

DATED SEPTEMBER 1, 2020

**NEW ISSUE**  
**Electronic Bidding via Parity®**  
**BOOK-ENTRY-ONLY SYSTEM**

**RATING**  
**Moody's: " "**

*In the opinion of Bond Counsel, under existing law interest on the Bonds will be includable in gross income of the holders thereof for purposes of federal taxation. 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 Status" herein).*

**\$7,410,000\***  
**PULASKI COUNTY SCHOOL DISTRICT FINANCE CORPORATION**  
**SCHOOL BUILDING REFUNDING REVENUE BONDS,**  
**TAXABLE SERIES OF 2020**

**Dated: OCTOBER 1, 2020**

**Due: as shown below**

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

Maturing		Interest		Reoffering	Maturing		Interest		Reoffering
1-Mar	Amount*	Rate	Yield	CUSIP	1-Mar	Amount*	Rate	Yield	CUSIP
2021	\$240,000	%	%		2027	\$340,000	%	%	
2022	\$275,000	%	%		2028	\$310,000	%	%	
2023	\$240,000	%	%		2029	\$295,000	%	%	
2024	\$285,000	%	%		2030	\$2,400,000	%	%	
2025	\$270,000	%	%		2031	\$2,450,000	%	%	
2026	\$305,000	%	%						

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

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

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

The Pulaski County (Kentucky) School District Finance Corporation will until September 10, 2020 at 11:00 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 \$740,000.**

**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.



**PULASKI COUNTY, KENTUCKY  
BOARD OF EDUCATION**

Cindy Price, Chairperson  
Rebekah Branscum, Vice-Chairperson  
Laura Carrigan, Member  
Brandy Daniels, Member  
Patty Edwards, Member

Patrick Richardson, Superintendent/Secretary

**PULASKI COUNTY SCHOOL DISTRICT  
FINANCE CORPORATION**

Cindy Price, President  
Rebekah Branscum, Vice-President  
Laura Carrigan, Member  
Brandy Daniels, Member  
Patty Edwards, Member

Patrick Richardson, Secretary  
Rebecca Wright, Treasurer

**BOND COUNSEL**

Step toe & Johnson PLLC  
Louisville, Kentucky

**FINANCIAL ADVISOR**

RSA Advisors, LLC  
Lexington, Kentucky

**PAYING AGENT AND REGISTRAR**

The Citizen's National Bank of Somerset  
Somerset, 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 Pulaski County School District Finance Corporation School Building Refunding Revenue Bonds, Taxable 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**

**\$7,410,000\***

**PULASKI COUNTY SCHOOL DISTRICT FINANCE CORPORATION  
SCHOOL BUILDING REFUNDING REVENUE BONDS,  
TAXABLE 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 Pulaski County School District Finance Corporation (the "Corporation") School Building Refunding Revenue Bonds, Taxable Series of 2020 (the "Bonds").

The Bonds are being issued to (i) pay the accrued interest and refund at or in advance of maturity on March 1, 2021, all of the outstanding Pulaski County School District Finance Corporation School Building Revenue Bonds, Series of 2011, dated March 1, 2011 (the "2011 Bonds") maturing March 1, 2021 and thereafter (the "Refunded Bonds"); and (ii) pay the cost of the Bond issuance expenses (see "Plan of Refunding" herein). The Board has determined that the plan of refunding the Refunded Bonds will result in considerable interest cost savings to the Pulaski County School District (the "District") and is in the best interest of the District.

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

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

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

Copies of the Bond Resolution authorizing the issuance of the Bonds, and the Lease Agreement, dated October 1, 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**

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 3% of the debt service of the Refunding through March 1, 2031; provided, however, that the contractual commitment of the Commission to pay the annual Agreed Participation is limited to the budget period of the Commonwealth, with the first such biennial 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>Approximate Interest Rate Range</b>	<b>Final Maturity</b>
2009-REF	\$2,460,000	\$340,000	\$2,460,000	\$0	3.125% - 3.250%	2020
2010-REF	\$9,340,000	\$3,340,000	\$9,340,000	\$0	2.625% - 2.750%	2022
2011	\$9,295,000	\$7,130,000	\$8,980,317	\$314,683	3.100% - 4.250%	2031
2012	\$3,185,000	\$2,580,000	\$3,185,000	\$0	2.400% - 3.375%	2032
2012-REF	\$1,600,000	\$730,000	\$1,600,000	\$0	2.000%	2024
2012B-REF	\$1,940,000	\$800,000	\$1,543,258	\$396,742	2.000%	2023
2014	\$5,950,000	\$5,640,000	\$5,450,779	\$499,221	2.500% - 4.000%	2034
2015-REF	\$4,500,000	\$3,610,000	\$4,500,000	\$0	2.000% - 2.350%	2026
2016-REF	\$2,080,000	\$1,370,000	\$0	\$2,080,000	2.00%	2027
2017-REF	\$23,685,000	\$21,265,000	\$22,909,094	\$775,906	2.000% - 3.000%	2029
2018	\$2,775,000	\$2,700,000	\$2,775,000	\$0	3.250% - 3.625%	2038
2019	\$1,450,000	\$1,405,000	\$1,450,000	\$0	1.500% - 2.500%	2039
<b>TOTALS:</b>	<b>\$68,260,000</b>	<b>\$50,910,000</b>	<b>\$64,193,448</b>	<b>\$4,066,552</b>		



## AUTHORITY

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

- i) the issuance of approximately \$7,410,000 of Bonds subject to a permitted adjustment of \$740,000;
- 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 1, 2020, will bear interest from that date as described herein, payable semi-annually on March 1 and September 1 of each year, commencing March 1, 2021, and will mature as to principal on March 1, 2021, and each March 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). The Citizen's National Bank of Somerset, 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 March 1 and September 1 of each year, beginning March 1, 2021 (Record Date is 15th day of month preceding interest due date).

### Redemption

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

<b>Redemption Date</b>	<b>Redemption Price</b>
March 1, 2028 and thereafter	100%

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

## **SECURITY**

### **General**

The Bonds are revenue bonds and constitute a limited indebtedness of the Corporation. The Bonds are payable as to both principal and interest solely from the income and revenues derived from the leasing of the 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 1, 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 March 1, 2031, 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.

## **VERIFICATION OF MATHEMATICAL ACCURACY**

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

## **THE PLAN OF REFUNDING**

A sufficient amount of the proceeds of the Bonds at the time of delivery will be deposited into the Bond Fund for the Refunded Bonds. The Bond Fund deposit is intended to be sufficient to (i) pay the accrued interest and refund in advance of maturity all of the Pulaski County School District Finance Corporation School Building Revenue Bonds, Series of 2011, dated March 1, 2011, maturing March 1, 2021 and thereafter (the "Refunded Bonds") on March 1, 2021; and (ii) pay the cost of the Bond issuance expenses (see "Plan of Refunding" herein). The Board has determined that the plan of refunding the Refunded Bonds will result in considerable interest cost savings to the Pulaski County School District (the "District") and is in the best interest of the District.

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

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

### PURPOSE OF THE PRIOR BONDS

The Refunded Bonds were issued by the Corporation for the purpose of providing funds to finance renovations and an addition to Southern Middle School (the “Project”).

### ESTIMATED BOND DEBT SERVICE

The following table shows by fiscal year the current bond payments of the Board. The plan of financing provides for the Board to meet 97% of the debt service of the Bonds.

Fiscal Year Ending June 30	Current Local Bond Payments	-- Series 2020 School Building Refunding Revenue Bonds --					Total Local Bond Payments
		Principal Portion	Interest Portion	Total Payment	Local Portion	SFCC Portion	
2021	\$4,810,346	\$240,000	\$66,374	\$306,374	\$287,843	\$18,531	\$4,731,631
2022	\$4,805,804	\$275,000	\$155,458	\$430,458	\$408,181	\$22,276	\$4,728,523
2023	\$4,801,577	\$240,000	\$150,920	\$390,920	\$368,644	\$22,276	\$4,726,733
2024	\$4,801,801	\$285,000	\$146,840	\$431,840	\$409,564	\$22,276	\$4,724,527
2025	\$4,802,762	\$270,000	\$141,853	\$411,853	\$389,576	\$22,276	\$4,723,901
2026	\$4,797,223	\$305,000	\$136,993	\$441,993	\$419,716	\$22,277	\$4,717,702
2027	\$4,831,967	\$340,000	\$131,350	\$471,350	\$449,073	\$22,277	\$4,752,604
2028	\$4,841,705	\$310,000	\$124,550	\$434,550	\$412,275	\$22,275	\$4,762,941
2029	\$4,838,777	\$295,000	\$118,040	\$413,040	\$390,764	\$22,276	\$4,759,903
2030	\$3,478,933	\$2,400,000	\$111,550	\$2,511,550	\$2,489,275	\$22,275	\$3,399,913
2031	\$3,478,103	\$2,450,000	\$56,350	\$2,506,350	\$2,484,075	\$22,275	\$3,399,053
2032	\$2,147,417						\$2,147,417
2033	\$2,156,043						\$2,156,043
2034	\$2,176,294						\$2,176,294
2035	\$115,125						\$115,125
2036	\$117,563						\$117,563
2037	\$114,938						\$114,938
2038	\$117,250						\$117,250
2039	\$119,438						\$119,438
2040	\$121,500						\$121,500
<b>TOTALS:</b>	<b>\$57,474,565</b>	<b>\$7,410,000</b>	<b>\$1,340,276</b>	<b>\$8,750,276</b>	<b>\$8,508,987</b>	<b>\$241,289</b>	<b>\$56,612,997</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>\$7,410,000.00</u>
Total Sources	\$7,410,000.00
<b>Uses:</b>	
Deposit to Escrow Fund	\$7,276,260.00
Underwriter's Discount (1%)	74,100.00
Cost of Issuance	<u>59,640.00</u>
Total Uses	\$7,410,000.00

## DISTRICT STUDENT POPULATION

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

<u>Year</u>	<u>Average Daily Attendance</u>	<u>Year</u>	<u>Average Daily Attendance</u>
2000-01	6,882.8	2010-11	7,237.6
2001-02	6,754.4	2011-12	7,236.5
2002-03	6,773.0	2012-13	7,255.4
2003-04	6,777.5	2013-14	7,246.8
2004-05	6,925.0	2014-15	7,243.4
2005-06	6,917.7	2015-16	7,343.5
2006-07	7,017.7	2016-17	7,445.9
2007-08	7,162.5	2017-18	7,430.7
2008-09	7,213.5	2018-19	7,413.6
2009-10	7,259.8	2019-20	7,428.2

*Source: Kentucky State Department of Education.*

## STATE SUPPORT

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

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

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

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

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

<u>Year</u>	<u>Capital Outlay Allotment</u>	<u>Year</u>	<u>Capital Outlay Allotment</u>
2000-01	688,280.0	2010-11	723,756.0
2001-02	675,440.0	2011-12	723,650.0
2002-03	677,300.0	2012-13	725,542.0
2003-04	677,750.0	2013-14	724,682.0
2004-05	692,500.0	2014-15	724,335.0
2005-06	691,770.0	2015-16	734,350.0
2006-07	701,770.0	2016-17	744,590.0
2007-08	716,250.0	2017-18	743,070.0
2008-09	721,354.0	2018-19	741,360.0
2009-10	725,981.0	2019-20	742,820.0

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**

<b>Tax Year</b>	<b>Combined Equivalent Rate</b>	<b>Total Property Assessment</b>	<b>Property Revenue Collections</b>
2000-01	49.1	1,833,142,686	9,000,731
2001-02	50.5	1,964,452,236	9,920,484
2002-03	49.1	2,026,022,103	9,947,769
2003-04	49.1	2,105,999,750	10,340,459
2004-05	51.6	2,295,131,563	11,842,879
2005-06	50.5	2,479,385,849	12,520,899
2006-07	56	2,574,685,202	14,418,237
2007-08	50.5	2,791,917,049	14,099,181
2008-09	55.1	2,956,190,926	16,288,612
2009-10	55.1	2,996,132,901	16,508,692
2010-11	55.2	3,113,127,351	17,184,463
2011-12	54.9	3,086,452,488	16,944,624
2012-13	56.5	3,132,941,444	17,701,119
2013-14	57.1	3,157,892,838	18,031,568
2014-15	60.1	3,196,812,800	19,212,845
2015-16	60.6	3,272,496,188	19,831,327
2016-17	62.3	3,347,983,337	20,857,936
2017-18	62.7	3,432,920,219	21,524,410
2018-19	65.5	3,521,195,105	23,063,828
2019-20	64.6	3,616,107,633	23,360,055

**OVERLAPPING BOND INDEBTEDNESS**

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

<b>Issuer</b>	<b>Original Principal Amount</b>	<b>Amount of Bonds Redeemed</b>	<b>Current Principal Outstanding</b>
<b>County of Pulaski</b>			
General Obligation	13,257,891	3,660,600	9,597,291
Utilities Revenue	11,800,000	0	11,800,000
Courthouse Annex Lease Revenue	14,205,000	5,265,000	8,940,000
Educational Development Revenue	1,202,669	230,809	971,860
Refunding Revenue	5,868,011	0	5,868,011
Vehicles Revenue	236,647	0	236,647
<b>City of Burnside</b>			
Improvement Project Revenue	1,166,000	105,000	1,061,000
Refinancing Revenue	695,000	125,000	570,000
<b>City of Eubank</b>			
Water Revenue	3,236,000	1,259,300	1,976,700
Industrial Park Revenue	1,800,000	241,000	1,559,000
Improvement Project Revenue	925,000	124,000	801,000
<b>City of Ferguson</b>			
Water Revenue	184,000	101,000	83,000

City of Science Hill			
Water & Sewer Revenue	2,029,500	647,000	1,382,500
City of Somerset			
General Obligation	18,160,000	1,109,500	17,050,500
Improvement Project Revenue	19,000,000	2,176,000	16,824,000
Special Districts			
Pulaski County Library District	7,345,000	1,990,000	5,355,000
Western Pulaski County Water Dist.	8,829,000	2,671,000	6,158,000
Somerset-Pulaski County Airport Board	610,000	80,000	530,000
Totals:	110,549,718	19,785,209	90,764,509

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.

	<b><u>Base Funding</u></b>	<b><u>Local Tax Effort</u></b>	<b><u>Total State &amp; Local Funding</u></b>
2019-20 SEEK	32,508,974	23,360,055	55,869,029
2018-19 SEEK	32,952,354	23,063,828	56,016,182
2017-18 SEEK	32,661,980	21,524,410	54,186,390
2016-17 SEEK	32,425,935	20,857,936	53,283,871
2015-16 SEEK	31,736,126	19,831,327	51,567,453
2014-15 SEEK	30,678,860	19,212,845	49,891,705
2013-14 SEEK	30,315,654	18,031,568	48,347,222
2012-13 SEEK	30,255,307	17,701,119	47,956,426
2011-12 SEEK	30,575,558	16,944,624	47,520,182
2010-11 SEEK	28,108,895	17,184,463	45,293,358
2009-10 SEEK	28,338,665	16,508,692	44,847,357
2008-09 SEEK	31,798,411	16,288,612	48,087,023
2007-08 SEEK	31,471,534	14,099,181	45,570,715
2006-07 SEEK	28,369,780	14,418,237	42,788,017
2005-06 SEEK	27,691,739	12,520,899	40,212,638
2004-05 SEEK	26,404,558	11,842,879	38,247,437
2003-04 SEEK	25,803,732	10,340,459	36,144,191
2002-03 SEEK	25,141,619	9,947,769	35,089,388
2001-02 SEEK	24,291,230	9,920,484	34,211,714
2000-01 SEEK	25,177,531	9,000,731	34,178,262

- (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 \$0.6460 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>.

## **CONTINUING DISCLOSURE**

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

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

Financial information regarding the Board may be obtained from Superintendent, Pulaski County Board of Education, 501 E. University Drive, Somerset, Kentucky 42502 Telephone (606) 679-1123.

## **TAX STATUS**

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 includable in the gross income of the recipient thereof for Federal income tax purposes under existing law.

## **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 Pulaski County School District and does not assume any responsibility as to the accuracy or completeness of any of the information in this Official Statement except as to copies of documents denominated "Official Terms and Conditions" and "Bid Form." The financial information supplied by the Board of Education is represented by the Board of Education to be correct. The Corporation deems this preliminary Official Statement to be final for purposes of Securities Exchange Commission Rule 15c2-12(b)(1) as qualified by the cover hereof.

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

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

By /s/ \_\_\_\_\_  
**President**

By /s/ \_\_\_\_\_  
**Secretary**

## **APPENDIX A**

**Pulaski County School District Finance Corporation  
School Building Refunding Revenue Bonds  
Taxable Series of 2020**

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### **Demographic and Economic Data**

## **PULASKI COUNTY, KENTUCKY**

Somerset, situated on the northeastern edge of Lake Cumberland, is the county seat of Pulaski County. Somerset is located 76 miles south of Lexington, Kentucky; 117 miles northwest of Knoxville, Tennessee; and 131 miles southeast of Louisville, Kentucky. Somerset had an estimated 2020 population of 11,227.

Pulaski County, which covers a land area of 662 square miles, is located in southern Kentucky. The county had an estimated 2020 population of 64,524.

### **The Economic Framework**

Pulaski County has a labor force of 27,820 people, with an unemployment rate of 4.7%. The top 5 jobs by occupation are as follows: sales - 3,276 (11.57%); office and administrative support - 3,146 (11.11%); executive, managers, and administrators - 2,171 (7.67%); production workers - 2,111 (7.46%); and health diagnosing and treating practitioners - 1,837 (6.49%).

