

**DATED NOVEMBER 4, 2020**

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

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

*In the opinion of Bond Counsel, under existing law (i) interest on the Bonds will be excludable from gross income of the holders thereof for purposes of federal taxation and (ii) interest on the Bonds will not be a specific item of tax preference for purposes of the federal alternative minimum tax, all subject to the qualifications described herein under the heading "Tax Exemption." The Bonds and interest thereon are exempt from income taxation and ad valorem taxation by the Commonwealth of Kentucky and political subdivisions thereof (see "Tax Exemption" herein).*

**\$500,000\***  
**NELSON COUNTY SCHOOL DISTRICT FINANCE CORPORATION**  
**SCHOOL BUILDING REFUNDING REVENUE BONDS,**  
**SERIES OF 2020**

**Dated: December 3, 2020**

**Due: as shown below**

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

Maturing		Interest Rate	Reoffering Yield	CUSIP	Maturing		Interest Rate	Reoffering Yield	CUSIP
1-Feb	Amount				1-Feb	Amount			
2021	\$45,000	%	%		2027	\$45,000	%	%	
2022	\$30,000	%	%		2028	\$50,000	%	%	
2023	\$25,000	%	%		2029	\$50,000	%	%	
2024	\$50,000	%	%		2030	\$55,000	%	%	
2025	\$50,000	%	%		2031	\$50,000	%	%	
2026	\$50,000	%	%						

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 Nelson 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 Nelson County Board of Education.

The Nelson County (Kentucky) School District Finance Corporation will until November 12, 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 \$50,000.**

**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.



**NELSON COUNTY, KENTUCKY  
BOARD OF EDUCATION**

Jeff Dickerson, Chairman  
Diane Breeding, Member  
Diane Berry, Member  
Rebekah McGuire-Dye, Member  
Damon Jackey, Member

Wes Bradley, Superintendent/Secretary

**NELSON COUNTY SCHOOL DISTRICT  
FINANCE CORPORATION**

Jeff Dickerson, President  
Diane Breeding, Member  
Diane Berry, Member  
Rebekah McGuire-Dye, Member  
Damon Jackey, Member

Wes Bradley, Secretary  
Amy Owens, Treasurer

**BOND COUNSEL**

Step toe & Johnson PLLC  
Louisville, Kentucky

**FINANCIAL ADVISOR**

RSA Advisors, LLC  
Lexington, Kentucky

**PAYING AGENT AND REGISTRAR**

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

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

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

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

## TABLE OF CONTENTS

	Page
Introduction .....	1
Book-Entry-Only System .....	1
The Corporation .....	3
Kentucky School Facilities Construction Commission; No Participation in this Issue .....	3
Biennial Budget for Period Ending June 30, 2022 .....	4
Outstanding Bonds .....	4
Authority .....	5
The Bonds .....	5
General .....	5
Registration, Payment and Transfer .....	5
Redemption .....	5
Security .....	6
General .....	6
The Lease; Pledge of Rental Revenues .....	6
State Intercept .....	6
The Plan of Refunding .....	7
Purpose of the Prior Bonds .....	7
Estimated Bond Debt Service .....	8
Estimated Use of Bond Proceeds .....	8
District Student Population .....	9
State Support of Education .....	9
Support Education Excellence in Kentucky (SEEK) .....	9
Capital Outlay Allotment .....	9
Facilities Support Program of Kentucky .....	10
Local Support .....	10
Homestead Exemption .....	10
Limitation on Taxation .....	10
Local Thirty Cents Minimum .....	11
Additional 15% Not Subject to Recall .....	11
Assessment Valuation .....	11
Special Voted and Other Local Taxes .....	11
Local Tax Rates, Property Assessments and Revenue Collections .....	12
Overlapping Bond Indebtedness .....	12
SEEK Allotment .....	13
State Budgeting Process .....	14
COVID-19 .....	14
Potential Legislation .....	15
Continuing Disclosure; Exemption .....	15
Tax Exemption; Bank Qualified .....	15
Original Issue Premium .....	16
Original Issue Discount .....	16
Absence of Material Litigation .....	16
Approval of Legality .....	17
No Legal Opinion Expressed as to Certain Matters .....	17
Bond Rating .....	17
Financial Advisor .....	17
Approval of Official Statement .....	17
Demographic and Economic Data .....	APPENDIX A
Financial Data .....	APPENDIX B
Official Terms & Conditions of Bond Sale .....	APPENDIX D
Official Bid Form .....	APPENDIX E

