

DATED SEPTEMBER 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, 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).

\$1,255,000*
ADAIR COUNTY SCHOOL DISTRICT FINANCE CORPORATION
SCHOOL BUILDING REVENUE BONDS,
SERIES OF 2020

Dated: October 15, 2020

Due: as shown below

Interest on the Bonds is payable each April 1 and October 1, beginning April 1, 2021. The Bonds will mature as to principal on October 1, 2021 and each October 1 thereafter as shown below. The Bonds are being issued in Book-Entry-Only Form and will be available for purchase in principal amounts of \$5,000 and integral multiples thereof.

Maturing 1-Oct		Interest Rate	Reoffering Yield	CUSIP	Maturing 1-Oct		Interest Rate	Reoffering Yield	CUSIP
1-Oct	Amount	Rate	Yield	CUSIP	1-Oct	Amount	Rate	Yield	CUSIP
2021	\$50,000	%	%		2031	\$65,000	%	%	
2022	\$50,000	%	%		2032	\$65,000	%	%	
2023	\$50,000	%	%		2033	\$65,000	%	%	
2024	\$50,000	%	%		2034	\$70,000	%	%	
2025	\$55,000	%	%		2035	\$70,000	%	%	
2026	\$55,000	%	%		2036	\$75,000	%	%	
2027	\$55,000	%	%		2037	\$75,000	%	%	
2028	\$60,000	%	%		2038	\$80,000	%	%	
2029	\$60,000	%	%		2039	\$80,000	%	%	
2030	\$60,000	%	%		2040	\$65,000	%	%	

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

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

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

The Adair County (Kentucky) School District Finance Corporation will until September 24, 2020, at 11:00 A.M., E.S.T., receive competitive bids for the Bonds at the office of the Executive Director of the Kentucky School Facilities Construction Commission, 229 West Main Street, Suite 102, Frankfort, Kentucky 40601.

***As set forth in the "Official Terms and Conditions of Bond Sale," the principal amount of Bonds sold to the successful bidder is subject to a Permitted Adjustment by increasing or decreasing the amount not to exceed \$125,000.**

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.

**ADAIR COUNTY, KENTUCKY
BOARD OF EDUCATION**

Lisa Burton, Chairman
Jonathan Gaskins, Member
Troy Grider, Member
Terry Harvey, Member
Daniel Adams, Member

Dr. Pamela Stephens, Superintendent
Becky Bailey, Secretary

**ADAIR COUNTY SCHOOL DISTRICT
FINANCE CORPORATION**

Lisa Burton, President
Jonathan Gaskins, Member
Troy Grider, Member
Terry Harvey, Member
Daniel Adams, Member

Dr. Pamela Stephens, Secretary
Rena Smith, Treasurer

BOND COUNSEL

Stephoe & Johnson PLLC
Louisville, Kentucky

FINANCIAL ADVISOR

RSA Advisors, LLC
Lexington, Kentucky

PAYING AGENT AND REGISTRAR

Bank of Columbia
Columbia, 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 Adair County School District Finance Corporation School Building Revenue Bonds, Series of 2020, identified on the cover page hereof. No person has been authorized by the Corporation or the Board to give any information or to make any representation other than that contained in the Official Statement, and if given or made such other information or representation must not be relied upon as having been given or authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

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

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

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

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**OFFICIAL STATEMENT
Relating to the Issuance of**

\$1,255,000*

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

**Subject to Permitted Adjustment*

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and Appendices hereto, is to set forth certain information pertaining to the Adair County School District Finance Corporation (the "Corporation") School Building Revenue Bonds, Series of 2020 (the "Bonds").

The Bonds are being issued to finance additions to the Adair County Primary Center (the "Project").

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

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

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

Copies of the Bond Resolution authorizing the issuance of the Bonds, the Participation Agreement and the Lease Agreement, dated October 15, 2020, may be obtained at the office of Steptoe & Johnson PLLC, Bond Counsel, 700 N. Hurstbourne Parkway, Suite 115, Louisville, Kentucky 40222.

BOOK-ENTRY-ONLY-SYSTEM

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

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

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of

1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation or the Paying Agent and Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

THE CORPORATION

The Corporation has been formed in accordance with the provisions of Sections 162.120 through 162.290 and Section 162.385 of the Kentucky Revised Statutes ("KRS"), and KRS Chapter 273 and KRS 58.180, as a non-profit, non-stock corporation for the purpose of financing necessary school building facilities for and on behalf of the Board. Under the provisions of existing Kentucky law, the Corporation is permitted to act as an agency and instrumentality of the Board for financing purposes and the legality of the financing plan to be implemented by the Board herein referred to has been upheld by the Kentucky Court of Appeals (Supreme Court) in the case of White v. City of Middlesboro, Ky. 414 S.W.2d 569.

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

KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION

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

Pursuant to the provisions of the Act, the Regulations of the Kentucky Board of Education and the Commission, the Commission has determined that the Board is eligible for participation from the Commission in meeting the costs of construction of the Projects and has entered into a Participation Agreement with the Board whereunder the Commission agrees to pay an annual Agreed Participation equal to approximately \$83,752 to be applied to the annual debt service requirements for the Bonds herein identified each year until their retirement; provided, however, that the contractual commitment of the Commission to pay the annual Agreed Participation is limited to the budget period of the Commonwealth, with the first such biennial period terminating on June 30, 2021; the right is reserved in the Commission to terminate its commitment to pay the Agreed Participation after the initial budget period and every two years thereafter. The obligation of the Commission to make payments of the Agreed Participation shall be automatically renewed each two years for a period of two years unless the Commission shall give notice of its intention not to participate not less than sixty days prior to the end of the biennium; however, by the execution of the Participation Agreement, the Commission has expressed its present intention to continue to pay the Agreed Participation in each successive budget period until the retirement of all of the Bonds, but such execution does not obligate the Commission to do so.

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, 2022

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

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

Due to the unforeseen nature on the economy of the Commonwealth caused by the COVID-19 pandemic, in its 2020 regular session, the General Assembly adopted only a one-year budget for the biennial period ending June 30, 2022 which was approved and signed by the Governor. The biennial budget will be reviewed and supplemented during the General Assembly's 2021 regular session. Such budget became effective beginning July 1, 2020. The Office of the State Budget Director makes available on its website monthly updates to the General Fund receipts and other Funds of the commonwealth. When published, the updates can be found at www.osbd.ky.gov.

OUTSTANDING BONDS

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

Bond Series	Original Principal	Current Principal Outstanding	Principal Assigned to Board	Principal Assigned to Commission	Approximate Interest Rate Range	Final Maturity
2006-Energy	\$500,000	\$244,000	\$500,000	\$0	4.050%	2026
2012	\$12,885,000	\$10,750,000	\$8,515,550	\$4,369,450	2.500% - 3.125%	2032
2013-REF	\$9,010,000	\$4,565,000	\$4,366,917	\$4,643,083	2.000% - 2.250%	2025
2014	\$1,065,000	\$675,000	\$1,065,000	\$0	2.400% - 3.6000%	2035
2015	\$1,525,000	\$1,315,000	\$1,525,000	\$0	3.050%	2035
2017	\$390,000	\$360,000	\$390,000	\$0	3.000% - 4.000%	2037
TOTALS:	\$25,375,000	\$17,909,000	\$16,362,467	\$9,012,533		

AUTHORITY

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

- i) the issuance of approximately \$1,255,000 of Bonds subject to a permitted adjustment of \$125,000;
- 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 October 15, 2020, will bear interest from that date as described herein, payable semi-annually on April 1 and October 1 of each year, commencing April 1, 2021, and will mature as to principal on April 1, 2021 and October 1, 2021 and each October 1 thereafter in the years and in the principal amounts as set forth on the cover page of this Official Statement.

Registration, Payment and Transfer

The Bonds are to be issued in fully-registered form (both principal and interest). Bank of Columbia, Columbia, Kentucky, the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date to Cede & Co., as the nominee of The Depository Trust Company. Please see Book-Entry-Only-System. Interest on the Bonds will be paid at rates to be established upon the basis of competitive bidding as hereinafter set forth, such interest to be payable on April 1 and October 1 of each year, beginning April 1, 2021 (Record Date is 15th day of month preceding interest due date).

Redemption

The Bonds maturing on or after October 1, 2028 are subject to redemption at the option of the Corporation prior to their stated maturity on any date falling on or after October 1, 2027, in any order of maturities (less than all of a single maturity to be selected by lot), in whole or in part, upon notice of such prior redemption being given by the Paying Agent in accordance with DTC requirements not less than thirty (30) days prior to the date of redemption, upon terms of the face amount, plus accrued interest, but without redemption premium.

Redemption Date	Redemption Price
October 1, 2027 and thereafter	100%

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

SECURITY

General

The Bonds are revenue bonds and constitute a limited indebtedness of the Corporation. The Bonds are payable as to both principal and interest solely from the income and revenues derived from the leasing of the Project financed from the Bond proceeds from the Corporation to the Board. The Bonds are secured by a pledge of revenue on and from the Project; provided, however, said lien and pledge are on parity with the liens and pledges securing the Corporation's outstanding School Building Revenue Bonds issued to improve the building in which the Project is located.

The Lease; Pledge of Rental Revenues

The Board has leased the school Project securing the Bonds for an initial period from October 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 October 1, 2040, the final maturity date of the Bonds. Under the lease, the Corporation has pledged the rental revenue to the payment of the Bonds.

STATE INTERCEPT

Under the terms of the Lease and any renewal thereof, so long as the Bonds remain outstanding and in conformance with the intent and purpose of KRS 157.627(5) and KRS 160.160(5), in the event of a failure by the Board to pay the rentals due under the Lease, and unless sufficient funds have been transmitted to the Paying Agent, or will be so transmitted, for paying said rentals when due, the Board has granted under the terms of the Lease and Participation Agreement to the Corporation and the Commission the right to notify and request the Kentucky Department of Education to withhold from the Board a sufficient portion of any undisbursed funds then held, set aside, or allocated to the Board and to request said Department or Commissioner of Education to transfer the required amount thereof to the Paying Agent for the payment of such rentals.

COMMISSION'S PARTICIPATION

The Commission has determined that the Board is eligible for an average annual participation equal to approximately \$83,752 from the Commission's appropriation by the Kentucky General Assembly which will be used to meet a portion of the debt service of the Bonds. The plan for financing the Project will require the Commission to pay one hundred percent (100%) of the debt service of the Bonds.

The Participation Agreement to be entered into with the Board will be limited to the biennial budget period of the Commonwealth of Kentucky, with the first such biennial period terminating on June 30, 2021. The right is reserved in the Commission to terminate the commitment to pay the agreed participation every two years thereafter. The obligation of the Commission to make payments of the agreed participation shall be automatically renewed each two years thereafter unless the Commission gives notice to the Board of its intention not to

participate not less than sixty days prior to the end of the biennium. However, the Commission has expressed its intention to continue to pay the agreed participation in successive biennial budget periods until the Bonds are retired, but the Commission is not required to do so.

THE PROJECT

After payment of the Bond issuance costs, the Board plans to deposit the net Bond proceeds to finance additions to the Adair County Primary Center (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.

ESTIMATED BOND DEBT SERVICE

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

Fiscal Year Ending June 30	Current Local Bond Payments	--Series 2020 Revenue Bonds (100% SFCC)--			Total Local Bond Payments
		Principal Portion	Interest Portion	Total Payment	
2021	\$1,097,215		\$16,134	\$16,134	\$1,097,215
2022	\$1,094,029	\$50,000	\$34,490	\$84,490	\$1,094,029
2023	\$1,095,466	\$50,000	\$33,490	\$83,490	\$1,095,466
2024	\$1,096,116	\$50,000	\$32,490	\$82,490	\$1,096,116
2025	\$1,095,140	\$50,000	\$31,490	\$81,490	\$1,095,140
2026	\$1,093,477	\$55,000	\$30,440	\$85,440	\$1,093,477
2027	\$1,091,157	\$55,000	\$29,120	\$84,120	\$1,091,157
2028	\$1,093,326	\$55,000	\$27,580	\$82,580	\$1,093,326
2029	\$1,093,425	\$60,000	\$25,970	\$85,970	\$1,093,425
2030	\$1,097,372	\$60,000	\$24,260	\$84,260	\$1,097,372
2031	\$1,095,054	\$60,000	\$22,490	\$82,490	\$1,095,054
2032	\$1,096,016	\$65,000	\$20,615	\$85,615	\$1,096,016
2033	\$1,093,626	\$65,000	\$18,665	\$83,665	\$1,093,626
2034	\$343,340	\$65,000	\$16,715	\$81,715	\$343,340
2035	\$337,948	\$70,000	\$14,690	\$84,690	\$337,948
2036	\$303,060	\$70,000	\$12,590	\$82,590	\$303,060
2037	\$57,200	\$75,000	\$10,415	\$85,415	\$57,200
2038	\$284,940	\$75,000	\$8,165	\$83,165	\$284,940
2039	\$281,548	\$80,000	\$5,840	\$85,840	\$281,548
2040	\$243,660	\$80,000	\$3,360	\$83,360	\$243,660
2041		\$65,000	\$1,040	\$66,040	
TOTALS:	\$16,083,113	\$1,255,000	420,049	1,675,049	16,083,113

Note: Numbers rounded to the nearest \$1.00.

ESTIMATED USE OF BOND PROCEEDS

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

Sources:	
Par Amount of Bonds	\$1,255,000.00
Total Sources	\$1,255,000.00
Uses:	
Deposit to Construction Fund	\$1,203,850.00
Underwriter's Discount (2%)	25,100.00
Cost of Issuance	26,050.00
Total Uses	\$1,255,000.00

DISTRICT STUDENT POPULATION

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

Year	Average Daily Attendance	Year	Average Daily Attendance
2000-01	2,315.5	2010-11	2,281.0
2001-02	2,347.2	2011-12	2,291.7
2002-03	2,357.8	2012-13	2,321.7
2003-04	2,362.8	2013-14	2,397.1
2004-05	2,380.9	2014-15	2,376.0
2005-06	2,453.9	2015-16	2,406.9
2006-07	2,426.2	2016-17	2,395.7
2007-08	2,357.3	2017-18	2,318.7
2008-09	2,356.4	2018-19	2,383.0
2009-10	2,293.4	2019-20	2,344.4

Source: Kentucky State Department of Education.

STATE SUPPORT

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

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

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

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

The following table shows the computation of the capital outlay allotment for the Adair County School District for certain preceding school years. Beginning 1990-91, the allotment is based on average daily attendance as required by law.

<u>Year</u>	<u>Capital Outlay Allotment</u>	<u>Year</u>	<u>Capital Outlay Allotment</u>
2000-01	231,550.0	2010-11	228,098.0
2001-02	234,720.0	2011-12	229,174.0
2002-03	235,780.0	2012-13	232,166.0
2003-04	236,280.0	2013-14	239,709.0
2004-05	238,090.0	2014-15	237,602.0
2005-06	245,390.0	2015-16	240,687.0
2006-07	242,620.0	2016-17	239,570.0
2007-08	235,730.0	2017-18	231,870.0
2008-09	235,637.0	2018-19	238,301.0
2009-10	229,340.0	2019-20	234,440.0

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

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

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

LOCAL SUPPORT

Homestead Exemption. Section 170 of the Kentucky Constitution was amended at the General Election held November 2, 1971, to exempt from property taxes \$6,500 of value of single unit residential property of

taxpayers 65 years of age or older. The 1972 General Assembly amended KRS Chapter 132 to permit counties and school districts to adjust their local tax revenues lost through the application of this Homestead Exemption. The "Single Unit" qualification has been enlarged to subsequent sessions of the General Assembly to provide that such exemption shall apply to such property maintained as the permanent resident of the owner and the dollar amount has been construed to mean \$6,500 in terms of the purchasing power of the dollar in 1972. Every two years thereafter, if the cost of living index of the U.S. Department of Labor has changed as much as 1%, the maximum exemption shall be adjusted accordingly. Under the cost of living formula, the maximum was increased to \$39,300 effective January 1, 2019.