### **Transportation**

Major highways serving Somerset are U.S. Highway 27, the Cumberland Parkway, and Kentucky Routes 80 and 461. Interstate Highway 75 is accessible 32 miles east, via Kentucky 80; and 16 miles northeast via Kentucky 461. Twenty-one common carrier trucking companies provide interstate and/or intrastate service to the area. Main line rail service is provided to Somerset by Norfolk Southern Corporation. The Somerset Pulaski County Airport, two miles south of Somerset, maintains a 5,500-foot paved runway. The nearest scheduled commercial airline service is available at Blue Grass Airport near Lexington, Kentucky, 80 miles north of Somerset.

### **Power and Fuel**

Electric power is provided to Somerset and Pulaski County by Kentucky Utilities Company, an electric generation and transmission company. Pulaski County is also served by South Kentucky Rural Electric Cooperative Corporation. Natural gas service in Somerset is provided by Somerset Gas Service.

### **Education**

Primary and secondary education is provided to Somerset and Pulaski County by the Somerset Independent School System and the Pulaski County School System. The Somerset Independent School System is accredited by the Southern Association of Colleges and Schools. Somerset Community College, offers associate degrees and curricula for the first two years of a baccalaureate program. In addition, eight other colleges and universities are located within 60 miles of Somerset. Post-secondary education is available at The Somerset Technical College.

## **LOCAL GOVERNMENT**

### **Structure**

The City of Somerset is served by a mayor and twelve council members. Pulaski County is served by a county judge/executive and seven magistrates.

## Planning and Zoning

City agency - Somerset Planning and Zoning  
Zoning enforced - Within corporate limits of Somerset  
Subdivision regulations enforced - Within corporate limits of Somerset and one mile beyond  
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 Somerset levies a business fee ranging from \$10 to \$500 annually. The business license fee for manufacturers is based on the number of employees: 25 employees or less - \$100; 26 to 50 employees - \$200; 51 to 100 employees - \$300; 101 to 200 employees - \$400; more than 200 employees -

## 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 Somerset Labor Market Area includes Pulaski County and the adjoining Kentucky counties of Adair, Casey, Laurel, Lincoln, McCreary, Rockcastle, Russell, and Wayne.

### Population

<u>Area</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Somerset	11,453	11,457	11,227
Pulaski County	64,624	64,524	64,832

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

### Population Projections

<u>Area</u>	<u>2025</u>	<u>2030</u>	<u>2035</u>
Pulaski County	67,345	68,854	70,180

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

## EDUCATION

### Public Schools

	<u>Pulaski County</u>	<u>Science Hill Independent</u>	<u>Somerset Independent</u>
Pupil-Teacher Ratio (2018-2019)	16 - 1	16 - 1	14 - 1
Total Student Enrollment (2018-2019)	8,103	389	1,571

### Vocational-Technical Training

Kentucky Tech schools are operated by the Cabinet for Workforce Development and provide secondary (Sec) and postsecondary (P/S) vocational-technical training.

<u>Technical School</u>	<u>Location</u>	<u>(2017-2018)</u>
Pulaski County ATC	Somerset, KY	462
Wayne County ATC	Monticello, KY	621
Casey County ATC	Liberty, KY	526
Rockcastle County ATC	Mount Vernon, KY	442
Lake Cumberland ATC	Russell Springs, KY	930
Corbin ATC	Corbin, KY	526
Lincoln County ATC	Stanford, KY	332
Garrard County ATC	Lancaster, KY	346
Clinton County ATC	Albany, KY	612
Jackson County ATC	McKee, KY	455
Knox County ATC	Barbourville, KY	447
Clay County ATC	Manchester, KY	348
Harrodsburg ATC	Harrodsburg, KY	292
Marion County ATC	Lebanon, KY	1,364
Madison County ATC	Richmond, KY	825
Green County ATC	Greensburg, KY	629
Jessamine County Career & Tech Center	Nicholasville, KY	3,802
Bell County ATC	Pineville, KY	678
Lee County ATC	Beattyville, KY	395

### Area Colleges and Universities

<u>Institution</u>	<u>Location</u>	<u>Enrollment (Fall 2018)</u>
Somerset Community College	Somerset, KY	5,886
University of the Cumberlands	Williamsburg, KY	10,097
Berea College	Berea, KY	1,670
Lindsey Wilson College	Columbia, KY	2,565
Centre College	Danville, KY	1,450
Union College	Barbourville, KY	1,309
Campbellsville University	Campbellsville, KY	7,207
Eastern Kentucky University	Richmond, KY	16,612
Asbury University	Wilmore, KY	1,990

## FINANCIAL INSTITUTIONS

<u>Institution</u>	<u>Total Assets</u>	<u>Total Deposits</u>
The Citizens National Bank of Somerset	\$426,549,000	\$348,921,000
Cumberland Security Bank	215,735,000	185,714,000
First & Farmers National Bank, Inc.	518,120,000	437,696,000

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

## EXISTING INDUSTRY

<u>Firm</u>	<u>Product</u>	<u>Total Employed</u>
<i>Burnside</i>		
Kingsford Manufacturing Co.	Charcoal briquettes & lighter fluid bottling	120
Somerset Wood Products, Inc.	Kild dried lumber & hardwood oak flooring	130
<i>Somerset</i>		
Armstrong Wood Products	Hardwood flooring	394
Blackboard	Software technical support center	302
CCI Industrial Services	Metal fabrication	90
Coretrans	Trucking, long distance carriers	178
Eagle Hardwoods, Inc.	Hardwood Flooring	350
EOS CCA	First party call center	135
Gatormade Inc.	Utility trailers, gooseneck trailers, enclosed trailers, Dump trailers, car trailers, corporate HQ	120
Hendrickson USA LLC	Trailer suspension systems for heavy-duty Transporation industry	330
Mezner Lumber & Supply Co.	Rough mill, moulding, priming paint line & Sawdust processing	175
Modern Distributors	Headquarters & Distribution serves the wholesale Grocery, coffee/beverage needs & foodservice sales To convenience stores	200
New Life Industries, Inc.	Screen printing	95
Performance Food Service-Somerset	Food distribution; frozen, dry refrigerated	150
Prairie Farms Dairy	Liquid milk, juice drinks & 100% orange juice from Concentrate	186
Somerset Recycling Service, Inc.	Cardboard & plastic recycling	81
Super Service	Truckload interstate carrier	700
Toyotetsu America, Inc.	Structural automotive components & stampings	938
Tru-Check Meter Service, Inc.	Automated meter reading, installation & service	190
UGN Inc.	Manufacture automotive sound proofing	332

*Sources: Kentucky Cabinet for Economic Development. (6/2/2019)*



**APPENDIX B**

**Pulaski County School District Finance Corporation  
School Building Refunding Revenue Bonds  
Taxable Series of 2020**

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

**PULASKI COUNTY  
SCHOOL DISTRICT  
AUDIT REPORT  
JUNE 30, 2019**

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**WHITE AND COMPANY, P.S.C.**  
**Certified Public Accountants**  
**219 South Proctor Knott Avenue**  
**Lebanon, Kentucky 40033**  
**(270) 692-2102**  
**Fax (270) 692-2101**

Charles M. White, CPA  
Joseph A. Montgomery, CPA  
Stephanie A. Abell, CPA

Email: charles.white@whitecpas.com

October 31, 2019

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board of Education  
Pulaski County School District  
Somerset, 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 Pulaski County School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Pulaski County School District's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, *Appendix I to the Independent Auditor's Contract – Audit Extension Request*, *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract, Audit Acceptance Statement, AFR and Balance Sheet, Statement of Certification, and Audit Report*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pulaski County School District as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedules of the district's proportionate share of net pension liabilities, or the schedules of the district's proportionate share of net other post-employment benefits on Pages 4 through 10, 56 through 57, and 60 through 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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

The combining and individual nonmajor fund financial statements, the statement of receipts, disbursements and fund balance – High School Activity Fund, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund

financial statements, statement of receipts, disbursements and fund balance – High School Activity Fund and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated October 31, 2019, on our consideration of Pulaski County School District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Pulaski County School District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pulaski County School District’s internal control over financial reporting and compliance.

Sincerely,

***White and Company, P.S.C.***

Certified Public Accountants

**PULASKI COUNTY PUBLIC SCHOOL DISTRICT – Somerset, KY  
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2019**

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

**FINANCIAL HIGHLIGHTS**

- The June 30, 2019 cash balance for the District was \$16,910,655, as compared with the beginning cash balance of \$12,702,151. The ending cash balance consists of General Fund of \$11,849,146, Special Revenue Fund of \$178,908, District Activity Fund of \$591,555, Capital Outlay of \$369,962, Building Fund of \$265, Construction Fund of \$323,304, Debt Service \$2,145, Food Service of \$2,475,402, and Child Care of \$1,119,968.
- District-wide net position increased \$3,720,491 during the 2019 fiscal year.
- The General Fund had \$74.5 million in receipts, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. There were \$72.1 million in General Fund expenditures.
- General Fund revenue increased \$1,471,411 from last fiscal year and General Fund expenses increased \$177,521.
- The financial statements reflect revenues of \$20,461,932 from the state on-behalf of District employees for retirement contributions, health insurance, administration fees, debt service and technology with a like amount of expenses recorded.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

**District-wide financial statements**

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

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



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

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

The district-wide financial statements can be found on pages 11-12 of this report.

### **Fund financial statements**

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

The basic governmental fund financial statements can be found on pages 13-20 of this report.

### **Notes to the financial statements**

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

The notes to the financial statements can be found on pages 21-53 of this report.

### **DISTRICT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows exceeded assets and deferred outflows by \$19.7 million as of June 30, 2019.

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

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

## Net Position for the period ending June 30, 2019 and June 30, 2018

A comparison of June 30, 2019 and June 30, 2018 government wide net position is as follows:

	Governmental		Business - Type		Total	
	Activities		Activities		Primary Government	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and Other Assets	\$ 15,602,805	\$ 12,988,717	\$ 3,769,802	\$ 2,896,946	\$ 19,372,607	\$ 15,885,663
Capital Assets	68,875,778	68,731,794	454,794	499,041	69,330,572	69,230,835
Deferred Outflows	<u>10,515,766</u>	<u>12,074,010</u>	<u>1,556,858</u>	<u>1,902,842</u>	<u>12,072,624</u>	<u>13,976,852</u>
Total Assets and Deferred Outflows	<u>94,994,349</u>	<u>93,794,521</u>	<u>5,781,454</u>	<u>5,298,829</u>	<u>100,775,803</u>	<u>99,093,350</u>
Current Liabilities	7,783,806	8,521,071	51,914	42,818	7,835,720	8,563,889
Non-Current Liabilities	102,067,963	104,869,390	5,934,885	5,947,546	108,002,848	110,816,936
Deferred Inflows	<u>4,032,214</u>	<u>2,634,437</u>	<u>617,164</u>	<u>510,722</u>	<u>4,649,378</u>	<u>3,145,159</u>
Total Liabilities and Deferred Inflows	<u>113,883,983</u>	<u>116,024,898</u>	<u>6,603,963</u>	<u>6,501,086</u>	<u>120,487,946</u>	<u>122,525,984</u>
<b>Net Position</b>						
Investment in capital assets (net of related debt)	10,912,466	9,171,810	454,794	499,041	11,367,260	9,670,851
Restricted	1,771,099	950,620	(1,277,303)	(1,701,298)	493,796	(750,678)
Unrestricted	<u>(31,573,199)</u>	<u>(32,352,807)</u>	<u>-</u>	<u>-</u>	<u>(31,573,199)</u>	<u>(32,352,807)</u>
<b>Total Net Position</b>	<u>\$ (18,889,634)</u>	<u>\$ (22,230,377)</u>	<u>\$ (822,509)</u>	<u>\$ (1,202,257)</u>	<u>\$ (19,712,143)</u>	<u>\$ (23,432,634)</u>

The following table presents changes in net position for the fiscal years ended June 30, 2019 and June 30, 2018.

	Governmental		Business - Type		Total	
	Activities		Activities		Primary Government	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 34,041	\$ 42,780	\$ 934,973	\$ 1,107,787	\$ 969,014	\$ 1,150,567
Operating grants and contributions	9,874,643	10,843,144	6,460,130	5,936,661	16,334,773	16,779,805
Capital grants	1,469,849	82,399			1,469,849	82,399
General revenues						
Property taxes	16,192,351	15,741,998			16,192,351	15,741,998
Motor vehicle taxes	2,344,343	2,200,189			2,344,343	2,200,189
Utility Taxes	3,228,966	3,277,284			3,228,966	3,277,284
Other taxes	907,162	930,136			907,162	930,136
Investment earnings	450,013	279,858	86,684	21,970	536,697	301,828
State and formula grants	54,225,495	54,027,232			54,225,495	54,027,232
Miscellaneous	1,192,182	1,441,113			1,192,182	1,441,113
<b>Total revenues</b>	<u>89,919,045</u>	<u>88,866,133</u>	<u>\$ 7,481,787</u>	<u>7,066,418</u>	<u>97,400,832</u>	<u>95,932,551</u>
<b>EXPENSES</b>						
Program Activities						
Instructional	52,284,984	55,445,190			52,284,984	55,445,190
Student support	6,087,784	6,187,588			6,087,784	6,187,588
Instructional staff Support	3,751,367	3,930,767			3,751,367	3,930,767
District administrative support	1,751,176	1,915,445			1,751,176	1,915,445
School administrative support	3,911,707	4,107,086			3,911,707	4,107,086
Business support	999,306	1,097,078			999,306	1,097,078
Plant operations and maintenance	9,547,274	9,781,439			9,547,274	9,781,439
Student transportation	5,239,357	5,282,358			5,239,357	5,282,358
Community service activities	1,061,036	1,048,983			1,061,036	1,048,983
Central Office	160	320			160	320
Other	45	8,382			45	8,382
Interest costs	1,944,106	1,622,364			1,944,106	1,622,364
Business-type Activities						
Child Care			821,111	976,931	821,111	976,931
Food service			6,280,928	6,454,374	6,280,928	6,454,374
<b>Total expenses</b>	<u>86,578,302</u>	<u>90,427,000</u>	<u>7,102,039</u>	<u>7,431,305</u>	<u>93,680,341</u>	<u>97,858,305</u>
<b>Increase (decrease) in net position</b>	<u>\$ 3,340,743</u>	<u>\$ (1,560,867)</u>	<u>\$ 379,748</u>	<u>\$ (364,887)</u>	<u>\$ 3,720,491</u>	<u>\$ (1,925,754)</u>

On-behalf amounts are included in the above figures. On-behalf payments are payments the state makes on behalf of employees to the various agencies for health and life insurance, benefits, administration fees, technology and debt service. The total on-behalf payments for 2019 and 2018 were \$20,461,932 and \$20,472,162 respectively.

Total revenue increased \$1,468,281 and expenses decreased \$4,177,964.

**Governmental Activities**

For the governmental program expenses instructional expenses comprise 60% of total expenses, support services equate to 37%, and interest and other expenses make up the remaining 3% of the total.

The cost of program services and the charges for services and grants offsetting those services are shown on the Statement of Activities. The Statement of activities identifies the net cost of services supported by tax revenue and unrestricted intergovernmental revenues (State entitlements).

	Governmental Activities Total		Governmental Activities Net	
	Cost of Services		Cost of Services	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Instructional	\$ 52,284,984	\$ 55,445,190	\$ 44,037,168	\$ 46,409,614
Support Services	32,349,167	33,351,064	30,688,299	31,500,716
Other	45	8,382	(1,390,251)	8,382
Interest Costs	<u>1,944,106</u>	<u>1,622,364</u>	<u>1,864,553</u>	<u>1,539,965</u>
Total Expenses	<u>\$ 86,578,302</u>	<u>\$ 90,427,000</u>	<u>\$ 75,199,769</u>	<u>\$ 79,458,677</u>

**Business-Type Activities**

The business type activities at the District consist of Food Service and Child Care. Food Service had total revenues of \$6,501,060 and expenses of \$6,280,928 for fiscal year 2019. Child Care had total revenues of \$980,727 and expenses of \$821,111 for fiscal year 2019. These business-type activities receive no support from tax revenues, and, as such, the District will continue to monitor these activities and make the necessary adjustments to the operations of these activities.

**The School District's Funds**

The information relative to the School District's Funds starts on page 13. These funds use the modified accrual basis of accounting to account for each fund's revenues and expenses. The combined revenue and other financing sources for all governmental funds for 2019 was \$94,212,785 and expenditures were \$91,028,224.

**General Fund Budgetary Highlights**

The District's budget is based on accounting for certain transactions on the cash basis for receipts and expenditures and encumbrances and is prepared according to Kentucky law. The Kentucky Department of Education requires a zero-based budget with any remaining fund balance to be shown as a contingency expense in the budgeting process.

The most significant budgeted fund is the General Fund. The General Fund had budgeted revenues of \$65,108,605 with actual results being \$74,491,865. Budgeted expenditures were \$66,990,049 compared to actual expenditures of \$72,127,783. The most significant cause of the variance between budget and actual revenue was under budgeting for state on-behalf payments in the amount of \$20,461,932 as well as a capital funds request of \$941,344, and receiving more tax revenue than budgeted. The most significant cause of the expenditures being over budget was the state on-behalf payments noted above.

### Future Budgetary Implications

In Kentucky, the public schools fiscal year is July 1 – June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The District has adopted a budget for fiscal year 2019-2020 with an approximate 14.83% contingency.

Significant Board action that impacts the finances includes the Board opting to take the 4% rate of 56.9 cents per \$100 of property. The State SEEK base remained at \$4,000 for FY 2020.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At the end of the 2019 fiscal year, the District had invested \$69,330,572, net of depreciation, in a broad range of capital assets, including equipment, buses, buildings, and land. This amount represents a net increase of \$99,737. Depreciation expense for the year was \$3,349,579 and capital additions were \$4,245,324 and retirements net of depreciation was \$796,038.

