

DATED JUNE 16, 2020

**NEW ISSUE
Electronic Bidding via Parity®
Bank Interest Deduction Eligible
BOOK-ENTRY-ONLY SYSTEM**

**RATING
Moody's: " "**

In the opinion of Bond Counsel, under existing law (i) interest on the Bonds will be excludable from gross income of the holders thereof for purposes of federal taxation and (ii) interest on the Bonds will not be a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, 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).

\$380,000*
**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT FINANCE CORPORATION
SCHOOL BUILDING REVENUE BONDS,
SERIES 2020**

Dated: July 15, 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.

| Maturing | | Interest | Reoffering | Maturing | | Interest | Reoffering | | |
|----------|----------|----------|------------|----------|----------|----------|------------|-------|-------|
| 1-Aug | Amount | | | Rate | Yield | | | CUSIP | 1-Aug |
| 2021 | \$35,000 | % | % | 2026 | \$40,000 | % | % | | |
| 2022 | \$35,000 | % | % | 2027 | \$40,000 | % | % | | |
| 2023 | \$35,000 | % | % | 2028 | \$40,000 | % | % | | |
| 2024 | \$35,000 | % | % | 2029 | \$40,000 | % | % | | |
| 2025 | \$35,000 | % | % | 2030 | \$45,000 | % | % | | |

The Bonds are NOT subject to redemption prior to their stated maturity as described herein.

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

The Bonds constitute a limited indebtedness of the Walton-Verona Independent 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 annually renewable basis to the Walton-Verona Independent School District Board of Education.

The Secretary of the Walton-Verona Independent School District Finance Corporation will until June 24, 2020, at 11:00 A.M., E.S.T., receive sealed bids for the Bonds at the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Road, Carriage House, 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 awarded by up to \$40,000.**

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.

**WALTON-VERONA INDEPENDENT
BOARD OF EDUCATION**

Kyle Art, Chairperson
David Turner, Vice Chairperson
Stacey Thornberry, Member
Megan Jones, Member
Heather Stewart, Member

Matt Baker, Superintendent/Secretary

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT
FINANCE CORPORATION**

Kyle Art, President
David Turner, Vice President
Stacey Thornberry, Member
Megan Jones, Member
Heather Stewart, Member

Matt Baker, Secretary
Kevin Ryan, Treasurer

BOND COUNSEL

Keating Muething & Klekamp PLL
Cincinnati, Ohio

FINANCIAL ADVISOR

RSA Advisors, LLC
Lexington, Kentucky

PAYING AGENT AND REGISTRAR

U.S. Bank National Association
Cincinnati, 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 Walton-Verona Independent School District Finance Corporation School Building Revenue Bonds, Series 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 |
| Biennial Budget for Period Ending June 30, 2020 | 4 |
| Outstanding Bonds | 4 |
| Authority | 4 |
| The Bonds | 5 |
| General | 5 |
| Registration, Payment and Transfer | 5 |
| Redemption | 5 |
| Security | 5 |
| General | 5 |
| Mortgage Lien | 6 |
| The Lease | 6 |
| The Project | 6 |
| State Intercept | 6 |
| Additional Parity Bonds for Completion of Project | 6 |
| Estimated Bond Debt Service | 7 |
| Estimated Use of Bond Proceeds | 7 |
| District Student Population | 8 |
| State Support of Education | 8 |
| Support Education Excellence in Kentucky (SEEK) | 8 |
| Capital Outlay Allotment | 8 |
| Facilities Support Program of Kentucky | 9 |
| Local Support | 9 |
| Homestead Exemption | 9 |
| 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 | 10 |
| Local Tax Rates, Property Assessments, and Revenue Collections | 11 |
| Overlapping Bond Indebtedness | 11 |
| SEEK Allotment | 13 |
| State Budgeting Process | 13 |
| Continuing Disclosure, Exemption | 14 |
| Tax Exemption; Bank Qualified | 17 |
| COVID-19 | 17 |
| Litigation | 18 |
| Approval of Legality | 18 |
| No Legal Opinion Expressed as to Certain Matters | 18 |
| Bond Rating | 18 |
| Financial Advisor | 19 |
| Approval of Official Statement | 19 |
| Demographic and Economic Data | APPENDIX A |
| Audited Financial State for FY Ending June 30, 2019 | APPENDIX B |
| Official Terms & Conditions of Bond Sale | APPENDIX C |
| Official Bid Form | APPENDIX D |

**OFFICIAL STATEMENT
Relating to the Issuance of**

\$380,000*

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT
FINANCE CORPORATION
SCHOOL BUILDING REVENUE BONDS,
SERIES 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 Walton-Verona Independent School District Finance Corporation (the "Corporation") School Building Revenue Bonds, Series 2020 (the "Bonds").

The Bonds are being issued to finance improvements to the athletic track at Walton-Verona High School (the "Project" herein).

The Bonds are revenue bonds and constitute a limited indebtedness of the Corporation. The Bonds will be secured by a statutory mortgage lien and a pledge of the rental income derived by the Corporation from leasing the Project to the Walton-Verona Independent School District 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 Walton-Verona Independent School District 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 Contract, Lease and Option, dated July 15, 2020, may be obtained at the office of Keating Muething & Klekamp PLL, One East 4th Street, Suite 1400, Cincinnati, OH 45202.

BOOK-ENTRY-ONLY-SYSTEM

The Bonds initially will be issued solely in Book-Entry form to be held in the Book-Entry-Only-System maintained by The Depository Trust Company ("DTC"), New York, New York. So long as such Book-Entry system is used, only DTC will receive or have the right to receive physical delivery of Bonds and, except as otherwise provided herein with respect to tenders by Beneficial Owners of Beneficial Ownership Interests, Beneficial owners will not be or be considered to be, and will not have any rights as, owners or holders of the Bonds under the Ordinance.

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. One fully-registered Bond certificate will be issued for in the aggregate principal amount of the Bonds and will be deposited with 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 Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent and Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation or

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

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

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

THE CORPORATION

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

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

KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION; NO PARTICIPATION IN THIS ISSUE

The Kentucky School Facilities Construction Commission (the "Commission") is an independent corporate agency and instrumentality of the Commonwealth of Kentucky established pursuant to the provisions of Sections 157.611 through 157.640 of the Kentucky Revised Statutes as repealed, amended, and reenacted by the 1990 Regular Session of said General Assembly (the "Act") for the purpose of assisting local school districts in meeting their capital construction needs. The Commission is the successor agency to the Kentucky School Building Authority.

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 |

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

BIENNIAL 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:

| <u>Bond Series</u> | <u>Original Principal</u> | <u>Current Principal Outstanding</u> | <u>Principal Assigned to Board</u> | <u>Principal Assigned to Commission</u> | <u>Approximate Interest Rate Range</u> | <u>Final Maturity</u> |
|--------------------|---------------------------|--------------------------------------|------------------------------------|---|--|-----------------------|
| 2010-REF | \$800,000 | \$225,000 | \$800,000 | \$0 | 3.100% | 2022 |
| 2011 | \$1,610,000 | \$1,040,000 | \$959,652 | \$650,348 | 3.000% - 4.250% | 2031 |
| 2012-REF | \$985,000 | \$390,000 | \$833,571 | \$151,429 | 1.500% - 2.350% | 2024 |
| 2014 | \$2,485,000 | \$2,085,000 | \$2,236,896 | \$248,104 | 2.200% - 3.500% | 2034 |
| 2015-REF | \$7,635,000 | \$5,600,000 | \$6,758,602 | \$876,398 | 2.000% - 2.500% | 2026 |
| 2016-REF | \$1,435,000 | \$1,025,000 | \$1,435,000 | \$0 | 2.000% - 2.250% | 2027 |
| 2016 | \$3,495,000 | \$3,380,000 | \$3,093,992 | \$401,008 | 1.450% - 3.125% | 2036 |
| 2018 | \$4,430,000 | \$4,370,000 | \$4,160,848 | \$269,152 | 3.500% - 3.750% | 2038 |
| 2019 | \$2,995,000 | \$2,980,000 | \$2,741,922 | \$253,078 | 3.000% - 3.625% | 2039 |
| 2019-REF | \$1,485,000 | \$1,480,000 | \$1,373,857 | \$111,143 | 2.000% - 2.150% | 2029 |
| TOTALS: | \$27,355,000 | \$22,575,000 | \$24,394,340 | \$2,960,660 | | |

AUTHORITY

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

- i) the issuance of approximately \$380,000 of Bonds subject to a permitted adjustment by increasing or decreasing the amount awarded by up to \$40,000;
- 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 15, 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, Cincinnati, Kentucky, the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date (February 1 and August 1) to each Registered Owner of record as of the 15th day of the month preceding the due date (January 15 and July 15) which shall be Cede & Co., as the nominee of The Depository Trust Company. Please see Book-Entry-Only-System.

Redemption

The Bonds are not subject to optional redemption prior to their stated maturity.

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

SECURITY

General

The Bonds are revenue bonds and constitute a limited indebtedness of the Corporation. The Bonds are payable as to both principal and interest solely from the income and revenues derived from the leasing of the Project acquired and constructed from the Bond proceeds from the Corporation to the Board.

Mortgage Lien

The Bonds are secured by a statutory mortgage lien and a pledge of revenues on and from the site of the Project.

The Lease

The Board has leased the school Project securing the Bonds for an initial period from July 15, 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, 2030, the final maturity date of the Bonds.

THE PROJECT

After payment of the Bond issuance costs, the Board plans to deposit the net Bond proceeds to finance improvements to the athletic track at Walton-Verona High School (the "Project").

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

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

STATE INTERCEPT

Under the terms of the 2020 Lease, and any renewal thereof, the Board has agreed so long as the Bonds remain outstanding, and in conformance with the intent and purpose of Section 157.627(5) of the Act and KRS 160.160(5), in the event of a failure by the Board to pay the rentals due under the 2020 Lease, and unless sufficient funds have been transmitted to the Paying Agent, or will be so transmitted, for paying said rentals when due, the Board has granted under the terms of the 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 FOR COMPLETION OF PROJECT

The Corporation has reserved the right and privilege of issuing additional bonds from time to time payable from the income and revenues of said land and school building Project and secured by the same statutory mortgage lien and pledge of revenues, but only if and to the extent the issuance of such additional parity bonds may be necessary to pay the costs, for which funds are not otherwise available, of completing the construction of said school building Project in accordance with the plans and specifications of the architect in charge of said Project, which plans have been completed, approved by the Board, Kentucky Department 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 Local Bond Payments | ----- Series 2020 Revenue Bonds (100% LOCAL) ----- | | | | | Total Local Bond Payments |
|----------------------------|-----------------------------|--|------------------|------------------|--------------|------------------|---------------------------|
| | | Principal Portion | Interest Portion | Total Payment | SFCC Portion | Local Portion | |
| 2020 | \$1,760,793 | | | | | | \$1,760,793 |
| 2021 | \$1,763,958 | | \$5,926 | \$5,926 | \$0 | \$5,926 | \$1,763,958 |
| 2022 | \$1,764,275 | \$35,000 | \$10,331 | \$45,331 | \$0 | \$45,331 | \$1,764,275 |
| 2023 | \$1,761,572 | \$35,000 | \$9,334 | \$44,334 | \$0 | \$44,334 | \$1,761,572 |
| 2024 | \$1,765,120 | \$35,000 | \$8,336 | \$43,336 | \$0 | \$43,336 | \$1,765,120 |
| 2025 | \$1,761,632 | \$35,000 | \$7,339 | \$42,339 | \$0 | \$42,339 | \$1,761,632 |
| 2026 | \$1,638,317 | \$35,000 | \$6,341 | \$41,341 | \$0 | \$41,341 | \$1,638,317 |
| 2027 | \$1,633,598 | \$40,000 | \$5,273 | \$45,273 | \$0 | \$45,273 | \$1,633,598 |
| 2028 | \$1,534,718 | \$40,000 | \$4,133 | \$44,133 | \$0 | \$44,133 | \$1,534,718 |
| 2029 | \$1,532,496 | \$40,000 | \$2,993 | \$42,993 | \$0 | \$42,993 | \$1,532,496 |
| 2030 | \$1,530,576 | \$40,000 | \$1,853 | \$41,853 | \$0 | \$41,853 | \$1,530,576 |
| 2031 | \$1,450,853 | \$45,000 | \$641 | \$45,641 | \$0 | \$45,641 | \$1,450,853 |
| 2032 | \$1,344,569 | | | | | | \$1,344,569 |
| 2033 | \$1,351,345 | | | | | | \$1,351,345 |
| 2034 | \$1,351,144 | | | | | | \$1,351,144 |
| 2035 | \$1,105,988 | | | | | | \$1,105,988 |
| 2036 | \$1,111,064 | | | | | | \$1,111,064 |
| 2037 | \$725,727 | | | | | | \$725,727 |
| 2038 | \$730,005 | | | | | | \$730,005 |
| 2039 | \$251,972 | | | | | | \$251,972 |
| TOTALS: | \$27,869,722 | \$380,000 | \$62,499 | \$442,499 | \$0 | \$442,499 | \$27,869,722 |

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:

| | |
|------------------------------|---------------------|
| Sources: | |
| Par Amount of Bonds | <u>\$380,000.00</u> |
| Total Sources | \$380,000.00 |
| Uses: | |
| Deposit to Construction Fund | \$356,550.00 |
| Underwriter's Discount (2%) | 7,600.00 |
| Cost of Issuance | <u>15,850.00</u> |
| Total Uses | \$380,000.00 |

DISTRICT STUDENT POPULATION

Selected school census, enrollment and average daily attendance for the Walton-Verona Independent School District is as follows:

| <u>Year</u> | <u>Average Daily Attendance</u> |
|-------------|---------------------------------|
| 2000-01 | 914.8 |
| 2001-02 | 960.5 |
| 2002-03 | 975.0 |
| 2003-04 | 983.6 |
| 2004-05 | 1,078.0 |
| 2005-06 | 1,128.5 |
| 2006-07 | 1,176.5 |
| 2007-08 | 1,275.0 |
| 2008-09 | 1,314.2 |
| 2009-10 | 1,370.0 |
| 2010-11 | 1,445.9 |
| 2011-12 | 1,446.1 |
| 2012-13 | 1,444.8 |
| 2013-14 | 1,463.6 |
| 2014-15 | 1,445.5 |
| 2015-16 | 1,489.8 |
| 2016-17 | 1,547.4 |
| 2017-18 | 1,544.9 |
| 2018-19 | 1,556.3 |
| 2019-20 | 1,623.0 |

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 \$3,911 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 Walton-Verona Independent School District for certain preceding school years. Beginning 1990-91, the allotment is based on average daily attendance as required by law.

| Year | Capital Outlay Allotment |
|---------|-----------------------------|
| 2000-01 | 91,480.0 |
| 2001-02 | 96,050.0 |
| 2002-03 | 97,500.0 |
| 2003-04 | 98,360.0 |
| 2004-05 | 107,800.0 |
| 2005-06 | 112,850.0 |
| 2006-07 | 117,650.0 |
| 2007-08 | 127,500.0 |
| 2008-09 | 131,421.0 |
| 2009-10 | 136,998.0 |
| 2010-11 | 144,594.0 |
| 2011-12 | 144,607.0 |
| 2012-13 | 144,483.0 |
| 2013-14 | 146,358.0 |
| 2014-15 | 144,550.0 |
| 2015-16 | 148,980.0 |
| 2016-17 | 154,740.0 |
| 2017-18 | 154,490.0 |
| 2018-19 | 155,630.0 |
| 2019-20 | 162,300.0 |

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

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

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

LOCAL SUPPORT

Homestead Exemption. Section 170 of the Kentucky Constitution was amended at the General Election held November 2, 1971, to exempt from property taxes \$6,500 of value of single unit residential property of taxpayers 65 years of age or older. The 1972 General Assembly amended KRS Chapter 132 to permit counties and school districts to adjust their local tax revenues lost through the application of this Homestead Exemption. The "Single Unit" qualification has been enlarged to subsequent sessions of the General Assembly to provide that

such exemption shall apply to such property maintained as the permanent resident of the owner and the dollar amount has been construed to mean \$6,500 in terms of the purchasing power of the dollar in 1972. Every two years thereafter, if the cost of living index of the U.S. Department of Labor has changed as much as 1%, the maximum exemption shall be adjusted accordingly. Under the cost of living formula, the maximum was increased to \$39,300 effective January 1, 2019.

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

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

Local Thirty Cents Minimum. Effective for school years beginning after June 30, 1990, the board of education of each school district shall levy a minimum equivalent tax rate of thirty cents (\$0.30) for general school purposes. If a board fails to comply, its members shall be subject to removal from office for willful neglect of duty.

