,317,251
2001-02 SEEK	6,970,763	3,044,322	10,015,085
2000-01 SEEK	6,580,700	2,627,145	9,207,845

- (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 \$0.673 for FY 2019-20. 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.

### **COVID-19**

The recent outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, which was first detected in China and has since spread to other countries, including the United States and the Commonwealth of Kentucky, has been declared a Pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to affect economic growth worldwide. On March 13, 2020, President Donald Trump declared a national emergency to unlock federal funds to help states and local governments fight the pandemic.

While the collection of property taxes, which are a significant source of building fund revenue for the payment of principal and interest due on the bonds (see "LOCAL SUPPORT" herein) may be impacted by the COVID-19 emergency, the District does not expect the impact to be significant unless the economic hardship is long term. In addition, the Commonwealth of Kentucky revenues are also likely to be impacted by a long-term economic hardship caused by declining collections of sales taxes, wage taxes, income taxes, property taxes and other revenue sources. The impact of those declining revenue collections on state education funds (see "STATE SUPPORT" herein) is unknown. Although the potential impact of the virus on the Commonwealth and the Board of Education's future ability to make payments under the Lease cannot be predicted at this time, the continued spread of the outbreak could have a material adverse effect on the Board of Education and ultimately, the Corporation.

On March 24, 2020 the Governor of Kentucky signed Senate Bill 177 which provides relief to Kentucky School Districts in light of the Coronavirus emergency. Among other things, it removes the limits on the number of days that a district can utilize an approved Non-Traditional Instruction program ("NTI"). Senate Bill 177 also authorizes Kentucky Superintendents to use their school year 2018-2019 attendance data on their Superintendent's Annual Attendance Report. The report determines a district's average daily attendance used in calculating Support Education Excellence in Kentucky ("SEEK") funds. On April 2, 2020, the Governor of Kentucky has recommended that all schools remain closed until at least May 1, 2020, and all 172 Kentucky school districts are utilizing KDE's Non-Traditional Instruction (NTI) Program. For more information on the Kentucky Department of Education's response to COVID 19, please see their website at <https://education.ky.gov/comm/Pages/COVID-19-Updates.aspx>.

### **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 and Corporation have been timely in making required filings under the terms of the Continuing Disclosure Agreement for the past five years.

Financial information regarding the Board may be obtained from Superintendent, Spencer County Board of Education, 207 W. Main St., Taylorsville, Kentucky 40071 (502) 477-3250.

## 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 computing the Federal alternative minimum tax.

(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, 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 Spencer 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 Spencer 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 Spencer 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**

**Spencer County School District Finance Corporation  
School Building Revenue Bonds  
Series of 2020**

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**Demographic and Economic Data**

## SPENCER COUNTY, KENTUCKY

Taylorsville, the county seat of Spencer County, is located in the Blue Grass Region of north-central Kentucky. The city is located 32 miles southeast of Louisville, Kentucky, and 60 miles west of Lexington, Kentucky. Taylorsville had an estimated 2019 population of 1,285.

Spencer County, with a rolling to hilly terrain, has a land area of 185 square miles. The county had a population of 18,748 persons in 2019. Spencer County's most prominent feature is Taylorsville Lake, a 3,050-acre impoundment of the Salt River. Taylorsville Lake was created by the U.S. Army Corps of Engineers and has been developed as a public recreation area and state park.

### **The Economic Framework**

Spencer County has a labor force of 9,976 people, with an unemployment rate of 3.9%. The top 5 jobs by occupation are as follows: office and administrative support - 323 (14.22%); education, training/library - 246 (10.83%); sales - 235 (10.34%); executive, managers and administrators - 213 (9.38%); and food preparation, serving - 160 (7.04%).

### **Transportation**

Taylorsville is served by Kentucky Highways 44 and 55, both "AAA"-rated trucking highways. Interstate 64 and the Blue Grass Parkway are both accessible within 16 miles of Taylorsville, via Kentucky 55. Sixteen trucking companies offer interstate and/or intrastate service to Taylorsville. Taylorsville is located 20 miles southwest of rail freight lines operated by CSX Transportation and the Norfolk Southern Corporation. The nearest scheduled commercial airline service is available at the Louisville International Airport, 28 miles northwest of Taylorsville.

### **Power and Fuel**

LG&E Energy Corp. provides electric power to Taylorsville and parts of Spencer County. East Kentucky Power Cooperative provide electric power to the remainder of Spencer County. Natural gas service is provided by LG&E Energy Corp.

## LOCAL GOVERNMENT

### **Structure**

The City of Taylorsville is served by a mayor and four commissioners. Spencer County is served by a county judge/executive and six magistrates.

### **Planning and Zoning**

Joint agency - Taylorsville-Spencer County Joint Planning and Zoning Commission

Participating cities - Taylorsville

Zoning enforced - All areas

Subdivision regulations enforced - All areas

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

## Property Taxes

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

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

Property assessments in Kentucky are at 100% fair cash value. Accounts receivable are taxed at 85% of face value.

## LABOR MARKET STATISTICS

The Taylorsville Labor Market Area includes Spencer County and the adjoining Kentucky counties of Anderson, Bullitt, Jefferson, Nelson and Shelby.

### Population

<b>Area</b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>
Taylorsville	1,252	1,275	1,285
Spencer County	18,507	18,794	18,748

*Source: Kentucky Cabinet for Economic Development*

### Population Projections

<b>Area</b>	<b><u>2025</u></b>	<b><u>2030</u></b>	<b><u>2035</u></b>
Spencer County	21,069	22,780	24,479

*Source: Kentucky State Data Center, University of Louisville.*

## EDUCATION

### Public Schools

	<b><u>Spencer County</u></b>
Total Enrollment (2018-2019)	2,940
Pupil-Teacher Ratio	17 - 1

### College and University

31.78% of the population in Spencer County have an Associate's degree or higher. 89.47% have a high school degree or higher.

## FINANCIAL INSTITUTIONS

<b><u>Institution</u></b>	<b><u>Total Assets</u></b>	<b><u>Total Deposits</u></b>
The Peoples Bank	\$106,534,000	\$91,541,000

*Source: McFadden American Financial Directory, July - December 2019 Edition.*

**APPENDIX B**

**Spencer County School District Finance Corporation  
School Building Revenue Bonds  
Series of 2020**

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**Audited Financial Statement ending June 30, 2019**



**SPENCER COUNTY SCHOOL DISTRICT**

BASIC FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION, AND  
REPORTS OF INDEPENDENT AUDITORS

YEAR ENDED JUNE 30, 2019

# SPENCER COUNTY SCHOOL DISTRICT

## TABLE OF CONTENTS

JUNE 30, 2019

	<u>Page</u>
<b>Independent Auditor's Report</b> .....	1 - 3
<b>Management's Discussion and Analysis</b> .....	4 - 9
<b>Basic Financial Statements:</b>	
<b>Government-wide Financial Statements:</b>	
Statement of Net Position .....	10
Statement of Activities .....	11
<b>Fund Financial Statements:</b>	
Balance Sheet – Governmental Funds .....	12
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position .....	13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	15
Statement of Net Position – Proprietary Funds .....	16
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds .....	17
Statement of Cash Flows – Proprietary Funds .....	18
Statement of Fiduciary Net Position – Fiduciary Funds .....	19
<b>Notes to the Basic Financial Statements</b> .....	20 - 54
<b>Required Supplementary Information</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – General Fund .....	55
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – Special Revenue Fund .....	56
Schedules of the District's Proportionate Share of the Net Pension Liability .....	57
Schedules of District Pension Contributions .....	58
Notes to Required Supplementary Information – Pensions .....	59

# SPENCER COUNTY SCHOOL DISTRICT

## TABLE OF CONTENTS

JUNE 30, 2019

Schedule of the District's Proportionate Share of the Net TRS OPEB Liability – Medical Insurance Fund .....	60
Schedule of Contributions to TRS Medical Insurance Fund .....	61
Schedule of the District's Proportionate Share of the Net TRS OPEB Liability – Life Insurance Fund .....	62
Schedule of Contributions to TRS Life Insurance Fund .....	63
Schedule of the District's Proportionate Share of the CERS Net OPEB Liability .....	64
Schedules of District CERS OPEB Contributions .....	65
Notes to Required Supplementary Information – OPEB .....	66
<b>Supplementary Information</b>	
<b>Combining Statements – Non-Major Funds</b>	
Combining Balance Sheet – Non-Major Governmental Funds .....	67
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds .....	68
Combining Statement of Fiduciary Net Position – Agency Funds .....	69
<b>Schools</b>	
Schedule of Assets, Receipts, Disbursements and Liabilities – All Schools .....	70
Schedule of Assets, Receipts, Disbursements and Liabilities – Spencer County High School .....	71 – 72
<b>Schedule of Expenditures of Federal Awards</b> .....	73 – 74
<b>Notes to the Schedule of Expenditures of Federal Awards</b> .....	75
<b>Schedule of Findings and Questioned Costs</b> .....	76 – 77
<b>Summary Schedule of Prior Year Audit Findings</b> .....	78
<b>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 <i>Government Auditing Standards</i></b> .....	79 – 80
<b>Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance</b> .....	81 – 82

## INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits and  
Members of the Board of Education  
Spencer County School District  
Taylorsville, Kentucky 40071

### 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 Spencer County School District (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 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 on 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 Spencer County School District, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2019, the District adopted Governmental Accounting Standards Board Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules and OPEB schedules on pages 4 – 9 and 55 – 66 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 District's basic financial statements. The combining and individual nonmajor fund financial statements and school activity funds 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 (CFR) 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, school activity funds, 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, school activity funds, 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 a report dated November 5, 2019, on our consideration of Spencer 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 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 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 Spencer County School District's internal control over financial reporting and compliance.

*Stiles, Carter & Associates, CPAs, P.S.C.*  
Stiles, Carter & Associates, CPAs, P.S.C.  
Bardstown, Kentucky  
November 5, 2019

**SPENCER COUNTY SCHOOL DISTRICT – TAYLORSVILLE, KY**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

As management of the Spencer 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. The reporting model is a combination of both government-wide financial statements and fund financial statements.

**FINANCIAL HIGHLIGHTS**

- The ending cash and cash equivalents balance for the District for the year ended June 30, 2019 (FY19) was \$16.3 million, including a construction fund cash balance of \$6.5 million, and a building fund cash balance of \$5.2 million.
- The District has no industrial tax base. The District’s property tax base is derived from residential growth and assessments. Property assessment values grew 3.4%. The District levied FY19 property tax rates of 63.1 cents per \$100 for real estate and 65.2 cents per \$100 for tangible property. The motor vehicle rate of 56 cents per \$100 of assessed value and the 3% utility tax rate remained unchanged from FY19.
- The District ended FY19 with an unassigned fund balance in the general fund of approximately \$4.0 million, which is approximately \$400 thousand more when compared to the previous year. The unassigned fund balance approximates a 14.1% contingency.
- Bonds are issued as the District constructs and/or renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with the Kentucky Department of Education’s stringent compliance regulations. The District’s bond debt was increased \$7.015 million with the issuance of the Series 2018 School Building Revenue Bonds. Regularly scheduled principal payment reduced outstanding principal by \$1.97 million in FY19.
- The District’s major construction projects for FY19 included the expansion of and improvements to the Spencer County High School’s athletic fields, tracks and courts. In addition, the District received approval from the Kentucky Department of Education to purchase property and build a bus garage with a projected cost of \$1.9 million. The District also received approval to renovate the old Taylorsville Elementary School not a Pre-K Early Learning Center with a projected cost of \$6.9 million.
- Employees received a 1.75% pay increase in addition to normal step and rank increases.
- At the end of FY19, the District reported a net pension liability of \$10.3 million related to the County Employees Retirement System.
- At the end of FY19, the District reported a net post-employment benefit obligation (OPEB) of \$6.9 million related to the Teacher’s Retirement System OPEB and \$3.0 million related to the County Employees Retirement System.
- As the District enters into FY19, budget concerns are focused on Kentucky’s pension crisis and the financial impact legislative actions will have on K-12 funding.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private-sector business. The government-wide financial statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of Governmental and Business-Type Activities for the District accompanied by a total column.

**SPENCER COUNTY SCHOOL DISTRICT – TAYLORSVILLE, KY**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the District’s assets and deferred outflows and liabilities and deferred inflows, including capital assets as well as long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability incurred. The types of transactions reported as program revenues for the District are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

The government-wide financial statements can be found on pages 10 through 11 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are food service and child care operations. All other activities of the district are included in the governmental funds. The basic governmental fund financial statements can be found on pages 12 through 19 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately \$5.2 million as of June 30, 2019.

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

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



**SPENCER COUNTY SCHOOL DISTRICT – TAYLORSVILLE, KY**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Net Position**

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

**Net Position  
(Table 1)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 17,149,110	\$ 11,792,576	\$ 352,397	\$ 285,371	\$ 17,501,507	\$ 12,077,947
Capital assets	48,768,870	47,170,345	256,482	308,853	49,025,352	47,479,198
Total assets	65,917,980	58,962,921	608,879	594,224	66,526,859	59,557,145
Deferred outflows of resources	3,893,101	4,357,678	533,260	650,107	4,426,361	5,007,785
Long-term obligations	59,011,111	53,989,679	2,025,081	2,017,749	61,036,192	56,007,428
Other liabilities	2,920,250	2,859,242	40,020	35,897	2,960,270	2,895,139
Total liabilities	61,931,361	56,848,921	2,065,101	2,053,646	63,996,462	58,902,567
Deferred inflows of resources	1,527,586	996,982	205,744	172,780	1,733,330	1,169,762
Net position:						
Net investment in capital assets	6,581,792	9,796,300	256,482	308,853	6,838,274	10,105,153
Restricted	11,881,439	6,966,714	-	-	11,881,439	6,966,714
Unrestricted	(12,111,097)	(11,288,318)	(1,385,188)	(1,290,948)	(13,496,285)	(12,579,266)
Total net position	\$ 6,352,134	\$ 5,474,696	\$ (1,128,706)	\$ (982,095)	\$ 5,223,428	\$ 4,492,601

The following are significant current year transactions impacting the Statement of Net Position:

- Capital assets increased approximately \$1.60 million due to current year depreciation of \$1.53 million offset by FY2019 additions of approximately \$3.13 million primarily as a result of construction costs related to bus purchases and land improvements for the new Spencer County High School sports complex.
- Total long-term obligations for bonds increased approximately \$4.95 million as a result the issuance the of the Series 2018 School Building Revenue Bonds related to the Spencer County High School Athletic Facility project. During fiscal year 2019, bonds were decreased by regularly scheduled principal payments of \$1.97 million. Also, the District paid \$38,718 toward a claim related to outstanding claims and deficits of the Kentucky School Boards Insurance Trust (KSBIT). The District's proportionate share of CERS reported net pension liability increased approximately \$553 thousand during fiscal year 2019. As of June 30, 2019, the District's proportionate share of the CERS net pension liability was \$10.29 million (as actuarially determined by CERS). The District's proportionate share of CERS reported net OPEB liability decreased approximately \$344 thousand during fiscal year 2019. As of June 30, 2019, the District's proportionate share of the CERS net OPEB liability was \$3.00 million (as actuarially determined by CERS). The District's proportionate share of TRS reported net OPEB liability decreased approximately \$92 thousand during fiscal year 2019. As of June 30, 2019, the District's proportionate share of the TRS net OPEB liability was \$6.93 million (as actuarially determined by TRS).

**SPENCER COUNTY SCHOOL DISTRICT – TAYLORSVILLE, KY**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Change in Net Position**

The following Table 2 presents the summary of changes in net position for the fiscal years ending June 30, 2019 and 2018.