**OFFICIAL STATEMENT  
Relating to the Issuance of**

**\$500,000\***

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

*\*Subject to Permitted Adjustment*

**INTRODUCTION**

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

The Bonds are being issued to (i) pay the accrued interest and refund on a current basis on February 1, 2021 the outstanding Nelson County School District Finance Corporation School Building Revenue Bonds, Series of 2011, dated February 1, 2011 (the "2011 Bonds") maturing February 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 Nelson 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 Nelson 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 Nelson County Board of Education from its records, except for information expressly attributed to other sources. The presentation of financial and other information is not intended, unless specifically stated, to indicate future or continuing trends in the financial position or other affairs of the Board. No representation is made that past experience, as is shown by financial and other information, will necessarily continue or be repeated in the future.

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

Copies of the Bond Resolution authorizing the issuance of the Bonds and the Lease Agreement, dated December 3, 2020, may be obtained at the office of Steptoe & Johnson PLLC, Bond Counsel, 700 N. Hurstbourne Parkway, Suite 115, Louisville, Kentucky 40222.

**BOOK-ENTRY-ONLY-SYSTEM**

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

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

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

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

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

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

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

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

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

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

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

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

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

### **THE CORPORATION**

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

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

### **KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION; NO PARTICIPATION IN THIS ISSUE**

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

The General Assembly of the Commonwealth adopted the State's Budget for the biennium ending June 30, 2020. Inter alia, the Budget provides \$129,504,400 in FY 2018-19 and \$128,672,400 in FY 2019-20 to pay debt service on existing and future bond issues; \$58,000,000 of the Commission's previous Offers of Assistance made during the last biennium; and authorizes \$58,000,000 in additional Offers of Assistance for the current biennium to be funded in the Budget for the biennium ending June 30, 2022.

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

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

## 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](http://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	Interest Rate Range	Final Maturity
2010-REF	\$2,595,000	\$540,000	\$2,595,000	\$0	2.875%	2021
2011	\$780,000	\$470,000	\$780,000	\$0	3.400% - 4.500%	2031
2011-REF	\$8,670,000	\$3,585,000	\$6,567,377	\$2,102,623	2.125% - 2.375%	2023
2014-REF	\$18,770,000	\$12,905,000	\$18,770,000	\$0	2.500% - 3.500%	2029
2014-Energy	\$3,420,000	\$2,895,000	\$3,420,000	\$0	2.250% - 3.625%	2034
2015A-REF	\$8,485,000	\$7,870,000	\$6,863,863	\$1,621,137	2.000% - 3.000%	2030
2015B-REF	\$3,485,000	\$1,815,000	\$1,871,079	\$1,613,921	2.000% - 2.250%	2025
2016-REF	\$8,905,000	\$6,910,000	\$7,593,895	\$1,311,105	2.000% - 2.500%	2027
2016	\$6,525,000	\$6,155,000	\$5,977,526	\$547,474	2.000% - 3.000%	2036
2016B-REF	\$7,260,000	\$6,785,000	\$6,526,677	\$733,323	2.000% - 2.375%	2029
2017 Energy	\$3,480,000	\$2,910,000	\$1,636,290	\$1,843,710	2.000% - 3.000%	2032
<b>TOTALS:</b>	<b>\$72,375,000</b>	<b>\$52,840,000</b>	<b>\$62,601,707</b>	<b>\$9,773,293</b>		

### AUTHORITY

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

- i) the issuance of approximately \$500,000 of Bonds subject to a permitted adjustment of \$50,000;
- 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 December 3, 2020, will bear interest from that date as described herein, payable semi-annually on February 1 and August 1 of each year, commencing February 1, 2021, and will mature as to principal on February 1, 2021 and each February 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). Town and Country Bank & Trust Co., Bardstown, Kentucky, the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date to Cede & Co., as the nominee of The Depository Trust Company. Please see Book-Entry-Only-System. Interest on the Bonds will be paid at rates to be established upon the basis of competitive bidding as hereinafter set forth, such interest to be payable on February 1 and August 1 of each year, beginning February 1, 2021 (Record Date is 15th day of month preceding interest due date).