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

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

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

Local Tax Rates, Property Assessments and Revenue Collections

| Tax Year | Combined Equivalent Rate | Total Property Assessment | Property Revenue Collections |
|-----------------|---------------------------------|----------------------------------|-------------------------------------|
| 2000-01 | 110 | 230,193,074 | 2,532,124 |
| 2001-02 | 108.1 | 241,093,802 | 2,606,224 |
| 2002-03 | 112.3 | 277,878,291 | 3,120,573 |
| 2003-04 | 112.3 | 293,013,734 | 3,290,544 |
| 2004-05 | 112.6 | 319,652,558 | 3,599,288 |
| 2005-06 | 116.3 | 333,947,202 | 3,883,806 |
| 2006-07 | 112.3 | 417,769,032 | 4,691,546 |
| 2007-08 | 116.3 | 463,514,300 | 5,390,671 |
| 2008-09 | 106 | 501,357,347 | 5,314,388 |
| 2009-10 | 106 | 518,185,265 | 5,492,764 |
| 2010-11 | 104.7 | 532,111,661 | 5,571,209 |
| 2011-12 | 102.9 | 525,174,019 | 5,404,041 |
| 2012-13 | 105.4 | 533,862,409 | 5,626,910 |
| 2013-14 | 109.9 | 551,537,069 | 6,061,392 |
| 2014-15 | 113.1 | 554,315,934 | 6,269,313 |
| 2015-16 | 115 | 570,650,298 | 6,562,478 |
| 2016-17 | 116.6 | 585,102,498 | 6,822,295 |
| 2017-18 | 116.8 | 615,075,441 | 7,184,081 |
| 2018-19 | 116.8 | 658,017,415 | 7,685,643 |
| 2019-20 | 116.1 | 682,004,157 | 7,918,068 |

OVERLAPPING BOND INDEBTEDNESS

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

| Issuer | Original Principal Amount | Amount of Bonds Redeemed | Current Principal Outstanding |
|-------------------------------------|----------------------------------|---------------------------------|--------------------------------------|
| County of Boone | | | |
| General Obligation | 37,905,000 | 18,672,825 | 19,232,175 |
| Multi-Family Housing Revenue | 6,435,000 | 0 | 6,435,000 |
| Residential Revenue | 8,290,000 | 0 | 8,290,000 |
| Manufacturing Facility Revenue | 1,600,000 | 965,000 | 635,000 |
| Pollution Control Refunding Revenue | 111,995,000 | 0 | 111,995,000 |
| Refinancing Revenue | 12,110,000 | 8,100,000 | 4,010,000 |
| City of Florence | | | |
| General Obligation | 24,130,000 | 7,785,000 | 16,345,000 |
| Office Building Public Corp. | 2,615,000 | 1,400,000 | 1,215,000 |
| Senior Citizens Housing Revenue | 8,225,000 | 4,090,000 | 4,135,000 |
| Housing Facilities Revenue | 8,825,000 | 3,645,000 | 5,180,000 |
| Refunding | 2,115,000 | 960,000 | 1,155,000 |
| City of Union | | | |
| General Obligation | 375,000 | 105,559 | 269,441 |

| | | | |
|-------------------------------------|--------------------|-------------------|--------------------|
| City of Walton | | | |
| General Obligation | 2,000,000 | 720,000 | 1,280,000 |
| Water & Sewer Revenue | 742,000 | 658,000 | 84,000 |
| Public Project Revenue | 1,269,087 | 33,337 | 1,235,750 |
| Special Districts | | | |
| Belleview/McVile Fire Dept. | 678,445 | 353,000 | 325,445 |
| Boone County Water District | 1,480,000 | 1,110,000 | 370,000 |
| Burlington Fire Protection District | 2,675,500 | 1,805,725 | 869,775 |
| Kenton County Airport Board | 32,935,000 | 0 | 32,935,000 |
| Point Pleasant Fire District | 1,400,000 | 318,144 | 1,081,856 |
| Union Community Ambulance District | 2,090,177 | 2,842,196 | 752,019 |
| Union Fire Protection District | 3,638,632 | 506,292 | 3,132,340 |
| Walton Fire District | 7,325,569 | 1,741,243 | 5,584,326 |
| Boone-Florence Water Commission | 29,990,000 | 8,240,000 | 21,750,000 |
| Totals: | 310,844,410 | 62,547,283 | 248,297,127 |

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>SEEK</u> | <u>Base Funding</u> | <u>Local Tax Effort</u> | <u>Total State & Local Funding</u> |
|-------------|---------------------|-------------------------|--|
| 2000-01 | 3,087,425 | 2,532,124 | 5,619,549 |
| 2001-02 | 3,228,241 | 2,606,224 | 5,834,465 |
| 2002-03 | 3,367,192 | 3,120,573 | 6,487,765 |
| 2003-04 | 3,808,562 | 3,290,544 | 7,099,106 |
| 2004-05 | 3,880,873 | 3,599,288 | 7,480,161 |
| 2005-06 | 4,454,913 | 3,883,806 | 8,338,719 |
| 2006-07 | 4,416,235 | 4,691,546 | 9,107,781 |
| 2007-08 | 5,115,347 | 5,390,671 | 10,506,018 |
| 2008-09 | 5,496,865 | 5,314,388 | 10,811,253 |
| 2009-10 | 5,153,499 | 5,492,764 | 10,646,263 |
| 2010-11 | 5,516,628 | 5,571,209 | 11,087,837 |
| 2011-12 | 5,880,455 | 5,404,041 | 11,284,496 |
| 2012-13 | 5,824,881 | 5,626,910 | 11,451,791 |
| 2013-14 | 5,820,014 | 6,061,392 | 11,881,406 |
| 2014-15 | 5,891,555 | 6,269,313 | 12,160,868 |
| 2015-16 | 6,122,316 | 6,562,478 | 12,684,794 |
| 2016-17 | 6,510,799 | 6,822,295 | 13,333,094 |
| 2017-18 | 6,550,488 | 7,184,081 | 13,734,569 |
| 2018-19 | 6,515,279 | 7,685,643 | 14,200,922 |
| 2019-20 | 6,729,757 | 7,918,068 | 14,647,825 |

- (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 \$1.161 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.

CONTINUING DISCLOSURE; EXEMPTION

The Board and the Corporation have previously entered into continuing disclosure undertakings pursuant to the Rule. While the Board and the Corporation are current with the filings required by such undertakings, certain filings were made beyond the required filing dates. As a result, the Board has filed Material Event Notices indicating its failure to file on a timely basis the following information:

- (1) An update to operating data and financial information for fiscal year ending June 30, 2013 on July 21, 2014; and
- (2) A failure to file annual financial information in a timely manner.

The Annual Financial Information for FY ending June 30, 2013 through June 30, 2015 was filed after the deadline (December 1). Operating data for FY June 30, 2013 through June 30, 2015 was filed after the deadline (August 27).

The Board has adopted procedures to assure timely and complete filings in the future with regard to the Rule.

TAX EXEMPTION; BANK QUALIFIED

Bond Counsel is of the opinion that:

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

(B) Interest payable on the Bonds is excludable from gross income under the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, interest on the Bonds will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Code, in computing the alternative minimum tax. The Corporation has covenanted to comply with the applicable provisions of the Code, and such compliance by the corporation is necessary to maintain the federal income tax status described above. No opinion is expressed regarding other federal tax consequences arising with respect to the Bonds.

(C) The Corporation has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265 of the Code.

The Corporation has covenanted to comply with the applicable provisions of the Code, and such compliance by the Corporation is necessary to maintain the federal income tax status described above. No opinion is expressed regarding other federal tax consequences arising with respect to Bonds.

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>.

LITIGATION

There is no litigation presently pending against the Corporation or the District, nor to the knowledge of the officials of the Corporation or the District is there any litigation threatened, which questions or affects the validity of the Bonds or any proceedings or transactions relating to the issue, sale and delivery thereof.

APPROVAL OF LEGALITY

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving legal opinion of Dinsmore & Shohl LLP, Covington, Kentucky, Kentucky, 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.

APPENDIX A

**Walton-Verona Independent School District Finance Corporation
School Building Revenue Bonds
Series 2020**

Demographic and Economic Data

BOONE COUNTY, KENTUCKY

Boone County was formed in 1799. It is located in the Outer Bluegrass region of the state. The elevation in the County ranges from 455 to 964 feet above sea level. The county seat is Burlington. The largest city in the county is Florence. Boone County is in the Northern Kentucky Area.

The Bluegrass region was the most quickly settled part of the state and now is home to about half the state's population. The Northern Kentucky Area, covering a total land area of 559 square miles, is composed of Boone, Campbell, and Kenton Counties; and is ideally situated along and adjacent to the south bank of the Ohio River, immediately south of Cincinnati, Ohio. These three counties are a part of the Cincinnati Metropolitan Statistical Area. Boone County had an estimated 2019 population of 132,758.

The Northern Kentucky Area forms the northern apex of an industrial triangle anchored by Louisville on the southwest and Lexington on the southeast. Within the triangle are more than one-third of the state's population and nearly one-half of its manufacturing jobs. The interstate highway system places these three metropolitan areas within less than two hours driving from each other.

The Economic Framework

Boone County has a labor force of 71,703 people with an unemployment rate of 3.4%. The total number of people employed in 2019 averaged 72,377. The top 5 jobs by occupation are as follows: production workers - 11,604 (16.03%); office and administrative support - 9,401 (12.99%); sales - 9,040 (12.49%); executive managers and administrators - 5,665 (7.83%); and food preparation/serving - 4,635 (6.4%).

Transportation

Major highways serving Boone, Campbell, and Kenton Counties include Interstates 71, 75, 275, and 471; U.S. Highways 42/127, 25, and 27. The Greater Cincinnati-Northern Kentucky International Airport, located in Boone County, Kentucky, provides commercial airline service. The airport is a major hub for Delta Airlines. The Southern Railway System and CSX Transportation provide main line rail service to the area. Several barge and towing companies provide barge transportation on the Ohio River. The Port of Cincinnati extends 30 miles along both banks of the Ohio River.

Power and Fuel

Electric power is provided to Boone, Campbell, and Kenton Counties by Duke Energy Kentucky, E. ON US/KU, East Kentucky Power Cooperative and Owen Electric Cooperative, Inc. Natural gas service is provided to major portions of the three-county area by Duke Energy Kentucky.

LABOR MARKET STATISTICS

The Labor Market Area includes Boone, Campbell, Gallatin, Grant, Kenton and Pendleton counties in Kentucky. The Labor Market Area is supplemented by the Ohio counties of Hamilton, Butler, Clermont and Warren; and Dearborn County in Indiana.

Population

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|--------------|-------------|-------------|-------------|-------------|-------------|
| Boone County | 127,818 | 129,185 | 130,611 | 131,533 | 132,758 |
| Walton | 3,866 | 3,903 | 3,944 | 3,968 | 3,996 |

Source: Kentucky State Data Center, University of Louisville.

Population Projections

| | <u>2025</u> | <u>2030</u> | <u>2035</u> |
|--------------|-------------|-------------|-------------|
| Boone County | 150,928 | 163,722 | 177,141 |

Source: Kentucky Data Center, University of Louisville.

EDUCATION

Public Schools

| | <u>Boone County</u> | <u>Walton-Verona Independent</u> |
|---------------------------------|-------------------------|--------------------------------------|
| Total Enrollment (2018-2019) | 20,290 | 1,685 |
| Pupil-Teacher Ratio (2018-2019) | 15.0 - 1 | 16.0 - 1 |

Vocational - Technical Schools

| <u>Institution</u> | <u>Location</u> | <u>Enrollment (2017-2018)</u> |
|---------------------------------------|------------------|-----------------------------------|
| Kenton County Academies of Innovation | Ft. Mitchell, KY | 534 |
| Campbell County ATC | Alexandria, KY | 298 |
| Boone County ATC | Hebron, KY | 217 |
| Carroll County ATC | Carrollton, KY | 726 |
| Harrison County ATC | Cynthiana, KY | 746 |
| Mason County ATC | Maysville, KY | 181 |
| Elkhorn Crossing School | Georgetown, KY | 863 |

Colleges and Universities

40.43% of the population in Boone County have an Associate's degree or higher. 93.1% have a high school degree or higher.

| <u>Top 5 Universities within 50 miles</u> | <u>Number of Graduates</u> |
|--|----------------------------|
| University of Cincinnati (Main Campus) | 9,508 |
| Miami University - Oxford | 5,396 |
| Northern Kentucky University | 2,957 |
| Xavier University | 1,814 |
| Cincinnati State Technical & Community College | 1,204 |

Source: Kentucky Cabinet for Economic Development

EXISTING INDUSTRY

| Firm | Product | Total Employed |
|----------------------------------|---|-----------------------|
| <i>Alexandria</i> | | |
| Tyson-Hillshire Brands | Little Smokies (cocktails), hot dogs, sliced lunch meat | 758 |
| <i>Covington</i> | | |
| Club Chef LLC | Processor of fresh cut produce | 525 |
| Fidelity Investments | Financial Services that support Fidelity's core mutual fund, brokerage & retirement operations | 4,500 |
| <i>Erlanger</i> | | |
| DHL Express | Airfreight delivery service, international hub & distribution facility | 2,800 |
| Wild Flavors Inc. | Headquarters, administration, research & development, pilot plants, manufacturing & ADM Global IT Service Center | 506 |
| <i>Florence</i> | | |
| Citicorp Credit Services | Financial services customer service center | 2,485 |
| Mazak Corporation | Machine tools, general machining & assembly, administration, warehouse, engineering, technology center, North American Headquarters | 676 |
| Mubea Inc | Automotive component parts | 1,017 |
| Novolex | Paper bags & administrative work | 578 |
| Robert Bosch Automotive Steering | Steering gears for car & light truck market | 1,200 |
| SFC Global Supply Chain | Frozen pizzas | 750 |
| Southern Graphic Systems | Color separation, packaging artwork production, prepress, image carrier manufacturing | 147 |
| <i>Hebron</i> | | |
| CVG1 – Amazon | Distribution center | 1,000 |
| CVG2 – Amazon | Wholesale distribution, returns facility | 2,000 |
| CVG3 – Amazon | Distribution center | 1,000 |
| Pomeroy | Headquarters, computer service & sales | 615 |
| Toyota North American KY | Parts warehouse/distribution center/hub | 600 |
| <i>Independence</i> | | |
| Cengage Distribution Center | Book distribution center | 800 |
| FedEx Ground Package System Inc. | Distribution center, package sorting center | 700 |
| <i>Richwood</i> | | |
| Radial Inc. | E-commerce distribution & fulfillment | 541 |
| <i>Walton</i> | | |
| Radial Inc. | Distribution & logistics | 554 |

Source: Kentucky Cabinet for Economic Development (1/1/2020).

APPENDIX B

**Walton-Verona Independent School District Finance Corporation
School Building Revenue Bonds
Series 2020**

Audited Financial Statement for FY Ending June 30, 2019

Walton-Verona Independent School District

**Financial Statements
With Supplementary Information
Year Ended June 30, 2019
With Independent Auditors' Report**

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

June 30, 2019

Table of Contents

| | |
|--|-------|
| Independent Auditors' Report | 1-2 |
| Management's Discussion and Analysis (MD&A) (Unaudited) | 3-7 |
| Basic Financial Statements: | |
| District Wide Financial Statements: | |
| Statement of Net Position - District Wide | 8 |
| Statement of Activities - District Wide | 9 |
| Fund Financial Statements: | |
| Balance Sheet - Governmental Funds | 10 |
| Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position | 11 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | 12 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities | 13 |
| Statement of Net Position – Proprietary Funds | 14 |
| Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds | 15 |
| Statement of Cash Flows - Proprietary Funds | 16 |
| Statement of Fiduciary Net Position | 17 |
| Notes to the Financial Statements | 18-47 |

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

June 30, 2019

Table of Contents (Continued)

Required Supplementary Information and Other Information:

Combining Statements - Nonmajor Funds

| | |
|---|-------|
| Combining Balance Sheet - Nonmajor Governmental Funds | 48 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds | 49 |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual - General Fund | 50 |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – Special Revenue Fund | 51 |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – Construction Fund | 52 |
| Statement of Receipts, Disbursements and Fund Balances – Bond and Interest Redemption Funds | 53 |
| Statement of Receipts, Disbursements and Fund Balances –Walton-Verona High School Activity Funds | 54-55 |
| Statement of Receipts, Disbursements and Fund Balances - School Activity Funds | 56 |
| Schedule of the District's Proportionate Share of the Net Pension Liability – TRS | 57 |
| Schedule of District Contributions – TRS | 58 |
| Schedule of the District's Proportionate Share of the Net Pension Liability – CERS | 59 |
| Schedule of District Contributions – CERS | 60 |
| Schedule of the District's Proportionate Share of the Net OPEB Liability – LIF | 61 |
| Schedule of District's Contributions – LIF | 62 |
| Schedule of the District's Proportionate Share of the Net OPEB Liability – MIF | 63 |
| Schedule of District's Contributions – MIF | 64 |
| Schedule of the District's Proportionate Share of the Net OPEB Liability – MIF (CERS) | 65 |
| Schedule of District's Contributions – MIF | 66 |
| Schedule of Expenditures of Federal Awards | 67 |
| Notes to the Schedule of Expenditures of Federal Awards | 68 |

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

June 30, 2019

Table of Contents (Continued)

| | |
|---|-------|
| Independent Auditors' 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> | 69-70 |
| Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance | 71-72 |
| Schedule of Findings and Questioned Costs | 73-74 |
| Management Letter Comments | 75-76 |

Independent Auditors' Report

To the Members of the Board of Education
Walton-Verona Independent School District
Walton, Kentucky

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 Walton Verona Independent School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Walton-Verona Independent School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Kentucky Public School Districts' Audit Contract and Requirements* prescribed by the Kentucky State Committee for School District Audits. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Walton-Verona Independent 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.

Correction of Error

As discussed in Note 19 to the financial statements, an error related to amounts recognized as deferred outflows and inflows related to pension and other postemployment retirement benefit liabilities have been corrected. Accordingly, amounts for prior periods were restated and an adjustment has been made to net position at June 30, 2018 to correct the error. Our opinion is not modified with respect to this matter.

