

PRELIMINARY OFFICIAL STATEMENT

DATED SEPTEMBER 4, 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).

\$440,000\*

EMINENCE INDEPENDENT SCHOOL DISTRICT FINANCE CORPORATION
SCHOOL BUILDING REFUNDING REVENUE BONDS,
SERIES OF 2020

Dated: OCTOBER 6, 2020

Due: as shown below

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

Table with columns: Maturing 1-Aug, Amount\*, Interest Rate, Reoffering Yield, CUSIP, Maturing 1-Aug, Amount\*, Interest Rate, Reoffering Yield, CUSIP. Rows include maturity dates from 2021 to 2025 with corresponding amounts and rates.

The Bonds are not 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 Eminence Independent School District Finance Corporation and are payable from and secured by a pledge of the gross income and revenues derived by leasing the Project (as hereinafter defined) on an annual renewable basis to the Eminence Independent Board of Education.

The Eminence Independent (Kentucky) School District Finance Corporation will until September 15, 2020 at 11:30 A.M., E.D.S.T., receive competitive bids for the Bonds at the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Road, Carriage House, Frankfort, Kentucky 40601.

\*As set forth in the "Official Terms and Conditions of Bond Sale," the principal amount of Bonds sold to the successful bidder is subject to a Permitted Adjustment by increasing or decreasing the amount not to exceed \$44,000.

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.

**EMINENCE INDEPENDENT, KENTUCKY  
BOARD OF EDUCATION**

Pamela Morehead, Chairperson  
Brenda Chism, Vice-Chairperson  
Ben Coomes, Member  
Danny Fisher, Member  
Donna McClamroch, Member

Dr. Buddy Berry, Superintendent/Secretary

**EMINENCE INDEPENDENT SCHOOL DISTRICT  
FINANCE CORPORATION**

Pamela Morehead, President  
Brenda Chism, Vice-President  
Ben Coomes, Member  
Danny Fisher, Member  
Donna McClamroch, Member

Dr. Buddy Berry, Secretary  
Michele Sweeney, Treasurer

**BOND COUNSEL**

Steptoe & Johnson PLLC  
Louisville, Kentucky

**FINANCIAL ADVISOR**

RSA Advisors, LLC  
Lexington, Kentucky

**PAYING AGENT AND REGISTRAR**

US Bank, National Association  
Louisville, Kentucky

**BOOK-ENTRY-ONLY-SYSTEM**

## REGARDING USE OF THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Eminence Independent School District Finance Corporation School Building Refunding 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**

**\$440,000\***

**EMINENCE INDEPENDENT SCHOOL DISTRICT FINANCE CORPORATION  
SCHOOL BUILDING REFUNDING 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 Eminence Independent School District Finance Corporation (the "Corporation") School Building Refunding Revenue Bonds, Series of 2020 (the "Bonds").

The Bonds are being issued to (i) pay the accrued interest and refund on a current basis on October 21, 2020 the outstanding Eminence Independent School District Finance Corporation School Building Revenue Bonds, Series of 2010, dated January 1, 2010 (the "2010 Bonds") maturing January 1, 2021 and thereafter (the "Refunded Bonds"); and (ii) pay the accrued interest and refund on a current basis on October 21, 2020 the outstanding Eminence Independent School District Finance Corporation School Building Revenue Bonds, Second Series of 2010, dated October 1, 2010 (the "2010B Bonds") maturing October 1, 2021 and thereafter (the "Refunded Bonds"); and (iii) pay the cost of the Bond issuance expenses (see "Plan of Refunding" herein). The Board has determined that the plan of refunding the Refunded Bonds will result in considerable interest cost savings to the Eminence Independent School District (the "District") and is in the best interest of the District.

The Bonds are revenue bonds and constitute a limited indebtedness of the Corporation. The Bonds will be secured by a lien and a pledge of the rental income derived by the Corporation from leasing the Projects (as hereinafter defined) to the Eminence Independent 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 Eminence Independent 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 6, 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](http://www.dtcc.com).

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

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

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

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

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

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

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

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

### **THE CORPORATION**

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

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

### **KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION**

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

The Commission will enter into a Participation Agreement with the Board whereunder the Commission, will agree to continue to pay approximately 100% of the debt service of the Refunding through August 1, 2030; provided, however, that the contractual commitment of the Commission to pay the annual Agreed Participation is limited to the biennial budget period of the Commonwealth, with the first such biennial budget period terminating on June 30, 2021.

The General Assembly of the Commonwealth adopted the State's Budget for the biennium ending June 30, 2020. 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.

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

<u>Biennium</u>	<u>Appropriation</u>
1986-88	\$18,223,200
1988-90	14,050,700
1990-92	13,542,800
1992-94	3,075,300
1994-96	2,800,000
1996-98	4,996,000
1998-00	12,141,500
2000-02	8,100,000
2002-04	9,500,000
2004-06	14,000,000
2006-08	9,000,000
2008-10	10,968,000
2010-12	12,656,200
2012-14	8,469,200
2014-16	8,764,000
2016-18	23,019,400
2018-20	7,608,000
2020-21	<u>2,946,900</u>
Total	\$183,861,200

#### COMMONWEALTH BUDGET FOR PERIOD ENDING JUNE 30, 2021

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

#### OUTSTANDING BONDS

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

<b>Bond Series</b>	<b>Original Principal</b>	<b>Current Principal Outstanding</b>	<b>Principal Assigned to Board</b>	<b>Principal Assigned to Commission</b>	<b>Interest Rate Range</b>	<b>Final Maturity</b>
2005-REF	\$910,000	\$40,000	\$886,566	\$23,434	4.400%	2024
2010	\$300,000	\$175,000	\$0	\$300,000	4.125%	2030
2010B	\$420,000	\$240,000	\$0	\$420,000	2.900% - 3.750%	2030
2012	\$820,000	\$560,000	\$0	\$820,000	2.000%	2033
2015	\$7,820,000	\$6,670,000	\$7,003,479	\$816,521	2.000% - 3.250%	2035
2020	\$6,530,000	\$6,530,000	\$6,530,000	\$0	2.500%	2044
<b>TOTALS:</b>	<b>\$16,800,000</b>	<b>\$14,215,000</b>	<b>\$14,420,045</b>	<b>\$2,379,955</b>		



## AUTHORITY

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

- i) the issuance of approximately \$440,000 of Bonds subject to a permitted adjustment of \$44,000;
- 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 6, 2020, will bear interest from that date as described herein, payable semi-annually on February 1 and August 1 of each year, commencing February 1, 2021, and will mature as to principal on February 1, 2021, and each August 1 thereafter in the years and in the principal amounts as set forth on the cover page of this Official Statement.

### Registration, Payment and Transfer

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

### Redemption

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

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

## SECURITY

### General

The Bonds are revenue bonds and constitute a limited indebtedness of the Corporation. The Bonds are payable as to both principal and interest solely from the income and revenues derived from the leasing of the 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 6, 2020, through June 30, 2021 with the option in the Board to renew said Lease from year to year for one year at a time, at annual rentals, sufficient in each year to enable the Corporation to pay, solely from the rental due under the Lease, the principal and interest on all of the Bonds as same become due. The Lease provides further that so long as the Board exercises its annual renewal options, its rentals will be payable according to the terms and provisions of the Lease until August 1, 2030, the final maturity date of the Bonds. Under the lease, the Corporation has pledged the rental revenue to the payment of the Bonds.

### **STATE INTERCEPT**

Under the terms of the Lease, and any renewal thereof, the Board has agreed so long as the Bonds remain outstanding, and in conformance with the intent and purpose of Section 157.627(5) of the Act and KRS 160.160(5), in the event of a failure by the Board to pay the rentals due under the 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 \$43,516 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, 2020. 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 PLAN OF REFUNDING**

A sufficient amount of the proceeds of the Bonds at the time of delivery will be deposited into the Bond Fund for the Refunded Bonds. The Bond Fund deposit is intended to be sufficient to (i) pay the accrued interest and refund at or in advance of maturity all of the Eminence Independent School District Finance Corporation School Building Revenue Bonds, Series of 2010, dated January 1, 2010, maturing January 1, 2021 and thereafter (the "Refunded Bonds") on October 21, 2020; and (ii) pay the accrued interest and refund at or in advance of maturity all of the Eminence Independent School District Finance Corporation School Building Revenue Bonds, Second Series of 2010, dated October 1, 2010, maturing October 1, 2021 and thereafter (the "Refunded Bonds") on October 21, 2020; and (iii) pay the cost of the Bond issuance expenses (see "Plan of Refunding" herein). The Board has determined that the plan of refunding the Refunded Bonds will result in considerable interest cost savings to the Eminence Independent School District (the "District") and is in the best interest of the District.

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

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

**PURPOSE OF THE PRIOR BONDS**

The Refunded Bonds were issued by the Corporation for the purpose of providing funds to finance window and roof replacements and HVAC replacement at Eminence Elementary School (the “Projects”).

**ESTIMATED BOND DEBT SERVICE**

The following table shows by fiscal year the current bond payments of the Board. The plan of financing provides for the Board to meet 0% of the debt service of the Bonds.

<b>Fiscal Year Ending June 30</b>	<b>Current Local Bond Payments</b>	<b>----- 2020 Series Revenue Bonds (100% SFCC)-----</b>			<b>Total Local Bond Payments</b>
		<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2021	\$719,271	\$19,000	\$2,070	\$21,070	\$719,271
2022	\$717,980	\$42,000	\$6,253	\$48,253	\$717,980
2023	\$717,146	\$40,000	\$5,749	\$45,749	\$717,146
2024	\$715,978	\$40,000	\$5,269	\$45,269	\$715,978
2025	\$720,533	\$44,000	\$4,789	\$48,789	\$720,533
2026	\$719,538	\$47,000	\$4,261	\$51,261	\$719,538
2027	\$718,113	\$47,000	\$3,603	\$50,603	\$718,113
2028	\$716,238	\$45,000	\$2,898	\$47,898	\$716,238
2029	\$718,914	\$45,000	\$2,088	\$47,088	\$718,914
2030	\$720,914	\$48,000	\$1,278	\$49,278	\$720,914
2031	\$719,059	\$23,000	\$414	\$23,414	\$719,059
2032	\$719,676				\$719,676
2033	\$718,903				\$718,903
2034	\$718,800				\$718,800
2035	\$719,276				\$719,276
2036	\$718,125				\$718,125
2037	\$718,750				\$718,750
2038	\$719,000				\$719,000
2039	\$718,875				\$718,875
2040	\$718,375				\$718,375
2041	\$717,500				\$717,500
2042	\$716,250				\$716,250
2043	\$719,625				\$719,625
2044	\$717,500				\$717,500
<b>TOTALS:</b>	<b>\$17,244,339</b>	<b>\$440,000</b>	<b>\$38,672</b>	<b>\$478,672</b>	<b>\$17,244,339</b>

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

**ESTIMATED USE OF BOND PROCEEDS**

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

<b>Sources:</b>	
Par Amount of Bonds	<u>\$440,000.00</u>
Total Sources	\$440,000.00
<b>Uses:</b>	
Deposit to Escrow Fund	\$417,050.00
Underwriter's Discount (1.5%)	6,600.00
Cost of Issuance	<u>16,350.00</u>
Total Uses	\$440,000.00

**DISTRICT STUDENT POPULATION**

Selected school census and average daily attendance for the Eminence Independent School District is as follows:

<u>Year</u>	<u>Average Daily Attendance</u>	<u>Year</u>	<u>Average Daily Attendance</u>
2000-01	455.4	2010-11	584.7
2001-02	439.7	2011-12	591.0
2002-03	441.1	2012-13	587.4
2003-04	479.8	2013-14	664.6
2004-05	535.2	2014-15	751.2
2005-06	556.6	2015-16	766.1
2006-07	567.6	2016-17	812.5
2007-08	610.6	2017-18	877.5
2008-09	586.6	2018-19	877.8
2009-10	591.1	2019-20	918.0

**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.

<u>Year</u>	<u>Capital Outlay Allotment</u>	<u>Year</u>	<u>Capital Outlay Allotment</u>
2000-01	45,540.0	2010-11	58,469.6
2001-02	43,970.0	2011-12	59,096.3
2002-03	44,110.0	2012-13	58,741.6
2003-04	47,980.0	2013-14	66,464.0
2004-05	53,520.0	2014-15	75,118.3
2005-06	55,660.0	2015-16	76,610.0
2006-07	56,760.0	2016-17	81,250.0
2007-08	61,060.0	2017-18	87,750.0
2008-09	58,662.0	2018-19	87,776.4
2009-10	59,213.4	2019-20	91,800.0

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***

<u>Tax Year</u>	<u>Combined Equivalent Rate</u>	<u>Total Property Assessment</u>	<u>Property Revenue Collections</u>
2000-01	63.3	109,099,449	639,323
2001-02	58.6	104,432,454	661,057
2002-03	61	116,361,504	681,878
2003-04	61	122,253,989	745,749
2004-05	59.9	125,561,627	765,926
2005-06	61.1	130,299,953	780,497
2006-07	67.4	131,328,934	802,420
2007-08	61.1	141,582,937	954,269
2008-09	64.9	147,019,116	898,287
2009-10	64.9	152,224,558	987,937
2010-11	64.3	154,206,870	1,000,803
2011-12	70	157,844,670	1,014,941
2012-13	73.9	152,112,352	1,064,786
2013-14	73.9	158,114,020	1,168,463
2014-15	84.2	161,004,315	1,355,656
2015-16	90.1	159,197,248	1,434,367
2016-17	89.4	164,931,934	1,474,491
2017-18	90.7	171,514,499	1,555,637
2018-19	89.3	176,268,003	1,574,073
2019-20	88.5	177,832,033	1,573,813

### OVERLAPPING BOND INDEBTEDNESS

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

<u>Issuer</u>	<u>Original Principal Amount</u>	<u>Amount of Bonds Redeemed</u>	<u>Current Principal Outstanding</u>
County of Henry			
Court Facility Bond Anticipation	1,500,000	0	1,500,000
Multiple Purposes Revenue	16075000	0	16075000
City of Campbellsburg			
General Obligation	655,000	35,000	620,000
Sewer Revenue	1,155,000	169,000	986,000
City of Eminence			
Water & Sewer Revenue	500,000	207,100	292,900
City of New Castle			
General Obligation	115,000	49,167	65,833
Water & Sewer Revenue	1,245,000	622,400	622,600
Improvement Project Revenue	90,000	13,800	76,200
City of Pleasureville			
General Obligation	200,000	157,298	42,702
Sewer Revenue	674,000	242,500	431,500
City Hall Public Corp.	235,000	173,000	62,000
Special Districts			
Henry County Extension District	500,000	402,850	97,150

Henry County Library Taxing District	4,540,000	0	4,540,000
Henry County Water District #2	8,641,000	3,609,000	5,032,000
<b>Totals:</b>	<b>36,125,000</b>	<b>5,681,115</b>	<b>30,443,885</b>

Source: 2020 Kentucky Local Debt Report.

### SEEK ALLOTMENT

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

	<u>Base Funding</u>	<u>Local Tax Effort</u>	<u>Total State &amp; Local Funding</u>
2019-20 SEEK	4,481,294	1,573,813	6,055,107
2018-19 SEEK	4,448,519	1,574,073	6,022,592
2017-18 SEEK	4,366,804	1,555,637	5,922,441
2016-17 SEEK	4,038,684	1,474,491	5,513,175
2015-16 SEEK	3,781,070	1,434,367	5,215,437
2014-15 SEEK	3,545,086	1,355,656	4,900,742
2013-14 SEEK	3,092,449	1,168,463	4,260,912
2012-13 SEEK	2,695,396	1,124,110	3,819,506
2011-12 SEEK	2,684,391	1,104,913	3,789,304
2010-11 SEEK	2,520,706	991,550	3,512,256
2009-10 SEEK	2,560,456	987,937	3,548,393
2008-09 SEEK	2,863,493	954,154	3,817,647
2007-08 SEEK	2,907,075	865,072	3,722,147
2006-07 SEEK	2,516,190	885,157	3,401,347
2005-06 SEEK	2,339,513	796,133	3,135,646
2004-05 SEEK	2,099,588	752,114	2,851,702
2003-04 SEEK	1,988,212	745,749	2,734,031
2002-03 SEEK	1,816,461	709,805	2,526,266
2001-02 SEEK	1,722,683	611,974	2,334,657
2000-01 SEEK	1,713,515	690,600	2,404,115

- (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 \$0.8850 for FY 2019-20. The equivalent tax rate" is defined as the rate which results when the income from all taxes levied by the district for school purposes is divided by the total assessed value of property plus the assessment for motor vehicles certified by the Commonwealth of Kentucky Revenue Cabinet.