### Redemption

The Bonds are not subject to optional redemption prior to their state 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 December 3, 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 February 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.

## THE PLAN OF REFUNDING

A sufficient amount of the proceeds of the Bonds at the time of delivery will be deposited into the Bond Fund for the Refunded Bonds. The Bond Fund deposit is intended to be sufficient to (i) pay the accrued interest and refund at or in advance of maturity all of the Nelson County School District Finance Corporation School

Building Revenue Bonds, Series of 2011, dated February 1, 2011, maturing February 1, 2021 and thereafter (the "Refunded Bonds") on December 3, 2020; 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 Nelson 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 construction of a new Preschool Center (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 100% of the debt service of the Bonds.

Fiscal Year Ending June 30	Current Local Bond Payments	----- Series 2020 Refunding Revenue Bonds -----			Total Local Bond Payments
		Principal	Interest	Total	
2021	\$4,663,075	\$45,000	\$1,313	\$46,313	\$4,658,973
2022	\$4,663,293	\$30,000	\$7,290	\$37,290	\$4,661,233
2023	\$4,661,287	\$25,000	\$6,900	\$31,900	\$4,654,737
2024	\$4,662,694	\$50,000	\$6,575	\$56,575	\$4,656,719
2025	\$4,658,888	\$50,000	\$5,925	\$55,925	\$4,654,288
2026	\$4,662,932	\$50,000	\$5,275	\$55,275	\$4,659,707
2027	\$4,664,050	\$45,000	\$4,625	\$49,625	\$4,657,200
2028	\$4,661,207	\$50,000	\$3,793	\$53,793	\$4,655,549
2029	\$4,660,292	\$50,000	\$2,868	\$52,868	\$4,655,959
2030	\$4,661,494	\$55,000	\$1,943	\$56,943	\$4,658,486
2031	\$2,947,541	\$50,000	\$925	\$50,925	\$2,940,991
2032	\$971,580				\$971,580
2033	\$825,373				\$825,373
2034	\$822,424				\$822,424
2035	\$828,873				\$828,873
2036	\$824,422				\$824,422
<b>TOTALS:</b>	<b>\$53,839,425</b>	<b>\$500,000</b>	<b>\$47,430</b>	<b>\$547,430</b>	<b>\$53,786,515</b>

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

## ESTIMATED USE OF BOND PROCEEDS

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

<b>Sources:</b>	
Par Amount of Bonds	\$500,000.00
Total Sources	\$500,000.00
<b>Uses:</b>	
Deposit to Escrow Fund	\$478,500.00
Underwriter's Discount (1%)	5,000.00
Cost of Issuance	16,500.00
Total Uses	\$500,000.00

## DISTRICT STUDENT POPULATION

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

Year	Average Daily Attendance	Year	Average Daily Attendance
2000-01	4,118.5	2010-11	4,304.4
2001-02	4,182.1	2011-12	4,250.2
2002-03	4,280.0	2012-13	4,224.7
2003-04	4,286.2	2013-14	4,213.8
2004-05	4,283.3	2014-15	4,191.9
2005-06	4,290.6	2015-16	4,189.7
2006-07	4,345.2	2016-17	4,176.1
2007-08	4,381.5	2017-18	4,091.2
2008-09	4,401.4	2018-19	3,992.1
2009-10	4,339.7	2019-20	3,970.4

*Source: Kentucky State Department of Education.*

## STATE SUPPORT

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

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

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

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

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

<u>Year</u>	<u>Capital Outlay Allotment</u>	<u>Year</u>	<u>Capital Outlay Allotment</u>
2000-01	411,850.0	2010-11	430,442.0
2001-02	418,210.0	2011-12	425,020.0
2002-03	428,000.0	2012-13	422,468.0
2003-04	428,620.0	2013-14	421,378.0
2004-05	428,330.0	2014-15	419,193.0
2005-06	429,060.0	2015-16	418,970.0
2006-07	434,520.0	2016-17	417,610.0
2007-08	438,150.0	2017-18	409,120.0
2008-09	440,136.0	2018-19	399,206.0
2009-10	433,966.0	2019-20	397,040.0

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) and (2) an amended KRS 157.440.