	Governmental		Business - Type		Total Primary Government	
	Activities (Net of Depreciation)		Activities (Net of Depreciation)		(Net of Depreciation)	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 3,021,177	\$ 3,621,670	\$ -	\$ -	\$ 3,021,177	\$ 3,621,670
Construction in Progress	3,020,401	464,623			3,020,401	464,623
Land Improvements	-	-	-	-	-	-
Buildings and Improvements	56,760,392	59,169,559	-	-	56,760,392	59,169,559
Technology	-	-	-	-	-	-
Vehicles	5,090,305	5,205,529	-	-	5,090,305	5,205,529
General Equipment	983,503	270,413	454,794	499,041	1,438,297	769,454
Total	<u>\$68,875,778</u>	<u>\$68,731,794</u>	<u>\$ 454,794</u>	<u>\$ 499,041</u>	<u>\$69,330,572</u>	<u>\$69,230,835</u>

	Governmental		Business - Type		Total	
	Activities		Activities		Primary Government	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Beginning Balance	\$ 68,731,794	\$ 70,309,138	\$ 499,041	\$ 577,369	\$ 69,230,835	\$ 70,886,507
Additions	4,191,865	1,622,479	53,459	21,271	4,245,324	1,643,750
Retirements	(796,038)	-			(796,038)	-
Depreciation	<u>(3,251,843)</u>	<u>(3,199,823)</u>	<u>(97,706)</u>	<u>(99,599)</u>	<u>(3,349,549)</u>	<u>(3,299,422)</u>
Ending Balance	<u>\$ 68,875,778</u>	<u>\$ 68,731,794</u>	<u>454,794</u>	<u>\$ 499,041</u>	<u>\$ 69,330,572</u>	<u>\$ 69,230,835</u>

**Long-Term Debt**

The District made scheduled bond principal payments in the amount of \$3,535,000. The District made scheduled capital lease payments of \$832,507. During the year, the District also issued \$2,775,000 in Revenue Bonds to fund various construction projects.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers and other interested readers with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the District's Superintendent or Finance Director at (606)-679-1123.

PULASKI COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2019

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS:</b>			
Cash & Cash Equivalents - Note C	13,315,285	3,595,370	16,910,655
Accounts Receivable:			
Taxes - Current	752,470		752,470
Taxes - Delinquent	58,556		58,556
Accounts	146,939	63,031	209,970
Intergovernmental - State	605,013		605,013
Intergovernmental - Federal	619,860		619,860
Prepaid Expenses	47,693		47,693
Inventories for Consumption	56,989	111,401	168,390
Total Current Assets	<u>15,602,805</u>	<u>3,769,802</u>	<u>19,372,607</u>
Noncurrent Assets - Note F			
Land	3,021,177		3,021,177
Construction In Progress	3,020,401		3,020,401
Buildings & Improvements	98,950,407		98,950,407
Furniture & Equipment	23,909,063	2,777,564	26,686,627
Less: Accumulated Depreciation	(60,025,270)	(2,322,770)	(62,348,040)
Total Noncurrent Assets	<u>68,875,778</u>	<u>454,794</u>	<u>69,330,572</u>
<b>TOTAL ASSETS</b>	<b>84,478,583</b>	<b>4,224,596</b>	<b>88,703,179</b>
Deferred Outflows Related to Pensions	5,651,558	1,156,825	6,808,383
Deferred Outflows Related to Other Post Employment Benefits	3,256,829	400,033	3,656,862
Deferred Outflows from Advanced Bond Refundings	1,607,379		1,607,379
<b>TOTAL DEFERRED OUTFLOWS</b>	<b>10,515,766</b>	<b>1,556,858</b>	<b>12,072,624</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>94,994,349</b>	<b>5,781,454</b>	<b>100,775,803</b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts Payable	494,788	51,914	546,702
Accrued Salaries & Payroll Liabilities	1,347,861		1,347,861
Accrued Sick Leave - Note A	337,508		337,508
Advances from Grantors	705,854		705,854
Bond Obligations - Note D	3,570,000		3,570,000
Capital Lease Obligation - Note E	825,501		825,501
Accrued Interest Payable	502,294		502,294
Total Current Liabilities	<u>7,783,806</u>	<u>51,914</u>	<u>7,835,720</u>
Noncurrent Liabilities:			
Bond Obligations - Note D	49,849,810		49,849,810
Capital Lease Obligation - Note E	3,718,001		3,718,001
Net Pension Liability	22,424,479	4,592,966	27,017,445
Net Other Post Employment Benefits Liability	24,889,075	1,341,919	26,230,994
Accrued Sick Leave - Note A	1,186,598		1,186,598
Total Noncurrent Liabilities	<u>102,067,963</u>	<u>5,934,885</u>	<u>108,002,848</u>
<b>TOTAL LIABILITIES</b>	<b>109,851,769</b>	<b>5,986,799</b>	<b>115,838,568</b>
Deferred Inflows Related to Pensions	1,738,697	355,215	2,093,912
Deferred Inflows Related to Other Post Employment Benefits	2,293,517	261,949	2,555,466
<b>TOTAL DEFERRED INFLOWS</b>	<b>4,032,214</b>	<b>617,164</b>	<b>4,649,378</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<b>113,883,983</b>	<b>6,603,963</b>	<b>120,487,946</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	10,912,466	454,794	11,367,260
Restricted for:			
Capital Projects	816,844		816,844
SFCC Escrow	370,227		370,227
School Activities	581,883		581,883
Debt Service	2,145		2,145
Day Care		236,024	236,024
Food Service		(1,513,327)	(1,513,327)
Unrestricted	(31,573,199)		(31,573,199)
<b>TOTAL NET POSITION</b>	<b>(18,889,634)</b>	<b>(822,509)</b>	<b>(19,712,143)</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>94,994,349</b>	<b>5,781,454</b>	<b>100,775,803</b>

See independent auditor's report and accompanying notes to financial statements.

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

FUNCTION/PROGRAMS	PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>GOVERNMENTAL ACTIVITIES:</b>							
Instructional	52,284,984	34,041	8,213,775		(44,037,168)		(44,037,168)
Support Services:							
Student Support Services	6,087,784		15,628		(6,072,156)		(6,072,156)
Staff Support Services	3,751,367		537,649		(3,213,718)		(3,213,718)
District Administration	1,751,176				(1,751,176)		(1,751,176)
School Administration	3,911,707				(3,911,707)		(3,911,707)
Business Support Services	999,306		35,653		(963,653)		(963,653)
Plant Operation & Maintenance	9,547,274				(9,547,274)		(9,547,274)
Student Transportation	5,239,357		36,677		(5,202,680)		(5,202,680)
Central Office	160				(160)		(160)
Community Service Operations	1,061,036		1,035,261		(25,775)		(25,775)
Adult Education	45				(45)		(45)
Facilities Acquisition & Construction				1,390,296	1,390,296		1,390,296
Interest on Long-Term Debt	1,944,106			79,553	(1,864,553)		(1,864,553)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>86,578,302</b>	<b>34,041</b>	<b>9,874,643</b>	<b>1,469,849</b>	<b>(75,199,769)</b>		<b>(75,199,769)</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>							
Day Care	821,111	691,884	258,327			129,100	129,100
Food Service	6,037,709	243,089	6,210,487			415,867	415,867
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>6,858,820</b>	<b>934,973</b>	<b>6,468,814</b>	<b>0</b>	<b>0</b>	<b>544,967</b>	<b>544,967</b>
<b>TOTAL SCHOOL DISTRICT</b>	<b>93,437,122</b>	<b>969,014</b>	<b>16,343,457</b>	<b>1,469,849</b>	<b>(75,199,769)</b>	<b>544,967</b>	<b>(74,654,802)</b>
<b>GENERAL REVENUES:</b>							
<b>Taxes:</b>							
Property					16,192,351		16,192,351
Motor Vehicle					2,344,343		2,344,343
Utility					3,228,966		3,228,966
Other					907,162		907,162
State Aid - Formula Grants					54,225,495		54,225,495
Investment Earnings					450,013	86,684	536,697
Miscellaneous					1,175,766		1,175,766
Funds Transfer (Expense)					251,903	(251,903)	0
Loss Compensation					61,857		61,857
Gain(Loss) Sale of Assets					(297,344)		(297,344)
<b>TOTAL GENERAL AND TRANSFERS</b>					<b>78,540,512</b>	<b>(165,219)</b>	<b>78,375,293</b>
<b>CHANGE IN NET POSITION</b>					<b>3,340,743</b>	<b>379,748</b>	<b>3,720,491</b>
<b>NET POSITION - BEGINNING OF YEAR</b>					<b>(22,230,377)</b>	<b>(1,202,257)</b>	<b>(23,432,634)</b>
<b>NET POSITION - ENDING</b>					<b>(18,889,634)</b>	<b>(822,509)</b>	<b>(19,712,143)</b>

See independent auditor's report and accompanying notes to financial statements.



PULASKI COUNTY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019

	GENERAL FUND	SPECIAL REVENUE	DEBT SERVICE	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS:</b>					
Cash & Cash Equivalents	11,849,146	178,908	2,145	1,285,086	13,315,285
Interfund Receivable - Note O	42,133				42,133
Accounts Receivable:					
Taxes - Current	752,470				752,470
Taxes - Delinquent	58,556				58,556
Accounts	146,939				146,939
Intergovernmental - State		63,467		541,546	605,013
Intergovernmental - Federal		619,860			619,860
Prepaid Expenses	5,560		42,133		47,693
Inventory	56,989				56,989
<b>TOTAL ASSETS</b>	<b>12,911,793</b>	<b>862,235</b>	<b>44,278</b>	<b>1,826,632</b>	<b>15,644,938</b>
<b>LIABILITIES AND FUND BALANCE:</b>					
<b>Liabilities:</b>					
Accounts Payable	280,729	156,381		57,678	494,788
Interfund Payable - Note O			42,133		42,133
Accrued Salaries & Benefits	1,347,861				1,347,861
Advances from Grantors		705,854			705,854
<b>Total Liabilities</b>	<b>1,628,590</b>	<b>862,235</b>	<b>42,133</b>	<b>57,678</b>	<b>2,590,636</b>
<b>Fund Balance:</b>					
Non-Spendable	62,549				62,549
Restricted for:					
Capital Projects				816,844	816,844
School Activities				581,883	581,883
SFCC Escrow				370,227	370,227
Debt Service			2,145		2,145
Committed for:					
Accrued Sick Leave	337,508				337,508
Unassigned Fund Balance	10,883,146				10,883,146
<b>Total Fund Balance</b>	<b>11,283,203</b>	<b>0</b>	<b>2,145</b>	<b>1,768,954</b>	<b>13,054,302</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>12,911,793</b>	<b>862,235</b>	<b>44,278</b>	<b>1,826,632</b>	<b>15,644,938</b>

See independent auditor's report and accompanying notes to financial statements.

PULASKI COUNTY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2019

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

TOTAL GOVERNMENTAL FUND BALANCE		13,054,302
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of Capital Assets	128,901,048	
Accumulated Depreciation	<u>(60,025,270)</u>	68,875,778
Deferred Outflows on Bond Refundings are not current assets and therefore are not reported as assets in governmental funds.		
		1,607,379
Deferred Outflows Related to Pensions are not current assets and therefore are not reported as assets in governmental funds.		
		5,651,558
Deferred Outflows Related to Other Post Employment Benefits are not current assets and therefore are not reported as assets in governmental funds.		
		3,256,829
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Bonds Payable	(53,419,810)	
Capital Lease Obligation	(4,543,502)	
Accrued Interest on Bonds	(502,294)	
Net Pension Liability	(22,424,479)	
Net Other Post Employment Benefits Liability	(24,889,075)	
Accrued Sick Leave	<u>(1,524,106)</u>	(107,303,266)
Deferred Inflows Related to Other Post Employment Benefits are not current liabilities and therefore are not reported as liabilities in governmental funds.		
		(2,293,517)
Deferred Inflows Related to Pensions are not current liabilities and therefore are not reported as liabilities in governmental funds.		
		<u>(1,738,697)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u><u>(18,889,634)</u></u>

See independent auditor's report and accompanying notes to financial statements.

PULASKI COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

	GENERAL	SPECIAL REVENUE	DEBT SERVICE	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>					
Taxes:					
Property	12,671,155			3,521,196	16,192,351
Motor Vehicle	2,344,343				2,344,343
Utility	3,228,966				3,228,966
Other	907,162				907,162
Earnings on Investments	396,354			53,659	450,013
Intergovernmental - State	51,733,926	3,571,092	498,908	3,462,510	59,266,436
Intergovernmental - Federal		6,303,551			6,303,551
Other Sources	691,135	58,898		459,774	1,209,807
<b>TOTAL REVENUES</b>	<b>71,973,041</b>	<b>9,933,541</b>	<b>498,908</b>	<b>7,497,139</b>	<b>89,902,629</b>
<b>EXPENDITURES:</b>					
Instructional	42,473,290	8,392,266		380,604	51,246,160
Support Services:					
Student Support Services	5,862,050	15,968		1,609	5,879,627
Staff Support Services	3,046,659	549,333		57,300	3,653,292
District Administration	1,717,440				1,717,440
School Administration	3,781,915				3,781,915
Business Support Services	883,823	36,428		37,100	957,351
Plant Operation & Maintenance	7,349,303			26,889	7,376,192
Student Transportation	4,958,715	37,474		6,503	5,002,692
Community Service Operations	2,579	1,057,757			1,060,336
Adult Education	45				45
Facilities Acquisition & Construction				3,306,150	3,306,150
Debt Service:					
Principal	1,775,572		3,540,935		5,316,507
Interest	114,772		1,615,745		1,730,517
<b>TOTAL EXPENDITURES</b>	<b>71,966,163</b>	<b>10,089,226</b>	<b>5,156,680</b>	<b>3,816,155</b>	<b>91,028,224</b>
<b>EXCESS(DEFICIT) REVENUES OVER EXPENDITURES</b>	<b>6,878</b>	<b>(155,685)</b>	<b>(4,657,772)</b>	<b>3,680,984</b>	<b>(1,125,595)</b>
<b>OTHER FINANCING SOURCES(USES):</b>					
Proceeds from Sale of Bonds				2,775,000	2,775,000
Discount on Issuance of Bonds				(42,323)	(42,323)
Capital Lease Financing	765,025				765,025
Loss Compensation	61,857				61,857
Proceeds from Sale of Assets	498,694				498,694
Operating Transfers In - Note N	1,193,248	155,685	4,657,772		6,006,705
Operating Transfers Out - Note N	(161,620)			(5,593,182)	(5,754,802)
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>2,357,204</b>	<b>155,685</b>	<b>4,657,772</b>	<b>(2,860,505)</b>	<b>4,310,156</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>2,364,082</b>	<b>0</b>	<b>0</b>	<b>820,479</b>	<b>3,184,561</b>
<b>FUND BALANCES - BEGINNING</b>	<b>8,919,121</b>	<b>0</b>	<b>2,145</b>	<b>948,475</b>	<b>9,869,741</b>
<b>FUND BALANCES - ENDING</b>	<b>11,283,203</b>	<b>0</b>	<b>2,145</b>	<b>1,768,954</b>	<b>13,054,302</b>

See independent auditor's report and accompanying notes to financial statements.

PULASKI COUNTY SCHOOL DISTRICT  
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

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

NET CHANGES - GOVERNMENTAL FUNDS		3,184,561
<p>Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital exceeds depreciation expense for the year.</p>		
Depreciation Expense	(3,251,843)	
Capital Outlays	4,191,865	
		940,022
<p>Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.</p>		
Bond Principal Paid	3,535,000	
Capital Lease Principal Paid	832,507	
Note Principal Paid	949,000	
Capital Lease Financing	(765,025)	
Discount on Bond Issuance	42,323	
Note Proceeds	(2,775,000)	
		1,818,805
<p>Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.</p>		
Amortization-Deferred Outflows on Advanced Bond Refundings	(230,561)	
Amortization - Bond Premiums	22,503	
Amortization - Bond Discounts	(1,587)	
District Pension Contributions	1,671,626	
Cost of Benefits Earned Net of Employee Contributions	(3,622,238)	
District Other Post Employment Benefits Contributions	1,550,954	
Cost of Benefits Earned Net of Employee Contributions - OPEB	(1,340,983)	
Accrued Interest Payable	(3,944)	
Accrued Sick Leave	147,623	
		(1,806,607)
Loss on Sale of Assets		(796,038)
CHANGES - NET POSITION GOVERNMENTAL FUNDS		3,340,743

See independent auditor's report and accompanying notes to financial statements.

PULASKI COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2019

	ENTERPRISE FUNDS		
	FOOD SERVICE	CHILD CARE FUND	TOTAL
<b>ASSETS:</b>			
Current Assets:			
Cash & Cash Equivalents	2,475,402	1,119,968	3,595,370
Accounts Receivable	63,031		63,031
Inventories for Consumption	111,401		111,401
Total Current Assets	<u>2,649,834</u>	<u>1,119,968</u>	<u>3,769,802</u>
Noncurrent Assets:			
Furniture & Equipment	2,777,564		2,777,564
Less: Accumulated Depreciation	<u>(2,322,770)</u>		<u>(2,322,770)</u>
Total Noncurrent Assets	<u>454,794</u>	<u>0</u>	<u>454,794</u>
<b>TOTAL ASSETS</b>	<b><u>3,104,628</u></b>	<b><u>1,119,968</u></b>	<b><u>4,224,596</u></b>
Deferred Outflows Related to Other Post Employment Benefits	329,438	70,595	400,033
Deferred Outflows Related to Pensions	<u>953,173</u>	<u>203,652</u>	<u>1,156,825</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b><u>4,387,239</u></b>	<b><u>1,394,215</u></b>	<b><u>5,781,454</u></b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Account Payable	51,817	97	51,914
Total Current Liabilities	<u>51,817</u>	<u>97</u>	<u>51,914</u>
Noncurrent Liabilities:			
Net Other Post Employment Benefits Liability	1,102,639	239,280	1,341,919
Net Pension Liability	<u>3,782,443</u>	<u>810,523</u>	<u>4,592,966</u>
Total Noncurrent Liabilities	<u>4,885,082</u>	<u>1,049,803</u>	<u>5,934,885</u>
<b>TOTAL LIABILITIES</b>	<b><u>4,936,899</u></b>	<b><u>1,049,900</u></b>	<b><u>5,986,799</u></b>
Deferred Inflows Related to Other Post Employment Benefits	215,724	46,225	261,949
Deferred Inflows Related to Pensions	<u>293,149</u>	<u>62,066</u>	<u>355,215</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<b><u>5,445,772</u></b>	<b><u>1,158,191</u></b>	<b><u>6,603,963</u></b>
Net Position:			
Net Investment in Capital Assets	454,794		454,794
Restricted	<u>(1,513,327)</u>	<u>236,024</u>	<u>(1,277,303)</u>
Total Net Position	<u>(1,058,533)</u>	<u>236,024</u>	<u>(822,509)</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>4,387,239</u></b>	<b><u>1,394,215</u></b>	<b><u>5,781,454</u></b>

See independent auditor's report and accompanying notes to financial statements.