**Independent Auditors' Report
(Continued)**

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on pages 3-7, 50-52, and 57-66 as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2019 on our consideration of the Walton Verona Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Walton-Verona Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Walton Verona Independent School District's internal control over financial reporting and compliance



Crestview Hills, Kentucky
November 12, 2019

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2019

As management of the Walton-Verona Independent School District (District), we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning cash balance for the District was \$8,758,748.
- The General Fund had \$17,798,402 in revenue, excluding proceeds for capital leases, which primarily consisted of the state program (SEEK), property, local occupational license taxes, utilities and motor vehicle taxes. Excluding inter-fund transfers, there was \$16,948,572 in General Fund expenditures.

CURRENT ISSUES

Walton – Verona Independent Schools continue to perform as one of the top districts in the state. Our primary objectives continue to be to create students who grow and achieve academically, are college and/or career ready when they graduate, are involved in their community, and to provide the best return possible on the community's investment in education.

As our community continues to grow, so does our student enrollment. The total enrollment of the district was 1,000 students during the 1999-2000 school year, it increased to 1,715 students by the end of the 2018-19 school year, and as we enter the second month of school for 2019-20, we currently sit at 1,760 students – an increase of 76% in our student population over a twenty-year period. While we have continually been upgrading and expanding our facilities throughout this phase of rapid growth, creation of classroom space has once again become one of our primary challenges. As development of new housing within our district boundaries continues our goal is to match this growth with the addition of adequate and efficient instructional spaces.

Another concern continues to be the insufficient level of funding that we receive from the state. This funding has not kept up with the increases in operating expenses associated with numerous unfunded mandates, the rate of inflation, increased salaries, increasing retirement contributions, and reductions to or the elimination of areas of state support such as professional development for teachers, instructional resources for students, and funding for preschool.

The continual erosion of state funding makes it increasingly difficult to maintain the high standard of education and programming that our students deserve without increasing taxes locally. This is a direct result of legislators not making the necessary changes needed at the state level knowing that districts will have no other choice than to make up for their shortcomings by raising local property tax rates. In this climate of shrinking state support the Walton - Verona Independent School District will maintain fiscally responsible policies in order to continue providing quality academic, extra-curricular and community service programs to all of its students.

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) district-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.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2019 (Continued)

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

The district-wide financial statements can be found on pages 8 and 9 of this report.

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

The basic governmental fund financial statements can be found on pages 10 through 17 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 18 through 47 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$10,886,721 as of June 30, 2019.

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

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2019
(Continued)**

DISTRICT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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

Net Position for the periods ending June 30, 2019 and 2018

The following table presents a summary of net position for the fiscal years ended June 30, 2019 and 2018.

| | <u>2019</u> | <u>2018</u> |
|-------------------------------------|----------------------|---------------------|
| Current assets | \$ 7,948,021 | \$ 9,191,709 |
| Noncurrent assets | <u>39,079,261</u> | <u>33,246,276</u> |
| Total assets | <u>47,027,282</u> | <u>42,437,985</u> |
| Total deferred outflows | <u>2,277,106</u> | <u>2,736,426</u> |
| Current liabilities | 3,168,189 | 2,220,839 |
| Noncurrent liabilities | <u>33,969,166</u> | <u>32,433,220</u> |
| Total liabilities | <u>37,137,355</u> | <u>34,654,059</u> |
| Total deferred inflows | <u>1,215,842</u> | <u>683,686</u> |
| Net position | | |
| Investment in capital (net of debt) | 14,936,605 | 11,309,693 |
| Restricted | (6,749,857) | (3,926,019) |
| Unassigned | <u>2,764,443</u> | <u>2,452,992</u> |
| Total net position | <u>\$ 10,951,191</u> | <u>\$ 9,836,666</u> |

Comments on Budget Comparisons

- The District's total General Fund revenues for the fiscal year ended June 30, 2019, net of inter-fund transfers and capital lease proceeds, were \$17,798,402
- General Fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$6,368,908 more than budget or approximately 55.7%. This is a result of the District recording "on behalf" payments made by the State.
- The total cost of General Fund programs and services was \$16,948,572, net of interfund transfers.
- General Fund actual expenditures exceeded budget expenditures by \$3,059,922 in instruction. This is a result of the District recording "on behalf" payments made by the State.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2019
(Continued)**

DISTRICT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2019 and 2018.

| | <u>2019</u> | <u>2018</u> |
|------------------------------------|---------------------|---------------------|
| Revenues | | |
| Program revenues | | |
| Charges for services | \$ 516,653 | \$ 502,212 |
| Operating grants and contributions | 1,627,100 | 1,436,595 |
| Capital grants and contributions | <u>-</u> | <u>418,200</u> |
| Total program revenues | <u>2,143,753</u> | <u>2,357,007</u> |
| General revenues | | |
| Taxes | 7,869,363 | 7,243,055 |
| Federal and state sources | 5,355,366 | 13,565,716 |
| Earnings on investments | 201,883 | 72,551 |
| Miscellaneous | <u>(472,407)</u> | <u>1,849,589</u> |
| Total general revenues | <u>12,954,205</u> | <u>22,730,911</u> |
| Total revenues | <u>15,097,958</u> | <u>25,087,918</u> |
| Expenses | | |
| Instructional | 4,865,868 | 15,172,555 |
| Student support services | 794,961 | 857,826 |
| Instructional support | 936,431 | 959,312 |
| District administration | 915,705 | 866,125 |
| School administration | 1,050,424 | 1,041,713 |
| Business support | 375,117 | 398,844 |
| Plant operations | 2,388,954 | 2,227,210 |
| Student transportation | 1,100,801 | 1,057,403 |
| Other | 91,247 | - |
| Debt service | 658,408 | 511,224 |
| Food service | <u>805,517</u> | <u>811,610</u> |
| Total expenses | <u>13,983,433</u> | <u>23,903,822</u> |
| Excess of revenues over expenses | <u>\$ 1,114,525</u> | <u>\$ 1,184,096</u> |

General Fund Revenue

The majority of General Fund revenue was derived from State SEEK Funds (35.7%) with state funding making up 59.4% of total revenue.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2019
(Continued)**

BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal, operate on a different fiscal calendar, but are reflected in the District's overall budget. By law the budget must have a minimum 2% contingency. The District adopted a budget with \$828,826 in contingency (5.0%). The beginning cash balance for the fiscal year is \$8,758,748.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Questions regarding this report should be directed to Dr. Matt Baker, Superintendent or to Mr. Kevin Ryan, Director of Finance at (859) 485-4181 or by mail at 16 School Road, Walton, Kentucky 41094.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Statement of Net Position – District Wide
Year Ended June 30, 2019**

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|----------------------|
| Assets | | | |
| Current: | | | |
| Cash and cash equivalents | \$ 7,480,475 | \$ 213,424 | \$ 7,693,899 |
| Accounts receivable | 234,918 | - | 234,918 |
| Inventories for consumption | - | 19,204 | 19,204 |
| Total current | <u>7,715,393</u> | <u>232,628</u> | <u>7,948,021</u> |
| Noncurrent: | | | |
| Land | 1,076,853 | - | 1,076,853 |
| Land improvements | 1,265,747 | - | 1,265,747 |
| General equipment | 744,111 | 388,768 | 1,132,879 |
| Buildings and improvements | 41,732,443 | 146,981 | 41,879,424 |
| Furniture and equipment | 4,232,255 | - | 4,232,255 |
| Less: accumulated depreciation | <u>(17,297,007)</u> | <u>(485,918)</u> | <u>(17,782,925)</u> |
| Total noncurrent | <u>39,029,430</u> | <u>49,831</u> | <u>39,079,261</u> |
| Total assets | <u>46,744,823</u> | <u>282,459</u> | <u>47,027,282</u> |
| Deferred outflows | <u>2,214,652</u> | <u>62,454</u> | <u>2,277,106</u> |
| Liabilities and Net Position | | | |
| Liabilities | | | |
| Current: | | | |
| Accrued interest | 174,820 | - | 174,820 |
| Current portion of bonds payable | 1,330,000 | - | 1,330,000 |
| Current portion of capital leases | 84,567 | - | 84,567 |
| Current portion of accrued sick leave | 13,326 | - | 13,326 |
| Accrued payroll and related expenses | 261,244 | - | 261,244 |
| Accounts payable | 1,303,638 | 594 | 1,304,232 |
| Unearned revenues | - | - | - |
| Total current | <u>3,167,595</u> | <u>594</u> | <u>3,168,189</u> |
| Noncurrent: | | | |
| Accrued sick leave | 119,932 | - | 119,932 |
| Capital leases | 437,748 | - | 437,748 |
| MIF net OPEB liability | 5,674,877 | 179,913 | 5,854,790 |
| CERS net pension liability | 4,867,383 | 154,313 | 5,021,696 |
| Bond obligations | <u>22,535,000</u> | <u>-</u> | <u>22,535,000</u> |
| Total noncurrent | <u>33,634,940</u> | <u>334,226</u> | <u>33,969,166</u> |
| Total liabilities | <u>36,802,535</u> | <u>334,820</u> | <u>37,137,355</u> |
| Deferred inflows | <u>1,178,481</u> | <u>37,361</u> | <u>1,215,842</u> |
| Net Position | | | |
| Invested in capital assets, net of related debt | 14,886,774 | 49,831 | 14,936,605 |
| Restricted | (6,672,758) | (77,099) | (6,749,857) |
| Unrestricted | <u>2,764,443</u> | <u>-</u> | <u>2,764,443</u> |
| Total net position | <u>\$ 10,978,459</u> | <u>\$ (27,268)</u> | <u>\$ 10,951,191</u> |

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Statement of Activities – District Wide
Year Ended June 30, 2019**

| Functions/Programs | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | |
|---|------------------|----------------------------|--|--|----------------------------|-----------------------------|----------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental Activities | | | | | | | |
| Instruction | \$ 4,865,868 | \$ 139,655 | \$ 1,059,721 | \$ - | \$ (3,666,492) | \$ - | \$ (3,666,492) |
| Support services: | | | | | | | |
| Student support services | 794,961 | - | - | - | (794,961) | - | (794,961) |
| Instruction staff support services | 936,431 | - | - | - | (936,431) | - | (936,431) |
| District administration | 915,705 | - | - | - | (915,705) | - | (915,705) |
| School administration | 1,050,424 | - | - | - | (1,050,424) | - | (1,050,424) |
| Business | 375,117 | - | - | - | (375,117) | - | (375,117) |
| Plant operation and maintenance | 2,388,954 | - | - | - | (2,388,954) | - | (2,388,954) |
| Student transportation | 1,100,801 | - | 26,238 | - | (1,074,563) | - | (1,074,563) |
| Facilities acquisition and construction | 36,452 | 40,036 | - | - | 3,584 | - | 3,584 |
| Community service activities | 54,795 | - | 54,795 | - | - | - | - |
| Interest on long-term debt | 658,408 | - | - | - | (658,408) | - | (658,408) |
| Total governmental activities | 13,177,916 | 179,691 | 1,140,754 | - | (11,857,471) | - | (11,857,471) |
| Business-type Activities | | | | | | | |
| Food service | 805,517 | 336,962 | 486,346 | - | - | 17,791 | 17,791 |
| Total business-type activities | 805,517 | 336,962 | 486,346 | - | - | 17,791 | 17,791 |
| Total school district | \$ 13,983,433 | \$ 516,653 | \$ 1,627,100 | \$ - | (11,857,471) | 17,791 | (11,839,680) |
| General Revenues | | | | | | | |
| Taxes | 7,869,363 | | | | 7,869,363 | - | 7,869,363 |
| Investment earnings | 180,217 | | | | 180,217 | 21,666 | 201,883 |
| Federal and state sources | 5,355,366 | | | | 5,355,366 | - | 5,355,366 |
| Miscellaneous | (472,407) | | | | (472,407) | - | (472,407) |
| Total general revenues | 12,932,539 | | | | 12,932,539 | 21,666 | 12,954,205 |
| Change in net position | | | | | 1,075,068 | 39,457 | 1,114,525 |
| Net position - beginning | | | | | 10,621,525 | (43,958) | 10,577,567 |
| Net position adjustment (Note 19) | | | | | (718,134) | (22,767) | (740,901) |
| Net position - ending | | | | | \$ 10,978,459 | \$ (27,268) | \$ 10,951,191 |

The accompanying notes are an integral part of these financial statements

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Balance Sheet – Governmental Funds
As of June 30, 2019**

| | General Fund | Special Revenue Fund | Construction Fund | Non-major Governmental Funds | Total Governmental Funds |
|---------------------------------------|---------------------|----------------------------|----------------------|------------------------------------|--------------------------------|
| Assets | | | | | |
| Current: | | | | | |
| Cash (overdraft) and cash equivalents | \$ 4,657,715 | \$ (32,029) | \$ 2,854,789 | \$ - | \$ 7,480,475 |
| Accounts receivable | 202,889 | 32,029 | - | - | 234,918 |
| Total current | <u>\$ 4,860,604</u> | <u>\$ -</u> | <u>\$ 2,854,789</u> | <u>\$ -</u> | <u>\$ 7,715,393</u> |
| Liabilities and Fund Balances | | | | | |
| Liabilities | | | | | |
| Current: | | | | | |
| Accounts payable | \$ 110,210 | \$ - | \$ 1,193,428 | \$ - | \$ 1,303,638 |
| Accrued payroll and related expenses | 261,244 | - | - | - | 261,244 |
| Total current | <u>371,454</u> | <u>-</u> | <u>1,193,428</u> | <u>-</u> | <u>1,564,882</u> |
| Fund Balances | | | | | |
| Restricted: | | | | | |
| Capital projects | 94,409 | - | 1,661,361 | - | 1,755,770 |
| Committed: | | | | | |
| Sick Leave | 66,629 | - | - | - | 66,629 |
| Assigned | 1,255,591 | - | - | - | 1,255,591 |
| Unassigned | 3,072,521 | - | - | - | 3,072,521 |
| Total fund balances | <u>4,489,150</u> | <u>-</u> | <u>1,661,361</u> | <u>-</u> | <u>6,150,511</u> |
| Total liabilities and fund balances | <u>\$ 4,860,604</u> | <u>\$ -</u> | <u>\$ 2,854,789</u> | <u>\$ -</u> | <u>\$ 7,715,393</u> |

The accompanying notes are an integral part of these financial statements

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
As of June 30, 2019**

| | | |
|--|---------------------|----------------------|
| Total fund balance per fund financial statements | | \$ 6,150,511 |
| Capital assets are used in governmental activities are not financials resources and therefore are not reported as assets in governmental funds | | |
| Construction in progress | 7,275,028 | |
| Cost of capital assets | 49,051,409 | |
| Accumulated depreciation | <u>(17,297,007)</u> | |
| | | 39,029,430 |
| Deferred outflows | | |
| Bond refinancing | 244,659 | |
| Related to MIF | 341,542 | |
| MIF contributions made after the measurement date | 311,599 | |
| Related to CERS | 874,746 | |
| CERS contributions made after the measurement date | <u>442,106</u> | |
| | | 2,214,652 |
| Deferred inflows related to CERS | | |
| Related to CERS | (470,604) | |
| Related to OPEB | <u>(707,877)</u> | |
| | | (1,178,481) |
| Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds | | |
| Long-term liabilities at year end consist of: | | |
| Bonds payable | (23,865,000) | |
| Capital lease obligation | (522,315) | |
| Accrued interest on bonds | (174,820) | |
| Accrued KISBIT liability | - | |
| Net OPEB liability | (5,674,877) | |
| Net pension liability | (4,867,383) | |
| Accrued sick leave | <u>(133,258)</u> | |
| | | <u>(35,237,653)</u> |
| Net position for governmental activities | | <u>\$ 10,978,459</u> |

The accompanying notes are an integral part of these financial statements

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2019**

| | General Fund | Special Revenue Fund | Construction Fund | Non-major Governmental Funds | Total Governmental Funds |
|--|-------------------------|-------------------------------------|------------------------------|---|---|
| Revenues | | | | | |
| Taxes | \$ 6,869,363 | \$ - | \$ - | \$ 1,000,000 | \$ 7,869,363 |
| Earnings on investments | 180,217 | - | - | - | 180,217 |
| State sources | 10,569,865 | 519,321 | - | 1,063,238 | 12,152,424 |
| Federal sources | - | 621,433 | - | - | 621,433 |
| Other revenues | 243,427 | - | - | - | 243,427 |
| Total revenues | 17,862,872 | 1,140,754 | - | 2,063,238 | 21,066,864 |
| Expenditures | | | | | |
| Instruction | 10,005,097 | 1,092,015 | - | - | 11,097,112 |
| Support services | | | | | |
| Student | 721,271 | - | - | - | 721,271 |
| Instruction staff | 936,431 | - | - | - | 936,431 |
| District administration | 911,558 | - | - | - | 911,558 |
| School administration | 1,030,133 | - | - | - | 1,030,133 |
| Business | 375,117 | - | - | - | 375,117 |
| Plant operation and maintenance | 1,463,701 | - | - | - | 1,463,701 |
| Student transportation | 1,420,155 | 26,238 | - | - | 1,446,393 |
| Facilities acquisition and construction | - | - | 6,635,284 | 2,500 | 6,637,784 |
| Community service activities | - | 54,795 | - | - | 54,795 |
| Debt service | | | | | |
| Principal | 69,696 | - | - | 1,320,000 | 1,389,696 |
| Interest | 15,413 | - | - | 620,882 | 636,295 |
| Total expenditures | 16,948,572 | 1,173,048 | 6,635,284 | 1,943,382 | 26,700,286 |
| Excess (deficit) of revenues over expenditures | 914,300 | (32,294) | (6,635,284) | 119,856 | (5,633,422) |
| Other Financing Sources (Uses) | | | | | |
| Proceeds from bond sale and capital leases | 474,963 | - | 2,995,000 | - | 3,469,963 |
| Operating transfers in | - | 32,294 | 1,202,568 | 1,673,228 | 2,908,090 |
| Operating transfers out | (777,850) | - | - | (2,130,240) | (2,908,090) |
| Total other financing sources (uses) | (302,887) | 32,294 | 4,197,568 | (457,012) | 3,469,963 |
| Net change in fund balances | 611,413 | - | (2,437,716) | (337,156) | (2,163,459) |
| Fund balance, July 1, 2018 | 3,877,737 | - | 4,099,077 | 337,156 | 8,313,970 |
| Fund balance, June 30, 2019 | \$ 4,489,150 | \$ - | \$ 1,661,361 | \$ - | \$ 6,150,511 |