**Changes in Net Position  
(Table 2)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
<b>REVENUES</b>						
<b>Program Revenues</b>						
Charges for services	\$ 189,367	\$ 197,135	\$ 863,475	\$ 833,629	\$ 1,052,842	\$ 1,030,764
Operating grants and contributions	(244,231)	13,030,650	1,034,181	985,155	789,950	14,015,805
Capital grants and contributions	1,575,431	1,490,204	-	-	1,575,431	1,490,204
<b>General Revenues</b>						
Property taxes	7,582,843	7,108,793	-	-	7,582,843	7,108,793
Motor vehicle taxes	982,033	938,229	-	-	982,033	938,229
Utility taxes	712,700	735,720	-	-	712,700	735,720
Franchise taxes	166,532	185,026	-	-	166,532	185,026
Investment earnings	394,810	197,666	7,615	3,775	402,425	201,441
State aid formula grants	11,501,007	11,140,257	-	-	11,501,007	11,140,257
Gain (loss) on sale of equipment	-	28,796	-	-	-	28,796
Miscellaneous	367,771	310,891	17,138	11,977	384,909	322,868
<b>Total revenues</b>	<b>23,228,263</b>	<b>35,363,367</b>	<b>1,922,409</b>	<b>1,834,536</b>	<b>25,150,672</b>	<b>37,197,903</b>
<b>EXPENSES</b>						
<b>Program Activities</b>						
Instruction	8,283,946	20,988,167	-	-	8,283,946	20,988,167
Student support	1,714,079	1,492,152	-	-	1,714,079	1,492,152
Instruction staff support	1,795,771	2,034,106	-	-	1,795,771	2,034,106
District administration support	777,741	858,738	-	-	777,741	858,738
School administrative support	1,719,713	1,926,331	-	-	1,719,713	1,926,331
Business support	930,019	859,593	-	-	930,019	859,593
Plant operation and maintenance	2,860,689	3,006,262	-	-	2,860,689	3,006,262
Student transportation	2,678,707	2,589,055	-	-	2,678,707	2,589,055
Community service activities	214,798	212,303	-	-	214,798	212,303
Other	-	66,738	-	-	-	66,738
Facilities acquisition and construction	152,120	240,708	-	-	152,120	240,708
Interest on long-term debt	1,275,212	1,139,085	-	-	1,275,212	1,139,085
<b>Business-type Activities</b>						
Food service	-	-	1,566,854	1,601,431	1,566,854	1,601,431
Child care	-	-	450,196	522,185	450,196	522,185
<b>Total expenses</b>	<b>22,402,795</b>	<b>35,413,238</b>	<b>2,017,050</b>	<b>2,123,616</b>	<b>24,419,845</b>	<b>37,536,854</b>
<b>Transfers</b>	<b>51,970</b>	<b>(225,766)</b>	<b>(51,970)</b>	<b>225,766</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ 877,438</b>	<b>\$ (275,637)</b>	<b>\$ (146,611)</b>	<b>\$ (63,314)</b>	<b>\$ 730,827</b>	<b>\$ (338,951)</b>

The following are significant current year transactions impacting the Changes in Net Position:

- Total revenues decreased approximately \$12.14 million primarily due to a negative on-behalf revenue of \$9.76 million related to the decreases in the TRS pension liability, offset by additional increases in property tax revenues and motor vehicle tax revenues of approximately \$518 thousand, as well as, increases in investment income of approximately \$197 thousand.
- Total expenses decreased approximately \$13.01 million primarily due to a negative on-behalf expense of \$9.76 million related to the decreases in the TRS pension liability. There were also additional decreases in Instruction and Instruction Staff Support (\$767,000 decrease); decreases in Plant Operations and Maintenance (\$146,000 decrease); decreases in school administrative support (\$207 thousand increase); and decreases in Food Service and Child Care of approximately \$107 thousand.

**SPENCER COUNTY SCHOOL DISTRICT – TAYLORSVILLE, KY**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Capital Assets**

At the end of fiscal year 2019, the School District had approximately \$49.0 million invested in land, building and improvements, vehicles, equipment, and construction in process. Table 3 shows fiscal year 2019 and 2018 balances.

**Capital Assets, Net of Depreciation**  
**(Table 3)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Land	\$ 764,213	\$ 764,213	\$ -	\$ -	\$ 764,213	\$ 764,213
Buildings and improvements	43,359,966	44,484,217	-	-	43,359,966	44,484,217
Technology Equipment	109,243	90,569	-	-	109,243	90,569
Vehicles	1,370,369	1,390,350	-	-	1,370,369	1,390,350
General equipment	202,874	210,676	256,482	308,853	459,356	519,529
<b>Total</b>	<b>45,806,665</b>	<b>46,940,025</b>	<b>256,482</b>	<b>308,853</b>	<b>46,063,147</b>	<b>47,248,878</b>
Construction in process	2,962,205	230,320	-	-	2,962,205	230,320
<b>Total</b>	<b>\$ 48,768,870</b>	<b>\$ 47,170,345</b>	<b>\$ 256,482</b>	<b>\$ 308,853</b>	<b>\$ 49,025,352</b>	<b>\$ 47,479,198</b>

The following were major additions and capital assets placed in service during fiscal year 2019:

Buses	\$ 184,158
SCHS Greenhouses	69,552

The District also spent \$2,717,945 for construction and related costs for the high school athletic site improvements project for improvements that were ongoing at June 30, 2019. The amounts were added to construction in process as of June 30, 2019.

**Debt**

At June 30, 2019, the School District had \$42,285,000 in bonds outstanding. Of this amount, \$2,992,235 is to be paid by the Kentucky School Facility Construction Commission. A total of \$1,905,000 is due within one year.

**General Fund – Budget Highlights**

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

The most significant fluctuation in revenues is in state SEEK revenues which were overbudget by approximately \$415 thousand. Budgeted expenditures of approximately \$29.5 million compare with actual expenditures of approximately \$25.8 million. The most significant fluctuation is in the other category for \$3.0 million budget for contingency that was not needed. Additional significant variances from budgeted amounts include instruction staff expenditures were under budget by approximately \$83 thousand and plant operation and maintenance expenditures fell below budget by approximately \$220 thousand.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 20 – 54 of this report.

**SPENCER COUNTY SCHOOL DISTRICT – TAYLORSVILLE, KY**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**BUDGETARY IMPLICATIONS**

In Kentucky the public school fiscal year is July 1 – June 30; other programs, i.e. some federal, operate on a different fiscal year, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The district adopted a budget for 2018-2019 with a contingency that exceeded the 2% minimum. The District has adopted a budget for 2019-2020 with a contingency that exceeds the 2% requirement.

**ADDITIONAL CONTACT INFORMATION**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District’s finances and to show the District’s accountability for the money it receives. Questions regarding this report or requests for additional information should be directed to Vicki Goodlett Finance Officer, 207 West Main Street, Taylorsville, KY 40071 or by phone at 502-477-3250.

**SPENCER COUNTY SCHOOL DISTRICT**

**STATEMENT OF NET POSITION**

JUNE 30, 2019

<b>Assets</b>	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
<b>Current Assets</b>			
Cash and cash equivalents	\$ 16,338,727	\$ 300,150	\$ 16,638,877
Inventory	-	27,424	27,424
Receivables:			
Taxes-current	207,731	-	207,731
Taxes-delinquent	4,056	-	4,056
Other receivables	52,793	15,182	67,975
Intergovernmental-Indirect Federal	209,946	9,641	219,587
Deposit held by others	43,200	-	43,200
Prepays	292,657	-	292,657
<b>Total Current Assets</b>	<b>17,149,110</b>	<b>352,397</b>	<b>17,501,507</b>
<b>Noncurrent Assets</b>			
Non-depreciable capital assets	3,726,418	-	3,726,418
Depreciable capital assets, net of accumulated depreciation	45,042,452	256,482	45,298,934
<b>Total Noncurrent Assets</b>	<b>48,768,870</b>	<b>256,482</b>	<b>49,025,352</b>
<b>Total Assets</b>	<b>\$ 65,917,980</b>	<b>\$ 608,879</b>	<b>\$ 66,526,859</b>
<b>Deferred Outflows of Resources</b>			
Deferred amount on debt refundings	\$ 383,839	\$ -	\$ 383,839
CERS - Pension	2,242,716	403,139	2,645,855
CERS - OPEB	723,875	130,121	853,996
TRS - OPEB	542,671	-	542,671
<b>Total Deferred Outflows of Resources</b>	<b>\$ 3,893,101</b>	<b>\$ 533,260</b>	<b>\$ 4,426,361</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 259,802	\$ 4,565	\$ 264,367
Accrued liabilities	51,181	15,265	66,446
Unearned revenue	155,315	20,190	175,505
Bond obligations	1,905,000	-	1,905,000
Capital leases payable	162,101	-	162,101
Claims payable - KSBIT	38,718	-	38,718
Compensated absences	85,480	-	85,480
Interest payable	262,653	-	262,653
<b>Total Current Liabilities</b>	<b>2,920,250</b>	<b>40,020</b>	<b>2,960,270</b>
<b>Noncurrent Liabilities</b>			
Bond obligations	39,966,649	-	39,966,649
Capital leases payable	537,167	-	537,167
Claims payable - KSBIT	38,717	-	38,717
Compensated absences	274,104	-	274,104
Net OPEB liability - TRS	6,928,700	-	6,928,700
Net OPEB liability - CERS	2,542,851	457,091	2,999,942
Net pension liability - CERS	8,722,923	1,567,990	10,290,913
<b>Total Noncurrent Liabilities</b>	<b>59,011,111</b>	<b>2,025,081</b>	<b>61,036,192</b>
<b>Total Liabilities</b>	<b>\$ 61,931,361</b>	<b>\$ 2,065,101</b>	<b>\$ 63,996,462</b>
<b>Deferred Inflows of Resources</b>			
CERS - Pension	\$ 661,892	\$ 118,978	\$ 780,870
CERS - OPEB	482,694	86,766	569,460
TRS - OPEB	383,000	-	383,000
<b>Total Deferred Inflows of Resources</b>	<b>\$ 1,527,586</b>	<b>\$ 205,744</b>	<b>\$ 1,733,330</b>
<b>Net Position</b>			
Net investment in capital assets	\$ 6,581,792	\$ 256,482	\$ 6,838,274
Restricted	11,881,439	-	11,881,439
Unrestricted	(12,111,097)	(1,385,188)	(13,496,285)
<b>Total Net Position</b>	<b>\$ 6,352,134</b>	<b>\$ (1,128,706)</b>	<b>\$ 5,223,428</b>

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

**SPENCER COUNTY SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
<b>FUNCTIONS/PROGRAMS</b>							
<b>Governmental Activities:</b>							
Instruction	\$ 8,283,946	\$ 144,019	\$ (2,839,181)	\$ -	\$ (10,979,108)	\$ -	\$ (10,979,108)
Support services:							
Student	1,714,079	-	556,907	-	(1,157,172)	-	(1,157,172)
Instruction staff	1,795,771	-	800,253	-	(995,518)	-	(995,518)
District administrative	777,741	-	91,813	-	(685,928)	-	(685,928)
School administrative	1,719,713	-	459,844	-	(1,259,869)	-	(1,259,869)
Business	930,019	-	95,895	-	(834,124)	-	(834,124)
Plant operation and maintenance	2,860,689	-	146,556	-	(2,714,133)	-	(2,714,133)
Student transportation	2,678,707	11,521	248,901	-	(2,418,285)	-	(2,418,285)
Community service activities	214,798	-	194,781	-	(20,017)	-	(20,017)
Other	-	33,827	-	-	33,827	-	33,827
Facilities acquisition and construction	152,120	-	-	1,112,922	960,802	-	960,802
Interest on long-term debt	1,275,212	-	-	462,509	(812,703)	-	(812,703)
<b>Total Governmental Activities</b>	<u>22,402,795</u>	<u>189,367</u>	<u>(244,231)</u>	<u>1,575,431</u>	<u>(20,882,228)</u>	<u>-</u>	<u>(20,882,228)</u>
<b>Business-Type Activities:</b>							
Food service	1,566,854	516,407	975,322	-	-	(75,125)	(75,125)
Daycare	450,196	347,068	58,859	-	-	(44,269)	(44,269)
<b>Total Business-Type Activities</b>	<u>2,017,050</u>	<u>863,475</u>	<u>1,034,181</u>	<u>-</u>	<u>-</u>	<u>(119,394)</u>	<u>(119,394)</u>
<b>Total Primary Government</b>	<u>\$ 24,419,845</u>	<u>\$ 1,052,842</u>	<u>\$ 789,950</u>	<u>\$ 1,575,431</u>	<u>(20,882,228)</u>	<u>(119,394)</u>	<u>(21,001,622)</u>
<b>General Revenues:</b>							
Taxes:							
Property taxes					7,582,843	-	7,582,843
Motor vehicle taxes					982,033	-	982,033
Utility taxes					712,700	-	712,700
Other taxes					166,532	-	166,532
Investment earnings					394,810	7,615	402,425
State and formula grants					11,501,007	-	11,501,007
Miscellaneous					367,771	17,138	384,909
Transfers					51,970	(51,970)	-
Total general revenues					<u>21,759,666</u>	<u>(27,217)</u>	<u>21,732,449</u>
Change in net position					877,438	(146,611)	730,827
Net position - beginning					<u>5,474,696</u>	<u>(982,095)</u>	<u>4,492,601</u>
Net position - ending					<u>\$ 6,352,134</u>	<u>\$ (1,128,706)</u>	<u>\$ 5,223,428</u>

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

**SPENCER COUNTY SCHOOL DISTRICT**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

**JUNE 30, 2019**

	General Fund	Special Revenue	Construction Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>						
Cash and cash equivalents	\$ 4,358,151	\$ 45,401	6,479,144	\$ 5,227,009	\$ 229,022	\$ 16,338,727
Receivables:						
Taxes - current	207,730	-	-	-	-	207,730
Taxes - delinquent	4,056	-	-	-	-	4,056
Other receivables	30,694	20,148	1,951	-	-	52,793
Intergovernmental - Indirect Federal	6,231	203,715	-	-	-	209,946
Deposit held by others	-	-	43,200	-	-	43,200
Prepays	292,657	-	-	-	-	292,657
<b>Total Assets</b>	<u>\$ 4,899,519</u>	<u>\$ 269,264</u>	<u>\$ 6,524,295</u>	<u>\$ 5,227,009</u>	<u>\$ 229,022</u>	<u>\$ 17,149,109</u>
<b>Liabilities and Fund Balances:</b>						
<b>Liabilities</b>						
Accounts payable	\$ 65,102	\$ 9,805	\$ 183,334	\$ -	\$ 1,561	\$ 259,802
Accrued liabilities	28,345	20,238	-	-	2,598	51,181
Claims payable	38,718	-	-	-	-	38,718
Compensated absences	3,173	-	-	-	-	3,173
Unearned revenue	4,700	150,615	-	-	-	155,315
<b>Total Liabilities</b>	<u>140,038</u>	<u>180,658</u>	<u>183,334</u>	<u>-</u>	<u>4,159</u>	<u>508,189</u>
<b>Fund Balances</b>						
Nonspendable	292,657	-	-	-	-	292,657
Restricted	-	88,606	6,340,961	5,227,009	224,863	11,881,439
Committed	346,374	-	-	-	-	346,374
Assigned	134,999	-	-	-	-	134,999
Unassigned	3,985,451	-	-	-	-	3,985,451
<b>Total Fund Balances</b>	<u>4,759,481</u>	<u>88,606</u>	<u>6,340,961</u>	<u>5,227,009</u>	<u>224,863</u>	<u>16,640,920</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 4,899,519</u>	<u>\$ 269,264</u>	<u>\$ 6,524,295</u>	<u>\$ 5,227,009</u>	<u>\$ 229,022</u>	<u>\$ 17,149,109</u>