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

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

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

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

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

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

**Local Tax Rates, Property Assessments and Revenue Collections**

<b>Tax Year</b>	<b>Combined Equivalent Rate</b>	<b>Total Property Assessment</b>	<b>Property Revenue Collections</b>
2000-01	50.7	1,101,156,444	5,582,863
2001-02	49.6	1,210,760,373	6,005,371
2002-03	57.6	1,318,508,528	7,594,609
2003-04	57.6	1,410,669,752	8,125,458
2004-05	57.8	1,416,449,656	8,187,079
2005-06	62.4	1,565,601,650	9,769,354
2006-07	62.7	1,707,841,078	10,708,164
2007-08	62.4	1,870,461,690	11,671,681
2008-09	64.1	1,981,554,694	12,701,766
2009-10	64.1	2,000,783,295	12,825,021
2010-11	65.2	2,085,528,160	13,597,644
2011-12	69.1	2,105,616,012	14,549,807
2012-13	72.5	2,134,145,154	15,472,552
2013-14	74.1	2,163,437,811	16,031,074
2014-15	77.8	2,240,619,728	17,432,021
2015-16	79	2,304,649,181	18,206,729
2016-17	80.3	2,421,416,362	19,443,973
2017-18	79.2	2,561,546,014	20,287,444
2018-19	79.7	2,668,536,097	21,268,233
2019-20	80.2	2,948,941,149	23,650,508

**Overlapping Bond Indebtedness**

The following table shows any other overlapping bond indebtedness of the Nelson 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 Nelson			
General Obligation	\$461,900	\$127,067	\$334,833
Airport Renewable	\$100,000	\$85,000	\$15,000
Courthouse/Administration Building Revenue	\$375,000	\$255,000	\$120,000
Refinancing Revenue	\$7,905,000	\$4,745,000	\$3,160,000
City of Bardstown			
General Obligation	\$14,030,000	\$11,585,000	\$2,445,000
City of Bloomfield			
Water & Sewer Revenue	\$738,000	\$580,000	\$158,000
Improvement Project Revenue	\$1,520,000	\$116,500	\$1,403,500
Refunding Revenue	\$965,000	\$45,000	\$920,000
City of New Haven			
Water & Sewer Revenue	\$316,000	\$83,400	\$232,600
Special Districts			
Nelson County Public Library	\$2,965,000	\$1,035,000	\$1,930,000
North Nelson Water District	\$2,178,000	\$901,000	\$1,277,000
Totals:	\$31,553,900	\$19,557,967	\$11,995,933

*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	14,009,698	5,582,863	19,592,561
2001-02	14,111,930	6,005,371	20,117,301
2002-03	14,569,002	7,594,609	22,163,611
2003-04	15,189,696	8,125,458	23,315,154
2004-05	15,543,584	8,187,079	23,730,663
2005-06	15,989,366	9,769,354	25,758,720
2006-07	16,289,622	10,708,164	26,997,786
2007-08	17,741,939	11,671,681	29,413,620
2008-09	18,010,965	12,701,766	30,712,731
2009-10	16,165,972	12,825,021	28,990,993
2010-11	15,342,687	13,597,644	28,940,331
2011-12	16,160,564	14,549,807	30,710,371
2012-13	15,873,098	15,472,552	31,345,650
2013-14	15,545,522	16,031,074	31,576,596
2014-15	15,621,604	17,432,021	33,053,625
2015-16	15,702,684	18,206,729	33,909,413
2016-17	15,566,166	19,443,973	35,010,139
2017-18	14,740,025	20,287,444	35,027,469
2018-19	13,882,890	21,268,233	35,151,123
2019-20	12,814,936	23,650,508	36,465,444

- (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 \$0.802 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 all 172 Kentucky school districts are utilizing KDE's Non-Traditional Instruction (NTI) Program. For more information on the Kentucky Department of Education's response to COVID 19, please see their website at <https://education.ky.gov/comm/Pages/COVID-19-Updates.aspx>.