The accompanying notes are an integral part of these financial statements

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
Year Ended June 30, 2019**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in total fund balances per fund financial statements \$ (2,163,459)

Governmental funds report capital outlays as expenditures because they use current financial resources. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense for the year.

| | | |
|------------------------------|------------------|-----------|
| Depreciation expense | (1,276,476) | |
| Retirement of capital assets | - | |
| Capital outlays | <u>7,119,146</u> | 5,842,670 |

Bond proceeds are reported as financing sources in governmental fund and thus contribute to the change in fund balance. In the statement of net position however, issuing debt increase long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position

| | | |
|----------------------------------|-------------|--|
| Bond principal paid | 1,320,000 | |
| Proceeds from bond issue | (2,995,000) | |
| Capital lease principal paid | 69,696 | |
| Proceeds from capital leases | (566,545) | |
| Amortization of bond refinancing | (34,224) | |

| | | |
|---------------------------------------|-----------|--|
| Deferred outflows related to pensions | (391,221) | |
| Deferred outflows related to OPEB | (19,116) | |

| | | |
|--------------------------------------|-----------|--|
| Deferred inflows related to pensions | 46,343 | |
| Deferred inflows related to OPEB | (562,557) | |

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. 528,481

Change in net position of governmental activities \$ 1,075,068

The accompanying notes are an integral part of these financial statements

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Statement of Net Position – Proprietary Funds
As of June 30, 2019**

| | <u>Food Service</u> | <u>Total</u> |
|-------------------------------------|-------------------------|--------------------|
| Assets | | |
| Current | | |
| Cash and cash equivalents | \$ 213,424 | \$ 213,424 |
| Inventories for consumption | 19,204 | 19,204 |
| | <u>232,628</u> | <u>232,628</u> |
| Noncurrent | | |
| General equipment | 388,768 | 388,768 |
| Buildings and improvements | 146,981 | 146,981 |
| Less: accumulated depreciation | <u>(485,918)</u> | <u>(485,918)</u> |
| Total noncurrent | <u>49,831</u> | <u>49,831</u> |
| Total assets | <u>282,459</u> | <u>282,459</u> |
| Deferred outflows | <u>62,454</u> | <u>62,454</u> |
| Liabilities and Net Position | | |
| Liabilities | | |
| Current | | |
| Accounts payable | <u>594</u> | <u>594</u> |
| Total current | <u>594</u> | <u>594</u> |
| Noncurrent | | |
| MIF net OPEB liability | 179,913 | 179,913 |
| CERS net pension liability | <u>154,313</u> | <u>154,313</u> |
| Total noncurrent | <u>334,226</u> | <u>334,226</u> |
| Total liabilities | <u>334,820</u> | <u>334,820</u> |
| Deferred inflows | <u>37,361</u> | <u>37,361</u> |
| Net Position | | |
| Invested in assets, net of debt | 49,831 | 49,831 |
| Restricted | <u>(77,099)</u> | <u>(77,099)</u> |
| Total net position | <u>\$ (27,268)</u> | <u>\$ (27,268)</u> |

The accompanying notes are an integral part of these financial statements

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenses and Changes in Net Position –
Proprietary Funds
Year Ended June 30, 2019**

| | <u>Food Service</u> | <u>Total</u> |
|---|-------------------------|------------------|
| Operating revenues | | |
| Lunchroom sales | \$ 334,979 | \$ 334,979 |
| Other operating revenues | 1,983 | 1,983 |
| | <u>336,962</u> | <u>336,962</u> |
| Operating expenses | | |
| Salaries and benefits | 459,875 | 459,875 |
| Contract services | 15,142 | 15,142 |
| Materials and supplies | 319,617 | 319,617 |
| Depreciation | 9,686 | 9,686 |
| Other operating expenses | 1,197 | 1,197 |
| | <u>805,517</u> | <u>805,517</u> |
| Total operating expenses | <u>805,517</u> | <u>805,517</u> |
| Operating loss | <u>(468,555)</u> | <u>(468,555)</u> |
| Nonoperating revenues | | |
| Federal grants | 390,456 | 390,456 |
| State grants | 63,442 | 63,442 |
| Donated commodities and other donations | 32,448 | 32,448 |
| Transfers | - | - |
| Interest income | 21,666 | 21,666 |
| | <u>508,012</u> | <u>508,012</u> |
| Total nonoperating revenues | <u>508,012</u> | <u>508,012</u> |
| Change in net position | 39,457 | 39,457 |
| Total net position, July 1, 2018 | <u>(43,958)</u> | <u>(43,958)</u> |
| Net position adjustment (Note 19) | <u>(22,767)</u> | <u>(22,767)</u> |

The accompanying notes are an integral part of these financial statements

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2019**

| | Food Service Fund | Total |
|---|------------------------------|--------------|
| Cash flows from operating activities | | |
| Cash received from lunchroom sales | \$ 334,979 | \$ 334,979 |
| Cash received from other activities | 1,983 | 1,983 |
| Cash payments to employees for services | (450,031) | (450,031) |
| Cash payments to suppliers for goods and services | (334,165) | (334,165) |
| Cash payments for other operating activities | (1,197) | (1,197) |
| Net cash used in operating activities | (448,431) | (448,431) |
| Cash flows from noncapital financing activities | | |
| Non-operating revenues received | 486,346 | 486,346 |
| Net cash provided by noncapital financing activities | 486,346 | 486,346 |
| Cash flows from investing activities | | |
| Interest on investments | 21,666 | 21,666 |
| Net cash provided by investing activities | 21,666 | 21,666 |
| Net increase in cash and cash equivalents | 59,581 | 59,581 |
| Cash and cash equivalents - beginning | 153,843 | 153,843 |
| Cash and cash equivalents - ending | \$ 213,424 | \$ 213,424 |
| Reconciliation of operating loss to net cash used in operating activities | | |
| Operating loss | \$ (468,555) | \$ (468,555) |
| Adjustments to reconcile operating loss to net cash used in operating activities | | |
| Depreciation | 9,686 | 9,686 |
| Changes in assets and liabilities: | | |
| Increase in deferred outflows | 14,758 | 14,758 |
| Increase in deferred inflows | 15,942 | 15,942 |
| Decrease in CERS net pension liability | (308) | (308) |
| Decrease in MIF net OPEB liability | (20,548) | (20,548) |
| Increase in accounts payable | 594 | 594 |
| Net cash used in operating activities | \$ (448,431) | \$ (448,431) |
| Schedule of non-cash transactions: | | |
| Donated commodities received from federal government | \$ 32,448 | \$ 32,448 |
| On-behalf payments | \$ 56,508 | \$ 56,508 |

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

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Statement of Fiduciary Net Position
As of June 30, 2019

| | <u>School Activity Funds</u> | <u>Total</u> |
|---------------------------|--------------------------------------|--------------------------|
| Assets | | |
| Cash and cash equivalents | <u>\$ 295,117</u> | <u>\$ 295,117</u> |
| Total assets | <u><u>\$ 295,117</u></u> | <u><u>\$ 295,117</u></u> |
| Liabilities | | |
| Due to student groups | <u>\$ 295,117</u> | <u>\$ 295,117</u> |
| Total liabilities | <u><u>\$ 295,117</u></u> | <u><u>\$ 295,117</u></u> |

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

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Walton-Verona Independent Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Walton-Verona Independent School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*. 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 Board. 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 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:

Walton-Verona Independent School District Finance Corporation - The Board authorized the establishment of the Walton-Verona Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the District for financing the costs of school building facilities. The Board Members of the Walton-Verona Independent of Education also comprise the Corporation's Board of Directors.

Basis of Presentation

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

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

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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

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

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

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the schedule of expenditures of federal awards included in this report on page 67. This is a major fund of the District.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

I. Governmental Fund Types (cont'd)

(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 Funds).

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 Fund (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District. The District is committed to construction contracts in the amount of \$2,854,789 for ongoing projects.

II. Debt Service Fund

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

III. Proprietary Fund (Enterprise Fund)

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

IV. Fiduciary Fund Type (Agency and Trust Funds)

The Activity Funds account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with Uniform Program of Accounting for School Activity Funds.

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

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The GASB is responsible for establishing GAAP for state and local government through its pronouncements (Statements and Interpretations).

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

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

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

Taxes

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

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

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 GAAP of the United States of America. 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).

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

Supplies and materials are charged to expenditures when purchased, except for inventories in the Proprietary Fund, which are capitalized at the lower of cost or market.

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 district-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 district-wide statement of net position and in the respective funds.

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

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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 |
| Audio-visual equipment | 15 years |
| Food service equipment | 10 - 12 years |
| Furniture and fixtures | 7 years |
| Other | 10 years |

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 District's experience of making termination payments. The entire compensated absence liability is reported on the district-wide financial statements.

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.

Accrued Liabilities and Long-Term Obligations

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

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

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Reserves

Beginning with fiscal year 2012 the District implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the District's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint.

Assigned fund balance – amounts the District intends to use for specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority.

Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the General fund.

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations, using restricted funds first, followed by committed funds, assigned funds, then unassigned funds.

Encumbrances are not liabilities and are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance in the governmental funds balance sheet.

Net Position

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

Operating Revenues and Expenses

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

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

NOTE 2 ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated 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

The District maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. The amounts exceeding the federally insured limits are covered by a collateral agreement and the collateral is held by the pledging banks' trust departments in the District's name. The District has not experienced any losses in such accounts and the District believes it is not exposed to any significant credit risk on cash and cash equivalents.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 4 CAPITAL ASSETS

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

| | Balance | | | Balance |
|--|----------------------|---------------------|-------------------|----------------------|
| <u>Governmental Activities</u> | <u>June 30, 2018</u> | <u>Additions</u> | <u>Deductions</u> | <u>June 30, 2019</u> |
| Land | \$ 1,076,853 | \$ - | \$ - | \$ 1,076,853 |
| Construction in progress | 713,641 | 6,561,387 | - | 7,275,028 |
| Land improvements | 1,225,802 | 39,945 | - | 1,265,747 |
| Buildings and improvements | 41,732,443 | - | - | 41,732,443 |
| Technology equipment | 2,034,608 | - | - | 2,034,608 |
| Vehicles | 1,733,955 | 463,692 | - | 2,197,647 |
| General equipment | 689,989 | 54,122 | - | 744,111 |
| Totals at historical cost | 49,207,290 | 7,119,146 | - | 56,326,437 |
| Less: accumulated depreciation | | | | |
| Land improvements | 695,852 | 53,432 | - | 749,284 |
| Buildings and improvements | 11,549,458 | 1,061,319 | - | 12,610,777 |
| Technology equipment | 2,034,211 | - | - | 2,034,211 |
| Vehicles | 1,383,028 | 119,165 | - | 1,502,193 |
| General equipment | 357,982 | 42,560 | - | 400,542 |
| Total accumulated depreciation | 16,020,531 | 1,276,476 | - | 17,297,007 |
| Governmental activities capital assets - net | \$ 33,186,759 | \$ 5,842,670 | \$ - | \$ 39,029,430 |
| | | | | |
| <u>Business - Type Activities</u> | | | | |
| General equipment | \$ 388,768 | \$ - | \$ - | \$ 388,768 |
| Buildings and improvements | 146,981 | - | - | 146,981 |
| Totals at historical cost | 535,749 | - | - | 535,749 |
| Less: accumulated depreciation | | | | |
| General equipment | 357,399 | 6,177 | - | 363,576 |
| Buildings and improvements | 118,833 | 3,509 | - | 122,342 |
| Total accumulated depreciation | 476,232 | 9,686 | - | 485,918 |
| Business - type activities capital assets - net | \$ 59,517 | \$ (9,686) | \$ - | \$ 49,831 |

Depreciation expense by function for the fiscal year ended June 30, 2019 was as follows:

| | <u>Governmental</u> | <u>Business-Type</u> |
|---------------------------------|---------------------|----------------------|
| Instruction | \$ 134,995 | \$ - |
| Student support services | 73,690 | - |
| District administration | 4,147 | - |
| School administration | 20,291 | - |
| Plant operation and maintenance | 925,253 | - |
| Food service | - | 9,686 |
| Student transportation | 118,100 | - |
| Total | \$ 1,276,476 | \$ 9,686 |

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 5 COMMITMENTS UNDER CAPITAL LEASES

The District is the lessee of equipment under capital leases expiring between 2019 and 2029. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets 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.

Future minimum lease payments under capital leases as of June 30, 2019, for each of the next five years and in the aggregate are as follows:

| Year Ending <u>June 30,</u> | <u>Capital Lease Payable</u> |
|---|----------------------------------|
| 2019-2020 | \$ 88,306 |
| 2020-2021 | 77,023 |
| 2021-2022 | 76,575 |
| 2022-2023 | 76,559 |
| 2023-2024 | 73,410 |
| Thereafter | <u>220,006</u> |
| Total minimum payments | 611,879 |
| Less amount representing interest | <u>89,564</u> |
| Present value of net minimum lease payments | <u><u>\$ 522,315</u></u> |

NOTE 6 ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon providing proof of qualification as an annuitant from the Kentucky Teacher's Retirement System, certified and classified employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2019 this amount totaled approximately \$133,258 for those employees with twenty-seven or more years of experience.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 7 LEASE OBLIGATIONS AND BONDED DEBT

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued.

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

| <u>Issue Date</u> | <u>Proceeds</u> | <u>Rates</u> |
|-------------------|-----------------|-----------------|
| May 2008 | \$ 890,000 | 3.15% |
| November 2009 | 2,700,000 | 2.000% - 4.000% |
| October 2010 | 800,000 | 1.500% - 3.100% |
| March 2011 | 1,610,000 | 2.000% - 4.250% |
| March 2012 | 985,000 | 1.500% - 2.350% |
| April 2014 | 2,485,000 | 1.100% - 3.500% |
| March 2015 | 7,635,000 | 2.000% - 2.500% |
| April 2016 | 1,435,000 | 1.000% - 2.300% |
| April 2016 | 3,495,000 | 0.900% - 3.125% |
| June 2018 | 4,430,000 | 1.000% - 3.000% |
| March 2019 | 2,995,000 | 1.950% - 3.500% |

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Walton-Verona Independent School District Finance Corporation to construct school facilities.

The District entered into "participation agreements" with the School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. Note 16 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 has been recorded in the financial statements.

All issues 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 reported in Note 16.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 8 CONTINGENCIES

Grant Fund Approval

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 the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and 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 the programs.

NOTE 9 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 are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated, which includes workers' compensation insurance.

NOTE 10 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days' notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The District is self-insured for unemployment insurance benefits. The District reimburses the state for any claims paid. The District purchases workers' compensation insurance through the Kentucky School Boards Insurance Trust. 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 11 DEFICIT OPERATING/FUND BALANCES

The District does not currently have any funds with a negative fund balance. However, the following funds have operations that resulted in a current year deficit of revenues over expenditures, resulting in a corresponding reduction of fund balance:

| | |
|---------------------------|--------------|
| Construction Fund | \$ 2,437,716 |
| Walton-Verona High School | 26,310 |
| Building Fund | 337,156 |

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 12 COBRA

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

NOTE 13 CONTINGENT LIABILITY

The District is a participant in the Kentucky School Board Insurance Trust in which the District purchases general liability and workers' compensation insurance. As of June 30, 2019, the District has paid its portion of the deficit in the trust. No contingent liability needs to be recorded in the District Wide Financial Statements.

