

DATED OCTOBER 14, 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).

\$1,840,000*
NICHOLAS COUNTY SCHOOL DISTRICT FINANCE CORPORATION
SCHOOL BUILDING REFUNDING REVENUE BONDS,
TAXABLE SERIES OF 2020

Dated: November 12, 2020

Due: as shown below

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

<u>Maturing</u> <u>1-April</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Reoffering</u> <u>Yield</u>	<u>CUSIP</u>	<u>Maturing</u> <u>1-April</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Reoffering</u> <u>Yield</u>	<u>CUSIP</u>
2021	\$140,000	%	%		2027	\$170,000	%	%	
2022	\$160,000	%	%		2028	\$170,000	%	%	
2023	\$160,000	%	%		2029	\$180,000	%	%	
2024	\$165,000	%	%		2030	\$180,000	%	%	
2025	\$165,000	%	%		2031	\$185,000	%	%	
2026	\$165,000	%	%						

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

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

The Bonds constitute a limited indebtedness of the Nicholas 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 Nicholas County Board of Education.

The Nicholas County (Kentucky) School District Finance Corporation will until October 22, 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 \$185,000.**

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.

**NICHOLAS COUNTY, KENTUCKY
BOARD OF EDUCATION**

Mona Vice, Chairperson
Sherry Uptegraft, Vice Chairperson
Cheryl Rawlings, Member
Luann Kelly, Member
Steve Linville, Member

Doug Bechanan, Superintendent/Secretary

**NICHOLAS COUNTY (KENTUCKY) SCHOOL DISTRICT
FINANCE CORPORATION**

Mona Vice, President
Sherry Uptegraft, Vice President
Cheryl Rawlings, Member
Luann Kelly, Member
Steve Linville, Member

Doug Bechanan, Secretary
Duane Kenney, Treasurer

BOND COUNSEL

Step toe & Johnson PLLC
Louisville, Kentucky

FINANCIAL ADVISOR

RSA Advisors, LLC
Lexington, Kentucky

PAYING AGENT AND REGISTRAR

U.S. Bank National Association
Louisville, Kentucky

BOOK-ENTRY-ONLY-SYSTEM

REGARDING USE OF THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Nicholas 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**

\$1,840,000*

**NICHOLAS 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 Nicholas 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 April 1, 2021, all of the outstanding Nicholas County School District Finance Corporation School Building Revenue Bonds, Series of 2011, dated April 1, 2011 (the "2011 Bonds") maturing April 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 Nicholas 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 Nicholas 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 Nicholas County Board of Education from its records, except for information expressly attributed to other sources. The presentation of financial and other information is not intended, unless specifically stated, to indicate future or continuing trends in the financial position or other affairs of the Board. No representation is made that past experience, as is shown by financial and other information, will necessarily continue or be repeated in the future.

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

Copies of the Bond Resolution authorizing the issuance of the Bonds, the Participation Agreement and the Lease Agreement, dated November 12, 2020, may be obtained at the office of Steptoe & Johnson PLLC, Bond Counsel, 700 N. Hurstbourne Parkway, Suite 115, Louisville, Kentucky 40222.

BOOK-ENTRY-ONLY-SYSTEM

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

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

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

may be requested by an authorized representative of DTC) is the responsibility of the Corporation or the Paying Agent and Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

THE CORPORATION

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

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

KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION

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

The Commission will enter into a Participation Agreement with the Board whereunder the Commission, will agree to continue to pay approximately \$3,754 to be applied to the debt service of the Refunding Bonds through April 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.

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

BIENNIAL BUDGET FOR PERIOD ENDING JUNE 30, 2022

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

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

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

OUTSTANDING BONDS

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

Bond Series	Original Principal	Current Principal Outstanding	Principal Assigned to Board	Principal Assigned to Commission	Approximate Interest Rate Range	Final Maturity
2011	\$ 2,145,000	\$ 1,750,000	\$ 2,096,803	\$ 48,197	3.300% - 4.375%	2031
2016	\$ 19,575,000	\$ 16,350,000	\$ 0	\$ 19,575,000	2.000% - 3.000%	2036
2019-REF	\$ 5,025,000	\$ 4,965,000	\$ 4,354,866	\$ 670,134	3.00%	2029
Totals:	\$ 26,745,000	\$ 23,065,000	\$ 6,451,669	\$ 20,293,331		

AUTHORITY

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

- i) the issuance of approximately \$1,840,000 of Bonds subject to a permitted adjustment of \$185,000;
- 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 November 12, 2020, will bear interest from that date as described herein, payable semi-annually on April 1 and October 1 of each year, commencing April 1, 2021, and will mature as to principal on April 1, 2021, and each April 1 thereafter in the years and in the principal amounts as set forth on the cover page of this Official Statement.

Registration, Payment and Transfer

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

Redemption

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

Notwithstanding the foregoing, the Corporation reserves the right, upon thirty (30) days notice, to call the Bonds in whole or in part 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 November 12, 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 April 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.

COMMISSION'S PARTICIPATION

The Commission has determined that the Board is eligible for an average annual participation equal to approximately \$3,754 from the Commission's appropriation by the Kentucky General Assembly which will be used to meet a portion of the debt service of the Bonds. The plan for financing the Project will require the Commission to pay two percent (2%) of the debt service of the Bonds.

The Participation Agreement to be entered into with the Board will be limited to the biennial budget period of the Commonwealth of Kentucky, with the first such biennial period terminating on June 30, 2021. The right is reserved in the Commission to terminate the commitment to pay the agreed participation every two years thereafter. The obligation of the Commission to make payments of the agreed participation shall be automatically renewed each two years thereafter unless the Commission gives notice to the Board of its intention not to participate not less than sixty days prior to the end of the biennium. However, the Commission has expressed its intention to continue to pay the agreed participation in successive biennial budget periods until the Bonds are retired, but the Commission is not required to do so.

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 Nicholas County School District Finance Corporation School Building Revenue Bonds, Series of 2011, dated April 1, 2011, maturing April 1, 2021 and thereafter (the "Refunded Bonds") on April 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 Nicholas 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 improvements at Nicholas County Elementary 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 98% of the debt service of the Bonds.

Fiscal Year Ending June 30	Current Local Bond Payments	----- 2020 Revenue Refunding Revenue Bonds -----					Total Local Bond Payments
		Principal Portion	Interest Portion	Total Payment	SFCC Portion	Local Portion	
2021	\$ 750,470	\$ 140,000	9,792	\$ 149,792	\$ 2,696	\$143,887	\$ 731,329
2022	\$ 746,480	\$ 160,000	22,130	\$ 182,130	\$ 3,278	\$178,852	\$ 728,465
2023	\$ 752,025	\$ 160,000	21,010	\$ 181,010	\$ 3,258	\$177,752	\$ 732,345
2024	\$ 751,805	\$ 165,000	19,810	\$ 184,810	\$ 3,327	\$181,483	\$ 735,545
2025	\$ 750,172	\$ 165,000	18,243	\$ 183,243	\$ 3,298	\$179,944	\$ 732,927
2026	\$ 747,898	\$ 165,000	16,428	\$ 181,428	\$ 3,266	\$178,162	\$ 729,613
2027	\$ 754,553	\$ 170,000	14,283	\$ 184,283	\$ 3,317	\$180,965	\$ 735,516
2028	\$ 755,197	\$ 170,000	11,903	\$ 181,903	\$ 3,274	\$178,628	\$ 735,587
2029	\$ 750,034	\$ 180,000	9,268	\$ 189,268	\$ 3,407	\$185,861	\$ 734,802
2030	\$ 198,159	\$ 180,000	6,298	\$ 186,298	\$ 3,353	\$182,944	\$ 182,832
2031	\$ 200,065	\$ 185,000	3,238	\$ 188,238	\$ 3,388	\$184,849	\$ 184,771
Totals:	\$ 7,156,858	\$ 1,840,000	\$ 152,400	\$ 1,992,400	\$ 35,863	\$ 1,953,327	\$ 6,963,731

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

ESTIMATED USE OF BOND PROCEEDS

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

Sources:	
Par Amount of Bonds	<u>\$1,840,000.00</u>
Total Sources	\$1,840,000.00
Uses:	
Deposit to Escrow Fund	\$1,789,200.00
Underwriter's Discount (1%)	18,400.00
Cost of Issuance	<u>32,400.00</u>
Total Uses	\$1,840,000.00

DISTRICT STUDENT POPULATION

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

Year	Average Daily Attendance
2000-01	1,051.3
2001-02	1,026.4
2002-03	1,003.7
2003-04	1,060.1
2004-05	1,054.7
2005-06	1,066.9
2006-07	1,060.6
2007-08	1,070.2
2008-09	1,076.3
2009-10	1,081.3
2010-11	1,052.5
2011-12	1,042.8
2012-13	1,040.8
2013-14	1,017.2
2014-15	1,020.6
2015-16	1,014.8
2016-17	1,004.0
2017-18	994.7
2018-19	947.8
2019-20	923.6

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 Nicholas County School District for certain preceding school years. Beginning 1990-91, the allotment is based on average daily attendance as required by law.

<u>Year</u>	<u>Capital Outlay Allotment</u>
2000-01	105,130.0
2001-02	102,640.0
2002-03	100,370.0
2003-04	106,010.0
2004-05	105,470.0
2005-06	106,690.0
2006-07	106,060.0
2007-08	107,020.0
2008-09	107,628.0
2009-10	108,130.0
2010-11	105,246.0
2011-12	104,283.0
2012-13	104,078.0
2013-14	101,723.0
2014-15	102,058.0
2015-16	101,480.0
2016-17	100,400.0
2017-18	99,470.0
2018-19	94,780.0
2019-20	92,360.0

If the school district has no capital outlay needs, upon approval from the State, the funds can be used for school plant maintenance, repair, insurance on buildings, replacement of equipment, purchase of school buses and purchase of modern technological equipment for educational purposes. If any district has a special levy for capital outlay or debt service that is equal to the capital outlay allotment or a proportionate fraction thereof, and spends the proceeds of the levy for eligible purposes, the State may authorize the district to use all or a proportionate

fraction of its capital outlay allotment for current expenses (school districts which use capital outlay allotments to meet current expenses are not eligible to participate in the School Facilities Construction Commission funds).

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

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

LOCAL SUPPORT

Homestead Exemption. Section 170 of the Kentucky Constitution was amended at the General Election held November 2, 1971, to exempt from property taxes \$6,500 of value of single unit residential property of taxpayers 65 years of age or older. The 1972 General Assembly amended KRS Chapter 132 to permit counties and school districts to adjust their local tax revenues lost through the application of this Homestead Exemption. The "Single Unit" qualification has been enlarged to subsequent sessions of the General Assembly to provide that such exemption shall apply to such property maintained as the permanent resident of the owner and the dollar amount has been construed to mean \$6,500 in terms of the purchasing power of the dollar in 1972. Every two years thereafter, if the cost of living index of the U.S. Department of Labor has changed as much as 1%, the maximum exemption shall be adjusted accordingly. Under the cost of living formula, the maximum was increased to \$39,300 effective January 1, 2019.

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

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

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

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

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

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

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

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

Local Tax Rates, Property Assessments and Revenue Collections

Tax Year	Combined Equivalent Rate	Total Property Assessment	Property Revenue Collections
2000-01	50.7	214,371,758	1,086,865
2001-02	49.9	216,993,396	1,082,797
2002-03	50.5	223,416,169	1,128,252
2003-04	50.5	229,464,738	1,158,797
2004-05	50	236,250,462	1,181,252
2005-06	51.2	245,823,786	1,258,618
2006-07	48.4	256,733,456	1,242,590
2007-08	51.2	263,340,028	1,348,301
2008-09	54.2	275,718,669	1,494,395
2009-10	54.2	274,938,177	1,490,165
2010-11	52.7	281,856,794	1,485,385
2011-12	52.1	282,797,702	1,473,376
2012-13	50.6	285,173,335	1,442,977
2013-14	53.4	286,715,568	1,531,061
2014-15	53.5	286,726,244	1,533,985
2015-16	51.6	297,565,839	1,535,440
2016-17	51.2	305,197,330	1,562,610
2017-18	51	314,286,594	1,602,862
2018-19	53.9	326,944,057	1,762,228
2019-20	54.7	338,377,554	1,850,925

Overlapping Bond Indebtedness

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

Issuer	Original Principal Amount	Amount of Bonds Redeemed	Current Principal Outstanding
County of Nicholas			
General Obligation	\$275,000	\$59,000	\$216,000
Court Facility Bond Anticipation	\$1,500,000	\$0	\$1,500,000
City of Carlisle			
General Obligation	\$100,000	\$66,900	\$33,100
Gas, Water & Sewer Revenue	\$402,000	\$112,000	\$290,000
Special Districts			
Nicholas County Library District	\$700,000	\$58,332	\$641,668
Nicholas County Water District	\$1,958,000	\$388,300	\$1,569,700
Totals:	\$4,935,000	\$684,532	\$4,250,468

Source: 2020 Kentucky Local Debt Report.