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

**SPENCER COUNTY SCHOOL DISTRICT**

**RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION**

JUNE 30, 2019

Total fund balance per fund financial statements	\$ 16,640,920
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.	48,768,870
Governmental funds record debt refundings as other financing uses when the issues are refunded. Unamortized losses on refundings are reported on the statement of net position as deferred outflows of resources.	383,839
Governmental funds do not record deferred outflows of resources for pensions and OPEB but those are reported on the statement of net position as deferred outflows of resources.	3,509,262
Governmental funds do not record deferred inflows of resources for pensions and OPEB but those are reported on the statement of net position as deferred inflows of resources.	(1,527,586)
Certain liabilities are not reported in this fund financial statement because because they are not due and payable, but they are presented in the statement of net position:	
Bonds payable (net of discounts/premiums)	(41,871,649)
Interest payable	(262,653)
Capital lease obligations	(699,268)
Long-term portion of claims payable KSBIT	(38,717)
Compensated absences	(356,410)
Net OPEB - TRS	(6,928,700)
Net OPEB - CERS	(2,542,851)
Net pension liability - CERS	<u>(8,722,923)</u>
Net position for governmental activities	<u>\$ 6,352,134</u>

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



# SPENCER COUNTY SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

### GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Special Revenue	Construction Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
From local sources:						
Taxes:						
Property	\$ 5,458,348	\$ -	\$ -	\$ 2,124,495	\$ -	\$ 7,582,843
Motor vehicle	982,033	-	-	-	-	982,033
Utilities	712,700	-	-	-	-	712,700
Other taxes	166,532	-	-	-	-	166,532
Earnings on investments	174,494	1,007	105,938	113,371	-	394,810
Other local revenues	365,483	73,798	-	6,000	271,682	716,963
Intergovernmental - State	18,241,320	921,730	-	842,124	733,307	20,738,481
Intergovernmental - Indirect Federal	64,040	1,613,443	-	-	-	1,677,483
<b>Total Revenues</b>	<b>26,164,950</b>	<b>2,609,978</b>	<b>105,938</b>	<b>3,085,990</b>	<b>1,004,989</b>	<b>32,971,845</b>
<b>Expenditures:</b>						
Instruction	15,266,591	1,853,404	-	-	256,146	17,376,141
Support services:						
Student	1,578,286	107,569	-	-	896	1,686,751
Instruction staff	1,356,332	373,387	-	-	1,147	1,730,866
District administrative	794,874	81	-	-	-	794,955
School administrative	1,636,316	-	-	-	-	1,636,316
Business	830,179	-	-	-	-	830,179
Plant operation and maintenance	1,768,602	31,200	-	-	1,825	1,801,627
Student transportation	2,364,535	43,380	-	-	-	2,407,915
Facilities acquisition and construction	-	-	2,827,444	-	-	2,827,444
Community service activities	5,984	194,781	-	-	-	200,765
Other	-	-	-	-	-	-
Debt service:						
Cost of issuance	-	-	56,560	-	-	56,560
Principal	189,336	-	-	-	1,970,000	2,159,336
Interest	21,072	-	-	-	1,132,907	1,153,979
<b>Total Expenditures</b>	<b>25,812,107</b>	<b>2,603,802</b>	<b>2,884,004</b>	<b>-</b>	<b>3,362,921</b>	<b>34,662,834</b>
<b>Excess (Deficit) of Revenues over Expenditures</b>	<b>352,843</b>	<b>6,176</b>	<b>(2,778,066)</b>	<b>3,085,990</b>	<b>(2,357,932)</b>	<b>(1,690,989)</b>
<b>Other Financing Sources (Uses):</b>						
Proceeds from disposal of capital assets	3,492	-	-	-	-	3,492
Bond principal proceeds	-	-	7,015,000	-	-	7,015,000
Bond discount	-	-	(113,962)	-	-	(113,962)
Transfers in	55,126	60,675	383,744	-	2,640,398	3,139,943
Transfers out	(60,675)	(3,156)	-	(2,753,130)	(271,012)	(3,087,973)
<b>Total Other Financing Sources (Uses)</b>	<b>(2,057)</b>	<b>57,519</b>	<b>7,284,782</b>	<b>(2,753,130)</b>	<b>2,369,386</b>	<b>6,956,500</b>
<b>Net Change in Fund Balances</b>	<b>350,786</b>	<b>63,695</b>	<b>4,506,716</b>	<b>332,860</b>	<b>11,454</b>	<b>5,265,511</b>
<b>Fund Balance, July 1, 2018</b>	<b>4,408,695</b>	<b>24,911</b>	<b>1,834,245</b>	<b>4,894,149</b>	<b>213,409</b>	<b>11,375,409</b>
<b>Fund Balance, June 30, 2019</b>	<b>\$ 4,759,481</b>	<b>\$ 88,606</b>	<b>\$ 6,340,961</b>	<b>\$ 5,227,009</b>	<b>\$ 224,863</b>	<b>\$ 16,640,920</b>

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

**SPENCER COUNTY SCHOOL DISTRICT**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF  
ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2019

Net change in total fund balances per fund financial statements		\$ 5,265,511
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceed depreciation expense for the year.		
Capital expenditures	\$ 3,134,273	
Depreciation	<u>(1,529,499)</u>	1,604,774
The proceeds for the issuance of bonds provide current financial resources and are reported in this fund financial statement but they are presented as liabilities in the statement of net position.		(7,015,000)
Debt service 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. The difference is the amount of principal payment during the year for:		
Principal payments on bonds	1,970,000	
Discount on bonds	113,962	
Principal payments on capital leases	<u>189,336</u>	2,273,298
In the statement of activities, only the gain (loss) on sale of capital assets is reported, whereas in the governmental funds, the proceeds for the sale increased financial resources.		(6,249)
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.		
Compensated absences - long-term	(105,267)	
Changes in interest payable, discounts, and deferred amounts on refunding	(121,233)	
Claims payable - KSBIT (noncurrent)	38,718	
Pension and OPEB expenses related to changes in the net pension / OPEB liabilities and the net changes in deferred outflows and inflows	<u>(1,057,114)</u>	<u>(1,244,896)</u>
Change in net position of governmental activities		<u>\$ 877,438</u>

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

**SPENCER COUNTY SCHOOL DISTRICT**

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

JUNE 30, 2019

	Food Service Fund	Child Care Fund	Total Enterprise Funds
<b>Assets</b>			
<b><u>Current Assets</u></b>			
Cash and cash equivalents	\$ 281,727	\$ 18,423	\$ 300,150
Inventory	27,424	-	27,424
Other receivables	402	14,780	15,182
Intergovernmental receivable - Indirect Federal	8,650	991	9,641
<b>Total Current Assets</b>	<b>318,203</b>	<b>34,194</b>	<b>352,397</b>
<b><u>Noncurrent Assets</u></b>			
Capital assets, net of accumulated depreciation	256,482	-	256,482
<b>Total Noncurrent Assets</b>	<b>256,482</b>	<b>-</b>	<b>256,482</b>
<b>Total Assets</b>	<b>\$ 574,685</b>	<b>\$ 34,194</b>	<b>\$ 608,879</b>
<b>Deferred Outflows of Resources</b>			
CERS - OPEB	\$ 81,522	\$ 48,599	\$ 130,121
CERS - Pension	252,569	150,570	403,139
<b>Total Deferred Outflows of Resources</b>	<b>\$ 334,091</b>	<b>\$ 199,169</b>	<b>\$ 533,260</b>
<b>Liabilities</b>			
<b><u>Current Liabilities</u></b>			
Accounts payable	\$ 3,733	\$ 832	\$ 4,565
Accrued expenses	2,920	12,345	15,265
Unearned revenues	19,174	1,016	20,190
<b>Total Current Liabilities</b>	<b>25,827</b>	<b>14,193</b>	<b>40,020</b>
<b><u>Noncurrent Liabilities</u></b>			
Net OPEB liability - CERS	286,371	170,720	457,091
Net pension liability - CERS	982,359	585,631	1,567,990
<b>Total Noncurrent Liabilities</b>	<b>1,268,730</b>	<b>756,351</b>	<b>2,025,081</b>
<b>Total Liabilities</b>	<b>\$ 1,294,557</b>	<b>\$ 770,544</b>	<b>\$ 2,065,101</b>
<b>Deferred Inflows of Resources</b>			
CERS - OPEB	\$ 54,360	\$ 32,406	\$ 86,766
CERS - Pension	74,541	44,437	118,978
<b>Total Deferred Inflows of Resources</b>	<b>\$ 128,901</b>	<b>\$ 76,843</b>	<b>\$ 205,744</b>
<b><u>Net Position</u></b>			
Net investment in capital assets	\$ 256,482	\$ -	\$ 256,482
Unrestricted	(771,164)	(614,024)	(1,385,188)
<b>Total Net Position</b>	<b>\$ (514,682)</b>	<b>\$ (614,024)</b>	<b>\$ (1,128,706)</b>

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

**SPENCER COUNTY SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2019

	Food Service Fund	Child Care Fund	Total Enterprise Funds
<b>Operating Revenues</b>			
Lunchroom sales	\$ 516,407	\$ -	\$ 516,407
Other revenue	1,454	15,684	17,138
Tuition and fees	-	347,068	347,068
<b>Total Operating Revenues</b>	<u>517,861</u>	<u>362,752</u>	<u>880,613</u>
<b>Operating Expenses</b>			
Salaries and wages	733,269	421,349	1,154,618
Materials and supplies	778,647	27,306	805,953
Depreciation	52,371	-	52,371
Other operating expenses	2,567	1,541	4,108
<b>Total Operating Expenses</b>	<u>1,566,854</u>	<u>450,196</u>	<u>2,017,050</u>
Operating loss	<u>(1,048,993)</u>	<u>(87,444)</u>	<u>(1,136,437)</u>
<b>Non-Operating Revenues (Expenses)</b>			
Federal grants	804,896	11,730	816,626
Donated commodities	80,007	-	80,007
State grants	11,651	300	11,951
State on-behalf payments	78,768	46,829	125,597
Interest income	6,490	1,125	7,615
<b>Total Non-Operating Revenues (Expenses)</b>	<u>981,812</u>	<u>59,984</u>	<u>1,041,796</u>
Transfers out	<u>(29,279)</u>	<u>(22,691)</u>	<u>(51,970)</u>
Changes in net position	<u>(96,460)</u>	<u>(50,151)</u>	<u>(146,611)</u>
<b>Net Position, July 1, 2018</b>	<u>(418,222)</u>	<u>(563,873)</u>	<u>(982,095)</u>
<b>Net Position, June 30, 2019</b>	<u>\$ (514,682)</u>	<u>\$ (614,024)</u>	<u>\$ (1,128,706)</u>

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

**SPENCER COUNTY SCHOOL DISTRICT**

**STATEMENT OF CASH FLOWS**

**PROPRIETARY FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2019**

	Food Service Fund	Child Care Fund	Total Enterprise Funds
<b>Cash Flows from Operating Activities</b>			
Cash received from:			
Lunchroom sales	\$ 521,369	\$ -	\$ 521,369
Tuition and fees	-	349,173	349,173
Other revenue	1,454	15,684	17,138
Cash paid to / for:			
Employees	(546,845)	(324,999)	(871,844)
Supplies	(695,143)	(28,968)	(724,111)
Other activities	(2,567)	(1,541)	(4,108)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>(721,732)</u>	<u>9,349</u>	<u>(712,383)</u>
<b>Cash flows from Non-Capital Financing Activities</b>			
Federal grants	804,335	11,851	816,186
State grants	11,651	300	11,951
Transfers to other funds	(29,279)	(22,691)	(51,970)
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<u>786,707</u>	<u>(10,540)</u>	<u>776,167</u>
<b>Cash Flows from Investing Activities</b>			
Receipt of interest income	6,490	1,125	7,615
<b>Net Cash Provided by Investing Activities</b>	<u>6,490</u>	<u>1,125</u>	<u>7,615</u>
Net change in cash and cash equivalents	71,465	(66)	71,399
<b>Balances, beginning of year</b>	<u>210,262</u>	<u>18,489</u>	<u>228,751</u>
<b>Balances, end of year</b>	<u>\$ 281,727</u>	<u>\$ 18,423</u>	<u>\$ 300,150</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating loss	\$ (1,048,993)	\$ (87,444)	\$ (1,136,437)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation	52,371	-	52,371
Donated commodities	80,007	-	80,007
State on-behalf payments	78,768	46,829	125,597
GASB 68 / 75 pension / OPEB expense	106,621	50,522	157,143
Change in assets and liabilities:			
Other receivables	1,577	2,327	3,904
Inventory	909	-	909
Accounts payable	2,588	(1,662)	926
Accrued expenses	1,035	(1,001)	34
Unearned revenues	3,385	(222)	3,163
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ (721,732)</u>	<u>\$ 9,349</u>	<u>\$ (712,383)</u>
<b>Schedule of Non-cash Transactions</b>			
Donated commodities received from federal government	<u>\$ 80,007</u>	<u>\$ -</u>	<u>\$ 80,007</u>
State on-behalf payments	<u>\$ 78,768</u>	<u>\$ 46,829</u>	<u>\$ 125,597</u>
CERS Pension and OPEB	<u>\$ 106,621</u>	<u>\$ 50,522</u>	<u>\$ 157,143</u>

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

**SPENCER COUNTY SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2019**

	Agency Fund
<b>Assets</b>	
Cash and cash equivalents	\$ 236,535
Receivables	18,677
	<hr/>
<b>Total Assets</b>	<b>\$ 255,212</b>
	<hr/> <hr/>
<b>Liabilities</b>	
Accounts payable	\$ 2,563
Due to student groups	252,649
	<hr/>
<b>Total Liabilities</b>	<b>\$ 255,212</b>
	<hr/> <hr/>
<b>Net Position Held in Trust</b>	<b>\$ -</b>
	<hr/> <hr/>

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

# SPENCER COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Reporting Entity

The Spencer 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 Spencer 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 and account groups relevant to the operation of the Spencer 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 Board itself such as Band Boosters, Parent-Teacher Associations, etc.

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

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

Spencer County School District Finance Corporation – In 1988, the Board of Education resolved to authorize the establishment of the Spencer County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the Corporation) as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation’s Board of Directors. The Corporation is blended into the District’s financial statements.

#### Basis of Presentation

The District’s basic financial statement consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within the 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. 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 accompanied by a total column.

# SPENCER COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and deferred outflows and liabilities and deferred inflows, including capital assets as well as long-term liabilities are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the District are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

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

Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

All governmental funds are accounted for on the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statements of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financial sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the District are property tax and utility tax. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The District has the following funds:

#### I. Governmental Fund Types

- A. The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund and any fund balances are considered as resources available for use. This is a major fund of the District.
- B. The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts 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 the 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 on pages 73 – 74. This is a major fund of the District.



# SPENCER COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- C. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).
    - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan.
    - 2. The Facility Support Program of Kentucky (FSPK), Building Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan. This is a major fund of the District.
    - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
  - D. The Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.
  - E. The District Activity Fund is a special revenue fund type and is used to account for funds at the school level.
- II. Proprietary Fund Types (Enterprise Fund)
- A. The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund.
  - B. The Child Care Fund is used to account for after school revenues and programs where a fee is charged for participating. The Child Care Fund is a major fund.
- III. Fiduciary Fund Type (Agency Funds)
- A. 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 the Uniform Program of Accounting for School Activity Funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

# SPENCER COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### 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 60 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 resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from non-exchange 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 of 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.

#### Property Taxes

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 into the General Fund and then transferred to the appropriate fund.