NOTE 14 TRANSFER OF FUNDS

The following transfers were made during the year.

| <u>From Fund</u> | <u>To Fund</u> | <u>Purpose</u> | <u>Amount</u> |
|---------------------|----------------------|----------------|---------------|
| General Fund | Special Revenue Fund | Matching | \$ 32,294 |
| General Fund | Construction Fund | Construction | 745,556 |
| Capital Outlay Fund | Debt Service Fund | Debt Service | 155,632 |
| Building Fund | Debt Service Fund | Debt Service | 1,517,596 |
| Building Fund | Construction Fund | Construction | 457,012 |

NOTE 15 ON-BEHALF PAYMENTS

For the year ended June 30, 2019 total payments of \$4,518,814 were made for life insurance, health insurance, TRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities.

| | |
|-----------------|---------------------|
| General Fund | \$ 4,194,653 |
| Debt Service | 267,653 |
| Food Service | <u>56,508</u> |
| Total On-Behalf | <u>\$ 4,518,814</u> |

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 16 SCHEDULE OF LONG-TERM OBLIGATIONS

2009, 2010R, 2011, 2012R, 2014, 2015, 2016, 2016-Ref, 2018, and 2019 Series

| Fiscal Year | Walton - Verona School District | | | KY School Facilities Construction Commission | | | Total Requirements |
|-------------|---------------------------------|---------------------|----------------------|--|-------------------|---------------------|----------------------|
| | Principal | Interest | Total | Principal | Interest | Total | |
| 2019-2020 | \$ 1,147,596 | \$ 624,251 | \$ 1,771,847 | \$ 182,404 | \$ 67,701 | \$ 250,105 | \$ 2,021,952 |
| 2020-2021 | 1,173,802 | 600,706 | 1,774,508 | 186,198 | 63,810 | 250,008 | 2,024,516 |
| 2021-2022 | 1,199,596 | 572,889 | 1,772,485 | 190,404 | 59,503 | 249,907 | 2,022,392 |
| 2022-2023 | 1,229,891 | 542,283 | 1,772,174 | 195,109 | 54,708 | 249,817 | 2,021,991 |
| 2023-2024 | 1,260,074 | 512,747 | 1,772,821 | 199,926 | 49,793 | 249,719 | 2,022,540 |
| 2024-2025 | 1,290,578 | 480,102 | 1,770,680 | 189,422 | 44,501 | 233,923 | 2,004,603 |
| 2025-2026 | 1,200,739 | 449,376 | 1,650,115 | 194,261 | 39,207 | 233,468 | 1,883,583 |
| 2026-2027 | 1,226,906 | 418,045 | 1,644,951 | 178,094 | 33,655 | 211,749 | 1,856,700 |
| 2027-2028 | 1,150,919 | 393,043 | 1,543,962 | 109,081 | 29,125 | 138,206 | 1,682,168 |
| 2028-2029 | 1,187,260 | 355,868 | 1,543,128 | 112,740 | 25,308 | 138,048 | 1,681,176 |
| 2029-2030 | 1,225,987 | 316,498 | 1,542,485 | 114,013 | 21,359 | 135,372 | 1,677,857 |
| 2030-2031 | 1,172,078 | 278,776 | 1,450,854 | 107,922 | 17,418 | 125,340 | 1,576,194 |
| 2031-2032 | 1,104,350 | 240,218 | 1,344,568 | 65,650 | 13,539 | 79,189 | 1,423,757 |
| 2032-2033 | 1,147,232 | 204,113 | 1,351,345 | 67,768 | 11,421 | 79,189 | 1,430,534 |
| 2033-2034 | 1,185,010 | 166,135 | 1,351,145 | 69,990 | 9,196 | 79,186 | 1,430,331 |
| 2034-2035 | 979,347 | 126,641 | 1,105,988 | 55,653 | 6,885 | 62,538 | 1,168,526 |
| 2035-2036 | 1,017,493 | 93,570 | 1,111,063 | 57,507 | 5,030 | 62,537 | 1,173,600 |
| 2036-2037 | 666,630 | 59,097 | 725,727 | 33,370 | 3,110 | 36,480 | 762,207 |
| 2037-2038 | 695,405 | 34,602 | 730,007 | 34,595 | 1,890 | 36,485 | 766,492 |
| 2038-2039 | 243,158 | 8,816 | 251,974 | 16,842 | 613 | 17,455 | 269,429 |
| | <u>\$ 21,504,051</u> | <u>\$ 6,477,776</u> | <u>\$ 27,981,827</u> | <u>\$ 2,360,949</u> | <u>\$ 557,772</u> | <u>\$ 2,918,721</u> | <u>\$ 30,900,548</u> |

A summary of the changes in the principal of the outstanding bond obligations, capital leases, and sick leave for the District during the year ended June 30, 2019 is as follows:

| Governmental Activities | Balance | Additions | Payments | Balance |
|-------------------------|----------------------|---------------------|---------------------|----------------------|
| | July 1, 2018 | | | June 30, 2019 |
| Bond Obligations | <u>\$ 22,190,000</u> | <u>\$ 2,995,000</u> | <u>\$ 1,320,000</u> | <u>\$ 23,865,000</u> |
| Capital Leases | <u>\$ 25,466</u> | <u>\$ 566,545</u> | <u>\$ 69,696</u> | <u>\$ 522,315</u> |
| Sick Leave | <u>\$ 214,692</u> | <u>\$ -</u> | <u>\$ 81,434</u> | <u>\$ 133,258</u> |

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 17 RETIREMENT PLANS

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

General information about the County Employees Retirement System Non-Hazardous

Plan description

Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits provided

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

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

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. One month's service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's spouse will receive the higher of the normal death benefit and \$10,000 plus 75% of the decedent's monthly average rate of pay. If the surviving spouse remarries, the monthly rate will be recalculated to 25% of the decedent's monthly average. Any dependent child will receive 50% of the decedent's monthly final rate of pay up to 75% for all dependent children. Five years' service is required for nonservice-related disability benefits.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 17 RETIREMENT PLANS (CONTINUED)

Contributions

Required contributions by the employee are based on the following tier:

| | <u>Required contribution</u> |
|--------|------------------------------|
| Tier 1 | 5% |
| Tier 2 | 5% + 1% for insurance |
| Tier 3 | 5% + 1% for insurance |

The contribution requirement for CERS for the year ended June 30, 2019, was \$569,722, which consisted of \$456,122 from the District and \$113,600 from the employees. Total contributions for the year ended June 30, 2018 and 2017 were \$508,743 and \$501,518, respectively. The contributions have been contributed in full for fiscal years 2019, 2018 and 2017.

General information about the Teachers' Retirement System of the State of Kentucky

Plan description

Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. 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. TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/administration/financial-reports-information/>.

Benefits provided

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

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

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

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 17 RETIREMENT PLANS (CONTINUED)

Benefits provided (Continued)

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

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

Contributions

Contribution rates are established by Kentucky Revised Statutes. Non-university employees are required to contribute 12.855% of their salaries to the System. University employees are required to contribute 10.400% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 8.185% of their salary to TRS. The contribution requirement for TRS for the year ended June 30, 2019, was \$1,264,841, which consisted of \$261,070 from the District and \$1,003,772 from the employees. Total contributions for the year ended June 30, 2018 and 2017 were \$1,260,470 and \$1,232,817, respectively. The contributions have been contributed in full for fiscal years 2019, 2018 and 2017.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

Medical Insurance Plan

Plan description

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

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

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 17 RETIREMENT PLANS (CONTINUED)

Funding policy

In order to fund the post-retirement healthcare benefit, 6.59% of the gross annual payroll of employees before July 1, 2008 is contributed. 3.75% is paid by member contributions, 0.16% is credited to the Commonwealth, and 3.00% is contributed by the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

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

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for TRS because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

| | |
|---|----------------------|
| District's proportionate share of the CERS net pension liability | \$ 5,021,822 |
| Commonwealth's proportionate share of the KTRS net pension liability associated with the District | <u>32,267,909</u> |
| | <u>\$ 37,289,731</u> |

The net pension liability for each plan 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 for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2018, the District's proportion was 0.082456% percent.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 17 RETIREMENT PLANS (CONTINUED)

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

For the year ended June 30, 2019, the District recognized pension expense of \$390,852 related to CERS. The District also recognized a reduction of expense of \$6,286,483 and a reduction of revenue of \$6,286,483 for TRS support provided by the Commonwealth due to a change in assumptions. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Difference between expected and actual experience | \$ 163,798 | \$ 73,509 |
| Net difference between projected and actual earnings on pension plan investments | 233,518 | 293,733 |
| Changes of assumptions | 490,778 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 14,384 | 118,281 |
| District contributions subsequent to the measurement date | <u>456,122</u> | <u>-</u> |
| Total | <u>\$ 1,358,600</u> | <u>\$ 485,523</u> |

\$456,122 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

| <u>Year ended June 30:</u> | |
|----------------------------|------------|
| 2020 | \$ 358,806 |
| 2021 | 156,849 |
| 2022 | (71,747) |
| 2023 | (26,953) |
| 2024 | - |

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 17 RETIREMENT PLANS (CONTINUED)

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:

| | <u>CERS</u> | <u>KTRS</u> |
|---|-------------|-------------|
| Inflation | 2.30% | 3.00% |
| Projected salary increases | 3.05% | 3.5-7.3% |
| Investment rate of return, net of investment expense and inflation | 6.25% | 7.50% |

For CERS, mortality rates used for active members was 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.

For TRS, 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 were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2015 adopted by the Board on November 19, 2016.

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

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 17 RETIREMENT PLANS (CONTINUED)

Actuarial assumptions (Continued)

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

| Asset Class | KTRS Target Allocation | KTRS Long-Term Expected Real Rate of Return | CERS Target Allocation | CERS Long-Term Expected Real Rate of Return |
|-------------------------|-------------------------------|--|-------------------------------|--|
| US equity | 40.0% | 4.20% | | |
| US large cap | | | 5.0% | 4.50% |
| US mid cap | | | 6.0% | 4.50% |
| US small cap | | | 6.5% | 5.50% |
| International developed | | | 12.5% | 6.50% |
| Emerging markets | | | 5.0% | 7.25% |
| International Equity | 22.0% | 5.20% | | |
| Global bonds | | | 4.0% | 3.00% |
| Global credit | | | 2.0% | 3.75% |
| Emerging market debt | | | 5.0% | 6.00% |
| Private equity | 7.0% | 6.30% | 10.0% | 6.50% |
| High yield | | | 7.0% | 5.50% |
| Illiquid private | | | 10.0% | 8.50% |
| Fixed income | 15.0% | 1.20% | | |
| Additional categories | 8.0% | 3.30% | 10.0% | 7.00% |
| Real estate | 6.0% | 3.80% | 5.0% | 9.00% |

Discount rate

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

For TRS, the discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required 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.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 17 RETIREMENT PLANS (CONTINUED)

Sensitivity of CERS and TRS proportionate share of net pension liability to changes in the discount rate

The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

| | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|---|--------------------|------------------------------|--------------------|
| CERS | 5.25% | 6.25% | 7.25% |
| District's proportionate share of net pension liability | \$ 6,321,953 | \$ 5,021,822 | \$ 3,932,539 |
| KTRS | 6.50% | 7.50% | 8.50% |
| District's proportionate share of net pension liability | - | - | - |

Pension plan fiduciary net position

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

NOTE 18 OPEB PLANS

General information about the Teachers' Retirement System OPEB Plan

Plan description

Teaching-certified employees of the Walton-Verona Independent 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 and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information>.

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

Medical Insurance Plan

Plan description

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

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 18 OPEB 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 and three quarters percent (3.75%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three percent (3.00%) from the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

General information about the County Employee Retirement System Non-Hazardous OPEB Plan

Plan description

Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS.

Benefits provided

CERS provides health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date. See note 17 for classifications.

Contributions

Required contributions by the employee are based on the tier disclosed in Note 17.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 18 OPEB PLANS (CONTINUED)

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

At June 30, 2019, the Walton-Verona Independent School District reported a liability of \$5,854,937 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 0.23 percent for TRS, which is a reduction of 0.01 percent from its proportion measured as of June 30, 2017, and 0.08 percent for CERS, which was the same as 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 CERS net OPEB liability | \$ 1,463,937 |
| District's proportionate share of the TRS net OPEB liability | 4,391,000 |
| State's proportionate share of the net OPEB liability associated with the District | <u>3,784,000</u> |
| | <u>\$ 9,638,937</u> |

For the year ended June 30, 2019, the District recognized a reduction of OPEB expense of \$480,106 and revenue of \$194,269 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Difference between expected and actual performance | \$ - | \$ 395,602 |
| Net difference between projected and actual earnings on OPEB plan investments | - | 118,837 |
| Change of Assumptions | 352,370 | 3,382 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | - | 212,498 |
| District contributions subsequent to the measurement date | <u>321,477</u> | <u>-</u> |
| Total | <u>\$ 673,847</u> | <u>\$ 730,319</u> |

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 18 OPEB PLANS (CONTINUED)

Of the total amount reported as deferred outflows of resources related to OPEB, \$321,477 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:

| <u>Year ended June 30:</u> | |
|----------------------------|-------------|
| 2020 | \$ (71,198) |
| 2021 | (71,198) |
| 2022 | (71,198) |
| 2023 | (43,613) |
| 2024 | (82,110) |
| Thereafter | (38,632) |

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:

| | <u>TRS</u> | <u>CERS</u> |
|---------------------------------|--|---|
| Investment rate of return | 8.00%, net of OPEB plan investment expense, including inflation. | 7.5% |
| Projected salary increases | 3.50 - 7.20%, including inflation | 4.00%, average |
| Inflation rate | 3.00% | 3.25% |
| 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 | Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years. |
| Ages 65 and Older | 5.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2021 | Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years. |
| Medicare Part B Premiums | 0.00% for FY 2018 with an ultimate rate of 5.00% by 2030 | |
| Municipal Bond Index Rate | 3.89% | 3.62% |
| Discount Rate | 8.00% | 5.85% |
| Single Equivalent Interest Rate | 8.00%, net of OPEB plan investment expense, including inflation | |

For TRS, 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.

For CERS, mortality rates were based on RP-2000 Combined Mortality Table projected to 2013 with projection scale BB and set back one year for females.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 18 OPEB PLANS (CONTINUED)

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2015 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> |
|-----------------------------|--------------------------|---|
| Global Equity | 58.0% | 4.6% |
| Fixed Income | 9.0% | 1.2% |
| Real Estate | 5.5% | 3.8% |
| Private Equity | 6.5% | 6.3% |
| Other Additional Categories | 20.0% | 3.3% |
| Cash (LIBOR) | 1.0% | 0.9% |
| Total | <u>100.0%</u> | |

Discount rate

For TRS, 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.

For CERS, the discount rate used to measure the total OPEB liability was 5.85%. 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.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 18 OPEB PLANS (CONTINUED)

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:

| | <u>1% Decrease (7.00%)</u> | <u>Current Discount Rate (8.00%)</u> | <u>1% Increase (9.00%)</u> |
|-------------------------------|--------------------------------|--|--------------------------------|
| TRS | | | |
| Districts' net OPEB liability | \$ 5,149,000 | \$ 4,391,000 | \$ 3,759,000 |
| | | | |
| | <u>1% Decrease (4.85%)</u> | <u>Current Discount Rate (5.85%)</u> | <u>1% Increase (6.85%)</u> |
| CERS | | | |
| Districts' net OPEB liability | \$ 1,901,419 | \$ 1,463,937 | \$ 1,091,282 |

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> |
|-------------------------------|--------------------|---------------------------|--------------------|
| TRS | | | |
| Districts' net OPEB liability | \$ 3,641,000 | \$ 4,391,000 | \$ 5,316,000 |
| | | | |
| | <u>1% Decrease</u> | <u>Current Trend Rate</u> | <u>1% Increase</u> |
| CERS | | | |
| Districts' net OPEB liability | \$ 1,089,915 | \$ 1,463,937 | \$ 1,904,800 |

OPEB plan fiduciary net position

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

Life Insurance Plan

Plan description

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

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 18 OPEB PLANS (CONTINUED)

Benefits provided

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

Contributions

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

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

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

| | | |
|---|----|--------|
| District's proportionate share of the net OPEB liability | \$ | - |
| State's proportionate share of the net OPEB liability associated with the District | | 65,000 |
| | \$ | 65,000 |

For the year ended June 30, 2019, the District recognized OPEB expense of \$-0- and revenue of \$2,254 for support provided by the State.

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 | 3.89% |
| Discount Rate | 7.50% |
| Single Equivalent Interest Rate | 7.50%, net of OPEB plan investment expense, including inflation |

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 18 OPEB 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, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2015 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. Large Cap Equity | 40.0% | 4.2% |
| International Equity | 23.0% | 5.2% |
| Fixed Income | 18.0% | 1.2% |
| Real Estate | 6.0% | 3.8% |
| Private Equity | 5.0% | 6.3% |
| Other Additional Categories | 6.0% | 3.3% |
| Cash (LIBOR) | 2.0% | 0.9% |
| Total | <u>100.0%</u> | |

** As the LIF investment policy is to change, the above reflects the pension allocation and returns that achieve the target 7.5% long-term rate of return*

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.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 18 OPEB PLANS (CONTINUED)

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

| | <u>1% Decrease (6.50%)</u> | | <u>Current Discount Rate (7.50%)</u> | | <u>1% Increase (8.50%)</u> |
|-------------------------------|--------------------------------|--|--|--|--------------------------------|
| Districts' net OPEB liability | \$ - | | \$ - | | \$ - |

OPEB plan fiduciary net position

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

NOTE 19 CORRECTION OF AN ERROR

During the year ended June 30, 2019, amounts were corrected for deferred outflows and deferred inflows related to the net pension liability and the net OPEB liability that were overstated in prior years. The following shows the effect on the preceding period change in net position for the prior period adjustment as well as the cumulative effect on the change in net position as of the beginning of fiscal year 2019.

| | <u>As Previously Reported</u> | <u>Prior Period Adjustment</u> | <u>As restated</u> |
|---|-----------------------------------|------------------------------------|-----------------------|
| Deferred outflows, as of June 30, 2018 | <u>\$ 2,597,031</u> | <u>\$ (861,301)</u> | <u>\$ 1,735,730</u> |
| Deferred inflows, as of June 30, 2018 | <u>804,086</u> | <u>(120,400)</u> | <u>683,686</u> |
| Cumulative effect of the change on net position as of July 1, 2018 | <u>\$ (3,185,118)</u> | <u>\$ (740,901)</u> | <u>\$ (3,926,019)</u> |

NOTE 20 SUBSEQUENT EVENTS

Subsequent events were considered through November 12, 2019, which represents the release date of our report.