### State Budgeting Process

- i) Each district board of education is required to prepare a general school budget on forms prescribed and furnished by the Kentucky Board of Education, showing the amount of money needed for current expenses, debt service, capital outlay, and other necessary expenses of the school during the succeeding fiscal year and the estimated amount that will be received from all sources.
- ii) By September 15 of each year, after the district receives its tax assessment data from the Department of Revenue and the State Department of Education, 3 copies of the budget are forwarded to the State Department for approval or disapproval.



- iii) The State Department of Education has adopted a policy of disapproving a school budget if it is financially unsound or fails to provide for:
  - a) payment of maturing principal and interest on any outstanding voted school improvement bonds of the district or payment of rental in connection with any outstanding school building revenue bonds issued for the benefit of the school district; or
  - b) fails to comply with the law.

### **COVID-19**

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

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

On March 24, 2020 the Governor of Kentucky signed Senate Bill 177 which provides relief to Kentucky School Districts in light of the Coronavirus emergency. Among other things, it removes the limits on the number of days that a district can utilize an approved Non-Traditional Instruction program ("NTI"). Senate Bill 177 also authorizes Kentucky Superintendents to use their school year 2018-2019 attendance data on their Superintendent's Annual Attendance Report. The report determines a district's average daily attendance used in calculating Support Education Excellence in Kentucky ("SEEK") funds. On April 2, 2020, the Governor of Kentucky has recommended that all schools remain closed until at least May 1, 2020, and later extended that through the end of the school year. All 172 Kentucky school districts utilized KDE's Non-Traditional Instruction (NTI) Program for the remainder of the school year.

On August 10, 2020, the Governor recommended that all Kentucky Schools postpone in-person learning until at least September 28, 2020. For more information on the Kentucky Department of Education's response to COVID 19, please see their website at <https://education.ky.gov/comm/Pages/COVID-19-Updates.aspx>.

## **POTENTIAL LEGISLATION**

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

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

## **CONTINUING DISCLOSURE; EXEMPTION**

As a result of the principal amount of Bonds being offered not exceeding \$1,000,000 Bond Counsel has advised the Corporation and the Board that they are exempt from application of the Rule 15c2-12c2-12(b)(5) of the Securities and Exchange Commission with respect to the Bonds.

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

Financial information regarding the Board may be obtained from Superintendent, Eminence Independent School District Board of Education, 219 W. Broadway, PO Box 146, Eminence, Kentucky 40019, Telephone 606-845-4788.

## **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 calculating the Federal alternative minimum income tax.

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

The Corporation will provide the purchaser the customary no-litigation certificate, and the final approving Legal Opinions of Steptoe & Johnson PLLC, Bond Counsel 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.

## **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 Eminence Independent 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 Eminence Independent 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 Eminence Independent 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.



**APPENDIX A**

**Eminence Independent School District Finance Corporation  
School Building Refunding Revenue Bonds  
Series of 2020**

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**Demographic and Economic Data**

## **HENRY COUNTY, KENTUCKY**

Henry County, located in north-central Kentucky in the Outer Blue Grass Region, has a land area of 289 square miles. The Kentucky River forms the eastern boundary of the county. Henry County had an estimated 2020 population of 16,092 persons.

Eminence, the largest city in Henry County, had an estimated 2020 population of 2,584. Eminence is located 69 miles northwest of Lexington, Kentucky; 38 miles northeast of Louisville, Kentucky; and 65 miles southwest of Cincinnati, Ohio.

New Castle, the county seat, had an estimated 2020 population of 947.

### **The Economic Framework**

Henry County has a labor force of 7,637 people, with an unemployment rate of 3.8%. The top 5 jobs by occupation are as follows: production workers - 564 (16.96%); office and administrative support - 428 (12.87%); sales - 320 (9.62%); executive, managers, and administrators - 316 (9.5%); and education, training/library - 199 (5.98%).

### **Transportation**

Major AAA-rated trucking highways serving Henry County include Interstate 71, U.S. Highway 421, and Kentucky Route 55. Other AAA-rated highways serving the county include Kentucky Routes 22, 146, 322, and 561. Twenty-one trucking companies provide interstate and/or intrastate service to Henry County. CSX Transportation provides main line rail service to Campbellsburg. The Capital City Airport in Frankfort, 29 miles southeast of Eminence, maintains a 5,000-foot paved runway. The nearest scheduled commercial airline service is available at the Louisville International Airport, 42 miles southwest of Eminence.

### **Power and Fuel**

Electric power is provided to Henry County by the LG&E Energy Corp. and by the East Kentucky Power Cooperative. LG&E Energy Corp. supplies natural gas service to the county.

### **Education**

Primary and secondary education is provided by the Eminence Independent School System and the Henry County School System. Eighteen colleges and universities are located within 60 miles of Eminence. The nearest area technology centers (ATC) providing secondary education are Shelby County Area Technology Center in Shelbyville; Oldham County Area Technology Center in Buckner; and Carroll County ATC in Carrollton. The nearest technical colleges providing post-secondary education are the Central Kentucky Technical College Anderson Campus in Lawrenceburg and the Jefferson Technical College in Louisville. .

## **LOCAL GOVERNMENT**

### **Structure**

Campbellsburg, Eminence, New Castle, and Pleasureville are each governed by a mayor-city council form of government. Henry County is served by a county judge/executive.

### **Planning and Zoning**

Joint agency - Henry County Planning & Zoning Commission  
Participating cities - Campbellsburg, Eminence, New Castle, Pleasureville, and Smithfield  
Zoning enforced - All areas within Henry County  
Subdivision regulations enforced - All areas within Henry County  
Local codes enforced - Building and Housing

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

**Local Fees and Licenses**

The City of Campbellsburg levies business license fees ranging from \$15 to \$50 and an eight percent insurance premium tax. The City of New Castle levies a \$35 business license fee.

The City of Eminence levies an occupational license tax of 0.75 percent on all wages, commissions, and salaries of individuals employed within the city and on net profits of businesses. The minimum annual tax is \$50 and a maximum annual tax of \$3,000 on net profits.

**Property Taxes**

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

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

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

**LABOR MARKET STATISTICS**

The Henry County Labor Market Area includes Henry County and the adjoining Kentucky counties of Carroll, Franklin, Gallatin, Jefferson, Oldham, Owen, Shelby, Trimble and the Indiana counties of Jefferson and Floyd .

**POPULATION**

<u>Area</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Henry County	16,094	16,092	16,228
Eminence	2,561	2,561	2,584
New Castle	937	941	947

\* Population estimates; Source: U.S. Department of Commerce, Bureau of the Census.

**POPULATION PROJECTIONS**

<u>Area</u>	<u>2025</u>	<u>2030</u>	<u>2035</u>
Henry County	15,514	15,360	15,081

Source: University of Louisville, Kentucky State Data Center.

**EDUCATION**

**Public Schools**

**Henry                      Eminence**



	<u>County</u>	<u>Independent</u>
Total Enrollment (2018-2019)	2,050	855
Pupil to Teacher Ratio (2018-2019)	15 - 1	14 - 1

## **Vocational-Technical Training**

### Customized Training

The Kentucky Tech system, through its Training and Development Coordinators, will provide technical assistance and will identify and develop low-cost customized training programs and services for both established and prospective businesses. Businesses wanting to establish a customized training program should contact a Training and Development Coordinator located at the Jefferson State Regional Technology Center.

### Assessment Services

Kentucky Tech Career Connections offers to business, education, and government agencies testing packages for evaluating job applicants, selecting employees for promotional consideration, and developing training programs within the organization. A Career Connections Assessment Center is located at the Jefferson State Regional Technology Center.

### Adult Education Services

Adult education programs are available to adults who want to develop new skills, improve basic skills, or earn a high school equivalency diploma. In Henry County, adult basic education and adult literacy programs are administered through the Henry County Board of Education.

### Bluegrass State Skills Corporation

The Bluegrass State Skills Corporation, an independent public corporation created and funded by the Kentucky General Assembly, provides programs of skills training to meet the needs of business and industry from entry level to advanced training, and from upgrading present employees to retraining experienced workers.

The Bluegrass State Skills Corporation is a major source for skills training assistance for a new or existing company. The Corporation works in partnership with other employment and job training resources and programs, as well as Kentucky's economic development activities, to package a program customized to meet the specific needs of a company.

## Area Technical Schools

<u>Institution</u>	<u>Location</u>	<u>Enrollment (2017-2018)</u>
Shelby County ATC	Shelbyville, KY	544
Oldham County CTC	Buckner, KY	541
Franklin County Career & Tech Center	Frankfort, KY	900
Carroll County ATC	Carrollton, KY	726
Elkhorn Crossing School	Georgetown, KY	863
Bullitt County ATC	Shepherdsville, KY	481
Nelson County ATC	Bardstown, KY	491
Trailblazer Academy	Harrodsburg, KY	292
Eastside Technical Center	Lexington, KY	966
Southside Technical Center	Lexington, KY	709
Jessamine Career & Technology Center	Nicholasville, KY	3,802
Harrison County ATC	Cynthiana, KY	746
Boone County ATC	Hebron, KY	217
Marion County ATC	Lebanon, KY	1,364
Kenton County Academies of of Innovation and Technology	Fort Mitchell, KY	534
Campbell County ATC	Alexandria, KY	298
Clark County ATC	Winchester, KY	733
Meade County ATC	Brandenburg, KY	688

## Area Colleges and Universities

<u>Institution</u>	<u>Location</u>	<u>Enrollment (Fall 2018)</u>
Kentucky State University	Frankfort, KY	1,926
Midway College	Midway, KY	1,217
Bellarmino University	Louisville, KY	2,757
Galen College of Nursing	Louisville, KY	1,703
Sullivan University	Louisville, KY	3,489
University of Louisville	Louisville, KY	21,402
Webster University	Louisville, KY	149
Asbury University	Wilmore, KY	1,990
ITT Technical Institute	Lexington, KY	270
Transylvania University	Lexington, KY	966
University of Kentucky	Lexington, KY	29,465
Beckfield College	Florence, KY	1,450
Centre College	Danville, KY	2,064
Thomas More College	Crestview Hills, KY	1,758

**EXISTING INDUSTRY**

<u>Firm</u>	<u>Product</u>	<u>Total Employed</u>
<u>Campbellsburg</u>		
Arvin Sango, Inc.	Automotive exhaust systems	58
Victory Hemp Foods LLC	Manufactures products made from hemp	3
<u>Eminence</u>		
Eminence Speaker LLC	Loudspeakers & woofers	100
Hussey Copper	Copper products	200
Hussey Fabrication Products	Copper and aluminum parts fabrication	76
Steel Technologies, Inc.	Steel rolling, annealing & sitting	110
<u>Smithfield</u>		
Safety-Kleen Systems Inc.	Industrial waste management	28

*Source: Kentucky Cabinet for Economic Development (12/10/19)*

**APPENDIX B**

**Eminence Independent School District Finance Corporation  
School Building Refunding Revenue Bonds  
Series of 2020**

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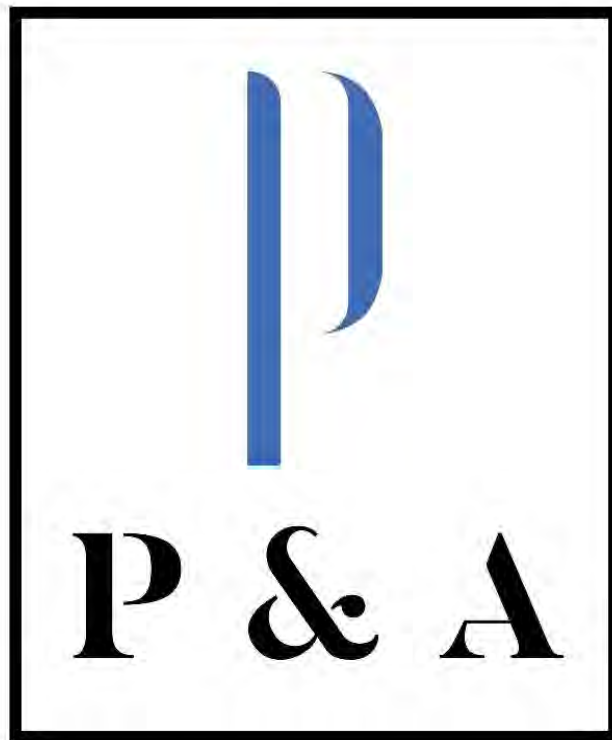
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**Audited Financial Statement ending June 30, 2019**

**EMINENCE INDEPENDENT  
BOARD OF EDUCATION**

**Basic Financial Statements,  
Supplementary Information,  
and Independent Auditor's Reports**

**Year Ended June 30, 2019**



**PATRICK & ASSOCIATES, LLC**

**124 Candlewood Drive  
Winchester, KY 40391**



EMINENCE INDEPENDENT BOARD OF EDUCATION

Basic Financial Statements,  
Supplementary Information,  
and Independent Auditor's Reports

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EMINENCE INDEPENDENT BOARD OF EDUCATION

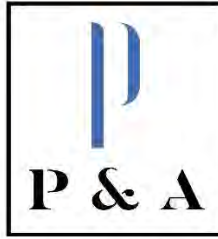
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PATRICK & ASSOCIATES, LLC

124 Candlewood Drive  
Winchester, KY 40391

## **Independent Auditor's Report**

Kentucky State Committee for  
School District Audits  
Eminence Independent Board of Education  
Eminence, Kentucky

### **Report on the Financial Statements**

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Eminence Independent Board of Education 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 OPEB schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2019, on our consideration of the Board'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 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 Board's internal control over financial reporting and compliance.



Tammy R. Patrick, CPA  
Winchester, KY  
November 15, 2019

# EMINENCE INDEPENDENT BOARD OF EDUCATION - Eminence, Kentucky

## Management's Discussion and Analysis (MD&A)

For the Year Ended June 30, 2019

This section of Eminence Independent School District's annual financial report presents management's narrative overview (discussion and analysis) of the District's financial performance during the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

### **FINANCIAL HIGHLIGHTS AND ACADEMIC EFFORTS**

#### *MASTERY MODEL OF COLLEGE AND CAREER READINESS*

- Systemic ICE (Interventions, Connections, and Enrichments)
- Standards Based Reporting and Grading with comprehensive systems of competencies
- Exemplars of Eminence Excellence which define an Eminence Degree from K-12
- Defense Panels for Graduation (5, 8, 12)
- BE Ready (Early College Bellarmine Experience)
- Early College Classes offered at Eminence High School
- Personalized Progressions for students per level of Mastery, Interests, Learning Style, etc.
- Embedded Industrial Certificate Opportunity for all students into their Core Classes
- Purchased calculators for all students
- Purchased Middle School History Textbooks

#### *STUDENT AGENCY*

- VOICE (Vision Of Innovative Classroom Excellence Teams (Teacher and Student)
- District Wide Student and Teacher Passion Projects
- Student D.N.A. (Digital Narrative Albums) Cloud-Based Rich Data Model
- Student Voice Surveys, Student Designed Courses, Student Led Course, Student Led PD, etc.
- SPARC Teams (Student Parent Advisor Readiness Councils) Success Teams
- Interest Based Lessons aligned to students SPARC, Career Interests, Hobbies, Skills, etc.
- Tens of Thousands of Dollars raised for Philanthropy and 1000s of hours annually (K-12)
- Expanded Robotics Programming
- Continues funding advanced security and screening

#### *NEXT GENERATION SKILLS*

- ACES (1:1 Initiative) Every Student Receives a Device
- Student Performance Based Assessments
- Next Generation Skills Continuum for Grades K-12
- Design Thinking employed at all Grades (Harvard D-School Framework); 3D Printing, Coding, etc.
- Students master 100s of Web 2.0 Tools while creating a portfolio of their evidence of mastery
- Modeling Strategies - Teachers in PD and All Meetings
- Personalized PD for Teachers - State's 1st Wifi Bus
- Flipped Classrooms / Blended Learning / Personalized-Adaptive Math&ELA Lessons (K-12)
- District-Wide Learning Management System / State Provided Student Information System
- Increased Micro-Credentialing of students and staff
- Added to the equipment offerings for our Maker Senior Space including a Banner and T-Shirt Maker

**EMINENCE INDEPENDENT BOARD OF EDUCATION - Eminence, Kentucky**  
**Management's Discussion and Analysis (MD&A), continued**  
**For the Year Ended June 30, 2019**

**Financial Highlights and Academic Efforts (continued)**

*BUILDING IMPROVEMENTS*

- Upgraded Security and Camera System
- Improved Energy Efficiency through Retrofitting Lighting, etc.
- Improved and Expanded Parking for School and Athletics
- Building Upgrades and Improvements
- Purchased a new bus
- Added an indoor "Window to the World"; Observation Bee Hive; and interactive visitor welcome 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 financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

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

**EMINENCE INDEPENDENT BOARD OF EDUCATION - Eminence, Kentucky**  
**Management's Discussion and Analysis (MD&A), continued**  
**For the Year Ended June 30, 2019**

**Overview of Financial Statements (continued)**

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

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

**Government-wide Financial Analysis**

Net position may serve over time as a useful indicator of the governmental financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,518,354 for Governmental Activities, and \$23,500 for Business-Type Activities as of June 30, 2019.