## POTENTIAL LEGISLATION

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

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

## CONTINUING DISCLOSURE; EXEMPTION

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

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

Financial information regarding the Board may be obtained from Superintendent, Nelson County Board of Education, 288 Wildcat Lane, PO Box 2277, Bardstown, Kentucky 40004 (502) 349-7000.

## TAX EXEMPTION; BANK QUALIFIED

Bond Counsel is of the opinion that:

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

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

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

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

## Original Issue Premium

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



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

### **Original Issue Discount**

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

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

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

### **ABSENCE OF MATERIAL LITIGATION**

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

### **APPROVAL OF LEGALITY**

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

### **NO LEGAL OPINION EXPRESSED AS TO CERTAIN MATTERS**

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

### **BOND RATING**

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



## **APPENDIX A**

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

---

---

### **Demographic and Economic Data**

## NELSON COUNTY, KENTUCKY

Bardstown, the county seat of Nelson County and home of My Old Kentucky Home, is located in the outer Bluegrass Region of Central Kentucky. Bardstown is located 47 miles south of Louisville, Kentucky, 61 miles west of Lexington, Kentucky; and 154 miles northeast of Nashville, Tennessee. Bardstown had an estimated population of 13,254 in 2020.

Nelson County, with a topography that varies from nearly flat to rolling hills, covers a total land area of 423 square miles. Nelson County had an estimated 2020 population of 46,224 persons.

**The Economic Framework** - Nelson County has a labor force of 23,744 people with an unemployment rate of 4.7%. The total number of people employed in 2020 averaged 18,544. The top 5 jobs by occupation are as follows: production workers - 2,482 (13.38%); office and administrative support - 2,204 (11.89%); executive, managers and administrators - 1,654 (9.03%); sales - 1,581 (8.53%) and education training/library - 1,561 (8.42%).

**Transportation** - Highways serving Bardstown include the Blue Grass Parkway, U.S. Highway 62, U.S. 31E, U.S. 150, Kentucky 49 and Kentucky Highway 245. Interstate 65 is accessible 17 miles northwest of Bardstown via Kentucky 245. Twenty-one common carrier trucking companies provide interstate and/or intrastate service to Nelson County. Rail service is provided to Bardstown by the R.J. Corman Railroad Corporation. Samuels Field, two miles west of Bardstown, maintains a 4,000-foot paved runway. The nearest scheduled commercial airline service is available at Louisville International Airport, 41 miles north of Bardstown.

**Power and Fuel** - Electric power is provided to Bardstown by the Bardstown Municipal Electric Department. Nelson County is provided electric power by Kentucky Utilities Company and Salt River Electric Cooperative Corporation. Natural gas is provided to Bardstown by the Louisville Gas & Electric Company.

**Education** - Primary and secondary education is provided by the Bardstown Independent School System, the Nelson County and Bethlehem High School. Parochial schools available in Nelson County include one high school and five elementary schools. Eighteen institutions of higher learning are located within 60 miles of Bardstown. The Nelson County Area Technology Center provides secondary technical training. The nearest technical college providing post-secondary technical training is the Elizabethtown Technical College.

## LOCAL GOVERNMENT

### Structure

Bardstown is served by a mayor and six council members. The mayor is elected a four-year term and six council members to serve two-year terms. Nelson County is served by a county judge/executive and five magistrates. Each county official is elected to a four-year term.

### Planning and Zoning

Joint agency - Joint City-County Planning Commission of Nelson County  
Participating Cities-Bardstown, Bloomfield, Fairfield and New Haven  
Zoning enforced - All areas  
Subdivision regulations enforced - All areas  
Local codes enforced - Building and housing within corporate limits of Bardstown  
Mandatory state codes enforced - Kentucky Plumbing Code, National Electric code, Kentucky Boiler Regulations and Standards, Kentucky Building Code (modeled after BOCA code)

### Local Fees and Licenses

The City of Bardstown levies a business license fee that ranges from \$10 to \$500 per year, depending upon the type of business. The annual business license fee is \$125 for manufacturing.

### Property Taxes

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

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

Property assessments in Kentucky are at 100% fair cash value. A 15% reduction is automatically granted for accounts receivable.