# SPENCER COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The property tax rates assessed for the year ended June 30, 2019, to finance the District's operations were \$0.631 per \$100 valuation for real property, \$0.652 per \$100 valuation for business personal property and \$0.560 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 district, of telephonic and telegraphic communications services, electric power, water, and natural, artificial and mixed gas.

#### Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars. 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.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	25-50 years
Land Improvements	20 years
Technology Equipment	5 years
Vehicles	5-10 years
Food Service Equipment	10-12 years
Furniture and Fixtures	7 years

#### Interfund Balances

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.

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

# SPENCER COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end in accordance with state 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.

#### Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve a portion of an applicable appropriation, is utilized for budgetary control purposes. Encumbrances are not the equivalent of expenditures, and accordingly, amounts assigned for encumbrances at the governmental fund level indicate that portion of the fund balance segregated for expenditure upon vendor performance.

#### Cash and Cash Equivalents

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

#### Inventories

On government-wide financial statements inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method and the general fund uses the first-in, first-out method.

#### 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 an expenditure/expense is reported in the year in which services are consumed.

# SPENCER COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Accrued Liabilities and Long-Term Obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the non-current portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within 60 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.

#### Compensated Absences

Compensated absences are payments to employees for accumulated sick leave. These amounts also include the related employer's share of applicable taxes and retirement contributions. District employees may accumulate unused sick leave up to a specified amount depending on their date of hire. Sick leave is payable to employees upon retirement at 30% of the current rate of pay on the date of retirement. The District uses the termination method to calculate the compensated absences amounts. The entire compensated absence liability is reported on the government-wide financial statements. The current portion is the amount estimated to be used in the following year. An expenditure is recognized in the governmental fund as payments come due each period, for example, as a result of employee retirements.

Compensated absences are not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

#### Pension and OPEB Plans

For purposes of measuring the net pension liability, net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the Teachers' Retirement System Kentucky (TRS) and County Employees Retirement System (CERS) and additions to/deductions from TRS's and CERS's fiduciary net position have been determined on the same basis as they are reported by TRS and 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.

#### Fund Balances

Governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

- *Nonspendable fund balance* - amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact.
- *Restricted fund balance* - amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation.

# SPENCER COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- *Committed fund balance* – amounts constrained to specific purposes by the District itself, using its decision making authority to be reported as committed, amounts cannot be used for any other purpose unless the District takes action to remove or change the constraint.
- *Assigned fund balance* - amounts intended to be used by the District for specific purposes that are neither restricted nor committed. The Board and its designees (of which there are none) have the authority to assign amounts to be used for specific purposes.
- *Unassigned fund balance* - This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

#### Net Position

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

#### Operating Revenues

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.

#### Contributions of Capital

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

#### Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and as nonoperating revenues/expenses in proprietary funds.

# SPENCER COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Recently Issued And Adopted Accounting Principles

In April 2018, the GASB issued Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement is effective for periods beginning after June 15, 2018. The statement was adopted during the fiscal year and did not have an effect on the District's financial statements.

#### Recently Issued Accounting Pronouncements

In January 2017, the GASB issued Statement 84, *Fiduciary Activities*. This statement is effective for periods beginning after December 15, 2018. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2017, the GASB issued Statement 87, *Leases*. This statement is effective for periods beginning after December 15, 2019. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2018, the GASB issued Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement is effective for periods beginning after December 15, 2019. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In August 2018, the GASB issued Statement 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. This statement is effective for periods beginning after December 15, 2018. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In May 2019, the GASB issued Statement 91, *Conduit Debt Obligations*. This statement is effective for periods beginning after December 15, 2020. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

### NOTE 2 – ESTIMATES

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

### NOTE 3 – CASH AND CASH EQUIVALENTS

#### Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities. At June 30, 2019, \$9,181,598 of the District's bank balance of \$18,801,287 was exposed to custodial credit risk. The \$9,181,598 of the bank balance not covered by depository insurance was collateralized by securities held by the pledging financial institution.

**SPENCER COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

**NOTE 4 – TRANSFER OF FUNDS**

The following transfers were made during the year ending June 30, 2019:

**Fund Financial Statements:**

From Fund	To Fund	Purpose	Amount
General	Special Revenue	Technology Match	\$ 55,926
General	Special Revenue	Grant Match	4,749
Non-major	Construction	Capital Outlay	214
Non-major	Non-major	Debt Service	270,798
Building	Construction	Capital Outlay	383,530
Building Fund	Non-major fund	Debt Service	2,369,600
Special Revenue	General	Indirect Costs	3,156
Food Service Fund	General Fund	Indirect Costs	29,279
Childcare Fund	General Fund	Operating	22,691

**Government-wide Financial Statements:**

From Fund	To Fund	Purpose	Amount
Food Service Fund	General Fund	Indirect Costs	\$ 29,279
Childcare Fund	General Fund	Operating	22,691



**SPENCER COUNTY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2019

**NOTE 5 – CAPITAL ASSETS**

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

Governmental Activities	Balance July 01, 2018	Additions	Deductions	Balance June 30, 2019
Capital Assets Not Being Depreciated:				
Land	\$ 764,213	\$ -	\$ -	\$ 764,213
Construction in progress	230,320	2,731,885	-	2,962,205
<b>Total Capital Assets Not Being Depreciated</b>	<b>994,533</b>	<b>2,731,885</b>	<b>-</b>	<b>3,726,418</b>
Capital Assets Being Depreciated:				
Land improvements	942,523	-	-	942,523
Buildings and improvements	57,198,092	83,222	(25,298)	57,256,016
Technology equipment	1,986,537	49,388	(71,881)	1,964,044
Vehicles	3,553,580	239,884	-	3,793,464
General equipment	633,324	29,894	(9,419)	653,799
<b>Total Capital Assets Being Depreciated at Historical Cost</b>	<b>64,314,056</b>	<b>402,388</b>	<b>(106,598)</b>	<b>64,609,846</b>
Accumulated depreciation:				
Land improvements	530,126	29,632	-	559,758
Buildings and improvements	13,126,272	1,172,807	(20,264)	14,278,815
Technology equipment	1,895,968	30,714	(71,881)	1,854,801
Vehicles	2,163,230	259,865	-	2,423,095
General equipment	422,648	36,481	(8,204)	450,925
<b>Total accumulated depreciation</b>	<b>18,138,244</b>	<b>1,529,499</b>	<b>(100,349)</b>	<b>19,567,394</b>
<b>Total Other Capital Assets, net</b>	<b>46,175,812</b>	<b>(1,127,111)</b>	<b>(6,249)</b>	<b>45,042,452</b>
<b>Governmental Activities Capital Assets - Net</b>	<b>\$ 47,170,345</b>	<b>\$ 1,604,774</b>	<b>\$ (6,249)</b>	<b>\$ 48,768,870</b>
Depreciation was charged to governmental functions as follows:				
Instruction	\$ 298,971			
District administration	1,927			
School administration	8,065			
Business support	8,198			
Plant	972,543			
Transportation	239,795			
	<u>\$ 1,529,499</u>			

# SPENCER COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 5 – CAPITAL ASSETS – CONTINUED

Business-Type Activities	Balance July 01, 2018	Additions	Deductions	Balance June 30, 2019
Capital Assets Being Depreciated:				
Technology equipment	\$ 23,583	\$ -	\$ (384)	\$ 23,199
General equipment	1,148,859	-	-	1,148,859
Totals at historical cost	<u>1,172,442</u>	<u>-</u>	<u>(384)</u>	<u>1,172,058</u>
Accumulated depreciation:				
Technology equipment	23,583	-	(384)	23,199
General equipment	840,006	52,371	-	892,377
Total accumulated depreciation	<u>863,589</u>	<u>52,371</u>	<u>(384)</u>	<u>915,576</u>
Business-type Activities				
Capital Assets - Net	<u>\$ 308,853</u>	<u>\$ (52,371)</u>	<u>\$ -</u>	<u>\$ 256,482</u>

### NOTE 6 – LONG-TERM OBLIGATIONS

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

Issue Date	Original Proceeds	Interest Rates
2005	\$ 755,000	4.00%
2009 Ref	5,940,000	2.00% - 3.375%
2011	9,740,000	1.00% - 2.50%
2016 Ref	10,055,000	2.00% - 3.8%
2016	18,235,000	2.00% - 2.625%
2018	7,015,000	3.00% - 3.875%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Spencer County School District Finance Corporation 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 District entered into "participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs.

On November 8, 2018 the District issued \$7,015,000 in School Building Revenue Bonds at interest rates ranging from 3.00% to 3.95%. The net proceeds of \$6,844,478 (after \$56,560 in cost of issuance and \$113,962 in bond discount) were deposited in the construction fund. The final principal payment matures November 1, 2038.

The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements. The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2019 for debt service (principal and interest) are as follows:

**SPENCER COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

**NOTE 6 – LONG-TERM OBLIGATIONS – CONTINUED**

Year	Principal	Interest	SFCC Participation	District's Portion
2020	\$ 1,905,000	\$ 1,224,676	\$ 321,939	\$ 2,807,737
2021	1,945,000	1,177,298	321,940	2,800,358
2022	2,015,000	1,119,669	321,939	2,812,730
2023	2,055,000	1,065,007	321,940	2,798,067
2024	2,115,000	1,007,033	321,939	2,800,094
2025 - 2029	10,890,000	4,199,565	1,131,028	13,958,537
2030 - 2034	11,845,000	2,740,484	564,998	14,020,486
2035 - 2039	9,515,000	811,991	330,224	9,996,767
	<u>\$ 42,285,000</u>	<u>\$ 13,345,723</u>	<u>\$ 3,635,947</u>	<u>\$ 51,994,776</u>

Capital Lease Obligations

The District has entered into multiple capital lease participation agreements issued by the Kentucky Interlocal School Transportation Association (KISTA) for the purchase of school buses. Future minimum lease payments under the terms of the lease are as follows:

Year Ending June 30:	
2020	178,490
2021	174,871
2022	142,110
2023	117,508
2024	72,978
2025 - 2026	62,476
	<u>748,433</u>
Less: amount representing interest	<u>(49,165)</u>
Present value of minimum lease payments	<u>\$ 699,268</u>
Current maturities	162,101
Non-current maturities	537,167
	<u>\$ 699,268</u>

The net book value of the buses under capital lease at June 30, 2019 is \$653,802.

Capital assets under capital leases are depreciated over the lower of their related lease terms or their estimated productive lives. Depreciation of assets under capital leases is included in depreciation expense.

**SPENCER COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

**NOTE 6 – LONG-TERM OBLIGATIONS – CONTINUED**

Changes in Long-term Obligations

Long-term liability activity for the year ended June 30, 2019, was as follows:

	Balance July 01, 2018	Additions	Deductions	Balance June 30, 2019	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Bonds Payable:					
Revenue bonds	\$ 37,240,000	\$ 7,015,000	\$ 1,970,000	\$ 42,285,000	\$ 1,905,000
Less Premium (Discount)	(323,333)	(113,962)	23,944	(413,351)	(25,971)
Total Bonds Payable	<u>36,916,667</u>	<u>6,901,038</u>	<u>1,993,944</u>	<u>41,871,649</u>	<u>1,879,029</u>
Other Liabilities:					
KISTA capital lease obligation	888,604	-	189,336	699,268	162,101
Claims payable - KSBIT	116,154	-	38,718	77,436	38,718
Compensated absences	266,636	128,270	35,322	359,584	85,480
Total Other Liabilities	<u>1,271,394</u>	<u>128,270</u>	<u>263,376</u>	<u>1,136,288</u>	<u>286,299</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 38,188,061</u>	<u>\$ 7,029,308</u>	<u>\$ 2,257,320</u>	<u>\$ 43,007,937</u>	<u>\$ 2,165,328</u>

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments. The entire compensated absence liability is reported on the government-wide financial statements.

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

The debt service fund is primarily responsible for paying the bond obligations through funding from the capital outlay and building funds. The general fund is primarily responsible for paying accrued sick leave and the KSBIT claim.

**NOTE 7 – OPERATING LEASES**

The District has two operating leases for copiers. The leases terms range from 36 to 48 months and monthly payments for the combined leases total \$6,839. The total amount paid in fiscal year 2019 was \$82,071.

# SPENCER COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 8 – PENSION PLANS

#### Plan Descriptions

The Spencer County School District participates in the Teachers' Retirement System of the State of Kentucky (TRS), a component unit of the Commonwealth of Kentucky which includes certified employees and the County Employees' Retirement System (CERS), a component unit of the Commonwealth of Kentucky which includes all other employees, both of which are cost-sharing multiple-employer defined benefit plans. TRS, which qualifies as a special funding situation under GASB 68, and CERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. TRS is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Retirement Systems (KERS) administers the CERS. The TRS and CERS issue a publicly available financial reports that include financial statements and required supplementary information. TRS' report may be obtained at [www.ktrs.ky.gov](http://www.ktrs.ky.gov). CERS' report may be obtained at [www.kyret.ky.gov](http://www.kyret.ky.gov).

#### TRS

##### ***Retirement Plan***

##### Benefits Provided

*For Members Before 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 twenty-seven (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 receive monthly payments equal to two percent (2%) (service prior to July 1, 1983) and two and one-half percent (2.5%) (service after July 1, 1983) of their final average salaries for each year of credited service. Non-university members who became members on or after July 1, 2002 will receive monthly benefits equal to two percent (2%) of their final average salary for each year of service if, upon retirement, their total service is less than ten (10) years. New members after July 1, 2002 who retire with ten (10) or more years of total service will receive monthly benefits equal to two and one-half percent (2.5%) of their final average salary for each year of service, including the first ten (10) years. In addition, non-university members who retire July 1, 2004 and later with more than thirty (30) years of service will have their multiplier increased for all years over thirty (30) from two and one-half percent (2.5%) to three percent (3%) 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.

The final average salary is the member's five (5) highest annual salaries except members at least age fifty-five (55) with twenty-seven (27) or more years of service may use their three (3) highest annual salaries. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service. The System also provides disability benefits for vested members at the rate of sixty percent (60%) of the final average salary. Cost of living increases are one and one-half percent (1.5%) annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

# SPENCER COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 8 – PENSION PLANS – CONTINUED

*For Members On or After 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 sixty (60) and complete five (5) years of Kentucky service, or
- 2.) Complete twenty-seven (27) years of Kentucky service, or
- 3.) Attain age fifty-five (55) and complete ten (10) years of Kentucky service.

The annual retirement allowance for non-university members is equal to: (a) one and seven tenths percent (1.7%) of final average salary for each year of credited service if their service is 10 years or less; (b) two percent (2.0%) of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) two and three tenths percent (2.3%) of final average salary for each year of credited service if their service is greater than 20 years but no more than 26 years; (d) two and one half percent (2.5%) of final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; (e) three percent (3.0%) of final average salary for years of credited service greater than 30 years.

The annual retirement allowance for university members is equal to: (a) one and one-half percent (1.5%) of final average salary for each year of credited service if their service is 10 years or less; (b) one and seven tenths percent (1.7%) of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) one and eighty five hundredths percent (1.85%) of final average salary for each year of credited service if their service is greater than 20 years but less than 27 years; (d) two percent (2.0%) of final average salary for each year of credited service if their service is greater than or equal to 27 years.

The final average salary is the member's five (5) highest annual salaries except members at least age fifty-five (55) with twenty-seven (27) or more years of service may use their three (3) highest annual salaries. For all members, the annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

#### Contributions

Contribution rates are established by Kentucky Revised Statutes. The State contributes 100 percent of school districts' contractually required contributions, which are actuarially determined. Employees are required to contribute 12.855 percent of their annual salary. The school districts' contractually required contribution rate for the year ended June 30, 2019, was 13.105 percent of salaries for members in the plan before July 1, 2008 and 14.105 percent of salaries for members who started their account after June 30, 2008. The District made no contributions to the pension plan for the year ended June 30, 2019. The District reimburses the State for retirement benefits paid on all federally funded employees.