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

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

**EMINENCE INDEPENDENT BOARD OF EDUCATION - Eminence, Kentucky**  
**Management's Discussion and Analysis (MD&A), continued**  
**For the Year Ended June 30, 2019**

**Government-wide Financial Analysis (continued)**

Net position for the period ending June 30, 2019 as compared to June 30, 2018:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Current and other assets	\$ 2,781,486	\$ 2,491,068	\$ 131,709	\$ 116,526	\$ 2,913,195	\$ 2,607,594
Capital assets	12,830,728	13,104,467	70,066	81,685	12,900,794	13,186,152
Deferred outflows of resources	<u>1,822,014</u>	<u>897,120</u>	<u>75,917</u>	<u>142,182</u>	<u>1,897,931</u>	<u>1,039,302</u>
Total assets and deferred outflows	<u>17,434,228</u>	<u>16,492,655</u>	<u>277,692</u>	<u>340,393</u>	<u>17,711,920</u>	<u>16,833,048</u>
Long-term debt outstanding	8,644,005	8,561,251	--	--	8,644,005	8,561,251
Net pension and OPEB liability	5,631,165	3,788,090	234,632	303,880	5,865,797	4,091,970
Other liabilities	171,216	585,577	--	--	171,216	585,577
Deferred inflows of resources	<u>469,488</u>	<u>193,811</u>	<u>19,561</u>	<u>31,491</u>	<u>489,049</u>	<u>225,302</u>
Total liabilities and deferred inflows	<u>14,915,874</u>	<u>13,128,729</u>	<u>254,193</u>	<u>335,371</u>	<u>15,170,067</u>	<u>13,464,100</u>
Net position						
Net investment in capital assets	4,615,025	4,415,272	70,066	81,685	4,685,091	4,496,957
Restricted	2,610,270	2,245,520	9,862	5,425	2,620,132	2,250,945
Unrestricted	<u>(4,706,941)</u>	<u>(3,296,866)</u>	<u>(56,428)</u>	<u>(82,088)</u>	<u>(4,763,369)</u>	<u>(3,378,954)</u>
Total net position	<u>\$ 2,518,354</u>	<u>\$ 3,363,926</u>	<u>\$ 23,500</u>	<u>\$ 5,022</u>	<u>\$ 2,541,854</u>	<u>\$ 3,368,948</u>

**Comments on Budget Comparisons**

1) Excluding on-behalf payments of \$2,146,374, the General Fund budget compared to actual revenue varied slightly from line item to line item with an ending actual balance being \$630,395 or 10.50% more than budgeted.

2) Actual General Fund expenditures, net of on-behalf payments of \$2,146,374 compared to budget expenditures, net of contingency allotments, was \$1,333,955 or 16.90% less than budget.

**EMINENCE INDEPENDENT BOARD OF EDUCATION - Eminence, Kentucky**  
**Management's Discussion and Analysis (MD&A), continued**  
**For the Year Ended June 30, 2019**

**Government-wide Financial Analysis (continued)**

The following table presents a summary of revenue and expenses for the fiscal year ended June 30, 2019, for selected funds:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ --	\$ --	\$ 138,757	\$ 75,011	\$ 138,757	\$ 75,011
Operating grants and contributions	556,492	579,153	382,663	375,525	939,155	954,678
Capital grants and contributions	643,564	603,350	--	--	643,564	603,350
General revenues:						
Property taxes	1,231,127	1,356,117	--	--	1,231,127	1,356,117
Other taxes	328,001	209,345	--	--	328,001	209,345
Investment earnings	2,943	3,153	116	126	3,059	3,279
State and formula grants	4,580,618	4,578,803	58,781	3,842	4,639,399	4,582,645
State on-behalf payments	2,390,037	2,185,181	--	44,078	2,390,037	2,229,259
Miscellaneous	1,054,293	311,373	--	--	1,054,293	311,373
Total revenues	<u>\$ 10,787,075</u>	<u>\$ 9,826,475</u>	<u>\$ 580,317</u>	<u>\$ 498,582</u>	<u>\$ 11,367,392</u>	<u>\$ 10,325,057</u>
<b>Summary of Expenses</b>						
Expenses						
Instruction	\$ 7,622,394	\$ 6,644,052	\$ --	\$ --	\$ 7,622,394	\$ 6,644,052
Support services:						
Student	197,157	142,150	--	--	197,157	142,150
Instruction staff	358,728	338,183	--	--	358,728	338,183
District administrative	668,423	581,656	--	--	668,423	581,656
School administrative	509,911	457,506	--	--	509,911	457,506
Business	230,859	218,382	--	--	230,859	218,382
Plant operation and maintenance	906,014	891,758	--	--	906,014	891,758
Student transportation	306,361	259,719	--	--	306,361	259,719
Facilities acquisition & construction	647,818	--	--	--	647,818	--
Community service activities	89,230	70,032	--	--	89,230	70,032
Loss on asset disposals	--	34,064	--	--	--	34,064
Interest on long-term debt	208,574	263,827	--	--	208,574	263,827
Food service operation	--	--	632,785	548,581	632,785	548,581
Total expenses	<u>\$ 11,745,469</u>	<u>\$ 9,901,329</u>	<u>\$ 632,785</u>	<u>\$ 548,581</u>	<u>\$ 12,378,254</u>	<u>\$ 10,449,910</u>
Increase (decrease) in net position	(958,394)	(74,854)	(52,468)	(49,999)	(1,010,862)	(124,853)
Net position – beginning as restated	3,476,748	3,438,780	75,968	55,021	3,552,716	3,493,801
Net position - ending	<u>\$ 2,518,354</u>	<u>\$ 3,363,926</u>	<u>\$ 23,500</u>	<u>\$ 5,022</u>	<u>\$ 2,541,854</u>	<u>\$ 3,368,948</u>



**EMINENCE INDEPENDENT BOARD OF EDUCATION - Eminence, Kentucky**  
**Management's Discussion and Analysis (MD&A), continued**  
**For the Year Ended June 30, 2019**

**Budgetary Implications**

In Kentucky the fiscal year for public schools is July 1 - June 30; other programs, i.e. some federal, operate on a different fiscal calendar, but are reflected in the District overall budget. By law the budget must have a minimum 2 percent contingency. The District adopted a budget with \$315,000 in contingency overall.

The Eminence Independent Board of Education believes that successful student achievement is the most important task of the school district. They are committed to making sound fiscal decisions to achieve the best educational opportunities for all students.

**Capital Assets (Net of Depreciation and Amortization)**

As of June 30, 2019, the District had invested \$12,900,794 in capital assets as reflected in the following table, which represents a net decrease (additions, deductions and depreciation) of \$285,358. Additional detailed information on Capital Assets is available in the Notes to the Financial Statements.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Land	\$ 176,017	\$ 176,017	\$ --	\$ --	\$ 176,017	\$ 176,017
Buildings and improvements	11,742,949	11,457,050	--	--	11,742,949	11,457,050
Technology equipment	133,815	175,434	--	--	133,815	175,434
Vehicles	233,954	277,430	--	--	233,954	277,430
General equipment	543,993	600,550	--	--	543,993	600,550
Construction in progress	--	417,986	--	--	--	417,986
Food service and equipment	--	--	70,066	81,685	70,066	81,685
	<u>\$ 12,830,728</u>	<u>\$ 13,104,467</u>	<u>\$ 70,066</u>	<u>\$ 81,685</u>	<u>\$ 12,900,794</u>	<u>\$ 13,186,152</u>

**Debt Administration**

At June 30, 2019, the District had \$8,215,703 in bonds outstanding. Of this amount, \$1,832,381 is to be paid from the KSFCC funding provided by the State. A total of \$400,703 is due within one year.

Principal payments were made in the amount of \$473,492, representing the net decrease in balance from 2018 to 2019.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Revenue bonds payable	<u>\$ 8,689,195</u>	<u>\$ --</u>	<u>\$ 473,492</u>	<u>\$ 8,215,703</u>	<u>\$ 400,703</u>

## **Government-wide Financial Statements**

**EMINENCE INDEPENDENT BOARD OF EDUCATION**

**Statement of Net Position**

**June 30, 2019**

	Governmental Activities	Business- Type Activities	Total
<b>Assets</b>			
Cash & Cash Equivalents	\$ 2,465,613	\$ 121,847	\$ 2,587,460
Inventory	-	9,862	9,862
Accounts Receivable	315,873	-	315,873
Capital Assets	16,924,468	164,077	17,088,545
Less: Accumulated Depreciation & Amortization	(4,093,740)	(94,011)	(4,187,751)
Total Assets	<u>15,612,214</u>	<u>201,775</u>	<u>15,813,989</u>
<b>Deferred Outflows of Resources</b>			
Pension and OPEB contributions - current year	368,250	15,344	383,594
Difference between expected and actual experience	90,549	3,773	94,322
Net difference between projected and actual investment earnings on pension plan investments	129,092	5,379	134,471
Change of assumptions	460,773	19,199	479,972
Changes in proportion and differences between district contributions and proportionate share of contributions	773,350	32,223	805,573
Total Deferred Outflow of Resources	<u>1,822,014</u>	<u>75,917</u>	<u>1,897,931</u>
<b>Liabilities</b>			
Accounts Payable	45,266	-	45,266
Unavailable Revenue	125,950	-	125,950
Long-term liabilities			
Due within one year	461,426	-	461,426
Due in more than one year	8,182,579	-	8,182,579
Net pension liability	2,776,127	115,672	2,891,799
Net OPEB liability	2,855,038	118,960	2,973,998
Total Liabilities	<u>14,446,386</u>	<u>234,632</u>	<u>14,681,018</u>
<b>Deferred Inflows of Resources</b>			
Difference between expected and actual experience	104,640	4,360	109,000
Liability Experience	94,310	3,930	98,240
Change in assumption	42,507	1,771	44,278
Net difference between projected and actual investment earnings on pension plan and OPEB investments	226,763	9,448	236,211
Changes in proportion and differences between district contributions and proportionate share of contributions	1,268	53	1,321
Total Deferred Inflow of Resources	<u>469,488</u>	<u>19,561</u>	<u>489,049</u>
<b>Net Position</b>			
Net Investment in Capital Assets	4,615,025	70,066	4,685,091
Restricted for:			
Other Purposes: (nonexpendable)	2,610,270	9,862	2,620,132
Unrestricted	(4,706,941)	(56,428)	(4,763,369)
Total Net Position	<u>\$ 2,518,354</u>	<u>\$ 23,500</u>	<u>\$ 2,541,854</u>

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

**EMINENCE INDEPENDENT BOARD OF EDUCATION**

**Statement of Activities**

**For the Year Ended June 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- Type Activities	
Governmental Activities:							
Instruction	\$ 7,622,394	\$ -	\$ 556,492	\$ -	\$ (7,065,902)	\$ -	\$ (7,065,902)
Support Services:							
Student	197,157	-	-	-	(197,157)	-	(197,157)
Instruction Staff	358,728	-	-	-	(358,728)	-	(358,728)
District Administrative	668,423	-	-	-	(668,423)	-	(668,423)
School Administrative	509,911	-	-	-	(509,911)	-	(509,911)
Business	230,859	-	-	-	(230,859)	-	(230,859)
Plant Operation & Maintenance	906,014	-	-	-	(906,014)	-	(906,014)
Student Transportation	306,361	-	-	-	(306,361)	-	(306,361)
Facilities Acquisition & Constructio	647,818	-	-	643,564	(4,254)	-	(4,254)
Community Service Activities	89,230	-	-	-	(89,230)	-	(89,230)
Interest on Long-Term Debt	254,074	-	-	-	(254,074)	-	(254,074)
<b>Total Governmental Activities</b>	<b>11,790,969</b>	<b>-</b>	<b>556,492</b>	<b>643,564</b>	<b>(10,590,913)</b>	<b>-</b>	<b>(10,590,913)</b>
Business-Type Activities:							
Food Service	632,785	138,757	382,663	-	-	(111,365)	(111,365)
<b>Total Business-Type Activities</b>	<b>632,785</b>	<b>138,757</b>	<b>382,663</b>	<b>-</b>	<b>-</b>	<b>(111,365)</b>	<b>(111,365)</b>
<b>Total Primary Government</b>	<b>\$ 12,423,754</b>	<b>\$ 138,757</b>	<b>\$ 939,155</b>	<b>\$ 643,564</b>	<b>(10,590,913)</b>	<b>(111,365)</b>	<b>(10,702,278)</b>
General Revenues:							
Taxes:							
Property Taxes					\$ 1,231,127	\$ -	\$ 1,231,127
Motor Vehicle Taxes					124,551	-	124,551
Utility Taxes					201,095	-	201,095
Other Taxes					2,355	-	2,355
Investment Earnings					2,943	116	3,059
State and Federal Grants					4,580,618	58,781	4,639,399
On Behalf Payments					2,390,037	-	2,390,037
Miscellaneous					1,054,293	-	1,054,293
Change in Net Position					(1,003,894)	(52,468)	(1,056,362)
Net Position - beginning, as previously re					3,363,926	5,022	3,368,948
Prior period adjustment (see Note T)					158,322	70,946	229,268
Net Position - beginning, as restated					3,522,248	75,968	3,598,216
Net Position - Ending					\$ 2,518,354	\$ 23,500	\$ 2,541,854

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

**EMINENCE INDEPENDENT BOARD OF EDUCATION**

**Balance Sheet - Governmental Funds**

**June 30, 2019**

	General Fund	Special Revenue	FSPK Fund	Nonmajor Governmental Funds	Totals Governmental Funds
<b>Assets</b>					
Cash & Cash Equivalents	\$ 1,737,266	\$ 45,677	\$ 652,400	\$ 30,270	\$ 2,465,613
Interfund Receivables	133,717	-	-	-	133,717
Accounts Receivable	132,153	50,003	-	133,717	315,873
<b>Total Assets</b>	<b>\$ 2,003,136</b>	<b>\$ 95,680</b>	<b>\$ 652,400</b>	<b>\$ 163,987</b>	<b>\$ 2,915,203</b>
<b>Liabilities &amp; Fund Balances</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 45,266	\$ -	\$ -	\$ -	\$ 45,266
Interfund Payables	-	-	-	133,717	133,717
Unavailable Revenue	-	95,680	-	30,270	125,950
<b>Total Liabilities</b>	<b>45,266</b>	<b>95,680</b>	<b>-</b>	<b>163,987</b>	<b>304,933</b>
<b>Fund Balances</b>					
Restricted-Sick Leave	51,664	-	-	-	51,664
Restricted-Other	-	-	652,400	-	652,400
Unassigned	1,906,206	-	-	-	1,906,206
<b>Total Fund Balances</b>	<b>1,957,870</b>	<b>-</b>	<b>652,400</b>	<b>-</b>	<b>2,610,270</b>
<b>Total Liabilities &amp; Fund Balances</b>	<b>\$ 2,003,136</b>	<b>\$ 95,680</b>	<b>\$ 652,400</b>	<b>\$ 163,987</b>	<b>\$ 2,915,203</b>