## LABOR MARKET STATISTICS

The Bardstown Labor Market Area includes Nelson County and the adjoining Kentucky counties of Anderson, Bullitt, Hardin, Jefferson, Larue, Marion, Spencer and Washington.

### Population

<u>Area</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Bardstown	13,225	13,254	13,254
Nelson County	45,923	45,932	46,224

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

## EDUCATION

### Public Schools

	<u>Bardstown Independent</u>	<u>Nelson County</u>
Total Enrollment (2018-19)	2,454	4,371
Pupil-Teacher Ratio (2018-19)	15-1	16-1

### Vocational Training

Ky Tech Schools are operated by the Cabinet for Workforce Development and provide secondary (Sec) and post-secondary (P/S) vocational-technical training.

<u>Vocational School</u>	<u>Location</u>	<u>Enrollment (2018-2019)</u>
Nelson County ATC	Bardstown, KY	484
Bullitt County ATC	Shepardsville, KY	442
Marion County ATC	Lebanon, KY	617
Shelby County ATC	Shelbyville, KY	577
Green County ATC	Greensburg, KY	539
Meade County ATC	Brandenburg, KY	636
Casey Co. ATC	Liberty, KY	433
Lincoln Co. ATC	Stanford, KY	322
Garrard Co. ATC	Lancaster, KY	392
Breckinridge Co. ATC	Harned, KY	553
Lake Cumberland ATC	Russell Springs, KY	759

### Training Resources

Bluegrass State Skills Corporation - The Bluegrass State Skills Corporation (BSSC) was established in 1984 by the General Assembly of the Commonwealth of Kentucky as an independent, de jure corporation to stimulate economic development through customized business and industry specific skills training programs. The BSSC works with business and industry and Kentucky's educational institutions to establish programs of skills training. The BSSC is attached to the Kentucky Cabinet for Economic Development for administrative purposes, in recognition of the relationship between economic development and skills training efforts.

The BSSC is comprised of two economic development tools, matching grants and recently authorized Skills Training Investment Tax Credit. The BSSC grant program is available to new, expanding and existing business and industry. Eligible training activities include pre-employment skills training and assessment; entry-level skills upgrade and occupational upgrade training; train-the-trainer travel; and capacity building. The Skills Training Investment Credit Act provides credits to existing businesses for skills upgrade training.

Information on other customized training, assessment services and adult education services can be obtained by contacting the local economic development agency.

## Colleges and Universities

<u>Name</u>	<u>Location</u>	<u>Enrollment (Fall 2019)</u>
Elizabethtown Community & Tech College	Elizabethtown, KY	6,684
Bellarmine University	Louisville, KY	3,331
Jefferson Community & Tech College	Louisville, KY	12,567
University of Louisville	Louisville, KY	15,860
Campbellsville University	Campbellsville, KY	12,629
Centre College	Danville, KY	1,434
Kentucky State University	Frankfort, KY	2,029
Asbury University	Wilmore, KY	1,714
Midway University	Midway, KY	1,481
Transylvania University	Lexington, KY	949
University of Kentucky	Lexington, KY	29,402
Georgetown College	Georgetown, Kentucky	983
Bluegrass Community & Tech. College	Lexington, KY	10,144
Lindsey Wilson College	Columbia, KY	2,595

## FINANCIAL INSTITUTIONS

<u>Institution</u>	<u>Total Assets</u>	<u>Total Deposits</u>
Town & Country Bank and Trust Co.	\$318,682,000	\$277,457,000
Wilson & Muir Bank & Trust Company	539,821,000	471,673,000