# SPENCER COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 8 – PENSION PLANS – CONTINUED

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

At June 30, 2019, the District reported no net pension liability because it did not have a proportionate share of the net pension liability. There was no amount recognized by the District as its proportionate share of the net pension liability. The related State share of the net pension liability was \$44,714,289.

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 a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2018, the District's proportion was 0 percent.

For the year ended June 30, 2019, the District recognized pension expense of negative \$6,142,517 and revenue of negative \$6,142,517 (\$3,683,956 in the governmental funds and a negative \$9,826,473 in the government-wide activities) for support and amounts provided by the State. At June 30, 2019, the District reported no deferred outflows of resources and no deferred inflows of resources related to TRS.

#### Actuarial 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:

Inflation	3.00 percent
Salary increases	3.50 – 7.30 percent, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

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, set forward two years for males and one year for females.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study prepared for the period July 1, 2010 – June 30, 2015, submitted to and 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.

**SPENCER COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

**NOTE 8 – PENSION PLANS – CONTINUED**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
U.S. Equity	40%	4.20%
International Equity	22%	5.20%
Fixed income	15%	1.20%
Other	8%	3.30%
Real Estate	6%	3.80%
Private Equity	7%	6.30%
Cash	2%	0.90%
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. It is assumed that Plan member contributions will be made at the current contribution rates and that Employer contributions will be made at the Actuarially Determined Contribution rates, 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 to determine the total pension liability. The change in the discount rate from the 4.49% used in the 2017 disclosure reports is considered a change in actuarial assumptions or other inputs under GASB 68.

Sensitivity Of The Net Pension Liability To Changes In The Discount Rate

The District has no proportional share of the net pension liability. The following presents the sensitivity of the System's net pension liability calculated using the discount rate of 7.50 percent, as well as what the System’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1 % Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50)
System's net pension liability (in thousands)	\$ 17,595,452	\$ 13,726,922	\$ 10,472,071

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position, which has been determined on the same basis as that used by the plan, is available in the separately issued TRS financial report. The financial statements are prepared on the accrual basis of accounting. Member contributions and employer matching contributions are recognized in the fiscal year due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.



# SPENCER COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 8 – PENSION PLANS – CONTINUED

#### CERS

##### Benefits Provided

The system provides for retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of members under certain circumstances. Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 1, 2009, and on July 1 of each year thereafter through June 30, 2014, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgment, the welfare of the Commonwealth so demands. No COLA has been granted since July 1, 2011.

##### Contributions

For the fiscal year ended June 30, 2019, plan members who began participating prior to September 1, 2008, were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. The school districts' contractually required contribution rate for the year ended June 30, 2019, was 16.22 percent of annual creditable compensation. Contributions to the pension plan from the District were \$708,475.

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

At June 30, 2019, the District reported a liability of \$10,290,913 for its proportionate share of the net pension liability. 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 a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2018, the District's proportion was 0.168972 percent, which was an increase of .002611 percent from its proportion measured as of June 30, 2017.

**SPENCER COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

**NOTE 8 – PENSION PLANS – CONTINUED**

For the year ended June 30, 2019, the District recognized pension expense of \$887,399. At June 30, 2019, the District reported its proportionate share of the CERS 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 economic experience	\$ 335,661	\$ 150,637
Changes in actuarial assumptions	1,005,721	-
Difference between projected and actual investment earnings	478,535	601,929
Changes in proportion and differences between employer contributions and proportionate share of contributions	117,463	28,304
Contributions paid to CERS subsequent to the measurement date	708,475	-
	<u>\$ 2,645,855</u>	<u>\$ 780,870</u>

The amount reported as deferred outflows for District contributions subsequent to the measurement date of \$708,475 will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Pension Expense Amount
2020	\$ 873,675
2021	440,531
2022	(102,463)
2023	(55,233)
	<u>\$ 1,156,510</u>

Actuarial 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:

Inflation	2.30 percent
Salary increases	3.05 percent, average, including inflation
Investment rate of return	6.25 percent, net of pension plan investment expense, including inflation

Actuarial Assumptions

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 for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four 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.

# SPENCER COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 8 – PENSION PLANS – CONTINUED

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013 and adopted by the Board on December 4, 2014.

The long-term expected return on plan assets was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
U.S. Large Cap	5.0%	4.50%
U.S. Mid Cap	6.0%	4.50%
U.S. Small Cap	6.5%	5.50%
International Equity	12.5%	6.50%
Emerging Markets	5.0%	7.25%
Global Bonds	4.0%	3.00%
Global IG Credit	2.0%	3.75%
High Yield	7.0%	5.50%
Emerging Market Debt	5.0%	6.00%
Illiquid Private	10.0%	8.50%
Real Estate	5.0%	9.00%
Absolute Return	10.0%	5.00%
Real Return	10.0%	7.00%
Private Equity	10.0%	6.50%
Cash	2.0%	1.50%
	<u>100.0%</u>	

#### Discount Rate

The discount rate used to measure the total pension liability as of the Measurement Date was 6.25%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 year closed amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CERS Comprehensive Annual Financial Report.

#### Sensitivity Of The District's Proportionate Share Of The Net Pension Liability To Changes In The Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.25 percent, 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 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	1 % Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
District's proportionate share of the net pension liability	\$ 12,955,190	\$ 10,290,913	\$ 8,058,710

## SPENCER COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

#### NOTE 8 – PENSION PLANS – CONTINUED

##### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position, which has been determined on the same basis as that used by the plan, is available in the separately issued CERS financial report. The financial statements are prepared on the accrual basis of accounting. Member contributions and employer matching contributions are recognized in the fiscal year due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

#### NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS

##### Plan Descriptions

The Spencer County School District participates in the Teachers' Retirement System of the State of Kentucky (TRS), a component unit of the Commonwealth of Kentucky which includes certified employees and the County Employees' Retirement System (CERS), a component unit of the Commonwealth of Kentucky which includes all other employees, both of which are cost-sharing multiple-employer defined benefit plans. TRS, which qualifies as a special funding situation for the Life Insurance Fund under GASB 75, and CERS provide other post-employment benefits to plan members and beneficiaries. TRS is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Retirement Systems (KERS) administers the CERS. The TRS and CERS issue a publicly available financial reports that include financial statements and required supplementary information. TRS' report may be obtained at [www.trs.ky.gov](http://www.trs.ky.gov). CERS' report may be obtained at [www.kyret.ky.gov](http://www.kyret.ky.gov).

##### **TRS**

##### General Information about the OPEB Plan

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

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

##### **Medical Insurance 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.

# SPENCER COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

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 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 \$6,928,700 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 collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the District's proportion was 0.199691 percent which was an increase of .002796 percent from its proportion measured as of June 30, 2017.

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

District's proportionate share of the net OPEB liability	\$ 6,928,700
State proportionate share of the net OPEB liability associated with the District	5,971,000
	<u>\$ 12,899,700</u>

For the year ended June 30, 2019, the District recognized OPEB expense of \$306,551 in the governmental funds and revenues of \$376,000 (\$306,551 in the governmental funds and an additional \$69,449 in government-wide activities) for support provided by the Commonwealth. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

**SPENCER COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

**NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Differences between expected and actual economic experience	\$ -	\$ 355,000
Changes in actuarial assumptions	95,000	-
Difference between projected and actual investment earnings	-	28,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	84,000	-
Contributions paid to CERS subsequent to the measurement date	363,671	-
	<u>\$ 542,671</u>	<u>\$ 383,000</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$363,671 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 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 Ending June 30	OPEB Expense Amount
<u>                    </u>	<u>                    </u>
2020	\$ (42,000)
2021	(42,000)
2022	(42,000)
2023	(29,000)
2024	(32,000)
Thereafter	(17,000)
	<u>\$ (204,000)</u>

Actuarial 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:

Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 – 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Healthcare cost trend rates	
Under 65	7.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2024
Ages 65 and Older	5.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2021
Medicare Part B Premiums	1.02% for FY 2018 with an ultimate rate of 5.00% by 2030
Municipal Bond Index Rate	3.56%
Discount Rate	8.00%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation

# SPENCER COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. 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, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	58.0%	4.60%
Fixed Income	9.0%	1.20%
Real Estate	5.5%	3.80%
Private Equity	6.5%	6.30%
Other (LIBOR)	20.0%	3.30%
Cash	1.0%	0.90%
	<u>100.0%</u>	

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 assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

#### Sensitivity Of The District's Proportionate Share Of The Net OPEB Liability To Changes In The Discount Rate

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 what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1 % Decrease <u>(7.0%)</u>	Current Discount Rate <u>(8.0%)</u>	1% Increase <u>(9.0%)</u>
District's proportionate share of the net OPEB liability	\$ 8,125,000	\$ 6,928,700	\$ 5,932,000

# SPENCER COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

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.

	<u>1 % Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ 5,745,000	\$ 6,928,700	\$ 8,389,000

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

#### Life Insurance Fund

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

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

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

#### 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 was \$0 and the Commonwealth's total portion of the net OPEB liability that was associated with the District was \$102,000.

For the year ended June 30, 2019, the District recognized OPEB expense of \$17,000 and revenue of \$17,000 (\$3,557 in the governmental funds and an additional \$13,443 in government-wide activities) for support provided by the Commonwealth. At June 30, 2019, the District reported no deferred outflows of resources and deferred inflows of resources related to the OPEB.



# SPENCER COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

Actuarial 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:

Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 – 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Municipal Bond Index Rate	3.56%
Discount Rate	7.75%
Single Equivalent Interest Rate	7.50%, net of OPEB plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. 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, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
U.S. Equity	40%	4.20%
International Equity	23%	5.20%
Fixed Income	18%	1.20%
Real Estate	6%	3.80%
Private Equity	5%	6.30%
Other	6%	3.30%
Cash	2%	0.90%
Total	<u>100%</u>	

Discount rate - The discount rate used to measure the total OPEB liability for life insurance was 7.50%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

# SPENCER COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

#### Sensitivity Of The Net OPEB Liability To Changes In The Discount Rate

The District has no proportional share of the net pension liability. The following presents the sensitivity of the System's net pension liability calculated using the discount rate of 7.50 percent, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1 % Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50)
System's net OPEB liability (in thousands)	\$ 42,929	\$ 28,198	\$ 16,144

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

Plan description – The Kentucky Retirement Systems' Insurance Fund (Insurance Fund) was established to provide hospital and medical insurance for eligible members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

Benefits provided – For members participating prior to July 1, 2003, KRS pays a percentage of the monthly premium for single coverage based upon the service credit accrued at retirement. Members participating on or after July 1, 2003, and before September 1, 2008, are required to earn at least 10 years of service credit in order to be eligible for insurance benefits at retirement. Members participating on or after September 1, 2008 are required to earn at least 15 years of service credit in order to be eligible for insurance benefits at retirement. The monthly health insurance contribution will be \$10 for each year of earned service increased by the CPI prior to July 1, 2009, and by 1.5% annually from July 1, 2009.

Contributions – For the fiscal year ended June 30, 2019, plan members who began participating prior to September 1, 2008, were required to contribute 0% of their annual creditable compensation. Those members who began participating on, or after, September 1, 2008 and before January 1, 2014 were required to contribute 1% of their annual creditable compensation. Those members who began participating on, or after, January 1, 2014 were required to contribute 1% of their annual creditable compensation but their contribution is not credited to their account and is not refundable. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. The school districts' contractually required contribution rate for the year ended June 30, 2019, was 5.26 percent of annual creditable compensation. Contributions to the plan from the District were \$229,752.

**SPENCER COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

**NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)**

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 \$2,999,942 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of 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 school districts, actuarially determined. At June 30, 2019, the District's proportion was 0.168965, which was a decrease of .002604 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of \$120,881. At June 30, 2019, the District reported its proportionate share of the CERS 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 economic experience	\$ -	\$ 349,602
Changes in actuarial assumptions	599,132	6,931
Difference between projected and actual investment earnings	-	206,637
Changes in proportion and differences between employer contributions and proportionate share of contributions	25,112	6,290
Contributions paid to CERS subsequent to the measurement date	229,752	-
	<u>\$ 853,996</u>	<u>\$ 569,460</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$229,752 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 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 Ending June 30	OPEB Expense Amount
2020	\$ 13,945
2021	13,945
2022	13,945
2023	54,078
2024	(22,806)
Thereafter	(18,323)
	<u>\$ 54,784</u>

# SPENCER COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

Actuarial 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:

Investment rate of return	6.25%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.05%, average
Inflation rate	2.30%
Real Wage Growth	2.00%
Healthcare Trend Rate:	
Pre-65	Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post-65	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.
Municipal Bond Index Rate	3.62%
Discount Rate	5.85%

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 for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2008 — June 30, 2013.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the Systems. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated December 3, 2015. Several factors are considered in evaluating the 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 capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

**SPENCER COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

**NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
U.S. Large Cap	5.0%	4.50%
U.S. Mid Cap	6.0%	4.50%
U.S. Small Cap	6.5%	5.50%
International Equity	12.5%	6.50%
Emerging Markets	5.0%	7.25%
Global Bonds	4.0%	3.00%
Global IG Credit	2.0%	3.75%
High Yield	7.0%	5.50%
Emerging Market Debt	5.0%	6.00%
Illiquid Private	10.0%	8.50%
Real Estate	5.0%	9.00%
Absolute Return	10.0%	5.00%
Real Return	10.0%	7.00%
Private Equity	10.0%	6.50%
Cash	2.0%	1.50%
	<u>100.0%</u>	

The projection of cash flows used to determine the discount rate of 5.85% assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return 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. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

Sensitivity Of The District's Proportionate Share Of The Net OPEB Liability To Changes In The Discount Rate

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

	1 % Decrease (4.85%)	Current Discount Rate (5.85%)	1% Increase (6.85%)
District's proportionate share of the net OPEB liability	\$ 3,896,441	\$ 2,999,942	\$ 2,236,285

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.

# SPENCER COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

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

	<u>1 % Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ 2,233,485	\$ 2,999,942	\$ 3,903,370

### DEFERRED COMPENSATION

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Sections 457, 401(k) and 403(b). The Plans, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administrative involvement 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 show these assets and liabilities on these financial statements.

### NOTE 10 – FUND BALANCES

Nonspendable fund balances are those that cannot be spent on future obligations. At June 30, 2019, there were \$292,657 of nonspendable fund balances related to prepaid items.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2019, the District had \$88,606 restricted for grants in the special revenue fund; \$224,863 restricted for future school activities in the District Activity Fund; \$6,340,961 restricted for capital projects in the Construction Fund; and \$5,227,009 restricted for capital projects in the Building Fund.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had the following general fund commitments at June 30, 2019: \$66,581 for site-based carryforward; \$179,793 for sick leave; and \$100,000 for future site costs.

Assigned fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. Assigned fund balance also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose. The amount assigned in the general fund was \$134,999 (\$10,174 for open purchase orders, \$86,105 for vacation payable and, \$38,720 for KSBIT obligation assessment).

# SPENCER COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 10 – FUND BALANCES – CONTINUED

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The District considers unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Also, the District has established the order of assigned, committed and restricted when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

### NOTE 11 – COMMITMENTS AND CONTINGENCIES

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

In addition, the District operates in a heavily regulated environment. The operations of the District are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U.S. Department of Education and the Kentucky Department of Education. Such administrative directives, rules and regulations are subject to change by an act of Congress of the Kentucky Legislature or an administrative change mandated by the Kentucky Department of Education. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

In fiscal year 2015 the District was notified that in order to settle outstanding claims and deficits of the Kentucky School Boards Insurance Trust (KSBIT), a non-profit self-insured pool, an assessment would be made to present and prior insurance trust members.