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

**EMINENCE INDEPENDENT BOARD OF EDUCATION**

**Statement of Revenues, Expenditures & Changes in Fund Balances  
Governmental Funds**

**For the Year Ended June 30, 2019**

	General Fund	Special Revenue	FSPK Fund	Nonmajor Governmental Funds	Totals (Memorandum Only)
Revenues:					
Taxes:					
Property	\$ 1,054,859	\$ -	\$ 176,268	\$ -	\$ 1,231,127
Motor Vehicle	124,551	-	-	-	124,551
Utilities	201,016	-	79	-	201,095
Other	2,355	-	-	-	2,355
Earnings on Investments	2,917	26	-	-	2,943
Other Local Revenues	861,162	39,280	-	153,851	1,054,293
Intergovernmental - State	6,526,637	245,245	555,788	286,549	7,614,219
Intergovernmental - Indirect Federal	-	553,132	-	-	553,132
Intergovernmental - Direct Federal	3,360	-	-	-	3,360
<b>Total Revenues</b>	<b>8,776,857</b>	<b>837,683</b>	<b>732,135</b>	<b>440,400</b>	<b>10,787,075</b>
Expenditures:					
Instruction	5,962,489	701,388	-	16,993	6,680,870
Support Services:					
Student	148,904	-	-	-	148,904
Instructional Staff	240,125	67,269	-	3,141	310,535
District Administration	608,154	-	-	-	608,154
School Administration	458,175	-	-	-	458,175
Business	219,341	-	-	-	219,341
Plant Operations & Maintenance	763,898	-	-	-	763,898
Student Transportation	241,008	6,255	-	-	247,263
Community Service	-	81,205	-	-	81,205
Facilities Acquisition & Construction	-	-	-	229,832	229,832
Debt Service:					
Principal	52,695	-	-	463,492	516,187
Interest	9,801	-	-	244,273	254,074
Other	2	-	-	-	2
<b>Total Expenditures</b>	<b>8,704,592</b>	<b>856,117</b>	<b>-</b>	<b>957,731</b>	<b>10,518,440</b>
Excess (Deficit) of Revenues					
Over Expenditures (Carry Forward)	72,265	(18,434)	732,135	(517,331)	268,635
Other Financing Sources (Uses):					
Operating Transfers In	-	18,434	-	508,992	527,426
Operating Transfers Out	(18,434)	-	(403,666)	(105,326)	(527,426)
<b>Total Other Financing Sources(Uses)</b>	<b>(18,434)</b>	<b>18,434</b>	<b>(403,666)</b>	<b>403,666</b>	<b>-</b>
Net change in fund balances	53,831	-	328,469	(113,665)	268,635
Fund Balance June 30, 2018	1,904,039	-	323,931	113,665	2,341,635
<b>Fund Balance June 30, 2019</b>	<b>\$ 1,957,870</b>	<b>\$ -</b>	<b>\$ 652,400</b>	<b>\$ -</b>	<b>\$ 2,610,270</b>

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

**EMINENCE INDEPENDENT BOARD OF EDUCATION**

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

**June 30, 2019**

Total Fund Balance per Fund Financial Statements	\$ 2,610,270
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.	12,830,728
Deferred outflows and inflows used in governmental activities are not financial resources and therefore are not reported in the governmental funds:	
Outflows related to pension and OPEB	1,822,014
Inflows related to pension and OPEB	(469,488)
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, net pension and net OPEB) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position.	<u>(14,275,170)</u>
Net Position for Governmental Activities	<u>\$ 2,518,354</u>

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

**EMINENCE INDEPENDENT BOARD OF EDUCATION**

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

**For the Year Ended June 30, 2019**

Net change in total fund balances per fund financial statements	\$ 268,635
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense this year.	(273,739)
Change in construction in progress	(417,986)
Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.	516,187
Governmental funds report CERS contributions as expenditures when paid. However, in the Statement of Activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pension, and investment experience.	
KTRS on-behalf revenue	1,243,481
KTRS on-behalf pension expense	(1,148,094)
KTRS on-behalf OPEB expense	(95,387)
Pension expense	(523,707)
OPEB expense	(573,284)
Change in net position of governmental activities	<u>\$ (1,003,894)</u>

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



**EMINENCE INDEPENDENT BOARD OF EDUCATION**

**Statement of Net Position - Proprietary Funds**

**June 30, 2019**

	Food Service Fund	Day Care Service Fund	Total Proprietary Funds
<b>Assets</b>			
<u>Current Assets</u>			
Cash and Cash Equivalents	\$ 94,742	\$ 27,105	\$ 121,847
Accounts Receivable	-	-	-
Inventory	9,862	-	9,862
Total Current Assets	<u>104,604</u>	<u>27,105</u>	<u>131,709</u>
<u>Noncurrent Assets</u>			
Capital Assets	161,945	2,132	164,077
Less: Accumulated Depreciation	<u>(91,879)</u>	<u>(2,132)</u>	<u>(94,011)</u>
Total Noncurrent Assets	<u>70,066</u>	<u>-</u>	<u>70,066</u>
Total Assets	174,670	27,105	201,775
<b>Deferred Outflow of Resources</b>			
District contributions subsequent to the measurement date	13,196	2,148	15,344
Difference between expected and actual experience	3,245	528	3,773
Net difference between projected and actual investment earnings			
on pension plan investments	4,626	753	5,379
Change of assumptions	16,511	2,688	19,199
Changes in proportion and differences between			
district contributions and proportionate share of contributions	<u>27,712</u>	<u>4,511</u>	<u>32,223</u>
Total Deferred Outflow of Resources	<u>65,289</u>	<u>10,628</u>	<u>75,917</u>
<b>Liabilities</b>			
<u>Noncurrent Liabilities</u>			
Net pension liability	99,478	16,194	115,672
Net OPEB liability	102,306	16,654	118,960
Total Noncurrent Liabilities	<u>201,784</u>	<u>32,848</u>	<u>234,632</u>
Total Liabilities	<u>201,784</u>	<u>32,848</u>	<u>234,632</u>
<b>Deferred Inflow of Resources</b>			
Difference between expected and actual experience	3,750	610	4,360
Liability Experience	3,380	550	3,930
Change in assumption	1,523	248	1,771
Net difference between projected and actual investment earnings			
on pension plan investments	8,125	1,323	9,448
Changes in proportion and differences between			
district contributions and proportionate share of contributions	<u>46</u>	<u>7</u>	<u>53</u>
Total Deferred Inflow of Resources	<u>16,823</u>	<u>2,738</u>	<u>19,561</u>
<b>Net Position</b>			
Net Investment in Capital Assets	70,066	-	70,066
Restricted for:			
Inventory	9,862	-	9,862
Unrestricted	<u>(58,575)</u>	<u>2,147</u>	<u>(56,428)</u>
Total Net Position	<u>\$ 21,353</u>	<u>\$ 2,147</u>	<u>\$ 23,500</u>

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

**EMINENCE INDEPENDENT BOARD OF EDUCATION**

**Statement of Revenues, Expenses,  
and Changes in Fund Net Position - Proprietary Funds**

**For the Year Ended June 30, 2019**

	Food Service Fund	Day Care Service Fund	Total Proprietary Fund
Operating Revenues:			
Lunchroom Sales	\$ 78,079	\$ -	\$ 78,079
Day Care Fees	-	60,678	60,678
Total Operating Revenues	<u>78,079</u>	<u>60,678</u>	<u>138,757</u>
Operating Expenses:			
Salaries and Wages	266,061	83,795	349,856
Materials & Supplies	270,835		270,835
Depreciation Expense	11,619		11,619
Other Operating Expenses	330	145	475
Total Operating Expenses	<u>548,845</u>	<u>83,940</u>	<u>632,785</u>
Operating Income (Loss)	<u>(470,766)</u>	<u>(23,262)</u>	<u>(494,028)</u>
Non-Operating Revenues (Expenses)			
Federal Grants	363,825	-	363,825
Donated Commodities	18,838	-	18,838
Other State Funding	48,970	9,811	58,781
Interest Income	116	-	116
Total Non-Operating Revenues (Expenses)	<u>431,749</u>	<u>9,811</u>	<u>441,560</u>
Change in Net Position	(39,017)	(13,451)	(52,468)
Net position June 30, 2018	<u>60,370</u>	<u>15,598</u>	<u>75,968</u>
Net Position June 30, 2019	<u>\$ 21,353</u>	<u>\$ 2,147</u>	<u>\$ 23,500</u>

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

**EMINENCE INDEPENDENT BOARD OF EDUCATION**

**Statement of Cash Flows - Proprietary Funds**

**For the Year Ended June 30, 2019**

	Food Service Fund	Day Care Service Fund	Total Proprietary Funds
Cash Flows from Operating Activities:			
Cash received from lunchroom sales	\$ 78,079	\$ -	\$ 78,079
Cash received from day care activities	-	60,678	60,678
Cash payments to employees for services	(225,505)	(77,193)	(302,698)
Cash payments to suppliers for goods & services	(247,560)	-	(247,560)
Cash payments for other operating activities	(330)	(145)	(475)
Net cash from operating activities	<u>(395,316)</u>	<u>(16,660)</u>	<u>(411,976)</u>
Cash Flows from NonCapital Financing Activities:			
Cash received from government grants	412,795	9,811	422,606
Net cash from noncapital financing activities	<u>412,795</u>	<u>9,811</u>	<u>422,606</u>
Cash Flows from Investing Activities:			
Interest on investments	116	-	116
Net cash from investing activities	<u>116</u>	<u>-</u>	<u>116</u>
Increase/(Decrease) in cash & cash equivalents	17,595	(6,849)	10,746
Cash & cash equivalents, June 30, 2018	111,101	-	111,101
Cash & cash equivalents, June 30, 2019	<u>\$ 128,696</u>	<u>\$ (6,849)</u>	<u>\$ 121,847</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (470,766)	\$ (23,262)	\$ (494,028)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Donated Commodities included in Operating Expense	18,838	-	18,838
Depreciation Expense	11,619	-	11,619
Changes in assets, liabilities and deferred inflows/outflows:			-
Deferrals	(112,762)	(18,357)	(131,119)
Inventory	4,437	-	4,437
Deferred Outflows	(65,289)	(10,628)	(75,917)
Net Pension Liability	99,478	16,194	115,672
Net OPEB Liability	102,306	16,654	118,960
Deferred Inflows	16,823	2,739	19,562
Net Cash Used by Operating Activities	<u>\$ (395,316)</u>	<u>\$ (16,660)</u>	<u>\$ (411,976)</u>
Schedule of Non-Cash Transactions:			
Donated Commodities	<u>\$ 18,838</u>	<u>\$ -</u>	<u>\$ 18,838</u>

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

**EMINENCE INDEPENDENT BOARD OF EDUCATION**

**Statement of Fiduciary Net Position**

**June 30, 2019**

	Agency Fund
Assets	
Cash and Cash Equivalents	\$ 92,326
Total Assets	<u>92,326</u>
Liabilities	
Due to student groups	<u>92,326</u>
Total Liabilities	<u>\$ 92,326</u>

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

## **Notes to the Basic Financial Statements**

# EMINENCE INDEPENDENT BOARD OF EDUCATION

## Notes to the Basic Financial Statements

For the Year Ended June 30, 2019

### Note A - Summary of Significant Accounting Policies

#### Reporting Entity

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

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

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

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

#### Eminence Independent Board of Education Finance Corporation

In a prior year the Board of Education resolved to authorize the establishment of the Eminence School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

#### Basis of Presentation

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

**EMINENCE INDEPENDENT BOARD OF EDUCATION**  
**Notes to the Basic Financial Statements, continued**  
**For the Year Ended June 30, 2019**

**Note A - Summary of Significant Accounting Policies, continued**

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

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

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

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

The District has the following funds:

I. Governmental Fund Types

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

**EMINENCE INDEPENDENT BOARD OF EDUCATION**  
**Notes to the Basic Financial Statements, continued**  
**For the Year Ended June 30, 2019**

**Note A - Summary of Significant Accounting Policies, continued**

(B) Special Revenue Funds

1. The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards. This is a major fund of the District.
2. The District Activity Fund is used to account for funds to support co-curricular and extra-curricular activities not raised or expended by student groups.

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

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

(D) Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

II. Proprietary Fund Types (Enterprise Fund)

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

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



**EMINENCE INDEPENDENT BOARD OF EDUCATION**  
**Notes to the Basic Financial Statements, continued**  
**For the Year Ended June 30, 2019**

**Note A - Summary of Significant Accounting Policies, continued**

III. Fiduciary Fund Type (Agency Fund)

- (A) The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

Basis of Accounting

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

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

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

Unavailable Revenue - Unavailable revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

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

**EMINENCE INDEPENDENT BOARD OF EDUCATION**  
**Notes to the Basic Financial Statements, continued**  
**For the Year Ended June 30, 2019**

**Note A - Summary of Significant Accounting Policies, continued**

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

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

Property Tax Revenues

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

In-Kind

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

Capital Assets

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

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

**EMINENCE INDEPENDENT BOARD OF EDUCATION**  
**Notes to the Basic Financial Statements, continued**  
**For the Year Ended June 30, 2019**

**Note A - Summary of Significant Accounting Policies, continued**

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Building and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
General equipment	10 years

Interfund Balances

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

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive a calculated amount of the value of accumulated sick leave.

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

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

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

Budgetary Process

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

**EMINENCE INDEPENDENT BOARD OF EDUCATION**  
**Notes to the Basic Financial Statements, continued**  
**For the Year Ended June 30, 2019**

**Note A - Summary of Significant Accounting Policies, continued**

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

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

Each budget is prepared at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

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

Cash and Cash Equivalents

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

Inventories

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

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

The food service fund uses the specific identification method.

Accrued Liabilities and Long-Term Obligations

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

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

**EMINENCE INDEPENDENT BOARD OF EDUCATION**  
**Notes to the Basic Financial Statements, continued**  
**For the Year Ended June 30, 2019**

**Note A - Summary of Significant Accounting Policies, continued**

Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories and fixed assets.

Net Position

Net position represents the difference between all other elements in a statement of financial position and should be displayed in three components – *net investment in capital assets*; *restricted* (distinguishing between major categories of restrictions); and *unrestricted*. The calculation of *net investment in capital assets* is similar to the prior calculation of investment in capital assets, net of related debt; however, with the implementation of GASB Statement No. 63, the deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt should be included in this component of net position.

Pensions

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

Other Postemployment Benefits ("OPEB")

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

**EMINENCE INDEPENDENT BOARD OF EDUCATION**  
**Notes to the Basic Financial Statements, continued**  
**For the Year Ended June 30, 2019**

**Note A - Summary of Significant Accounting Policies, continued**

Deferred Outflows and Deferred Inflows

Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense the amounts are labeled deferred inflows. If the amounts will increase pension expense the amounts are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average expected remaining service life of the active and inactive plan members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period.

Operating Revenues and Expenses

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

**Note B - Estimates**

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

**Note C - Cash and Cash Equivalents**

At year-end, the carrying amount of the District's total cash and cash equivalents, including the activity funds, was \$2,557,939. Of the total cash balance, \$250,000 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

**EMINENCE INDEPENDENT BOARD OF EDUCATION**  
**Notes to the Basic Financial Statements, continued**  
**For the Year Ended June 30, 2019**

**Note D - Capital Assets**

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

<u><b>Governmental Activities</b></u>	<u><b>Balance June 30, 2018</b></u>	<u><b>Additions</b></u>	<u><b>Deductions</b></u>	<u><b>Balance June 30, 2019</b></u>
Land	\$ 176,017	\$ --	\$ --	\$ 176,017
Buildings and improvements	14,108,049	417,986	--	14,526,035
Technology equipment	657,206	--	--	657,206
Vehicles	715,540	--	--	715,540
General equipment	849,670	--	--	849,670
Construction in progress	417,986	--	(417,986)	--
Totals at historical cost	<u>16,924,468</u>	<u>417,986</u>	<u>(417,986)</u>	<u>16,924,468</u>
Less: accumulated depreciation				
Buildings and improvements	2,650,999	132,087	--	2,783,086
Technology equipment	481,772	41,619	--	523,391
Vehicles	438,110	43,476	--	481,586
General equipment	249,120	56,557	--	305,677
Total accumulated depreciation	<u>3,820,001</u>	<u>273,739</u>	<u>--</u>	<u>4,093,740</u>
Governmental activities capital assets - net	<u>\$ 13,104,467</u>	<u>\$ 144,247</u>	<u>\$ (417,986)</u>	<u>\$ 12,830,728</u>
<u><b>Business – Type Activities</b></u>	<u><b>Balance June 30, 2018</b></u>	<u><b>Additions</b></u>	<u><b>Deductions</b></u>	<u><b>Balance June 30, 2019</b></u>
Food service and equipment	\$ 159,274	\$ --	\$ --	\$ 159,274
Technology equipment	4,803	--	--	4,803
Totals at historical cost	<u>164,077</u>	<u>--</u>	<u>--</u>	<u>164,077</u>
Less: accumulated depreciation				
Food service and equipment	77,589	11,619	--	89,208
Technology equipment	4,803	--	--	4,803
Total accumulated depreciation	<u>82,392</u>	<u>11,619</u>	<u>--</u>	<u>94,011</u>
Business type activities capital assets - net	<u>\$ 81,685</u>	<u>\$ (11,619)</u>	<u>\$ --</u>	<u>\$ 70,066</u>

**EMINENCE INDEPENDENT BOARD OF EDUCATION**  
**Notes to the Basic Financial Statements, continued**  
**For the Year Ended June 30, 2019**

**Note E - Capital Lease Payable**

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

<u>Description</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Original Principal Amount</u>	<u>Principal Balance 6/30/18</u>	<u>Debt Issued</u>	<u>Debt Paid</u>	<u>Principal Balance 6/30/19</u>	<u>Due Within One Year</u>
2009 KISTA Bond	3/1/2020	2.00% - 3.60%	\$ 87,637	\$ 16,521	\$ --	\$ 8,122	\$ 8,399	\$ 8,399
2014 KISTA Bond	3/1/2024	2.00% - 3.00%	115,047	67,879	--	11,320	56,559	11,572
2016 KISTA Bond	3/1/2026	2.00% - 3.00%	119,889	93,743	--	11,388	82,355	11,608
2018 KISTA Bond	3/1/2028	2.00% - 3.00%	110,509	110,509	--	11,865	98,644	11,902
2019 KISTA Bond	3/1/2029	3.00%	122,173	--	122,173	--	122,173	12,988
			<u>\$ 555,255</u>	<u>\$ 288,652</u>	<u>\$ 122,173</u>	<u>\$ 42,695</u>	<u>\$ 368,130</u>	<u>\$ 56,469</u>

<u>Fiscal Year Ending June 30,</u>	<u>District</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2020	\$ 56,469	\$ 9,981	\$ 66,450
2021	47,207	8,368	55,575
2022	46,438	7,444	53,882
2023	45,643	6,232	51,875
2024	46,969	4,981	51,950
2025-2029	<u>125,404</u>	<u>9,201</u>	<u>134,605</u>
	<u>\$ 368,130</u>	<u>\$ 46,207</u>	<u>\$ 414,337</u>

Total minimum lease payments	\$ 414,337
Less: amount representing interest	<u>46,207</u>

Present value of net minimum lease payments	<u>\$ 368,130</u>
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**Note F - Bonded Debt**

The amount shown in the accompanying financial statements as current and non-current portions of bond obligations represent the District's future obligation to make bond payments relating to the bonds issued by the Eminence Independent School District Finance Corporation.