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

## EXISTING INDUSTRY

<u>Firm</u>	<u>Product</u>	<u>Total Employed</u>
<b>Bardstown:</b>		
AA Machine Inc.	Industrial machine parts; jigs, fixtures, gears; special machines	8
American Fuji Seal, Inc.	Plastic carriers & bottle labels	593
Armag Corporation	Steel fabricating: ammunition & explosive storage magazines	63
BG Machine Inc.	Machine shop: lathe & mill work; CNC, NC & precision machining; surface grinding; arc, gas, MIG, TIG & heliarc welding; drilling, boring & cutting/custom equipment	12
Bardstown Bourbon Company LLC	Distilled spirits	73
Bloomfield Farms	Manufacture gluten-free flour/baker products for bakery and other manufacturing industries (food)	22
Boone's Abattoir Inc.	Ham, sausage, bacon & meat slaughtering & processing	39
Demipac	Plastic packaging	20
FET Engineering Inc.	Nickel molds, vacuum form tooling and trials, fixtures, jigs, foam tooling, gauges	51
Flowers Foods Inc.	Producer and marketer of packaged bakery foods	164
GBA Office Solutions	Offset & letterpress printing; desktop publishing; computer typesetting; glue, perfect, saddle stitch, plastic spiral, side wire, sewn & staple binding; digital printing, wide format color; blueprint reproduction	7
Heaven Hill Distilleries, Inc.	Whiskey, gin & vodka distillation	413
HEC Manufacturing Inc.	Custom structural steel fabricating, steel returnable containers (racks or pallets)	37
INOAC Packaging Group, Inc.	Plastic cosmetic bottles	105
Irving Materials Inc.	Ready-mixed concrete and concrete products	15

<u>Firm</u>	<u>Product</u>	<u>Total Employed</u>
Johnan America, Inc.	Automotive door window regulators and sunroof units	210
Kentucky Bourbon Distillers Ltd	Bourbon whiskey	31
Kentucky Owl, LLC	Distillery	10
Legacy Mold & Tool Inc.	Tool & die: plastic injection molds, jigs	2
MAGO Construction Co. LLC	Asphalt & asphalt products, crushed stone, surface & bituminous concrete mixes	90
Mike's Wordworking	Cabinets, vanities	28
Mitsuba Bardstown Inc.	Windshield wiper, power window & cooling fan motors; cruise control devices	132
MST Steel Corporation of KY	Slitting & cold-reduction of steel coil	15
Nelson County Industries	Sheltered workshop: contract packaging services and recycling	23
NPR of America Inc.	Manufacture and sell piston rings for autos	148
ORBIS Materials Handling Inc.	Collapsible containers	200
Polyair Corporation	Manufacture foam packaging materials	70
Preservation Distillery	Pot-distilling, small production bourbon and whiskey in 1-3 barrel batches. Brands include Very Olde St. Nick, Cowboy Little Barrel, Wattie Boone & Sons	3
Sazerac Distilleries, Inc.	Dried grain & whiskey distillation, processing	473
Strong Spirits Inc.	Contract bottling of distilled spirits, storage of bulk distilled spirits, copacking sale of bulk distilled spirits	15
Takigawa Corporation America	Flexible packaging manufacturer	180
Thai Summit Kentucky Corporation	Stamped and welded aluminum assemblies	90
Tower International Inc.	Metal & automotive stampings	536
Toyota Boshoku Kentucky LLC	Automotive door trim & interior parts	354
Willett Distillery	Bourbon and rye whiskey distillery	35
<b>Boston:</b>		
Beam Suntory	Whiskey & bourbon dist.	114
Legend Lumber Lee Corp.	Lumber mill; dry-kiln lumber	19
Promotional Wood Products	Designer and manufacturer of displays, packaging, gift items and custom fabrications and CNC services	13

*Source: Kentucky Directory of Manufacturers (2020).*

**APPENDIX B**

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

---

---

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



**NELSON COUNTY SCHOOL DISTRICT**

BASIC FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION, AND  
REPORTS OF INDEPENDENT AUDITORS

YEAR ENDED JUNE 30, 2019

# NELSON COUNTY SCHOOL DISTRICT

## TABLE OF CONTENTS

JUNE 30, 2019

	<u>Page</u>
<b>Independent Auditor's Report</b> .....	1 - 3
<b>Management's Discussion and Analysis</b> .....	4 - 9
<b>Basic Financial Statements:</b>	
<b>Government-wide Financial Statements:</b>	
Statement of Net Position .....	10
Statement of Activities .....	11
<b>Fund Financial Statements:</b>	
Balance Sheet – Governmental Funds .....	12
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position .....	13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	15
Statement of Net Position – Proprietary Funds .....	16
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds .....	17
Statement of Cash Flows – Proprietary Funds .....	18
Statement of Fiduciary Net Position – Fiduciary Funds .....	19
Statement of Changes in Fiduciary Net Position – Fiduciary Fund .....	20
<b>Notes to the Basic Financial Statements</b> .....	21 - 55
<b>Required Supplementary Information</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – General Fund .....	56
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – Special Revenue Fund .....	57
Schedules of the District's Proportionate Share of the Net Pension Liability .....	58
Schedules of District Pension Contributions .....	59