SEEK Allotment

The Board has reported the following information as to the SEEK allotment to the District, and as provided by the State Department of Education. These receipts are compared to the 1989-90 fiscal year funding prior to enactment of the Kentucky Education Reform Act:

SEEK	Base Funding	Local Tax Effort	Total State & Local Funding
2000-01	3,965,413	1,086,865	5,052,278
2001-02	4,035,137	1,082,797	5,117,934
2002-03	4,146,221	1,128,252	5,274,473
2003-04	4,392,819	1,158,797	5,551,616
2004-05	4,465,608	1,181,252	5,646,860
2005-06	4,813,711	1,258,618	6,072,329
2006-07	4,856,616	1,242,590	6,099,206
2007-08	5,383,116	1,348,301	6,731,417
2008-09	5,495,805	1,494,395	6,990,200
2009-10	4,944,522	1,490,165	6,434,687
2010-11	4,841,813	1,485,385	6,327,198
2011-12	5,044,519	1,473,376	6,517,895
2012-13	4,927,027	1,442,977	6,370,004
2013-14	4,795,293	1,531,061	6,326,354
2014-15	4,945,330	1,533,985	6,479,315
2015-16	4,979,277	1,535,440	6,514,717
2016-17	4,900,132	1,562,610	6,462,742
2017-18	4,846,148	1,602,862	6,449,010
2018-19	4,582,236	1,762,228	6,344,464
2019-20	4,514,225	1,850,925	6,365,150

- (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 \$0.547 for FY 2019-20. The equivalent tax rate" is defined as the rate which results when the income from all taxes levied by the district for school purposes is divided by the total assessed value of property plus the assessment for motor vehicles certified by the Commonwealth of Kentucky Revenue Cabinet.

State Budgeting Process

- i) Each district board of education is required to prepare a general school budget on forms prescribed and furnished by the Kentucky Board of Education, showing the amount of money needed for current expenses, debt service, capital outlay, and other necessary expenses of the school during the succeeding fiscal year and the estimated amount that will be received from all sources.
- ii) By September 15 of each year, after the district receives its tax assessment data from the Department of Revenue and the State Department of Education, 3 copies of the budget are forwarded to the State Department for approval or disapproval.
- iii) The State Department of Education has adopted a policy of disapproving a school budget if it is financially unsound or fails to provide for:
 - a) payment of maturing principal and interest on any outstanding voted school improvement bonds of the district or payment of rental in connection with any outstanding school building revenue bonds issued for the benefit of the school district; or
 - b) fails to comply with the law.

COVID-19

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

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

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

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

POTENTIAL LEGISLATION

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

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

CONTINUING DISCLOSURE

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 late in making certain required filings under the terms of the Continuing Disclosure Agreements between the Board and the Corporation executed in connection with previous bond issues. The Board has filed Material Event Notices indicating its failure to file on a timely basis the following information:

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

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

Financial information regarding the Board may be obtained from Superintendent, Nicholas County Board of Education, 395 W. Main Street, Carlisle, KY 40311 (859) 289-3770.

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 Nicholas 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 Nicholas 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

APPENDIX A

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

Demographic and Economic Data

NICHOLAS COUNTY, KENTUCKY

Carlisle, the county seat of Nicholas County, is located in the Outer Blue Grass Region of central Kentucky. Carlisle is located 36 miles northeast of Lexington, Kentucky; 90 miles southeast of Cincinnati, Ohio; 112 miles east of Louisville, Kentucky; and 188 miles north of Knoxville, Tennessee. In 2020, Carlisle had an estimated population of 1,934.

Nicholas County, with a rolling to hilly terrain, covers a land area of 196 square miles. Nicholas County had a population of 7,166 in 2020.

The Economic Framework - Nicholas County has a labor force of 3,027 people with an unemployment rate of 4.5%. The total number of people employed in 2020 averaged 953. The top 5 jobs by occupation are as follows: office and administrative support - 133 (13.96%); education, training/library - 113 (11.86); executive, managers, and administrators - 95 (9.97%); sales - 78 (8.18%); and, health diagnosing and treating practitioners - 61 (6.4%).

Transportation - U.S. 68, a "AAA"-rated (80,000-pound gross load limit) trucking highway, accessible three miles north of Carlisle, is the principal highway serving Carlisle and Nicholas County. In addition, Carlisle is served directly by Kentucky Highways 13, 32 and 36. Interchanges with Interstate 64 and 75 are located 32 miles southwest Carlisle. Twenty-two common carrier trucking firms provide interstate and/or intrastate service to Carlisle. T.T.I. Systems, Inc. provides main line rail service to Carlisle. The nearest scheduled commercial airline service is provided by Blue Grass Airport in Lexington, 40 miles southwest of Carlisle. The Cynthiana-Harrison County Airport, two miles south of Cynthiana and 19 miles northwest of Carlisle, maintains a 3,200-foot paved runway designed to accommodate small aircraft.

Power and Fuel - Kentucky Utilities Company provides electric power to Carlisle and parts of Nicholas County. Harrison Rural Electric Cooperative Corporation and Fleming-Mason Rural Electric Cooperative Corporation also provides electric power to Nicholas County. The City of Carlisle Gas System provides natural gas service to Carlisle.

LOCAL GOVERNMENT

Structure

The City of Carlisle is governed by a mayor and six council members. The mayor is elected to a four-year term, while the council members each serve two-year terms. Nicholas County is governed by a county judge/executive and five magistrates. Each county official is elected to a four-year term.

Planning and Zoning

Joint agency - Carlisle Independent Planning Commission

Zoning enforced - Within city limits

Subdivision regulations enforced - Within city limits and three miles beyond corporate limits

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

LABOR MARKET STATISTICS

The Carlisle Labor Market Area includes Nicholas County and the adjoining Kentucky counties of Bath, Bourbon, Fleming, Harrison, Montgomery, and Robertson.

Population

<u>Area</u>	<u>2025</u>	<u>2030</u>	<u>2035</u>
Carlisle	1,934	1,907	1,926
Nicholas County	7,166	7,199	7,130

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

Population Projections

<u>Area</u>	<u>2025</u>	<u>2030</u>	<u>2035</u>
Nicholas County	6,997	6,896	6,781

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

EDUCATION

Public Schools

	<u>Nicholas County</u>
Total Enrollment (2018-2019)	1,014
Pupil-Teacher Ratio	14 - 1

Technical-Vocational Education

<u>Vocational School</u>	<u>Location</u>	<u>Enrollment (2018-2019)</u>
Harrison County ATC	Cynthiana, KY	556
Montgomery County ATC	Mt. Sterling, KY	496
Clark County ATC	Winchester, KY	680
Mason County Career Magnet	Maysville, KY	198
Eastside Technical Center	Lexington, KY	611
Campbell County ATC	Alexandria, KY	286
Morgan County ATC	West Liberty, KY	514
Lee County ATC	Beattyville, KY	312
Garrard County ATC	Lancaster, KY	392
Kenton County Academies of Innovation	Ft. Mitchell, KY	508

Colleges and Universities

<u>Institution</u>	<u>Location</u>	<u>Enrollment (Fall 2019)</u>
Maysville Community & Technical College	Maysville, KY	3,890
Georgetown College	Georgetown, KY	983
Bluegrass Community & Technical College	Lexington, KY	10,144
Transylvania University	Lexington, KY	949
University of Kentucky	Lexington, KY	29,402
Morehead State University	Morehead, KY	9,660
Midway College	Midway, KY	1,481
Eastern Kentucky University	Richmond, KY	14,980
Asbury University	Wilmore, KY	1,714
Kentucky State University	Frankfort, KY	2,029
Berea College	Berea, KY	1,688
Northern Kentucky University	Highland Heights, KY	15,678
Gateway Community & Technical College	Covington, KY	4,764
Thomas More University	Crestview Hills, KY	2,238

EXISTING INDUSTRY

<u>Firm</u>	<u>Product</u>	<u>Total Employed</u>
<i>Carlisle</i>		
Carlisle Mercury	Newspaper publishing	4
Creekside Cabinets	Manufacture cabinets, wall units, vanities	1
Lee-Lynn Machining Inc.	CNC machining parts for mining industry	17

Source: Kentucky Directory of Manufacturers (2020).

APPENDIX B

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

Audited Financial Statement ending June 30, 2019

NICHOLAS COUNTY SCHOOL DISTRICT

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019**

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS

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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
Members of the Board of Education
Nicholas County School District
Carlisle, Kentucky 40311

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Nicholas County School District (the "District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Nicholas County School District as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and the Special Revenue Fund 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 information on pages 6 through 9 and the Schedule of District's Proportionate Share of the Net Pension Liability, Schedule of Pension Contributions, Schedule of District's Proportionate Share of the Net OPEB Liability, Schedule of OPEB Contributions on pages 52 through 61 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 Nicholas County School District's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements 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 non-major fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2019, on our consideration of Nicholas County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Kelley Salloway Smith Hooley, PSC

Ashland, Kentucky
November 5, 2019

**NICHOLAS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
FOR THE YEAR ENDED JUNE 30, 2019**

As management of the Nicholas County School District ("the 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 beginning cash balance for all funds of the District, excluding agency funds, was approximately \$2,699,546 and the ending balance was approximately \$1,654,892, a decrease of approximately \$1,044,654 for the year due primarily to monies spent for the construction of a new elementary school.
- The General Fund had \$8,739,222 in revenue, which consisted primarily of the State program (SEEK), and property, utilities, and motor vehicle taxes. Excluding interfund transfers, there was \$9,072,949 in General Fund expenditures.
- Bonds are issued as the District renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. The District's total debt decreased by \$1,453,250 during the current fiscal year.
- Net pension liabilities required to be recorded under GASB No. 68 decreased during the year. Non-professional staff members are covered by the Kentucky County Employee Retirement System. Under this system, the District's share of the pension liability was \$3,466,358 as of June 30, 2018, which represents an decrease of \$62,133 from the June 30, 2017 balance of \$3,528,491. The Kentucky Teachers Retirement System covers the District's professional staff members. The District's allocated pension liability as of June 30, 2018 was \$16,899,438, which represents a decrease of \$19,511,347 from the June 30, 2017 balance of \$36,410,785. However, this pension liability is the responsibility of the Commonwealth of Kentucky.
- There are two sources of OPEB liabilities with which the District has to contend. The Kentucky Teachers Retirement System (KTRS) Medical Insurance Plan and Life Insurance Plan covers the District's professional staff members. The District's allocated OPEB liability as of June 30, 2018 for KTRS Medical Insurance Plan was \$4,282,000 with the District's responsibility being \$2,300,000 and the Commonwealth of Kentucky's responsibility being \$1,982,000. The liability for the KTRS Life Insurance Plan is the responsibility of the Commonwealth of Kentucky and the District's allocated amount as of June 30, 2018 was \$34,000. Non-professional staff members are covered by the County Employee Retirement System Insurance Fund. Under this fund the District's share of OPEB liability was \$1,010,497 as of June 30, 2018.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

The statement of net position presents information on all of the District's assets, deferred outflows, liabilities, and deferred inflows, with the difference between the 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 government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (government 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 government-wide financial statements can be found on pages 10 and 11 of this report.

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

The basic fund financial statements can be found on pages 12 through 21 of this report.

Notes to the financial statements. The notes provided additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 through 51 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by approximately \$.6 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 and construction in progress), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

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

	2019	2018
Current Assets	\$ 2,147,886	\$ 3,417,578
Noncurrent Assets	<u>30,315,913</u>	<u>30,163,573</u>
Total Assets	<u>32,463,799</u>	<u>33,581,151</u>
Deferred Outflows	1,200,021	1,640,381
Current Liabilities	1,890,911	2,210,811
Noncurrent Liabilities	<u>30,476,494</u>	<u>32,323,643</u>
Total Liabilities	<u>32,367,405</u>	<u>34,534,454</u>
Deferred Inflows	<u>722,116</u>	<u>421,828</u>
Net Position		
Investment in capital assets (net of debt)	5,306,330	4,949,955
Restricted	(153,103)	(94,131)
Unrestricted Fund Balance	<u>(4,578,928)</u>	<u>(4,590,574)</u>
Total Net Position	<u>\$ 574,299</u>	<u>\$ 265,250</u>

The following table presents a summary of all governmental activities and business-type activities revenues and expenses for the fiscal year ended June 30, 2019, with comparison to 2018.

	2019	2018
Revenues:		
Local Revenue Sources	\$ 2,361,825	\$ 1,874,988
State Revenue Sources	6,393,373	14,871,818
Federal Revenue	1,814,259	1,669,658
Other Sources	<u>35,822</u>	<u>26,996</u>
Total Revenues	<u>10,605,279</u>	<u>18,443,460</u>
Expenses:		
Instruction	3,082,511	10,187,922
Student Support Services	256,433	401,252
Instructional Support	287,317	307,375
District Administration	843,432	652,628
School Administration	563,518	590,069
Plant Operations	1,429,409	1,549,015
Student Transportation	1,513,118	1,256,832
Business and Other Support Services	255,220	301,566
Community Services	92,976	101,114
Debt Service	820,966	852,696
Food Services	<u>1,151,330</u>	<u>801,569</u>
Total Expenses	<u>10,296,230</u>	<u>17,002,038</u>
Revenues Over (Under) Expenses	<u>\$ 309,049</u>	<u>\$ 1,441,422</u>

Governmental Funds Revenue

The majority of revenue was derived from state funding making up 59.7% and federal funding of 17.7% of total revenue. Local revenues make up 22.5% of total revenue (10.3% in 2018).

District-Wide Support Allocation

District-wide support services expenditures were Transportation 14.6%, Maintenance & Operations 13.9%, and Business Functions 2.5% (as compared to 7.4%, 9.1%, and 1.8% in 2018, respectively).

The total cost of all programs and services for governmental activities was \$9,132,005, compared with \$16,200,469 in 2018. This is attributable to a decrease in KTRS pension expense.

The District's total revenues for the governmental funds for the fiscal year ended June 30, 2019 and 2018, net of inter-fund transfers and bond and capital lease proceeds, was approximately \$12.8 million and \$12.5 million, respectively.

Comments on Budget Comparisons

- The General fund budget compared to actual expenditures varied modestly from line item to line item with the ending actual balance being \$201,965 more than budget or approximately 2.3%.
- General Fund revenue compared to budget varied from line item to line item more this year than in the past due in part to state on-behalf revenues being up.

Capital Assets

At the end of June 30, 2019, the District's investment in capital assets for its governmental and business-type activities was \$30,315,913, representing an increase of \$152,340, net of depreciation, from the prior year due to construction of elementary school.