In the event of a failure by the Board to pay the required amounts due, and unless sufficient funds have been transmitted to the Paying Agent, or will be so transmitted, for paying said payments 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. Also, 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.



**EMINENCE INDEPENDENT BOARD OF EDUCATION**  
**Notes to the Basic Financial Statements, continued**  
**For the Year Ended June 30, 2019**

**Note F - Bonded Debt (continued)**

<u>Issue</u>	<u>Original Principal Amount</u>	<u>Interest Rates</u>	<u>Principal Outstanding at June 30, 2019</u>	<u>Maturity Date</u>
Series of February 1, 2005	\$ 910,000	2.25% - 4.40%	\$ 50,000	05/01/2024
Series of December 1, 2007	815,000	3.40% - 3.90%	150,703	07/01/2020
Series of January 1, 2010	300,000	3.25% - 4.125%	190,000	01/01/2030
Series of October 1, 2010	420,000	2.25% - 4.00%	280,000	10/01/2030
Series of November 1, 2012	820,000	2.00%	600,000	11/01/2032
Series of February 12, 2015	<u>7,820,000</u>	2.00% - 3.25%	<u>6,945,000</u>	02/01/2035
	<u>\$ 11,085,000</u>		<u>\$ 8,215,703</u>	

<u>Year</u>	<u>Eminence School District</u>		<u>Kentucky School Facilities Construction Commission</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2020	252,996	185,078	147,707	51,068	636,849
2021	345,703	176,613	139,297	47,206	708,819
2022	352,801	169,499	112,199	43,936	678,435
2023	354,948	162,203	115,052	41,084	673,287
2024	366,929	154,864	118,071	38,064	677,928
2025	363,317	143,716	121,683	34,453	663,169
2026	379,597	132,816	125,403	30,734	668,550
2027	390,810	121,428	129,190	26,947	668,375
2028	401,909	109,704	133,091	23,046	667,750
2029	412,892	97,647	137,108	19,028	666,675
2030	428,654	85,260	141,346	14,790	670,050
2031	441,034	72,400	118,966	10,575	642,975
2032	451,257	59,169	98,743	7,656	616,825
2033	465,521	45,632	94,479	5,293	610,925
2034	481,466	31,084	48,534	3,191	564,275
2035	<u>493,488</u>	<u>19,556</u>	<u>51,512</u>	<u>1,674</u>	<u>566,230</u>
	<u>\$ 6,383,322</u>	<u>\$ 1,766,669</u>	<u>\$ 1,832,381</u>	<u>\$ 398,745</u>	<u>\$ 10,381,117</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Revenue bonds payable	<u>\$ 8,689,195</u>	<u>\$ - -</u>	<u>\$ 473,492</u>	<u>\$ 8,215,703</u>	<u>\$ 400,703</u>

**EMINENCE INDEPENDENT BOARD OF EDUCATION**  
**Notes to the Basic Financial Statements, continued**  
**For the Year Ended June 30, 2019**

**Note G - Interest Expense**

For the year ended June 30, 2019, cash expenditures for interest were \$254,074. Expenditures consist of bond issue and capital lease interest of \$198,991 paid by the District and bond issue interest of \$55,083 paid by Kentucky School Facilities Construction Commission.

**Note H - Retirement Plans**

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

General information about the County Employees Retirement System Non-Hazardous (“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. Under the provisions of the Kentucky Revised Statute (“KRS”) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

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

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

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years’ service and hire date multiplied by the average of the highest five years’ earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service.

**EMINENCE INDEPENDENT BOARD OF EDUCATION**  
**Notes to the Basic Financial Statements, continued**  
**For the Year Ended June 30, 2019**

**Note H - Retirement Plans (continued)**

Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Contributions - Required contributions 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

General information about the Teachers' Retirement System of the State of Kentucky ("KTRS")

*Plan description* - Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky (KTRS) - 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. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS issues a publicly available financial report that can be obtained at [http://www.ktrs.ky.gov/05\\_publications/index.htm](http://www.ktrs.ky.gov/05_publications/index.htm).

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

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

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

**EMINENCE INDEPENDENT BOARD OF EDUCATION**  
**Notes to the Basic Financial Statements, continued**  
**For the Year Ended June 30, 2019**

**Note H - Retirement Plans (continued)**

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

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

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

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

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

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

District's proportionate share of the CERS net pension liability	\$ 2,891,799
Commonwealth's proportionate share of the KTRS net pension liability associated with the District	<u>15,845,098</u>
	<u>\$ 18,736,897</u>

The net pension liability for each plan was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2018, the District's proportion was 0.047482%.

**EMINENCE INDEPENDENT BOARD OF EDUCATION**  
**Notes to the Basic Financial Statements, continued**  
**For the Year Ended June 30, 2019**

**Note H - Retirement Plans (continued)**

For the year ended June 30, 2019, the District recognized pension expense of \$846,829 related to CERS and \$1,243,481 related to KTRS. The District also recognized revenue of \$1,243,481 for KTRS support provided by the Commonwealth. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 94,322	\$ --
Changes of assumptions	282,613	42,330
Net difference between projected and actual earnings on pension plan investments	134,471	169,145
Changes in proportion and differences between district contributions and proportionate share of contributions	510,230	--
District contributions subsequent to the measurement date	<u>269,265</u>	<u>--</u>
Total	<u>\$ 1,290,901</u>	<u>\$ 211,475</u>

The \$269,265 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and deferred inflows related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2020	\$ 464,577
2021	313,863
2022	47,242
2023	(15,521)

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

	<u>CERS</u>	<u>KTRS</u>
Inflation	2.30%	3.00%
Projected salary increases	3.05%	3.50 - 7.30%
Investment rate of return, net of investment expense & inflation	6.25%	7.50%

**EMINENCE INDEPENDENT BOARD OF EDUCATION**  
**Notes to the Basic Financial Statements, continued**  
**For the Year Ended June 30, 2019**

**Note H - Retirement Plans (continued)**

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 one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

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 allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the tables below.

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

<u>ASSET CLASS</u>	<u>Long-Term Expected</u>	
	<u>Target Allocation</u>	<u>Real Rate of Return</u>
<b>US Equity</b>		
US Large Cap	8.50%	4.50%
US Mid Cap	5.00%	4.50%
US Small Cap	4.00%	5.50%
<b>Non US Equity</b>		
International Develop	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	10.00%	3.00%
<b>Credit Fixed</b>		
Global IG Credit	10.00%	3.75%
HighYield	3.00%	5.50%
EMD	4.00%	6.00%
Private Equity	10.00%	6.50%
Real Estate	5.00%	7.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	5.00%
Cash	3.00%	1.00%
<b>Total</b>	<b>100.00%</b>	<b>5.13%</b>

**EMINENCE INDEPENDENT BOARD OF EDUCATION**  
**Notes to the Basic Financial Statements, continued**  
**For the Year Ended June 30, 2019**

**Note H - Retirement Plans (continued)**

For KTRS, 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 KTRS'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>	.9%
Total	<u>100.0%</u>	

*Discount rate* - For CERS, the discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at 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 does not use a municipal bond rate.

For KTRS, 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. statutorily required rates, and the additional amount appropriated for fiscal years 2019. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

**EMINENCE INDEPENDENT BOARD OF EDUCATION**  
**Notes to the Basic Financial Statements, continued**  
**For the Year Ended June 30, 2019**

**Note H - Retirement Plans (continued)**

	<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	\$ 3,640,475	\$ 2,891,799	\$ 2,264,539
KTRS	6.50%	7.50%	8.50%
District's proportionate share of net pension liability	--	--	--

*Changes of assumptions* - Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total CERS pension liability have been updated, however there were no changes regarding the assumptions for CERS.

*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 KTRS.

**Note I – Other Postemployment Benefits (OPEB)**

KTRS OPEB

General Information about the OPEB Plan

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

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

Medical Insurance Plan

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



**EMINENCE INDEPENDENT BOARD OF EDUCATION**  
**Notes to the Basic Financial Statements, continued**  
**For the Year Ended June 30, 2019**

**Note I – Other Postemployment Benefits (OPEB) (continued)**

Medical Insurance Plan (continued)

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

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

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

At June 30, 2019, the District reported a liability of \$2,131,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the District’s proportion was 0.061 percent, which was an increase of .012 from its proportion measured as of June 30, 2017 (0.049 percent).

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

District’s proportionate share of the net OPEB liability	\$ 2,131,000
Commonwealth’s proportionate share of the net OPEB liability associated with the District	<u>1,837,000</u>
Total	<u>\$ 3,968,000</u>

For the year ended June 30, 2019, the District recognized OPEB expense of \$133,000 and revenue of \$127,000 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

**EMINENCE INDEPENDENT BOARD OF EDUCATION**  
**Notes to the Basic Financial Statements, continued**  
**For the Year Ended June 30, 2019**

**Note I – Other Postemployment Benefits (OPEB) (continued)**

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
District contributions subsequent to the measurement date	\$ 114,329	\$ - -
Changes in proportion and differences between district contributions and proportionate share of contributions	122,000	
Differences between expected and actual Experience		109,000
Changes of assumptions	29,000	
Net difference between projected and actual earnings on pension plan investments	<u>- -</u>	<u>9,000</u>
Total	<u>\$ 265,329</u>	<u>\$ 118,000</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$114,329 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

**Year Ended June 30:**

2020	\$ 4,000
2021	4,000
2022	8,000
2023	7,000

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

Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 - 7.20%, including inflation
Inflation rate	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Healthcare cost trend rates:	
Under 65	7.75% for FY 20187 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 2024
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.

**EMINENCE INDEPENDENT BOARD OF EDUCATION**  
**Notes to the Basic Financial Statements, continued**  
**For the Year Ended June 30, 2019**

**Note I – Other Postemployment Benefits (OPEB) (continued)**

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

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

The long-term expected rate of return on 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>	

*Discount rate* - The discount rate used to measure the total OPEB liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

**EMINENCE INDEPENDENT BOARD OF EDUCATION**  
**Notes to the Basic Financial Statements, continued**  
**For the Year Ended June 30, 2019**

**Note I – Other Postemployment Benefits (OPEB) (continued)**

	<b>1% Decrease (<u>7.00%</u>)</b>	<b>Current Discount Rate (<u>8.00%</u>)</b>	<b>1% Increase (<u>9.00%</u>)</b>
District’s proportionate share of net OPEB liability	\$ 2,499,000	\$ 2,131,000	\$ 1,825,000

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

Life Insurance Plan

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

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

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

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

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

District’s proportionate share of the net OPEB liability	\$ - -
Commonwealth’s proportionate share of the net OPEB liability associated with the District	<u>32,000</u>
Total	<u>\$ 32,000</u>

For the year ended June 30, 2019, the District recognized OPEB expense of \$5,000 and revenue of \$5,000 for support provided by the State.

**EMINENCE INDEPENDENT BOARD OF EDUCATION**  
**Notes to the Basic Financial Statements, continued**  
**For the Year Ended June 30, 2019**

**Note I – Other Postemployment Benefits (OPEB) (continued)**

*Actuarial assumptions* – The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation.
Projected salary increases	4.00 – 8.10%, including inflation
Inflation rate	3.50%
Real wage growth	0.50%
Wage inflation	4.00%
Municipal Bond Index Rate	3.89%
Discount rate	7.50%
Single Equivalent Interest Rate	7.50%, net of OPEB plan investment expense, including inflation.

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
U.S. equity	40.0%	4.2%
International equity	23.0%	5.2%
Fixed income	18.0%	1.2%
Real estate	6.0%	3.8%
Private equity	5.0%	6.3%
Additional categories	6.0%	3.3%
Cash	<u>2.0%</u>	0.9%
Total	<u>100.0%</u>	

**EMINENCE INDEPENDENT BOARD OF EDUCATION**  
**Notes to the Basic Financial Statements, continued**  
**For the Year Ended June 30, 2019**

**Note I – Other Postemployment Benefits (OPEB) (continued)**

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

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

	<b>1% Decrease <u>(6.50%)</u></b>	<b>Current Discount Rate <u>(7.50%)</u></b>	<b>1% Increase <u>(8.50%)</u></b>
District's proportionate share of net OPEB liability	\$ --	\$ --	\$ --

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

**CERS OPEB**

**General Information about the OPEB Plan**

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

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

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

*Contributions* – CERS allocates a portion of the employer contributions to the health insurance benefit plan. For the 2018 measurement period, CERS allocated 6.21% of the 28.05% actuarially required contribution rate paid by employers for funding the healthcare benefit. In addition, 1% of the tier 2 and 3 employee contributions of 6% are allocated to the health insurance plan.

**EMINENCE INDEPENDENT BOARD OF EDUCATION**  
**Notes to the Basic Financial Statements, continued**  
**For the Year Ended June 30, 2019**

**Note I – Other Postemployment Benefits (OPEB) (continued)**

The District’s proportionate share of the net CERS OPEB MIF liability as of June 3, 2019 was \$842,998.

The net OPEB liability for each plan was measured as of June 3, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 3, 2018.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability Experience	\$ -	\$ 98,240
Changes of assumptions	168,359	1,948
Net difference between project and actual earnings on OPEB plan investments		58,066
Changes in proportion and difference between District contributions and proportionate share of contributions	173,343	1,321
Total	<u>\$ 341,702</u>	<u>\$ 159,575</u>

Actuarial assumptions for CERS is as follows:

Inflation	3.25%
Payroll Growth	4.00%
Salary increases, including	4.00%
Investment return	7.50%

For CERS, mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two year 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 demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2018 valuation were based on the results of the most recent actuarial experience studies for the System, which covered the five-year period ending June 30, 2015.

For CERS, the long-term expected rate of return on OPEB 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.

**EMINENCE INDEPENDENT BOARD OF EDUCATION**  
**Notes to the Basic Financial Statements, continued**  
**For the Year Ended June 30, 2019**

**Note I – Other Postemployment Benefits (OPEB) (continued)**

The CERS discount rate used to determine the Measurement Date was 7.50%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of June 30, 2017. IN addition to the actuarial methods and assumptions of the June 30, 2017 actuarial valuation, the following actuarial methods and assumptions were used in the projection of the LIF's cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 3.50%.
- The employer will contribute the Actuarially Determined Contribution (ADC) in accordance with the LIF's funding policy (Schedule E) determined by a valuation performed on a date two years prior to the beginning of the fiscal year in which the ADC applies.
- As administrative expenses were assumed to be paid in all years by the employer as they come due, they were not considered.
- Active employees do not explicitly contribute to the plan.
- Cash flows occur mid-year.