SUPPLEMENTARY
INFORMATION

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet – Nonmajor Governmental Funds
As of June 30, 2019

| | <u>Capital Outlay Fund</u> | <u>Debt Service Fund</u> | <u>Building Fund</u> | <u>Total Non-major Government Funds</u> |
|--------------------------------------|--------------------------------|----------------------------------|--------------------------|---|
| Assets | | | | |
| Current: | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ - |
| Total current | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Total current | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balances: | | | | |
| Invested in assets, net of debt | - | - | - | - |
| Restricted: | | | | |
| Capital projects | - | - | - | - |
| Unrestricted | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total fund balances | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total liabilities and fund balances | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures and Changes
In Fund Balances – Nonmajor Governmental Funds
Year Ended June 30, 2019

| | <u>Capital Outlay Fund</u> | <u>Debt Service Fund</u> | <u>Building Fund</u> | <u>Total Non-major Government Funds</u> |
|--|--------------------------------|----------------------------------|--------------------------|---|
| Revenues | | | | |
| Taxes | \$ - | \$ - | \$ 1,000,000 | \$ 1,000,000 |
| State sources | 155,632 | 267,654 | 639,952 | 1,063,238 |
| Total revenues | <u>155,632</u> | <u>267,654</u> | <u>1,639,952</u> | <u>2,063,238</u> |
| Expenditures | | | | |
| Facility acquisition and construction | - | - | 2,500 | 2,500 |
| Debt service: | | | | |
| Principal | - | 1,320,000 | - | 1,320,000 |
| Interest | - | 620,882 | - | 620,882 |
| Total expenditures | <u>-</u> | <u>1,940,882</u> | <u>2,500</u> | <u>1,943,382</u> |
| Excess (deficit) of revenues over expenditures | <u>155,632</u> | <u>(1,673,228)</u> | <u>1,637,452</u> | <u>119,856</u> |
| Other Financing Sources (Uses) | | | | |
| Operating transfers in | - | 1,673,228 | - | 1,673,228 |
| Operating transfers out | (155,632) | - | (1,974,608) | (2,130,240) |
| Total other financing sources(uses) | <u>(155,632)</u> | <u>1,673,228</u> | <u>(1,974,608)</u> | <u>(457,012)</u> |
| Net change in fund balance | - | - | (337,156) | (337,156) |
| Fund balance, July 1, 2018 | <u>-</u> | <u>-</u> | <u>337,156</u> | <u>337,156</u> |
| Fund balance, June 30, 2019 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – General Fund
Year Ended June 30, 2019**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | Variance With Final Budget Favorable (Unfavorable) |
|---|----------------------------|-------------------------|---------------------|---|
| Revenues | | | | |
| Taxes | \$ 5,458,000 | \$ 5,458,000 | \$ 6,869,363 | \$ 1,411,363 |
| Earnings on investments | 20,573 | 20,573 | 180,217 | 159,644 |
| State sources | 5,815,500 | 5,815,500 | 10,569,865 | 4,754,365 |
| Other revenues | <u>135,421</u> | <u>135,421</u> | <u>243,427</u> | <u>108,006</u> |
| Total revenues | <u>11,429,494</u> | <u>11,429,494</u> | <u>17,862,872</u> | <u>6,433,378</u> |
| Expenditures | | | | |
| Instruction | 7,349,050 | 7,348,050 | 10,005,097 | 2,657,047 |
| Student support services | 600,376 | 600,376 | 721,271 | 120,895 |
| Instruction staff support services | 698,494 | 699,494 | 936,431 | 236,937 |
| District administration | 1,630,398 | 1,630,398 | 911,558 | (718,840) |
| School administration | 707,222 | 707,222 | 1,030,133 | 322,911 |
| Business | 216,167 | 216,167 | 375,117 | 158,950 |
| Plant operation and maintenance | 1,608,326 | 1,608,326 | 1,463,701 | (144,625) |
| Student transportation | 993,507 | 993,507 | 1,420,155 | 426,648 |
| Debt service | <u>85,110</u> | <u>85,110</u> | <u>85,109</u> | <u>(1)</u> |
| Total expenditures | <u>13,888,650</u> | <u>13,888,650</u> | <u>16,948,572</u> | <u>3,059,922</u> |
| Excess (deficit) of revenues over expenditures | <u>(2,459,156)</u> | <u>(2,459,156)</u> | <u>914,300</u> | <u>3,373,456</u> |
| Other financing sources (uses) | | | | |
| Operating transfers out | <u>-</u> | <u>-</u> | <u>(777,850)</u> | <u>(777,850)</u> |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>(302,887)</u> | <u>(302,887)</u> |
| Excess (deficit) of revenues and other financing sources over expenditures and other financing uses | (2,459,156) | (2,459,156) | 611,413 | 3,070,569 |
| Fund balance, July 1, 2018 | <u>2,459,156</u> | <u>2,459,156</u> | <u>3,877,737</u> | <u>1,418,581</u> |
| Fund balance, June 30, 2019 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,489,150</u> | <u>\$ 4,489,150</u> |

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – Special Revenue Fund
Year Ended June 30, 2019**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget Favorable (Unfavorable)</u> |
|---|----------------------------|-------------------------|------------------|---|
| Revenues | | | | |
| State sources | \$ 414,774 | \$ 465,630 | \$ 519,321 | \$ 53,691 |
| Federal sources | <u>552,971</u> | <u>621,433</u> | <u>621,433</u> | <u>-</u> |
| Total revenues | <u>967,745</u> | <u>1,087,063</u> | <u>1,140,754</u> | <u>53,691</u> |
| Expenditures | | | | |
| Instruction | 938,767 | 1,034,998 | 1,092,015 | 57,017 |
| Student transportation | 28,978 | 29,564 | 26,238 | (3,326) |
| Community services | <u>-</u> | <u>54,795</u> | <u>54,795</u> | <u>-</u> |
| Total expenditures | <u>967,745</u> | <u>1,119,357</u> | <u>1,173,048</u> | <u>53,691</u> |
| Excess (deficit) of revenues over expenditures | <u>-</u> | <u>(32,294)</u> | <u>(32,294)</u> | <u>-</u> |
| Other Financing Sources (Uses) | | | | |
| Operating transfers in | <u>-</u> | <u>32,294</u> | <u>32,294</u> | <u>-</u> |
| Total other financing sources (uses) | <u>-</u> | <u>32,294</u> | <u>32,294</u> | <u>-</u> |
| Excess (deficit) of revenues and other financing sources over expenditures and other financing uses | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance, July 1, 2018 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance, June 30, 2019 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – Construction Fund
Year Ended June 30, 2019**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | Variance With Final Budget Favorable (Unfavorable) |
|---|----------------------------|-------------------------|---------------------|---|
| Revenues | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| State sources | - | - | - | - |
| Federal sources | - | - | - | - |
| Total revenues | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Expenditures | | | | |
| Facilities acquisition and construction | \$ - | \$ 4,123,671 | \$ 6,635,284 | \$ 2,511,613 |
| Total expenditures | <u>-</u> | <u>4,123,671</u> | <u>6,635,284</u> | <u>2,511,613</u> |
| Excess (deficit) of revenues over expenditures | <u>-</u> | <u>(4,123,671)</u> | <u>(6,635,284)</u> | <u>(2,511,613)</u> |
| Other Financing Sources (Uses) | | | | |
| Proceeds from sale of bonds and capital leases | - | 2,921,104 | 2,995,000 | 73,896 |
| Operating transfers in | - | 1,385,017 | 1,202,568 | (182,449) |
| Total other financing sources (uses) | <u>-</u> | <u>4,306,121</u> | <u>4,197,568</u> | <u>(108,553)</u> |
| Excess (deficit) of revenues and other financing sources over expenditures and other financing uses | <u>-</u> | <u>182,450</u> | <u>(2,437,716)</u> | <u>(2,620,166)</u> |
| Fund balance, July 1, 2018 | <u>-</u> | <u>-</u> | <u>4,099,077</u> | <u>4,099,077</u> |
| Fund balance, June 30, 2019 | <u>\$ -</u> | <u>\$ 182,450</u> | <u>\$ 1,661,361</u> | <u>\$ 1,478,911</u> |

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Bond and Interest Redemption Funds
For the Year Ended June 30, 2019**

| | Issue of 2008R | Issue of 2009 | Issue of 2010R | Issue of 2011 | Issue of 2012R |
|---------------------------------------|---------------------|-------------------|--------------------|---------------------|---------------------|
| Cash at July 1, 2018 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Receipts: | | | | | |
| Transfers and miscellaneous deposits | 131,536 | 202,533 | 66,180 | 112,569 | 103,907 |
| Disbursements: | | | | | |
| Bonds paid | 35,000 | 135,000 | 105,000 | 70,000 | 95,000 |
| Interest coupons | 551 | 64,242 | 13,210 | 44,481 | 11,208 |
| Transfers and miscellaneous | - | - | - | - | - |
| Call fee | - | - | - | - | - |
| Total disbursements | <u>35,551</u> | <u>199,242</u> | <u>118,210</u> | <u>114,481</u> | <u>106,208</u> |
| Excess of disbursements over receipts | 95,985 | 3,291 | (52,030) | (1,912) | (2,301) |
| Cash at June 30, 2019 | <u>95,985</u> | <u>3,291</u> | <u>(52,030)</u> | <u>(1,912)</u> | <u>(2,301)</u> |
| Fund balance at June 30, 2019 | <u>\$ 95,985</u> | <u>\$ 3,291</u> | <u>\$ (52,030)</u> | <u>\$ (1,912)</u> | <u>\$ (2,301)</u> |
| | Issue of | Issue of | Issue of | Issue of | Total |
| | 2015 | 2016 | 2016R | 2018 | |
| Cash at July 1, 2018 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Receipts: | | | | | |
| Transfers and miscellaneous deposits | 135,940 | 246,087 | 115,246 | 41,696 | 1,259,601 |
| Disbursements: | | | | | |
| Bonds paid | 625,000 | 30,000 | 130,000 | 30,000 | 1,320,000 |
| Interest coupons | 136,070 | 97,014 | 26,575 | 158,076 | 620,882 |
| Transfers and miscellaneous | - | - | - | - | - |
| Call fee | - | - | - | - | - |
| Total disbursements | <u>761,070</u> | <u>127,014</u> | <u>156,575</u> | <u>188,076</u> | <u>1,940,882</u> |
| Excess of disbursements over receipts | (625,130) | 119,073 | (41,329) | (146,380) | (681,281) |
| Cash at June 30, 2019 | <u>(625,130)</u> | <u>119,073</u> | <u>(41,329)</u> | <u>(146,380)</u> | <u>(681,281)</u> |
| Fund balance at June 30, 2019 | <u>\$ (625,130)</u> | <u>\$ 119,073</u> | <u>\$ (41,329)</u> | <u>\$ (146,380)</u> | <u>\$ (681,281)</u> |

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Walton-Verona High School Activity Fund (Continued)
Year Ended June 30, 2019**

| | Fund Balance June 30, 2018 | Receipts | Disbursements | Fund Balance June 30, 2019 |
|-----------------------|---|-----------------|----------------------|---|
| Agriculture | \$ 1,040 | \$ 1,823 | \$ 2,863 | \$ - |
| Business fund | 2,241 | 406 | 2,128 | 519 |
| Reading | 4,622 | 730 | - | 5,352 |
| English | 3,645 | 9,047 | 11,231 | 1,461 |
| AP classes | 129 | - | 4 | 125 |
| Health | 381 | 196 | - | 577 |
| Family & con science | 375 | 3,339 | 3,565 | 149 |
| Math | 2,278 | 1,642 | 3,919 | 1 |
| Physical education | 884 | 1,275 | 2,158 | 1 |
| Wellness center | 783 | - | 299 | 484 |
| Science fund | 4,008 | 2,358 | 2,790 | 3,576 |
| Social studies | 62 | - | - | 62 |
| Spanish | 3,596 | 3,483 | 3,649 | 3,430 |
| Spanish club | 180 | 52 | 88 | 144 |
| Special education | 14 | 263 | 276 | 1 |
| Technology | 2,214 | 283 | 614 | 1,883 |
| Robotics/Lego Club | 494 | - | - | 494 |
| Band | 1,783 | 8,324 | 10,107 | - |
| Band trip | 460 | 6,077 | 4,889 | 1,648 |
| Choral music | - | 7,376 | 7,105 | 271 |
| General music | 34 | - | 34 | - |
| Cashbox | - | 3,200 | 3,200 | - |
| Athletics | 14,909 | 157,366 | 161,546 | 10,729 |
| Boys golf | - | 6,348 | 6,348 | - |
| Girls golf | 509 | 2,917 | 3,425 | 1 |
| Volleyball | 653 | 8,224 | 5,451 | 3,426 |
| Athletic boosters | 12,511 | 38,665 | 47,433 | 3,743 |
| Intramural Volleyball | 4,031 | 2,160 | 4,258 | 1,933 |
| Intramural Basketball | - | 2,075 | 1,650 | 425 |
| Girls soccer | 2,254 | 12,927 | 7,226 | 7,955 |
| Boys soccer | 2,077 | 4,338 | 4,687 | 1,728 |
| Baseball | 1,223 | 6,903 | 7,328 | 798 |
| Track | 2,980 | 12,801 | 14,872 | 909 |
| Softball | 1,082 | 1,969 | 3,050 | 1 |
| Cross country | 783 | 7,511 | 7,086 | 1,208 |
| Wrestling | 2,054 | 5,388 | 7,442 | - |
| Tennis | 1,494 | 3,045 | 2,458 | 2,081 |
| Football | 3,863 | 16,195 | 17,594 | 2,464 |
| Bass Fishing | 2,091 | - | 1,828 | 263 |
| Varsity cheer | 12,965 | 24,368 | 28,993 | 8,340 |
| Exercise equipment | 649 | - | - | 649 |
| Girls basketball | 1,905 | 27,652 | 27,202 | 2,355 |
| FCA | 105 | 436 | 426 | 115 |
| Tournament account | 1,138 | 25 | 225 | 938 |
| Basketball | 9,229 | 16,735 | 19,319 | 6,645 |
| Art Club | 223 | - | 91 | 132 |
| Art fund | - | 3,916 | 3,824 | 92 |

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Walton-Verona High School Activity Fund (Continued)
Year Ended June 30, 2019**

| | Fund Balance June 30, 2018 | Receipts | Disbursements | Fund Balance June 30, 2019 |
|--------------------------------|---|-------------------|----------------------|---|
| Beta club | \$ 5,586 | \$ 1,997 | \$ 558 | \$ 7,025 |
| Advisory Board | 6 | - | - | 6 |
| FBLA | 719 | 4,886 | 5,605 | - |
| FFA | 11,024 | 14,738 | 19,179 | 6,583 |
| FCCLA | 1,456 | 8,997 | 9,223 | 1,230 |
| Academic Team | - | 35 | 35 | - |
| Y club | 620 | 13,360 | 12,949 | 1,031 |
| Wake up Walton | 1,757 | 2,650 | 2,725 | 1,682 |
| Drama | 4,273 | 7,486 | 5,687 | 6,072 |
| Theatre | 1,126 | 2,412 | 2,572 | 966 |
| G.L.O.W. | 75 | - | - | 75 |
| Bowling club | 1 | - | - | 1 |
| Junior class | 7,277 | 6,930 | 8,121 | 6,086 |
| Project prom | 992 | 3,113 | 2,794 | 1,311 |
| Senior class 2017/2018 | - | 10,887 | 10,887 | - |
| Yearbook | 14,632 | 8,703 | 4,879 | 18,456 |
| Concession fund | 15 | 1,065 | 980 | 100 |
| School Climate fund | 1,258 | 1,329 | 274 | 2,313 |
| HS student council | 260 | - | 251 | 9 |
| General fund | 3,365 | 7,877 | 6,984 | 4,258 |
| Guidance fund | - | 1,918 | 1,103 | 815 |
| Library fines | 251 | - | - | 251 |
| Media | 3 | - | - | 3 |
| N.K.O.A. | 286 | 350 | 598 | 38 |
| Emergency assistance | 718 | - | - | 718 |
| Parking permit | 1,142 | 1,598 | 880 | 1,860 |
| Quest program | 319 | 1,901 | 2,220 | - |
| Technology club | - | 5,217 | - | 5,217 |
| Spanish Summer TRII | - | 3,239 | 3,239 | - |
| Textbooks | 6,324 | 16,330 | 22,654 | - |
| Workbooks | 1,801 | 1,624 | 280 | 3,145 |
| 2017-2018 HS fees | 1,628 | 55,735 | 54,334 | 3,029 |
| APEX | 19 | - | - | 19 |
| Rhoda Humphrey memorial | - | 1,000 | 1,000 | - |
| Cappie Stephenson | 1,363 | - | 600 | 763 |
| Evan Ryan scholarship - CD | 34,122 | - | - | 34,122 |
| Kendall Smith scholarship - CD | 10,645 | - | - | 10,645 |
| Max Gjerde Memorial | - | 1,000 | 1,000 | - |
| Hunter Donovan Me | - | 746 | 500 | 246 |
| W. Hayes scholarship | - | - | - | - |
| Kendal Smith scholarship | 2,076 | 1,521 | 1,000 | 2,597 |
| Les Stephens scholarship | 1,000 | 1,000 | 1,000 | 1,000 |
| Evan Ryan memorial fund | 1,000 | 500 | 1,500 | - |
| Club scholarship | 65 | - | - | 65 |
| | <u>\$ 225,155</u> | <u>\$ 601,982</u> | <u>\$ 628,292</u> | <u>\$ 198,845</u> |

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balances
School Activity Funds
Year Ended June 30, 2019**

| | <u>Walton- Verona Middle School</u> | <u>Walton- Verona Elementary School</u> | <u>Total</u> |
|-------------------------------|---|---|------------------|
| Fund balance at July 1, 2018 | \$ 55,095 | \$ 26,732 | \$ 81,827 |
| Add: receipts | 228,644 | 73,717 | 302,361 |
| Less: disbursements | <u>(225,153)</u> | <u>(62,763)</u> | <u>(287,916)</u> |
| Fund balance at June 30, 2019 | <u>\$ 58,586</u> | <u>\$ 37,686</u> | <u>\$ 96,272</u> |

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability – TRS

| | Last 10 Fiscal Years* | | | | | | | | | |
|---|-----------------------|----------------------|----------------------|----------------------|----------------------|--------------|--------------|------|------|------|
| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
| District's proportion of the net pension liability | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| District's proportionate share of the net pension liability | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| State's proportionate share of the net pension liability associated with the District | 32,267,909 | 67,912,869 | 72,445,775 | 55,139,445 | 45,246,643 | | | | | |
| Total | <u>\$ 32,267,909</u> | <u>\$ 67,912,869</u> | <u>\$ 72,445,775</u> | <u>\$ 55,139,445</u> | <u>\$ 45,246,643</u> | | | | | |
| District's covered-employee payroll | \$ 7,752,761 | \$ 7,678,128 | \$ 7,318,884 | \$ 6,937,804 | \$ 6,892,833 | \$ 6,621,340 | \$ 6,334,890 | | | |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Plan fiduciary net position as a percentage of the total pension liability | 59.27% | 39.83% | 35.22% | 42.49% | 45.59% | | | | | |

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms: None

Changes of assumption: In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Table 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.