PULASKI COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

	ENTERPRISE FUNDS		
	FOOD SERVICE	CHILD CARE FUND	TOTAL
OPERATING REVENUES:			
Lunchroom Sales	241,425		241,425
Other Operating Revenues	1,664	691,884	693,548
TOTAL OPERATING REVENUES	<u>243,089</u>	<u>691,884</u>	<u>934,973</u>
OPERATING EXPENSES:			
Salaries & Benefits	2,929,604	745,403	3,675,007
Contract Services	72,758	14,601	87,359
Materials & Supplies	2,920,806	60,180	2,980,986
Depreciation - Note F	97,706		97,706
Other Operating Expenses	16,835	927	17,762
TOTAL OPERATING EXPENSES	<u>6,037,709</u>	<u>821,111</u>	<u>6,858,820</u>
OPERATING INCOME(LOSS)	(5,794,620)	(129,227)	(5,923,847)
NONOPERATING REVENUES(EXPENSES):			
Transfer Out to General Fund	(251,903)		(251,903)
Federal Grants	5,421,233	153,162	5,574,395
State Grants	440,570	105,165	545,735
Donated Commodities	348,684		348,684
Interest Income	56,168	30,516	86,684
TOTAL NONOPERATING REVENUE	<u>6,014,752</u>	<u>288,843</u>	<u>6,303,595</u>
INCOME(LOSS) BEFORE CAPITAL CONTRIBUTIONS	220,132	159,616	379,748
CAPITAL CONTRIBUTIONS	<u>0</u>	<u>0</u>	<u>0</u>
CHANGE IN NET POSITION	220,132	159,616	379,748
TOTAL NET POSITION - BEGINNING	<u>(1,278,665)</u>	<u>76,408</u>	<u>(1,202,257)</u>
TOTAL NET POSITION - ENDING	<u><u>(1,058,533)</u></u>	<u><u>236,024</u></u>	<u><u>(822,509)</u></u>

See independent auditor's report and accompanying notes to financial statements.

PULASKI COUNTY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

	FOOD SERVICE FUND	CHILD CARE FUND	TOTAL
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from:			
Lunchroom Sales	241,425		241,425
Other Activities	1,664	700,974	702,638
Cash Paid to/for:			
Employees	(2,179,114)	(562,593)	(2,741,707)
Supplies	(2,539,959)	(60,464)	(2,600,423)
Other Activities	(89,593)	(15,528)	(105,121)
Net Cash Provided (Used) by Operating Activities	(4,565,577)	62,389	(4,503,188)
<b>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Transfer out to General Fund	(251,903)		(251,903)
Federal Grants	5,429,673	153,162	5,582,835
State Grants	52,200		52,200
Net Cash Provided by Non-Capital and Related Financing Activities	5,229,970	153,162	5,383,132
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of Capital Assets	(53,459)		(53,459)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Receipt of Interest Income	56,168	30,516	86,684
Net Increase in Cash and Cash Equivalents	667,102	246,067	913,169
Balances, Beginning of Year	1,808,300	873,901	2,682,201
Balances, End of Year	2,475,402	1,119,968	3,595,370
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating Loss	(5,794,620)	(129,227)	(5,923,847)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities			
Depreciation	97,706		97,706
State On-Behalf Payments	388,371	105,165	493,536
Donated Commodities	348,684		348,684
Change in Assets, Deferred Outflows, Liabilities and Deferred Inflows:			
Deferred Outflows	284,886	61,096	345,982
Deferred Inflows	87,660	18,783	106,443
Net Pension Liability	138,471	29,672	168,143
Net Other Post Employment Benefits	(148,898)	(31,906)	(180,804)
Inventory	22,783		22,783
Accounts Receivable	-	9,090	9,090
Accounts Payable	9,380	(284)	9,096
Net Cash Provided (Used) by Operating Activities	(4,565,577)	62,389	(4,503,188)
Schedule of Non-Cash Transactions:			
Donated Commodities	348,684	-	348,684
State On-Behalf Payments	388,371	105,165	493,536

See independent auditor's report and accompanying notes to financial statements.

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

	<u>AGENCY FUND</u>
ASSETS:	
Cash and Cash Equivalents	575,722
Accounts Receivable	5,964
TOTAL ASSETS	<u>581,686</u>
LIABILITIES:	
Accounts Payable	7,287
Due to Student Groups	574,399
TOTAL LIABILITIES	<u>581,686</u>
NET POSITION HELD IN TRUST	<u><u>0</u></u>

See independent auditor's report and accompanying notes to financial statements.



PULASKI COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

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

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

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

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

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

Basis of Presentation

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

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

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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

The District has the following funds:

### I. Governmental Fund Types

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

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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.
  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 the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on generally obligation notes payable, as required by Kentucky law. This is a major fund of the District.

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

### III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

- A. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. The funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.
- B. The Private Purpose Trust funds are used to report trust arrangements under which principal and income benefit individuals, private organization, or other governments.

### 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 Nonexchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of the fiscal year-end.

Proprietary Fund operating revenues are defined as revenues received from the direct purchases of products and services (i.e. food service). Non-operating revenues are not related to direct purchases of products; for the District, these revenues are typically investment income and state and federal grant revenues.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Deferred Revenue – Deferred 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.

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 deferred 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 costs, such as depreciation, are not recognized in governmental funds.

### Property Taxes

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

The property tax rates assessed for the year ended June 30, 2019, to finance the General Fund operations were \$0.557 per \$100 valuation for real property, \$0.557 per \$100 valuation for business personal property, and \$0.557 per \$100 valuation for motor vehicles.

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

### 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.

## NOTES TO FINANCIAL STATEMENTS (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:

<b>Description</b>	<b>Governmental Activities Estimated Lives</b>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

### Interfund Balances

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

### Accumulated Unpaid Sick Leave Benefits

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

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

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

For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the amount “accumulated sick leave payable” in the general fund. The noncurrent portion of the liability is reported as a reserve of fund balance.

### Budgetary Process

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

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

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

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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 as dictated by law.

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

### 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.

### Investments

The private purpose trust funds record investments at their quoted market prices. All realized gains and losses and changes in fair value are recorded in the Statement of Changes in Fiduciary Net Position.

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

### Fund Balance

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end. Formal School Board action must be taken during an open meeting to establish, modify, or rescind a fund balance commitment.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Superintendent.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The District committed the following fund balance type by taking the following action:

<u>Fund Balance Type</u>	<u>Amount</u>	<u>Action</u>
General Fund	337,508	Long-Term Sick Leave Commitment

The District uses *restricted/committed* amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as grant agreements requiring dollar for dollar spending. Additionally, the District would first use *committed*, then *assigned*, and lastly *unassigned* amounts for unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy.

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Special Revenue	State, Local and Federal Grants

Net Position

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

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.

Contributions of Capital

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

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### Interfund Activity

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

### Pensions

Teachers' Retirement System - 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 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.

County Employees Retirement System - 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 of the State of Kentucky (CERS) and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Since certain expense items are amortized over the 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 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.

### Postemployment Benefits Other Than Pensions

Teachers' Retirement System – 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.

County Employees Retirement System - 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 County Employees Retirement System of the State of Kentucky (CERS) and



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Since certain expense items are amortized over the 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 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.

### **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**

**Custodial Credit Risk - Deposits.** Custodial Credit is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities.

At year-end, the carrying amount of the District's total cash and cash equivalents was \$17,486,377. Of the total cash balance, \$265,751 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 maturity of 90 days or less.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Cash and cash equivalents at June 30, 2019, consisted of the following:

	<b>Bank Balance</b>	<b>Book Balance</b>
Citizens National Bank	19,428,835	17,470,736
U.S. Bank	2,145	2,145
Cumberland Security Bank	8,547	8,427
Monticello Bank	<u>5,059</u>	<u>5,069</u>
Total	<u>19,444,586</u>	<u>17,486,377</u>

Breakdown per financial statements:

Governmental Funds	13,315,285
Proprietary Funds	<u>3,595,370</u>
Cash per Statement of Net Position	16,910,655
Agency Funds	<u>575,722</u>
Total Cash	<u>17,486,377</u>

**NOTE D – LONG TERM OBLIGATIONS**

The amount shown in the accompanying financial statements as bond obligations represents the District’s future obligations to make payments relating to the bonds issued by the Pulaski County School District Finance Corporation in the original amount aggregating \$71,470,000.

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

2009BR	4,660,000	2.00% - 3.00%
2009B	2,460,000	2.00% - 3.25%
2010	9,340,000	1.00% - 2.75%
2011	9,295,000	1.00% - 4.25%
2012	3,185,000	2.90% - 3.37%
2012RA	1,940,000	0.50% - 2.00%
2012R	1,600,000	1.50% - 2.00%
2014	5,950,000	1.10% - 4.00%
2015	4,500,000	1.00% - 2.35%
2016	2,080,000	2.00% - 2.00%
2017R	23,685,000	2.00% - 3.00%
2018	2,775,000	3.25% - 3.625%

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

In 1995 the Board entered into “participation agreements” with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local schools districts in meeting school construction needs. The table sets forth the amount to be paid by the Board and the Commission for each year until maturity of all bonds issued. The Kentucky School Construction Commission’s participation is limited to the biennial budget period of the Commonwealth of Kentucky with the right reserved by the Kentucky School Construction Commission to terminate the commitment to pay the agreed participation every two years. The obligation of the

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Kentucky School Construction Commission to make the agreed payments automatically renews each two years for a period of two years unless the Kentucky School Construction Commission gives notice of its intention not to participate not less than sixty days prior to the end of its biennium.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Participation</u>	<u>District's Portion</u>
2019-20	3,570,000	1,591,481	386,113	4,775,368
2020-21	3,655,000	1,506,158	387,512	4,773,646
2021-22	3,740,000	1,420,871	388,813	4,772,058
2022-23	3,835,000	1,326,382	390,013	4,771,369
2023-24	3,905,000	1,244,625	376,115	4,773,510
2024-25	3,975,000	1,142,950	344,392	4,773,558
2025-26	4,090,000	1,030,193	340,393	4,779,800
2026-27	4,210,000	913,002	341,393	4,781,609
2027-28	4,125,000	785,645	132,292	4,778,353
2028-29	4,255,000	658,463	132,293	4,781,170
2029-30	3,095,000	525,801	56,177	3,564,624
2030-31	3,220,000	402,437	56,178	3,566,259
2031-32	2,045,000	271,220	33,902	2,282,318
2032-33	2,125,000	200,556	33,902	2,291,654
2033-34	2,225,000	126,131	33,903	2,317,228
2034-35	220,000	38,006		258,006
2035-36	225,000	30,219		255,219
2036-37	230,000	22,113		252,113
2037-38	245,000	13,503		258,503
2038-39	250,000	4,532		254,532
	<u>53,240,000</u>	<u>13,254,288</u>	<u>3,433,391</u>	<u>63,060,897</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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>
<b>Primary Government</b>					
Governmental Activities:					
Revenue Bonds Payable	54,000,000	2,775,000	(3,535,000)	53,240,000	3,570,000
Add: Bond Premiums	243,049	0	(22,503)	220,546	0
Less: Bond Discount	<u>0</u>	<u>(42,323)</u>	<u>1,587</u>	<u>(40,736)</u>	<u>0</u>
Revenue Bonds – Net	54,243,049	2,732,677	(3,555,916)	53,419,810	3,570,000
Capital Lease Obligations	4,610,984	765,025	(832,507)	4,543,502	825,501
Net Pension Liability	21,603,547	820,932	0	22,424,479	0
Net OPEB Liability	26,694,826	0	(1,805,751)	24,889,075	0
Note Payable	949,000	0	(949,000)	0	0
Accrued Sick Leave	<u>1,671,729</u>	<u>0</u>	<u>(147,623)</u>	<u>1,524,106</u>	<u>337,508</u>
Total Governmental Activities:	<u>109,773,135</u>	<u>4,318,634</u>	<u>(7,290,797)</u>	<u>106,800,972</u>	<u>4,733,009</u>
Proprietary Activities:					
Net Pension Liability	4,424,823	168,143	0	4,592,966	0
Net OPEB Liability	<u>1,522,723</u>	<u>0</u>	<u>(180,804)</u>	<u>1,341,919</u>	<u>0</u>
Total Long-Term Liabilities:	<u>115,720,681</u>	<u>4,486,777</u>	<u>(7,471,601)</u>	<u>112,735,857</u>	<u>4,733,009</u>

**NOTE E - CAPITAL LEASE PAYABLE**

The District is the lessee of buses under capital leases expiring in various years through 2028. The assets and liabilities under capital leases are recorded at the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over their estimated productive lives. Amortization of assets under capital leases is included in depreciation expense for fiscal year 2019.

The following is a summary of property held under capital leases:

<u>Classes of Property</u>	<u>Book Value as of June 30, 2019</u>
Buses	8,282,811
Accumulated Amortization	<u>(3,729,958)</u>
	<u>4,552,853</u>

The following is a schedule by years of the future principal payments under capital leases as of June 30, 2019:

<u>Year Ending June 30,</u>	<u>Capital Lease Payable</u>
2020	943,454
2021	843,950
2022	732,164
2023	659,177
2024	553,718
2025-2029	<u>1,295,210</u>
Net minimum lease payments	5,027,673
Amount representing interest	<u>(484,171)</u>
Present value of net minimum lease payments	<u>4,543,502</u>

Interest rates on capitalized leases vary from 1.00% to 4.00%. The capital leases provide for the buses to revert to the District at the end of the respective lease with no further payment for purchase.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**NOTE F - CAPITAL ASSETS**

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

	BEGINNING BALANCE	ADDITIONS	RETIREMENTS	ENDING BALANCE
<b>GOVERNMENTAL ACTIVITIES:</b>				
Non-Depreciable Assets:				
Land	3,621,670		600,493	3,021,177
Construction	464,623	2,555,778		3,020,401
Depreciable Assets:				
Buildings & Building Improvements	99,278,137		327,730	98,950,407
Technology Equipment	7,486,183			7,486,183
Vehicles	13,415,592	806,875	63,904	14,158,563
General Equipment	1,435,105	829,212		2,264,317
<b>TOTAL AT HISTORICAL COST</b>	<b>125,701,310</b>	<b>4,191,865</b>	<b>992,127</b>	<b>128,901,048</b>
LESS ACCUMULATED DEPRECIATION FOR:				
Buildings & Building Improvements	40,108,547	2,213,653	132,185	42,190,015
Technology Equipment	7,499,891	14,859		7,514,750
Vehicles	8,210,063	922,099	63,904	9,068,258
General Equipment	1,151,015	101,232		1,252,247
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>56,969,516</b>	<b>3,251,843</b>	<b>196,089</b>	<b>60,025,270</b>
<b>GOVERNMENTAL ACTIVITIES CAPITAL NET</b>	<b>68,731,794</b>	<b>940,022</b>	<b>796,038</b>	<b>68,875,778</b>
<b>PROPRIETARY ACTIVITIES:</b>				
Depreciable Assets:				
Technology Equipment	56,057			56,057
Vehicles	27,330			27,330
General Equipment	2,640,718	53,459		2,694,177
<b>TOTALS AT HISTORICAL COST</b>	<b>2,724,105</b>	<b>53,459</b>	<b>-</b>	<b>2,777,564</b>
LESS ACCUMULATED DEPRECIATION FOR:				
Technology Equipment	56,057			56,057
Vehicles	27,330			27,330
General Equipment	2,141,677	97,706		2,239,383
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>2,225,064</b>	<b>97,706</b>	<b>-</b>	<b>2,322,770</b>
<b>PROPRIETARY ACTIVITIES CAPITAL NET</b>	<b>499,041</b>	<b>(44,247)</b>	<b>-</b>	<b>454,794</b>
<b>DEPRECIATION EXPENSE CHARGED TO GOVERNMENTAL FUNCTIONS AS FOLLOWS:</b>				
Instructional				249,032
Student Support Services				4,734
District Administration				21,969
School Administration				5,463
Business Support Services				14,261
Plant Operation & Maintenance				2,048,022
Student Transportation				907,502
Central Office				160
Community Service Operations				700
<b>TOTAL</b>				<b>3,251,843</b>

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

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years’ service and hire date multiplied by the average of the highest five years’ earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. 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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Contributions—Required contributions by the employee are based on the tier:

	<u>Required Contributions</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 ("TRS")**

*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 (TRS)—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at [http://www.TRS.ky.gov/05\\_publications/index.htm](http://www.TRS.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 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.

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

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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. University employees are required to contribute 10.40% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 8.185% of their salary to TRS.

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

### **Medical Insurance Plan**

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

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

*Funding policy*—In order to fund the post-retirement healthcare benefit, six percent (6%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three percent (3%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and two and one quarter percent (2.25%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

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



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

District's proportionate share of the CERS net pension liability	\$ 27,017,445
Commonwealth's proportional share of the TRS net pension liability associated with the District	<u>133,840,262</u>
	<u>\$ 160,857,707</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 0.443614% percent.