**Note J - Contingencies**

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

**Note K - Litigation**

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

**Note L - Insurance and Related Activities**

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



**EMINENCE INDEPENDENT BOARD OF EDUCATION**  
**Notes to the Basic Financial Statements, continued**  
**For the Year Ended June 30, 2019**

**Note M - Risk Management**

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers' compensation, errors and omissions, and general liability coverage, the District purchases commercial insurance from Liberty Mutual Insurance Group and KEMI.

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

**Note N - Deficit Operating Balances**

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

**Note O - Cobra**

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

**Note P - Transfer of Funds**

The following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Special	KETS Matching	\$ 18,434
Capital Outlay	Debt Service	Debt payments	105,326
FSPK	Debt Service	Debt payments	403,666
		Total Operating Transfers	<u>\$ 527,426</u>

**Note Q - KSBIT Assessment**

The Kentucky School Boards Insurance Trust (KSBIT) was created in 1978 to provide coverage through nonprofit self-insured pools authorized under Kentucky law. In a memo to members on January 14, 2013, KSBIT informed its members that despite years of work to eliminate deficits in these pools, that their most recent financial statements indicated a significant increase in the deficits of the pools, which under law require corrective action. Subsequent to the 2014 year-end, the Franklin Circuit Court issued an order instructing the former members to pay their required share of the assessment. Based on the Court's assessment plan, the Eminence Independent Board of Education was assessed \$44,019 for liability and \$34,034 for workers' compensation, totaling \$78,053. This assessed total was included in the 2014 government-wide financial statements for the District. The District has elected to pay the liability in an installment plan at zero percent interest over a seven-year period.

Aggregate payments required on the KSBIT liability for the next two years are as follows:

2020	\$ 4,254
2021	<u>4,254</u>
	<u>\$ 8,508</u>

**EMINENCE INDEPENDENT BOARD OF EDUCATION**  
**Notes to the Basic Financial Statements, continued**  
**For the Year Ended June 30, 2019**

**Note R - On-Behalf Payments**

The Kentucky State Department of Education has indicated the following amounts were contributed on-behalf of the District for the year ended June 30, 2019.

Contributions to Kentucky Teachers' Retirement System	\$ 1,243,481
Health insurance, life insurance, flexible spending accounts (includes administrative fee)	906,172
Technology	64,967
Debt service	198,774
Federal reimbursement	<u>(23,357)</u>
	<u>\$ 2,390,037</u>

The District includes on-behalf payments in their budgets. The total of these payments has been included in revenues and the applicable expenditure functions in these financial statements as follows:

General fund	\$ 2,146,374
Food services fund	44,889
Debt service fund	<u>198,774</u>
	<u>\$ 2,390,037</u>

**Note S – Prior Period Adjustments**

The net position of the governmental funds and the business-type activity funds were restated by \$158,322 and \$70,946, respectively. These restatements were related to previously reported pension and OPEB expenses.

**Note T - Subsequent Events**

Subsequent events have been evaluated through November 15, 2019, which is the date the financial statements were available to be issued.

**Note U – New Pronouncements**

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

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

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

**Required Supplementary Information**

**Budgetary Comparison Schedules,  
Pension Schedules and  
OPEB Schedules**

**EMINENCE INDEPENDENT BOARD OF EDUCATION**

**Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
Budget and Actual - General Fund**

**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Final Budget Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
From Local Sources:				
Taxes	\$ 1,116,058	\$ 1,212,500	\$ 1,382,781	\$ 170,281
Earnings on Investments	3,000	3,000	2,917	(83)
Other Local Revenues	72,704	515,617	861,162	345,545
Intergovernmental - State	4,270,549	4,262,971	6,526,637	2,263,666
Intergovernmental - Direct Federal	6,000	6,000	3,360	(2,640)
Total Revenues	5,468,311	6,000,088	8,776,857	2,776,769
Expenditures:				
Instruction	4,241,042	4,626,812	5,962,489	(1,335,677)
Support Services:				
Student	133,269	155,091	148,904	6,187
Instructional Staff	297,062	290,241	240,125	50,116
District Administration	657,434	640,058	608,154	31,904
School Administration	324,402	337,976	458,175	(120,199)
Business	146,639	135,129	219,341	(84,212)
Plant Operations & Maintenance	1,157,483	1,031,180	763,898	267,282
Student Transportation	274,942	298,018	241,008	57,010
Debt Service	65,691	62,668	62,498	170
Other	247,943	315,000	-	315,000
Total Expenditures	7,545,907	7,892,173	8,704,592	(812,419)
Excess (Deficit) of Revenues Over Expenditures	(2,077,596)	(1,892,085)	72,265	1,964,350
Other Financing Sources (Uses):				
Operating Transfers Out	(15,000)	(15,000)	(18,434)	(3,434)
Total Other Financing Sources (Use)	(15,000)	(15,000)	(18,434)	(3,434)
Excess (Deficit) of Revenues & Other Financing Sources Over Expenditures & Other Financing Uses	(2,092,596)	(1,907,085)	53,831	1,960,916
Fund Balance June 30, 2018	2,092,596	1,907,085	1,904,039	(3,046)
Fund Balance June 30, 2019	\$ -	\$ -	\$ 1,957,870	\$ 1,957,870

See the accompanying notes to the required supplementary information.

**EMINENCE INDEPENDENT BOARD OF EDUCATION**

**Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
Budget and Actual - Special Revenue Fund**

**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance
	Original	Final		With Final Budget Favorable (Unfavorable)
Revenues:				
From Local Sources:				
Earnings on Investments	\$ 50	\$ 50	\$ 26	\$ (24)
Other Local Revenues	66,829	712,509	39,280	(673,229)
Intergovernmental - State	337,510	323,115	245,245	(77,870)
Intergovernmental - Indirect Feder	505,398	614,903	553,132	(61,771)
Total Revenues	<u>909,787</u>	<u>1,650,577</u>	<u>837,683</u>	<u>(812,894)</u>
Expenditures:				
Instruction	739,493	1,460,033	701,388	758,645
Support Services:				
Instructional Staff	92,766	75,926	67,269	8,657
School Administration	-	27,500	-	27,500
Student Transportation	12,872	7,272	6,255	1,017
Community Service	79,656	94,846	81,205	13,641
Total Expenditures	<u>924,787</u>	<u>1,665,577</u>	<u>856,117</u>	<u>809,460</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(15,000)</u>	<u>(15,000)</u>	<u>(18,434)</u>	<u>(3,434)</u>
Other Financing Sources (Uses):				
Operating Transfers In	15,000	15,000	18,434	3,434
Total Other Financing Sources (Use	<u>15,000</u>	<u>15,000</u>	<u>18,434</u>	<u>3,434</u>
Excess (Deficit) of Revenues & Other Financing Sources Over Expenditures & Other Financing Uses	-	-	-	-
Fund Balance June 30, 2018	-	-	-	-
Fund Balance June 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying notes to the required supplementary information.

# EMINENCE INDEPENDENT BOARD OF EDUCATION

## Notes to Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

For the Year Ended June 30, 2019

### Budgetary Process

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

- a) Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP) during the year and adjusted to modified accrual for the governmental funds at year-end.
- b) Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP) during the year and adjusted to modified accrual for the governmental funds at year-end.
- c) Capital outlay is budgeted within the departmental budget (budgetary) as opposed to separate classification by character (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end in accordance with state law. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year end.

**EMINENCE INDEPENDENT BOARD OF EDUCATION**

**Required Supplementary Information**

**Schedule of the District's Proportionate Share of the  
Net Pension Liability**

**KTRS and CERS**

**For the Year Ended June 30, 2019**

	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)	Reporting Fiscal Year (Measurement Date) 2017 (2016)	Reporting Fiscal Year (Measurement Date) 2016 (2015)	Reporting Fiscal Year (Measurement Date) 2015 (2014)
<b>Teacher's Retirement System of the State of Kentucky (TRS)</b>					
District's proportion of the net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of pension liability associated with the District	15,845,098	29,858,565	31,556,265	21,892,700	17,153,719
Total	<u>\$ 15,845,098</u>	<u>\$ 29,858,565</u>	<u>\$ 31,556,265</u>	<u>\$ 21,892,700</u>	<u>\$ 17,153,719</u>
District's covered-employee payroll	\$ 3,981,372	\$ 3,819,377	\$ 3,497,802	\$ 3,325,563	\$ 2,883,305
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	59.80%	39.83%	35.22%	42.49%	45.59%
<b>County Employee Retirement System (CERS)</b>					
District's proportion of the net pension liability	0.047482%	0.034937%	0.31281%	0.28720%	0.030767%
District's proportionate share of the net pension liability	\$ 2,891,799	\$ 2,044,970	\$ 1,540,173	\$ 1,234,818	\$ 998,000
State's proportionate share of the net pension liability	-	-	-	-	-
Total	<u>\$ 2,891,799</u>	<u>\$ 2,044,970</u>	<u>\$ 1,540,173</u>	<u>\$ 1,234,818</u>	<u>\$ 998,000</u>
District's covered-employee payroll	\$ 1,888,537	\$ 1,253,137	\$ 902,079	\$ 793,144	\$ 704,032
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	153.12%	163.19%	170.74%	155.69%	141.75%
Plan fiduciary net position as a percentage of the total pension liability	53.54%	53.30%	59.00%	59.97%	66.80%

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

See the accompanying notes to the required supplementary information.

**EMINENCE INDEPENDENT BOARD OF EDUCATION**

**Schedule of the District's Contributions**

**KTRS and CERS**

**For the Year Ended June 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Teacher's Retirement System of the State of Kentucky (TRS)</b>					
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$3,981,372	\$3,819,377	\$3,497,802	\$3,325,563	\$2,883,305
District's contributions as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
<b>County Employee Retirement System (CERS)</b>					
Contractually required contribution	\$ 269,266	\$ 240,352	\$ 168,508	\$ 135,310	\$ 123,703
Contributions in related to the contractually required contribution	269,266	240,352	168,508	135,310	123,703
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$1,888,537	\$1,253,137	\$ 902,079	\$ 793,144	\$ 704,032
District's contributions as a percentage of its covered-employee payroll	14.26%	19.18%	18.68%	17.06%	17.57%

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

See the accompanying notes to the required supplementary information.



## EMINENCE INDEPENDENT BOARD OF EDUCATION

### Notes to Required Supplementary Information - Pensions

For the Year Ended June 30, 2019

#### NOTE 1. CHANGES OF ASSUMPTIONS

##### KTRS

- In 2014, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.16% to 5.23%.
- In 2015, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.23% to 4.88%.
- In the 2016 valuation, rates of withdrawal, retirement, disability and mortality rates were adjusted to more closely reflect actual experience. In the 2016 valuation, the Assumed Salary Scale, Prince Inflation, and Wage Inflation were adjusted to reflect a decrease. In addition, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.88% to 4.20%.
- In 2017, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.20% to 4.49%.
- In 2018, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.49% to 7.50%.

##### CERS

- For financial reporting the actuarial valuation as of June 30, 2019, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2018 were based on an actuarial valuation date of June 30, 2017. The total pension liability was rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018, using generally accepted actuarial principles.
- There have been no changes in actuarial assumptions since June 30, 2017.

#### NOTE 2. METHOD AND ASSUMPTIONS USED IN CALCULATION OF ACTUARIALLY DETERMINED CONTRIBUTIONS

##### KTRS

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

**EMINENCE INDEPENDENT BOARD OF EDUCATION**

**Notes to Required Supplementary Information - Pensions**

**For the Year Ended June 30, 2019**

**NOTE 2. METHOD AND ASSUMPTIONS USED IN CALCULATION OF ACTUARIALLY DETERMINED CONTRIBUTIONS (Continued)**

KTRS (continued)

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Pay, closed
Remaining Amortization Period	30 Years
Asset Valuation Method	5-year smoothed value
Single Equivalent Interest Rate	7.50%
Municipal Bond Index Rate	3.89%
Projected Salary Increase	3.50-7.50% including inflation 7.50% net of pension plan
Investment Rate of Return	investment expense, including inflation

CERS

The Board of Trustees used an actuarial valuation to certify the employer contribution rates for CERS for the fiscal year beginning July 1, 2018 and ending June 30, 2019. The following actuarial methods and assumptions were used to determine the contribution rates reported in the most recent actuarial valuation, effective for fiscal year ending June 30, 2019:

Valuation Date	June 30, 2017
Experience Study	July 1, 2008 to June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Amortization Period	27 Years, closed
Asset Valuation Method	20% of the difference between the market value assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Payroll Growth	4.00%
Salary Increase	4.00%
Investment Rate of Return	7.50%
Wage Inflation	3.25%

**Note 3. Changes Of Benefits**

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

EMINENCE INDEPENDENT BOARD OF EDUCATION

Required Supplementary Information

Schedule of the District's Proportionate Share of the Net OPEB Liability Medical and Life Insurance Plans – KTRS

For the Year Ended June 30, 2019

	Reporting Fiscal Year (Measureme nt Date) 2019 (2018)	Reporting Fiscal Year (Measureme nt Date) 2018 (2017)
<b>MEDICAL INSURANCE PLAN</b>		
District's proportion of the collective OPEB liability	0.610%	0.057%
District's proportionate share of the collective net OPEB liabi	\$ 2,131,000	\$ 2,047,000
State's proportionate share of the collective net OPEB liability associated with the District	<u>1,837,000</u>	<u>1,672,000</u>
Total	<u>\$ 3,968,000</u>	<u>\$ 3,719,000</u>
District's covered-employee payroll	\$ 3,981,372	\$ 3,819,377
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	53.52%	53.60%
Plan fiduciary net position as a percentage of the total OPEB	25.50%	21.20%
<b>LIFE INSURANCE PLAN</b>		
District's proportion of the collective OPEB liability	0.00%	0.00%
District's proportionate share of the collective net OPEB liabi	\$ -	\$ -
State's proportionate share of the collective net OPEB liability associated with the District	<u>32,000</u>	<u>22,000</u>
Total	<u>\$ 32,000</u>	<u>\$ 22,000</u>
District's covered-employee payroll	\$ 3,819,377	\$ 3,819,377
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB	75.00%	80.00%

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

See the accompanying notes to the required supplementary information.

**EMINENCE INDEPENDENT BOARD OF EDUCATION**

**Required Supplementary Information**

**Schedule of District's Contributions Medical and Life Insurance Plans – KTRS**

**For the Year Ended June 30, 2019**

	<u>2019</u>	<u>2018</u>
<b>MEDICAL INSURANCE PLAN</b>		
Contractually required contribution	\$ 114,329	\$ 106,316
Contributions in relation to the contractually required contribution	<u>114,329</u>	<u>106,316</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 3,981,377	\$ 3,819,377
District's contributions as a percentage of it's covered-employee payroll	2.87%	2.78%
<b>LIFE INSURANCE PLAN</b>		
Contractually required contribution	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 3,981,377	\$ 3,819,377
District's contributions as a percentage of it's covered-employee payroll	0.00%	0.00%

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

See the accompanying notes to the required supplementary information.

**EMINENCE INDEPENDENT BOARD OF EDUCATION**

**Required Supplementary Information**

**Schedule of District's Proportionate Share of the Net OPEB Liability – Health Insurance Plan – CERS**

**For the Year Ended June 30, 2019**

	Reporting Fiscal Year (Measureme nt Date) 2019 (2018)	Reporting Fiscal Year (Measureme nt Date) 2018 (2017)
	<u>          </u>	<u>          </u>
<b>HEALTH INSURANCE PLAN</b>		
District's proportion of the collective OPEB	0.04748%	0.034937%
District's proportionate share of the collective net OPEB liability	\$ 842,998	\$ 702,353
State's proportionate share of the collective net OPEB liability associated with the District	-	-
	<u>          </u>	<u>          </u>
Total	<u>\$ 842,998</u>	<u>\$ 702,353</u>
District's covered-employee payroll	\$ 1,289,604	\$ 1,261,422
District's proportionate share of the collective net OPEB liability as a percentage of its	65.37%	55.68%
Plan fiduciary net position as a percentage of the total OPEB	57.62%	13.00%

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

See the accompanying notes to the required supplementary information.