Changes of assumption: In 2014, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.16% to 5.23%.

Changes of assumption: In 2015, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.23% to 4.88%.

Changes of assumption: 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 for the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.88% to 4.20%.

Changes of assumption: In 2017, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.20% to 4.49%.

Changes of assumption: In 2018, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.49% to 7.50%.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT
Schedule of District Contributions – TRS

| | Last 10 Fiscal Years* | | | | | | | | | |
|--|-----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------|------|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
| Contractually required contribution | \$ 261,070 | \$ 263,854 | \$ 245,799 | \$ 224,296 | \$ 161,896 | \$ 109,295 | \$ 72,600 | \$ 38,260 | * | * |
| Contributions in relation to the contractually required contribution | | | | | | | | | | |
| Contributions in relation to the contractually required contribution | (261,070) | (263,854) | (245,799) | (224,296) | (161,896) | (109,295) | (72,600) | (38,260) | * | * |
| Contribution deficiency | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | * | * |
| District's covered-employee payroll | \$ 7,806,779 | \$ 7,752,761 | \$ 7,678,128 | \$ 7,318,884 | \$ 6,937,804 | \$ 6,892,833 | \$ 6,621,340 | \$ 6,334,890 | * | * |
| Contributions as a percentage of covered-employee payroll | 3.34% | 3.40% | 3.20% | 3.06% | 2.33% | 1.59% | 1.10% | 0.60% | * | * |

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability – CERS

| | Last 10 Fiscal Years* | | | | | | | | | |
|---|-----------------------|------------------|------------------|------------------|------------------|--------------|--------------|------|------|------|
| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
| District's proportion of net pension liability | 0.082456% | 0.084560% | 0.087272% | 0.084117% | 0.083182% | | | | | |
| District's proportionate share of the net pension liability | \$ 5,021,822 | \$ 4,949,557 | \$ 4,296,938 | \$ 3,616,625 | \$ 2,699,000 | | | | | |
| Total net pension liability | \$ 6,090,304,793 | \$ 5,853,307,482 | \$ 4,923,618,237 | \$ 4,299,525,565 | \$ 3,244,377,000 | | | | | |
| District's covered-employee payroll | \$ 2,073,945 | \$ 2,086,221 | \$ 2,087,822 | \$ 1,959,068 | \$ 1,908,316 | \$ 1,885,004 | \$ 1,870,439 | | | |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 242.1% | 237.2% | 205.8% | 184.6% | 141.4% | | | | | |
| Plan fiduciary net position as a percentage of the total pension liability | 53.54% | 53.30% | 55.50% | 59.97% | 66.80% | | | | | |

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

1. Tired structure for benefit accrual rates
2. New retirement eligibility requirements
3. Different rules for the computation of final average compensation

2014: As cash balance plan was introduced for member whose participation date is on or after January 1, 2014.

Changes of assumption: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2015: The assumed investment rate of return was decreased from 7.75% to 7.50%.

2015: The assumed rate of inflation was reduced from 3.50% to 3.25%.

2015: The assumed rate of wage inflation was reduced from 1.00% to 0.75%.

2015: Payroll growth assumption was reduced from 4.50% to 4.00%.

2015: 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).

2015: 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.

2015: The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

2017: The assumed investment rate of return was decreased from 7.50% to 6.25%.

2017: The assumed rate of inflation was reduced from 3.25% to 2.30%.

2017: The assumed rate of salary growth was reduced from 4.00% to 3.05%.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – CERS

Last 10 Fiscal Years*

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------|------|
| Contractually required contribution | \$ 456,122 | \$ 397,774 | \$ 389,706 | \$ 356,183 | \$ 346,167 | \$ 360,481 | \$ 368,519 | \$ 354,669 | * | * |
| Contributions in relation to the contractually required contribution | (456,122) | (397,774) | (389,706) | (356,183) | (346,167) | (360,481) | (368,519) | (354,669) | * | * |
| Contribution deficiency | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered-employee payroll | \$ 2,123,467 | \$ 2,073,945 | \$ 2,086,221 | \$ 2,087,822 | \$ 1,959,068 | \$ 1,908,316 | \$ 1,885,004 | \$ 1,870,439 | * | * |
| Contributions as a percentage of covered-employee payroll | 21.48% | 19.18% | 18.68% | 17.06% | 17.67% | 18.89% | 19.55% | 18.96% | * | * |

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net OPEB Liability – LIF

| | Last 10 Fiscal Years* | | | | | | | | | |
|---|-----------------------|------------------|------|------|------|------|------|------|------|------|
| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
| District's proportion of the collective trust OPEB liability | 0% | 0% | * | * | * | * | * | * | * | * |
| District's proportionate share of the collective net OPEB liability | \$ - | \$ - | * | * | * | * | * | * | * | * |
| State's proportionate share of the collective net OPEB liability (asset) associated with the District | 65,000 | 52,000 | * | * | * | * | * | * | * | * |
| Total net OPEB liability | \$ 65,000 | \$ 52,000 | * | * | * | * | * | * | * | * |
| District's covered-employee payroll | \$ 7,752,761 | \$ 7,678,128 | * | * | * | * | * | * | * | * |
| District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll | 0.0% | 0.0% | * | * | * | * | * | * | * | * |
| Plan fiduciary net position as a percentage of the total OPEB liability | 74.97% | 79.95% | * | * | * | * | * | * | * | * |

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms - None.

Methods and assumptions used in the actuarially determined contributions - The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2018:

| Valuation date | June 30, 2015 |
|--|--------------------------|
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level Percent of Payroll |
| Amortization period | 30 years, Open |
| Asset valuation method | Five-year smoothed value |
| Inflation | 3.50% |
| Real wage growth | 0.50% |
| Wage inflation | 4.00% |
| Salary increases, including wage inflation | 4.00% - 8.10% |
| Discount rate | 7.50% |

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – LIF

Last 10 Fiscal Years*

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|--------------|--------------|------|------|------|------|------|------|------|------|
| Contractually required contribution | \$ - | \$ - | * | * | * | * | * | * | * | * |
| Contributions in relation to the contractually required contribution | - | - | * | * | * | * | * | * | * | * |
| Contribution deficiency | - | - | * | * | * | * | * | * | * | * |
| District's covered-employee payroll | \$ 7,806,779 | \$ 7,752,761 | * | * | * | * | * | * | * | * |
| Contributions as a percentage of covered-employee payroll | 0.00% | 0.00% | * | * | * | * | * | * | * | * |

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available. No changes were made to the assumptions or benefit terms.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net OPEB Liability – MIF

| | Last 10 Fiscal Years* | | | | | | | | | |
|---|-----------------------|--------------|------|------|------|------|------|------|------|------|
| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
| District's proportion of the collective trust OPEB liability | 0.126550% | 0.343819% | • | • | • | • | • | • | • | • |
| District's proportionate share of the collective net OPEB liability | \$ 4,391,000 | \$ 4,717,000 | • | • | • | • | • | • | • | • |
| State's proportionate share of the collective net OPEB liability associated with the District | \$ 3,784,000 | \$ 3,853,000 | • | • | • | • | • | • | • | • |
| Total net OPEB liability | \$ 8,175,000 | \$ 8,570,000 | • | • | • | • | • | • | • | • |
| District's covered-employee payroll | \$ 7,752,761 | \$ 7,678,128 | • | • | • | • | • | • | • | • |
| District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll | 56.6% | 61.4% | • | • | • | • | • | • | • | • |
| Plan fiduciary net position as a percentage of the total OPEB liability | 25.54% | 21.18% | • | • | • | • | • | • | • | • |

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms - 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.

Methods and assumptions used in the actuarially determined contributions - The actuarially determined contributions rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2018:

| | |
|--|---|
| Valuation date | June 30, 2017 |
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level Percent of Payroll |
| Amortization period | 30 years, Open |
| Asset valuation method | Five-year smoothed value |
| Inflation | 3.00% |
| Real wage growth | 0.50% |
| Wage inflation | 3.50% |
| Salary increases, including wage inflation | 3.50% - 7.20% |
| Discount rate | 8.00% |
| Health care cost trends | |
| 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 | 0% for FY 2018 with an ultimate rate of 5.00% by 2030 |
| Under age 65 claims | the current premium charged by KEHP is used as the base cost and is projected forward using only the health care trend assumption (no implicit rate subsidy is recognized). |

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – MIF

| | Last 10 Fiscal Years* | | | | | | | | | |
|--|-----------------------|--------------|------|------|------|------|------|------|------|------|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
| Contractually required contribution | \$ 225,425 | \$ 324,039 | * | * | * | * | * | * | * | * |
| Contributions in relation to the contractually required contribution | (225,425) | (324,039) | | | | | | | | |
| Contribution deficiency | | | | | | | | | | |
| District's covered-employee payroll | \$ 7,806,779 | \$ 7,752,761 | | | | | | | | |
| Contributions as a percentage of covered-employee payroll | 2.89% | 4.18% | | | | | | | | |

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Methods and assumptions used in the actuarially determined contributions - The actuarially determined contributions rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2018:

| | |
|--|---|
| Valuation date | June 30, 2017 |
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level Percent of Payroll |
| Amortization period | 30 years, Open |
| Asset valuation method | Five-year smoothed value |
| Inflation | 3.00% |
| Real wage growth | 0.50% |
| Wage inflation | 3.50% |
| Salary increases, including wage inflation | 3.50% - 7.20% |
| Discount rate | 8.00% |
| Health care cost trends | |
| 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 | 0% for FY 2018 with an ultimate rate of 5.00% by 2030 |
| Under age 65 claims | the current premium charged by KEHP is used as the base cost and is projected forward using only the health care trend assumption (no implicit rate subsidy is recognized). |

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net OPEB Liability – MIF (CERS)

Last 10 Fiscal Years*

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|--------------|--------------|------|------|------|------|------|------|------|------|
| District's proportion of the collective trust OPEB liability | 0.082453% | 0.084560% | * | * | * | * | * | * | * | * |
| District's proportionate share of the collective net OPEB liability | \$ 1,463,937 | \$ 1,699,945 | * | * | * | * | * | * | * | * |
| State's proportionate share of the collective net OPEB liability associated with the District | \$ - | \$ - | * | * | * | * | * | * | * | * |
| Total net OPEB liability | \$ 1,463,937 | \$ 1,699,945 | * | * | * | * | * | * | * | * |
| District's covered-employee payroll | \$ 2,073,945 | \$ 2,086,221 | * | * | * | * | * | * | * | * |
| District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll | 70.6% | 81.5% | * | * | * | * | * | * | * | * |
| Plan fiduciary net position as a percentage of the total OPEB liability | 57.62% | 52.40% | * | * | * | * | * | * | * | * |

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes in assumptions:

1. The assumed investment return was changed from 7.50% to 6.25%.
2. 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.
3. The payroll growth assumption (applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%.
4. For the Non-Hazardous Plan, the single discount rate changed from 6.89% to 5.84%.

2018: Updated healthcare trend rates were implemented.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – MIF (CERS)

Last 10 Fiscal Years*

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|--------------|--------------|------|------|------|------|------|------|------|------|
| Contractually required contribution | \$ 96,052 | \$ 97,382 | * | * | * | * | * | * | * | * |
| Contributions in relation to the contractually required contribution | (96,052) | (97,382) | * | * | * | * | * | * | * | * |
| Contribution deficiency | - | - | * | * | * | * | * | * | * | * |
| District's covered-employee payroll | \$ 2,123,467 | \$ 2,073,945 | * | * | * | * | * | * | * | * |
| Contributions as a percentage of covered-employee payroll | 4.52% | 4.70% | * | * | * | * | * | * | * | * |

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available. No changes were made to the assumptions or benefit terms.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019**

| <u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u> | <u>Federal CFDA Number</u> | <u>Agreement Number</u> | <u>Federal Expenditures for FYE 6/30/2019</u> |
|---|------------------------------------|-------------------------|---|
| <u>U.S. Department of Education</u> | | | |
| <i>Passed through Kentucky Department of Education</i> | | | |
| Special Education Cluster | | | |
| Special Education_Grants to States | 84.027 | 3810002 18 | \$ 318,030 |
| Special Education_Preschool Grants | 84.173 | 3800002 18 | 24,378 |
| Total Special Education Cluster | | | <u>342,408</u> |
| | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 3100002 18 | 183,283 |
| Career and technical Education -Basic Grants to States | 84.048 | 3710002 18 | 32,029 |
| Title II Improving Teacher Quality State Grants | 84.367 | 3230002 18 | 43,713 |
| Title IV-Part A Student Support and Academic Enrichment Grant | 84.424 | 3420002 17 | 10,000 |
| Title IV-Part A Student Support and Academic Enrichment Grant | 84.424 | 3420002 18 | <u>10,000</u> |
| | | | |
| Total U.S. Department of Education | | | 621,433 |
| | | | |
| <u>U.S. Department of Agriculture</u> | | | |
| Child Nutrition Cluster | | | |
| <i>Passed through Kentucky Department of Education</i> | | | |
| National School Lunch Program | 10.555 | 7750002 18 | 60,935 |
| National School Lunch Program | 10.555 | 7750002 19 | 244,278 |
| School Breakfast Program | 10.553 | 7760005 18 | 17,370 |
| School Breakfast Program | 10.553 | 7760005 19 | 67,873 |
| | | | |
| <i>Passed through Kentucky Department of Agriculture</i> | | | |
| National School Lunch Program - Food Donation | 10.555 | 059-0203 | <u>32,448</u> |
| | | | |
| Total Child Nutrition Cluster | | | 422,904 |
| | | | |
| Total U.S. Department of Agriculture | | | <u>422,904</u> |
| | | | <u><u>\$ 1,044,337</u></u> |

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019**

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Walton Verona Independent School District under programs of the federal government for the year ended June 30, 2019, and is reported on the accrual basis of accounting. 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*. Because the schedule presents only a selected portion of the operations of Walton Verona Independent School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting in accordance with generally accepted accounting principles. 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.

NOTE 3 FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. For the year ended June 30, 2019, the District reported food commodities expended in the amount of \$32,448.

NOTE 4 INDIRECT COST RATE

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

NOTE 5 SUBRECIPIENTS

The District did not have any subrecipients during the year ended June 30, 2019.

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

To the Members of the Board of Education
Walton-Verona Independent School District
Walton, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Walton Verona Independent School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Walton Verona Independent School District's basic financial statements, and have issued our report thereon dated November 12, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Walton Verona Independent 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 Walton Verona Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Walton Verona Independent 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 Walton Verona Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted other matters that we reported to management of the District in pages 75-76.

**INDEPENDENT AUDITORS' 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***

(Continued)

Purpose of this Report

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



Crestview Hills, Kentucky
November 12, 2019

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

Members of the Board of Education
Walton-Verona Independent School District
Walton, Kentucky

We have audited Walton Verona Independent 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 Walton Verona Independent School District's major federal programs for the year ended June 30, 2019. Walton Verona Independent 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 Walton Verona Independent 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). 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 Walton Verona Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Walton Verona Independent 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.

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

(Continued)

Report on Internal Control Over Compliance

Management of Walton Verona Independent 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 Walton Verona Independent 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 Walton Verona Independent 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.

Barnes, Dennig & Co., Ltd.

Crestview Hills, Kentucky
November 12, 2019

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Summary Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2019**

SECTION I -SUMMARY OF PRIOR YEAR AUDITOR'S RESULTS

No matters are reportable

SECTION II – PRIOR YEAR FINANCIAL STATEMENT FINDINGS

No matters are reportable

SECTION III – PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Management Letter Comments For the Year Ended June 30, 2019

In planning and performing our audit of the financial statements of Walton-Verona Independent School District for the year ended June 30, 2019, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

This letter summarizes our comments and suggestions regarding those matters. A separate report dated November 12, 2019 contains our report on significant deficiencies and material weaknesses in the District's internal control structure. This letter does not affect our report dated November 12, 2019, on the financial statements of the Walton-Verona Independent School District.