For the year ended June 30, 2019, the District recognized pension expense of \$4,364,142 related to CERS and \$9,697,747 related to TRS. The District also recognized revenue of \$9,697,747 TRS 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	\$ 881,233	\$ 395,478
Changes of assumptions	2,640,390	-
Net difference between projected and actual earnings on pension plan investments	1,256,331	1,580,285
Changes in proportion and differences between District contributions and proportionate share of contributions	16,424	118,149
District contributions subsequent to the measurement date	<u>2,014,005</u>	<u>-</u>
Total	<u>\$ 6,808,383</u>	<u>\$ 2,093,912</u>

\$2,014,005 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

	<u>Year ended June 30:</u>
2020	2,123,035
2021	1,042,419
2021	(319,980)
2022	(145,008)
2023	-

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Teachers' Retirement System (TRS)

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

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Investment rate of return	7.50%, net of pension plan investment expenses, including inflation
Projected salary increases	4.0-8.2%, includes inflation
Cost of living adjustments	1.50% annually
Inflation rate	3.50%

County Employees' Retirement System (CERS)

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

Valuation Date	June 30, 2018
Experience Study	July 1, 2008-June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay, closed
Remaining Amortization Period	27 years
Asset Valuation Method	5-year smoothed market
Investment rate of return	6.25%, net of pension plan investment expenses, including inflation
Projected salary increases	3.05% average, includes inflation
Inflation rate	2.30%

For CERS, the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted. The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

For TRS, Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a setback of 1 year for females. The last experience study was performed in 2015.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the system. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	40.00%	4.20%
International Equity	22.00%	5.20%
Fixed Income	15.00%	1.20%
Additional Categories	8.00%	3.30%
Real Estate	6.00%	3.80%
Private Equity	7.00%	6.3%
Cash	2.0%	.9%
Total	<u>100.0%</u>	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
<b>U.S. Equity</b>	<b>17.50%</b>	
U.S. Large Cap	5.00%	4.50%
U.S. Mid Cap	6.00%	4.50%
U.S. Small Cap	6.50%	5.50%
<b>Non U.S. Equity</b>	<b>17.50%</b>	
International Developed	12.50%	2.63%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
<b>Credit Fixed</b>	<b>24.00%</b>	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.0%	1.5%
Total	100.0%	6.09%

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

For TRS, the discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees until the 2040 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2039 and a municipal bond index rate of 3.01% was applied to all periods of projected benefit payments after 2039. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

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

NOTES TO FINANCIAL STATEMENTS (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	34,012,165	27,017,445	21,157,094
TRS	5.50%	6.50%	7.50%
District's proportionate share of net pension liability	0	0	0

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

**NOTE H – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

Teachers’ Retirement System of Kentucky

*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.

*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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

At June 30, 2019, the Pulaski County District reported a liability of \$18,355,000 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 .5290 percent, as compared to 5406 percent at June 30, 2017.

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

District’s proportionate share of the net OPEB liability	\$ 18,355,000
State’s proportionate share of the net OPEB liability associated with the District	<u>15,818,000</u>
Total	<u>\$ 34,173,000</u>

For the year ended June 30, 2019, the District recognized OPEB expense of \$1,424,159 and revenue of \$821,502 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 939,925
Changes of assumptions	252,437	-
Net difference between projected and actual earnings on pension plan investments	-	74,657
Changes in proportion and differences between District contributions and proportionate share of contributions	42,431	-
District contributions subsequent to the measurement date	<u>1,008,861</u>	<u>-</u>
Total	<u>1,303,729</u>	<u>1,014,582</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Of the total amount reported as deferred outflows of resources related to OPEB, \$1,008,861 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

<b>Year ended June 30:</b>	
2020	\$ (145,554)
2021	(145,554)
2022	(145,554)
2023	(112,254)
2024	(118,699)
Thereafter	(52,099)

*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 2017 decreasing to an ultimate rate of 5.00% by FY 2023
Ages 65 and Older	5.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2020
Medicare Part B Premiums	1.02% for FY 2017 with an ultimate rate of 5.00% by 2029
Municipal Bond Index Rate	3.56%
Discount Rate	8.00%
Single Equivalent Interest Rate	8.00%, 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, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016 valuation were based on a review of recent plan experience done concurrently with the June 30, 2016 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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%
Additional Categories	20.0%	3.3%
Cash	1.0%	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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
TRS	7.00%	8.00%	9.00%
District's proportionate share of net OPEB liability	21,524,000	18,355,000	15,715,000

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

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of net OPEB liability	15,220,000	18,355,000	22,223,000

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



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**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.

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

District’s proportionate share of the net OPEB liability	-0-
State’s proportionate share of the net OPEB liability associated with the District	<u>271,000</u>
Total	<u>\$ 271,000</u>

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

Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation.
Projected salary increases	4.00-8.10%, including inflation
Inflation rate	3.5%
Real Wage Growth	0.50%
Wage Inflation	4.00%
Municipal Bond Index Rate	3.56%
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, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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	2.0%	90.0%
Total	<u>100.0%</u>	

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

*\*\*Modeled as 50% High Yield and 50% Bank Loans.*

*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.

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

County Employees’ Retirement System of Kentucky

*Plan description* – Classified (non-certified) employees of the Kentucky School District are provided OPEBs through the County Employees Retirement System of the State of Kentucky (CERS)—a cost-sharing multiple-employer defined benefit OPEB plan retirement annuity plan coverage for local school districts and other public agencies in the state. CERS was established July 1, 1958 by the state legislature. CERS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth’s financial statements. CERS issues a publicly available financial report that can be obtained at <https://kyret.ky.gov/About/Board-of-Trustees/Pages/CAFR-and-SAFR.aspx>.

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 CERS Medical Insurance. The following information is about the CERS plans:

**Medical Insurance Plan**

*Plan description* –The Kentucky Retirement Systems’ Insurance Fund (Insurance Fund) was established to provide hospital and medical insurance for eligible members receiving benefits from KERS, CERS, and SPRS, the state retirement options. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. It is noted that while this insurance fund covers employees eligible through KERS, CERS, and SPRS, only the portion related to CERS is applicable to Pulaski County School District since the District does not have or qualify to have employees participate in KERS or SPRS.

*Benefits provided* – Medical Insurance coverage is provided based on the member’s initial participation date and length of service. Members received either a percentage or dollar amount for insurance coverage. The amount of contribution paid by the Insurance Fund is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<u>Years of Service</u>	<u>Paid By Insurance Fund (%)</u>
20+	100%
15-19	75%
10-14	50%
4-9	25%
Less than 4	0%

Medical insurance benefits are calculated differently for members who began participating on or after July 1, 2003. Once members reach a vesting period of 10 years, non-hazardous employees whose participation began on or after July 1, 2003 earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands. Only benefit descriptions applicable to CERS Non-Hazardous have been included with this information since only that portion is applicable to the District.

*Contributions* – In order to fund the post-retirement healthcare benefit, four and seventy tenths percent (4.70%) of the gross annual payroll of members is contributed for the year ended June 30, 2019 for CERS Non-Hazardous, which is the portion of the plan applicable to the District, and this portion is paid 100% paid by employer contributions. One percent (1.00%) is contributed by employees hired on or after September 1, 2008.

At June 30, 2019, the Pulaski County District reported a liability of \$7,875,994 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 .443598 percent, as compared with .444678 percent at June 30, 2017.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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	\$ 7,875,994
State's proportionate share of the net OPEB liability associated with the District	<u>-0-</u>
Total	<u>\$ 7,875,994</u>

For the year ended June 30, 2019, the District recognized OPEB expense of \$889,599. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 917,843
Changes of assumptions	1,572,953	18,197
Net difference between projected and actual earnings on pension plan investments	-	542,502
Changes in proportion and differences between District contributions and proportionate share of contributions	-	62,342
District contributions subsequent to the measurement date	<u>780,180</u>	<u>-</u>
Total	<u>2,353,133</u>	<u>1,540,884</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$780,180 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

<b>Year ended June 30:</b>	
2020	\$ 15,513
2021	15,513
2022	15,513
2023	120,876
2024	(80,923)
Thereafter	(54,423)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Valuation Date	June 30, 2018
Experience Study	July 1, 2008-June 30 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pat
Remaining Amortization Period	28 Years, Closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Investment rate of return	6.25%
Projected salary increases	3.05% average
Inflation rate	2.30%
Payroll Growth Rate	4.00%
Wage Inflation	3.50%
Healthcare cost trend rates	
Under 65	Initial trend starting at 7.0% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years
Ages 65 and Older	Initial trend starting at 5.0% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years

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

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
<b>U.S. Equity</b>	<b>17.50%</b>	
U.S. Large Cap	5.00%	4.50%
U.S. Mid Cap	6.00%	4.50%
U.S. Small Cap	6.50%	5.50%
<b>Non U.S. Equity</b>	<b>17.50%</b>	
International Developed	12.50%	2.63%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
<b>Credit Fixed</b>	<b>24.00%</b>	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.0%	1.5%
Total	100.0%	6.09%

*Discount rate* - The discount rate used to measure the total OPEB liability was 5.85%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

	1% Decrease	Current Discount Rate	1% Increase
CERS	4.85%	5.85%	6.85%
District's proportionate share of net OPEB liability	10,229,654	7,875,994	5,871,106

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Systems’ net pension liability	5,863,756	7,875,994	10,247,844

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

**NOTE I – 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 J – 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 related including Workers’ Compensation insurance.

**NOTE K – 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 obtains quotes from commercial insurance companies. Currently, the District maintains insurance coverage through Ohio Casualty Insurance Company.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**NOTE L – DEFICIT OPERATING BALANCES**

The Food Service Fund had a deficit fund balance of \$1,058,533 at June 30, 2019. Additionally, the following funds have operations that resulted in a current year deficit of expenditures over revenues resulting in a corresponding reduction of fund balance:

Special Revenue	155,840
Debt Service	4,657,772
Construction	1,915,833

**NOTE M – 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 N – TRANSFER OF FUNDS**

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	Technology Match	155,685
Operating	Building	General	Operations	941,344
Operating	General	Debt Service	Debt Service	5,935
Operating	Capital Outlay	Debt Service	Debt Service	741,356
Operating	Building	Debt Service	Debt Service	<u>3,910,482</u>
		Subtotal Governmental Funds Transferred		5,754,802
Operating	Food Service	General Fund	Indirect Costs	<u>251,904</u>
		Total Transferred Funds		<u>6,006,706</u>

**NOTE O – INTERFUND RECEIVABLES AND PAYABLES**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Debt Service	\$42,133

The interfund payables/receivables represent temporary financing that will be repaid within one year.

**NOTE P – SUBSEQUENT EVENTS**

Management has reviewed subsequent events through October 31, 2019, the date the financial statements were available for release. There are no material subsequent events to disclose.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**NOTE Q – ON-BEHALF PAYMENT**

For the year ended June 30, 2019, \$20,461,932 in on-behalf payments were made by the Commonwealth of Kentucky for the benefit of the District. Payments for life insurance, health insurance, Kentucky teacher retirement matching pension contributions, administrative fees, technology and debt service were paid by the State for the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts. These payments were as follows:

Teachers Retirement System (GASB 68 Schedule A)	\$9,697,747
Teachers Retirement System (GASB 75)	821,502
Health Insurance	9,354,350
Life Insurance	14,699
Administrative Fee	121,087
HRA/Dental/Vision	373,296
Federal Reimbursement	(541,363)
Technology	121,706
SFCC Debt Service Payments	<u>498,908</u>
Total	<u>\$20,461,932</u>

**NOTE R – COMMITMENTS**

Pulaski County School District is renovating the ATC Center, the Bus Maintenance Garage and Southern Middle School. Construction for these projects is ongoing as of the audit date. It is anticipated that the completion of these projects will cost an additional \$4,292,213.

REQUIRED SUPPLEMENTARY  
INFORMATION

PULASKI COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES:</b>				
Taxes	18,750,000	18,750,000	19,151,626	401,626
Other Local Sources	576,133	576,133	1,087,489	511,356
State Sources	45,527,472	45,527,472	51,733,926	6,206,454
Federal Sources	0	0	0	0
Other Sources	255,000	255,000	2,518,824	2,263,824
<b>TOTAL REVENUES</b>	<b>65,108,605</b>	<b>65,108,605</b>	<b>74,491,865</b>	<b>9,383,260</b>
<b>EXPENDITURES:</b>				
Instructional	38,660,387	38,660,387	42,473,290	(3,812,903)
Student Support Services	4,194,699	4,194,699	5,862,050	(1,667,351)
Staff Support Services	4,908,183	4,908,183	3,046,659	1,861,524
District Administration	1,660,219	1,660,219	1,717,440	(57,221)
School Administration	2,799,332	2,799,332	3,781,915	(982,583)
Business Support Services	795,027	795,027	883,823	(88,796)
Plant Operation & Maintenance	7,720,660	7,720,660	7,349,303	371,357
Student Transportation	4,623,884	4,623,884	4,958,715	(334,831)
Community Service Operations	5,879	5,879	2,579	3,300
Adult Education	0	0	45	(45)
Debt Service	1,147,279	1,147,279	1,890,344	(743,065)
Other	474,500	474,500	161,620	312,880
<b>TOTAL EXPENDITURES</b>	<b>66,990,049</b>	<b>66,990,049</b>	<b>72,127,783</b>	<b>(5,137,734)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(1,881,444)</b>	<b>(1,881,444)</b>	<b>2,364,082</b>	<b>4,245,526</b>
<b>FUND BALANCES - BEGINNING</b>	<b>1,881,444</b>	<b>1,881,444</b>	<b>8,919,121</b>	<b>0</b>
<b>FUND BALANCES - ENDING</b>	<b>0</b>	<b>0</b>	<b>11,283,203</b>	<b>4,245,526</b>

See independent auditor's report and accompanying notes to financial statements.

PULASKI COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES:</b>				
State Sources	3,344,676	3,344,676	3,571,092	226,416
Federal Sources	6,085,567	6,085,567	6,303,551	217,984
Other Sources	252,600	252,600	214,583	(38,017)
<b>TOTAL REVENUES</b>	<b>9,682,843</b>	<b>9,682,843</b>	<b>10,089,226</b>	<b>406,383</b>
<b>EXPENDITURES:</b>				
Instructional	8,351,857	8,351,857	8,392,266	(40,409)
Student Support Services			15,968	(15,968)
Staff Support Services	113,844	113,844	549,333	(435,489)
District Administration				
School Administration			0	0
Business Support Services			36,428	(36,428)
Plant Operation & Maintenance				
Student Transportation			37,474	(37,474)
Food Service				
Adult Education				
Community Service Operations	1,022,232	1,022,232	1,057,757	(35,525)
Facility Acquisition & Construction				
Other	194,910	194,910		194,910
<b>TOTAL EXPENDITURES</b>	<b>9,682,843</b>	<b>9,682,843</b>	<b>10,089,226</b>	<b>(406,383)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>FUND BALANCES - BEGINNING</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>FUND BALANCES - ENDING</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

See accompanying auditor's report and accompanying notes to financial statements.

PULASKI COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
TEACHERS' RETIREMENT SYSTEM  
FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
District's proportion of net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%
District's proportionate share of the net pension liability	\$ -	-	-	-	-
State of Kentucky's share of the net pension liability associated with the district	<u>\$ 208,474,524</u>	<u>232,487,535</u>	<u>303,279,104</u>	<u>275,575,036</u>	<u>133,840,262</u>
<b>TOTAL</b>	<b><u>208,474,524</u></b>	<b><u>232,487,535</u></b>	<b><u>303,279,104</u></b>	<b><u>275,575,036</u></b>	<b><u>133,840,262</u></b>
District's covered-employee payroll	\$ 32,792,728	34,109,543	34,191,833	35,123,808	33,628,697
District's proportionate share of the net pension liability as a percentage of its covered-payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	45.59%	44.70%	57.04%	39.80%	59.30%

*Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.*

PULASKI COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
District's proportion of net pension liability	0.438221%	0.446429%	0.450032%	0.444678%	0.443614%
District's proportionate share of the net pension liability	\$ 14,217,550	19,194,327	22,157,839	26,028,370	27,017,445
State of Kentucky's share of the net pension liability associated with the district	-	-			
<b>TOTAL</b>	<b><u>\$ 14,217,550</u></b>	<b><u>19,194,327</u></b>	<b><u>22,157,839</u></b>	<b><u>26,028,370</u></b>	<b><u>27,017,445</u></b>
District's covered-employee payroll	\$ 10,596,488	10,948,667	11,041,179	11,187,930	12,416,811
District's proportionate share of the net pension liability as a percentage of its covered-payroll	134.17%	175.31%	200.68%	232.65%	217.59%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	63.46%	55.50%	53.30%	53.54%

*Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.*

PULASKI COUNTY SCHOOL DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS TO THE  
 TEACHERS RETIREMENT SYSTEM  
 FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contributions (actuarially determined)	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contributions	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 32,792,728	\$ 34,109,543	\$ 34,191,833	\$ 35,123,808	\$ 33,628,697
Contributions as a percentage of Covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%

*Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.*

PULASKI COUNTY SCHOOL DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS TO THE  
 COUNTY EMPLOYEES RETIREMENT SYSTEM  
 FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contributions (actuarially determined)	\$ 1,347,954	\$ 1,359,825	\$ 1,540,244	\$ 1,620,012	\$ 2,014,007
Contributions in relation to the actuarially determined contributions	<u>1,347,954</u>	<u>1,359,825</u>	<u>1,540,244</u>	<u>1,620,012</u>	<u>2,014,007</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 10,596,488	\$ 10,948,667	\$ 11,041,179	\$ 11,187,930	\$ 12,416,811
Contributions as a percentage of Covered employee payroll	12.75%	12.42%	13.95%	14.48%	16.22%

*Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.*



PULASKI COUNTY SCHOOL DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE  
 OF THE NET OPEB LIABILITY - MEDICAL INSURANCE  
 COUNTY EMPLOYEES RETIREMENT SYSTEM  
 FOR THE YEAR ENDED JUNE 30

	2018	2019
District's proportion of net OPEB liability	0.444678%	0.443598%
District's proportionate share of the net OPEB liability	8,939,549	7,875,994
State of Kentucky's share of the net OPEB liability associated with the district	-	-
<b>TOTAL</b>	<b>8,939,549</b>	<b>7,875,994</b>
District's covered-employee payroll	11,187,930	12,416,811
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	79.90%	63.43%
Plan fiduciary net position as a percentage of the total OPEB liability	52.40%	57.62%

*Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.*

PULASKI COUNTY SCHOOL DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE  
 OF THE NET OPEB LIABILITY - MEDICAL INSURANCE PLAN  
 TEACHERS' RETIREMENT SYSTEM  
 FOR THE YEAR ENDED JUNE 30

	2018	2019
District's proportion of net OPEB liability	0.5406%	0.5290%
District's proportionate share of the net OPEB liability	19,278,000	18,355,000
State of Kentucky's share of the net OPEB liability associated with the district	15,748,000	15,818,000
<b>TOTAL</b>	<b>35,026,000</b>	<b>34,173,000</b>
District's covered-employee payroll	\$ 35,123,808	\$ 33,628,697
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	54.89%	54.58%
Plan fiduciary net position as a percentage of the total OPEB liability	21.18%	25.50%

*Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.*

PULASKI COUNTY SCHOOL DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE  
 OF THE NET OPEB LIABILITY - LIFE INSURANCE PLAN  
 TEACHERS' RETIREMENT SYSTEM  
 FOR THE YEAR ENDED JUNE 30

	2018	2019
District's proportion of net OPEB liability	0.0000%	0.0000%
District's proportionate share of the net OPEB liability	-	-
State of Kentucky's share of the net OPEB liability associated with the district	211,000	271,000
<b>TOTAL</b>	<b>211,000</b>	<b>271,000</b>
District's covered-employee payroll	\$ 35,123,808	\$ 33,628,697
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	79.99%	75.00%

*Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.*

PULASKI COUNTY SCHOOL DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS TO THE MEDICAL INSUARANCE PLAN  
 COUNTY EMPLOYEES RETIREMENT SYSTEM  
 FOR THE YEAR ENDED JUNE 30

	2018	2019
Contractually required contributions (actuarially determined)	\$ 525,833	\$ 653,124
Contributions in relation to the actuarially determined contributions	525,833	653,124
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 11,187,930	\$ 12,416,811
Contributions as a percentage of Covered employee payroll	4.70%	5.26%

*Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.*

PULASKI COUNTY SCHOOL DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS TO THE MEDICAL INSURANCE PLAN  
 TEACHERS RETIREMENT SYSTEM  
 FOR THE YEAR ENDED JUNE 30

	2018	2019
Contractually required contributions (actuarially determined)	\$ 1,053,714	\$ 1,008,861
Contributions in relation to the actuarially determined contributions	1,053,714	1,008,861
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 35,123,808	\$ 33,628,697
Contributions as a percentage of Covered employee payroll	3.00%	3.00%

*Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.*

PULASKI COUNTY SCHOOL DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS TO THE MEDICAL INSURANCE PLAN  
 TEACHERS RETIREMENT SYSTEM  
 FOR THE YEAR ENDED JUNE 30

	2018	2019
Contractually required contributions (actuarially determined)	\$ -	\$ -
Contributions in relation to the actuarially determined contributions	-	-
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 35,123,808	\$ 33,628,697
Contributions as a percentage of Covered employee payroll	0.00%	0.00%

*Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.*

PULASKI COUNTY SCHOOL DISTRICT  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE  
 OF THE NET PENSION LIABILITY  
 FOR THE YEAR ENDED JUNE 30, 2019

**TEACHERS' RETIREMENT SYSTEM**

**NOTE A – CHANGES OF ASSUMPTIONS**

In the 2016 valuation, rates of withdrawal, retirement, disability, mortality and rates of salary increases were adjusted to more closely reflect actual experience. In the 2016 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables projected to 2025 with projection scale BB, set forward two years for males and one year for females rather than the RP-2000 Mortality Tables projected to 2020 with projection scales AA, which was used prior to 2016.

In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables projected to 2020 with projection scale AA, set back one year for females rather than the 1994 Group Annuity Mortality Tables which was used prior to 2016. For the 2011 valuation through the 2013 valuation, an interest smoothing methodology was used to calculate liabilities for purposes of determining the actuarially determined contributions.

**NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS**

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 the schedule:

Actuarial Cost Method	Entry age
Amortization Period	Level percentage of payroll, open
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Inflation	3.5 percent
Salary Increase	4.00 to 8.20 percent, including inflation
Ultimate Investment rate of return	7.50 percent, net of pension plan investment Expense, including inflation

**NOTE C – CHANGES OF BENEFITS**

There were no changes in benefits for TRS pension.

PULASKI COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2019

**COUNTY EMPLOYEES RETIREMENT SYSTEM**

**NOTE A – CHANGES OF ASSUMPTIONS**

2015

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

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

The assumed inflation rate was reduced from 3.5% to 3.255%

The assumed rate of wage inflation was reduced from 1.00% to .75%

Payroll growth assumption was reduced from 4.5% to 4%

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females)

For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

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

2016

There were no changes of assumptions for the year ended June 30, 2016.

2017

The following changes were made by the KRS Board of Trustees and reflected in the valuation performed as of June 30, 2017:

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

The assumed salary increases were reduced to 3.05%, average, from 4.00%, average including inflation

The assumed investment rate of return was reduced to 6.25% from 7.50%

2018

There were no changes of assumptions for the year ended June 30, 2018.



PULASKI COUNTY SCHOOL DISTRICT  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE  
 OF THE NET PENSION LIABILITY  
 FOR THE YEAR ENDED JUNE 30, 2019

**COUNTY EMPLOYEES RETIREMENT SYSTEM (CONTINUED)**

**NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS**

The actuarially determined contribution rates in the schedule of contribution are determined on a biennial basis beginning with the fiscal years ended 2016 and 2017, determined as of July 1, 2015. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine the rates reported in that schedule:

Valuation Date	June 30, 2018
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	28 years, Closed
Payroll Growth Rate	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25 percent
Salary Increase	4.0 percent, average
Investment Rate of Return	7.5 percent, net of pension plan investment expense, including inflation

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

**NOTE C – CHANGES OF BENEFITS**

There were no changes in benefits for CERS pension.

PULASKI COUNTY SCHOOL DISTRICT  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE  
 OF THE NET OPEB LIABILITY  
 FOR THE YEAR ENDED JUNE 30, 2019

**TEACHERS' RETIREMENT SYSTEM**

**NOTE A – CHANGES OF ASSUMPTIONS**

2017

There were no changes in assumptions.

2018

There were no changes in assumptions.

**NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS**

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

Valuation date	June 30, 2018
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	23 years, Closed
Asset valuation method	Five-year smoothed value
Inflation	3.00%
Real wage growth	0.50%
Wage inflation	4.00%
Salary increases, including wage inflation	3.5% - 7.20%
Discount rate	8.00%
Health care cost trends	
Under 65	7.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2023
Ages 65 and older	5.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2020
Medicare Part B premiums	1.02% for FY 2017 with an ultimate rate of 5.00% by 2029
Under age 65 claims	the current premium charged by KEHP is used as the base cost and is projected forward using only the health care trend assumption (no implicit rate subsidy is recognized).

**NOTE C – CHANGES OF BENEFITS**

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

PULASKI COUNTY SCHOOL DISTRICT  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE  
 OF THE NET OPEB LIABILITY  
 FOR THE YEAR ENDED JUNE 30, 2019  
COUNTY EMPLOYEES RETIREMENT SYSTEM

**NOTE A – CHANGES OF ASSUMPTIONS**

2017

The assumed investment return was changed from 7.5% to 6.2%

The price inflation assumption was changed from 3.25% to 2.30% which resulted in a .95% decrease in the salary increase assumption at all years of service

The payroll growth assumption (\*applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.0% to 2.0%

For the non-hazardous plan, the single discount rate changed from 6.89% to 5.84%. For the hazardous plan the single discount rate changed from 7.37% to 5.96%

2018

There were no changes in assumptions.

**NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS**

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

Valuation Date	June 30, 2018
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	27 years, Closed
Payroll Growth Rate	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25 percent
Salary Increase	4.0 percent, average
Investment Rate of Return	7.5 %
Healthcare cost trend rates	
Under 65	Initial trend starting at 7.5% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years
Ages 65 and Older	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years

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

**NOTE C – CHANGES OF BENEFITS**

There were no changes in benefits for CERS OPEB.

OTHER SUPPLEMENTARY  
INFORMATION

PULASKI COUNTY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2019

	BUILDING FUND	SEEK CAPITAL OUTLAY FUND	DISTRICT ACTIVITY FUND	CONSTRUCTION FUND	TOTAL NON-MAJOR GOVERNMENT FUNDS
<b>ASSETS:</b>					
Cash & Cash Equivalents	265	369,962	591,555	323,304	1,285,086
Accounts Receivable Intergovernmental - State				541,546	541,546
<b>TOTAL ASSETS</b>	<b>265</b>	<b>369,962</b>	<b>591,555</b>	<b>864,850</b>	<b>1,826,632</b>
<b>LIABILITIES AND FUND BALANCES:</b>					
Liabilities:					
Accounts Payable			9,672	48,006	57,678
<b>Total Liabilities</b>	<b>0</b>	<b>0</b>	<b>9,672</b>	<b>48,006</b>	<b>57,678</b>
Fund Balances:					
Restricted for:					
Capital Projects				816,844	816,844
School Activities			581,883		581,883
SFCC Escrow	265	369,962			370,227
<b>Total Fund Balances</b>	<b>265</b>	<b>369,962</b>	<b>581,883</b>	<b>816,844</b>	<b>1,768,954</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>265</b>	<b>369,962</b>	<b>591,555</b>	<b>864,850</b>	<b>1,826,632</b>

See independent auditor's report and accompanying notes to financial statements.

PULASKI COUNTY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019

	BUILDING FUND	SEEK CAPITAL OUTLAY FUND	DISTRICT ACTIVITY FUND	CONSTRUCTION FUND	TOTAL NON-MAJOR GOVERNMENT FUNDS
<b>REVENUES:</b>					
Taxes	3,521,196				3,521,196
Earnings from Investments			16,538	37,121	53,659
Intergovernmental - State	1,330,858	741,356		1,390,296	3,462,510
Other Sources			459,774		459,774
<b>TOTAL REVENUES</b>	<b>4,852,054</b>	<b>741,356</b>	<b>476,312</b>	<b>1,427,417</b>	<b>7,497,139</b>
<b>EXPENDITURES:</b>					
Instructional			380,604		380,604
Support Services:					
Student Support Services			1,609		1,609
Staff Support Services			57,300		57,300
Business Support Services				37,100	37,100
Plant Operation & Maintenance			26,889		26,889
Student Transportation			6,503		6,503
Facilities Acquisition & Construction				3,306,150	3,306,150
<b>TOTAL EXPENDITURES</b>	<b>0</b>	<b>0</b>	<b>472,905</b>	<b>3,343,250</b>	<b>3,816,155</b>
<b>EXCESS(DEFICIT) REVENUES OVER EXPENDITURES</b>	<b>4,852,054</b>	<b>741,356</b>	<b>3,407</b>	<b>(1,915,833)</b>	<b>3,680,984</b>
<b>OTHER FINANCING SOURCES(USES):</b>					
Proceeds from Sale of Bonds				2,775,000	2,775,000
Discount on Issuance of Bonds				(42,323)	(42,323)
Operating Transfers Out	(4,851,826)	(741,356)			(5,593,182)
<b>TOTAL OTHER FINANCING SOURCES(USES)</b>	<b>(4,851,826)</b>	<b>(741,356)</b>	<b>0</b>	<b>2,732,677</b>	<b>(2,860,505)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>228</b>	<b>0</b>	<b>3,407</b>	<b>816,844</b>	<b>820,479</b>
<b>FUND BALANCES - BEGINNING</b>	<b>37</b>	<b>369,962</b>	<b>578,476</b>	<b>0</b>	<b>948,475</b>
<b>FUND BALANCES - ENDING</b>	<b>265</b>	<b>369,962</b>	<b>581,883</b>	<b>816,844</b>	<b>1,768,954</b>

See independent auditor's report and accompanying notes to financial statements.

PULASKI COUNTY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES  
 AGENCY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019

	FUND BALANCE JULY 1, 2018	REVENUES	EXPENDITURES	FUND BALANCE JUNE 30, 2019
Pulaski Co High School	162,338	756,014	742,307	176,045
Pulaski County High Charitable Gaming	2,629	3,857	6,263	223
Southwestern High School	143,732	428,304	370,598	201,438
Northern Middle School	56,214	231,087	209,917	77,384
Southern Middle School	66,067	249,291	244,366	70,992
Burnside Elementary	3,378	15,050	15,556	2,872
Eubank Elementary	5,139	13,789	10,500	8,428
Nancy Elementary	2,713	61,837	63,305	1,245
Nancy Charitable Gaming	162	329	329	162
Northern Elementary	6,611	36,632	40,052	3,191
Oakhill Elementary	3,656	5,598	6,328	2,926
Pulaski Co Elementary	7,059	98,368	94,814	10,613
Shopville Elementary	6,860	4,894	6,687	5,067
Southern Elementary	13,069	37,898	37,154	13,813
Total Activity Funds (Due to Student Groups)	<u>479,627</u>	<u>1,942,948</u>	<u>1,848,176</u>	<u>574,399</u>

See independent accountant's report and accompanying notes to financial statements.



PULASKI COUNTY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE  
PULASKI COUNTY HIGH SCHOOL ACTIVITY FUND  
FOR THE YEAR ENDED JUNE 30, 2019

	CASH			CASH	ACCOUNTS	ACCOUNTS	FUND
	BALANCE	RECEIPTS	DISBURSEMENTS	BALANCE	RECEIVABLE	PAYABLE	BALANCE
	JULY 1, 2018			JUNE 30, 2019	JUNE 30, 2019	JUNE 30, 2019	JUNE 30, 2019
Agri Mechanics	280	4,320	4,034	566			566
Ag-Production	6,934	14,629	13,203	8,360			8,360
Interest Earned	0	304	0	304			304
Art	162	29	93	98			98
Athletics	17,646	97,260	101,160	13,746			13,746
Band	145	500	631	14			14
AP Human Gerography	0	214	206	8			8
Consumer/Family/Food	3,499	1,519	1,096	3,922			3,922
Extra Athletic Personnel	0	10,000	9,352	648			648
ROTC	365	19,454	18,387	1,432			1,432
Special Ed	209	425	384	250			250
Supply Store	12,067	72,061	67,143	16,985			16,985
Technology Ed Club	7	0	0	7			7
Chorus Club	2,014	28,020	27,447	2,587			2,587
History Club	45	0	0	45			45
Fishing Club	692	3,319	2,772	1,239			1,239
ADVPP Club	2,725	320	320	2,725			2,725
Faculty Vending	3,280	7,547	10,557	270			270
FB Playoffs vs S Oldham	0	21,768	21,768	0			0
General/Sweep Account	0	2,625	2,625	0			0
Lib Club	538	304	322	520			520
Parking Fundraiser	1,714	510	1,761	463			463
Student Vending	888	6,630	5,069	2,449			2,449
Youth Service Center	482	0	392	90			90
STLP Club	145	641	8	778			778
FYSC - United Way	857	649	923	583			583
Disc Golf Club	246	100	160	186			186
Cheerleaders	19,525	95,264	88,389	26,400			26,400
Dance Team	502	3,600	4,102	0			0
DECA	18,901	75,911	80,443	14,369			14,369
Environmental Club	408	0	0	408			408
FBLA	960	45,388	45,809	539			539
FCA	1,849	142	213	1,778			1,778
FFA	206	36,653	35,708	1,151			1,151
FCCLA	2,753	6,299	6,913	2,139			2,139
NHS	1,743	2,851	1,929	2,665			2,665
Pep Club	243	0	0	243			243
United/S.A.D.D.	10	0	0	10			10
Drama Club	3,589	5,324	4,923	3,990			3,990
Student Council	1,803	960	1,683	1,080			1,080
Boys Golf Boosters	1,118	0	828	290			290
Sports Officials	125	15,315	15,440	0			0
Philosophy Club	35	0	0	35			35
Educators Rising	18	2,397	869	1,546			1,546
Prom	7,067	8,838	7,964	7,941			7,941
12th Region Basketball	0	1,669	1,669	0			0
Chess Club	86	160	235	11			11
RPG Club	62	129	0	191			191
Student YMCA	392	7,011	6,723	680			680
Softball Booster	5,381	19,261	19,805	4,837			4,837
Girls Soccer Booster	1,545	9,870	9,431	1,984			1,984
Boys Soccer Booster	1,947	17,126	13,598	5,475			5,475
Don Franklin Bowl Tourney	0	22,326	22,326	0			0
Baseball Booster	3	0	0	3			3
Volleyball Booster	9,673	13,975	13,941	9,707			9,707