Debt Service

At year-end, the District had approximately \$25.1 million in outstanding debt, compared to \$26.6 million last year.

Budgetary Implications

In Kentucky the public school fiscal year is July 1 - June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the District overall budget. By law the budget must have a minimum 2% contingency. The District adopted a budget with approximately \$500,000 in contingency (4.78%). The general fund cash balance for beginning the next fiscal year is \$753,033. There was no significant Board action that impacts the finances for the new fiscal year, except for completing construction of a new elementary school.

Questions regarding this report should be directed to the Superintendent Douglas Bechanan or to his representative, Director of Financial Services Duane Kenney or by mail at:

Nicholas County School District
395 W. Main Street
Carlisle, Kentucky 40311

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 1,458,841	\$ 196,051	\$ 1,654,892
Receivables (net of allowances for uncollectibles):			
Taxes	66,972	-	66,972
Intergovernmental - state	399,960	36	399,996
Inventories	-	26,026	26,026
Capital assets, not being depreciated	20,399,628	346,465	20,746,093
Capital assets, being depreciated, net	9,453,452	116,368	9,569,820
Total assets	<u>31,778,853</u>	<u>684,946</u>	<u>32,463,799</u>
Deferred Outflows of Resources			
Deferred savings from refunding bonds	69,556	-	69,556
Deferred outflows - pension related	597,528	110,603	708,131
Deferred outflows - OPEB related	379,447	42,887	422,334
Total deferred outflows of resources	<u>1,046,531</u>	<u>153,490</u>	<u>1,200,021</u>
Liabilities			
Accounts payable	154,423	4,528	158,951
Accrued interest payable	50,847	-	50,847
Unearned revenue	106,483	-	106,483
Portion due or payable within one year:			
Accrued sick leave	33,685	-	33,685
KSBIT payable	13,353	-	13,353
Bond obligations	1,425,000	-	1,425,000
Capital lease obligations	102,592	-	102,592
Portion due or payable after one year:			
Accrued sick leave	134,738	-	134,738
KSBIT payable	13,353	-	13,353
Bond obligations	23,065,000	-	23,065,000
Capital lease obligations	486,547	-	486,547
Net pension liability	3,022,189	444,169	3,466,358
Net OPEB liability	3,175,310	135,188	3,310,498
Total liabilities	<u>31,783,520</u>	<u>583,885</u>	<u>32,367,405</u>
Deferred Inflows of Resources			
Deferred inflows - pension related	175,371	32,461	207,832
Deferred inflows - OPEB related	476,286	37,998	514,284
Total deferred inflows of resources	<u>651,657</u>	<u>70,459</u>	<u>722,116</u>
Net Position			
Net investment in capital assets	4,843,497	462,833	5,306,330
Restricted for:			
Capital projects	125,465	-	125,465
Other	173	(278,741)	(278,568)
Unrestricted	(4,578,928)	-	(4,578,928)
Total net position	<u>\$ 390,207</u>	<u>\$ 184,092</u>	<u>\$ 574,299</u>

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
Instruction	\$ 3,082,511	\$ 7,335	\$ 1,398,912	\$ -	\$ (1,676,264)	\$ -	\$ (1,676,264)
Support services:							
Students	256,433	-	-	-	(256,433)	-	(256,433)
Instructional staff	287,317	-	51,720	-	(235,597)	-	(235,597)
District administration	843,432	-	-	-	(843,432)	-	(843,432)
School administration	563,518	-	-	-	(563,518)	-	(563,518)
Business and other support services	255,220	-	-	-	(255,220)	-	(255,220)
Operation and maintenance of plant	1,429,409	-	(73)	-	(1,429,482)	-	(1,429,482)
Student transportation	1,513,118	-	135,987	-	(1,377,131)	-	(1,377,131)
Community services	92,976	-	82,350	-	(10,626)	-	(10,626)
Interest	820,966	-	-	1,466,941	645,975	-	645,975
Total governmental activities	<u>9,144,900</u>	<u>7,335</u>	<u>1,668,896</u>	<u>1,466,941</u>	<u>(6,001,728)</u>	<u>-</u>	<u>(6,001,728)</u>
Business-type activities:							
Food service	1,151,330	28,487	1,093,428	-	-	(29,415)	(29,415)
Total business-type activities	<u>1,151,330</u>	<u>28,487</u>	<u>1,093,428</u>	<u>-</u>	<u>-</u>	<u>(29,415)</u>	<u>(29,415)</u>
Total primary government	<u>\$ 10,296,230</u>	<u>\$ 35,822</u>	<u>\$ 2,762,324</u>	<u>\$ 1,466,941</u>	<u>\$ (6,001,728)</u>	<u>\$ (29,415)</u>	<u>\$ (6,031,143)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					\$ 1,157,141	\$ -	\$ 1,157,141
Motor vehicle					255,679	-	255,679
Utilities					364,042	-	364,042
Intergovernmental revenues:							
State					3,978,367	-	3,978,367
Investment earnings					31,786	2,828	34,614
Other local revenues					550,349	-	550,349
Total general revenues and transfers					<u>6,337,364</u>	<u>2,828</u>	<u>6,340,192</u>
Change in net position					335,636	(26,587)	309,049
Net position, June 30, 2018					<u>54,571</u>	<u>210,679</u>	<u>265,250</u>
Net position, June 30, 2019					<u>\$ 390,207</u>	<u>\$ 184,092</u>	<u>\$ 574,299</u>

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

**NICHOLAS COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Cash and cash equivalents	\$ 753,033	\$ -	\$ 580,170	\$ 173	\$ 125,465	\$ 1,458,841
Receivables (net of allowances for uncollectibles):						
Taxes	66,972	-	-	-	-	66,972
Intergovernmental - state	117,279	282,681	-	-	-	399,960
Interfund receivable	158,409	-	-	-	-	158,409
Total assets	<u>\$ 1,095,693</u>	<u>\$ 282,681</u>	<u>\$ 580,170</u>	<u>\$ 173</u>	<u>\$ 125,465</u>	<u>\$ 2,084,182</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 57,681	\$ 17,789	\$ 78,953	\$ -	\$ -	\$ 154,423
Interfund payable	-	158,409	-	-	-	158,409
Unearned revenue	-	106,483	-	-	-	106,483
Total liabilities	<u>57,681</u>	<u>282,681</u>	<u>78,953</u>	<u>-</u>	<u>-</u>	<u>419,315</u>
Fund balances:						
Restricted	-	-	501,217	173	125,465	626,855
Committed	-	-	-	-	-	-
Unassigned	1,038,012	-	-	-	-	1,038,012
Total fund balances	<u>1,038,012</u>	<u>-</u>	<u>501,217</u>	<u>173</u>	<u>125,465</u>	<u>1,664,867</u>
Total liabilities and fund balances	<u>\$ 1,095,693</u>	<u>\$ 282,681</u>	<u>\$ 580,170</u>	<u>\$ 173</u>	<u>\$ 125,465</u>	<u>\$ 2,084,182</u>

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

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

Fund balances—total governmental funds		\$ 1,664,867
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		29,853,080
Savings from refunding bonds are not available to pay current period expenditures and therefore are not reported in the funds.		69,556
Deferred outflows and inflows of resources related to pensions and OPEB plans are applicable to future periods and, therefore, are not reported in the governmental funds.		325,318
Some liabilities, including bonds, capital leases, and accrued sick leave, are not due and payable in the current period and therefore, are not reported in the governmental funds financial statements.		
Net pension liability	(3,022,189)	
Net OPEB liability	(3,175,310)	
Bonds payable	(24,490,000)	
Capital leases payable	(589,139)	
Accrued interest payable	(50,847)	
Accrued sick leave	(168,423)	
KSBIT payable	(26,706)	(31,522,614)
Net position of governmental activities		<u>\$ 390,207</u>

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
From local sources:						
Taxes -						
Property	\$ 830,197	\$ -	\$ -	\$ -	\$ 326,944	\$ 1,157,141
Motor vehicles	255,679	-	-	-	-	255,679
Utilities	364,042	-	-	-	-	364,042
Interest income	28,737	394	2,655	-	-	31,786
Tuition	7,335	-	-	-	-	7,335
Other local revenues	86,529	455,221	-	-	-	541,750
Intergovernmental - State	7,105,675	203,336	-	1,466,941	558,325	9,334,277
Intergovernmental - Indirect federal	-	990,041	-	-	-	990,041
Intergovernmental - Direct federal	61,028	-	-	-	-	61,028
Total revenues	<u>8,739,222</u>	<u>1,648,992</u>	<u>2,655</u>	<u>1,466,941</u>	<u>885,269</u>	<u>12,743,079</u>
Expenditures:						
Current:						
Instruction	4,707,749	1,398,912	-	-	-	6,106,661
Support services:						
Students	252,918	-	-	-	-	252,918
Instructional staff	235,597	51,720	-	-	-	287,317
District administration	826,036	-	-	-	-	826,036
School administration	548,559	-	-	-	-	548,559
Business and other support services	220,355	-	-	-	-	220,355
Operation and maintenance of plant	891,470	(73)	-	-	-	891,397
Student transportation	1,249,382	135,987	-	-	-	1,385,369
Community services	-	82,350	-	-	-	82,350
Building acquisitions and construction	-	-	935,156	-	-	935,156
Debt service	140,883	-	-	2,351,086	-	2,491,969
Total expenditures	<u>9,072,949</u>	<u>1,668,896</u>	<u>935,156</u>	<u>2,351,086</u>	<u>-</u>	<u>14,028,087</u>
Excess (deficiency) of revenues over expenditures	<u>(333,727)</u>	<u>(19,904)</u>	<u>(932,501)</u>	<u>(884,145)</u>	<u>885,269</u>	<u>(1,285,008)</u>
Other financing sources (uses):						
Bond proceeds	-	-	-	5,025,000	-	5,025,000
Payment to refunded bond escrow agent	-	-	-	(4,959,847)	-	(4,959,847)
Sale of assets	8,599	-	-	-	-	8,599
Capital lease proceeds	97,137	-	-	-	-	97,137
Transfers in	-	19,904	128,300	818,992	-	967,196
Transfers out	(19,904)	-	-	-	(947,292)	(967,196)
Total other financing sources and uses	<u>85,832</u>	<u>19,904</u>	<u>128,300</u>	<u>884,145</u>	<u>(947,292)</u>	<u>170,889</u>
Net change in fund balances	<u>(247,895)</u>	<u>-</u>	<u>(804,201)</u>	<u>-</u>	<u>(62,023)</u>	<u>(1,114,119)</u>
Fund balances, June 30, 2018	<u>1,285,907</u>	<u>-</u>	<u>1,305,418</u>	<u>173</u>	<u>187,488</u>	<u>2,778,986</u>
Fund balances, June 30, 2019	<u>\$ 1,038,012</u>	<u>\$ -</u>	<u>\$ 501,217</u>	<u>\$ 173</u>	<u>\$ 125,465</u>	<u>\$ 1,664,867</u>

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

**NICHOLAS 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**

Net change in fund balances—total governmental funds \$ (1,114,119)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	1,029,286	
Depreciation expense	<u>(847,308)</u>	181,978

Generally, expenditures recognized in the fund financial statements are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred for the following:

Long-term portion of accrued sick leave		2,289
Amortization of deferred savings from refunding bonds		(291)
Interest payable		(740)

Governmental funds report pension contributions as expenditures when paid.

However, in the Statement of Activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions, and investment experience.

KTRS on-behalf revenues	(3,271,142)	
KTRS on-behalf pension expense	3,271,142	
CERS contributions	76,502	
Pension expense	<u>(333,080)</u>	(256,578)

Bond and capital lease proceeds are recognized as revenues in the fund financial statements, but are increases in liabilities in the statement of net position.

Capital lease proceeds	(97,137)	
Refunding bonds issued	(5,025,000)	
Deferred savings from refunding bonds	69,847	
Payments to refunded bond escrow agent	<u>4,959,847</u>	(92,443)

Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.