CURRENT YEAR RECOMMENDATIONS

CENTRAL OFFICE

2019-01: Documentation of Employee pay not agreeing to timecard.

Criteria – Controls should be in place to ensure documentation is retained when employees are paid different than their timecard.

Condition – During audit testing, it was noted that an individual was paid for time that did not agree to their time as entered on the timecard.

Effect – Proper documentation surrounding payroll were not retained.

Cause – Internal controls were not properly followed as designed by the District.

Recommendation – We recommend that controls be implemented and followed for processing of hourly employees' payroll to ensure documentation is retained regarding employee hours paid when not agreeing to the timecard.

Board Response – A new timecard reconciliation process has been implemented to ensure that discrepancies with timecards are addressed prior to payment of the employee.

ACTIVITY FUNDS

Walton-Verona High School

No matters are reportable

Walton-Verona Middle School

No matters are reportable

Walton-Verona Elementary School

No matters are reportable

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Management Letter Comments
(Continued)
Year Ended June 30, 2019**

STATUS OF PRIOR YEAR RECOMMENDATIONS

CENTRAL OFFICE

No matters are reportable.

ACTIVITY FUNDS

Walton-Verona High School

No matters are reportable

Walton-Verona Middle School

No matters are reportable

Walton-Verona Elementary School

No matters are reportable

APPENDIX C

**Walton-Verona Independent School District Finance Corporation
School Building Revenue Bonds
Series 2020**

Official Terms and Conditions of Bond Sale

OFFICIAL TERMS AND CONDITIONS OF BOND SALE

\$380,000*

**Walton-Verona Independent School District Finance Corporation
School Building Revenue Bonds, Series 2020
Dated July 15, 2020**

SALE: Tuesday, June 24, 2020 at 11:00 A.M., E.D.T.

As posted with BIDCOMP/PARITY, the Secretary of the Walton-Verona Independent School District Finance Corporation (the "Corporation") will until June 24, 2020, at the hour of 11:00 A.M., E.D.T., at the office of the Executive Director of the Kentucky School Facilities Construction, 700 Louisville Road, Carriage House, Frankfort, Kentucky 40601, receive sealed competitive bids for the revenue bonds (the "Bonds") herein described. To be considered, Bids must be submitted on an Official Bid Form and must be delivered to the Secretary at the address indicated on the date of sale no later than the hour indicated. Bids will be opened by the Secretary and may be accepted without further action by the Corporation's Board of Directors.

*Subject to Permitted Adjustment increasing or decreasing the issue by \$40,000.

STATUTORY AUTHORITY, PURPOSE OF ISSUE AND SECURITY

The 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.

The Bonds are being issued to finance the cost of constructing improvements to the Walton-Verona Middle School (the "Project") and are secured by a statutory mortgage lien upon and a pledge of the revenues from the rental of the school buildings to the Board under a Contract, Lease and Option (the "Lease") on a year to year basis; the first rental period ending June 30, 2020. The statutory mortgage lien securing the Bonds is limited in its application to the exact site of the Project constructed from the proceeds of the Bonds, real estate unoccupied by the Project is unencumbered. The Board has reserved the right to obtain the release of the statutory mortgage lien and revenue pledge on the site of the Project by effecting the redemption or defeasance of the proportionate part of the Bonds then outstanding as was expended on the site being released. Should the Board default in its obligations under the Lease or fail to renew the Lease, the Registered Owners of the Bonds have the right to have a receiver appointed to administer the Project under KRS 162.220; foreclosure and sale are not available as remedies.

The rental of the Project from the Corporation to the Board is to be effected under the Lease, whereunder the Project is leased to the Board for an 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 is legally obligated only for the initial rental period and for one year at a time thereafter each time the Lease is renewed.

KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION

The Commission is an independent corporate agency and instrumentality of the Commonwealth of Kentucky established pursuant to the provisions of §§ 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.

ADDITIONAL PARITY BONDS FOR COMPLETION OF PROJECT

The Corporation has reserved the right and privilege of issuing additional bonds from time to time payable from the income and revenues of said Project and secured by the same statutory mortgage lien and pledge of revenues, but only if and to the extent the issuance of such additional parity bonds may be necessary to pay the

costs, for which funds are not otherwise available, of completing the construction of said Project in accordance with the plans and specifications of the architect in charge of said Project, which plans have been completed, approved by the Board, State Department of Education, and filed in the office of the Secretary of the Corporation.

BOND MATURITIES, PRIOR REDEMPTION PROVISIONS AND PAYING AGENT

The Bonds shall be in denominations in multiples of \$5,000 within the same maturity, bear interest from July 15, 2020, payable on February 1, 2021, and semiannually thereafter and shall mature as to principal on August 1, 2021 and August 1 in each of the years thereafter as follows:

| <u>MATURITY</u> | <u>AMOUNT*</u> |
|-----------------|----------------|
| August 1, 2021 | \$ 35,000 |
| August 1, 2022 | 35,000 |
| August 1, 2023 | 35,000 |
| August 1, 2024 | 35,000 |
| August 1, 2025 | 35,000 |
| August 1, 2026 | 40,000 |
| August 1, 2027 | 40,000 |
| August 1, 2028 | 40,000 |
| August 1, 2029 | 40,000 |
| August 1, 2030 | 45,000 |

* Subject to Permitted Adjustment of the amount of Bonds awarded of up to \$40,000, which may be applied in any or all maturities.

The Bonds are not subject to redemption prior to their stated maturities.

The Bonds are to be issued in fully registered form (both principal and interest). U.S. Bank National Association, Cincinnati, Ohio, the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date to each Registered Owner of records of the 15th day of each month preceding the due date by regular United States Mail postmarked as of the interest due date. Principal shall be paid upon submission of matured Bond Certificates to the Paying Agent. Subsequent to the initial delivery of the Bonds, upon the submission of proper authentication, the Bond Registrar shall transfer ownership of Bonds within three (3) business days of receipt without expense to the Registered Owner.

FINAL OFFICIAL STATEMENT

The Corporation shall provide to the successful purchaser a Final Official Statement. Arrangements have been made with the printer of the Preliminary Official Statement, upon submission of completion text, to print a reasonable quantity of Final Official Statements in sufficient time to meet the delivery requirements of the successful bidder under SEC or Municipal Securities Rulemaking Board delivery requirements. The successful bidder shall be required to pay for the printing of the Final Official Statement.

BOND MATURITIES, PRIOR REDEMPTION PROVISIONS AND PAYING AGENT

The Bonds will mature, have interest payment dates, be subject to redemption, have a Paying Agent and Registrar, be subject to the issuance of additional bonds and have other conditions and restrictions as set forth in the Preliminary Official Statement describing the Bonds. Reference is made to the Preliminary Official Statement for such information and for information regarding the District and the Corporation.

BIDDING CONDITIONS AND RESTRICTIONS

(A) Bids must be made on Official Bid Form, contained in the Official Statement available from the undersigned or RSA Advisors, LLC 325 West Main Street, Suite 300, Lexington, Kentucky 40507, enclosed in sealed envelopes marked "Bid for School Building Revenue Bonds." Bids may alternatively be submitted electronically via BiDCOMP™/PARITY™ system. Electronic bids for the Bonds must be submitted through the BiDCOMP™/PARITY™ system and no other provider of electronic bidding services will be accepted. Subscription to the BiDCOMP™/PARITY™ 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 the BiDCOMP™/PARITY™ system 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 the BiDCOMP™/PARITY™ system 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 the BiDCOMP™/PARITY™ system 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 the BiDCOMP™/PARITY™ system. The use of the BiDCOMP™/PARITY™ system facilities are at the sole risk of the prospective bidders. For further information regarding the BiDCOMP™/PARITY™ system, potential bidders may contact BiDCOMP™/PARITY™, 1359 Broadway - 2nd Floor, New York, NY 10018, Telephone: (800) 850-7422. Notwithstanding the foregoing non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form.

(B) The minimum bid for the Bonds shall be not less than \$372,400 (98% of par), plus accrued interest. Interest rates shall be in multiples 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 for any maturity shall not be less than the interest rate for any preceding maturity. There is no limit on the number of different interest rates.

(C) The maximum permissible net interest cost for each of 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%.

(D) The determination of the best purchase bid for each of the Bonds shall be made on the basis of all bids submitted for exactly \$380,000 principal amount of Bonds offered for sale hereunder; but the Corporation may adjust the principal amount of Bonds which may be awarded to such best bidder upward or downward by \$40,000 (the "Permitted Adjustment") to a minimum of \$340,000 or a maximum of \$420,000. In the event of such Permitted Adjustment, no rebidding or recalculation of a submitted bid will be required or permitted. The price at which such adjusted principal amount of Bonds will be sold will be the same price per \$1,000 of Bonds as the price per \$1,000 for the \$380,000 of Bonds bid.

(E) 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 be required to 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, (ii) the initial offering price to the public as of the Sale Date of any Maturity of the Bonds, and (iii) that they neither offered nor sold any of the Bonds of any 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 winning bidder shall advise the Corporation on the Sale Date if any maturity of the Bonds satisfies the 10% test set forth in (i) above as of the date and time of the award of the Bonds.

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

(i) *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.

(ii) *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.

(iii) *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.

(iv) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is June 24, 2020.

(v) *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).

(F) CUSIP identification numbers will be printed on the Bonds at the expense of the purchaser. The purchaser shall pay the CUSIP Service Bureau Charge and the cost of printing the Final Official Statement. 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 the Bonds in accordance with the terms of any accepted proposal for the purchase of the Bonds.

(G) The Corporation shall provide to the successful purchaser a Final Official Statement in accordance with SEC Rule 15c2-12, as amended. Arrangements have been made with the printer of the Preliminary Official Statement, upon submission of completion text, to print a reasonable quantity of Final Official Statements in sufficient time to meet the delivery requirements of the successful bidder under SEC or Municipal Securities Rulemaking Board Delivery Requirements. The successful bidder shall be required to pay for the printing of the Final Official Statement.

(H) 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 to the order of the Corporation an amount equal to 2% of the amount of the principal amount of Bonds awarded by the close of business on the day following the award. Said good faith amount 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.

(I) The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. They 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 for each maturity of the Bonds of each series, each in the aggregate principal amount of such maturity, and will be deposited with DTC. Purchases of the Bonds under the DTC system must be made by or through securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations (the "Direct Participants"), which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (a "Beneficial Owner") is in turn to be recorded on the records of Direct Participants or securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant (the "Indirect Participants"). 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 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 the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

(J) The purchaser shall be required to supply the Bond Registrar with the name, address, social security number or taxpayer identification number, principal amount and principal maturities for each person or entity in whose name Bonds are to be registered. Failure of a purchaser to fully designate the Registered Owners of Bonds shall result in the issuance of Bond Certificates by the Registrar in the purchaser's "street name" (to the extent a purchaser fails to designate).

(K) 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 Keating Muething & Klekamp PLL, Cincinnati, Ohio, which Opinion will be qualified in accordance with the section hereof on TAX TREATMENT.

(L) The successful purchaser may require that a portion of the Bonds be term bonds maturing on one or more dates (the "Term Bonds"); provided, however, that the Term Bonds shall be subject to mandatory sinking fund redemption by lot at a redemption price of 100% of the principal amount thereof plus accrued interest to the date of redemption on August 1 of the years and in the principal amounts set forth in the final adjusted maturity schedule as seen on page 2 of the successful bid.

(M) Prospective bidders are advised that RSA Advisors, LLC has been employed as Financial Advisor in connection with the issuance of the Bonds. RSA Advisors, LLC's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery thereof. Bidders, including RSA Advisors, LLC, 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.

(N) As required by the Code, the purchaser of the Bonds will be required to certify to the Corporation as to certain of their activities regarding any reoffering to the public of the Bonds, including any reoffering prices.

CONTINUING DISCLOSURE

The Board and the Corporation have previously entered into continuing disclosure undertakings pursuant to the Rule. While the Board and the Corporation are current with the filings required by such undertakings, certain filings were made beyond the required filing dates. As a result, the Board has filed Material Event Notices indicating its failure to file on a timely basis the following information:

(1) An update to operating data and financial information for fiscal year ending June 30, 2013 on July 21, 2014; and

(2) A failure to file annual financial information in a timely manner.

The Annual Financial Information for FY ending June 30, 2013 through June 30, 2015 was filed after the deadline (December 1). Operating data for FY June 30, 2013 through June 30, 2015 was filed after the deadline (August 27).

The Board has adopted procedures to assure timely and complete filings in the future with regard to the Rule.

TAX TREATMENT

Bond Counsel is of the opinion that:

(A) Interest on the Bonds is exempt from income taxation and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and all of its political subdivisions.

APPENDIX D

**Mason County School District Finance Corporation
School Building Revenue Bonds
Series 2020**

Official Bid Form

OFFICIAL BID FORM

Subject to the terms and conditions set forth in the Official Terms and Conditions of Bond Sale for \$380,000 of School Building Revenue Bonds, Series 2020, dated July 15, 2020 (the "Bonds") offered for sale by the Walton- Verona Independent School District Finance Corporation (the "Corporation"), an agency and instrumentality acting on behalf of the Board of Education of the Walton-Verona Independent School District and in accordance with the Notice of Bond Sale, as posted with BIDCOMP/PARITY, to all of which the undersigned agrees, the undersigned hereby submits the following offer to purchase said Bonds.

We hereby bid for said \$380,000 principal amount of the Bonds, the total sum of \$ _____ (not less than \$372,400) plus accrued interest from July 15, 2020, at the following annual rate(s), payable semiannually (rates on ascending scale, number of interest rates unlimited):

| <u>MATURITY</u> | <u>AMOUNT*</u> | <u>INTEREST RATE</u> |
|-----------------|----------------|----------------------|
| August 1, 2021 | \$ 35,000 | _____ % |
| August 1, 2022 | 35,000 | _____ % |
| August 1, 2023 | 35,000 | _____ % |
| August 1, 2024 | 35,000 | _____ % |
| August 1, 2025 | 35,000 | _____ % |
| August 1, 2026 | 40,000 | _____ % |
| August 1, 2027 | 40,000 | _____ % |
| August 1, 2028 | 40,000 | _____ % |
| August 1, 2029 | 40,000 | _____ % |
| August 1, 2030 | 45,000 | _____ % |

*Subject to permitted adjustment.

We understand this bid may be accepted for as much as \$420,000 of the Bonds or as little as \$340,000 of the Bonds, at the same price per \$1,000 Bond, with the variation in such amount occurring in any maturity of all maturities, which will be determined by the Corporation at the time of acceptance of the best bid.

It is understood that the Corporation will furnish the final, approving Legal Opinion of Keating Muething & Klekamp PLL, Cincinnati, Ohio.

No certified or bank cashier's check will be required to accompany the 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 day following the award. Said good faith amount will be applied (without interest) to the purchase price when said Bonds are tendered for delivery.

Electronic bids for the Bonds must be submitted through BiDCOMP™/PARITY™ and no other provider of electronic bidding services will be accepted. Subscription to the BiDCOMP™/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 BiDCOMP™/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 BiDCOMP™/PARITY™ conflict with the terms of the Official Terms and Conditions of Sale of Bonds, the Official Terms and Conditions of Sale of Bonds shall prevail. Electronic bids made through the facilities of BiDCOMP™/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 BiDCOMP™/PARITY™. The use of BiDCOMP™/PARITY™ facilities are at the sole risk of the prospective bidders. For further information regarding BiDCOMP™/PARITY™, potential bidders may contact BiDCOMP™/PARITY™, 1359 Broadway - 2nd Floor, New York, NY 10018, Telephone: (800) 850-7422. Notwithstanding the foregoing non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form.

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 be required to 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 neither offered nor sold any of the Bonds of any Maturity to any person at a price that is higher than the initial offering price for such Maturity during the Holding Period for such Maturity.

Bids will not be subject to cancellation or withdrawal by the bidder in the event that three bids are not received and the Issuer determines to apply the hold-the-offering-price rule. For purposes of the above the following terms are defined as follows:

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

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

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

(d) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is June 24, 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).

If we are the successful bidder, we agree to accept and make payment for the Bonds in Federal Funds within forty five (45) days from the date of sale in accordance with the terms of the sale

Respectfully submitted,

Bidder

Address

Signature

| | |
|---|----------|
| Total interest cost from July 15, 2020 to final maturity | \$ _____ |
| Plus discount | \$ _____ |
| 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 the Secretary of the Walton-Verona Independent School District Finance Corporation for \$ _____ principal amount of Bonds at the price of \$ _____ as follows:

| <u>MATURING</u> <u>AUGUST 1</u> | <u>AMOUNT</u> | <u>INTEREST</u> <u>RATE</u> |
|------------------------------------|---------------|--------------------------------|
| 2021 | \$ _____ | _____ % |
| 2022 | _____ | _____ |
| 2023 | _____ | _____ |
| 2024 | _____ | _____ |
| 2025 | _____ | _____ |
| 2026 | _____ | _____ |
| 2027 | _____ | _____ |
| 2028 | _____ | _____ |
| 2029 | _____ | _____ |
| 2030 | _____ | _____ |

Dated: June 24, 2020

Secretary
Walton-Verona Independent School District
Finance Corporation