Project Graduation	37	7,649	3,874	3,812			3,812
Feud for Food	834	1,574	1,763	645			645
Tennis	2,143	5,621	3,731	4,033			4,033
Kool Kardz Klub	400	600	624	376			376
Basketball District Tournament	0	17,157	17,157	0			0
Region Tourney Tourney	0	24,581	24,581	0			0
Shelley's Yearbook Class	3,621	4,355	7,435	541			541
Archery Booster	464	13,687	13,877	274			274
YSC Attendance Donation	3	0	0	3			3
Art Club	59	0	31	28			28
The Media Club	185	0	0	185			185
Book Club	0	204	121	83			83
JROTC Nationals Acc	1,856	11,294	11,608	1,542			1,542
Semi-State Football	0	5,631	5,631	0			0
Swim Team	272	703	683	292			292
12th Region Girls	296	0	296	0			0
Alloc Baseball	0	1,400	1,400	0			0
Alloc Boys Basketball	687	1,413	1,599	501			501
Alloc Girls Basketball	0	3,393	2,647	746			746
Alloc Cross Country	712	289	976	25			25
Alloc Football	0	7,806	7,806	0			0
Alloc Boys Golf	0	1,000	1,000	0			0
Alloc Girls Golf	120	1,656	1,776	0			0
Alloc Boys Soccer	0	1,000	964	36			36
Alloc Girls Soccer	0	1,000	0	1,000			1,000
Alloc Softball	0	1,405	1,405	0			0
Alloc Tennis	0	600	421	179			179
Alloc Boys Track	3	496	327	172			172
Alloc Girls Track	1	777	327	451			451
Alloc Volleyball	450	550	300	700			700
Alloc Dance	0	300	300	0			0
Alloc Cheerleaders	300	300	0	600			600
Alloc Swim Team	0	500	200	300			300
Saddle Up Club	174	2,019	1,920	273			273
Anime Club	4	20	20	4			4
Acadmeic Team Fundraisers	0	663	627	36			36
Robotics Club	1,915	570	2,009	476			476
Beta Club	1,692	65	527	1,230			1,230
Spanish Honor Soc	618	460	933	145			145
Alloc Archery	69	431	500	0			0
Football Playoffs	1	0	1	0			0
PBIS	0	780	206	574			574
Link Crew Club	353	482	810	25			25
Rocket Club	188	0	0	188			188
AP Study Fund	540	0	178	362			362
AP Biology	44	0	0	44			44
HOSA	3,960	7,053	8,199	2,814			2,814
Science Olympiad	150	0	0	150			150
AP European	72	0	0	72			72
Biomed/Engineering Club	730	0	95	635			635
Bass Fishing Team Alloc	190	0	190	0			0
Youth Literacy Donation	20	0	20	0			0
M&W Classic Fundraiser	0	4,920	4,920	0			0
PK 28	4,148	0	285	3,863			3,863
Nancy New 126 Class	143	0	0	143			143
Bio Donations	0	2,240	0	2,240			2,240
Harlem Wizards Fundraiser	0	500	0	500			500
Total All Funds	<u>162,338</u>	<u>820,761</u>	<u>807,054</u>	<u>176,045</u>	<u>0</u>	<u>0</u>	<u>176,045</u>
Interfund Transfers	<u>0</u>	<u>(64,747)</u>	<u>(64,747)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u><u>162,338</u></u>	<u><u>756,014</u></u>	<u><u>742,307</u></u>	<u><u>176,045</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>176,045</u></u>

PULASKI COUNTY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE  
SOUTHWESTERN HIGH SCHOOL ACTIVITY FUND  
FOR THE YEAR ENDED JUNE 30, 2019

	CASH BALANCE			CASH BALANCE	ACCOUNTS RECEIVABLE	ACCOUNTS PAYABLE	FUND BALANCE
	JULY 1, 2018	RECEIPTS	DISBURSEMENTS	JUNE 30, 2019	JUNE 30, 2019	JUNE 30, 2019	JUNE 30, 2019
Sr Project Graduation	5,368	7,299	3,792	8,875			8,875
HOSA	0	2,621	2,337	284			284
Art	1,547	460	0	2,007			2,007
ASL	0	774	355	419			419
Band	457	4,056	4,513	0			0
Drama	1,923	3,350	2,620	2,653			2,653
Young Republicans	110	0	0	110			110
Chorus	340	8,109	7,858	591			591
3D Archery	265	0	0	265			265
DECA	3,663	9,605	8,027	5,241			5,241
FBLA	8,367	35,870	35,403	8,834		355	8,479
FCA	97	315	352	60			60
FFA	5,091	6,621	7,338	4,374			4,374
FCCLA	2,643	2,184	2,459	2,368			2,368
Link Crew	1,932	5,096	4,472	2,556			2,556
Foreign Language	12	0	0	12			12
Hoby Leadership	0	395	395	0			0
Senior Class	0	1,000	584	416			416
FACS	5,012	3,727	3,604	5,135			5,135
Interest	652	679	325	1,006			1,006
Youth Service Center	1,149	627	0	1,776			1,776
NHS	4,497	3,980	2,085	6,392			6,392
Academic Team	191	1,615	1,674	132			132
ROTC	6,735	33,710	35,059	5,386	3,896		9,282
Spanish Club	255	350	140	465			465
Student Government	99	1,384	1,351	132			132
Tech/STLP	1,212	0	1,194	18			18
Trading Post	20,440	75,295	76,736	18,999			18,999
Vending	77	0	(14)	91			91
Yearbook	7,572	14,210	13,240	8,542			8,542
Environment Club	1,520	100	173	1,447			1,447
Unite Club	42	0	0	42			42
Biology/Trip	173	501	500	174			174
Music Theatre	721	0	721	0			0
Science Dept	4	0	0	4			4
Prom	8,483	9,656	1,158	16,981			16,981
Agriculture	777	0	0	777			777
Tri-M	553	0	553	0			0
Vending II	20	0	0	20			20
Athletic/General	2,550	130,199	77,160	55,589		4,949	50,640
Girls Basketball	820	450	483	787			787

Boys Basketball	2,088	2,640	2,485	2,243			2,243
Girls Soccer	2,641	5,156	1,292	6,505			6,505
Boys Soccer	797	4,451	3,619	1,629			1,629
Girls Golf	116	1,000	485	631	750		1,381
Boys Golf	778	0	300	478			478
Girls Volleyball	2,398	5,000	7,232	166			166
Softball	0	0	0	0			0
Baseball	1,605	0	0	1,605			1,605
Track	210	2,160	2,151	219			219
Cross Country	59	3,348	3,378	29			29
Swim	412	487	461	438			438
Tennis	2,393	1,487	1,022	2,858		100	2,758
Cheerleaders	17,205	35,777	43,769	9,213			9,213
Dance	2,977	384	1,616	1,745			1,745
Football	1,731	250	1,181	800			800
Student Assistance	100	0	0	100			100
Sports Uniforms	2,221	0	0	2,221			2,221
Health/PE	4	0	0	4			4
Archery	4,213	900	1,032	4,081			4,081
Fishing	2,254	0	2,138	116			116
Warrior Nation	403	0	0	403			403
Pep Club	345	0	345	0			0
Robotics	2,141	1,306	967	2,480			2,480
Sweep	1,272	0	0	1,272			1,272
Total All Funds	<u>143,732</u>	<u>428,584</u>	<u>370,120</u>	<u>202,196</u>	<u>4,646</u>	<u>5,404</u>	<u>201,438</u>
Interfund Transfers	<u>0</u>	<u>(4,926)</u>	<u>(4,926)</u>	<u>0</u>			<u>0</u>
Total	<u><u>143,732</u></u>	<u><u>423,658</u></u>	<u><u>365,194</u></u>	<u><u>202,196</u></u>	<u><u>4,646</u></u>	<u><u>5,404</u></u>	<u><u>201,438</u></u>

PULASKI COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>PASS THROUGH NUMBER (if applicable)</u>	<u>MUNIS PROJECT NUMBER</u>	<u>EXPENDITURES</u>
<u>U.S. Department of Education</u>				
Passed-Through Department of Education				
Title I - Grants to Local Educational Agencies	84.010	3100002	310E	2,010,437
Title I - Grants to Local Educational Agencies	84.010	3100002	310D	325,885
Title I - Grants to Local Educational Agencies	84.010	3100002	313E	17,120
Title I - School Improvement	84.010	3100002	320CS	25,000
Title I - School Improvement	84.010	3100002	320D	12,659
Title I - School Improvement	84.010	3100002	320DE	4,930
Title I - School Improvement	84.010	3100002	320E	54,125
Title I - School Improvement	84.010	3100002	320EE	107,221
Title I - School Improvement	84.010	3100002	460C	124,557
Title I - Parent Involvement	84.010	3100002	310DM	40,515
Title I Cluster				2,722,449 *
Title I, Neglected and Delinquent Children and Youth	84.013	314D	314D	48,943
Title I, Neglected and Delinquent Children and Youth	84.013	314E	314E	25,720
Total Title I, Neglected and Delinquent Children and Youth				74,663
Supporting Effective Instruction State Grants	84.367	3230002	401E	370,762
Perkins Voc.	84.048	3710002	348DA	3,034
Perkins Voc.	84.048	3710002	363CA	2,259
Perkins Voc.	84.048	3710002	348E	87,896
Perkins Voc.	84.048	3710002	348D	3,359
Total Perkins Voc.				96,548
Adult Education	84.002	373D	373D	16,328
IDEA - Special Education - Grants to State	84.027	3810002	337CP	23,209
IDEA - Special Education - Grants to State	84.027	3810002	337E	1,720,802
IDEA - Special Education - Grants to State	84.027	3810002	337DP	5,392
IDEA - Special Education - Preschool Grants	84.173	3800002	343CP	735
IDEA - Special Education - Preschool Grants	84.173	3800002	343E	49,285
IDEA - Special Education - Preschool Grants	84.173	3800002	343D	32,476
Special Education Cluster				1,831,899
Migrant Education - State Grant Program	84.011	3110002	311C	194
Migrant Education - State Grant Program	84.011	3110002	311D	142,962
Migrant Education - State Grant Program	84.011	3110002	311E	46,224
Migrant Education Total				189,380
Title III - Limited English Proficiency	84.365	3300002	345D	10,542
Title IV - Rural and Low Income Schools	84.358	3140002	350E	47,436
Title IV - Rural and Low Income Schools	84.358	3140002	350D	37,196
Title IV - Rural and Low Income Schools Total				84,632
Title IV, Part A-Student Support and Academic Enrichment	84.424	552D	552D	41,038
Title IV, Part A-Student Support and Academic Enrichment	84.424	552ES	552ES	39,619
Title IV, Part A-Student Support and Academic Enrichment	84.424	552ET	552ET	69,097
Title IV, Part A-Student Support and Academic Enrichment	84.424	552EW	552EW	8,558
Title IV, Part A-Student Support and Academic Enrichment Total				158,312
Community Based Work Transition	84.341	371D	371D	8,825
Community Based Work Transition	84.341	371E	371E	17,471
Community Based Work Transition Total				26,296

Passed Through Berea College				
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379EC	379EC	4,463
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379CC	379CC	3,496
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379EE	379EE	186
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379EG	379EG	220,044
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379EL	379EL	12,031
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379CR	379CR	14,580
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379EN	379EN	5,583
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379DG	379DG	566
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379DL	379DL	501
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379EB	379EB	27,365
Gaining Early Awareness and Readiness for Undergraduate Programs Total				288,815
Total U.S. Department of Education				5,870,626
<u>U.S. Department of Health and Human Services</u>				
Passed Through Kentucky Department of Education				
Substance Abuse and Mental Health Services - STOP Act	93.243	240002	551AT	9,163
Substance Abuse and Mental Health Services - STOP Act	93.243	240002	551ES	272,371
Substance Abuse and Mental Health Services - STOP Act	93.243	240002	551ET	31,022
Substance Abuse and Mental Health Services - STOP Act	93.243	240002	551DS	139,461
Substance Abuse and Mental Health Services - STOP Act	93.243	240002	551DT	7,732
Substance Abuse and Mental Health Services - STOP Act Total				459,749 *
Improving Student Health and Academic Achievement	93.981	482E	482E	7,405
Total U.S. Department of Health and Human Services				467,154
<u>U.S. Department of Defense</u>				
NJROTC	12.404	Direct	504E	126,087
Total U.S. Department of Defense				126,087
<u>U.S. Department of Agriculture</u>				
Passed-Through State Department of Education				
National School Lunchroom	10.555	7750002-18	7750002-18	733,622
National School Lunchroom	10.555	7750002-19	7750002-19	2,659,304
School Breakfast Program	10.553	7760005-18	7760005-18	325,454
School Breakfast Program	10.553	7760005-19	7760005-19	1,177,503
Summer Food Service Program	10.559	7690024-18	7690024-18	10,527
Summer Food Service Program	10.559	7690024-19	7690024-19	1,831
Summer Food Service Program	10.559	7740023-18	7740023-18	100,631
Summer Food Service Program	10.559	7740023-19	7740023-19	17,562
Child Nutrition Cluster				5,026,434
Child & Adult Care Food Program	10.558	7790021-18	7790021-18	66,905
Child & Adult Care Food Program	10.558	7790021-19	7790021-19	258,268
Child & Adult Care Food Program	10.558	7800016-18	7800016-18	5,078
Child & Adult Care Food Program	10.558	7800016-19	7800016-19	19,621
Child & Adult Care Food Program Total				349,872
Fresh Fruit and Vegetable Program	10.582	7720012-18	7720012-18	5,534
Fresh Fruit and Vegetable Program	10.582	7720012-19	7720012-19	56,378
Fresh Fruit and Vegetable Program Total				61,912
Food Distribution	10.565	057502-10	057502-10	348,684
Total U.S. Department of Agriculture				5,786,902
Total Federal Financial Assistance				12,250,769

\* Tested as major program

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

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE C – FOOD DISTRIBUTION**

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

**NOTE D – DE MINIMIS COST RATE**

The District did not elect to use the 10 percent de minimis cost rate as allowed under the Uniform Guidance.

**NOTE E – SUBRECIPIENTS**

There were no subrecipients during the fiscal year.

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

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

**Financial Statements**

Type of audit issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes      X   None Reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   No

**Federal Awards**

Internal control over major programs?

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes      X   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 section 200.516(a)? \_\_\_\_\_ Yes      X   No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Cluster
93.243	Substance Abuse and Mental Health Services – STOP Act

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

Auditee qualified as low-risk auditee?   X   Yes    \_\_\_\_\_ No

**Section II – Financial Statement of Findings**

No matters were reported.

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

No matters were reported



PULASKI COUNTY SCHOOL DISTRICT  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
JUNE 30, 2019

There were no prior year audit findings.

**WHITE AND COMPANY, P.S.C.**  
**Certified Public Accountants**  
**219 South Proctor Knott Avenue**  
**Lebanon, Kentucky 40033**  
**(270) 692-2102**  
**Fax (270) 692-2101**

Charles M. White, CPA  
Joseph A. Montgomery, CPA  
Stephanie A. Abell, CPA

Email: charles.white@whitecpas.com

October 31, 2019

**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**

Members of the Board of Education  
Pulaski County School District  
Somerset, 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 *Appendix I to the Independent Auditor's Contract – Audit Extension Request*, *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract, Audit Acceptance Statement, AFR and Balance Sheet, Statement of Certification, and Audit Report*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pulaski County School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Pulaski County School District's basic financial statements, and have issued our report thereon dated October 31, 2019.

**Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 Pulaski County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no material instances of noncompliance of specific state statutes or regulation identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements*.

We noted certain matters that we reported to management of Pulaski County School District in a separate letter dated October 31, 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.

Sincerely,

*White and Company, P.S.C.*

Certified Public Accountants

**WHITE AND COMPANY, P.S.C.**  
**Certified Public Accountants**  
**219 South Proctor Knott Avenue**  
**Lebanon, Kentucky 40033**  
**(270) 692-2102**  
**Fax (270) 692-2101**

Charles M. White, CPA  
Joseph A. Montgomery, CPA  
Stephanie A. Abell, CPA

Email: charles.white@whitecpas.com

October 31, 2019

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

Members of the Board of Education  
Pulaski County School District  
Somerset, Kentucky

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

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

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Pulaski County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 *Appendix I to the Independent Auditor's Contract – Audit Extension Request*, *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract, Audit Acceptance Statement, AFR and Balance Sheet, Statement of Certification, and Audit Report*. 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 Pulaski County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on Each Major Federal Program***

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

### **Report on Internal Control Over Compliance**

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a 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.

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pulaski County School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Pulaski County School District's basic financial statements. We issued our report thereon dated October 31, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Sincerely,

*White and Company, P.S.C.*

Certified Public Accountants

**WHITE AND COMPANY, P.S.C.**  
**Certified Public Accountants**  
**219 South Proctor Knott Avenue**  
**Lebanon, Kentucky 40033**  
**(270) 692-2102**  
**Fax (270) 692-2101**

Charles M. White, CPA  
Joseph A. Montgomery, CPA  
Stephanie A. Abell, CPA

Email charles.white@whitecpas.com

October 31, 2019

**MANAGEMENT LETTER**

Members of the Board of Education  
Pulaski County School District  
Somerset, Kentucky

In planning and performing our audit of the financial statements of Pulaski County School District for the year ended June 30, 2019, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. Our professional standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We feel that the District's financial statements are free of material misstatement. However, we offer the following suggestions that we feel will strengthen your organization's internal control structure.

**Prior Year District Recommendations:**

2018-1 Prior Year Recommendation

Currently at the district level, if a lunchroom requires maintenance, a maintenance man is called and the Food Service Director is notified unless the issue warrants immediate action. Once the parts are received and the repair is satisfactory, the maintenance department submits invoices for final payment. To strengthen controls, we recommend that the maintenance employee sign or initial the invoices to better document receipt of goods and completion of the maintenance issue prior to payment of the invoices.

Current Year Status and Recommendation:

During current year testing, it is noted that maintenance employees have signed/initialed invoices prior to final payment.

**Prior Year Recommendations – School Activity Funds:**

2017-4 Prior Year Recommendation:

During the 2017 audit, it was noted that students 3<sup>rd</sup> grade and above were not always signing their name by the funds they remitted to the teacher or sponsor on the multiple receipt form. In more than one instance at Pulaski County High School, the teacher or sponsor filled in the students' names.