1,615,540

Change in net position of governmental activities \$ 335,636

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

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

	<u>Food Service Fund</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 196,051
Accounts receivable	36
Inventories	26,026
Total current assets	<u>222,113</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>462,833</u>
Total noncurrent assets	<u>462,833</u>
Total assets	<u>684,946</u>
Deferred Outflows of Resources	
Deferred pension outflows	110,603
Deferred OPEB outflows	42,887
Total deferred outflows of resources	<u>153,490</u>
Total assets and deferred outflows	<u>\$ 838,436</u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 4,528
Total current liabilities	<u>4,528</u>
Noncurrent liabilities:	
Net pension liability	444,169
Net OPEB liability	135,188
Total liabilities	<u>583,885</u>
Deferred Inflows of Resources	
Deferred inflows - pension	32,461
Deferred inflows - OPEB	37,998
Total deferred inflows of resources	<u>70,459</u>
Net Position	
Invested in capital assets	462,833
Restricted	<u>(278,741)</u>
Total net position	184,092
Total liabilities and net position	<u>\$ 838,436</u>

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

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

	<u>Food Service Fund</u>
Operating revenues:	
Lunchroom sales	\$ 28,487
Other operating revenues	-
Total operating revenues	<u>28,487</u>
Operating expenses:	
Salaries and wages	253,382
Employee benefits	384,242
Materials and supplies	466,564
Depreciation	29,638
Other operating expenses	17,504
Total operating expenses	<u>1,151,330</u>
Operating income (loss)	<u>(1,122,843)</u>
Nonoperating revenues (expenses):	
Federal grants	775,403
Investment income	2,828
On-behalf payments	263,299
Donated commodities	54,726
State grants	-
Total nonoperating revenue (expenses)	<u>1,096,256</u>
Increase (decrease) in net position	(26,587)
Net position, June 30, 2018	<u>210,679</u>
Net position, June 30, 2019	<u><u>\$ 184,092</u></u>

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

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

	<u>Food Service Fund</u>
Cash flows from operating activities:	
Cash received from:	
Lunchroom sales and fees charged	\$ 28,487
Cash paid to/for:	
Payments to suppliers and providers of goods and services	(420,368)
Payments to employees	(317,208)
Other payments	(17,504)
Net cash provided by (used for) operating activities	<u>(726,593)</u>
 Cash flows from noncapital financing activities:	
Government grants	<u>775,367</u>
Net cash provided by noncapital and related financing activities	<u>775,367</u>
 Cash flows from investing activities:	
Interest received on investments	2,828
Purchase of property, plant and equipment	-
Net cash provided by investing activities	<u>2,828</u>
 Net increase (decrease) in cash and cash equivalents	51,602
 Cash and cash equivalents, June 30, 2018	<u>144,449</u>
 Cash and cash equivalents, June 30, 2019	<u>\$ 196,051</u>
 Reconciliation of operating loss to net cash used by operating activities:	
Operating income (loss)	\$ (1,122,843)
Adjustments to reconcile operating income (loss) to net cash used for operating activities:	
Depreciation	29,638
Donated commodities	54,726
On-behalf payments	263,299
Net pension and OPEB expense	57,117
Change in assets and liabilities:	
Inventory	(4,805)
Accounts payable	(3,725)
Net cash provided by (used for) operating activities	<u>\$ (726,593)</u>
 Non-cash items:	
Donated commodities	\$ 54,726
On-behalf payments	263,299

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

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

	Agency Funds
Assets	
Cash and cash equivalents	\$ 176,927
Accounts receivable	-
Total assets	176,927
 Liabilities	
Accounts payable	1,966
Due to students	174,961
Total liabilities	176,927
 Net position held in trust	 \$ -

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

NICHOLAS COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes -				
Property	\$ 620,000	\$ 660,000	\$ 830,197	\$ 170,197
Motor vehicles	210,000	225,000	255,679	30,679
Utilities	275,000	275,000	364,042	89,042
Interest income	7,500	7,500	28,737	21,237
Tuition	-	-	7,335	7,335
Other local revenues	8,000	8,000	86,529	78,529
Intergovernmental - State	6,284,681	6,252,236	7,105,675	853,439
Intergovernmental - Direct federal	45,000	55,000	61,028	6,028
Total revenues	<u>7,450,181</u>	<u>7,482,736</u>	<u>8,739,222</u>	<u>1,256,486</u>
Expenditures:				
Current:				
Instruction	4,510,243	4,363,419	4,707,749	(344,330)
Support services:				
Students	309,407	309,407	252,918	56,489
Instructional staff	226,549	226,549	235,597	(9,048)
District administration	781,715	771,902	826,036	(54,134)
School administration	592,514	594,327	548,559	45,768
Business and other support services	163,258	163,258	220,355	(57,097)
Operation and maintenance of plant	961,398	961,398	891,470	69,928
Student transportation	723,587	723,587	1,152,245	(428,658)
Debt service	150,000	150,000	140,883	9,117
Contingency	519,510	510,000	-	510,000
Total expenditures	<u>8,938,181</u>	<u>8,773,847</u>	<u>8,975,812</u>	<u>(201,965)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,488,000)</u>	<u>(1,291,111)</u>	<u>(236,590)</u>	<u>1,054,521</u>
Other financing sources (uses):				
Sale of assets	-	-	8,599	8,599
Transfers in	-	-	-	-
Transfers out	(12,000)	(20,000)	(19,904)	96
Total other financing sources and uses	<u>(12,000)</u>	<u>(20,000)</u>	<u>(11,305)</u>	<u>8,695</u>
Net change in fund balances	<u>(1,500,000)</u>	<u>(1,311,111)</u>	<u>(247,895)</u>	<u>1,063,216</u>
Fund balances, June 30, 2018	<u>1,500,000</u>	<u>1,278,666</u>	<u>1,285,907</u>	<u>7,241</u>
Fund balances, June 30, 2019	<u>\$ -</u>	<u>\$ (32,445)</u>	<u>\$ 1,038,012</u>	<u>\$ 1,070,457</u>
Adjustments to Generally Accepted Accounting Principles -				
Capital lease proceeds			97,137	
Student Transportation			<u>(97,137)</u>	
Fund balance, end of year (GAAP basis)			<u>\$ 1,038,012</u>	

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

NICHOLAS 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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest income	\$ -	\$ -	\$ 394	\$ 394
Other local revenues	210,000	422,527	455,221	32,694
Intergovernmental - State	290,695	294,626	203,336	(91,290)
Intergovernmental - Indirect federal	941,401	1,164,188	990,041	(174,147)
Intergovernmental - Direct federal	-	-	-	-
Total revenues	<u>1,442,096</u>	<u>1,881,341</u>	<u>1,648,992</u>	<u>(232,349)</u>
Expenditures:				
Current:				
Instruction	1,205,746	1,565,697	1,398,912	166,785
Support services:				
Instructional staff	64,984	86,400	51,720	34,680
Operation and maintenance of plant	-	186	(73)	259.00
Student transportation	96,241	150,376	135,987	14,389
Community services	87,125	98,328	82,350	15,978
Operation of non-instructional services	-	-	-	-
Total expenditures	<u>1,454,096</u>	<u>1,900,987</u>	<u>1,668,896</u>	<u>232,091</u>
Excess (deficiency) of revenues over expenditures	<u>(12,000)</u>	<u>(19,646)</u>	<u>(19,904)</u>	<u>(258)</u>
Other financing sources (uses):				
Transfers in	12,000	20,000	19,904	(96)
Transfers out	-	-	-	-
Total other financing sources and uses	<u>12,000</u>	<u>20,000</u>	<u>19,904</u>	<u>(96)</u>
Net change in fund balances	-	354	-	(354)
Fund balances, June 30, 2018	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, June 30, 2019	<u>\$ -</u>	<u>\$ 354</u>	<u>\$ -</u>	<u>\$ (354)</u>

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

NICHOLAS COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

(1) REPORTING ENTITY

The Nicholas 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 Nicholas County School District (“District”). The District receives funding from local, state and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as 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 Board, for financial reporting purposes, includes all of the funds and account groups relevant to the operation of the Nicholas County School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

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

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements. Copies of this organization’s financial statements may be obtained from the District’s Finance Office at 395 W. Main Street, Carlisle, Kentucky 40311.

Nicholas County Board of Education Finance Corporation - In a prior year the Board of Education resolved to authorize the establishment of the Nicholas 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. Copies of component unit reports may be obtained from the District’s Finance office.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS

Basis of Presentation

The accounting policies of the Nicholas County School District substantially comply with the rules prescribed by the Kentucky Department of Education for local school districts.

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements provide information about the primary government (the District). The statements include a statement of net position and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also

distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses to programs or functions, except where allowable for certain grant programs. 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, including internally dedicated resources and all taxes, are reported as general revenues, 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 provide information about the District's funds, including fiduciary funds. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining funds are aggregated and reported as non-major funds. Fiduciary funds are aggregated and reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in total net position. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The 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 District. 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 Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. 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 the Proprietary Fund).
1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the State as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
 2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- D. The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs; and for the payment of interest on general 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.

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

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

Basis of Accounting

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

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

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

District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Unearned Revenue - Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

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.

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

Property Taxes

Property taxes are levied each October 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 \$.395 per \$100 valuation for real property, \$.395 per \$100 valuation for business personal property and \$.555 per \$100 valuation for motor vehicles. In addition, the District assessed a nickel levy in the amount of \$.06 per \$100 valuation for construction purposes, only.

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 telegraphic communications services, cablevision services, electric power, water, and gas.

In-Kind

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

Cash and Cash Equivalents

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

Inventories

Supplies and materials are charged to expenditures when purchased with the exception of the Proprietary Funds, which records inventory using the accrual basis of accounting. Inventories are stated at the lower of cost or market, on the first-in, first-out basis.

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars (\$5,000) with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

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

Budgetary Process

The District is required by state law to adopt annual budgets. Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy, only amendments that aggregate greater than \$50,000 require Board approval. 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.

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 difference between the budgetary basis and the GAAP basis is that direct financing capital lease obligations were not budgeted in the General Fund.

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, all 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 Reserves

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance-amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance-amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance-amounts constrained to specific purposes by the District itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint;
- Assigned fund balance-amounts the District intends to use for a specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority;
- Unassigned fund balance-amounts that are available for any purpose; unassigned amounts are reported only in the General Fund.

When restricted, committed, assigned and unassigned resources are available for use, it is the District's policy to use restricted, committed and assigned resources first, then unassigned resources as they are needed.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the 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. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

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.

Accumulated Unpaid Sick Leave Benefits

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

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

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

Bond Issuance Costs

Debt issuance costs are expensed in the period they are incurred.

Deferred Inflows and Outflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Pension

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the OPEB plan's fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by plans. 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.

Recent Accounting Pronouncements

In February 2017, the GASB issued Statement No. 84, *Fiduciary Activities* ("GASB 84"). GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. Generally, the focus of the criteria relates to (1) whether a government is controlling the assets of

the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and post-employment benefit arrangements that are fiduciary activities. Additionally, GASB 84 describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust, or an equivalent arrangement, that meets specific criteria. Finally, it provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. GASB 84 will be effective for the District beginning with its year ending June 30, 2020. Management is currently evaluating the impact of this Statement on its financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases* (“GASB 87”), which establishes standards of accounting and financial reporting for leases by lessees and lessors. GASB 87 (1) increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract; and (2) establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Additionally, under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB 87 will be effective for the District beginning with its year ending June 30, 2021 and will be applied retroactively by restating financial statements. Management is currently evaluating the impact of this Statement on its financial statements.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (“GASB 88”), which seeks to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, while providing financial statement users with additional essential information concerning debt. In particular, GASB 88 defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date that the contractual obligation is established, and it clarifies which liabilities governments should include when disclosing information related to debt. Furthermore, this Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including (1) unused lines of credit; (2) assets pledged as collateral for the debt; and (3) terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. GASB 88 will be effective for the District beginning with its year ending June 30, 2019. The adoption of this standard did not have a material effect on the District's financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (“GASB 89”), which seeks to (1) enhance the relevance and comparability of information concerning capital assets and the cost of borrowing for a reporting period, and (2) simplify accounting for interest cost incurred during the period of construction. In particular, GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus, and, thus, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB 89 will be effective for the District beginning with its year ending June 30, 2021. Management is currently evaluating the impact of this Statement on its financial statements.

(3) 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 basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(4) CASH AND CASH EQUIVALENTS

The funds of the District must be deposited and invested under the terms of a contract. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At year-end, the carrying amount of the District's total cash and cash equivalents was \$1,831,819 and the related bank balances totaled \$2,056,823. Of the total cash balance, \$690,963 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

The cash deposits held at financial institutions can be categorized according to three levels of risk.

The three levels of risks are as follows:

- Category 1 Deposits, which are insured or collateralized with securities, held by the District or by its agent in the District's name.
- Category 2 Deposits, which are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
- Category 3 Deposits, which are not collateralized or insured.

Based on these three levels of risk, the District's uninsured cash deposits are classified as Category 2.

The Construction Fund had \$431,960 in savings at .41% at June 30, 2019. These funds are the result of the District receiving bond proceeds from the 2016 issuance that have not been spent on the construction costs as of June 30, 2019.

Due to the nature of the accounts and certain limitations imposed on the use of funds, each bank account within the following funds is considered to be restricted: SEEK Capital Outlay Fund, Facility Support Program (FSPK) Fund, Education Building Fund, Special Revenue (Grant) Funds, Bond and Interest Redemption Fund, School Food Service Funds, and School Activity Funds.

(5) CAPITAL ASSETS

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

	Balance			Balance
	June 30, 2018	Additions	Deductions	June 30, 2019
Governmental Activities				
Land	\$ 56,429	\$ -	\$ -	\$ 56,429
Construction in progress	19,439,354	903,845	-	20,343,199
Land improvements	199,370	-	-	199,370
Buildings and improvements	19,830,063	-	-	19,830,063
Technology equipment	1,311,685	-	-	1,311,685
General equipment	549,158	29,535	2,728	575,965
Vehicles	1,668,900	95,906	101,784	1,663,022
Totals	<u>43,054,959</u>	<u>1,029,286</u>	<u>104,512</u>	<u>43,979,733</u>
Less: accumulated depreciation				
Land improvements	68,950	9,968	-	78,918
Buildings and improvements	10,303,034	678,821	-	10,981,855
Technology equipment	1,512,352	32,512	2,728	1,542,136
General equipment	480,187	14,119	-	494,306
Vehicles	1,019,334	111,888	101,784	1,029,438
Total accumulated depreciation	<u>13,383,857</u>	<u>847,308</u>	<u>104,512</u>	<u>14,126,653</u>
Governmental Activities				
Capital Assets - Net	<u>\$ 29,671,102</u>	<u>\$ 181,978</u>	<u>\$ -</u>	<u>\$ 29,853,080</u>
Business-Type Activities				
Construction in progress	\$ 346,465	\$ -	\$ -	\$ 346,465
Food service equipment	420,604	-	-	420,604
Food service technology equipment	21,374	-	-	21,374
	<u>788,443</u>	<u>-</u>	<u>-</u>	<u>788,443</u>
Less: accumulated depreciation				
Food service equipment	274,598	29,638	-	304,236
Food service technology equipment	21,374	-	-	21,374
	<u>295,972</u>	<u>29,638</u>	<u>-</u>	<u>325,610</u>
Business-Type Activities				
Capital Assets - Net	<u>\$ 492,471</u>	<u>\$ (29,638)</u>	<u>\$ -</u>	<u>\$ 462,833</u>

Depreciation expense was allocated to governmental functions as follows:

Instruction	\$ 205,477
Business support services	23,627
Plant operation & maintenance	486,761
Student transportation	129,618
Community services	1,825
	<u>\$ 847,308</u>

(6) LONG-TERM LIABILITIES

A summary of activity in bond obligations and other debts is as follows:

<u>Description</u>	<u>Balance at June 30, 2018</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance at June 30, 2019</u>
General obligation bonds - \$32,635,000 originally issued with interest rates ranging from 1.90% to 4.375%	\$ 25,925,000	\$ 5,025,000	\$ 6,460,000	\$ 24,490,000
KISTA loans	594,036	97,137	102,034	589,139
KSBIT liability	40,059	-	13,353	26,706
Accrued interest	50,107	740	-	50,847
Net pension liability	3,528,491	-	62,133	3,466,358
Net OPEB liability	3,744,874	-	434,377	3,310,497
Accumulated unpaid sick leave benefits	170,712	-	2,289	168,423
	<u>\$ 34,053,279</u>	<u>\$ 5,122,877</u>	<u>\$ 7,074,186</u>	<u>\$ 32,101,970</u>

The amount shown in the accompanying financial statements as debt obligations represents the District's future obligations to make lease payments relating to the bonds issued by the Nicholas County School District Finance Corporation, with original amounts of issues totaling \$32,635,000.