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

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

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

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

Local Thirty Cents Minimum. Effective for school years beginning after June 30, 1990, the board of education of each school district shall levy a minimum equivalent tax rate of thirty cents (\$.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	55.2	420,779,668	2,322,704
2001-02	56.1	442,663,359	2,483,341
2002-03	55.9	469,451,775	2,624,235
2003-04	55.9	493,364,827	2,757,909
2004-05	54	539,292,572	2,912,180
2005-06	53.6	574,409,586	3,078,835
2006-07	54.7	603,402,051	3,300,609
2007-08	53.6	628,423,534	3,368,350
2008-09	53.4	667,006,465	3,561,815
2009-10	53.4	706,917,223	3,774,938
2010-11	54.6	701,436,849	3,829,845
2011-12	58.5	707,530,176	4,139,052
2012-13	60	719,254,109	4,315,525
2013-14	62.7	730,005,680	4,577,136
2014-15	62.4	729,774,321	4,553,792
2015-16	64.7	743,873,933	4,812,864
2016-17	63.2	765,594,471	4,838,557
2017-18	64.1	781,836,720	5,011,573
2018-19	63.7	794,255,373	5,059,407
2019-20	64.2	806,264,199	5,176,216

Overlapping Bond Indebtedness

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

Issuer	Original Principal Amount	Amount of Bonds Redeemed	Current Principal Outstanding
County of Adair			
General Obligation	\$2,100,000	\$725,000	\$1,375,000
Water Revenue	\$3,480,000	\$536,500	\$2,943,500
Multiple Purpose Revenue	\$9,980,000	\$2,644,600	\$7,335,400
Justice Center Revenue	\$7,265,000	\$70,000	\$7,195,000
Improvement Project Revenue	\$1,200,000	\$127,500	\$1,072,500
City of Columbia			
General Obligation	\$350,000	\$29,910	\$320,090
Utilities Revenue	\$905,000	\$327,200	\$577,800
Educational Development Revenue	\$9,695,000	\$7,955,000	\$1,740,000
Improvement Project Revenue	\$610,000	\$105,900	\$504,100
Building Revenue	\$1,250,000	\$334,331	\$915,669
Multiple Purpose Revenue	\$10,800,000	\$3,255,000	\$7,545,000
Refinancing Revenue	\$14,875,000	\$0	\$14,875,000
Special Districts			
Adair County Extension District Board	\$1,345,000	\$175,000	\$1,170,000
Adair County Water District	\$10,078,000	\$1,983,800	\$8,094,200
Totals:	\$73,933,000	\$18,269,741	\$55,663,259

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. These receipts are compared to the 1989-90 fiscal year funding prior to enactment of the Kentucky Education Reform Act:

SEEK	Base Funding	Local Tax Effort	Total State & Local Funding
2000-01	9,325,363	2,322,704	11,648,067
2001-02	9,477,256	2,483,341	11,960,597
2002-03	9,933,999	2,624,235	12,558,234
2003-04	10,465,415	2,757,909	13,223,324
2004-05	10,413,293	2,912,180	13,325,473
2005-06	11,317,775	3,078,835	14,396,610
2006-07	11,516,662	3,300,609	14,817,271
2007-08	11,845,806	3,368,350	15,214,156
2008-09	11,904,425	3,561,815	15,466,240
2009-10	10,148,402	3,774,938	13,923,340
2010-11	10,197,908	3,829,845	14,027,753
2011-12	11,042,473	4,139,052	15,181,525
2012-13	11,270,171	4,315,525	15,585,696
2013-14	11,549,726	4,577,136	16,126,862
2014-15	11,884,510	4,553,792	16,438,302
2015-16	12,290,571	4,812,864	17,103,435
2016-17	12,088,821	4,838,557	16,927,378
2017-18	11,707,433	5,011,573	16,719,006
2018-19	12,509,052	5,059,407	17,568,459
2019-20	11,859,932	5,176,216	17,036,148

- (1) Support Education Excellence in Kentucky (SEEK) replaces the minimum foundation program and power equalization funding. Capital Outlay is now computed at \$100 per average daily attendance (ADA). Capital Outlay is included in the SEEK base funding.
- (2) The Board established a current equivalent tax rate (CETR) of \$0.642 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.

POTENTIAL LEGISLATION

No assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax exemption of such interest. In addition, current and future legislative proposals, if enacted into law, may cause interest on state or local government bonds (whether issued before, on the date of, or after enactment of such legislation) to be subject, directly or indirectly, to federal income taxation by, for example, changing the current exclusion or deduction rules to limit the amount of interest on such bonds that may currently be treated as tax exempt by certain individuals. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation.

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

CONTINUING DISCLOSURE

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

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

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

Financial information regarding the Board may be obtained from Superintendent, Adair County School District Board of Education, 1204 Greensburg Street, Columbia, Kentucky 42728, Telephone 270-384-2476.

TAX EXEMPTION; BANK QUALIFIED

Bond Counsel is of the opinion that:

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

(B) The interest income from the Bonds is excludable from the gross income of the recipient thereof for Federal income tax purposes under existing law and will not be a specific item of tax preference for purposes of Federal income taxation.

(C) As a result of designations and certifications by the Board and the Corporation, indicating the issuance of less than \$10,000,000 of tax-exempt obligations during the calendar year ending December 31, 2020, the Bonds are "qualified tax-exempt obligations" within the meaning of the Internal Revenue Code of 1986, as amended.

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

Original Issue Premium

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

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

Original Issue Discount

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

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

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

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>.

ABSENCE OF MATERIAL LITIGATION

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

APPROVAL OF LEGALITY

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

NO LEGAL OPINION EXPRESSED AS TO CERTAIN MATTERS

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

BOND RATING

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

FINANCIAL ADVISOR

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

APPROVAL OF OFFICIAL STATEMENT

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

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

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

By /s/ _____
President

By /s/ _____
Secretary

APPENDIX A

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

Demographic and Economic Data

ADAIR COUNTY, KENTUCKY

Columbia, the county seat of Adair County, is the home of Lindsey Wilson College. The city had an estimated 2020 population of 4,647 persons. Columbia is located 101 miles south of Louisville, Kentucky; 96 miles southwest of Lexington, Kentucky; 124 miles northeast of Nashville, Tennessee; and 169 miles northwest of Knoxville, Tennessee.

Adair County, which covers a land area of 406 square miles, is located in the Mississippian Plateaus Region of south-central Kentucky. Large, flat ridgetops characterize portions of central and southeastern Adair County. The County had an estimated 2020 population of 19,283 persons.

The Economic Framework

The total number of people employed in Adair County in 2020 averaged 4,632. Adair County has a labor force of 8,514 people. The top 5 jobs by occupation are as follows: sales - 631 (13.52%); office and administrative support - 610 (13.07%); production workers - 378 (8.1%); executive, managers and administrators - 372 (7.97%); and, construction and extraction - 353 (7.56%).

Transportation

Major highways serving Columbia include the Cumberland Parkway and Kentucky Route 80, both AAA-rated trucking highways; and Kentucky Route 55, which is AAA-rated north of the city. Interstate 65, a major north-south route, is located 50 miles west via the Cumberland Parkway. Other highways serving Columbia include Kentucky Route 61, 206, and 551. Eleven trucking companies provide interstate and/or intrastate service to the city. The Columbia-Adair County Airport, maintains a 2,600-foot paved runway. The nearest scheduled commercial airline service is a Louisville's Standiford Field, 97 miles northwest of Columbia. CSX Transportation provides the nearest rail service at Glasgow, Kentucky, 37 miles west of Columbia.

Power and Fuel

Kentucky Utilities Company provides electric power to Columbia and parts of Adair County. Taylor County Rural Electric Cooperative Corporation serves most of Adair County. Columbia Utilities Commission provides natural gas service to the City.

LOCAL GOVERNMENT

Structure

Columbia is governed by a mayor and six council members. The mayor serves a four-year term, while the council members each serve two-year terms. Adair County is governed by a county judge/executive and seven magistrates. Each county official is elected to a four-year term.

Planning and Zoning

City agency - City of Columbia Planning & Zoning Commission

Zoning enforced - Within city limits of Columbia

Local codes enforced - Building

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

LABOR MARKET STATISTICS

The Columbia Labor Market Area includes, Adair County and the adjoining Kentucky counties of Casey, Cumberland, Green, Metcalfe, Russell, and Taylor.

Population

<u>Area</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Columbia	4,913	4,932	4,647
Adair County	19,587	19,586	19,283

Source: U.S. Department of Commerce, Bureau of the Census.

Population Projections

<u>Area</u>	<u>2025</u>	<u>2030</u>	<u>2035</u>
Adair County	19,213	19,145	18,963

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

EDUCATION

Public Schools

	<u>Adair County</u>
Total Enrollment (2018-2019)	2,572
Pupil-Teacher Ratio	15 - 1

Vocational - Technical Schools

<u>Institution</u>	<u>Location</u>	<u>Enrollment (2018-2019)</u>
Lake Cumberland ATC	Russell Springs, KY	759
Green County ATC	Greensburg, KY	539
Casey County ATC	Liberty, KY	433
Wayne County ATC	Monticello, KY	524
Marion County ATC	Lebanon, KY	617
Barren County ATC	Glasgow, KY	761
Monroe County ATC	Tompkinsville, KY	478
Pulaski County ATC	Somerset, KY	762
Lincoln County ATC	Stanford, KY	322
Nelson County ATC	Bardstown, KY	484
Trailblazer Academy	Harrodsburg, KY	306
Garrard County ATC	Lancaster, KY	392
Rockcastle County ATC	Mount Vernon, KY	438

Colleges and Universities

<u>Institution</u>	<u>Location</u>	<u>Enrollment (Fall 2019)</u>
Lindsey Wilson College	Columbia, KY	2,595
Campbellsville University	Campbellsville, KY	12,629
Centre College	Danville, KY	1,434
Somerset Community College	Somerset, KY	5,657
Elizabethtown Community College	Elizabethtown, KY	6,684

FINANCIAL INSTITUTIONS

<u>Institution</u>	<u>Total Assets</u>	<u>Total Deposits</u>
Bank of Columbia	\$146,420,000	\$119,046,000
United Citizens Bank of Southern Kentucky, Inc.	\$165,282,000	\$140,930,000

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

EXISTING INDUSTRY

<u>Firm</u>	<u>Product</u>	<u>Total Employed</u>
Colfax Fluid Handling-IMO Pump/Zenith Pump	Hydraulic pumps, fuel system pumps	120
FABCO, Inc.	Machine shop	20
Gaddie-Shamrock, LLC	Crushed limestone & asphalt products	63
Green River Window and Door Company	Wooden windows & door for log homes	5
Northeastern Products Corporation	Sawdust processing: animal bedding & animal bedding	14
Pyles Concrete, Inc.	Precast & ready-mixed concrete	65
Trifecta Print, Inc.	Offset & letterpress printing: calendars, book composing, business forms & cards, tags & labels; side & saddle stitch binding	13

Source: 2020 Kentucky Directory of Manufacturers.

APPENDIX B

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

Audited Financial Statement ending June 30, 2019

ADAIR COUNTY SCHOOL DISTRICT

**BASIC FINANCIAL STATEMENTS,
REQUIRED SUPPLEMENTARY INFORMATION,
AND OTHER SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2019**

with

INDEPENDENT AUDITOR'S REPORT

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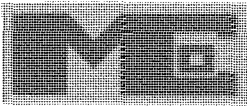
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**M A T H E R
& C O M P A N Y**

SOLUTION-DRIVEN CPAs and Business Advisors

Mather & Co. CPAs, LLC
Suite 200
9100 Shelbyville Rd
Louisville, KY 40222

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

Kentucky State Committee for
School District Audits
Members of the Board of Education
Adair County School District
Columbia, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Kentucky Public School Districts' Audit Contract and Requirements – Auditor Responsibilities*, and *State Compliance Requirements, Appendix I to Kentucky Public School Districts' Audit Contract and Requirements – Audit Extension Request*, and *Appendix II to Kentucky Public School Districts' Audit Contract and Requirements – Submission Instructions*, the financial statements of the governmental activities, the business-type activities, and each major fund of the Adair County School District (District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 6, 2019.

Internal Control Over Financial Reporting

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

An audit includes 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, and each major fund of the Adair County School District as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension, and postemployment benefits other than pension plans information, on pages 4 through 8 and 48 through 61, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedules of receipts, disbursements, and due to student groups related to school activity funds are presented for purposes of additional analysis, and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* 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 schedules of receipts, disbursements, and due to student groups, 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 schedules of receipts, disbursements, and due to student groups, 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 6, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Mather & Co. CPAs, LLC

Mather & Co. CPAs, LLC
Louisville, Kentucky
November 6, 2019

ADAIR COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)

Year ended June 30, 2019

The Adair County School District (District) offers the following narrative of the financial statements 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 report.

FINANCIAL HIGHLIGHTS

- The beginning fund balance for the District was \$2,868,581 which includes General Fund balance of \$2,811,281, Facility Support (FSPK) of \$74, Capital Outlay of \$816, and Construction of \$56,410.
- The General Fund had \$21,806,867 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes.
- The District is looking at trying to build new concession stands for the boys' baseball and the girls' softball fields.
- The District is looking at adding four preschool classrooms on the end of the Adair County Primary Center.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

The government-wide financial statements are designed to provide an 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. The increases or decreases in assets and liabilities over time will be helpful in determining the financial status of the District.

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

The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund financial statements are a grouping of related accounts that are used to maintain control over resources for specific activities and objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts. The District uses fund accounting to ensure compliance with financial and legal requirements. All of the District's funds are divided into three categories: governmental, proprietary, and fiduciary funds. Fiduciary funds are to be set up to help aid in supporting students and teachers in the education process. The proprietary funds are our school food service operations. All other activities of the District are considered as governmental funds.

The basic governmental fund financial statements can be found on pages 11 through 18 of this report.

The notes provide additional information to the understanding of the data provided within our financial statements. The notes for the financial statements can be found on pages 19 through 47 of this report.

Total Assets and Deferred Outflows of Resources	\$ 44,193,576
Total Liabilities and Deferred Inflows of Resources	\$ 43,129,512
Total Net Position	\$ 1,064,064

Comments on Budget Comparisons

- The District's 2019 revenues were \$27,881,092.
- The District's 2019 expenditures were \$27,452,586.
- The District's financing from other sources were \$240,537.
- The fund balance at the end of the 2019 fiscal year for the General Fund was \$3,479,514. This is approximately a 13% contingency.

The following table is a summary/breakdown of the District's General Fund revenue and expenditures for the year ended June 30, 2019.

Revenues	
Local revenue	\$ 4,933,157
State and Federal revenue	<u>16,873,710</u>
Total revenues	\$ 21,806,867

Expenditures

Instruction	\$ 13,152,817
Student support services	699,442
Instructional staff support services	549,086
District administration	709,403
School administration	1,111,888
Business support services	628,237
Plant and operations and maintenance	2,087,578
Student transportation	2,083,748
Debt Service	155,913
Community Services	<u>56,899</u>

Total expenditures 21,235,011

Excess of expenditures over revenues \$ 571,856

Total Governmental Funds

Total Revenue	\$ 27,881,092
Total Expenditures	27,452,586
Total Other Financing Sources	<u>240,537</u>

Excess of revenue and other financing sources over expenditures \$ 669,043

Grant (Fund II) Information

The following is a list of major Grants and the amounts that were received during the 2019 fiscal year.