**EMINENCE INDEPENDENT BOARD OF EDUCATION**

**Required Supplementary Information**

**Schedule of District's Contributions – Health Insurance Plan – CERS**

**For the Year Ended June 30, 2019**

<b>HEALTH INSURANCE PLAN</b>	<b>2019</b>	<b>2018</b>
Contractually required contribution	\$ 6,350	\$ 5,300
Contributions in relation to the contractually required contribution	<u>6,350</u>	<u>5,300</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,289,604	\$ 1,261,422
District's contributions as a percentage of it's covered-employee payroll	0.49%	0.42%

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

See the accompanying notes to the required supplementary information.

**EMINENCE INDEPENDENT BOARD OF EDUCATION**

**Notes to Required Supplementary Information - OPEB**

**For the Year Ended June 30, 2019**

KTRS

**NOTE 1. CHANGES OF BENEFIT TERMS**

Medical Insurance Fund

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

Life Insurance Fund

None.

**NOTE 2. METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS**

Medical Insurance Fund

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

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll
Amortization Period	23 Years Closed
Asset Valuation Method	5-year smoothed value
Single Equivalent Interest Rate	8.00%
Municipal Bond Index Rate	3.89%
Investment Rate of Return	8.00%
Inflation	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Salary Increase	3.50-7.20%, including wage inflation
Discount Rate	8.00%

# EMINENCE INDEPENDENT BOARD OF EDUCATION

## Notes to Required Supplementary Information - OPEB

For the Year Ended June 30, 2019

### Life Insurance Fund

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

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll
Amortization Period	30 Years, Open
Asset Valuation Method	5-year smoothed value
Single Equivalent Interest Rate	7.50%
Municipal Bond Index Rate	3.89%
Investment Rate of Return	7.50%
Inflation	3.50%
Real Wage Growth	0.50%
Wage Inflation	4%
Salary Increase	4.00-8.10%, including wage inflation
Discount Rate	7.50%



# EMINENCE INDEPENDENT BOARD OF EDUCATION

## Notes to Required Supplementary Information - OPEB

For the Year Ended June 30, 2019

### CERS

#### Other Pension Benefit Programs-Employees' Health Plan

#### **NOTE 1. CHANGES OF BENEFIT TERMS**

None.

#### **NOTE 2. METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS**

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

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Amortization Period	27 years, closed
Asset Valuation Method	20% of the difference in market and expected market value
Price Inflation	3.25%
Salary Increase	4.00% average
Investment Rate of Return	7.50%
Payroll Growth	4.00%
Mortality	RP-200 Combined Mortality Table projected to 2013 with Scale BB (set back year for females)
Healthcare Trend Rates (Pre-65)	Initial Trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.
Healthcare Trend Rates (Post-65)	Initial Trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.

See the accompanying notes to the required supplementary information.

**Supplementary Information**  
**Combining Statements - Nonmajor Funds**  
**EMINENCE INDEPENDENT BOARD OF EDUCATION**

**Combining Balance Sheets -**  
**Nonmajor Governmental Funds**

**June 30, 2019**

	District Activity Fund	Debt Service Fund	Construction Fund	SEEK Capital Outlay Fund	Total Nonmajor Governmental Funds
<b>Assets &amp; Resources:</b>					
Cash & Cash Equivalents	\$ 30,270	\$ -	\$ -	\$ -	\$ 30,270
Interfund Receivable	-	-	133,717	-	133,717
<b>Total Assets &amp; Resources</b>	<b>\$ 30,270</b>	<b>\$ -</b>	<b>\$ 133,717</b>	<b>\$ -</b>	<b>\$ 163,987</b>
<b>Liabilities &amp; Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Interfund Payables	-	-	133,717	-	133,717
Unavailable Revenue	30,270	-	-	-	30,270
<b>Total Liabilities</b>	<b>30,270</b>	<b>-</b>	<b>133,717</b>	<b>-</b>	<b>163,987</b>
<b>Fund Balances:</b>					
Committed-Other	-	-	-	-	-
Committed-Future Constructic	-	-	-	-	-
Restricted	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>Total Fund Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities &amp; Fund Balances</b>	<b>\$ 30,270</b>	<b>\$ -</b>	<b>\$ 133,717</b>	<b>\$ -</b>	<b>\$ 163,987</b>

**Supplementary Information**  
**Combining Statements - Nonmajor Funds**  
**EMINENCE INDEPENDENT BOARD OF EDUCATION**

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

**For the Year Ended June 30, 2019**

	District Activity Fund	Debt Service Fund	Construction Fund	SEEK Capital Outlay Fund	Total Nonmajor Governmental Fund
Revenues:					
From Local Sources:					
Other Local Revenues	\$ 20,134	\$ -	\$ 133,717	\$ -	\$ 153,851
Intergovernmental - State	-	198,773	-	87,776	286,549
Total Revenues	<u>20,134</u>	<u>198,773</u>	<u>133,717</u>	<u>87,776</u>	<u>440,400</u>
Expenditures:					
Instruction	16,993		-		16,993
Support services:					
Instruction staff	3,141		-		3,141
Facilities Acquisition & Construction	-	-	229,832	-	229,832
Debt Service:					
Principal	-	463,492	-	-	463,492
Interest	-	244,273	-	-	244,273
Total Expenditures	<u>20,134</u>	<u>707,765</u>	<u>229,832</u>	<u>-</u>	<u>957,731</u>
Excess (Deficit) of Revenues Over Expenditures	<u>-</u>	<u>(508,992)</u>	<u>(96,115)</u>	<u>87,776</u>	<u>(517,331)</u>
Other Financing Sources (Uses):					
Operating Transfers In	-	508,992	-	-	508,992
Operating Transfers Out	-	-	-	(105,326)	(105,326)
Total Other Financing Sources(Uses)	<u>-</u>	<u>508,992</u>	<u>-</u>	<u>(105,326)</u>	<u>403,666</u>
Excess (Deficit) of Revenues & Other Financing Sources Over Expenditures & Other Financing Uses	<u>-</u>	<u>-</u>	<u>(96,115)</u>	<u>(17,550)</u>	<u>(113,665)</u>
Fund Balance June 30, 2018	<u>-</u>	<u>-</u>	<u>96,115</u>	<u>17,550</u>	<u>113,665</u>
Fund Balance June 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**EMINENCE INDEPENDENT BOARD OF EDUCATION**

**Statements of Receipts, Disbursements and Changes  
In Fund Balances**

**Eminence Combined High School and  
Middle School and Elementary  
Activity Funds**

**For the Year Ended June 30, 2019**

<u>Accounts</u>	<u>Fund Balances</u>			<u>Fund Balances</u>
	<u>June 30, 2018</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>June 30, 2019</u>
Academic Team H/S	\$ -	\$ 162	\$ 162	\$ -
Academic Team M/S	-	-	-	-
ACES	350	16,593	16,943	-
Agriculture Club	453	215	413	255
Archery Club	498	3,272	3,724	46
Art Club	853	414	907	360
Athletics	600	27,890	28,490	-
Aquaponics	-	100	(95)	195
Band	1,337	4,238	4,331	1,244
Baseball H/S	645	3,361	2,780	1,226
Baseball M/S	-	539	539	-
Board Game Club H/S	20	-	20	-
Board Game Club M/S	109	-	109	-
Book Club	13	-	13	-
Boys Basketball H/S	13	12,522	7,209	5,326
Boys Basketball M/S	2,351	3,832	5,547	636
CBI	988	839	766	1,061
Cheerleading H/S	2,779	2,538	2,779	2,538
Cheerleading M/S	921	2,806	3,568	159
College On Line	3	-	3	-
Cooking Class	1	27	17	11
Cross Country	207	830	363	674
Dance/Drama Class	47	800	822	25
Dance Event - M/S	11	246	246	11
Dance Team H/S	-	1,362	233	1,129
Dance Team M/S	20	-	-	20
Edhub Events	-	88	88	-
Education Foundation	1,002	7,415	8,415	2
Exemplars	-	2,755	2,755	-
Faculty	249	-	-	249
FCA	197	-	-	197
FEA	136	-	136	-
Fees	200	10,275	10,475	-
Field Day	88	260	260	88
Field Trips	133	1,668	1,665	136
Football	2,550	15,593	16,075	2,068

**EMINENCE INDEPENDENT BOARD OF EDUCATION**

**Statement of Receipts, Disbursements and Fund Balances  
Eminence Independent High School and Middle School Activity Funds, continued**

**For the Year Ended June 30, 2019**

<u>Accounts</u>	<u>Fund Balances</u>			<u>Fund Balances</u>
	<u>June 30, 2018</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>June 30, 2019</u>
Freshman	3,084	1,272	2,304	2,052
General	4,779	5,688	5,898	4,569
Genius Hour	72	138	60	150
Girls Basketball H/S	3,022	7,038	8,053	2,007
Girls Basketball M/S	1,463	2,037	1,690	1,810
Grade 6	257	128	257	128
Grade 7	149	11,600	11,501	248
Grade 8	1,139	14,489	14,090	1,538
Judy Lea Memorial H/S	447	323	320	450
Judy Lea Memorial M/S	635	323	244	714
Junior Beta Club	2,997	3,972	4,828	2,141
Juniors	6,226	1,256	3,034	4,448
Latin/Spanish Club	40	75	75	40
Library	-	22	22	-
Life Skills	-	-	-	-
National Honor Soc.	288	788	974	102
NCKC League	-	3,198	3,198	-
Odyssey of the Mind	469	-	-	469
Pep Club	493	-	-	493
PLTW	-	796	726	70
Senior Beta Club	1,467	13,639	14,010	1,096
Senior Drama Club	7,167	15,830	13,816	9,181
Seniors	1,687	31,010	30,877	1,820
Service Learning	241	3,164	2,703	702
Softball	2,616	3,396	2,202	3,810
Sophomores	3,192	1,109	108	4,193
Spark Literary Club	13	-	13	-
Staff Donations	-	-	-	-
STLP H/S	17	-	-	17
STLP M/S	16	-	-	16
Student Council	1	-	-	1
Student Outreach	-	-	-	-
SWAT Business Administrat	20	-	20	-
Sweet Treats Service Projec	338	-	50	288
Start Up	-	600	600	-
Technology Student	-	6,438	3,623	2,815
Tennis	-	1,746	1,746	-
The Green Club	12	-	12	-

**EMINENCE INDEPENDENT BOARD OF EDUCATION**

**Statement of Receipts, Disbursements and Fund Balances  
Eminence Independent High School and Middle School Activity Funds, continued**

**For the Year Ended June 30, 2019**

<u>Accounts</u>	<u>Fund Balances June 30, 2018</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Fund Balances June 30, 2019</u>
Track	3	-	-	3
Volleyball H/S	2,398	4,344	4,345	2,397
Volleyball M/S	1,005	2,925	1,524	2,406
Yearbook	6,272	5,712	4,853	7,131
5/6 Football	56	1,238	1,133	161
7/8 Football	264	339	603	-
Totals	<u>\$ 69,119</u>	<u>\$ 265,273</u>	<u>\$ 259,270</u>	<u>\$ 75,122</u>

**EMINENCE INDEPENDENT BOARD OF EDUCATION**

**Statement of Receipts, Disbursements and Fund Balances  
Eminence Independent Elementary School**

**For the Year Ended June 30, 2019**

<b>School</b>	<b>Fund Balance June 30, 2018</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Fund Balance June 30, 2019</b>
Eminence Independent Elementary School	\$ 15,633	\$ 52,835	\$ 51,264	\$ 17,204

**Schedule of Expenditures of Federal Awards**



**EMINENCE INDEPENDENT BOARD OF EDUCATION**

**Schedule of Expenditures of Federal Awards**

**For the Year Ended June 30, 2019**

	CFDA Number	Pass-Through Number	Passed Through to Subrecipient	Federal Expenditures
<u>U.S. Department of Education</u>				
Title I, Grants to Local Educational Agencies	84.010	3100002-19	\$ -	\$ 199,256
Title I, Grants to Local Educational Agencies	84.010	3100002-18	-	573
Total				<u>199,829</u>
Title VII, Impact Aid	84.041	Unknown	-	3,360
Total				<u>3,360</u>
Career and Technical Education-Basic Grants t	84.048	3710002-19	-	6,754
Career and Technical Education-Basic Grants t	84.048	3710002-18	-	260
				<u>7,014</u>
Special Education Cluster:				
Special Education-Grants to States	84.027	3810002-19	-	114,577
Special Education-Grants to States	84.027	3810002-18	-	38,835
Special Education-Grants to States	84.027	3810002-17	-	1,973
Special Education-Preschool Grants	84.173	3800002-19	-	1,801
Total				<u>157,186</u>
Education for Homeless Children and Youth	84.196	3990002-19	-	49,261
Education for Homeless Children and Youth	84.196	3990002-18	-	20,440
Total				<u>69,701</u>
Rural Education	84.358	3140002-19	-	11,367
Total				<u>11,367</u>
Community Work Transition Program	84.002	371-D-19	-	4,973
Community Work Transition Program	84.002	371-C-18	-	408
Total				<u>5,381</u>
Twenty-First Century Community Learning Ce	84.287	3400002-18	-	44,498
Twenty-First Century Community Learning Ce	84.287	3400002-17	-	20,509
Total				<u>65,007</u>
Improving Teacher Quality State Grants	84.367	3230002-19	-	31,076
Improving Teacher Quality State Grants	84.367	3230002-18	-	163
Total				<u>31,239</u>
Title IV, Part A: Student Support	84.424	552-D-18	-	6,409
Total				<u>6,409</u>
Total U.S. Department of Education				
Passed through the Kentucky Department of Education				<u>\$ 556,493</u>

The accompanying notes are an integral part of this schedule.

EMINENCE INDEPENDENT BOARD OF EDUCATION  
**Schedule of Expenditures of Federal Awards, continued**  
**For the Year Ended June 30, 2019**

	<u>CFDA</u>	<u>Pass-Through</u>	<u>Passed Through</u>	<u>Federal</u>
	Number	Number	to Subrecipient	Expenditures
<u>U.S. Department of Agriculture:</u>				
Child Nutrition Cluster:				
National School Breakfast Program**	10.553	7760005-19	-	\$ 92,097
Total				<u>92,097</u>
National School Lunch Program**	10.555	7750002-19	-	271,728
Total				<u>271,728</u>
Total Child Nutrition Cluster				<u>363,825</u>
Food Donations	10.565	057502-19	-	18,838
Total U.S. Department of Agriculture Passed Through the Kentucky Department of Education				<u>\$ 382,663</u>
Total Federal Financial Awards				<u>\$ 939,156</u>

\*\* Major Programs

The accompanying notes are an integral part of this schedule.

# EMINENCE INDEPENDENT BOARD OF EDUCATION

## Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2019

### Note A - Basis of Presentation

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

### Note B – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

### Note C - Non-cash Donations

Food donations listed as CFDA# 10.565 are non-cash assistance in the form of USDA food commodities.

## **Schedule of Findings and Questioned Costs**

**EMINENCE INDEPENDENT BOARD OF EDUCATION**

**Schedule of Findings and Questioned Costs**

**For the Year Ended June 30, 2019**

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**Section I - Summary of Auditor's Results**

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Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? None reported

Noncompliance material to financial statements noted? No

Federal awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiencies identified that are not considered to be material weakness(es)? 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 2 CFR 200.516(a)? No

Identification of major programs:

CFDA Numbers                      Name of Federal Program or Cluster:

10.553, 10.555                      Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? Yes

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**Section II - Financial Statement of Findings**

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No matters were reported.

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

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No matters were reported.

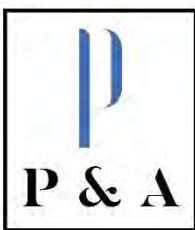
**EMINENCE INDEPENDENT BOARD OF EDUCATION**

**Schedule of Prior Year Audit Findings**

**For the Year Ended June 30, 2019**

There were no prior year audit findings.

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



PATRICK & ASSOCIATES, LLC

124 Candlewood Drive  
Winchester, KY 40391

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

Kentucky State Committee for  
School District Audits  
Eminence Independent Board of Education  
Eminence, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the requirements prescribed by Kentucky State Committee for School District Audits in the *Auditor Responsibilities and State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Eminence Independent Board of Education, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated November 15, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Board'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 Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

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

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



## Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated November 15, 2019.