Bonds

The General Fund, including utility taxes, the Facility Support Program Fund and the SEEK Capital Outlay Fund are obligated to make lease payments. The lease agreements provide, among other things, (1) for rentals sufficient to satisfy debt service requirements on bonds issued by the Nicholas County School District Finance Corporation, and Kentucky School Facility Construction Commission (KSFCC) to construct school facilities and (2) the District with the option to purchase the property under lease at any time by retiring the bonds then outstanding. The proceeds from certain refunding issues have been placed in escrow accounts to be used to service the related debt.

The original amount of present outstanding issues, the issue dates, and interest rates are summarized below:

<u>ORIGINAL ISSUE</u>	<u>ISSUER</u>	<u>AMOUNT</u>	<u>INTEREST RATES</u>
Issue of 2009	Nicholas County School District Finance Corporation & KSFCC	\$ 8,285,000	2.00% to 4.125%
Issue of 2009R	Nicholas County School District Finance Corporation & KSFCC	2,630,000	2.00% to 3.60%
Issue of 2011	Nicholas County School District Finance Corporation & KSFCC	2,145,000	1.90% to 4.375%
Issue of 2016	KSFCC 100%	19,575,000	2.00% to 3.00%

Issue of 2019R	Nicholas County School District Finance Corporation & KSFCC	5,025,000	3.00%
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The bonds may be called prior to maturity dates at redemption premiums specified in each issue.

In connection with the bond issues, the District entered into a participation agreement with the Kentucky School Facilities Construction Commission, whereby the Commission has agreed to provide amounts on an annual basis (reflected in the following table) toward the payment of principal and interest requirements on the bonds. The agreement is in effect for a period of two years. The obligation of the Commission to make said payments shall automatically renew every two years, unless the Commission provides the District notice of its intention not to participate within sixty days prior to the expiration of the two year period.

On January 10, 2019, the District issued \$5,025,000 in refunding bonds with an interest rate of 3.00% to advance refund \$4,890,000 of the series of 2009 bonds with interest rate ranging from 3.30% to 4.125%. The proceeds of the refunding bonds were used to purchase U.S. government securities, which were deposited in an irrevocable trust with an escrow agent to provide for all future payments on the refunded bonds. As a result of this advance refunding, the District obtained a net present value benefit of \$199,019 over the life of the bond.

Assuming no issues are called prior to scheduled maturity, the minimum obligations of the funds at June 30, 2019, for debt service, (principal and interest) are as shown below:

Year	Kentucky School Facilities Construction Commission		Nicholas County School District		Total
	Principal	Interest	Principal	Interest	
2020	\$ 894,757	\$ 482,335	\$ 530,243	\$ 215,700	\$ 2,123,035
2021	911,994	463,496	553,006	197,464	2,125,960
2022	934,011	444,579	565,989	180,491	2,125,070
2023	951,089	425,202	588,911	163,113	2,128,315
2024	973,228	405,462	606,772	145,033	2,130,495
2025-2029	5,230,840	1,655,512	3,339,160	418,694	10,644,206
2030-2034	5,571,503	880,779	373,497	24,727	6,850,506
2035-2036	2,465,000	111,450	-	-	2,576,450
	<u>\$ 17,932,422</u>	<u>\$4,868,815</u>	<u>\$ 6,557,578</u>	<u>\$ 1,345,222</u>	<u>\$ 30,704,037</u>

Future minimum debt service on notes payable to KISTA, at June 30, 2019, are as follows:

Year	Principal	Interest	Total
2020	\$ 102,592	\$ 15,773	\$ 118,365
2021	84,975	13,200	98,175
2022	75,654	10,979	86,633
2023	74,066	9,067	83,133
2024	70,973	7,120	78,093
2025-2029	180,879	12,399	193,278
	<u>\$ 589,139</u>	<u>\$ 68,538</u>	<u>\$ 657,677</u>

KSBIT Payable

The Kentucky School Boards Insurance Trust (“KSBIT”) notified the District during fiscal year 2014 that their self-insurance pools for worker’s compensation and liability insurance were underfunded. As a result, an assessment will be required under a fair methodology to be approved by the Kentucky Department of Insurance, of current and past participating members to fund the deficit and the transfer of liability to a qualified insurer/reinsurer. On May 13, 2014, the court approved the plan of assessment tendered by KSBIT and approved the Loss Portfolio Transfer to Kentucky Employers Mutual Insurance (“KEMI”). As a result, the District’s workers’ compensation portion of the liability was estimated at \$106,827. The District took the option of

paying 25% down by August 31, 2014 and financing the remaining balance over 6 years to be paid in equal annual installments beginning August 31, 2015 with no interest. The District's property and liability portion of the liability was estimated at \$101,641. The District took the option of paying 40% down by September 15, 2014 and financing the remaining balance over 2 years to be paid in equal annual installments beginning September 15, 2015 with no interest. The following is a schedule by year of payments:

<u>Year Ending</u>	
2020	\$ 13,353
2021	13,353
	<u>\$ 26,706</u>

Net Pension Liability

The net pension liability is \$3,022,189 and \$444,169 for governmental activities and business-type activities, respectively, at June 30, 2019. See Note 7 for more detailed information.

Net OPEB Liability

The net OPEB liability is \$3,175,310 and \$135,188 for governmental activities and business-type activities, respectively, at June 30, 2019. See Note 8 for more detailed information.

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. At June 30, 2019, this amount totaled \$168,423 for those employees who were eligible for retirement with \$33,685 estimated to be current.

(7) RETIREMENT PLANS

Kentucky Teachers Retirement System

Plan description: Teaching-certified employees of the Kentucky School District are provided pensions through the Teachers' Retirement System of the State of Kentucky (KTRS), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. KTRS 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). KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS issues a publicly available financial report that can be obtained at http://www.ktrs.ky.gov/05_publications/index.htm.

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

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

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members 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 members (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal

to 2% of their final average salary for each year of service if, upon retirement, their total service is less than ten years. New members 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, members 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 KTRS has been amended to change the benefit structure for members 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. Members at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. KTRS also provides disability benefits for vested members 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 members and \$5,000 for retired or disabled members.

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 members are required to contribute 12.855% of their salaries to the System. University members are required to contribute 10.400% of their salaries. KRS 161.580 allows each university to reduce the contribution of its members by 2.215%; therefore, university members contribute 8.185% of their salary to KTRS.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions in the amount 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. University employers contribute 15.865% of salaries of members. For local school district and regional cooperative members whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

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

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

District's proportionate share of the net Pension liability	\$ -
Commonwealth's proportionate share of the Net Pension liability associated with the District	16,899,438
	<u>\$ 16,899,438</u>

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2017. An expected total pension liability as of June 30, 2018 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the Commonwealth as determined by the actuary. At June 30, 2018, the District's proportion was 0.1291%.

For the year ended June 30, 2019, the District recognized pension expense of (\$2,041,694) and revenue of (\$2,041,694) for support provided by the State.

Actuarial Methods and Assumptions: The total pension liability was determined by applying procedures to the actuarial valuation as of June 30, 2017. The financial reporting actuarial valuation as of June 30, 2018, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Single Equivalent Interest Rate	7.50%
Municipal Bond Index Rate	3.89%
Inflation	3.0%
Salary Increase	3.5-7.3%, including inflation
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation
Post-retirement Benefit Increases	1.50% annually

The following change of assumptions were adopted by the Board of Trustees and reflected in the liability measurement as of June 30, 2018:

- Increased the Single Equivalent Interest rate (SEIR) from 4.49% to 7.50%

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025, set forward two years for males and one year for females.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010 – June 30, 2015 adopted by the Board on November 19, 2016.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	40.0%	4.2%
International Equity	22.0%	5.2%
Fixed Income	15.0%	1.2%
Other Additional Categories*	8.0%	3.3%
Real Estate	6.0%	3.8%

Private Equity	7.0%	6.3%
Cash (LIBOR)	<u>2.0%</u>	0.9%
Total	<u><u>100.0%</u></u>	

**Includes Hedge Funds, High Yield and Non-US Developed Bonds.*

Discount Rate: The discount rate used to measure the total pension liability as of the Measurement Date was 7.50%. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rates and that Employer contributions will be made at the Actuarially Determined Contribution rates, adjusted by 95%, for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The change in the discount rate from the 4.49% used in the 2017 disclosure reports is considered a change in actuarial assumptions or other inputs under GASB 68.

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

	<u>1% Decrease (6.50%)</u>	<u>Current discount rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Commonwealth's proportionate share of the Net Pension liability associated with the District	\$ 21,668,595	\$ 16,899,438	\$12,896,234

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued KTRS financial report which is publically available at <http://www.ktrs.ky.gov/>.

County Employees Retirement System

Plan description: Substantially all full-time classified employees of the District participate in the County Employees Retirement System ("CERS"). CERS is a cost-sharing, multiple-employer, defined benefit pension plan administered by the Kentucky General Assembly. The plan covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at <https://kyret.ky.gov>.

Benefits provided: Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents.

Contributions: Funding for CERS is provided by members, who contribute 5.00% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions, and by employers of members. For the year ending June 30, 2019, employers were required to contribute 21.48% (16.22% - pension, 5.26% insurance) of the member's salary. During the year ending June 30,

2019, the District contributed \$224,381 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2018 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2018. At June 30 2018, the District's proportion was 0.056916%.

For the year ended June 30, 2019, the District recognized pension expense of approximately \$531,000. 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	\$ 113,063	\$ 50,740
Changes of assumptions	338,764	-
Net difference between projected and actual earnings on investments	-	41,564
Changes in proportion and differences between District contributions and proportionate share of contributions	31,923	115,528
District contributions subsequent to the measurement date	<u>224,381</u>	<u>-</u>
	<u>\$ 708,131</u>	<u>\$ 207,832</u>

The \$224,381 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.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the average service life of all members. These will be recognized in pension expense as follows:

<u>Year</u>	
2020	\$ 253,826
2021	102,539
2022	(61,844)
2023	<u>(18,603)</u>
	<u>\$ 275,918</u>

Actuarial Methods and Assumptions: The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2016. The financial reporting actuarial valuation as of June 30, 2018, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2016
Measurement 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	25 years, closed
Payroll growth	2.00%
Asset Valuation Method	5-year smoothed market
Inflation	2.30%
Salary Increase	3.05%, average
Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation

There have been no changes in actuarial assumptions since June 30, 2017. However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The Total Pension Liability as of June 30, 2018 is determined using these updated benefit provisions.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

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

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	17.50%	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity	17.50%	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	24.00%	
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	<u>2.00%</u>	1.50%
Total	<u>100.00%</u>	6.09%

Discount Rate: 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 members 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 assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	<u>1% Decrease (5.25%)</u>	<u>Current discount rate (6.25%)</u>	<u>1% Increase (7.25%)</u>
District's proportionate share of the net pension liability	\$ 15,438,000	\$ 3,466,358	\$ 9,603,000

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report which is publically available at <https://kyret.ky.gov>.

Payables to the pension plan: At June 30, 2019, there was no payable to CERS.

(8) OTHER POSTEMPLOYMENT BENEFIT (“OPEB”) PLANS

Kentucky Teachers Retirement System OPEB Plans

Teaching-certified employees of the 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.

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to KTRS Medical Insurance Plan

At June 30, 2019, the District reported a liability of \$2,300,000 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. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2017. An expected total OPEB liability as of June 30, 2018 was determined using standard roll-forward techniques. The total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the District’s proportion was 0.123436%.

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

District’s proportionate share of the net OPEB liability	\$ 2,300,000
Commonwealth’s proportionate share of the Net OPEB liability associated with the District	<u>1,982,000</u>
	<u>\$ 4,282,000</u>

For the year ended June 30, 2019, the District recognized OPEB expense of \$232,000 and revenue of \$140,000 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 118,000
Changes of assumptions	32,000	-
Net difference between projected and actual earnings on investments	-	9,000

Changes in proportion and differences between District contributions and proportionate share of contributions	-	144,000
District contributions subsequent to the measurement date	115,750	-
	<u>\$ 147,750</u>	<u>\$ 271,000</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$115,750 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

<u>Year</u>	
2020	\$ (45,000)
2021	(45,000)
2022	(45,000)
2023	(41,000)
2024	(42,000)
Thereafter	(21,000)
	<u>\$ (239,000)</u>

Actuarial methods and assumptions – The total OPEB liability was determined by applying procedures to the actuarial valuation as of June 30, 2017. The financial reporting actuarial valuation as of June 30, 2018, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 – 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Healthcare cost trend rates	
Under 65	7.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2024
Ages 65 and Older	5.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2021
Medicare Part B Premiums	0.00% for FY 2018 with an ultimate rate of 5.00% by 2030
Municipal Bond Index Rate	3.89%
Discount Rate	8.00%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation.