State Grants

KECSAC	\$ 158,451
Extended School Services	97,106
Family Resource Centers	269,055
Gifted and Talented	38,405
Kera-Preschool	359,225
Industry Certification	8,440
Textbooks	-
School Safety	51,274
KY ASAP	15,500
KETS	100,086

Federal Grants

Title I	\$ 1,286,252
Migrant	83,295
Title I – Part D	27,000
Title I – Part D Subpart 2	62,039
Idea B Basic	571,143
Idea B Preschool	25,254
Vocational Education	31,099
Rural and Low Income	47,827
Title II – Quality Teacher	167,680
21 st Century	201,000
Title III	4,668
Title IV	93,686
Striving Reader	290,000

Local Grants

WHAS Grant	\$ 29,700
------------	-----------

The Title I grant was allocated to our elementary schools, our intermediate school, and our middle school. These supplemental funds are used for salaries, supplies, parent involvement activities, travel, and professional development. These funds are used school wide. The primary focus of the Title I program is based on the academic need of each individual school.

The Vocational Funds are allocated between the Business Department, the Vocational Ag. Department, the Technology Department, and the Home Ec. Department at the Adair County High School. These funds were used for equipment, computers, and travel for the teachers.

The IDEA B, IDEA B Preschool, and KERA Preschool funds are generated on the December 1 child count. These funds are used for salaries, supplies, special equipment, professional development, consultant fees, and travel expenses.

The Title II – Quality Teacher Grant was incorporated with the Title I funds to help student achievement at all levels from the elementary school to the high school.

The WHAS Grant funds were used to pay a salary for Special Education.

The KECSAC funds are used at the Adair County Youth Development Center. These funds are used for salaries for teachers and supplies for the students housed at that facility.

The 21st Century funds are used at the Adair County Primary Center and the Adair County Elementary after school programs that help to make those students more rounded.

School Food Services Fund

This year our District has offered CEP for all Adair County Students.

Food Service Operating Revenue:

Lunch Sales	\$ 132,265
Federal Grants	1,617,890
State Grants	182,519
Interest	3,202
Donated Commodities	126,358
Loss of Assets	<u>-</u>

Total \$ 2,062,234

Total Expenses:

Salaries and benefits	\$ 903,109
Supplies	1,046,030
Contract services	24,414
Depreciation	23,507
Other	<u>4,816</u>

Total \$ 2,001,876

Net change in position \$ 60,358

Net position as of June 30, 2019 \$ 640,793

If you have any questions, please contact the Superintendent or Finance Director at (270) 384-2476, or 1204 Greensburg Street, Columbia, Kentucky 42728.

ADAIR COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2019

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash	\$ 3,641,733	\$ 516,582	\$ 4,158,315
Receivables:			
Taxes	214,627	-	214,627
Other	37,589	-	37,589
Intergovernmental – State	27,527	-	27,527
Intergovernmental – Federal	172,054	-	172,054
Net capital assets	<u>32,506,887</u>	<u>124,211</u>	<u>32,631,098</u>
Total assets	36,600,417	640,793	37,241,210
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on bond refundings	297,216	-	297,216
Deferred outflows of resources related to pension expense	5,110,030	-	5,110,030
Deferred outflows of resources related to other postemployment benefits	<u>1,545,120</u>	<u>-</u>	<u>1,545,120</u>
Total deferred outflows of resources	6,952,366	-	6,952,366
LIABILITIES			
Accounts payable	89,987	-	89,987
Unearned revenue	454,919	-	454,919
Current maturities of bond obligations	1,910,553	-	1,910,553
Current portion of accumulated sick leave	11,000	-	11,000
Interest payable	231,813	-	231,813
Noncurrent net pension liability	8,323,680	-	8,323,680
Noncurrent net other postemployment benefits liability	8,523,478	-	8,523,478
Noncurrent maturities of bond obligations	20,336,095	-	20,336,095
Noncurrent portion of accumulated sick leave	883,667	-	883,667
Noncurrent portion of accrued expense	<u>33,996</u>	<u>-</u>	<u>33,996</u>
Total liabilities	40,799,188	-	40,799,188
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pension expense	1,360,445	-	1,360,445
Deferred inflows of resources related to other postemployment benefits	<u>969,879</u>	<u>-</u>	<u>969,879</u>
Total deferred inflows of resources	2,330,324	-	2,330,324
NET POSITION			
Invested in capital assets, net of related debt	10,028,426	124,211	10,152,637
Restricted for:			
Capital expenditures/debt service	58,110	-	58,110
Unrestricted	<u>(9,663,265)</u>	<u>516,582</u>	<u>(9,146,683)</u>
Total net position	\$ 423,271	\$ 640,793	\$ 1,064,064

See accompanying notes.

ADAIR COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year ended June 30, 2019

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	
FUNCTIONS/PROGRAMS							
Governmental activities							
Instruction	\$ 17,049,146	\$ -	\$ 8,291,258	\$ -	\$ (8,757,888)	\$ -	\$ (8,757,888)
Student support services	712,527	-	212,731	-	(499,796)	-	(499,796)
Instructional staff support services	583,141	-	205,533	-	(377,608)	-	(377,608)
District administration	720,020	-	87,847	-	(632,173)	-	(632,173)
School administration	1,125,005	-	343,338	-	(781,667)	-	(781,667)
Business support services	628,237	-	132,883	-	(495,354)	-	(495,354)
Plant operations and maintenance	2,789,598	-	248,616	-	(2,540,982)	-	(2,540,982)
Student transportation	2,125,815	-	465,035	-	(1,660,780)	-	(1,660,782)
Community services	335,742	-	364,878	-	29,136	-	29,136
Interest	681,136	-	-	681,136	-	-	-
Total governmental activities	26,750,367	-	10,352,119	681,136	(15,717,112)	-	(15,717,112)
Business-type activities							
Food service	2,001,876	132,265	1,926,767	-	-	57,156	57,156
Total business-type activities	2,001,877	132,265	7,926,769	-	-	57,156	57,156
Total primary government	\$ 28,620,079	\$ 132,265	\$ 12,278,888	\$ 678,850	(15,587,233)	57,156	(15,530,077)
General revenues							
Taxes:							
Property					3,704,570	-	3,704,570
Motor vehicle					571,156	-	571,156
Utilities					956,059	-	956,059
Earnings on investments					30,728	3,202	33,930
State grants					11,438,143	-	11,438,143
Federal grants					76,345	-	76,345
Other local amounts					121,121	-	121,121
Total general revenues					16,898,122	3,202	16,901,325
Change in net position					1,181,010	60,358	1,241,368
Net position as of July 1, 2018,					(757,739)	580,435	(177,304)
Net position as of June 30, 2019					\$ 423,271	\$ 640,793	\$ 1,064,064

See accompanying notes.

ADAIR COUNTY SCHOOL DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2019

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>SEEK Capital Outlay Fund</u>	<u>Facility Support Program (FSPK) Fund</u>	<u>School Construction Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash	\$ 3,344,580	\$ 239,043	\$ 880	\$ 74	\$ 57,156	\$ -	\$ 3,641,733
Receivables:							
Taxes	214,627	-	-	-	-	-	214,627
Other	20,244	17,345	-	-	-	-	37,589
Intergovernmental							
– State	-	27,527	-	-	-	-	27,527
Intergovernmental							
– Federal	-	172,054	-	-	-	-	172,054
Total assets	<u>\$ 3,579,451</u>	<u>\$ 455,969</u>	<u>\$ 880</u>	<u>\$ 74</u>	<u>\$ 57,156</u>	<u>\$ -</u>	<u>\$ 4,093,530</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 88,937	\$ 1,050	\$ -	\$ -	\$ -	\$ -	\$ 89,987
Unearned revenue	-	454,919	-	-	-	-	454,919
Current portion of accumulated sick leave	11,000	-	-	-	-	-	11,000
Total liabilities	99,937	455,969	-	-	-	-	555,906
Fund balances							
Restricted for:							
Capital expenditures	-	-	-	-	57,156	-	57,156
Capital expenditures/ debt service	-	-	880	74	-	-	954
Unassigned	3,479,514	-	-	-	-	-	3,479,514
Total fund balances	<u>3,479,514</u>	<u>-</u>	<u>880</u>	<u>74</u>	<u>57,156</u>	<u>-</u>	<u>3,537,624</u>
Total liabilities and fund balances	<u>\$ 3,579,451</u>	<u>\$ 455,969</u>	<u>\$ 880</u>	<u>\$ 74</u>	<u>\$ 57,156</u>	<u>\$ -</u>	<u>\$ 4,093,530</u>

See accompanying notes.

ADAIR COUNTY SCHOOL DISTRICT

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

June 30, 2019

Total fund balances – governmental funds	\$ 3,537,624
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$51,068,945, and the accumulated depreciation is \$18,562,058.	32,506,887
Deferred loss on bond refundings is not a current financial resource and therefore is not reported as a deferred outflows of resources in governmental funds.	297,216
Bonds payable are not reported in the governmental fund balance sheet because they are not due and payable in the current period, but they are presented in the statement of net position.	(22,246,648)
Noncurrent portion of accumulated sick leave is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(883,667)
Interest payable is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(231,813)
Noncurrent net pension liability is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position. The deferred outflows of resources related to pension expense total \$5,110,030, the deferred inflows of resources related to pension expense total \$1,360,445, and the net pension liability on the statement of net position is \$8,323,680.	(4,574,095)
Noncurrent net other postemployment benefits liability is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position. The deferred outflows of resources related to OPEB expense total \$1,545,120, the deferred inflows of resources related to OPEB expense total \$969,879, and the net OPEB liability on the statement of net position is \$8,523,478.	(7,948,237)
Noncurrent portion of accrued expense is not reported in the government fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	<u>(33,996)</u>
Total net position – governmental activities	<u>\$ 423,271</u>

See accompanying notes.

ADAIR COUNTY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended June 30, 2019**

	General Fund	Special Revenue Funds	SEEK Capital Outlay Fund	Facility Support Program (FSPK) Fund	School Construction Fund	Debt Service Fund	Total Governmental Funds
Revenues							
From local sources:							
Taxes:							
Property	\$ 3,307,442	\$ -	\$ -	\$ 397,128	\$ -	\$ -	\$ 3,704,570
Motor vehicle	571,156	-	-	-	-	-	571,156
Utilities	956,059	-	-	-	-	-	956,059
Earnings on investments	27,664	1,784	267	267	746	-	30,728
Other local	70,836	68,716	-	-	-	-	139,552
Intergovernmental – State	16,797,365	928,370	238,301	596,587	-	968,509	19,529,132
Intergovernmental – Federal	76,345	2,873,550	-	-	-	-	2,949,895
Total revenues	21,806,867	3,872,420	238,568	993,982	746	968,509	27,881,092
Expenditures							
Current:							
Instruction	13,152,817	3,562,735	-	-	-	-	16,715,552
Student support services	699,442	13,085	-	-	-	-	712,527
Instructional staff support services	549,086	34,055	-	-	-	-	583,141
District administration	709,403	-	-	-	-	-	709,403
School administration	1,111,888	-	-	-	-	-	1,111,888
Business support services	628,237	-	-	-	-	-	628,237
Plant operations and maintenance	2,087,578	-	-	-	-	-	2,087,578
Student transportation	2,083,748	33,745	-	-	-	-	2,117,493
Community services	56,899	278,843	-	-	-	-	335,742
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	155,913	-	-	-	-	2,295,112	2,451,025
Total expenditures	21,235,011	3,922,463	-	-	-	2,295,112	27,452,586
Excess (deficit) of revenues over (under) expenditures	571,856	(50,043)	238,568	993,982	746	(1,326,603)	428,506
Other financing sources (uses)							
Miscellaneous	61,387	-	-	-	-	-	61,387
Proceeds from bond issuance	179,150	-	-	-	-	-	179,150
Operating transfers in	136,156	50,043	-	-	-	1,326,603	1,512,802
Operating transfers out	(280,316)	-	(238,504)	(993,982)	-	-	(1,512,802)
Total other financing sources (uses)	96,377	50,043	(238,504)	(993,982)	-	1,326,603	240,537
Net change in fund balance	668,233	-	64	-	746	-	669,043
Fund balance as of July 1, 2018	2,811,281	-	816	74	56,410	-	2,868,581
Fund balance as of June 30, 2019	\$ 3,479,514	\$ -	\$ 880	\$ 74	\$ 57,156	\$ -	\$ 3,537,624

See accompanying notes.

ADAIR COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES Year ended June 30, 2019

Net change in total fund balances – governmental funds	\$ 669,043
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in the governmental fund financial statements because they use current financial resources, but are presented as assets in the statement of net position and depreciated over their estimated useful lives. Related depreciation expense is reported in the statement of activities. The difference is the amount by which depreciation expense (\$1,208,290) exceeds capital outlays (\$189,650) and disposal of capital assets (\$11,102).	(1,029,742)
Deferred loss on bond refundings is not reported as an expenditure in the governmental fund financial statements, but is capitalized and amortized over the life of the related bonds on the statement of activities.	(85,127)
Bond payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are reductions of liabilities and interest expense in the statement of net position and statement of activities, respectively.	1,857,302
Bond proceeds are other financing sources in the governmental fund financial statements, but are not included in the statement of activities.	(181,436)
Pension expense is recognized in the governmental fund financial statements as the total expenditures paid in the current year for the employer's portion of contributions. However, on the statement of activities, pension expense is calculated using the accrual basis of accounting which accounts for the increases and decreases in the net pension liability.	(146,056)
Other postemployment benefits expense OPEB is recognized in the governmental fund financial statements as the total expenditures paid in the current year for the employer's portion of contributions. However, on the statement of activities, OPEB expense is calculated using the accrual basis of accounting which accounts for the increases and decreases in the net OPEB liability.	108,442
Accumulated sick leave is recognized by the amount earned in the statement of activities, but the governmental fund financial statements only recognize the obligations anticipated to be retired from existing financial resources.	(28,416)
Accrued expense related to noncurrent portion of accrued liability is recognized in the statement of activities, but not in the governmental fund financial statements because it will not be paid with existing financial resources.	<u>17,000</u>
Change in net position – governmental activities	<u>\$ 1,181,010</u>

See accompanying notes

ADAIR COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION – PROPRIETARY FUND

June 30, 2019

	School Food Service Fund
ASSETS	
Current assets	
Cash	\$ 516,582
Total current assets	516,582
Noncurrent assets	
Capital assets	682,905
Less accumulated depreciation	<u>(558,694)</u>
Total noncurrent assets	<u>124,211</u>
Total assets	640,793
NET POSITION	
Invested in capital assets	124,211
Unrestricted	<u>516,582</u>
Total net position	<u>\$ 640,793</u>

See accompanying notes.

ADAIR COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –
PROPRIETARY FUND
Year ended June 30, 2019

	School Food Service <u>Fund</u>
Operating revenues	
Lunchroom sales	\$ 132,265
Operating expenses	
Salaries, wages, and benefits	903,109
Contract services	24,414
Materials and supplies	1,046,030
Depreciation	23,507
Other	<u>4,816</u>
Total operating expenses	<u>2,001,876</u>
Operating loss	(1,869,611)
Nonoperating revenues	
Federal grants	1,617,890
State grants	182,519
Donated commodities	126,358
Interest income	<u>3,202</u>
Total nonoperating revenues	<u>1,929,969</u>
Change in net position	60,358
Net position as of July 1, 2018	<u>580,435</u>
Net position as of June 30, 2019	<u>\$ 640,793</u>

See accompanying notes.

ADAIR COUNTY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS – PROPRIETARY FUND

Year ended June 30, 2019

	School Food Service Fund
Cash flows from operating activities	
Cash received from:	
Lunchroom sales	\$ 132,265
Cash paid to/for:	
Employees and contract services	(927,523)
Materials and supplies	<u>(924,488)</u>
Net cash used in operating activities	(1,719,746)
Cash flows from noncapital financing activities	
Government grants	<u>1,800,409</u>
Net cash provided by noncapital financing activities	1,800,409
Cash flows from investing activities	
Receipt of interest income	<u>3,202</u>
Net cash provided by investing activities	<u>3,202</u>
Net increase in cash	83,865
Cash as of July 1, 2018	<u>432,717</u>
Cash as of June 30, 2019	<u>\$ 516,582</u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (1,869,611)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	23,507
Donated commodities	<u>126,358</u>
Net cash used in operating activities	<u>\$ (1,719,746)</u>

See accompanying notes.