In August 2014, the District was notified of the final assessment of \$309,745. The claim is to be paid over a seven-year period with two payments due the first year. The balance of the claim payable at June 30, 2019 totals \$77,435 in the statement of net position. Payments due under the claim at June 30, 2019 are as follows:

Year Ending June 30:		
2020	\$	38,718
2021		38,717
		<hr/>
	\$	77,435
		<hr/>

The District also has construction commitments at June 30, 2019.

### NOTE 12 – LITIGATION

The District is subject to various other legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the combined financial statements as a result of the cases presently in progress. The Spencer County School District is covered by insurance which provides for a defense and response to the litigation.

# SPENCER COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 13 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for errors and omissions and general liability coverage, the District purchases insurance with a commercial insurance company. District purchases insurance through Kentucky Employers Mutual Insurance for workers compensation.

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

### NOTE 14 – DEFICIT OPERATING BALANCES

The Food Service Fund and Child Care Fund had a deficit net position at June 30, 2019 in the amounts of \$514,682 and \$614,024, respectively. The deficit net position is a result of the recording of the net pension liability and net OPEB liability for CERS.

The following funds had operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of net position / fund balance:

Food Service Fund	\$ 96,460
Child Care Fund	50,151

### NOTE 15 – ON-BEHALF PAYMENTS

The District receives on-behalf payments from the Commonwealth of Kentucky for items including pension, technology, health care costs, operating costs and debt service. The amounts received and funds where these items were recorded for the fiscal year ended June 30, 2019 were as follows:

Health	\$ 2,645,416
Life	4,617
Admin	38,138
HRA	196,175
TRS - Pension	3,683,956
TRS - OPEB	310,108
Technology	89,195
Debt Service	462,509
Less: Federal Reimbursement	(109,241)
Total on-behalf	<u>\$ 7,320,873</u>

Recorded as follows:

General Fund	\$ 6,732,767
Food Service Fund	78,768
Childcare Fund	46,829
Debt Service Fund	462,509
Total by fund	<u>\$ 7,320,873</u>



**SPENCER COUNTY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2019

**NOTE 16 – 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, 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 includes Workers' Compensation insurance.

**NOTE 17 – 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).

**REQUIRED SUPPLEMENTARY INFORMATION**

**SPENCER COUNTY SCHOOL DISTRICT**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET TO ACTUAL  
GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Original</u>	<u>Final</u>	<u>Actual</u>
<b>Revenues</b>			
From local sources:			
Taxes:			
Property	\$ 5,534,270	\$ 5,534,270	\$ 5,458,348
Motor vehicle	938,282	938,282	982,033
Utilities	725,000	725,000	712,700
Other	174,952	174,952	166,532
Earnings on investments	112,000	112,000	174,494
Other local revenues	212,700	212,700	365,483
Intergovernmental - State	17,823,870	17,823,870	18,241,320
Intergovernmental - Indirect Federal	51,525	51,525	64,040
<b>Total Revenues</b>	<u>25,572,599</u>	<u>25,572,599</u>	<u>26,164,950</u>
<b>Expenditures</b>			
Instruction	15,512,170	15,522,656	15,266,591
Support services:			
Student	1,575,366	1,575,366	1,578,286
Instruction staff	1,439,499	1,439,499	1,356,332
District administrative	843,634	843,634	794,874
School administrative	1,675,688	1,675,688	1,636,316
Business support	860,343	863,160	830,179
Plant operation and maintenance	1,988,368	1,988,368	1,768,602
Student transportation	2,389,121	2,389,121	2,364,535
Community service activities	3,800	3,800	5,984
Other	3,047,065	3,033,762	-
Debt service:			
Principal	189,336	189,336	189,336
Interest	21,072	21,072	21,072
<b>Total Expenditures</b>	<u>29,545,462</u>	<u>29,545,462</u>	<u>25,812,107</u>
<b>Excess (Deficit) of Revenues over Expenditures</b>	(3,972,863)	(3,972,863)	352,843
<b>Other Financing Sources (Uses)</b>			
Proceeds from disposal of capital assets	1,000	1,000	3,492
Transfers in	78,398	78,398	55,126
Transfers out	(44,850)	(44,850)	(60,675)
<b>Total Other Financing Sources (Uses)</b>	<u>34,548</u>	<u>34,548</u>	<u>(2,057)</u>
<b>Net Change in Fund Balance</b>	(3,938,315)	(3,938,315)	350,786
<b>Fund Balance, July 1, 2018</b>	3,938,315	3,938,315	4,408,695
<b>Fund Balance, June 30, 2019</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,759,481</u>

**SPENCER COUNTY SCHOOL DISTRICT**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET TO ACTUAL  
SPECIAL REVENUE FUND**

FOR THE YEAR ENDED JUNE 30, 2019

	Original	Final	Actual
<b>Revenues</b>			
Earnings on investments	\$ 300	\$ 300	\$ 1,007
Other local revenues	51,926	69,296	73,798
Intergovernmental - State	858,423	861,033	921,730
Intergovernmental - Indirect Federal	1,512,201	1,532,566	1,613,443
<b>Total Revenues</b>	<u>2,422,850</u>	<u>2,463,195</u>	<u>2,609,978</u>
<b>Expenditures</b>			
Instruction	1,786,585	1,816,914	1,853,404
Support services:			
Student	71,393	70,778	107,569
Instruction staff	347,617	354,838	373,387
District administrative	-	-	81
Business support	5,200	5,200	-
Plant operation and maintenance	33,415	33,415	31,200
Student transportation	40,344	40,344	43,380
Community service activities	180,000	183,410	194,781
<b>Total Expenditures</b>	<u>2,464,554</u>	<u>2,504,899</u>	<u>2,603,802</u>
<b>Excess (Deficit) of Revenues over Expenditures</b>	(41,704)	(41,704)	6,176
<b>Other Financing Sources (Uses)</b>			
Transfers in	44,850	44,850	60,675
Transfers out	(3,146)	(3,146)	(3,156)
<b>Total Other Financing Sources (Uses)</b>	<u>41,704</u>	<u>41,704</u>	<u>57,519</u>
<b>Net Change in Fund Balance</b>	-	-	63,695
<b>Fund Balance, July 1, 2018</b>	-	-	24,911
<b>Fund Balance, June 30, 2019</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,606</u>

**SPENCER COUNTY SCHOOL DISTRICT**

**SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**

**FOR THE YEAR ENDED JUNE 30, 2019**

<b>CERS</b>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.168972%	0.166361%	0.168184%	0.162360%	0.160306%
Proportionate share of the net pension liability	\$ 10,290,913	\$ 9,737,621	\$ 8,280,750	\$ 6,980,906	\$ 5,201,000
Covered - employee payroll	\$ 4,197,419	\$ 4,131,311	\$ 3,995,612	\$ 3,802,071	\$ 3,404,100
Proportionate share of the net pension liability as percentage of covered payroll	245.2%	235.7%	207.2%	183.6%	152.8%
Plan fiduciary net position as a percentage of the total pension liability	53.54%	53.30%	55.50%	59.97%	66.80%
<b>TRS</b>	<u>2018</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -
State proportionate share of the net pension liability associated with the District	<u>50,842,874</u>	<u>100,935,430</u>	<u>108,746,543</u>	<u>84,411,624</u>	<u>70,702,066</u>
Total	<u>\$ 50,842,874</u>	<u>\$ 100,935,430</u>	<u>\$ 108,746,543</u>	<u>\$ 84,411,624</u>	<u>\$ 70,702,066</u>
Covered - employee payroll	\$ 12,053,200	\$ 11,681,712	\$ 11,492,723	\$ 11,221,831	\$ 10,780,816
District's proportionate share of the net pension liability as percentage of covered payroll	0.0%	0.0%	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	59.30%	39.80%	35.20%	42.50%	45.59%

\* The above schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will report available information.

Note: The amounts presented for each fiscal year were determined as of the prior fiscal year-end June 30.

**SPENCER COUNTY SCHOOL DISTRICT**  
**SCHEDULES DISTRICT CONTRIBUTIONS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

<b>CERS</b>	<u>2018</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<sup>*</sup> <u>2015</u>
Contractually required contribution (actuarially determined)	\$ 708,475	\$ 607,786	\$ 576,318	\$ 496,255	\$ 484,764
Contribution in relation to the actuarially determined contributions	<u>708,475</u>	<u>607,786</u>	<u>576,318</u>	<u>496,255</u>	<u>484,764</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 4,367,909	\$ 4,197,419	\$ 4,131,311	\$ 3,995,612	\$ 3,802,071
Contributions as a percentage of covered employee payroll	16.22%	14.48%	13.95%	12.42%	12.75%
<b>TRS</b>	<u>2018</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<sup>*</sup> <u>2015</u>
Contractually required contribution (actuarially determined)	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution in relation to the actuarially determined contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 12,122,367	\$ 12,053,200	\$ 11,681,712	\$ 11,492,723	\$ 11,221,831
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%

\* The above schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will report available information.

Note: The amounts presented for each fiscal year were determined as of the prior fiscal year-end June 30.

## SPENCER COUNTY SCHOOL DISTRICT

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSIONS

JUNE 30, 2019

#### CERS PENSION

*Changes of benefit terms.* There were no changes in benefit terms for 2015 through 2019.

*Changes of assumptions (as of June 30 of the year measurement date):*

2014 – The assumed investment rate of return was decreased from 7.75% to 7.50%. The assumed rate of inflation was reduced from 3.50% to 3.25%. The assumed rate of wage inflation was reduced from 1.00% to 0.75%. Payroll growth assumption was reduced from 4.50% to 4.00%. The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. 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 assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

2015 and 2016 – No changes.

2017 – The assumed investment return was changed from 7.50% to 6.25%. The price inflation assumption was changed from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service. The payroll growth assumption (applicable for the amortization unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%.

2018 – No changes.

#### TRS PENSION

*Changes of benefit terms.* There were no changes in benefit terms for 2015 through 2019.

*Changes of assumptions (as of June 30 of the year measurement date):*

In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the Board adopted an interest smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions. Beginning with the 2014 valuation, the interest smoothing methodology is no longer used. In 2014, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.16% to 5.23%. In 2015, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.23% to 4.88%. In the 2016 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2016 valuation, the Assumed Salary Scale, Price Inflation, and Wage Inflation were adjusted to reflect a decrease. In addition, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.88% to 4.20%. In 2017, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.20% to 4.49%. In 2018, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.49% to 7.50%.

**SPENCER COUNTY SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE TRS NET OPEB LIABILITY – MEDICAL INSURANCE FUND**

JUNE 30, 2019

	2019	*
	<u>2019</u>	<u>2018</u>
Proportion of the net OPEB liability	0.199691%	0.196895%
District's proportionate share of the net OPEB liability	\$ 6,928,700	\$ 7,020,850
State proportionate share of the net OPEB liability associated with the District	<u>5,971,000</u>	<u>5,735,000</u>
Total	<u>\$ 12,899,700</u>	<u>\$ 12,755,850</u>
Covered - employee payroll	\$ 12,122,367	\$ 11,681,712
District's proportionate share of the net OPEB liability as percentage of covered payroll	57.16%	60.10%
Plan fiduciary net position as a percentage of the total OPEB liability	25.50%	21.20%

\* The above schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will report available information.



**SPENCER COUNTY SCHOOL DISTRICT**

**SCHEDULE OF THE CONTRIBUTIONS TO TRS MEDICAL INSURANCE FUND**

JUNE 30, 2019

	2019	*
	<u>2019</u>	<u>2018</u>
Contractually required contribution (actuarially determined)	\$ 363,671	\$ 361,596
Contribution in relation to the actuarially determined contributions	<u>363,671</u>	<u>361,596</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 12,122,367	\$ 12,053,200
Contributions as a percentage of covered employee payroll	3.00%	3.00%

\* The above schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will report available information

**SPENCER COUNTY SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE TRS NET OPEB LIABILITY – LIFE INSURANCE FUND**

JUNE 30, 2019

	2019	* 2018
	<u>          </u>	<u>          </u>
Proportion of the net OPEB liability	0.000000%	0.000000%
District's proportionate share of the net OPEB liability	\$ -	\$ -
State proportionate share of the net OPEB liability associated with the District	<u>102,000</u>	<u>77,000</u>
Total	<u>\$ 102,000</u>	<u>\$ 77,000</u>
Covered - employee payroll	\$ 12,053,200	\$ 11,681,712
District's proportionate share of the net OPEB liability as percentage of covered payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	75.00%	80.00%

\* The above schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will report available information.

**SPENCER COUNTY SCHOOL DISTRICT**

**SCHEDULE OF CONTRIBUTIONS TO THE TRS LIFE INSURANCE FUND**

JUNE 30, 2019

	<u>2019</u>	<u>2018</u>
Contractually required contribution (actuarially determined)	\$ -	\$ -
Contribution in relation to the actuarially determined contributions	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 12,122,367	\$ 12,053,200
Contributions as a percentage of covered employee payroll	0.00%	0.00%

\* The above schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will report available information.

**SPENCER COUNTY SCHOOL DISTRICT**

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

JUNE 30, 2019

	<u>2019</u>	<u>2018</u>
Proportion of the net OPEB liability	0.168965%	0.166361%
Proportionate share of the net OPEB liability	\$ 2,999,942	\$ 3,344,425
Covered - employee payroll	\$ 4,197,419	\$ 4,131,311
Proportionate share of the net OPEB liability as percentage of covered payroll	71.5%	81.0%
Plan fiduciary net position as a percentage of the total OPEB liability	57.62%	52.39%

\* The above schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will report available information.

**SPENCER COUNTY SCHOOL DISTRICT**

**SCHEDULE OF CONTRIBUTIONS TO CERS OPEB**

JUNE 30, 2019

	<u>2018</u>	<sup>*</sup> <u>2018</u>
Contractually required contribution (actuarially determined)	\$ 229,752	\$ 197,279
Contribution in relation to the actuarially determined contributions	<u>229,752</u>	<u>197,279</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 4,367,909	\$ 4,197,419
Contributions as a percentage of covered employee payroll	5.26%	4.70%

\* The above schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will report available information.

## SPENCER COUNTY SCHOOL DISTRICT

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB

JUNE 30, 2019

#### CERS OPEB

*Changes of benefit terms.* There were no changes in benefit terms for 2018 to 2019.

*Changes of assumptions (as of June 30 of the year measurement date):*

2017 – The assumed investment return was changed from 7.50% to 6.25%. The price inflation assumption was changed from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service. The payroll growth assumption (applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%. For the Non-Hazardous Plan, the single discount rate changed from 6.89% to 5.84%. For the Hazardous Plan, the single discount rate changed from 7.37% to 5.96%.

2018 – No changes.

#### TRS OPEB

*Changes of benefit terms.*

2018

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

LIF - None

2019 – No changes for MIF or LIF.

*Changes of assumptions (as of June 30 of the year measurement date):*

The MIF had no changes for 2017 and updated the health care trend rates for 2018. There were no changes in assumptions for 2017 or 2018 for the LIF.