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

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2015 valuation.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
Global Equity	58.0%	4.6%
Fixed Income	9.0%	1.2%
Real Estate	5.5%	3.8%
Private Equity	6.5%	6.3%
Other Additional Categories	20.0%	3.3%
Cash (LIBOR)	1.0%	0.9%
Total	<u>100.0%</u>	

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

	<u>1% Decrease (7.00%)</u>	<u>Current discount rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
District's proportionate share of the net OPEB liability	\$ 2,698,000	\$ 2,300,000	\$ 1,970,000
Commonwealth's proportionate share of the net OPEB liability associated with the District	<u>2,325,000</u>	<u>1,982,000</u>	<u>1,697,000</u>
Total	<u>\$ 5,023,000</u>	<u>\$ 4,282,000</u>	<u>\$ 3,667,000</u>

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

	<u>1% Decrease</u>	<u>Current trend rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ 1,908,000	\$ 2,300,000	\$ 2,785,000
Commonwealth's proportionate share of the liability associated with the District	<u>1,644,000</u>	<u>1,982,000</u>	<u>2,400,000</u>
Total	<u>\$ 3,552,000</u>	<u>\$ 4,282,000</u>	<u>\$ 5,185,000</u>

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

Life Insurance Plan

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

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

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to KTRS Life Insurance Plan

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

District's proportionate share of the net OPEB liability	\$ -
Commonwealth's proportionate share of the Net OPEB liability associated with the District	<u>34,000</u>
	<u>\$ 34,000</u>

The net OPEB liability was measured as of June 30, 2018, and the total pension liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. An expected total OPEB liability as of June 30, 2018 was determined using standard roll-forward techniques. The District's proportion of the net OPEB liability was based on the actual liability of the employees and former employees relative to the total liability of the Commonwealth as determined by the actuary. At June 30, 2018, the District's proportion was 0.120622%.

For the year ended June 30, 2019, the District recognized OPEB expense of \$6,000 and revenue of \$6,000 for support provided by the State.

Actuarial methods and assumptions – The total OPEB liability was determined by applying procedures to the actuarial valuation as of June 30, 2017. The financial reporting actuarial valuation as of June 30, 2018, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 – 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Municipal Bond Index Rate	3.89%
Discount Rate	7.50%
Single Equivalent Interest Rate	7.50%, net of OPEB plan investment expense, including inflation.

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

The remaining actuarial assumptions (e.g. initial per capita costs, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2015 valuation.

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

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

	Target <u>Allocation</u>	30 Year Expected Geometric <u>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%
Other Additional Categories	6.0%	3.3%
Cash (LIBOR)	2.0%	0.9%
Total	<u>100.0%</u>	

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

Discount rate - The discount rate used to measure the total OPEB liability for life insurance was 7.50%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB

plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

	1% Decrease <u>(6.50%)</u>	Current discount rate <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
Commonwealth’s proportionate share of the net OPEB liability associated with the District	\$ 52,000	\$ 34,000	\$ 19,000

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

County Employees Retirement System Insurance Fund

Plan description: The County Employees Retirement System (“CERS”) Insurance Fund was established to provide post-employment healthcare benefits to eligible members and dependents. The CERS Insurance Fund is a cost-sharing, multiple employer defined benefit plan administered by the Kentucky Retirement Systems' (KRS) board of trustees.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at <https://kyret.ky.gov>.

Benefits provided: CERS health insurance benefits are subject to various participation dates to determine eligibility and health insurance contribution rates. For employees who initiated participation in the CERS system prior to July 1, 2003, KRS pays a percentage of the monthly contribution rate for insurance coverage based on the retired member’s years of service and type of service. Non-hazardous members receive a contribution subsidy for only the member’s health insurance premium.

Percentage of contribution ranges from 0% for less than 4 years of service to 100% for 20 years or more of service. For members who initiated participation in the CERS system after July 1, 2003 until August 31, 2008, members must have 120 months of service in a state-administered retirement system to qualify for participation in the KRS health plans. Members who began participating with KRS on or after September 1, 2008, must have 180 months of service upon retirement to participate in the KRS health plans. Non-hazardous retirees receive \$10 toward the monthly premium for each full year of service.

Contributions: CERS allocates a portion of the employer contributions to the health insurance benefit plans. For the year ending June 30, 2019, CERS allocated 5.26% of the 21.48% actuarially required contribution rate paid by employers for funding the healthcare benefit. In addition, 1.00% of the contributions by employees hired after September 1, 2008 are allocated to the health insurance plan. During the year ending June 30, 2019, the District contributed \$72,773 to the CERS Insurance Fund. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

Implicit Subsidy: The fully-insured premiums KRS pays for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. This implicit subsidy is included in the calculation of the total OPEB liability.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CERS Insurance Fund

At June 30, 2019, the District reported a liability its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2018 was determined using standard roll-forward techniques. District's proportion of the net OPEB liability was based on contributions to CERS during the fiscal year ended June 30, 2018. At June 30 2018, the District's proportion was 0.056914%.

For the year ended June 30, 2019, the District recognized OPEB expense of \$118,703, including an implicit subsidy of \$12,060. 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	\$ -	\$ 117,760
Changes of assumptions	201,811	2,335
Net difference between projected and actual earnings on investments	-	69,603
Changes in proportion and differences between District contributions and proportionate share of contributions	-	53,586
District contributions subsequent to the measurement date	72,773	-
	<u>\$ 274,584</u>	<u>\$ 243,284</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$72,773 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.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the average service life of all members. These will be recognized in OPEB expense as follows:

<u>Year</u>	
2020	\$ (6,616)
2021	(6,616)
2022	(6,616)
2023	6,902
2024	(18,969)
Thereafter	(9,558)
	<u>\$ (41,473)</u>

Actuarial Methods and 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, 2016
Measurement Date	June 30, 2018
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	28 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.05%, average
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.25% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 5.10% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

There have been no changes in actuarial assumptions since June 30, 2017 (other than the blended discount rate used to calculate the total OPEB liability). However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018, is determined using these updated benefit provisions.

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

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

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	17.50%	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity	17.50%	

International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	24.00%	
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	2.00%	1.50%
Total	<u>100.00%</u>	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 local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.62%, as reported in Fidelity Index's "20 -Year Municipal GO AA Index" as of June 30, 2018. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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

	1% Decrease (4.85%)	Current discount rate (5.85%)	1% Increase (6.85%)
District's proportionate share of the net OPEB liability	\$ 1,312,473	\$ 1,010,498	\$ 753,268

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:

	1% Decrease	Current trend rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 752,325	\$ 1,010,498	\$ 1,314,807

OPEB plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CERS financial report which is publically available at <https://kyret.ky.gov>.

Payables to the OPEB plan: At June 30, 2019, there was no payable to CERS.

(9) CONTINGENCIES

The District receives funding from Federal and State government agencies. These funds are to be used for designated purposes only. For Government agency grants, if based on 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.

The District is subject to certain legal proceedings arising from normal business activities. Administrative officials believe that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the accompanying financial statements.

The District has outstanding construction commitments in the amount of approximately \$128,000 at June 30, 2019 for a new roof on the high school.

(10) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky Employer's Mutual Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The District 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.

(11) COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. It is managements' opinion that the District is in compliance with the COBRA requirements.

(12) TRANSFER OF FUNDS

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	General	Special Revenue	Technology Match	\$ 19,904
Operating	Capital Outlay	Construction	Construction	128,300
Operating	Building	Debt Service	Debt Service	818,992

(13) ON-BEHALF PAYMENTS

For the year ended June 30, 2019, total payments of \$3,929,521 were made by the Commonwealth of Kentucky on behalf of the District for life insurance, health insurance, and KTRS matching and administrative fees, and vocational education. These payments were recognized as on-behalf payments and are recorded in the appropriate revenue and expense account on the Statement of Activities and the Government Funds Statement of Revenue, Expenditures and Changes in Fund Balance.

On-behalf payments at June 30, 2019 consisted of the following:

Teacher Retirement-pension	\$ 1,224,489
Teacher Retirement-OPEB	102,959
Health Insurance	1,106,748
Life Insurance	1,767
Admin Fee	14,548
HRA/Dental/Vision	55,304
Federal Reimbursement	(108,497)
Technology	65,262
Debt Service	1,466,941
Total on-behalf	<u>\$ 3,929,521</u>

REQUIRED SUPPLEMENTARY INFORMATION

**NICHOLAS COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Reporting Fiscal Year (Measurement Date)</u> 2019 (2018)	<u>Reporting Fiscal Year (Measurement Date)</u> 2018 (2017)	<u>Reporting Fiscal Year (Measurement Date)</u> 2017 (2016)	<u>Reporting Fiscal Year (Measurement Date)</u> 2016 (2015)	<u>Reporting Fiscal Year (Measurement Date)</u> 2015 (2014)
COUNTY EMPLOYEES RETIREMENT SYSTEM:					
District's proportion of the net pension liability	0.56916%	0.06028%	0.05863%	0.05846%	0.05824%
District's proportionate share of the net pension liability	\$ 3,466,358	\$ 3,528,491	\$ 2,886,702	\$ 2,513,637	\$ 1,890,000
District's covered payroll	\$ 1,396,354	\$ 1,489,634	\$ 1,398,611	\$ 1,364,173	\$ 1,336,220
District's proportionate share of the net pension liability as a percentage of its covered payroll	248.244%	236.870%	206.398%	184.261%	141.444%
Plan fiduciary net position as a percentage of the total pension liability	53.540%	53.300%	55.500%	59.970%	66.800%
KENTUCKY TEACHER'S RETIREMENT SYSTEM:					
District's proportion of the net pension liability	0.129%	0.135%	0.141%	0.141%	0.140%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	<u>\$ 16,899,438</u>	<u>\$ 36,410,785</u>	<u>\$ 41,669,787</u>	<u>\$ 32,758,535</u>	<u>\$ 28,850,987</u>
Total	<u>\$ 16,899,438</u>	<u>\$ 36,410,785</u>	<u>\$ 41,669,787</u>	<u>\$ 32,758,535</u>	<u>\$ 28,850,987</u>
District's covered payroll	\$ 4,481,046	\$ 4,509,696	\$ 4,457,318	\$ 4,408,979	\$ 4,399,936
District's proportionate share of the net pension liability as a percentage of its covered payroll	0.000%	0.000%	0.000%	0.000%	0.000%
Plan fiduciary net position as a percentage of the total pension liability	59.300%	39.830%	35.220%	42.490%	45.590%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**NICHOLAS COUNTY SCHOOL DISTRICT
SCHEDULE OF PENSION CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
COUNTY EMPLOYEES RETIREMENT SYSTEM:						
Contractually required contribution	\$ 224,381	\$ 202,192	\$ 207,804	\$ 173,703	\$ 173,942	\$ 183,604
Contributions in relation to the contractually required contribution	<u>224,381</u>	<u>202,192</u>	<u>207,804</u>	<u>173,703</u>	<u>173,942</u>	<u>183,604</u>
Contribution deficiency (excess)	-	-	-	-	-	-
District's covered payroll	\$ 1,383,360	\$ 1,396,354	\$ 1,489,634	\$ 1,398,611	\$ 1,364,173	\$ 1,336,220
District's contributions as a percentage of its covered payroll	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%
 KENTUCKY TEACHER'S RETIREMENT SYSTEM:						
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	-	-	-	-	-	-
District's covered payroll	\$ 4,462,318	\$ 4,481,046	\$ 4,509,696	\$ 4,457,318	\$ 4,408,979	\$ 4,399,936
District's contributions as a percentage of its covered payroll	0.00%	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 will be displayed as they become available.