ADAIR COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION – FIDUCIARY FUND

June 30, 2019

	Student Activity Funds
ASSETS	
Cash	\$ <u>262,004</u>
Total assets	262,004
LIABILITIES	
Due to student groups	<u>262,004</u>
Total liabilities	<u>262,004</u>
NET POSITION	\$ <u><u>-</u></u>

See accompanying notes.

ADAIR COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

Year ended June 30, 2019

1. Basis of presentation and summary of significant accounting policies

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

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

The District's basic financial statements 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 basic financial statements of the following organization are included in the accompanying basic financial statements:

Adair County School District Finance Corporation – The Adair County, Kentucky, Board of Education established the Adair County School District Finance Corporation (Corporation) (a nonprofit, nonstock, public, and charitable corporation organized under the School Bond Act, KRS 273, and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board members of the Adair County Board of Education also comprise the Corporation's Board of Directors.

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

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. The District's activities are generally financed through state funding, property and utility taxes, and federal, state, and local grants. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flows take place. Revenues from grants are recognized in the fiscal year in which eligibility requirements are met.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities, and each segment of the District's business-type activities. Direct expenses are those that are specifically associated with a service, program, or function. The District does not charge indirect expenses to programs or functions. 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 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 District's general revenues.

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. State and other governmental revenues applicable to the current fiscal year and collected within 60 days of year end are recognized as revenue.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when they come due for payment. General capital asset acquisitions are reported as expenditures in governmental funds, and proceeds of general long-term debt are reported as other financing sources.

Under the terms of the District's grant agreements, certain programs are funded by specific cost-reimbursement grants and general revenues. Generally, the District applies cost-reimbursement funds first to finance such programs with remaining costs paid for with general revenues.

Proprietary funds utilize the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues generally result from providing services in connection with the fund's primary operations. The fund's primary operating revenues are food service charges. Operating expenses include salaries and benefits, supplies and materials, administrative costs, and depreciation on capital assets.

Fiduciary funds utilize the economic resources measurement focus and the accrual basis of accounting.

Accounting principles generally accepted in the United States of America (GAAP) require the General Fund be reported as a major fund. All other governmental and proprietary funds whose assets, liabilities, revenues, or expenditures comprise at least 10% of the total for the relevant fund category and at least 5% of the corresponding total for all governmental and proprietary funds combined must also be reported as major funds. Additionally, the District has determined certain other funds should be reported as major funds.

The District has the following funds:

a. *Governmental fund types*

The General Fund is the District's general operating fund and accounts for and reports all District revenues and expenditures not accounted for or reported in other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

The Special Revenue Funds are used to account for and report the proceeds of specific revenue sources restricted to expenditures for specified purposes other than debt or capital projects. This is a major fund of the District.

Capital Project Funds are used to account for and report financial resources restricted for capital outlays, including the acquisition or construction of capital facilities or other capital assets, and to provide financial resources for debt service requirements. Capital Projects Funds exclude those types of capital-related outflows financed by proprietary funds or for assets that are held in trust.

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the State as capital outlay funds and is generally restricted for use in financing projects identified in the District's facility plan. This is a major fund of the District.
2. The Facility Support Program (FSPK) Fund accounts for and reports funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for use in financing projects identified in the District's facility plan. This is a major fund of the District.
3. The School Construction Fund accounts for and reports proceeds from sales of bonds and other revenue to be used for authorized construction. This is a major fund of the District.

4. The Debt Service Fund accounts for and reports expenditures for debt payments. This is a major fund of the District.

b. Proprietary fund type

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

c. Fiduciary fund type

The Student Activity Funds account for and report activities of student groups and other types of activities requiring clearing accounts. These funds comply with *Accounting Procedures for Kentucky School Activity Funds* (Redbook).

Budgetary process – The District's budgetary process accounts for transactions on the modified accrual basis of accounting which is consistent with GAAP.

In accordance with state law, the District prepares a general school budget based upon the amount of revenue to be raised by local taxation, including the rate of levy, and from estimates of other local, state, and federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay, and other necessary expenses. The budget must be approved by the Board.

The District does not budget for on-behalf payments, which are reported with the General Fund in the fund financial statements and the budgetary comparison supplementary information.

The District must formally and publicly examine estimated revenues and expenses for the subsequent fiscal year by January 31 of each year.

Additionally, the District must prepare an annual allocation to schools by March 1 of each year for the following fiscal year. This allocation must include the amount for certified and classified staff based on the District's staffing policy and the amount for the instructional supplies, materials, travel, and equipment.

Additionally, the District must adopt a tentative working budget for the subsequent fiscal year by May 30 of each year. This budget must contain a 2% reserve.

Finally, the District must adopt a final working budget and submit it to the Kentucky Department of Education by September 30 of the current fiscal year.

The Board has the ability to amend the working budget. The working budget was amended during the year.

Inventories – Supplies and materials are charged to expense when purchased (purchases method).

Deferred loss on bond refundings – Deferred loss on bond refundings represent losses equal to the principal amount borrowed to refund the principal amount outstanding on previous bond issues. These amounts are recognized as deferred outflows of resources on the accompanying statement of net position. The amounts are amortized over the life of the new bond or the life of the refunded bond (whichever is shorter), and included in interest expense on the accompanying statement of activities.

Deferred outflows and inflows of resources related to pension expense and other postemployment benefits – Deferred outflows and deferred inflows of resources related to pension expense and other postemployment benefits (OPEB) represent District contributions to multi-employer pension plans after the measurement date (June 30, 2018) used to account for the pension and OPEB liabilities, the impact on pension and OPEB liabilities related to differences between expected and actual experience, changes of assumptions, net differences between projected and actual earnings on pension plan and OPEB investments, and changes in proportion and differences between District contributions and proportionate share of contributions on the accompanying statement of net position.

Interfund balances – On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as due from or to other funds. There were no interfund balances as of June 30, 2019.

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

All capital assets are capitalized at cost (or estimated historical cost based on independent appraisals) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,000. 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.

All reported capital assets except land and construction in progress 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>Estimated Lives</u>
Buildings and improvements	20-50 years
Technology equipment	5 years
Vehicles	5-10 years
General equipment	10 years
Food service equipment	12 years

Accrued liabilities and long-term obligations – All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported in 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 if they will be liquidated with current resources. In general, payments made within 60 days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

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

Accumulated sick leave – Sick leave benefits are calculated using the vesting method, and accrued based on the District's estimates using historical trend information in the government-wide financial statements. The current portion of the liability is estimated based on the anticipated payouts in the succeeding fiscal year.

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

Fund balances – The District classifies its governmental fund balances as follows:

Nonspendable – This category includes funds that are not available to be spent because they are not in spendable format or are legally required to remain intact. The District does not have any nonspendable funds as of June 30, 2019.

Restricted – This category includes resources that are restricted by state law to be used for certain purposes. The SEEK Capital Outlay Fund and the FSPK Fund are restricted to be used for future debt service or future construction projects. The School Construction Fund is restricted for future construction projects. The Debt Service Fund is restricted for debt service.

Committed – This category includes funds that have been designated for future use by the Board. Only the Board may commit funds and modify or rescind the commitment. The District does not have any committed funds as of June 30, 2019.

Assigned – This category represents funds that have been designated for existing purchase obligations. Assignments can be made by authorized members of management. The District does not have any assigned funds as of June 30, 2019.

Unassigned – This category represents the remainder of the governmental fund balances that do not belong in any other fund balance classification.

When the District incurs an expenditure for which committed, assigned, or unassigned funds are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

When the District incurs an expenditure for which restricted and unrestricted (assigned and unassigned, respectively) funds are available within a given fund, the District generally spends restricted funds first and unrestricted funds last.

Net position – Net position represents the difference between assets and deferred outflows of resources, less liabilities and deferred inflows of resources. Amounts 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 the asset's 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. When the District incurs an expenditure for which both restricted and unrestricted funds are available, the District considers restricted funds to have been spent first.

Interfund activity – Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds, and after nonoperating revenues/expenses in proprietary funds.

Encumbrance accounting – Encumbrances are not liabilities, and therefore are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next fiscal year.

Estimates – The preparation of basic financial statements in accordance with GAAP requires the District's management to make estimates and assumptions that affect reported amounts of assets, deferred outflows and deferred inflows of resources, liabilities, net position/fund balances, and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Fair value measurements – The District applies fair value measurements as prescribed by the Government Accounting Standards Board (GASB) Statement No. 72 which requires entities to determine fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. This statement emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and applies in conjunction with other GASB Standards that require or permit fair value measurements and disclosures. The guidance requires impacted assets and liabilities to be measured and disclosed in one of three categories based on the significance and source of the inputs to their valuation. The hierarchy consists of three broad levels: Level 1, Level 2, and Level 3. Level 1 inputs have the highest priority and consist of observable unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access. Level 2 inputs include a) quoted prices for similar assets or liabilities in inactive markets, b) quoted prices for identical or similar assets or liabilities in inactive markets, c) inputs other than quoted prices that are observable for the asset or liability, and d) inputs that are derived principally from or corroborated by observable market data by correlation or other means. Level 3 inputs have the lowest priority, are unobservable, and include judgments about the assumptions that market participants would use in pricing the asset or liability.

An asset's or liability's fair value measurement level within the hierarchy is based on the lowest level of any input that is significant to its fair value measurement. Valuation techniques used are to maximize the use of observable inputs and minimize the use of unobservable inputs. Management uses specific valuation techniques based on the available inputs to measure the fair value of the District's impacted assets and liabilities. When available, management measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

These methods may produce a fair value calculation that may not be indicative of net realizable value, or reflective of future fair values. Furthermore, while management believes the valuation methods utilized are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain assets and liabilities could result in different fair value measurements as of June 30, 2019.

Subsequent events – The District’s management has evaluated subsequent events through November 6, 2019, the date which the financial statements were available for issue. No subsequent events were of such nature to require disclosure.

New accounting pronouncements – In June 2017, GASB issued Statement No. 87, *Leases* which increases the usefulness of governmental financial statements by requiring recognition of certain lease assets and liabilities for leases that are currently accounted for as operating leases. This statement is effective for reporting periods beginning after December 15, 2019. The District has not determined the impact this statement will have on future financial statements.

In April of 2018, GASB issued Statement Number 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This statement increases disclosures regarding the terms of borrowing arrangements. The District adopted this statement effective July 1, 2018. The adoption of this statement had no impact on the accompanying financial statements.

2. Deposits with financial institutions

As of June 30, 2019, the carrying amount of the District's deposits with financial institutions was \$4,420,319, and its bank balances totaled \$5,127,017. Of the total bank balances, \$250,000 was covered by federal depository insurance, with the remainder covered by a collateral agreement with securities.

Cash is commingled in various bank accounts. Due to the nature of the accounts and limitations imposed by bond issue requirements, construction projects, and financial assistance programs, each cash amount within the following funds is considered to be restricted:

- Special Revenue Funds
- SEEK Capital Outlay Fund
- Facility Support Program (FSPK) Fund
- School Construction Fund
- Student Activity Funds

District funds are considered to be public funds and therefore its investment is limited by statute to certain obligations of the United States or similar government agencies, cash instruments, and certain pooled investment funds.

3. Taxes

The District's ad valorem property tax is levied each September 30 on the assessed value listed as of the prior January 1 for all real and personal property located in the District. Taxes are due on January 2 and become delinquent after January 31 following the September 30 levy date.

The property tax rates assessed for the year ended June 30, 2019 were \$.542 per \$100 valuation for real property, \$.542 per \$100 valuation for business personal property, and \$.563 per \$100 valuation for motor vehicles.

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

4. Capital assets

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

<u>Governmental Activities</u>	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance June 30, 2019</u>
Land	\$ 946,256	\$ -	\$ -	\$ -	\$ 946,256
Buildings and improvements	44,712,574	-	-	-	44,712,574
Technology equipment	495,319	-	44,996	-	450,323
Vehicles	3,788,374	179,150	-	-	3,967,524
General equipment	<u>988,231</u>	<u>10,500</u>	<u>6,463</u>	<u>-</u>	<u>992,268</u>
Total cost	50,930,754	189,650	51,459	-	51,068,945
Less accumulated depreciation:					
Buildings and improvements	13,140,921	990,999	-	-	14,131,921
Technology equipment	358,329	42,085	36,319	-	364,095
Vehicles	3,009,227	158,687	-	-	3,167,912
General equipment	<u>885,648</u>	<u>16,519</u>	<u>4,038</u>	<u>-</u>	<u>898,129</u>
Total accumulated depreciation	<u>17,394,125</u>	<u>1,208,290</u>	<u>40,357</u>	<u>-</u>	<u>18,562,058</u>
Governmental activities net capital assets	<u>\$ 33,536,629</u>	<u>\$ (1,018,640)</u>	<u>\$ 11,102</u>	<u>\$ -</u>	<u>\$ 32,506,887</u>

<u>Business-Type Activities</u>	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance June 30, 2019</u>
Food service equipment	\$ 685,941	\$ -	\$ 3,036	\$ -	\$ 682,905
Less accumulated depreciation	<u>538,223</u>	<u>23,507</u>	<u>3,036</u>	<u>-</u>	<u>558,694</u>
Business-type activities net capital assets	<u>\$ 147,718</u>	<u>\$ 23,507</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 124,211</u>

Governmental activities depreciation expense is allocated to specific functions or programs on the statement of activities as follows:

Instruction	\$ 284,564
District administration	10,617
School administration	13,117
Business support services	-
Plant operations and maintenance	712,520
Student transportation	<u>187,472</u>
Total depreciation expense	<u>\$ 1,208,290</u>

5. Bonded debt and lease obligations

The amounts shown in the accompanying basic financial statements as bond obligations represent the District's future obligations to make lease payments relating to the bonds issued by the Adair County School District Finance Corporation.