**SUPPLEMENTARY INFORMATION**

**SPENCER COUNTY SCHOOL DISTRICT**

**COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS**

JUNE 30, 2019

	Capital Outlay Fund	District Activity Fund	Debt Service Fund	Total Nonmajor Governmental Funds
<b>Assets:</b>				
Cash and cash equivalents	\$ -	\$ 229,022	\$ -	\$ 229,022
<b>Total Assets</b>	<u>\$ -</u>	<u>\$ 229,022</u>	<u>\$ -</u>	<u>\$ 229,022</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 1,561	\$ -	1,561
Accrued expenses	-	2,598	-	2,598
<b>Total Liabilities</b>	<u>-</u>	<u>4,159</u>	<u>-</u>	<u>4,159</u>
<b>Fund Balances</b>				
Restricted	-	224,863	-	224,863
<b>Total Fund Balances</b>	<u>-</u>	<u>224,863</u>	<u>-</u>	<u>224,863</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ -</u>	<u>\$ 229,022</u>	<u>\$ -</u>	<u>\$ 229,022</u>



**SPENCER COUNTY SCHOOL DISTRICT**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES – NON-MAJOR GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2019

	Capital Outlay Fund	District Activity Fund	Debt Service Fund	Total Nonmajor Governmental Funds
<b>Revenues</b>				
From local sources:				
Other local revenue	\$ -	\$ 271,682	\$ -	\$ 271,682
Intergovernmental - State	270,798	-	462,509	733,307
<b>Total Revenues</b>	<u>270,798</u>	<u>271,682</u>	<u>462,509</u>	<u>1,004,989</u>
<b>Expenditures</b>				
Instruction	-	256,146	-	256,146
Support services:				
Student	-	896	-	896
Instruction staff	-	1,147	-	1,147
Plant operation and maintenance	-	1,825	-	1,825
Debt service:				
Principal	-	-	1,970,000	1,970,000
Interest	-	-	1,132,907	1,132,907
<b>Total Expenditures</b>	<u>-</u>	<u>260,014</u>	<u>3,102,907</u>	<u>3,362,921</u>
<b>Excess (Deficit) of Revenues over Expenditures</b>	270,798	11,668	(2,640,398)	(2,357,932)
<b>Other Financing Sources (Uses)</b>				
Transfers in		-	2,640,398	2,640,398
Transfers out	(270,798)	(214)	-	(271,012)
<b>Total Other Financing Sources (Uses)</b>	<u>(270,798)</u>	<u>(214)</u>	<u>2,640,398</u>	<u>2,369,386</u>
<b>Net Change in Fund Balances</b>	-	11,454	-	11,454
<b>Fund balance, July 1, 2018</b>	-	213,409	-	213,409
<b>Fund balance, June 30, 2019</b>	<u>\$ -</u>	<u>\$ 224,863</u>	<u>\$ -</u>	<u>\$ 224,863</u>

**SPENCER COUNTY SCHOOL DISTRICT**

COMBINING STATEMENT OF FIDUCIARY NET POSITION – AGENCY FUNDS

JUNE 30, 2019

	SPENCER COUNTY HIGH SCHOOL	SPENCER COUNTY MIDDLE SCHOOL	TAYLORSVILLE ELEMENTARY SCHOOL	SPENCER COUNTY ELEMENTARY SCHOOL	TOTAL AGENCY FUND
<b>Assets</b>					
Cash and cash equivalents	\$ 129,082	\$ 90,259	\$ 8,724	\$ 8,470	\$ 236,535
Receivables	12,403	1,868	960	3,446	18,677
<b>Total Assets</b>	<b>\$ 141,485</b>	<b>\$ 92,127</b>	<b>\$ 9,684</b>	<b>\$ 11,916</b>	<b>\$ 255,212</b>
<b>Liabilities</b>					
Accounts payable	\$ 1,368	\$ 1,195	\$ -	\$ -	\$ 2,563
Due to student groups	140,117	90,932	9,684	11,916	252,649
<b>Total Liabilities</b>	<b>\$ 141,485</b>	<b>\$ 92,127</b>	<b>\$ 9,684</b>	<b>\$ 11,916</b>	<b>\$ 255,212</b>

**SPENCER COUNTY SCHOOL DISTRICT**

SCHEDULE OF ASSETS, RECEIPTS, DISBURSEMENTS, AND LIABILITIES – ALL SCHOOLS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

SCHOOL	CASH BALANCE July 1, 2018	RECEIPTS	DISBURSE- MENTS	CASH BALANCE June 30, 2019	RECEIVABLES June 30, 2019	ACCOUNTS PAYABLE June 30, 2019	DUE TO STUDENT GROUPS June 30, 2019
SPENCER COUNTY HIGH	\$ 110,923	\$ 802,551	\$ 784,392	\$ 129,082	\$ 12,403	\$ 1,368	\$ 140,117
SPENCER COUNTY MIDDLE	41,706	332,351	283,798	90,259	1,868	1,195	90,932
TAYLORSVILLE ELEMENTARY	8,017	100,227	99,520	8,724	960	-	9,684
SPENCER COUNTY ELEMENTARY	6,808	90,584	88,922	8,470	3,446	-	11,916
	<u>\$ 167,454</u>	<u>\$ 1,325,713</u>	<u>\$ 1,256,632</u>	<u>\$ 236,535</u>	<u>\$ 18,677</u>	<u>\$ 2,563</u>	<u>\$ 252,649</u>

# SPENCER COUNTY SCHOOL DISTRICT

## SCHEDULE OF ASSETS, RECEIPTS, DISBURSEMENTS, AND LIABILITIES – SPENCER COUNTY HIGH SCHOOL

AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NAME OF ACTIVITY	CASH		DISBURSE- MENTS	CASH		RECEIVABLES June 30, 2019	ACCOUNTS PAYABLE June 30, 2019	DUE TO STUDENT GROUPS June 30, 2019
	BALANCES July 1, 2018	RECEIPTS		BALANCES June 30, 2019				
Charitable Fundraising	\$ -	\$ 1,745	\$ 1,744	\$ 1	\$ -	\$ -	\$ -	\$ 1
YCLUB/KUNA	3	4,596	4,599	-	-	-	-	-
World's Travelers	74	-	74	-	-	-	-	-
Art Club	227	170	143	254	-	-	-	254
Band Club	706	63,475	61,263	2,918	-	-	-	2,918
Young Republicans	-	2,547	1,966	581	-	-	-	581
FBLA	246	4,907	4,159	994	-	-	-	994
Chorus Club	263	46,339	42,848	3,754	-	-	-	3,754
FCCLA	1,443	690	875	1,258	-	-	-	1,258
Beta Club	3,301	1,780	3,504	1,577	-	-	-	1,577
TSA Club	7	450	450	7	-	-	-	7
Book Club	28	334	80	282	-	-	-	282
Animal Protection Club	744	1,080	963	861	-	-	-	861
HOSA	1,496	7,144	6,253	2,387	-	-	-	2,387
Hosa National	519	11,016	10,390	1,145	1,056	1,368	-	833
Dairy Team	21,315	135,240	136,004	20,551	8,557	-	-	29,108
FFA	10,600	71,163	71,199	10,564	-	-	-	10,564
Yearbook	6,960	2,834	110	9,684	-	-	-	9,684
Chess	333	115	-	448	-	-	-	448
Nationa Honor Society	1,100	1,162	1,377	885	-	-	-	885
Spanish Honor Society	95	-	95	-	-	-	-	-
Educators Rising	428	662	785	305	-	-	-	305
Student Council	3,338	-	3,338	-	-	-	-	-
Military Readiness	85	-	-	85	-	-	-	85
Academic Team	24	-	-	24	-	-	-	24
History Club	-	20	-	20	-	-	-	20
Faculty Vending	1,606	1,827	2,059	1,374	-	-	-	1,374
Public Vending	512	-	512	-	-	-	-	-
Student Vending	626	1,210	872	964	257	-	-	1,221
General	1,000	7,716	1,375	7,341	-	-	-	7,341
The Den	70	-	-	70	-	-	-	70
Prom	3,405	19,200	17,543	5,062	-	-	-	5,062
Class of 2019 PGRAD	2,313	6,173	8,484	2	-	-	-	2
Senior Picnic	791	907	954	744	-	-	-	744
Senior Grad Lunch	67	14	-	81	-	-	-	81
Class of 2020	863	644	128	1,379	441	-	-	1,820
Project Grad 2021	368	798	-	1,166	229	-	-	1,395
Arbiter Pay Account	-	11,000	11,000	-	-	-	-	-
Student Field Trips	424	3,861	3,137	1,148	-	-	-	1,148
Fellow of Christ	242	2,728	1,884	1,086	-	-	-	1,086
Athletics	-	24,932	24,932	-	82	-	-	82
Concessions	1,331	27,998	28,577	752	-	-	-	752
Charitable Gaming	-	141	141	-	-	-	-	-
Baseball	11,894	27,014	30,043	8,865	72	-	-	8,937
Basketball-Boys	7,212	28,189	26,810	8,591	87	-	-	8,678
Basketball-Girls	7,215	29,127	25,297	11,045	-	-	-	11,045
Dance team	2,121	18,637	17,713	3,045	-	-	-	3,045
Cheerleader	118	10,087	4,498	5,707	-	-	-	5,707
Cross Country	1,040	2,913	3,900	53	-	-	-	53
Golf-Boys	548	2,412	2,405	555	-	-	-	555
Golf-Girls	123	715	437	401	50	-	-	451
Soccer-Boys	2,386	4,870	4,176	3,080	-	-	-	3,080
Soccer-Girls	536	4,660	3,829	1,367	30	-	-	1,397
Softball	3,423	8,437	11,906	(46)	92	-	-	46
Swim	1,633	-	792	841	-	-	-	841
Tennis-Boys	84	1,995	1,725	354	-	-	-	354
Girls tennis	16	2,480	2,141	355	-	-	-	355
Volleyball	1,340	6,782	4,714	3,408	-	-	-	3,408
Track	536	2,925	2,791	670	-	-	-	670
Football	2,666	43,272	45,938	-	525	-	-	525
Wrestling	153	1,609	1,479	283	-	-	-	283
Archery	926	2,855	2,756	1,025	-	-	-	1,025
Guidance	-	1,082	1,082	-	-	-	-	-
Advanced Placement Fee	-	23,652	23,652	-	-	-	-	-
Parking Fees	-	1,640	1,640	-	-	-	-	-

**SPENCER COUNTY SCHOOL DISTRICT**

**SCHEDULE OF ASSETS, RECEIPTS, DISBURSEMENTS, AND LIABILITIES – SPENCER COUNTY HIGH SCHOOL**

AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

(Continued)

NAME OF ACTIVITY	CASH BALANCES July 1, 2018	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2019	RECEIVABLES June 30, 2019	ACCOUNTS PAYABLE June 30, 2019	DUE TO STUDENT GROUPS June 30, 2019
ESS Summer School	-	5,414	5,414	-	-	-	-
District - Student Fees	-	397	397	-	-	-	-
District - Instr. Fees	-	15,445	15,445	-	-	-	-
Art	-	2,600	2,600	-	-	-	-
Band	-	5,189	5,460	(271)	660	-	389
Career AG	-	2,121	2,121	-	-	-	-
Chorus	-	10,411	10,411	-	-	-	-
FCS #1	-	1,865	1,865	-	-	-	-
Health Career	-	13,554	13,554	-	-	-	-
Language	-	8,839	8,839	-	-	-	-
Mathematics	-	299	299	-	-	-	-
Spanish	-	20	20	-	-	-	-
Technology Education	-	3,400	3,400	-	-	-	-
FCS #2	-	180	180	-	-	-	-
Latin Exam	-	84	84	-	-	-	-
Media	-	400	400	-	-	-	-
Greenhouse	-	14,009	14,009	-	-	-	-
Drama	-	55	55	-	-	-	-
Floral Design	-	1,775	1,775	-	-	-	-
Boys BB Sponsorship	-	4,200	4,200	-	-	-	-
Concessions (25%)	-	8,314	8,314	-	-	-	-
Softball Sponsorship	-	1,775	1,775	-	-	-	-
Football Sponsorship	-	9,550	9,550	-	-	-	-
Baseball Sponsorship	-	1,700	1,700	-	-	-	-
Pictures	-	2,099	2,099	-	265	-	265
	<u>110,923</u>	<u>805,666</u>	<u>787,507</u>	<u>129,082</u>	<u>12,403</u>	<u>1,368</u>	<u>140,117</u>
Transfers	-	(3,115)	(3,115)	-	-	-	-
	<u>\$ 110,923</u>	<u>\$ 802,551</u>	<u>\$ 784,392</u>	<u>\$ 129,082</u>	<u>\$ 12,403</u>	<u>\$ 1,368</u>	<u>\$ 140,117</u>

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**SPENCER COUNTY SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2019**

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR'S NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Child Nutrition Cluster -			
Cash Assistance			
Passed Through State Department of Education			
National School Lunch Program	10.555	7750002-18 7750002-19	\$ 117,040 470,421
Non-Cash Assistance (Commodities)		7750002-19	80,007
School Breakfast Program	10.553	7760005-18 7760005-19	38,660 162,388
Summer Food Service Program for Children	10.559	7740023-19	<u>16,387</u>
TOTAL CHILD NUTRITION CLUSTER			<u>884,903</u>
<u>OTHER U.S. DEPARTMENT OF AGRICULTURE PROGRAMS</u>			
Child and Adult Care Food Program	10.558	7790021	<u>11,730</u>
TOTAL U.S. DEPT. OF AGRICULTURE			<u>896,633</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Special Education Cluster (IDEA) -			
Passed Through State Department of Education			
Special Education - Grants to States	84.027	337D 337E	209,729 426,715
			<u>636,444</u>
Special Education - Preschool Grants	84.173	343D 343E	17,406 41,837
			<u>59,243</u>
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)			<u>695,687</u>
<u>OTHER U.S. DEPARTMENT OF EDUCATION PROGRAMS</u>			
Passed Through State Department of Education			
Title I Grants to Local Educational Agencies	84.010	310C 310D 310E	2,506 94,282 301,881
			<u>398,669</u>
Adult Education - State Grant Program	84.002	371C 371D 371E	918 184 28,506
			<u>29,608</u>
Career and Technical Education - Basic Grants to States	84.048	348DA 348E 358E	865 22,056 660
			<u>23,581</u>

See accompanying independent auditor's report and notes to the schedule of expenditures of federal awards

**SPENCER COUNTY SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2019**

**(CONTINUED)**

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR'S NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
Twenty-First Century Community Learning Centers	84.287	550CE 550CM 550DE 550CX 550DX 550DJ 550DM 550CU	33,541 7,595 114,004 47,795 77,158 2,000 61,159 7,500 <hr/> 350,752
Race to the Top - Early Learning Challenge	84.412A	475C	<hr/> 848
Supporting Effective Instruction - State Grants	84.367	401C 401D 401E	6,984 47,628 48,222 <hr/> 102,834
Student Support and Academic Enrichment Program	84.424	552D	<hr/> 10,000
TOTAL U.S. DEPARTMENT OF EDUCATION			<hr/> 1,611,979
<u>U. S. NATIONAL ENDOWMENT FOR THE HUMANITIES</u>			
Promotion of the Arts Partnership Agreements	45.025	453E	<hr/> 1,464
TOTAL U.S. U. S. NATIONAL ENDOWMENT FOR THE HUMANITIES			<hr/> 1,464
TOTAL EXPENDITURES OF FEDERAL AWARDS			<hr/> <hr/> <b>\$ 2,510,076</b>

See accompanying independent auditor's report and notes to the schedule of expenditures of federal awards



## **SPENCER COUNTY SCHOOL DISTRICT**

### **NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

JUNE 30, 2019

#### **NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Spencer County School District under 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 Spencer County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of Spencer County School District.

#### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### **NOTE 3 – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair value of the commodities received.

#### **NOTE 4 – INDIRECT COST RATE**

The District has elected to not use the 10 percent de minimum indirect cost rate allowed under the Uniform Guidance.

#### **NOTE 5 – SUBRECIPIENTS**

There were no subrecipients during the fiscal year.