During the 2018 audit four instances were found at Pulaski County High School and one instance each were found at Northern Middle, Burnside Elementary, Nancy Elementary and Oak Hill Elementary Schools where the teacher or sponsor filled in the students' names. This is not in accordance with Redbook policies and procedures. We recommend that Redbook policy be followed and that all staff and sponsors at Pulaski County High School be reminded that students 3<sup>rd</sup> grade and above must sign their own name on the multiple receipt form according to Redbook.

Current Year Status and Recommendation:

No such instances were discovered at any of the schools mentioned above during current year testing.

2018-2 Prior Year Recommendation

During prior year testing, three instances were found at Pulaski County High School where items were purchased without utilizing the district's tax-exempt status. We recommend that the procedures for tax exempt status be reiterated to all staff.

Current Year Status and Recommendation

No such instances were found during current year testing.

2018-3 Prior Year Recommendation

During prior year testing, one instance was found at Pulaski County High School of purchase orders approved after the charge was incurred. We recommend that all disbursements be supported by a purchase order that has been properly approved prior to the date the charge is incurred in accordance with Redbook policies and procedures.

Current Year Status and Recommendation

During current year testing, one instance was found at Pulaski County High School and one instance at Northern Middle School of purchase orders approved after the charge was incurred. We recommend that the requirement for a purchase order prior to a purchase be stressed to all school employees.

Management Response:

We will take measures to ensure that purchase orders are completed and approved prior to charges being incurred.

2018-4 Prior Year Recommendation

During prior year testing, two instances were found at Pulaski County High School where a refund was issued or items were purchased internally without a standard invoice being completed. We recommend that a standard invoice accompany these types of transactions in accordance with Redbook policies and procedures.

Current Year Status and Recommendation

No such instances were found during current year testing.

2018-5 Prior Year Recommendation

During prior year testing, one instance was found at Pulaski County High School where a multiple receipt form was used in the place of the proper form per Redbook for concessions/bookstore/pencil machine sales. In addition, the multiple receipt form lacked dual signatures. We recommend that the appropriate form per Redbook be used for the corresponding type of receipt and that all forms be fully completed, including dual signatures.

Current Year Status and Recommendation

No such instances were found during current year testing.



#### 2018-6 Prior Year Recommendation

During prior year testing, two instances were found at Pulaski County High School where amounts remitted did not reconcile to amounts recorded. No corrective action was taken by the school. We recommend that staff approving these items reconcile the supporting documents to the funds received to ensure that all receipts have been accounted for appropriately.

#### Current Year Status and Recommendation

No such instances were found during current year testing.

#### 2018-7 Prior Year Recommendation

During prior year testing, one instance was found at Nancy Elementary School of a payment being issued without a proper supporting invoice or receipt for supporting documentation. We recommend that all disbursements be supported by complete documentation, which is typically an invoice.

#### Current Year Status and Recommendation

No such instances were found during current year testing.

#### 2018-8 Prior Year Recommendation

During prior year testing, one instance was noted at both Southern Elementary School and Eubank Elementary School where there was a lack of documentation to prove receipt of goods purchased.

#### Current Year Status and Recommendation

No such instances were found during current year testing.

#### 2018-9 Prior Year Recommendation

During prior year testing, one instance was noted at Pulaski Elementary School of a raffle being done without a gaming account being created. We recommend that the school open a charitable gaming account if a raffle will be conducted prior to the start of the raffle in accordance with Redbook.

#### Current Year Status and Recommendation

No such instances were found during current year testing.

#### **Current Year District Recommendation:**

#### 2019-1 Current Year Recommendation

During current year testing, there were several instances of District credit card purchases occurring without the issuance of a purchase order beforehand. It is current District policy that all non-credit card transactions be approved through use of a purchase order prior to the purchase. We recommend that the requirement for a purchase order prior to a purchase be expanded to all transactions, non-credit card or otherwise.

#### Management Response:

Effective July 1, 2019, we have implemented a Districtwide policy requiring a purchase order prior to all credit card purchases. We will monitor this continuously to ensure successful implementation.

### 2019-2 Current Year Recommendation

During current year testing, there were several instances where travel reimbursements were paid from the incorrect program. We recommend that allocations be monitored more closely by coordinators, specifically, those related to areas such as allowable trainings and corresponding travel.

#### Management Response:

We will continuously monitor all program allocations, to ensure that purchases being requested are allowable under each applicable program.

### **Current Year Recommendations – School Activity Funds:**

#### 2019-1 Current Year Recommendation

During current year testing, there was one instance at Pulaski Elementary where the invoice well exceeded the purchase order with no secondary approval given beforehand. We recommend that all purchases be within the approved amount on the purchase order and any additional purchases be approved by submitting a new purchase order prior to the purchase being made.

#### Management Response:

We will stress to all school employees that if a purchase is to exceed the original amount requested, a second approval must occur before the purchase is made.

#### 2019-2 Current Year Recommendation

During current year testing, there was one instance at Southern Elementary School where the bookkeeper failed to sign the Multiple Receipt Form. The bookkeeper's signature verifies that the amount received agrees to the Multiple Receipt Form. We recommend that before a deposit is taken to the bank, all verification signatures are present on the corresponding form(s).

#### Management Response:

We will reiterate the importance of the bookkeeper's review of all receipts and the requirements to sign all receipt forms once they have been reviewed.

#### 2019-3 Current Year Recommendation

During current year testing, there was one instance at Eubank Elementary when the Multiple Receipt Form lacked supporting detail of the cash that was collected. Rather than listing each individual that purchased fundraiser items and the amount of cash used, there was only a total listed. We recommend that when remitting funds, a detail of each transaction be recorded on the multiple receipt form to serve as a ledger for amounts received. This allows the bookkeeper to properly reconcile amounts received to amounts recorded.

#### Management Response:

We will stress the importance of correctly filing out Multiple Receipt Forms with all school staff.

We would like to offer our assistance throughout the year if and when new or unusual situations arise. Our awareness of new developments when they occur would help to ensure that the District is complying with requirements such as those mentioned above.

Sincerely,

*White and Company, P.S.C.*

Certified Public Accountants

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**219 South Proctor Knott Avenue**  
**Lebanon, Kentucky 40033**  
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Charles M. White, CPA  
Joseph A. Montgomery, CPA  
Stephanie A. Abell, CPA

Email: charles.white@whitecpas.com

October 31, 2019

Members of the Board of Education  
Pulaski County School District  
Somerset, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pulaski County School District for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 23, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters:

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting polices used by Pulaski County School District are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by Pulaski County School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the sick leave liability is based on current pay rates and those currently eligible for retirement. We evaluated the key factors and assumptions used to develop the sick leave liability in determining that it is reasonable in relation to the financial statements taken as a whole.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management had corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 31, 2019.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Pulaski County School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were not such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Pulaski County School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

We applied certain limited procedures to management's discussion and analysis and budgetary comparison information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the budgetary comparison information on pages 54 and 55, or on the schedules of the district's proportionate share of net pension liabilities and other post-employment benefit plans on pages 56-57 and 60-62, or on the schedules of contributions to the County Employees Retirement System and Teachers Retirement System pension plans or the County Employees Retirement System and Teachers Retirement System other post-employment benefit plans on pages 58-59 and 63-65, which accompany the financial statements but are not RSI. Such information has 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 it.

Restriction on Use

This information is intended solely for the use of Members of the Board of Education and management of Pulaski County School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

*White and Company, P.S.C.*

Certified Public Accountants

**APPENDIX C**

**Pulaski County School District Finance Corporation  
School Building Refunding Revenue Bonds  
Taxable Series of 2020**

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**Continuing Disclosure Agreement**

## **CONTINUING DISCLOSURE UNDERTAKING AGREEMENT**

This Continuing Disclosure Undertaking Agreement ("Agreement") made and entered into as of the 1st day of October, 2020, by and between the Board of Education of Pulaski County, Kentucky School District ("Board"); the Pulaski County School District Finance Corporation, an agency and instrumentality of the Board ("Corporation") and the Registered and Beneficial Owners of the Bonds hereinafter identified as third party beneficiaries to this Agreement. For the purposes of this Agreement "Beneficial Owner" means the person or entity treated as the owner of the Bonds for federal income tax purposes and "Registered Owner" means the person or entity named on the registration books of the bond registrar.

### **WITNESSETH:**

WHEREAS, the Corporation has acted as issuing agency for the Board pursuant to the provisions of Section 162.385 of the Kentucky Revised Statutes ("KRS") and the Corporation's Bond Resolution in connection with the authorization, sale and delivery of \$7,410,000 of the Corporation's School Building Refunding Revenue Bonds, Taxable Series 2020, dated as of October 1, 2020 ("Bonds"), which Bonds were offered for sale under the terms and conditions of a Final Official Statement ("FOS") prepared by RSA Advisors, LLC, Lexington, Kentucky ("Financial Advisor") and approved by the authorized representatives of the Board and the Corporation, and

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

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

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

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

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

### **1. ANNUAL FINANCIAL INFORMATION**

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

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



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

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

## **2. MATERIAL EVENTS NOTICES**

Under the Rule, Section 15c2-12(b)(5)(i)(C), the following sixteen (16) events must be disclosed within ten (10) business days following the occurrence of said event to MSRB via EMMA and the SID, if any:

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

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

(A) Debt obligation;

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

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

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

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

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

### **3. SPECIAL REQUESTS FOR INFORMATION**

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

### **4. DISCLAIMER OF LIABILITY**

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

### **5. FINAL OFFICIAL STATEMENT**

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

### **6. DURATION OF THE AGREEMENT**

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

### **7. AMENDMENT; WAIVER**

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

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

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

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

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

## 8. DEFAULT

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

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

**BOARD OF EDUCATION OF PULASKI  
COUNTY, KENTUCKY SCHOOL DISTRICT**

Attest:

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Secretary

**PULASKI COUNTY SCHOOL  
DISTRICT FINANCE CORPORATION**

Attest:

\_\_\_\_\_  
President

\_\_\_\_\_  
Secretary

**APPENDIX D**

**Pulaski County School District Finance Corporation  
School Building Refunding Revenue Bonds  
Taxable Series of 2020**

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**Official Terms and Conditions of Bond Sale**

**OFFICIAL TERMS AND CONDITIONS OF BOND SALE**  
**\$7,410,000\***  
**Pulaski County School District Finance Corporation**  
**School Building Refunding Revenue Bonds, Taxable Series of 2020**  
**Dated as of October 1, 2020**

**SALE: September 10, 2020 AT 11:00 A.M., E.D.S.T.**

The Pulaski County School District Finance Corporation (the "Corporation") will until 11:00 A.M., E.D.S.T., on September 10, 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 \$7,410,000 principal amount of Pulaski County School District Finance Corporation School Building Refunding Revenue Bonds, Taxable Series of 2020 (the "Refunding Bonds"), dated and bearing interest from October 1, 2020, payable on March 1, 2021, and semi-annually thereafter on September 1 and March 1 of each year, in denominations in multiples of \$5,000 within the same maturity, maturing on March 1 in each of the years as follows:

<u>MATURITY</u>	<u>PRINCIPAL AMOUNT*</u>
2021	\$240,000
2022	275,000
2023	240,000
2024	285,000
2025	270,000
2026	305,000
2027	340,000
2028	310,000
2029	295,000
2030	2,400,000
2031	2,450,000

\* Subject to Permitted Adjustment as described herein.

**REDEMPTION PROVISIONS**

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

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

The Refunding Bonds are to be issued in fully registered form (both principal and interest). The Citizens National Bank of Somerset, Somerset, 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.

## **PULASKI COUNTY SCHOOL DISTRICT FINANCE CORPORATION**

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

### **AUTHORITY AND PURPOSE**

The Refunding Bonds are being issued under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including Sections 162.120 through 162.300, 162.385, and Section 58.180 of the Kentucky Revised Statutes, within the meaning of the decision of the Court of Appeals of Kentucky (Supreme Court) in the case of *Hemlepp v. Aronberg*, 369 S.W.2d 121, for the purpose of providing funds to retire the outstanding Pulaski County School District Finance Corporation School Building Revenue Bonds, Series of 2011, dated March 1, 2011 maturing March 1, 2021 and thereafter (the "Refunded Bonds") at or prior to their stated maturities on March 1, 2021.

### **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 \$22,276 to be applied to the debt service of the Refunding Bonds through March 1, 2031; provided, however, that the contractual commitment of the Commission to pay the annual Agreed Participation is limited to each 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 162.300 and 162.385 of the Kentucky Revised Statutes for the purpose of providing funds to finance renovations and an addition to Southern Middle 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 March 1, 2011 (the "Prior Lease").

The total principal amount of the Refunded Bonds currently outstanding is \$7,130,000, scheduled to mature on March 1 in each of the years 2021 through 2031. The proceeds of the Refunding Bonds will be used to pay accruing interest on and retire on March 1, 2021 all of the 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 at or 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 1, 2020 (the "2020 Lease"); provided, however, that said lien and pledge are on parity with similar liens and pledges securing certain of the Corporation's outstanding School Building Revenue Bonds previously issued to construct or improve the Project (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 1, 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 March 1, 2031, 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 \$7,335,900 (99% of par) plus accrued interest. Interest rates shall be in multiples of 1/8 or 1/20 of 1% or both. Only one interest rate shall be permitted per Bond, and all Bonds of the same maturity shall bear the same rate. Interest rates must be on an ascending scale, in that the interest rate stipulated in any year may not be less than that stipulated for any preceding maturity. There is no limit on the number of different interest rates.

(4) The determination of the best purchase bid for said Refunding Bonds shall be made on the basis of all bids submitted for exactly \$7,410,000 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 \$740,000, 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 \$6,670,000 or a maximum of \$8,150,000. In the event of any such adjustment, no rebidding or recalculation of a submitted bid will be required or permitted. The price at which such adjusted principal amount of Bonds will be sold will be at the same price per \$5,000 of Refunding Bonds as the price per \$5,000 for the \$7,410,000 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 10, 2020.

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

(6) The successful bidder may elect to notify the Financial Advisor within twenty-four (24) hours of the award of the Bonds that certain serial maturities as awarded may be combined with immediately succeeding serial maturities as one or more Term Bonds; provided, however, (a) bids must be submitted to permit only a single interest rate for each Term Bond specified, and (b) Term Bonds will be subject to mandatory redemption by lot on December 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 The Citizens National Bank of Somerset, Somerset, Kentucky, Attn: Ms. Julie Raines (606-679-6341) 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 or Kentucky income taxation and on the basis of the interest on said Bonds being subject to Federal or on the date of their delivery to the successful bidder. See TAX STATUS 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 fiscal year ending June 30, 2021 which was approved and signed by the Governor. Such budget was effective beginning July 1, 2020.

### **CONTINUING DISCLOSURE**

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

Financial information regarding the Board may be obtained from Superintendent, Pulaski County Board of Education, 925 N. Main Street, Somerset, Kentucky 42503 (606) 679-1123.

### **TAX STATUS**

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 includable in the gross income of the recipient thereof for Federal income tax purposes under existing law.

### **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.

**PULASKI COUNTY SCHOOL DISTRICT  
FINANCE CORPORATION**

By /s/ Patrick Richardson  
Secretary

**APPENDIX E**

**Pulaski County School District Finance Corporation  
School Building Refunding Revenue Bonds  
Taxable Series of 2020**

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**Official Bid Form**

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

The Pulaski County School District Finance Corporation ("Corporation"), will until 11:00 A.M., E.D.S.T., on September 10, 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 \$7,410,000 School Building Refunding Revenue Bonds, Taxable Series of 2020, dated as of October 1, 2020; maturing March 1, 2021 through 2031 ("Bonds").

We hereby bid for said \$7,410,000\* principal amount of Bonds, the total sum of \$\_\_\_\_\_ (not less than \$7,335,900) plus accrued interest from October 1, 2020 payable March 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 March 1 in each of the years as follows:

<u>Year</u>	<u>Amount*</u>	<u>Rate</u>
2021	\$240,000	_____ %
2022	275,000	_____ %
2023	240,000	_____ %
2024	285,000	_____ %
2025	270,000	_____ %
2026	305,000	_____ %
2027	340,000	_____ %
2028	310,000	_____ %
2029	295,000	_____ %
2030	2,400,000	_____ %
2031	2,450,000	_____ %

\* Subject to Permitted Adjustment up to \$740,000

We understand this bid may be accepted for as much as \$8,150,000 of Bonds or as little as \$6,670,000 of Bonds, at the same price per \$5,000 Bond, with the variation in such amount occurring in any maturity or all maturities, which will be determined 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 10, 2020.
- (e) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

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

The successful bidder may elect to notify the Financial Advisor within twenty-four (24) hours of the award of the Bonds that certain serial maturities as awarded may be combined with immediately succeeding serial maturities as one or more Term Bonds; provided, however, (a) bids must be submitted to permit only a single interest rate for each Term Bond specified, and (b) Term Bonds will be subject to mandatory redemption by lot on March 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 The Citizens National Bank of Somerset, Somerset, Kentucky, Attn: Ms. Julie Raines (606-679-6341).

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 1, 2020 and upon acceptance by the Issuer's Financial Advisor this Official Bid Form shall become the Bond Purchase Agreement.

Respectfully submitted,

\_\_\_\_\_  
Bidder

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

\_\_\_\_\_  
Address

Total interest cost from October 1, 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 Pulaski County School District Finance Corporation for \$ \_\_\_\_\_ amount of Bonds at a price of \$ \_\_\_\_\_ as follows:

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>
2021	_____,000	_____%	2027	_____,000	_____%
2022	_____,000	_____%	2028	_____,000	_____%
2023	_____,000	_____%	2029	_____,000	_____%
2024	_____,000	_____%	2030	_____,000	_____%
2025	_____,000	_____%	2031	_____,000	_____%
2026	_____,000	_____%			

Dated: September 10, 2020

\_\_\_\_\_  
RSA Advisors, LLC, Financial Advisor and  
Agent for Pulaski County School District  
Finance Corporation