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

<u>Issue</u>	<u>Proceeds</u>	<u>Interest Rates</u>
2006 Energy	\$ 500,000	4.00 – 4.50%
2009	2,530,000	2.00 – 3.25%
2010 KISTA	197,949	2.00 – 3.60%
2011 KISTA	172,266	1.00 – 4.00%
2013	12,885,000	2.00 – 3.125%
2013 KISTA	1,076,302	2.00 – 2.25%
2013	9,010,000	1.00 – 2.25%
2014 KISTA	184,953	2.00%
2014 KISTA	185,889	2.00 – 3.00%
2015 KISTA	250,933	1.00 – 2.625%
2015	1,065,000	1.00 – 3.60%

<u>Issue</u>	<u>Proceeds</u>	<u>Interest Rates</u>
2016	\$ 1,525,000	3.05%
2016 KISTA	186,608	2.00 – 2.625%
2017 KISTA	193,791	2.55%
2017	390,000	3.00 – 4.00%
2019 KISTA	181,436	3.00%

The District, through the General Fund, the Facility Support Program (FSPK) Fund, and the SEEK Capital Outlay Fund, is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Adair County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

For the 2009 and 2013 (two issues) bond issues, 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. The participation agreements generally provide for the Commission to assist the District in meeting bond obligations and are renewable, at the Commission's option, bi-annually. Should the Kentucky General Assembly choose to not fund the Commission in the future, the District would be responsible for meeting the full requirements of the bond issues. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

The bonds may be called prior to maturity with redemption premiums specified in each issue. Assuming no bonds are called prior to scheduled maturity, the District's minimum obligations, including amounts to be paid by the Commission, as of June 30, 2019 for debt service (principal and interest) are as follows:

<u>Fiscal Year Ending</u>	<u>Adair County School District</u>		<u>Kentucky School Facility Construction Commission</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2020	\$ 1,101,182	\$ 411,898	\$ 809,371	\$ 159,138	\$ 2,481,589
2021	1,112,538	384,609	790,143	140,758	2,428,048
2022	1,120,069	357,575	704,870	124,152	2,306,666
2023	1,152,348	331,074	720,177	108,846	2,312,445
2024	1,171,334	303,642	735,820	93,204	2,304,000
2025	949,278	277,641	752,250	76,771	2,055,940
2026	946,452	252,906	628,062	60,659	1,888,079
2027	955,064	226,419	237,290	49,752	1,468,525
2028	910,705	198,515	244,277	42,766	1,396,263
2029	938,701	170,604	251,717	35,326	1,396,348
2030	955,616	141,756	259,384	27,659	1,384,415

Fiscal Year Ending	Adair County School District		Kentucky School Facility Construction Commission		Total
	Principal	Interest	Principal	Interest	
2031	\$ 982,716	\$ 112,338	\$ 267,284	\$ 19,759	\$ 1,382,097
2032	1,014,436	81,580	275,564	11,479	1,383,059
2033	1,044,353	49,273	230,647	3,604	1,327,877
2034	315,000	28,340	-	-	343,340
2035	320,000	17,948	-	-	337,948
2036	295,000	8,060	-	-	303,060
2037	55,000	2,200	-	-	57,200
	<u>\$ 15,339,792</u>	<u>\$ 3,356,378</u>	<u>\$ 6,906,856</u>	<u>\$ 953,873</u>	<u>\$ 26,556,899</u>

A summary of the changes in the outstanding bonds during the fiscal year ended June 30, 2019 is as follows:

Issue	Balance July 1, 2018	Additions	Payments	Balance June 30, 2019
School Building Revenue Bonds:				
2009	\$ 830,000	\$ -	\$ 280,000	\$ 550,000
2013	11,815,000	-	330,000	11,485,000
2013	7,370,000	-	910,000	6,460,000
2015	875,000	-	65,000	810,000
2016	1,445,000	-	40,000	1,405,000
2017	380,000	-	10,000	370,000
Energy Bonds:				
2006	329,000	-	26,000	303,000
KISTA Bonds:				
2010	37,318	-	18,345	18,973
2011	49,887	-	18,276	31,611
2013	86,600	-	46,600	40,000
2014	90,341	-	18,697	71,644
2014	109,679	-	18,290	91,389
2015	172,490	-	24,325	148,165
2016	145,912	-	17,726	128,186
2017	173,500	-	21,256	152,244
2019	-	181,436	-	181,436
Totals	<u>\$ 23,909,727</u>	<u>\$ 181,436</u>	<u>\$ 1,844,515</u>	<u>\$ 22,246,648</u>

6. Accumulated unpaid sick leave benefits

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

The entire compensated absence liability is reported on the government-wide financial statements.

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

A summary of the changes in the accumulated unpaid sick leave benefits during the fiscal year ended June 30, 2019 is as follows:

Balance as of July 1, 2018	\$ 904,023
Additions	255,890
Less payments/forfeitures	<u>265,246</u>
Balance as of June 30, 2019	894,667
Less current portion	<u>11,000</u>
Noncurrent portion	<u>\$ 883,667</u>

7. Commitments and contingencies

The District receives funding from federal and state government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantors' review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of funds advanced, or refuse to reimburse the District for its disbursements. The collectability of any related receivables as of June 30, 2019 may be impaired. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

8. Retirement and other postemployment benefit plans

District employees are provided with two pension plans based on each position's college degree requirement. CERS covers employees whose position does not require a college degree or teaching certification. TRS covers positions requiring teaching certification or otherwise requiring a college degree.

General information about CERS

Plan description – Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky (the Commonwealth). 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 <https://kyret.ky.gov/>.

Benefits provided – CERS provides retirement, health insurance, and death and disability benefits to plan employees and beneficiaries. Employees are vested in the plan after five years of 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 of service or 65 years old
	Reduced retirement	At least five years of service and 55 years old, or at least 25 years of service and any age
Tier 2	Participation date	September 1, 2008 – December 31, 2013
	Unreduced retirement	At least five years of service and 65 years old, or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least ten years of service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least five years of 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 Kentucky General Assembly. Retirement is based on a factor of the number of years of 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. Five years of service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive 75% of the decedent's average pay, and any dependent child will receive 50% of the decedent's average pay up to 75% for all dependent children. Five years of service is required for nonservice-related disability benefits.

Contributions – Required contributions as determined by the Kentucky Retirement System Board of Trustees by the employee are based on the tier:

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

The District matches at a rate of 21.48% (19.18% for 2018, used in measurement period) of the employee's total covered compensation. The District's matching contributions total \$721,307 (\$652,026 for 2018, used in measurement period) for the year ended June 30, 2019.

General information about TRS

Plan description – The District's teaching certified employees and certain other employees whose positions require at least a college degree are provided pensions through TRS – 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 of Kentucky. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. TRS is a blended component unit of the Commonwealth of Kentucky, and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://www.trs.ky.gov/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 years of credited service. To qualify for monthly retirement benefits, payable for life, employees must either attain age fifty-five and complete five years of Kentucky service, or complete 27 years of Kentucky service.

Employees who retire before age 60 with less than 27 years of service receive reduced retirement benefits. Employees with an account established prior to July 1, 2002 receive monthly payments equal to 2% (service prior to July 1, 1983) and 2.5% (service after July 1, 1983) of their final average salaries for each year of credited service. Employees hired (including second retirement accounts) after July 1, 2002 and before July 1, 2008, will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than ten years. Employees hired after July 1, 2002 and before July 1, 2008 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. Employees hired after July 1, 2008 will receive monthly benefits equal to 1.7% of their final average salary for each year of service if, upon retirement, their total service is less than ten years; 2% if their years of service are ten to twenty years; 2.3% if their years of service are twenty to twenty-five years; and 2.5% if their years of service exceed 26 years.

Final average salary is defined as the member's five 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 highest annual salaries to compute the final average salary. TRS also provides disability benefits for vested employees at the rate of 60% 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 1.5% annually. Additional ad hoc increases and any other benefit amendments must be authorized by the Kentucky General Assembly.

Contributions – Contribution rates are established by KRS. Employees are required to contribute 12.855% (12.855% for 2018, used in measurement period) of their salaries to TRS.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for employees hired before July 1, 2008, and 14.105% for those hired after July 1, 2008. For employees whose salaries are federally funded, the District contributes 16.105% (16.105% for 2017, used in measurement period) of salaries. If an employee leaves covered employment before accumulating five years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the employee's request.

Other retirement plans

The District also offers employees the option to participate in voluntary tax-deferred compensation retirement plans as provided by the Adair County Board of Education 403(b) Plan, and by the Kentucky Public Employees' Deferred Compensation Program which administers 401(k) plans sponsored by the Commonwealth of Kentucky. All regular full-time

and part-time employees are eligible to participate and may contribute up to the maximum amount allowable under Sections 403(b), 401(k), and 457 of the Internal Revenue Code. Members contributed approximately \$81,110 during the year ended June 30, 2019. The District does not contribute to these plans.

Medical insurance plan

Plan description – In addition to the pension benefits described above, KRS 161.675 requires TRS to provide postemployment 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 Kentucky General Assembly.

To be eligible for medical benefits, the employee 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.

Funding policy – In order to fund the post-retirement healthcare benefit, 6% of the gross annual payroll of all members is contributed. 3% of the amount is paid by employee contributions, 2.25% from the employer, with the remainder coming from the Commonwealth. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the plan's medical expenses.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

As of June 30, 2018, 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 provides the pension support directly to TRS on the District's behalf. The amount recognized by the District and the Commonwealth as its proportionate share of the net pension liability were as follows:

District's proportionate share of the CERS net pension liability	\$ 8,323,680
Commonwealth's proportionate share of the TRS net liability associated with the District	44,015,193

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 proportionate share 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 CERS as determined by the actuary. As of June 30, 2018, the District's proportion was 0.14%.

For the year ended June 30, 2019, the District recognized pension expense totaling approximately \$868,000 related to CERS.

The District reported deferred outflows of resources and deferred inflows of resources related to pension expense from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 314,155	\$ 274,989
Changes of assumptions	2,353,579	-
Net difference between projected and actual earnings on pension plan investments	1,249,840	980,459
Changes in proportion and differences between District contributions and proportionate share of contributions	471,149	104,997
District contributions subsequent to the measurement date	<u>721,307</u>	<u>-</u>
Total	<u>\$ 5,110,030</u>	<u>\$ 1,360,445</u>

Deferred outflows and deferred inflows related to pension expense will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
2020	\$ 1,858,674	\$ 375,226
2021	1,137,367	284,826
2022	994,110	284,826
2023	767,635	284,826
2024	352,244	130,741

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>TRS</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, the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

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 year for males and one year for females.

For CERS, the long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target asset allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following tables:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
U.S. equity	17.5%	4.9%
Non-U.S equity	17.5%	6.7%
Global bonds	4.0%	3.0%
Credit fixed income	24.0%	6.7%
Private equity	10.0%	6.5%
Real return	10.0%	7.0%
Absolute return	10.0%	5.0%
Real estate	5.0%	9.0%
Cash equivalent	<u>2.0%</u>	<u>1.5%</u>
Total	<u>100.0%</u>	<u>6.1%</u>

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 investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. equity	40.0%	4.2%
International equity	22.0%	5.2%
Fixed-income	15.0%	1.2%
Additional categories	8.0%	3.3%
Real estate	6.0%	3.8%
Private equity	7.0%	6.3%
Cash	<u>2.0%</u>	0.9%
Total	<u>100.0%</u>	

Discount rate – For CERS, the discount rate used to measure the total pension liability was 6.25%. This single discount rate was based on the expected rate of return on pension plan investments. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the pension plan's fiduciary net position and future contributions were projected to be sufficient to finance all the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for each system. The projection of cash flows used to determine the single discount rate assumes that the participating employers contribute the actuarially determined contribution rate in all future years.

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 the Actuarially Determined Contribution rates, adjusted by 95%, for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees. Therefore, the long-term expected rate of return on pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The change in the discount rate from the 4.49% used in the 2017 disclosure reports is considered a change in actuarial assumptions or other inputs under GASB 68.

Sensitivity of CERS and TRS proportionate share of net pension liability to changes in the discount rate – The following table presents the District's net pension liability 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 one percentage point lower, or one 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	10,478,652	8,323,680	6,518,192
TRS	6.5%	7.5%	8.5%
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.

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

As of June 30, 2019, the District reported a liability of \$2,426,478 and \$6,097,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District for CERS and TRS, respectively. The collective net OPEB liabilities were 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, 2019, the District's proportion was .14% for CERS, and the District's proportion was .35% for TRS.

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

District's proportionate share of the net OPEB liability	\$ 6,097,000
Commonwealth's proportionate share of the net OPEB liability associated with the District	<u>5,254,000</u>
Total	<u>\$ 11,351,000</u>

For the year ended June 30, 2019, the District recognized OPEB expense of \$514,246 and revenue of \$299,638 for support provided by the Commonwealth for TRS. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

CERS

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 288,529
Changes of assumptions	935,483	5,606
Net difference between projected and actual earnings on pension plan investments	-	265,064
Changes in proportion and differences between District contributions and proportionate share of contributions	<u>100,823</u>	<u>9,680</u>
Total CERS	1,036,306	568,879

TRS

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 312,000
Change of assumptions	84,000	-
Net difference between projected and actual earnings on pension plan investments	-	89,000
Changes in proportion and differences between District contributions and proportionate share of contributions	75,000	-
District contributions subsequent to the measurement date	<u>349,814</u>	<u>-</u>
Total TRS	<u>508,814</u>	<u>401,000</u>
Combined CERS and TRS	<u>\$ 1,545,120</u>	<u>\$ 969,879</u>

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

CERS

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Year ended June 30:		
2020	\$ 229,805	\$ 119,200
2021	229,805	119,200
2022	229,805	119,200
2023	229,805	119,198
2024	117,086	92,081

TRS

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Year ended June 30:		
2020	\$ 381,614	\$ 83,400
2021	31,800	83,400
2022	31,800	83,400
2023	31,800	83,400
2024	31,800	67,400

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:

CERS

Investment rate of return	6.25%
Projected salary increases	3.05%
Inflation rate	2.30%
Real wage growth	2.00%
Wage Inflation	2.30%
Healthcare cost trend rates	
Under 65	7.00% trend starting at January 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years
Ages 65 and Older	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years
Municipal bond Index rate	3.62%
Discount rate	5.85%
Single equivalent interest rate	5.85%, net of OPEB plan investment expense, including inflation

TRS

Investment rate of return	7.50% (Life insurance) – 8.00% (Health Insurance)
Projected salary increases	3.50 – 7.20%, including inflation
Inflation rate	3.00%
Real wage growth	0.50%
Wage inflation	3.5%
Healthcare cost trend rates	
Under 65	7.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2024
Ages 65 and Older	5.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2021
Medicare Part B Premiums	0.00% for FY 2018 with an ultimate rate of 5.00% by 2030
Municipal bond index rate	3.89%
Discount rate	8.00%
Single equivalent interest rate	8.00%, net of OPEB plan investment expense, including inflation

For CERS the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

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. 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.

For TRS 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)	<u>1.0%</u>	0.9%
Total	<u>100.0%</u>	

The CERS did not provide investment assumptions for OPEB that differed from the assumptions used for the pension liability.

Discount rate – For CERS the projection of cash flows used to determine the discount rate of 5.85% assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.62%, as reported in Fidelity Index's "20 –Year Municipal GO AA Index" as of June 30, 2018. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CERS's Comprehensive Annual Financial Report.

For TRS the discount rate used to measure the total OPEB liability for TRS 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.

The following table presents the District's proportionate share of the collective net OPEB liability, calculated using the discount rate, 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 or 1-percentage-point higher than the current rate:

CERS

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net OPEB liability	\$ 3,151,605	\$ 2,426,478	\$ 1,808,801

TRS

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net OPEB liability	\$ 7,150,000	\$ 6,097,000	\$ 5,220,000

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

CERS

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Net OPEB liability	\$ 1,806,537	\$ 2,426,478	\$ 3,157,210

TRS

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net OPEB liability	\$ 5,056,000	\$ 6,097,000	\$ 7,382,000

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

9. On-behalf payments for fringe benefits and other District expenditures

The District receives on-behalf payments for fringe benefits and other District expenditures from the Commonwealth. The following amounts are included as revenues and expenses/expenditures on the statement of activities, and the statement of revenues, expenditures, and changes in fund balances:

Retirement contributions to TRS	\$ 3,462,113
Health and life insurance	2,931,516
Technology	87,854
Debt service	<u>968,509</u>
Total	<u>\$ 7,449,992</u>

10. Insurance, risk management, 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.; and risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, natural disasters, workers compensation, unemployment, etc. Each of these risk areas is covered through the purchase of commercial insurance.

The District has purchased certain policies which are retrospectively rated which includes workers' compensation insurance. Premiums are accrued based on the ultimate cost of the experience to date of a group of entities.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past three fiscal years.

11. Deficit operating/fund balances

There are no District funds that currently have a deficit fund balance.

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.

13. Transfer of funds

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

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Matching	General	Special Revenue	Matching	\$ 50,043
Operating	General	Debt Service	Debt payments	230,273
Operating	Capital Outlay	Debt Service	Debt payments	102,348
Operating	Capital Outlay	General	Matching	136,156
Operating	Building Fund	Debt Service	Debt payments	993,982

14. Interfund receivables and payables

There were no interfund receivables or payables for the year ended June 30,2019.