**NICHOLAS COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019**

	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
COUNTY EMPLOYEES RETIREMENT SYSTEM - INSURANCE FUND:		
District's proportion of the net OPEB liability	0.05691%	0.06028%
District's proportionate share of the net OPEB liability	\$ 1,010,498	\$ 1,211,874
District's covered payroll	\$ 1,396,354	\$ 1,489,634
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	72.367%	81.354%
Plan fiduciary net position as a percentage of the total OPEB liability	57.600%	52.400%
 KENTUCKY TEACHER'S RETIREMENT SYSTEM - MEDICAL INSURANCE PLAN:		
District's proportion of the net OPEB liability	12.344%	12.906%
District's proportionate share of the net OPEB liability	\$ 2,300,000	\$ 2,533,000
State's proportionate share of the net OPEB liability associated with the District	\$ 1,982,000	\$ 2,069,000
Total	\$ 4,282,000	\$ 4,602,000
District's covered payroll	\$ 3,941,800	\$ 4,056,633
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.000%	0.000%
Plan fiduciary net position as a percentage of the total OPEB liability	25.500%	21.180%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**NICHOLAS COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2019**

	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)
	2019 (2018)	2018 (2017)
	<u> </u>	<u> </u>
KENTUCKY TEACHER'S RETIREMENT SYSTEM - LIFE INSURANCE PLAN:		
District's proportion of the net OPEB liability	0.121%	0.126%
District's proportionate share of the net OPEB liability	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the District	<u>\$ 34,000</u>	<u>\$ 28,000</u>
Total	<u>\$ 34,000</u>	<u>\$ 28,000</u>
District's covered payroll	\$ 4,481,046	\$ 4,509,696
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.000%	0.000%
Plan fiduciary net position as a percentage of the total OPEB liability	75.000%	79.990%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**NICHOLAS COUNTY SCHOOL DISTRICT
SCHEDULE OF OPEB CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
COUNTY EMPLOYEES RETIREMENT SYSTEM - INSURANCE FUND:			
Contractually required contribution	\$ 72,773	\$ 65,612	\$ 70,456
Contributions in relation to the contractually required contribution	<u>72,773</u>	<u>65,612</u>	<u>70,456</u>
Contribution deficiency (excess)	-	-	-
District's covered payroll	\$ 1,396,354	\$ 1,396,354	\$ 1,489,634
District's contributions as a percentage of its covered payroll	5.26%	4.70%	4.73%
 KENTUCKY TEACHER'S RETIREMENT SYSTEM - MEDICAL INSURANCE PLAN:			
Contractually required contribution	\$ 115,750	\$ 118,254	\$ 121,699
Contributions in relation to the contractually required contribution	<u>115,750</u>	<u>118,254</u>	<u>121,699</u>
Contribution deficiency (excess)	-	-	-
District's covered payroll	\$ 3,858,333	\$ 3,941,800	\$ 4,056,633
District's contributions as a percentage of its covered payroll	3.00%	3.00%	3.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**NICHOLAS COUNTY SCHOOL DISTRICT
SCHEDULE OF OPEB CONTRIBUTIONS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2019**

	2019	2018	2017
KENTUCKY TEACHER'S RETIREMENT SYSTEM - LIFE INSURANCE PLAN:			
Contractually required contribution	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-
Contribution deficiency (excess)	-	-	-
District's covered payroll	\$ 3,858,333	\$ 3,941,800	\$ 4,056,633
District's contributions as a percentage of its covered payroll	0.00%	0.00%	0.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**NICHOLAS COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS
FOR THE YEAR ENDED JUNE 30, 2019**

(1) CHANGES OF ASSUMPTIONS

KTRS

In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the Board adopted an interest smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions.

In the 2016 valuation, rates of withdrawal, retirement, disability, mortality and rates of salary increase 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 year for males and one year for females rather than the RP-2000 Mortality Tables projected to 2020 with projection scale AA, which was used prior to 2016.

The following change of assumptions were adopted by the Board of Trustees and reflected in the liability measurement as of June 30, 2018:

- Increased the Single Equivalent Interest rate (SEIR) from 4.49% to 7.50%

CERS

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

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

- Decreased the price inflation assumption to 2.30%
- Decreased the assumed rate of return to 6.25%
- Decreased the payroll growth assumption to 2.00%.

(2) METHODS AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

KTRS

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.5%
Salary Increase	4.0% to 8.2%, including inflation
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation

CERS

The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal year ended 2016, 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 contribution rates reported in the most recent year of that schedule:

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	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%
Salary Increase	4.00%, average
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation
Mortality	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)

(3) CHANGES OF BENEFITS

KTRS

There were no changes of benefit terms for KTRS.

CERS

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The Total Pension Liability as of June 30, 2018 is determined using these updated benefit provisions.

**NICHOLAS COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLANS
FOR THE YEAR ENDED JUNE 30, 2019**

(1) CHANGES OF ASSUMPTIONS

KTRS

Medical Insurance Plan - There were no changes of assumptions.

Life Insurance Plan - There were no changes of assumptions.

CERS Insurance Fund

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

- Decreased the price inflation assumption to 2.30%
- Decreased the assumed rate of return to 6.25%
- Decreased the payroll growth assumption to 2.00%.

(2) METHODS AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

KTRS

Medical Insurance Plan - 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 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	3.50%
Salary increases, including wage inflation	3.50% - 7.20%
Discount rate	8.00%
Health care cost trends	
Under 65	7.75% for FY 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).

Life Insurance Plan - 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 Normal
Amortization method	Level Percent of Payroll
Amortization period	30 years, Open
Asset valuation method	Market value
Inflation	3.50%
Real wage growth	0.50%
Wage inflation	4.00%
Salary increases, including wage inflation	4.00% - 8.10%
Discount rate	7.50%

CERS Insurance Fund

The following actuarial methods and assumptions, for actuarially determined contributions effective for fiscal year ending June 30, 2018:

Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
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%
Salary Increase	4.00%, average
Investment Rate of Return	7.50%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.
Post-65	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.

(3) CHANGES OF BENEFITS

KTRS

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

Life Insurance Plan – There were no changes of benefit terms.

CERS

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018, is determined using these updated benefit provisions.

SUPPLEMENTARY INFORMATION

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

	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Total Non-Major Governmental Funds</u>
ASSETS:			
Cash and cash equivalents	\$ 66,124	\$ 59,341	\$ 125,465
Accounts receivable	-	-	-
Total assets	<u>\$ 66,124</u>	<u>\$ 59,341</u>	<u>\$ 125,465</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Restricted	66,124	59,341	125,465
Unassigned	-	-	-
Total fund balance	<u>66,124</u>	<u>59,341</u>	<u>125,465</u>
Total liabilities and fund balances	<u>\$ 66,124</u>	<u>\$ 59,341</u>	<u>\$ 125,465</u>

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

	Capital Outlay Fund	Building Fund	Total Non-Major Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES:			
From local sources -			
Taxes -			
Property	\$ -	\$ 326,944	\$ 326,944
Other local revenues	-	-	-
Intergovernmental - State	94,783	463,542	558,325
Total revenues	<u>94,783</u>	<u>790,486</u>	<u>885,269</u>
EXPENDITURES:			
Current -			
Instruction	-	-	-
Debt service	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>94,783</u>	<u>790,486</u>	<u>885,269</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	-	-
Operating transfers out	(128,300)	(818,992)	(947,292)
Total other financing sources (uses)	<u>(128,300)</u>	<u>(818,992)</u>	<u>(947,292)</u>
NET CHANGE IN FUND BALANCE	(33,517)	(28,506)	(62,023)
FUND BALANCE JUNE 30, 2018	<u>99,641</u>	<u>87,847</u>	<u>187,488</u>
FUND BALANCE JUNE 30, 2019	<u>\$ 66,124</u>	<u>\$ 59,341</u>	<u>\$ 125,465</u>

NICHOLAS COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Cash Balance June 30, 2018	Receipts	Disbursements	Cash Balance June 30, 2019	Accounts Payable	Deposits Held in Custody for Students June 30, 2019
Nicholas County High School	\$ 152,422	\$ 583,646	\$ 589,134	\$ 146,934	\$ 1,966	\$ 144,968
Nicholas County Elementary	30,733	107,515	108,255	29,993	-	29,993
	<u>\$ 183,155</u>	<u>\$ 691,161</u>	<u>\$ 697,389</u>	<u>\$ 176,927</u>	<u>\$ 1,966</u>	<u>\$ 174,961</u>

**NICHOLAS COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SCHOOL ACTIVITY FUNDS
NICHOLAS COUNTY HIGH SCHOOL
FOR THE YEAR ENDED JUNE 30, 2019**

	Cash Balance June 30, 2018	Receipts	Disburse- ments	Cash Balance June 30, 2019	Accounts Payable	Custody for Students June 30, 2019
General	\$ 3,183	\$ 172,116	\$ 168,676	\$ 6,623	\$ 36	\$ 6,587
Jr. Class 2020	1,311	12,218	11,348	2,181	-	2,181
Health-PE	401	-	104	297	-	297
Testing Incentives	9,760	3,140	4,275	8,625	-	8,625
Class 2019 Sr.	4,993	630	5,623	-	-	-
Drama Club	1,808	170	394	1,584	-	1,584
Band	151	6,580	5,158	1,573	-	1,573
Class 2018 SR	2,175	1,625	3,064	736	-	736
AG Science	155	150	300	5	-	5
Interact	824	862	327	1,359	-	1,359
Project Grad	4,853	6,188	7,864	3,177	-	3,177
9th Sci Fee	755	160	190	725	-	725
KYA/KUNA	105	1,950	2,055	-	-	-
Science Lab/Chemistry	1,859	380	645	1,594	-	1,594
Gifted Talented	43	885	892	36	-	36
Class Trips	90	-	90	-	-	-
Poster Machine	193	56	62	187	-	187
Bluejacket Madness	-	5,156	5,156	-	-	-
Class of 2021 10th	245	8,672	5,754	3,163	-	3,163
FFA	1,812	37,754	36,065	3,501	574	2,927
Banquet FFA	1,926	4,125	3,103	2,948	-	2,948
FCCLA	592	10,980	10,952	620	-	620
Food to Table	4,282	6,334	4,438	6,178	-	6,178
AG Power	1,058	-	613	445	-	445
Journalism	73	285	223	135	-	135
Academic Team	29	-	-	29	-	29
Library	343	-	21	322	-	322
Greenhouse	2,098	9,080	7,197	3,981	-	3,981
Yearbook	7,921	8,865	9,269	7,517	-	7,517
2018 SR Trip	50	-	50	-	-	-
Student Council	275	-	275	-	-	-
Art Club	26	-	26	-	-	-
Science Fair/Biology	494	875	1,062	307	-	307
FBLA	1,629	22,985	23,127	1,487	-	1,487
History	-	250	250	-	-	-
Angel Tree	744	1,106	461	1,389	-	1,389
NCHS Honor Society	685	185	483	387	-	387
Cheer Competition	5,578	-	5,538	40	-	40
AmeriCorps	44	-	-	44	-	44
Athletic Fund	2,881	29,153	31,983	51	-	51
Concessions	35,734	29,518	39,546	25,706	-	25,706
All A SB-BB	-	1,910	-	1,910	-	1,910
All A	2,067	193	2,017	243	-	243
Volleyball 38th	1,153	820	406	1,567	-	1,567
38th District BB GB	5,492	2,514	2,671	5,335	-	5,335
Region 10 Girls	2,862	500	2,862	500	-	500
38th GBB	2,192	-	127	2,065	-	2,065
Region 10 FB	2,914	1,545	3,703	756	-	756

**NICHOLAS COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SCHOOL ACTIVITY FUNDS (CONCLUDED)
NICHOLAS COUNTY HIGH SCHOOL
FOR THE YEAR ENDED JUNE 30, 2019**

	Cash Balance June 30, 2018	Receipts	Disburse- ments	Cash Balance June 30, 2019	Accounts Payable	Custody for Students June 30, 2019
Region 10 Boys BB	-	1,907	251	1,656	-	1,656
Hall of Fame FB	133	-	133	-	-	-
Shoot for Cure	1,455	-	1,455	-	-	-
Cross Country	5	780	240	545	-	545
Volleyball	15	485	412	88	-	88
Golf	28	500	528	-	-	-
Football	-	2,990	1,223	1,767	-	1,767
Boys BB	94	1,000	1,018	76	-	76
Girls BB	1,500	1,000	348	2,152	498	1,654
Softball	500	500	-	1,000	-	1,000
Baseball	211	500	-	711	-	711
Track	38	4,052	3,902	188	-	188
Tennis	-	660	365	295	-	295
Basketball Camp	471	-	-	471	-	471
38th Baseball	-	161	161	-	-	-
Cheerleading	-	500	450	50	-	50
EKC FB	366	-	366	-	-	-
Cheerleading State Comp	-	14,040	13,890	150	-	150
Volleyball Fund	1,135	17,363	17,903	595	-	595
Football Fund	2,531	11,995	12,048	2,478	713	1,765
Baseball Fund	2,694	20,440	21,296	1,838	105	1,733
Boys Basketball Fund	3,064	6,464	8,835	693	-	693
Girls Basketball Fund	2,138	10,791	9,028	3,901	-	3,901
Softball Fund	4,378	22,570	12,768	14,180	40	14,140
HS Cheerleaders	552	39,946	40,043	455	-	455
Cross Country	780	-	780	-	-	-
MS Football	376	4,467	3,471	1,372	-	1,372
MS Girls BB	465	1,514	1,255	724	-	724
MS Boys BB	596	-	437	159	-	159
MS Volleyball	98	2,805	2,303	600	-	600
MS Cheerleaders	1,414	4,384	5,429	369	-	369
OVC Girls	534	-	-	534	-	534
OVC Boys	279	-	-	279	-	279
Bluegrass Conf. BBB	19	-	19	-	-	-
M/S Athletic	4,885	11,435	10,742	5,578	-	5,578
ORVC VB	728	793	315	1,206	-	1,206
7th Science Fees	370	709	-	1,079	-	1,079
MS Honor Society	1,303	3,710	4,034	979	-	979
Kuna MS	-	2,140	1,925	215	-	215
MS Classroom	322	380	239	463	-	463
8th Science Fees	387	450	352	485	-	485
7th Grade Classroom	157	280	162	275	-	275
NC Little FB	543	2,020	2,563	-	-	-
	<u>\$ 152,422</u>	<u>\$ 583,646</u>	<u>\$ 589,134</u>	<u>\$ 146,934</u>	<u>\$ 1,966</u>	<u>\$ 144,968</u>