**SPENCER COUNTY SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2019

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**Section I – Summary of Auditor’s Results**

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**Financial Statements**

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiencies(s) identified that are not considered to be material weaknesses?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Significant deficiencies(s) identified that are not considered to be material weakness(es)?  yes  none reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?  yes  no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555 / 10.553 / 10.559	<b>Child Nutrition Cluster</b>
84.027 / 84.173	<b>Special Education Cluster</b>

**SPENCER COUNTY SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2019

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**Section I – Summary of Auditor’s Results – Continued**

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Dollar threshold used to distinguish  
Between type A and type B programs:           \$ 750,000

Auditee qualified as low-risk auditee?           \_\_\_ yes                                   X no

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**Section II – Financial Statement Findings**

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No findings to report.

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**Section III – Federal Award Findings and Questioned Costs**

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No findings to report.

**SPENCER COUNTY SCHOOL DISTRICT**

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

JUNE 30, 2019

No prior year findings.

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

Kentucky State Committee for School District Audits and  
Members of the Board of Education  
Spencer County School District  
Taylorsville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Spencer County School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Spencer County School District's basic financial statements, and have issued our report thereon dated November 5, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Spencer 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Spencer 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 District's financial statements are free of 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*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements*.

We also noted certain other matters that we reported to management of Spencer County School District in a separate letter dated November 5, 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 District'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.

*Stiles, Carter & Associates, CPAs, P.S.C.*  
Stiles, Carter & Associates, CPAs, P.S.C.  
Bardstown, Kentucky  
November 5, 2019

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

Kentucky State Committee for School District Audits and  
Members of the Board of Education  
Spencer County School District  
Taylorsville, Kentucky

**Report on Compliance for Each Major Federal Program**

We have audited the Spencer 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 District's major federal programs for the year ended June 30, 2019. The Spencer 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Spencer 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 requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I, II, III, and IV of the Independent Auditor's Contract. 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 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 Spencer County School District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Spencer 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

The management of Spencer 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 Spencer 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 Spencer 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 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.

*Stiles, Carter & Associates, CPAs, P.S.C.*  
Stiles, Carter & Associates, CPAs, P.S.C.  
Bardstown, Kentucky  
November 5, 2019



**APPENDIX C**

**Spencer County School District Finance Corporation  
School Building Revenue Bonds  
Series of 2020**

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**Continuing Disclosure Agreement**

## **CONTINUING DISCLOSURE UNDERTAKING AGREEMENT**

This Continuing Disclosure Undertaking Agreement ("Agreement") made and entered into as of the 22nd day of July, 2020, by and between the Board of Education of Spencer County, Kentucky School District ("Board"); the Spencer County School District Finance Corporation, an agency and instrumentality of the Board ("Corporation") and the Registered and Beneficial Owners of the Bonds hereinafter identified as third party beneficiaries to this Agreement. For the purposes of this Agreement "Beneficial Owner" means the person or entity treated as the owner of the Bonds for federal income tax purposes and "Registered Owner" means the person or entity named on the registration books of the bond registrar.

### **WITNESSETH:**

WHEREAS, the Corporation has acted as issuing agency for the Board pursuant to the provisions of Section 162.385 of the Kentucky Revised Statutes ("KRS") and the Corporation's Bond Resolution in connection with the authorization, sale and delivery of \$5,315,000 of the Corporation's School Building Revenue Bonds, Series of 2020, dated as of July 22, 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**

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  
SPENCER COUNTY, KENTUCKY  
SCHOOL DISTRICT**

Attest:

\_\_\_\_\_  
Chairperson

\_\_\_\_\_  
Secretary

**SPENCER COUNTY SCHOOL  
DISTRICT FINANCE CORPORATION**

Attest:

\_\_\_\_\_  
President

\_\_\_\_\_  
Secretary

**APPENDIX D**

**Spencer County School District Finance Corporation  
School Building Revenue Bonds  
Series of 2020**

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**Official Terms and Conditions of Bond Sale**

**OFFICIAL  
TERMS AND CONDITIONS OF BOND SALE**

**\$5,315,000\***

**Franklin County School District Finance Corporation  
School Building Revenue Bonds, Series of 2020  
Dated July 22, 2020**

**SALE: July 1, 2020 AT 1:00 P.M., E.D.S.T.**

As published on PARITY®, a nationally recognized electronic bidding system, the Spencer County School District Finance Corporation ("Corporation") will until July 1, 2020, at the hour of 1:00 P.M., E.D.S.T., in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Rd, Carriage House, Frankfort, KY 40601, receive competitive bids for the revenue bonds herein described. To be considered, bids must be submitted on an Official Bid Form and must be delivered to the Corporation at the address indicated on the date of sale no later than the hour indicated. Bids may be submitted manually or by facsimile or electronically via PARITY. Bids will be considered by the Corporation and may be accepted without further action by the Corporation's Board of Directors.

Subject to a Permitted Adjustment\* increasing or decreasing the issue by up to \$530,000.

**SPENCER COUNTY SCHOOL  
DISTRICT FINANCE CORPORATION**

The Corporation has been formed in accordance with the provisions of Sections 162.120 through 162.300 and Section 162.385 of the Kentucky Revised Statutes ("KRS"), and KRS Chapter 273 and KRS 58.180, as a non profit, non stock corporation for the purpose of financing necessary school building facilities for and on behalf of the Board of Education of the Spencer County, Kentucky 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.

**STATUTORY AUTHORITY, PURPOSE OF ISSUE AND SECURITY**

These Bonds are authorized pursuant to KRS 162.120 through 162.300, 162.385, and KRS 58.180 and are issued in accordance with a Resolution of the Corporation's Board of Directors. Said Bonds are revenue bonds and constitute a limited indebtedness of the Corporation payable from rental revenues derived by the Corporation from the Board under the Lease identified below. Said Bonds are being issued to finance construction of a bus garage and renovation of old Taylorsville Elementary School to become an early learning center (the "Project") and are secured by a lien upon and a pledge of the revenues from the rental of the school building Project to the Board under the Lease on a year to year basis; the first rental period ending June 30, 2021; provided, however, said lien and pledge are on parity with a similar lien and pledge securing the Corporation's School Building Revenue Bonds previously issued to improve certain of the building(s) in which the Project is located (the "Parity Bonds").

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

The rental of the Project from the Corporation to the Board is to be effected under a certain Lease Agreement by and between the Corporation and the Board (the "Lease"), whereunder the Project is leased to the Board for the initial period ending June 30, 2021, with an option in the Board to renew the Lease each year at rentals sufficient to provide for the principal and interest requirements on the Bonds as they become due, plus the costs of insurance, maintenance, depreciation, and bond issuance and administration expenses; the Board being legally obligated only for the initial rental period and for one year at a time thereafter each time the Lease is renewed.



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

### **ADDITIONAL PARITY BONDS**

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

### **BOND MATURITIES, PRIOR REDEMPTION PROVISIONS AND PAYING AGENT**

All such Bonds shall be in denominations in multiples of \$5,000 within the same maturity, bear interest from July 22, 2020, payable on February 1, 2021, and semi annually thereafter and shall mature as to principal on August 1 in each of the years as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2021	\$115,000	2031	\$145,000
2022	120,000	2032	150,000
2023	120,000	2033	155,000
2024	120,000	2034	160,000
2025	125,000	2035	165,000
2026	130,000	2036	580,000
2027	130,000	2037	600,000
2028	140,000	2038	505,000
2029	140,000	2039	775,000
2030	140,000	2040	800,000

\*Subject to a Permitted Adjustment of the amount of Bonds awarded of up to \$530,000 which may be applied in any or all maturities.

The Bonds maturing on or after August 1, 2029 are subject to redemption at the option of the Corporation prior to their stated maturity on any date falling on or after August 1, 2028, in any order of maturities (less than all of a single maturity to be selected by lot), in whole or in part, upon notice of such prior redemption being given by the Paying Agent in accordance with DTC requirements not less than thirty (30) days prior to the date of redemption, upon terms of the face amount, plus accrued interest, but without redemption premium.

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

The Bonds are to be issued in fully registered form (both principal and interest). U.S. Bank National Association, Louisville, Kentucky, has been designated as the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date to Cede & Co. Principal and interest will be payable through the Book-Entry-Only-System administered by The Depository Trust Company: Please see "BOOK-ENTRY-ONLY-SYSTEM" below. Interest on

the Bonds will be paid at rates to be established upon the basis of competitive bidding as hereinafter set forth, such interest to be payable on February 1 and August 1 of each year, beginning February 1, 2021 (Record Date is the 15th day of month preceding interest due date).

### **BIDDING CONDITIONS AND RESTRICTIONS**

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

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

(C) The minimum bid shall be not less than \$5,208,700 (98% of par) plus accrued interest. Interest rates shall be in multiples of 1/8 or 1/20 of 1% or both. Only one interest rate shall be permitted per Bond, and all Bonds of the same maturity shall bear the same rate. Interest rates must be on an ascending scale, in that the interest rate stipulated in any year may not be less than that stipulated for any preceding maturity. There is no limit on the number of different interest rates.

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

(E) The determination of the best purchase bid for said Refunding Bonds shall be made on the basis of all bids submitted for exactly \$5,315,000 principal amount of Refunding Bonds offered for sale under the terms and conditions herein specified, but the Corporation may adjust the principal amount of Bonds upward or downward by \$530,000 (the "Permitted Adjustment") which may be awarded to such best bidder may be a minimum of \$4,605,000 or a maximum of \$5,845,000. In the event of such Permitted Adjustment, no rebidding or recalculation of a submitted bid will be required or permitted and the Underwriter's Discount on the Bonds as submitted by the successful bidder shall be held constant. The Underwriter's Discount shall be defined as the difference between the purchase price of the Bonds submitted by the bidder and the price at which the Bonds will be issued to the public, calculated from information provided by the bidder, divided by the par amount of the Bonds bid. The price of which such adjusted principal amount of Bonds will be sold will be the same price per \$5,000 of Bonds as the price per \$5,000 for the \$5,315,000 of Bonds bid.

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

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

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

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

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

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

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

(d) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is July 1, 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).

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

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

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

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

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

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

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

### **STATE SUPPORT OF EDUCATION**

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

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

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

KRS 157.420 establishes a formula which results in the allocation of funds for capital expenditures in school districts at \$100 per ADA pupil which is included in the SEEK allotment (\$4,000) for the current biennium which is required to be segregated into a Capital Outlay Allotment Fund which may be used only for (1) direct payment of construction costs; (2) debt service on voted and funding bonds; (3) lease rental payments in support of bond issues; (4) reduction of deficits resulting from over expenditures for emergency capital construction; and (5) a reserve for each of the categories enumerated in 1 through 4 above.

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

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

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

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

KRS 160.460 provides that as of July 1, 1994 all real property located in the Commonwealth subject to local taxation shall be assessed at 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, 2021 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 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. Proposals are currently pending in both Federal houses which, if passed, would eliminate the ability of the issuer to advance refund the Bonds. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation.

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

### **CONTINUING DISCLOSURE**

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

Financial information regarding the Board may be obtained from Superintendent, Spencer County School District Board of Education, 207 W. Main Street, Taylorsville, Kentucky 40071, Telephone 502-477-3250.

### **TAX EXEMPTION; BANK QUALIFIED**

Bond Counsel is of the opinion that the Bonds are "qualified tax-exempt obligations" within the meaning of the Internal Revenue Code of 1986, as amended, and therefore advises as follows:

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

(B) The interest income from the Bonds is excludable from the gross income of the recipient thereof for Federal income tax purposes under existing law and interest on the Bonds will not be a specific item of tax preference for purposes of 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 Bonds may be treated by financial institutions as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code.

### **BOOK-ENTRY-ONLY-SYSTEM**

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

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

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

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

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

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

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

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

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

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

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

NEITHER THE ISSUER, THE BOARD NOR THE BOND REGISTRAR/PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE BOND REGISTRAR/PAYING AGENT AS BEING AN OWNER WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PURCHASE PRICE OF TENDERED BONDS OR THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE BOND RESOLUTION TO BE GIVEN TO HOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

**SPENCER COUNTY SCHOOL  
DISTRICT FINANCE CORPORATION**

by /s/ Charles Adams  
Secretary



**APPENDIX E**

**Spencer County School District Finance Corporation  
School Building Revenue Bonds  
Series of 2020**

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**Official Bid Form**

**OFFICIAL BID FORM  
(Bond Purchase Agreement)**

The Spencer County School District Finance Corporation ("Corporation" or "Issuer"), will until 1:00 P.M., E.D.S.T., on July 1, 2020, receive in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Rd, Carriage House, Frankfort, KY 40601, (telephone 502-564-5582; fax 888-979-6152) competitive bids for its \$5,315,000 School Building Revenue Bonds, Series of 2020, dated July 22, 2020; maturing August 1, 2021 through 2040 ("Bonds").

We hereby bid for said \$5,315,000\* principal amount of Bonds, the total sum of \$\_\_\_\_\_ (not less than \$5,208,700) plus accrued interest from July 22, 2020 payable February 1, 2021 and semiannually thereafter at the following annual rates, (rates on ascending scale in multiples of 1/8 or 1/20 of 1%; number of interest rates unlimited) and maturing as to principal on August 1 in the years as follows:

<u>Year</u>	<u>Amount*</u>	<u>Rate</u>	<u>Year</u>	<u>Amount*</u>	<u>Rate</u>
2021	\$115,000	_____%	2031	\$145,000	_____%
2022	120,000	_____%	2032	150,000	_____%
2023	120,000	_____%	2033	155,000	_____%
2024	120,000	_____%	2034	160,000	_____%
2025	125,000	_____%	2035	165,000	_____%
2026	130,000	_____%	2036	580,000	_____%
2027	130,000	_____%	2037	600,000	_____%
2028	140,000	_____%	2038	505,000	_____%
2029	140,000	_____%	2039	775,000	_____%
2030	140,000	_____%	2040	800,000	_____%

\* Subject to Permitted Adjustment

We understand this bid may be accepted for as much as \$5,845,000 of Bonds or as little as \$4,605,000 of Bonds, at the same price per \$5,000 Bond, with the variation in such amount occurring in any maturity or all maturities, which will be determined at the time of acceptance of the best bid.

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

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

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

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

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

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

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

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

(d) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is July 1, 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. Notwithstanding the foregoing, non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form.

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

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

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

No certified or bank cashier's check will be required to accompany a bid, but the successful bidder shall be required to wire transfer an amount equal to 2% of the principal amount of Bonds awarded by the close of business on the date following the award. Said good faith amount will be applied (without interest) to the purchase price on delivery. Wire transfer procedures should be arranged through U.S. Bank National Association, Louisville, Kentucky, Attn: Mr. Charles Lush, Trust Officer (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 Funds on or about July 22, 2020 and upon acceptance by the Issuer's Municipal Advisor this Official Bid Form shall become the Bond Purchase Agreement.

Respectfully submitted,

\_\_\_\_\_  
Bidder

By \_\_\_\_\_  
Authorized Officer

\_\_\_\_\_  
Address

Total interest cost from July 22, 2020 to final maturity	\$ _____
Plus discount or less any premium	\$ _____
Net interest cost (Total interest cost plus discount)	\$ _____
Average interest rate or cost	_____ %

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

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

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>
2021	_____,000	_____ %	2031	_____,000	_____ %
2022	_____,000	_____ %	2032	_____,000	_____ %
2023	_____,000	_____ %	2033	_____,000	_____ %
2024	_____,000	_____ %	2034	_____,000	_____ %
2025	_____,000	_____ %	2035	_____,000	_____ %
2026	_____,000	_____ %	2036	_____,000	_____ %
2027	_____,000	_____ %	2037	_____,000	_____ %
2028	_____,000	_____ %	2038	_____,000	_____ %
2029	_____,000	_____ %	2039	_____,000	_____ %
2030	_____,000	_____ %	2040	_____,000	_____ %

Dated: July 1, 2020

\_\_\_\_\_  
RSA ADVISORS, LLC,  
as Agent for the Spencer County  
School District Finance Corporation