REQUIRED SUPPLEMENTARY INFORMATION

ADAIR COUNTY SCHOOL DISTRICT

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

Year ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
From local sources:				
Taxes:				
Property	\$ 3,100,000	\$ 3,100,000	\$ 3,307,442	\$ 207,442
Motor vehicle	525,000	525,000	571,156	46,156
Utilities	925,000	925,000	956,059	31,059
Earnings on investments	21,245	21,245	27,664	6,419
Other local	25,500	25,500	70,836	45,336
Intergovernmental – State	15,771,069	15,965,259	16,797,365	832,106
Intergovernmental – Federal	50,000	50,000	76,345	26,345
Total revenues	20,417,814	20,612,004	21,806,867	1,194,863
Expenditures				
Current:				
Instruction	12,537,085	12,291,444	13,152,817	(861,373)
Student support services	898,511	834,307	699,442	134,865
Instructional staff support services	668,395	673,017	549,086	123,931
District administration	1,087,184	835,808	709,403	126,405
School administration	1,048,535	1,091,481	1,111,888	(20,407)
Business support services	487,334	486,344	628,237	(141,893)
Plant operations and maintenance	2,486,249	2,589,606	2,087,578	502,028
Student transportation	2,086,039	2,158,602	2,083,748	74,854
Community services	130,759	130,759	56,899	73,860
Contingency	628,457	1,481,222	-	1,481,222
Debt service	155,913	155,913	155,913	-
Total expenditures	22,214,461	22,728,503	21,235,011	1,493,492
Excess (deficit) of revenues over (under) expenditures	(1,796,647)	(2,116,499)	571,856	2,688,355
Other financing sources (uses)				
Miscellaneous	-	-	61,387	61,387
Proceeds from bond issuance	-	-	179,150	179,150
Operating transfers in	63,854	63,854	136,156	72,302
Operating transfers out	(267,207)	(267,207)	(280,316)	(13,109)
Total other financing sources (uses)	(203,353)	(203,353)	96,377	299,730
Net change in fund balance	(2,000,000)	(2,319,852)	668,233	2,988,085
Fund balance as of July 1, 2018	2,811,281	2,811,281	2,811,281	-
Fund balance as of June 30, 2019	<u>\$ 811,281</u>	<u>\$ 491,429</u>	<u>\$ 3,479,514</u>	<u>\$ 2,988,085</u>

ADAIR COUNTY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – SPECIAL REVENUE FUNDS**

Year ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
From local sources:				
Earnings on investments	\$ -	\$ -	\$ 1,784	\$ 1,784
Other local	49,800	65,500	68,716	3,216
Intergovernmental – State	1,063,718	1,034,372	928,370	(106,002)
Intergovernmental – Federal	<u>2,309,353</u>	<u>2,714,708</u>	<u>2,873,550</u>	<u>158,842</u>
Total revenues	3,422,871	3,814,580	3,872,420	57,840
Expenditures				
Current:				
Instruction	3,157,358	3,520,162	3,562,735	(42,573)
Student support services	15,293	14,539	13,085	1,454
Instructional staff support services	68,130	34,225	34,055	170
Student transportation	-	49,900	33,745	16,155
Community services	<u>219,024</u>	<u>232,688</u>	<u>278,843</u>	<u>(46,156)</u>
Total expenditures	<u>3,459,805</u>	<u>3,851,514</u>	<u>3,922,463</u>	<u>(70,949)</u>
Excess (deficit) of revenues over (under) expenditures	(36,934)	(36,934)	(50,043)	(13,109)
Other financing sources (uses)				
Operating transfers in	<u>36,934</u>	<u>36,934</u>	<u>50,043</u>	<u>13,109</u>
Total other financing sources (uses)	<u>36,934</u>	<u>36,934</u>	<u>50,043</u>	<u>13,109</u>
Net change in fund balance	-	-	-	-
Fund balance as of July 1, 2018	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance as of June 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

ADAIR COUNTY SCHOOL DISTRICT

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY –
COUNTY EMPLOYEES RETIREMENT SYSTEM**

Years ended June 30, 2019, 2018, 2017, 2016, and 2015

District's proportion of the net pension liability	
2019 (2018 measurement period)	0.14%
2018 (2017 measurement period)	0.13%
2017 (2016 measurement period)	0.13%
2016 (2015 measurement period)	0.13%
2015 (2014 measurement period)	0.12%
District's proportionate share of the net pension liability	
2019 (2018 measurement period)	\$ 8,323,680
2018 (2017 measurement period)	7,541,460
2017 (2016 measurement period)	6,476,613
2016 (2015 measurement period)	5,478,365
2015 (2014 measurement period)	4,047,000
District's covered-employee payroll	
2019 (2018 measurement period)	\$ 3,399,510
2018 (2017 measurement period)	3,061,636
2017 (2016 measurement period)	3,260,158
2016 (2015 measurement period)	2,958,806
2015 (2014 measurement period)	2,854,426
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	
2019 (2018 measurement period)	244.85%
2018 (2017 measurement period)	246.32%
2017 (2016 measurement period)	198.66%
2016 (2015 measurement period)	185.15%
2015 (2014 measurement period)	141.78%
Plan fiduciary net position as a percentage of the total pension liability	
2019 (2018 measurement period)	53.54%
2018 (2017 measurement period)	53.32%
2017 (2016 measurement period)	55.50%
2016 (2015 measurement period)	59.97%
2015 (2014 measurement period)	66.80%

See accompanying notes.

ADAIR COUNTY SCHOOL DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS –
COUNTY EMPLOYEES RETIREMENT SYSTEM**

Years ended June 30, 2019, 2018, 2017, 2016, and 2015

Contractually required contribution	
2019 (2018 measurement period)	\$ 652,026
2018 (2017 measurement period)	591,156
2017 (2016 measurement period)	556,183
2016 (2015 measurement period)	525,484
2015 (2014 measurement period)	539,201
Contributions in relation to the contractually required contribution	
2019 (2018 measurement period)	\$ 652,026
2018 (2017 measurement period)	591,156
2017 (2016 measurement period)	556,183
2016 (2015 measurement period)	525,484
2015 (2014 measurement period)	539,201
Contribution deficiency (excess)	
2019 (2018 measurement period)	\$ -
2018 (2017 measurement period)	-
2017 (2016 measurement period)	-
2016 (2015 measurement period)	-
2015 (2014 measurement period)	-
District's covered-employee payroll	
2019 (2018 measurement period)	\$ 3,399,510
2018 (2017 measurement period)	3,164,647
2017 (2016 measurement period)	3,260,158
2016 (2015 measurement period)	2,958,806
2015 (2014 measurement period)	2,854,426
Contributions as a percentage of covered-employee payroll	
2019 (2018 measurement period)	19.18%
2018 (2017 measurement period)	18.68%
2017 (2016 measurement period)	17.06%
2016 (2015 measurement period)	17.76%
2015 (2014 measurement period)	18.89%

See accompanying notes.

ADAIR COUNTY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – COUNTY EMPLOYEES RETIREMENT SYSTEM Year ended June 30, 2019

Changes of benefit terms – During the 2018 Commonwealth of Kentucky legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children.

Changes of assumptions – Since the prior measurement date (June 30, 2017), the demographic and economic assumptions that affect the measurement of the total pension liability have not been updated.

Assets accumulated in trust – There are no assets accumulated in trust that meets the GASB criteria to pay pension benefits.

Periods covered by the required supplementary information – GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27* requires the accompanying supplementary information to report on trend information for the previous ten fiscal years if the information is available. The District has only been provided this information for five fiscal years and will expand this supplementary information in future financial statements to cover additional periods as they become available.

ADAIR COUNTY SCHOOL DISTRICT

**SCHEDULE OF COMMONWEALTH OF KENTUCKY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY –TEACHERS' RETIREMENT SYSTEM**

Years ended June 30, 2019, 2018, 2017, 2016, and 2015

Commonwealth of Kentucky's proportion of the
net pension liability

2019 (2018 measurement period)	0.35%
2018 (2017 measurement period)	0.31%
2017 (2016 measurement period)	0.31%
2016 (2015 measurement period)	0.31%
2015 (2014 measurement period)	0.33%

Commonwealth of Kentucky's proportionate share
of the net pension liability

2019 (2018 measurement period)	\$ 44,015,193
2018 (2017 measurement period)	87,716,584
2017 (2016 measurement period)	97,119,960
2016 (2015 measurement period)	76,497,627
2015 (2014 measurement period)	71,029,005

Plan fiduciary net position as a percentage of the
total pension liability

2019 (2018 measurement period)	59.28%
2018 (2017 measurement period)	39.83%
2017 (2016 measurement period)	35.22%
2016 (2015 measurement period)	42.49%
2015 (2014 measurement period)	45.59%

See accompanying notes.

ADAIR COUNTY SCHOOL DISTRICT

**SCHEDULE OF COMMONWEALTH OF KENTUCKY'S CONTRIBUTIONS –TEACHERS'
RETIREMENT SYSTEM**

Years ended June 30, 2019, 2018, 2017, 2016, and 2015

Commonwealth of Kentucky statutorily required contribution	
2019 (2018 measurement period)	\$ 3,189,240
2018 (2017 measurement period)	3,116,519
2017 (2016 measurement period)	1,598,024
2016 (2015 measurement period)	1,582,073
2015 (2014 measurement period)	1,673,820
Commonwealth of Kentucky contributions in relation to the statutorily required contribution	
2019 (2018 measurement period)	\$ 3,189,240
2018 (2017 measurement period)	3,116,519
2017 (2016 measurement period)	1,598,024
2016 (2015 measurement period)	1,582,073
2015 (2014 measurement period)	1,673,820
Commonwealth of Kentucky annual contribution deficiency (excess)	
2019 (2018 measurement period)	\$ -
2018 (2017 measurement period)	-
2017 (2016 measurement period)	-
2016 (2015 measurement period)	-
2015 (2014 measurement period)	-

See accompanying notes.

ADAIR COUNTY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –TEACHERS’ RETIREMENT SYSTEM

Year ended June 30, 2019

Changes of benefit terms – There have been no changes in benefit terms during the period covered by the required supplementary information (June 30, 2018 measurement period).

Changes of assumptions – Since the prior measurement date (June 30, 2017), the demographic and economic assumptions that affect the measurement of total pension liability have been updated. The SEIR rate was increased from 4.49% (2017 measurement date) to 7.5% (2018 measurement date), the municipal bond index rate was raised from 3.56% (2017 measurement date) to 3.89% (2018 measurement date), and the discount rate was raised from 4.49% (2017 measurement date) to 7.5% (2018 measurement date).

Assets accumulated in trust – There are no assets accumulated in trust that meet the GASB criteria to pay pension benefits.

Periods covered by the required supplementary information – GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27* requires the accompanying supplementary information to report on trend information for the previous ten fiscal years if the information is available. The District has only been provided this information for five fiscal years and will expand this supplementary information in future financial statements to cover additional periods as they become available. Since the Commonwealth of Kentucky makes all required pension contributions, the District has not included any District amounts in the required supplementary information.

ADAIR COUNTY SCHOOL DISTRICT

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OTHER
POSTEMPLOYMENT BENEFITS LIABILITY – COUNTY EMPLOYEES RETIREMENT SYSTEM
Year ended June 30, 2019**

District's proportion of the net OPEB liability	
2019 (2018 measurement period)	0.14%
2018 (2017 measurement period)	0.13%
District's proportionate share of the net OPEB liability	
2019 (2018 measurement period)	\$ 2,426,478
2018 (2017 measurement period)	2,590,145
District's covered-employee payroll	
2019 (2018 measurement period)	\$ 3,399,510
2018 (2017 measurement period)	3,061,636
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	
2019 (2018 measurement period)	71.38%
2018 (2017 measurement period)	84.60%
Plan fiduciary net position as a percentage of the total OPEB liability	
2019 (2018 measurement period)	57.62%
2018 (2017 measurement period)	52.39%

See accompanying notes.

ADAIR COUNTY SCHOOL DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS –
COUNTY EMPLOYEES RETIREMENT SYSTEM**

Year ended June 30, 2019

Contractually required contribution:		
2019 (2018 measurement period)	\$	159,207
2018 (2017 measurement period)		148,378
Contributions in relation to the contractually required contribution		
2019 (2018 measurement period)	\$	159,207
2018 (2017 measurement period)		148,378
Contribution deficiency (excess)		
2019 (2018 measurement period)	\$	-
2018 (2017 measurement period)		-
District's covered-employee payroll		
2019 (2018 measurement period)	\$	3,399,510
2018 (2017 measurement period)		3,061,636
Contributions as a percentage of covered-employee payroll		
2019 (2018 measurement period)		4.68%
2018 (2017 measurement period)		4.85%

See accompanying notes.

ADAIR COUNTY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – COUNTY EMPLOYEES RETIREMENT SYSTEM Year ended June 30, 2019

Changes of benefit terms – During the 2018 Commonwealth of Kentucky legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty.

Changes of assumptions – Since the prior measurement date (June 30, 2017), the demographic and economic assumptions that affect the measurement of the total pension liability have been updated. The SEIR rate was raised increased from 5.84% (2017 measurement date) to 5.85% (2018 measurement date), the municipal bond index rate was raised from 3.56% (2017 measurement date) to 3.62% (2018 measurement date), the discount rate was raised from 5.84% (2017 measurement period) to 5.85% (2018 measurement period), the healthcare cost trend rate for ages under 65 was lowered from 7.25% (2017 measurement period) to 7.00 (2018 measurement period), and the healthcare cost trend rate for ages 65 and older was lowered from 5.10% (2017 measurement date) to 5.00% (2018 measurement date).

Assets accumulated in trust – There are no assets accumulated in trust that meets the GASB criteria to pay pension benefits.

Periods covered by the required supplementary information – GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* requires the accompanying supplementary information to report on trend information for the previous ten fiscal years if the information is available. The District has only been provided this information for two fiscal years and will expand this supplementary information in future financial statements to cover additional periods as they become available.

ADAIR COUNTY SCHOOL DISTRICT

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OTHER
POSTEMPLOYMENT BENEFITS LIABILITY –TEACHERS' RETIREMENT SYSTEM**

Year ended June 30, 2019

District's proportion of the net OPEB liability	
2019 (2018 measurement period)	0.35%
2018 (2017 measurement period)	0.31%
District's proportionate share of the net OPEB liability	
2019 (2018 measurement period)	\$ 6,097,000
2018 (2017 measurement period)	6,177,000
Commonwealth of Kentucky's proportionate share of the net OPEB liability	
2019 (2018 measurement period)	\$ 5,254,000
2018 (2017 measurement period)	5,046,000
Total 2019 (2018 measurement period)	\$ 11,351,000
Total 2018 (2017 measurement period)	11,223,000
District's covered payroll	
2019 (2018 measurement period)	\$ 10,433,433
2018 (2017 measurement period)	9,892,733
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	
2019 (2018 measurement period)	58.44%
2018 (2017 measurement period)	62.44%
Plan fiduciary net position as a percentage of the total pension liability	
2019 (2018 measurement period)	25.50%
2018 (2017 measurement period)	21.18%

See accompanying notes.

ADAIR COUNTY SCHOOL DISTRICT

SCHEDULE OF DISTRICT'S CONTRIBUTIONS –TEACHERS' RETIREMENT SYSTEM
Year ended June 30, 2019

Contractually required contribution	
2019 (2018 measurement period)	\$ 313,003
2018 (2017 measurement period)	296,782
Commonwealth of Kentucky's contractually required contribution	
2019 (2018 measurement period)	\$ 269,743
2018 (2017 measurement period)	242,428
Contributions in relation to the statutorily required contribution	
2019 (2018 measurement period)	\$ 582,746
2018 (2017 measurement period)	539,210
Contribution deficiency (excess)	
2019 (2018 measurement period)	\$ -
2018 (2017 measurement period)	-
District's covered employee payroll	
2019 (2018 measurement period)	\$ 10,433,433
2018 (2017 measurement period)	9,892,733
Contributions as a percentage of covered-employee payroll	
2019 (2018 measurement period)	5.59%
2018 (2017 measurement period)	5.45%

See accompanying notes.

ADAIR COUNTY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –TEACHERS' RETIREMENT SYSTEM

Year ended June 30, 2019

Changes of benefit terms – There have been no changes in benefit terms during the period covered by the required supplementary information (June 30, 2018 measurement period).