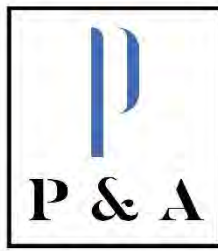
## Purpose of this Report

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

*Sammy R. Patrick, CPA*

Winchester, KY  
November 15, 2019

**Independent Auditor's Report on Compliance  
for Each Major Program and on Internal Control  
Over Compliance Required by the Uniform Guidance**



PATRICK & ASSOCIATES, LLC

124 Candlewood Drive  
Winchester, KY 40391

## **Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance**

Kentucky State Committee for  
School District Audits  
Eminence Independent Board of Education  
Eminence, Kentucky

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

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

### **Management's Responsibility**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Board'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 requirements prescribed by the Kentucky State Committee for School District Audits in the *Auditor Responsibilities and State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract. 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 Board'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 Board's compliance.

## Opinion on Each Major Federal Program

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

## Report on Internal Control over Compliance

Management of the Board 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 Board'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 Board'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.

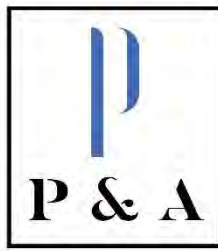
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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

*Jammy R. Patrick, CPA*

Winchester, KY  
November 15, 2019

## **Management Letter Comments**



PATRICK & ASSOCIATES, LLC

124 Candlewood Drive  
Winchester, KY 40391

Eminence Independent Board of Education  
291 West Broadway Street  
Eminence, Kentucky 40019

In planning and performing our audit of the basic financial statements of Eminence Independent Board of Education (the 'Board') for the year ended June 30, 2019, we considered the Board's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

However, during our audit we became aware of matters that create opportunities for strengthening internal controls and operating efficiencies. This letter summarizes our comments and suggestions regarding this matter. We will review the status of these comments during our next audit engagement and have discussed many of these comments already with District personnel. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

#### **CENTRAL OFFICE**

None noted.

#### **ACTIVITY FUNDS**

##### 19-1 Eminence Independent High School and Middle School

Statement of Condition: Principal was approving purchase orders for all expenditures but was not approving invoice before payment was made.

Recommendation for Correction: All invoices should be approved by the principal before payment is made.

Management Response: Recommendation noted and correction will be made.

##### 19-2 Eminence Independent Elementary School

Statement of Condition: Principal was approving purchase orders for all expenditures but was not approving invoice before payment was made.

Recommendation for Correction: All invoices should be approved by the principal before payment is made.

Management Response: Recommendation noted and correction will be made.

**Other Matters Noted:**

Statement of Condition: Proper policies and procedures for inventory of activity fund items (concession and vending machines) had not been established or implemented as required by the Red Book. This is due mainly to there being a new student activity fund bookkeeper and changes in vending machine process.

Recommendation for Correction: Proper inventory policies and procedures for student activity fund concession and vending machine items that address the Red Book requirements should be established, implemented and monitored.

Management Response: Recommendation noted and correction will be made.

Prior Year Recommendations

18-1 Recording of On-Behalf Payments – Corrected

We have enjoyed working with the management and staff of the Eminence Independent Board of Education and look forward to a continuing mutually productive relationship. Please call us if you have any questions concerning this letter or if we can be of any other assistance.

Respectfully submitted,

*Jammy R. Patrick, CPA*

Winchester, KY  
November 15, 2019

**APPENDIX C**

**Eminence Independent School District Finance Corporation  
School Building Refunding Revenue Bonds  
Series of 2020**

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**Official Terms and Conditions of Bond Sale**



**OFFICIAL TERMS AND CONDITIONS OF BOND SALE**  
**\$440,000\***  
**Eminence Independent School District Finance Corporation**  
**School Building Refunding Revenue Bonds, Series of 2020**  
**Dated as of October 6, 2020**

**SALE: September 15, 2020 AT 11:30 A.M., E.D.S.T.**

As published on PARITY<sup>®</sup>, a nationally recognized electronic bidding system, the Eminence Independent School District Finance Corporation (the "Corporation") will until 11:30 A.M., E.D.S.T., on September 15, 2020 receive at the office of the Kentucky School Facilities Construction Commission, 700 Louisville Road, Carriage House, Frankfort, Kentucky, 40601, competitive bids for the purchase of \$440,000 principal amount of Eminence Independent School District Finance Corporation School Building Refunding Revenue Bonds, Series of 2020 (the "Refunding Bonds"), dated and bearing interest from October 6, 2020, payable on February 1, 2021, and semi-annually thereafter on August 1 and February 1 of each year, in denominations in multiples of \$1,000 within the same maturity, maturing on February 1, 2021 and August 1 in each of the years as follows:

<u>MATURITY</u>	<u>PRINCIPAL AMOUNT*</u>
February 1, 2021	\$18,000
August 1, 2021	42,000
2022	41,000
2023	40,000
2024	44,000
2025	47,000
2026	47,000
2027	45,000
2028	45,000
2029	48,000
2030	23,000

\* Subject to Permitted Adjustment as described herein.

**REDEMPTION PROVISIONS**

The Bonds are NOT subject to redemption at the option of the Corporation prior to their stated maturities.

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

## **EMINENCE INDEPENDENT SCHOOL DISTRICT FINANCE 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 of Education of the Eminence, Kentucky Independent School District (the "Board"). Under the provisions of existing Kentucky law, the Corporation is permitted to act as an agency and instrumentality of the Board for financing purposes and the legality of the financing plan to be implemented by the Bonds herein referred to has been upheld by the Kentucky Court of Appeals (Supreme Court) in the case of *White v. City of Middlesboro, Ky.* 414 S.W.2d 569.

### **AUTHORITY AND PURPOSE**

The Refunding Bonds are being issued under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including Sections 162.120 through 162.290, 162.385, and Section 58.180 of the Kentucky Revised Statutes, within the meaning of the decision of the Court of Appeals of Kentucky (Supreme Court) in the case of *Hemlepp v. Aronberg*, 369 S.W.2d 121, for the purpose of providing funds to retire the outstanding Eminence Independent School District Finance Corporation School Building Revenue Bonds, Series of 2010, dated January 1, 2010 (the "2010 Bonds") maturing January 1, 2021 and thereafter (the "2010 Refunded Bonds") prior to their stated maturities on October 21, 2020 and Eminence Independent School District Finance Corporation School Building Revenue Bonds, Second Series of 2010, dated October 1, 2010 (the "2010B Bonds") maturing October 1, 2021 and thereafter (the "2010B Refunded Bonds") prior to their stated maturities on October 21, 2020. The 2010 Refunded Bonds and the 2010B Refunded Bonds are hereinafter collectively referred to as the "Refunded Bonds".

### **SCHOOL FACILITIES CONSTRUCTION COMMISSION**

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

The Commission will enter into a Participation Agreement with the Board whereunder the Commission, will agree to continue to pay approximately 100% of the debt service of the Refunding Bonds through August 1, 2030; 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 budget period terminating on June 30, 2021.

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.

### **PROCEEDS TO RETIRE ALL BONDS OF PRIOR ISSUE**

The Refunded Bonds were issued under the authority of Sections 162.120 through 162.290 and 162.385 of the Kentucky Revised Statutes for the purpose of providing funds to finance replacement of the HVAC and improvements at Eminence School (the "Project"). Under the terms of the Resolution authorizing the Refunded Bonds, the Refunded Bonds are payable from the income and revenues of the Project financed from the proceeds thereof. The Refunded Bonds are secured by a lien upon and a pledge of revenues from the rental of the Project to the Board under a Contract, Lease and Option, dated January 1, 2010 (the "Prior Lease").

The total principal amount of the 2010 Bonds currently outstanding is \$175,000, scheduled to mature on January 1 in each of the years 2021 through 2030. The total principal amount of the 2010B Bonds currently outstanding is \$260,000, scheduled to mature on October 1 in each of the years 2020 through 2030. The proceeds

of the Refunding Bonds will be used to pay accruing interest on and retire on October 21, 2020 the 2010 Refunded Bonds and 2010B Refunded Bonds.

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

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

### **SECURITY FOR REFUNDING BONDS**

The Refunding Bonds will constitute a limited indebtedness of the Corporation and will be payable as to both principal and interest solely from the income and revenues of the school Project financed from the proceeds of the Refunded Bonds. The Refunding Bonds are secured by a lien upon and a pledge of the revenues derived from the rental of the school Project to the Board under a Lease Agreement dated October 6, 2020 (the "2020 Lease") provided, however, said lien and pledge rank on parity with the Corporation's outstanding School Building Revenue Bonds issued to improve or refinance the building(s) in which the Project is located (the "Parity Bonds").

Under the 2020 Lease the Board has leased the school property securing the Refunding Bonds in accordance with the provisions of KRS 162.140 for an initial period from October 6, 2020 through June 30, 2021, with the option in the Board to renew said 2020 Lease from year to year for one year at a time, at annual rentals, sufficient in each year to enable the Corporation to pay, solely from the rentals due under the 2020 Lease, the principal and interest on all of the Refunding Bonds as same become due.

The 2020 Lease provides that the Prior Lease will be canceled effective upon the deposit of sufficient funds to provide for the retirement of the Refunded Bonds. The 2020 Lease provides further that so long as the Board exercises its annual renewal options, its rentals will be payable according to the terms and provisions of the 2020 Lease until August 1, 2030, the final maturity date of the Refunding Bonds, and such annual rentals shall be deposited as received in the Bond Fund for the Refunding Bonds and used and applied for the payment of all maturing principal of and interest on the Refunding Bonds.

Under the terms of the 2020 Lease, and any renewal thereof, the Board has agreed so long as the Bonds remain outstanding, and in conformance with the intent and purpose of Section 157.627(5) of the Act and KRS 160.160(5), in the event of a failure by the Board to pay the rentals due under the 2020 Lease, and unless sufficient funds have been transmitted to the Paying Agent, or will be so transmitted, for paying said rentals when due, the Board has granted under the terms of the 2020 Lease and Participation Agreement to the Corporation and the Commission the right to notify and request the Kentucky Department of Education to withhold from the Board a sufficient portion of any undisbursed funds then held, set aside, or allocated to the Board and to request said Department or Commissioner of Education to transfer the required amount thereof to the Paying Agent for the payment of such rentals.

## BIDDING CONDITIONS AND RESTRICTIONS

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

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

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

(3) The bid shall be not less than \$433,400 (98.5% of par) plus accrued interest. Interest rates shall be in multiples of 1/8 or 1/20 of 1% or both. Only one interest rate shall be permitted per Bond, and all Bonds of the same maturity shall bear the same rate. Interest rates must be on an ascending scale, in that the interest rate stipulated in any year may not be less than that stipulated for any preceding maturity. There is no limit on the number of different interest rates.

(4) The determination of the best purchase bid for said Refunding Bonds shall be made on the basis of all bids submitted for exactly \$440,000 principal amount of Refunding Bonds offered for sale under the terms and conditions herein specified; provided, however, the Corporation reserves the right to increase or decrease the total principal amount of Refunding Bonds sold to such best bidder, in the amount of not exceeding \$44,000, with such increase or decrease to be made in any maturity, and the total amount of Refunding Bonds awarded to such best bidder will be a minimum of \$396,000 or a maximum of \$484,000. In the event of any such adjustment, no rebidding or recalculation of a submitted bid will be required or permitted. The price at which such adjusted principal amount of Bonds will be sold will be at the same price per \$1,000 of Refunding Bonds as the price per \$1,000 for the \$440,000 of Refunding Bonds bid.

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

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

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

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

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

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

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

(d)  *Sale Date*  means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is September 15, 2020.

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

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

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

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

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

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

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

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

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

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

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

### **STATE SUPPORT OF EDUCATION**

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

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

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

KRS 157.420 establishes a formula which results in the allocation of funds for capital expenditures in school districts at \$100 per ADA pupil which is included in the SEEK allotment (\$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 157.440(1) requires that effective for fiscal years beginning July 1, 1990 each school district shall levy a minimum equivalent tax rate of \$.30 for general school purposes. The equivalent tax rate is defined as the rate which results when the income collected during the prior year from all taxes levied by the district (including utilities gross receipts license and special voted) for school purposes is divided by the total assessed value of property, plus the assessment for motor vehicles certified by the Revenue Cabinet of the Commonwealth. Any school district board of education which fails to comply with the minimum equivalent tax rate levy shall be subject to removal from office.

KRS 157.440(2) provides that for fiscal years beginning July 1, 1990 each school district may levy an equivalent tax rate which will produce up to 15% of those revenues guaranteed by the SEEK program. Any increase beyond the 4% annual limitation imposed by KRS 132.017 is not subject to the recall provisions of that Section. Revenue generated by the 15% levy is to be equalized at 150% of the state-wide average per pupil equalized assessment.

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

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

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

## **COMMONWEALTH BUDGET FOR PERIOD ENDING JUNE 30, 2021**

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

### **POTENTIAL LEGISLATION**

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

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

## CONTINUING DISCLOSURE

As a result of the principal amount of Bonds being offered not exceeding \$1,000,000 Bond Counsel has advised the Corporation and the Board that they are exempt from application of the Rule 15c2-12c2-12(b)(5) of the Securities and Exchange Commission with respect to the Bonds.

Financial information regarding the Board may be obtained from Superintendent, Eminence Independent Board of Education, 291 W. Broadway Street, Eminence, Kentucky 40019 (502) 845-4788.

### TAX EXEMPTION; BANK QUALIFIED

Bond Counsel advises as follows:

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

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

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

### BOOK-ENTRY-ONLY-SYSTEM

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

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

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

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



for the Securities is discontinued. Transfers of ownership interest in the Securities are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

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

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

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

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

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

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

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

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

**EMINENCE INDEPENDENT SCHOOL DISTRICT  
FINANCE CORPORATION**

By /s/ Dr. Buddy Berry  
Secretary

**APPENDIX D**

**Eminence Independent School District Finance Corporation  
School Building Refunding Revenue Bonds  
Series of 2020**

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**Official Bid Form**

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

The Eminence Independent School District Finance Corporation ("Corporation"), will until 11:30 A.M., E.D.S.T., on September 15, 2020, receive in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Road, Carriage House, Frankfort, Kentucky, 40601, (telephone 502-564-5582; Fax 888-979-6152) competitive bids for its \$440,000 School Building Refunding Revenue Bonds, Series of 2020, dated as of October 6, 2020; maturing February 1, 2021 and August 1, 2021 through 2030 ("Bonds").

We hereby bid for said \$440,000\* principal amount of Bonds, the total sum of \$ \_\_\_\_\_ (not less than \$433,400) plus accrued interest from October 6, 2020 payable February 1, 2021 and semiannually thereafter (rates on ascending scale in multiples of 1/8 or 1/20 of 1%; number of interest rates unlimited) and maturing as to principal on February 1, 2021 and August 1 in each of the years as follows:

<u>Year</u>	<u>Amount*</u>	<u>Rate</u>
Feb. 1, 2021	\$18,000	_____ %
Oct. 1, 2021	42,000	_____ %
2022	41,000	_____ %
2023	40,000	_____ %
2024	44,000	_____ %
2025	47,000	_____ %
2026	47,000	_____ %
2027	45,000	_____ %
2028	45,000	_____ %
2029	48,000	_____ %
2030	23,000	_____ %

\* Subject to Permitted Adjustment up to \$44,000

We understand this bid may be accepted for as much as \$484,000 of Bonds or as little as \$396,000 of Bonds, at the same price per \$1,000 Bond, with the variation in such amount occurring in any maturity or all maturities, which will be determined by the Secretary of the Corporation at the time of acceptance of the best bid.

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

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

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

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

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

- (a) *Holding Period* means, with respect to a Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the successful purchaser has sold at least 10% of such Maturity to the Public at prices that are no higher than the Initial Offering Price for such Maturity.
- (b) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.
- (c) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.
- (d) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is September 15, 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 by lot on August 1 in accordance with the maturity schedule setting the actual size of the issue.

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

It is understood that the Corporation will furnish the final, approving Legal Opinions 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 Refunding Bonds awarded by the close of business on the date following the award. Said good faith amount will be applied (without interest) to the purchase price on delivery. Wire transfer procedures should be arranged through U.S. Bank National Association, Kentucky, Attn: Mr. Charles Lush (502-562-6436).

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

If we are the successful bidder, we agree to accept and make payment for the Bonds in Federal Funds on or about October 6, 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 6, 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 Eminence Independent 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	_____%	2025	_____,000	_____%
2021	_____,000	_____%	2026	_____,000	_____%
2022	_____,000	_____%	2027	_____,000	_____%
2023	_____,000	_____%	2028	_____,000	_____%
2024	_____,000	_____%	2029	_____,000	_____%
			2030	_____,000	_____%

Dated: September 15, 2020

\_\_\_\_\_  
RSA Advisors, LLC, Municipal Advisor and  
Agent for Eminence Independent School  
District Finance Corporation