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Program or Award Amount	Expenditures
U.S. Department of Education					
Passed through Kentucky Department of Education:					
Title I Grants to Local Educational Agencies	84.010	3100002-18	-	466,374	\$ 275,163
Title I Grants to Local Educational Agencies	84.010	3100002-17	-	470,741	<u>189,102</u>
					<u>464,265</u>
Migrant Education - State Grant Program	84.011	310002-17	-	142,129	<u>106,855</u>
					<u>106,855</u>
Special Education Cluster (IDEA):					
Special Education Grants to States - IDEA, Part B	84.027	3810002-17	-	230,872	75,134
Special Education Grants to States - IDEA, Part B	84.027	3810002-18	-	224,056	82,351
Special Education Preschool Grants	84.173	3800002-17	-	7,769	<u>7,769</u>
Total Special Education Cluster					<u>165,254</u>
Rural Education	84.358	3140002-17	-	19,265	19,265
Rural Education	84.358	3140002-18	-	19,265	<u>12,799</u>
					<u>32,064</u>
Improving Teacher Quality State Grants	84.367	3230002-18	-	61,250	30,002
Improving Teacher Quality State Grants	84.367	3230002-17	-	67,024	<u>6,215</u>
					<u>36,217</u>
Twenty-First Century Community Learning Centers	84.287	3400002-16	-	105,000	19,720
Twenty-First Century Community Learning Centers	84.287	3400002-17	-	97,000	95,000
Twenty-First Century Community Learning Centers	84.287	3400002-17	-	75,000	<u>46,680</u>
					<u>161,400</u>
Student Support and Academic Enrichment Grant	84.424	3420002-17	-	10,000	10,000
Student Support and Academic Enrichment Grant	84.424	2420002-18	-	33,970	<u>565</u>
					<u>10,565</u>
Vocational Education Basic Grants to States	84.048	3710006-18	-	15,634	<u>13,422</u>
					<u>13,422</u>
Total U.S. Department of Education					<u>990,042</u>

**NICHOLAS COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Program or Award Amount	Expenditures
U.S. Department of Agriculture					
Passed through Kentucky Department of Education:					
Child Nutrition Cluster:					
National School Lunch Program	10.555	7750002-18	-	-	105,478 *
National School Lunch Program	10.555	7750002-19	-	-	390,287 *
Summer Food Service Program for Children	10.559	7690024-18	-	-	1,373 *
Summer Food Service Program for Children	10.559	7740023-18	-	-	13,227 *
School Breakfast Program	10.553	7760005-18	-	-	58,961 *
School Breakfast Program	10.553	7760005-19	-	-	200,165 *
					<u>769,491 *</u>
Non-cash Assistance:					
Food Donation	10.555	057502-02	-	-	54,726 *
Total Child Nutrition Cluster					<u>824,217 *</u>
Total U.S. Department of Agriculture					<u>824,217</u>
Total expenditures of Federal Awards					<u>\$ 1,814,259</u>

* Denotes major program.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - BASIS OF PRESENTATION

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

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State and Local Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE C - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2019, commodities on hand are included in the total inventory of \$26,026.

NOTE D - INDIRECT COST RATE

The Nicholas County School District has not elected to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.



Kelley Galloway
Smith Goolsby, PSC

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

Kentucky State Committee for
School District Audits
Members of the Board of Education
Nicholas County School District
Carlisle, Kentucky

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

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated November 5, 2019.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
November 5, 2019



Kelley Galloway
Smith Goolsby, PSC
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Kentucky State Committee for
School District Audits
Members of the Board of Education
Nicholas County School District
Carlisle, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Nicholas County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. Nicholas 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 the Nicholas 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 the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Nicholas 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 Nicholas County School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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 Nicholas County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the 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 Nicholas 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Kelley Galloway Smith Golsby, PSC

Ashland, Kentucky
November 5, 2019

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

(A) SUMMARY OF AUDIT RESULTS

Type of Auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal Control over financial reporting:

Material weakness(es) identified? _____ yes x no

Significant deficiency(ies) identified? _____ yes x none reported

Noncompliance material to the financial statements noted? _____ yes x no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? _____ yes x no

Significant deficiency(ies) identified? _____ yes x none reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

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

Identification of major federal programs:

Child Nutrition Cluster (10.553, 10.555, & 10.559)

Dollar threshold to distinguish between Type A and Type B Programs:

\$ 750,000

The District qualified as a low risk auditee x yes _____ no

(B) FINANCIAL STATEMENT FINDINGS

None noted in the current year.

(C) FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings in the current year.

**NICHOLAS COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

There were no findings in the prior year.




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Carlisle, Kentucky

In planning and performing our audit of the financial statements of Nicholas County School District (the "District") as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit, we became aware of matters that are an opportunity for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated November 5, 2019, on the financial statements of the District.

We will review the status of these comments during our next audit engagement. We have already discussed these comments with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of the matters, or to assist you in implementing the recommendations.

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
November 5, 2019

NICHOLAS COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE YEAR ENDED JUNE 30, 2019

2019-1 Purchase Orders

Statement of Condition: We noted 1 instance in which a purchase order was required, but not prepared. We also noted 1 instance where a purchase order was completed for a credit card transaction; however, it did not contain signatures of approval.

Criteria for Condition: Purchase orders are required for all purchases.

Cause of Condition: Oversight.

Effect of the Condition: Purchase orders not properly utilized as required.

Recommendation of the Condition: We recommend that further procedures be implemented to ensure purchase orders are completed for all purchases as required.

Management Response: The Finance Officer and Superintendent have reviewed instances and discussed with Accounts Payable Staff and Approving Authority. The Finance Officer along with the Superintendent reviewed the requirement and importance of issuing a Purchase Order with all requests in the future. The Finance Officer and Superintendent also reviewed and discussed the proper completion and signature of the approving authority on all Purchase Orders, to make the Purchase Order valid.

2019-2 High School Activity Fund - Receipts

Statement of Condition: We noted the Report of Ticket Sales on one selection was not completed correctly.

Criteria for Condition: The Redbook requires that Form F-SA-1 Report of Ticket Sales be completed on all gate receipts. In addition, Redbook requires that all monies collected shall be deposited on a daily basis when the deposit amount reaches \$100 or the following business day.

Cause of Condition: Lack of knowledge of Redbook requirements.

Effect of the Condition: The person in charge of sales did not sign the form.

Recommendation of the Condition: We recommend that all Reports of Ticket Sales be completed correctly in accordance with the the Redbook and that daily deposits be made when the amount reaches \$100.

Management Response: The Finance Officer and Superintendent have reviewed instances and discussed with the Principals of each school, as well as the Bookkeepers and Athletic Directors. Previous on-going training corrected past issues of completedness and correctness. Point of discussion was that all Gate Receipt forms must be signed by all parties, as required. Proper

oversight by administrators prior to accepting unsigned documents will be primary focus moving forward.

2019-3 Dual Signatures - High School

Statement of Condition: We noted 1 instance where a check cleared the bank without obtaining dual signatures as required.

Criteria for Condition: All checks require dual signatures in accordance with policy.

Cause of Condition: Oversight.

Effect of the Condition: The check is not properly approved and/or authorized for payment without dual signatures.

Recommendation of the Condition: We recommend that more care be taken to ensure that all checks contain dual signatures as required.

Management Response: The Finance Officer and Superintendent have reviewed instances and discussed with school principals, assistant principals and bookkeepers. This appears to be an isolated event, however the importance of this matter was discussed and communicated to all parties, to ensure dual control over all monies expended or received by the District.

2019-4 Budget

Statement of Condition: We noted expenditures exceeded the budgeted amount and revenues in the current year.

Criteria for Condition: Exceeding of budget per KRS 160.550 states that no expenditures are permitted in excess of the revenue of any year.

Cause of Condition: On-behalf payments and sick leave payouts were greater than anticipated.

Effect of the Condition: Expenditures exceeded the budget by \$201,965.

Recommendation of the Condition: We recommend that more care be taken to amend the budget as the increase in expenditures and revenues become known and prior to year-end.

Management Response: The Finance Officer and Superintendent have reviewed instance. The Finance Officer and the Superintendent will continue to monitor fund budgets vs. actual expenses to estimate year end expenses vs. revenues to follow budget provisions, or present to the Board budget amendments to approve expenses that will exceed the budget provisions. They also have proactively researched ways to reduce expense to account for reduction in revenue due to enrollment reduction.

Status of Prior Year Management Points

All conditions were corrected, except 2018-1 and 2018-3 were repeated above as 2019-1 and 2019-2, respectively. Mr. Doug Bechanan, Superintendent, is the person responsible for initiation of the corrective action plan for the above conditions which will be implemented immediately. The corrective actions plan is the management response for each condition.

APPENDIX C

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

Continuing Disclosure Agreement

CONTINUING DISCLOSURE UNDERTAKING AGREEMENT

This Continuing Disclosure Undertaking Agreement ("Agreement") made and entered into as of the 12th day of November, 2020, by and between the Board of Education of Nicholas County, Kentucky School District ("Board"); the Nicholas County School District Finance Corporation, an agency and instrumentality of the Board ("Corporation") and the Registered and Beneficial Owners of the Bonds hereinafter identified as third party beneficiaries to this Agreement. For the purposes of this Agreement "Beneficial Owner" means the person or entity treated as the owner of the Bonds for federal income tax purposes and "Registered Owner" means the person or entity named on the registration books of the bond registrar.

WITNESSETH:

WHEREAS, the Corporation has acted as issuing agency for the Board pursuant to the provisions of Section 162.385 of the Kentucky Revised Statutes ("KRS") and the Corporation's Bond Resolution in connection with the authorization, sale and delivery of \$1,840,000 of the Corporation's School Building Refunding Revenue Bonds, Taxable Series of 2020, dated as of November 12, 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
NICHOLAS COUNTY, KENTUCKY
SCHOOL DISTRICT**

Chairman

Attest:

Secretary

**NICHOLAS COUNTY SCHOOL
DISTRICT FINANCE CORPORATION**

President

Attest:

Secretary

APPENDIX D

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

Official Terms and Conditions of Bond Sale

OFFICIAL TERMS AND CONDITIONS OF BOND SALE
\$1,840,000*
Nicholas County School District Finance Corporation
School Building Refunding Revenue Bonds, Taxable Series of 2020
Dated as of November 12, 2020

SALE: October 22, 2020 AT 11:00 A.M., E.D.S.T.

As published on PARITY®, a nationally recognized electronic bidding system, the Nicholas County School District Finance Corporation (the "Corporation") will until 11:00 A.M., E.D.S.T., on October 22, 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 \$1,840,000 principal amount of Nicholas County School District Finance Corporation School Building Refunding Revenue Bonds, Taxable Series of 2020 (the "Refunding Bonds"), dated and bearing interest from November 12, 2020, payable on April 1, 2021, and semi-annually thereafter on October 1 and April 1 of each year, in denominations in multiples of \$5,000 within the same maturity, maturing on April 1 in each of the years as follows:

<u>MATURITY</u>	<u>PRINCIPAL AMOUNT*</u>
2021	\$140,000
2022	160,000
2023	160,000
2024	165,000
2025	165,000
2026	165,000
2027	170,000
2028	170,000
2029	180,000
2030	180,000
2031	185,000

* Subject to Permitted Adjustment as described herein.

REDEMPTION PROVISIONS

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

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

The Refunding Bonds are to be issued in fully registered form (both principal and interest). U.S. Bank, National Association, Louisville, 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.

NICHOLAS 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 Nicholas 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 Nicholas County School District Finance Corporation School Building Revenue Bonds, Series of 2011, dated April 1, 2011 maturing April 1, 2021 and thereafter (the "Refunded Bonds") at or prior to their stated maturities on April 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 \$3,754 to be applied to the debt service of the Refunding Bonds through April 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 to Nicholas County Elementary 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 April 1, 2011 (the "Prior Lease").

The total principal amount of the Refunded Bonds currently outstanding is \$1,750,000, scheduled to mature on April 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 April 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 November 12, 2020 (the "2020 Lease").

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 November 12, 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 April 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 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 \$1,821,600 (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 \$1,840,000 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 \$185,000, 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 \$1,655,000 or a maximum of \$2,025,000. 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 \$1,840,000 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 October 22, 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 April 1 in accordance with the maturity schedule setting the actual size of the issue.

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

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

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

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

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

(C) Said Bonds are offered for sale on the basis of the principal of said Bonds not being subject to Kentucky ad valorem taxation 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.

BIENNIAL BUDGET FOR PERIOD ENDING JUNE 30, 2022

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

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

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

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

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, Nicholas County Board of Education, 395 W. Main Street, Carlisle, KY 40311 (859) 289-3770.

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.

**NICHOLAS COUNTY SCHOOL DISTRICT
FINANCE CORPORATION**

By /s/ Doug Bechanan
Secretary

APPENDIX E

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

Official Bid Form

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

The Nicholas County School District Finance Corporation ("Corporation"), will until 11:00 A.M., E.D.S.T., on October 22, 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 \$1,840,000 School Building Refunding Revenue Bonds, Taxable Series of 2020, dated as of November 12, 2020; maturing April 1, 2021 through 2031 ("Bonds").

We hereby bid for said \$1,840,000* principal amount of Bonds, the total sum of \$_____ (not less than \$1,821,600) plus accrued interest from November 12, 2020 payable April 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 April 1 in each of the years as follows:

<u>Year</u>	<u>Amount*</u>	<u>Rate</u>
2021	\$140,000	_____ %
2022	160,000	_____ %
2023	160,000	_____ %
2024	165,000	_____ %
2025	165,000	_____ %
2026	165,000	_____ %
2027	170,000	_____ %
2028	170,000	_____ %
2029	180,000	_____ %
2030	180,000	_____ %
2031	185,000	_____ %

* Subject to Permitted Adjustment up to \$185,000

We understand this bid may be accepted for as much as \$2,025,000 of Bonds or as little as \$1,655,000 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 October 22, 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 April 1 in accordance with the maturity schedule setting the actual size of the issue.

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

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

No certified or bank cashier's check will be required to accompany a bid, but the successful bidder shall be required to wire transfer an amount equal to 2% of the principal amount of Refunding Bonds awarded by the close of business on the date following the award. Said good faith amount will be applied (without interest) to the purchase price on delivery. Wire transfer procedures should be arranged through U.S. Bank National Association, Louisville, Kentucky, Attn: Mr. Charles Lush (502-562-6436).

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

If we are the successful bidder, we agree to accept and make payment for the Bonds in Federal Funds on or about November 12, 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 November 12, 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 Nicholas County School District Finance Corporation for \$ _____ amount of Bonds at a price of \$ _____ as follows:

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

Dated: October 22, 2020

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