Changes of assumptions – Since the prior measurement date (June 30, 2017) the demographic and economic assumptions that affect the measurement of total pension liability have been updated. The municipal bond index rate was raised from 3.56% (2017 measurement period) to 3.89% (2018 measurement period) and the healthcare cost trend rate for Medicare Part B premiums was lowered from 1.02% (2017 measurement period) to 0.00% (2018 measurement period).

Assets accumulated in trust – There are no assets accumulated in trust that meet the GASB criteria to pay pension benefits.

Periods covered by the required supplementary information – GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* requires the accompanying supplementary information to report on trend information for the previous ten fiscal years if the information is available. The District has only been provided this information for two fiscal years and will expand this supplementary information in future financial statements to cover additional periods as they become available.

OTHER SUPPLEMENTARY INFORMATION

ADAIR COUNTY SCHOOL DISTRICT

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS –
ELEMENTARY AND MIDDLE SCHOOL ACTIVITY FUNDS

Year ended June 30, 2019

<u>School</u>	<u>Cash July 1, 2018</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash June 30, 2019</u>	<u>Accounts Receivable June 30, 2019</u>	<u>Accounts Payable June 30, 2019</u>	<u>Due to Student Groups June 30, 2019</u>
Adair County Primary Center	\$ 24,004	\$ 60,611	\$ 55,290	\$ 29,325	\$ -	\$ -	\$ 29,325
Adair County Elementary School	22,793	25,895	20,721	27,967	-	-	27,967
Adair County Middle School	<u>54,852</u>	<u>107,905</u>	<u>92,110</u>	<u>70,647</u>	<u>-</u>	<u>-</u>	<u>70,647</u>
Totals	<u>\$ 101,649</u>	<u>\$ 194,411</u>	<u>\$ 168,121</u>	<u>\$ 127,939</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 127,939</u>

ADAIR COUNTY SCHOOL DISTRICT

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS –
 ADAIR COUNTY HIGH SCHOOL ACTIVITY FUNDS
 Year ended June 30, 2019

<u>Activity Fund</u>	<u>Cash</u> <u>July 1,</u> <u>2018</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash</u> <u>June 30,</u> <u>2019</u>	<u>Accounts</u> <u>Receivable</u> <u>June 30,</u> <u>2019</u>	<u>Accounts</u> <u>Payable</u> <u>June 30,</u> <u>2019</u>	<u>Due to</u> <u>Student</u> <u>Groups</u> <u>June 30,</u> <u>2019</u>
Accel Academy	\$ -	\$ 612	\$ 28	\$ 584	\$ -	\$ -	\$ 584
Art	500	-	-	500	-	-	500
Athletics	48,212	66,342	74,963	39,591	-	-	39,591
Beta Club	370	1,075	673	772	-	-	772
Business co-op	562	-	-	562	-	-	562
Cadet Corps	-	2,614	2,094	520	-	-	520
Champions and SADD	279	-	-	279	-	-	279
Chemistry	179	-	10	169	-	-	169
Class 2019	4,653	5,270	9,457	466	-	-	466
Class 2020	2,786	16,364	10,846	8,304	-	-	8,304
Class 2021	968	2,136	486	2,618	-	-	2,618
Class 2022	-	5,382	2,891	2,491	-	-	2,491
Counselors office	814	1,255	1,000	1,069	-	-	1,069
Counselors events	3,353	18,287	16,688	4,952	-	-	4,952
Criminal records check	-	150	130	20	-	-	20
Drama	3,813	2,205	2,886	3,132	-	-	3,132
English activities	276	-	5	271	-	-	271
FCA-Fellowship							
Christian Athletes	719	1,736	1,570	885	-	-	885
FCCLA	456	100	237	319	-	-	319

(continued)

ADAIR COUNTY SCHOOL DISTRICT

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS –
 ADAIR COUNTY HIGH SCHOOL ACTIVITY FUNDS – CONTINUED
 Year ended June 30, 2019

<u>Activity Fund</u>	<u>Cash</u> <u>July 1,</u> <u>2018</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash</u> <u>June 30,</u> <u>2019</u>	<u>Accounts</u> <u>Receivable</u> <u>June 30,</u> <u>2019</u>	<u>Accounts</u> <u>Payable</u> <u>June 30,</u> <u>2019</u>	<u>Due to</u> <u>Student</u> <u>Groups</u> <u>June 30,</u> <u>2019</u>
FFA	\$ 6,999	\$ 57,333	\$ 62,139	\$ 2,193	\$ -	\$ -	\$ 2,193
General	1,127	3,463	2,709	1,881	-	-	1,881
Girls and boys golf	1,624	4,719	4,044	2,299	-	-	2,299
Horticulture	11,745	16,191	16,781	11,155	-	-	11,155
Indian Academy	3,006	-	153	2,853	-	-	2,853
Lady Indians Basketball	4,841	10,932	12,555	3,218	-	-	3,218
Language	-	865	865	-	-	-	-
Library	557	-	200	357	-	-	357
Math	330	-	95	235	-	-	235
NAHS – Fine Arts	235	2,126	2,111	250	-	-	250
National Honor Society	209	513	541	181	-	-	181
Orchestra	1,325	22,193	12,607	10,911	-	-	10,911
Pep	820	916	568	1,168	-	-	1,168
Reliford's "A" Team	3,933	4,594	3,409	5,118	-	-	5,118
Stem Club	1,595	1,124	1,025	1,694	-	-	1,694
Softball	4,125	10,876	10,058	4,943	-	-	4,943
STLP	39	-	39	-	-	-	-
Student Coke	3,102	3,709	3,687	3,124	-	-	3,124
Student parking	425	400	121	704	-	-	704
Swim Team	1,633	2,600	3,529	704	-	-	704

(continued)

ADAIR COUNTY SCHOOL DISTRICT

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS –
 ADAIR COUNTY HIGH SCHOOL ACTIVITY FUNDS – CONTINUED
 Year ended June 30, 2019

<u>Activity Fund</u>	<u>Cash</u> <u>July 1,</u> <u>2018</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash</u> <u>June 30,</u> <u>2019</u>	<u>Accounts</u> <u>Receivable</u> <u>June 30,</u> <u>2019</u>	<u>Accounts</u> <u>Payable</u> <u>June 30,</u> <u>2019</u>	<u>Due to</u> <u>Student</u> <u>Groups</u> <u>June 30,</u> <u>2019</u>
Teachers' lounge							
Coke	\$ 660	\$ 945	\$ 950	\$ 655	\$ -	\$ -	\$ 655
Tennis	413	556	688	281	-	-	281
Testing (ACT Prep)	170	1,647	1,685	132	-	-	132
Track	719	9,597	8,885	1,431	-	-	1,431
Volleyball	4,998	4,625	3,851	5,772	-	-	5,772
Yearbook	<u>11,762</u>	<u>21,013</u>	<u>27,473</u>	<u>5,302</u>	<u>-</u>	<u>-</u>	<u>5,302</u>
Totals	134,332	304,465	304,732	134,065	-	-	134,065
Interfund transfers	<u>-</u>	<u>8,959</u>	<u>8,959</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 134,332</u>	<u>\$ 295,506</u>	<u>\$ 295,773</u>	<u>\$ 134,065</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 134,065</u>

ADAIR COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2019

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
Cash expenditures			
<u>U.S. Department of Education</u>			
Kentucky Department of Education:			
Title I	84.010	3100102-18	\$ 59,028
		3100102-17	2,662
		3100002-18	1,373,805
		3100002-17	<u>104,013</u>
Subtotal			1,539,508
Migrant Education	84.011	3110002-18	46,644
		3110002-17	<u>51,761</u>
Subtotal			98,405
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	313D	2,171
		313E	<u>26,354</u>
Subtotal			28,525
Special Education	84.027 *1	3810002-18	557,401
		3810002-17	<u>60,891</u>
Subtotal			618,292
Career and Technical Education	84.048	3710002-18	30,992
		3710002-17	<u>1,188</u>
Subtotal			32,180
Special Education Preschool	84.173 *1	3800002-18	1,385
		3800002-17	<u>6,959</u>
Subtotal			8,344
Rural Education	84.358	3140002-18	47,827
English Language Acquisition	84.365	3300002-18	4,032

(continued)

ADAIR COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED

Year ended June 30, 2019

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
21 st Century Community Learning Centers	84.287	3400002-17 3400002-16	\$ 12,245 <u>142,680</u>
Subtotal			154,926
Striving Readers/Comprehensive Literacy Development	84.371C	3220002-17	225,725
Adult Education	84.367	3230002-18	20,454
Title IV Student Support and Academic Enrichment	84.284	3400002-18 3420002-17	8,864 <u>85,515</u>
Subtotal			94,379
 Total U.S. Department of Education			 2,872,596
 <u>Department of Health and Human Services</u>			
Lake Cumberland Area Development for Block Grants:			
Block Grants for Community Mental Health Services	93.958	690E 690D	800 <u>154</u>
Subtotal			954
 Total Department of Health and Human Services			 954
 <u>U.S. Department of Agriculture</u>			
Kentucky Department of Education:			
National School Lunch Program	10.555 *2	7750002-19 7750002-18	944,282 <u>255,759</u>
Subtotal			1,200,041
National School Breakfast Program	10.553 *2	7760005-19 7760005-18	327,199 <u>86,772</u>
Subtotal			413,971

(continued)

ADAIR COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED

Year ended June 30, 2019

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
Summer Food Service Program for Children	10.559 *2	7690024-18 7740023-18	\$ 364 <u>3,514</u>
Subtotal			3,878
Total U.S. Department of Agriculture			<u>1,617,890</u>
Total cash expenditures			4,491,440
Non-cash expenditures			
<u>U.S. Department of Agriculture</u>			
Kentucky Department of Agriculture: Food Donation	10.555 *2	Not provided	<u>126,358</u>
Total federal expenditures			<u>\$ 4,617,798</u>
 *1 Special Education Cluster		Total	<u>\$ 626,636</u>
*2 Child Nutrition Cluster		Total	<u>\$ 1,744,248</u>

See accompanying notes.

ADAIR COUNTY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2019

1. Basis of presentation

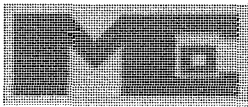
The accompanying schedule of expenditures of federal awards includes the federal award activity of the Adair County School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations (CFR) 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 the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

2. Food donation

Nonmonetary assistance for food donation is reported in the schedule at the fair value of the commodities disbursed. The donations are received from the U.S. Department of Agriculture via the Kentucky Department of Agriculture (KDA). The KDA has not provided a pass-through grant number.

3. Indirect cost rate

The District does not apply the 10% de minimus indirect cost rate.



**M A T H E R
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SOLUTION-DRIVEN CPAs and Business Advisors

Mather & Co. CPAs, LLC
Suite 200
9100 Shelbyville Rd
Louisville, KY 40222

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

Kentucky State Committee for
School District Audits
Members of the Board of Education
Adair County School District
Columbia, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Kentucky Public School Districts' Audit Contract and Requirements – Auditor Responsibilities, and State Compliance Requirements, Appendix I to Kentucky Public School Districts' Audit Contract and Requirements – Audit Extension Request, and Appendix II to Kentucky Public School Districts' Audit Contract and Requirements – Submission Instructions*, the financial statements of the governmental activities, the business-type activities, and each major fund of the Adair County School District (District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 6, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

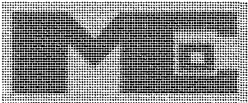
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in *Kentucky Public School Districts' Audit Contract and Requirements – State Compliance Requirements*. We have issued a management letter that accompanies the basic financial statements, required supplementary information and other supplementary information.

Purpose of this Report

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

Mather & Co. CPAs, LLC

Mather & Co. CPAs, LLC
Louisville, Kentucky
November 6, 2019



**M A T H E R
& C O M P A N Y**

SOLUTION-DRIVEN CPAs and Business Advisors

Mather & Co. CPAs, LLC
Suite 200
9100 Shelbyville Rd
Louisville, KY 40222

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

Kentucky State Committee for
School District Audits
Members of the Board of Education
Adair County School District
Columbia, Kentucky

Report on Compliance for Each Major Federal Program

We have audited the Adair County School District's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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; the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Kentucky Public School Districts' Audit Contract and Requirements – Auditor Responsibilities, and State Compliance Requirements, Appendix I to Kentucky Public School Districts' Audit Contract and Requirements – Audit Extension Request, and Appendix II to Kentucky Public*

School Districts' Audit Contract and Requirements – Submission Instructions. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the 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 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.

Mather & Co. CPAs, LLC

Mather & Co. CPAs, LLC
Louisville, Kentucky
November 6, 2019

ADAIR COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2019

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued	Unmodified		
Internal control over financial reporting:			
Material weakness identified	___	Yes	___ <input checked="" type="checkbox"/> No
Significant deficiencies identified that are not considered to be material weaknesses	___	Yes	___ <input checked="" type="checkbox"/> None reported
Noncompliance material to financial statement notes	___	Yes	___ <input checked="" type="checkbox"/> No

Federal Awards

Internal control over major programs:			
Material weaknesses identified	___	Yes	___ <input checked="" type="checkbox"/> No
Significant deficiencies identified that are not considered to be material weaknesses	___	Yes	___ <input checked="" type="checkbox"/> None reported
Type of auditor’s report issued on compliance for major programs	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with Section 200.516 of the Uniform Guidance	___	Yes	___ <input checked="" type="checkbox"/> No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559	Child Nutrition Cluster
84.371C	Striving Readers/Comprehensive Literacy Development

Dollar threshold used to distinguish between Type A and Type B program	\$ 750,000
Auditee qualified as low risk	___ <input checked="" type="checkbox"/> Yes ___ No

(continued)

ADAIR COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
Year ended June 30, 2019

Section II – Financial Statement Findings

No matters to report.

Section III – Federal Award Findings

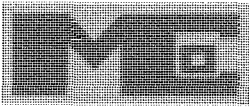
No matters to report.

ADAIR COUNTY SCHOOL DISTRICT

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Year ended June 30, 2019

There were no prior year audit findings.



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& COMPANY**

SOLUTION-DRIVEN CPAs and Business Advisors

Mather & Co. CPAs, LLC
Suite 200
9100 Shelbyville Rd
Louisville, KY 40222

Members of the Board of Education
Adair County School District
Columbia, Kentucky

In planning and performing our audit of the financial statements of the Adair County School District (District) as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Kentucky Public School Districts' Audit Contract and Requirements – Auditor Responsibilities*, and *State Compliance Requirements, Appendix I to Kentucky Public School Districts' Audit Contract and Requirements – Audit Extension Request*, and *Appendix II to Kentucky Public School Districts' Audit Contract and Requirements – Submission Instructions* we considered the District's internal control over financial reporting and compliance to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the District's internal control over financial reporting. In addition, providing an opinion on compliance was not an objective of our audit, and accordingly, we do not express such an opinion.

However, during our audit we followed up on instances of noncompliance we noted during our prior audit that we do not consider to be material weaknesses or significant deficiencies, but are opportunities for strengthening internal control. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated November 6, 2019 on the District's financial statements.

Respectfully,

Mather & Co. CPAs, LLC

Mather & Co. CPAs, LLC
Louisville, Kentucky
November 6, 2019

ADAIR COUNTY SCHOOL DISTRICT

**MANAGEMENT LETTER COMMENTS
JUNE 30, 2019**

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Other Issues Relating to Internal Controls and General Accounting Procedures.....	81

ELEMENTARY, MIDDLE, AND HIGH SCHOOL ACTIVITY FUNDS

Follow-up on Prior Year Findings

There were no prior year findings.

Current Year Findings

There are no current year findings.

OTHER ISSUES RELATING TO INTERNAL CONTROL AND GENERAL ACCOUNTING PROCEDURES

Follow-up on Prior Year Findings

There were no prior year findings.

Current Year Findings

There are no current year findings.

APPENDIX C

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

Continuing Disclosure Undertaking Agreement

CONTINUING DISCLOSURE UNDERTAKING AGREEMENT

This Continuing Disclosure Undertaking Agreement ("Agreement") made and entered into as of the 15th day of October, 2020, by and between the Board of Education of Adair County, Kentucky School District ("Board"); the Adair County School District Finance Corporation, an agency and instrumentality of the Board ("Corporation") and the Registered and Beneficial Owners of the Bonds hereinafter identified as third party beneficiaries to this Agreement. For the purposes of this Agreement "Beneficial Owner" means the person or entity treated as the owner of the Bonds for federal income tax purposes and "Registered Owner" means the person or entity named on the registration books of the bond registrar.

WITNESSETH:

WHEREAS, the Corporation has acted as issuing agency for the Board pursuant to the provisions of Section 162.385 of the Kentucky Revised Statutes ("KRS") and the Corporation's Bond Resolution in connection with the authorization, sale and delivery of \$1,255,000 of the Corporation's School Building Revenue Bonds, Series of 2020, dated as of October 15, 2020 ("Bonds"), which Bonds were offered for sale under the terms and conditions of a Final Official Statement ("FOS") prepared by RSA Advisors, LLC, Lexington, Kentucky ("Municipal Advisor") and approved by the authorized representatives of the Board and the Corporation, and

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

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

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

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

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

1. ANNUAL FINANCIAL INFORMATION

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

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

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

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

2. MATERIAL EVENTS NOTICES

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

For purposes of this Agreement the term "financial obligation" means:

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

(C) Guarantee of paragraph (A) or (B) above.

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

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

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

3. SPECIAL REQUESTS FOR INFORMATION

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

4. DISCLAIMER OF LIABILITY

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

5. FINAL OFFICIAL STATEMENT

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

6. DURATION OF THE AGREEMENT

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

7. AMENDMENT; WAIVER

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

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

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

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

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

8. DEFAULT

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

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

**BOARD OF EDUCATION OF
ADAIR COUNTY, KENTUCKY**

Chairman

Attest:

Secretary

**ADAIR COUNTY SCHOOL
DISTRICT FINANCE CORPORATION**

President

Attest:

Secretary

APPENDIX D

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

Official Terms and Conditions of Bond Sale

OFFICIAL TERMS AND CONDITIONS OF BOND SALE

\$1,255,000*

**Adair County School District Finance Corporation
School Building Revenue Bonds, Series of 2020
Dated as of October 15, 2020**

SALE: September 24, 2020 AT 11:00 A.M., E.S.T.

The Adair County School District Finance Corporation ("Corporation") will until September 24, 2020, at the hour of 11:00 A.M., E.D.S.T., in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Rd, Carriage House, Frankfort, KY 40601, receive competitive bids for the revenue bonds herein described. To be considered, bids must be submitted on an Official Bid Form and must be delivered to the Corporation at the address indicated on the date of sale no later than the hour indicated. Bids may be submitted manually or by facsimile or electronically via PARITY. Bids will be considered by the Corporation and may be accepted without further action by the Corporation's Board of Directors.

Subject to a Permitted Adjustment* increasing or decreasing the issue by up to \$125,000.

**ADAIR COUNTY SCHOOL
DISTRICT FINANCE CORPORATION**

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

STATUTORY AUTHORITY, PURPOSE OF ISSUE AND SECURITY

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

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

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

Under the terms of the Lease and any renewal thereof, so long as the Bonds remain outstanding and in conformance with the intent and purpose of KRS 157.627(5) and KRS 160.160(5), in the event of a failure by the Board to pay the rentals due under the Lease, and unless sufficient funds have been transmitted to the Paying

Agent, or will be so transmitted, for paying said rentals when due, the Board has granted under the terms of the Lease and Participation Agreement to the Corporation and the Commission the right to notify and request the Kentucky Department of Education to withhold from the Board a sufficient portion of any undisbursed funds then held, set aside, or allocated to the Board and to request said Department or Commissioner of Education to transfer the required amount thereof to the Paying Agent for the payment of such rentals.

Although the Board is obligated to pay the Corporation annual rentals in the full amount of the principal and interest requirements for the Bonds for each year in which the Lease is renewed, the Board has entered into the Lease in reliance upon a certain Participation Agreement by and between the Board and the Kentucky School Facilities Construction Commission (the "Commission"). Under the terms of the Participation Agreement, the Commission has agreed to pay annually directly to the Paying Agent for the Bonds a stated Agreed Participation equal to approximately \$83,752 to be applied to the annual debt service requirements for the Bonds herein identified until their retirement, subject to the constitutional restrictions limiting the commitment to the budget period; said annual amount is to be applied only to the principal and interest requirements of the Bonds so long as the Board renews the Lease. Under the Lease, the Board has pledged and assigned all of its rights under the Participation Agreement in and to the Agreed Participation to the Corporation in order to secure the Bonds and has agreed to pay that portion of the rentals in excess of said Agreed Participation for each year in which 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 Sections 157.611 through 157.640 of the Kentucky Revised Statutes, as repealed, amended, and reenacted (the "Act") for the purpose of assisting local school districts in meeting the school construction needs of the Commonwealth in a manner which will ensure an equitable distribution of funds based upon unmet need.

Pursuant to the provisions of the Act, the Regulations of the Kentucky Board of Education and the Commission, the Commission has determined that the Board is eligible for participation from the Commission in meeting the costs of construction of the Projects and has entered into a Participation Agreement with the Board whereunder the Commission agrees to pay an annual Agreed Participation equal to approximately \$83,752 to be applied to the annual debt service requirements for the Bonds herein identified each year until their retirement; provided, however, that the contractual commitment of the Commission to pay the annual Agreed Participation is limited to the budget period of the Commonwealth, with the first such biennial period terminating on June 30, 2021; the right is reserved in the Commission to terminate its commitment to pay the Agreed Participation after the initial budget period and every two years thereafter. The obligation of the Commission to make payments of the Agreed Participation shall be automatically renewed each two years for a period of two years unless the Commission shall give notice of its intention not to participate not less than sixty days prior to the end of the biennium; however, by the execution of the Participation Agreement, the Commission has expressed its present intention to continue to pay the Agreed Participation in each successive budget period until the retirement of all of the Bonds, but such execution does not obligate the Commission to do so.

The General Assembly of the Commonwealth adopted the State's Budget for the year ending June 30, 2021. Inter alia, the Budget provides \$129,504,400 in FY 2018-19 and \$128,672,400 in FY 2019-20 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.

ADDITIONAL PARITY BONDS

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

BOND MATURITIES, PRIOR REDEMPTION PROVISIONS AND PAYING AGENT

All such Bonds shall be in denominations in multiples of \$5,000 within the same maturity, bear interest from October 15, 2020, payable on April 1, 2021, and semi annually thereafter and shall mature as to principal on October 1 in each of the years as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2021	\$50,000	2031	\$65,000
2022	50,000	2032	65,000
2023	50,000	2033	65,000
2024	50,000	2034	70,000
2025	55,000	2035	70,000
2026	55,000	2036	75,000
2027	55,000	2037	75,000
2028	60,000	2038	80,000
2029	60,000	2039	80,000
2030	60,000	2040	65,000

*Subject to a Permitted Adjustment of the amount of Bonds awarded of up to \$125,000 which may be applied in any or all maturities.

The Bonds maturing on or after October 1, 2028 are subject to redemption at the option of the Corporation prior to their stated maturity on any date falling on or after October 1, 2027, in any order of maturities (less than all of a single maturity to be selected by lot), in whole or in part, upon notice of such prior redemption being given by the Paying Agent in accordance with DTC requirements not less than thirty (30) days prior to the date of redemption, upon terms of the face amount, plus accrued interest, but without redemption premium.

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

The Bonds are to be issued in fully registered form (both principal and interest). Bank of Columbia, Columbia, Kentucky, has been designated as the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date to Cede & Co. Principal and interest will be payable through the Book-Entry-Only-System administered by The Depository Trust Company: Please see "BOOK-ENTRY-ONLY-SYSTEM" below. Interest on the Bonds will be paid at rates to be established upon the basis of competitive bidding as hereinafter set forth, such interest to be payable on April 1 and October 1 of each year, beginning April 1, 2021 (Record Date is the 15th day of month preceding interest due date).

BIDDING CONDITIONS AND RESTRICTIONS

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

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

sole risk of the prospective bidders. For further information regarding PARITY®, potential bidders may contact PARITY®, telephone (212) 404-8102. Notwithstanding the foregoing, non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form.

(C) The minimum bid shall be not less than \$1,229,900 (98% of par) plus accrued interest. Interest rates shall be in multiples of 1/8 or 1/20 of 1% or both. Only one interest rate shall be permitted per Bond, and all Bonds of the same maturity shall bear the same rate. Interest rates must be on an ascending scale, in that the interest rate stipulated in any year may not be less than that stipulated for any preceding maturity. There is no limit on the number of different interest rates.

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

(E) The determination of the best purchase bid for said Refunding Bonds shall be made on the basis of all bids submitted for exactly \$1,255,000 principal amount of Refunding Bonds offered for sale under the terms and conditions herein specified, but the Corporation may adjust the principal amount of Bonds upward or downward by \$125,000 (the "Permitted Adjustment") which may be awarded to such best bidder may be a minimum of \$1,130,000 or a maximum of \$1,380,000. In the event of such Permitted Adjustment, no rebidding or recalculation of a submitted bid will be required or permitted and the Underwriter's Discount on the Bonds as submitted by the successful bidder shall be held constant. The Underwriter's Discount shall be defined as the difference between the purchase price of the Bonds submitted by the bidder and the price at which the Bonds will be issued to the public, calculated from information provided by the bidder, divided by the par amount of the Bonds bid. The price of which such adjusted principal amount of Bonds will be sold will be the same price per \$5,000 of Bonds as the price per \$5,000 for the \$1,255,000 of Bonds bid.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

STATE SUPPORT OF EDUCATION

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

KERA became fully effective on July 13, 1990. Elementary and Secondary Education in the Commonwealth is supervised by the Commissioner of Education as the Chief Executive Officer of the State Department of

Education ("DOE"), an appointee of the reconstituted State Board for Elementary and Secondary Education (the "State Board"). Some salient features of KERA are as follows:

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

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

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

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

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

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

KRS 160.460 provides that as of July 1, 1994 all real property located in the Commonwealth subject to local taxation shall be assessed at 100% of fair cash value.

BIENNIAL BUDGET FOR PERIOD ENDING JUNE 30, 2022

The Kentucky General Assembly is required by the Kentucky Constitution to adopt measures providing for the state's revenues and appropriations for each fiscal year. The Governor is required by law to submit a biennial State Budget (the "State Budget") to the General Assembly during the legislative session held in each even numbered year. State Budgets have generally been adopted by the General Assembly during those legislative

sessions, which end in mid-April, to be effective upon the Governor's signature for appropriations commencing for a two-year period beginning the following July 1.

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

Due to the unforeseen nature on the economy of the Commonwealth caused by the COVID-19 pandemic, in its 2020 regular session, the General Assembly adopted only a one-year budget for the biennial period ending June 30, 2022 which was approved and signed by the Governor. The biennial budget will be reviewed and supplemented during the General Assembly's 2021 regular session. Such budget became effective beginning July 1, 2020. The Office of the State Budget Director makes available on its website monthly updates to the General Fund receipts and other Funds of the commonwealth. When published, the updates can be found at www.osbd.ky.gov.

POTENTIAL LEGISLATION

No assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax exemption of such interest. In addition, current and future legislative proposals, if enacted into law, may cause interest on state or local government bonds (whether issued before, on the date of, or after enactment of such legislation) to be subject, directly or indirectly, to federal income taxation by, for example, changing the current exclusion or deduction rules to limit the amount of interest on such bonds that may currently be treated as tax exempt by certain individuals. Proposals are currently pending in both Federal houses which, if passed, would eliminate the ability of the issuer to advance refund the Bonds. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation.

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

CONTINUING DISCLOSURE

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

Financial information regarding the Board may be obtained from Superintendent, Adair County School District Board of Education, 1204 Greensburg Street, Columbia, Kentucky 42728, Telephone 270-384-2476.

TAX EXEMPTION; BANK QUALIFIED

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

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

(B) The interest income from the Bonds is excludable from the gross income of the recipient thereof for Federal income tax purposes under existing law and interest on the Bonds will not be a specific item of tax preference for purposes of calculating the Federal alternative minimum tax.

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

BOOK-ENTRY-ONLY-SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

**ADAIR COUNTY SCHOOL DISTRICT
FINANCE CORPORATION**

By /s/ Pamela Stephens
Secretary

APPENDIX E

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

Official Bid Form

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

The Adair County School District Finance Corporation ("Corporation" or "Issuer"), will until 11:00 A.M., E.D.S.T., on September 24, 2020, receive in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Rd, Carriage House, Frankfort, KY 40601, (telephone 502-564-5582; fax 888-979-6152) competitive bids for its \$1,255,000 School Building Revenue Bonds, Series of 2020, dated October 15, 2020; maturing October 1, 2021 through 2040 ("Bonds").

We hereby bid for said \$1,255,000* principal amount of Bonds, the total sum of \$ _____ (not less than \$1,229,900) plus accrued interest from October 15, 2020 payable April 1, 2021 and semiannually thereafter at the following annual rates, (rates on ascending scale in multiples of 1/8 or 1/20 of 1%; number of interest rates unlimited) and maturing as to principal on October 1 in the years as follows:

<u>Year</u>	<u>Amount*</u>	<u>Rate</u>	<u>Year</u>	<u>Amount*</u>	<u>Rate</u>
2021	\$50,000	_____ %	2031	\$65,000	_____ %
2022	50,000	_____ %	2032	65,000	_____ %
2023	50,000	_____ %	2033	65,000	_____ %
2024	50,000	_____ %	2034	70,000	_____ %
2025	55,000	_____ %	2035	70,000	_____ %
2026	55,000	_____ %	2036	75,000	_____ %
2027	55,000	_____ %	2037	75,000	_____ %
2028	60,000	_____ %	2038	80,000	_____ %
2029	60,000	_____ %	2039	80,000	_____ %
2030	60,000	_____ %	2040	65,000	_____ %

* Subject to Permitted Adjustment

We understand this bid may be accepted for as much as \$1,380,000 of Bonds or as little as \$1,130,000 of Bonds, at the same price per \$5,000 Bond, with the variation in such amount occurring in any maturity or all maturities, which will be determined at the time of acceptance of the best bid.

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

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

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

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

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

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

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

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

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

Electronic bids for the Bonds must be submitted through PARITY® and no other provider of electronic bidding services will be accepted. Subscription to the PARITY® Competitive Bidding System is required in order to submit an electronic bid. The Corporation will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by PARITY® shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in PARITY® conflict with the terms of the Official Terms and Conditions of Sale of Bonds, this Official Terms and Conditions of Sale of Bonds shall prevail. Electronic bids made through the facilities of PARITY® shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to the Corporation. The Corporation shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by

PARITY®. The use of PARITY® facilities are at the sole risk of the prospective bidders. For further information regarding PARITY®, potential bidders may contact PARITY®, telephone (212) 404-8102.

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

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

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

No certified or bank cashier's check will be required to accompany a bid, but the successful bidder shall be required to wire transfer an amount equal to 2% of the principal amount of Bonds awarded by the close of business on the date following the award. Said good faith amount will be applied (without interest) to the purchase price on delivery. Wire transfer procedures should be arranged through Bank of Columbia, Columbia, Kentucky, Attn: Ms. Kathy Jones (270-384-6433).

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

If we are the successful bidder, we agree to accept and make payment for the Bonds in Federal Funds on or about October 15, 2020 and upon acceptance by the Issuer's Municipal Advisor this Official Bid Form shall become the Bond Purchase Agreement.

Respectfully submitted,

Bidder

By _____
Authorized Officer

Address

Total interest cost from October 15, 2020 to final maturity \$ _____
 Plus discount or less any premium \$ _____
 Net interest cost (Total interest cost plus discount or less any premium) \$ _____
 Average interest rate or cost (ie NIC) _____%

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

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

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

Dated: September 24, 2020

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