# NELSON COUNTY SCHOOL DISTRICT

## TABLE OF CONTENTS

JUNE 30, 2019

Notes to Required Supplementary Information – Pensions .....	60
Schedule of the District's Proportionate Share of the Net TRS OPEB Liability – Medical Insurance Fund .....	61
Schedule of Contributions to TRS Medical Insurance Fund .....	62
Schedule of the District's Proportionate Share of the Net TRS OPEB Liability – Life Insurance Fund .....	63
Schedule of Contributions to TRS Life Insurance Fund .....	64
Schedule of the District's Proportionate Share of the CERS Net OPEB Liability .....	65
Schedules of District CERS OPEB Contributions .....	66
Notes to Required Supplementary Information – OPEB .....	67
<b>Supplementary Information</b>	
<b>Combining Statements – Non-Major Funds</b>	
Combining Balance Sheet – Non-Major Governmental Funds .....	68
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds .....	69
Combining Statement of Fiduciary Net Position – Agency Funds .....	70
<b>Schools</b>	
Schedule of Assets, Receipts, Disbursements and Liabilities – All Schools .....	71
Schedule of Assets, Receipts, Disbursements and Liabilities – Nelson County High School .....	72 – 73
Schedule of Assets, Receipts, Disbursements and Liabilities – Thomas Nelson High School .....	74
<b>Schedule of Expenditures of Federal Awards .....</b>	<b>75 – 76</b>
<b>Notes to the Schedule of Expenditures of Federal Awards .....</b>	<b>77</b>
<b>Schedule of Findings and Questioned Costs .....</b>	<b>78 – 79</b>
<b>Summary Schedule of Prior Year Audit Findings .....</b>	<b>80</b>
<b>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 <i>Government Auditing Standards</i> .....</b>	
<b>81 – 82</b>	
<b>Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance .....</b>	
<b>83 – 84</b>	

## INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits and  
Members of the Board of Education  
Nelson County School District  
Bardstown, Kentucky

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Nelson 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; 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 *Independent Auditor's Contract*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

## **Emphasis of Matter**

As discussed in Note 1 to the financial statements, during the year ended June 30, 2019, the District adopted Governmental Accounting Standards Board Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules and OPEB schedules on pages 4 – 9 and 56 – 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Information

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

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated November 13, 2019, on our consideration of Nelson 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 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 Nelson County School District's internal control over financial reporting and compliance.

*Stiles, Carter & Associates, CPAs, P.S.C.*  
Stiles, Carter & Associates, CPAs, P.S.C.  
Bardstown, Kentucky  
November 13, 2019

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

As management of the Nelson County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit. The reporting model is a combination of both government-wide financial statements and fund financial statements.

**FINANCIAL HIGHLIGHTS**

- The ending cash and cash equivalents balance for the District for the year ended June 30, 2019 (FY19) was \$7.38 million, including a construction fund cash balance of \$1.8 million, and a building fund cash balance of \$233 thousand.
- The District's property tax base is derived from residential growth and assessments. Property assessment values grew by almost 6%. The District levied FY19 property tax rates of 77.2 cents per \$100 for real estate and tangible property. This rate reflects an increase of 0.8 cents above the FY18 rate of 76.4 cents. The motor vehicle rate of 54.80 cents per \$100 of assessed value and the 3% utility tax rate remained unchanged from FY18.
- The District ended FY19 with a balance in the general fund fund balance of approximately \$5.3 million, reflecting a 54% increase from the previous year.
- Bonds are issued as the District constructs and/or renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with the Kentucky Department of Education's stringent compliance regulations. The District's bond debt was reduced \$4.19 million in FY19.
- The District's major construction projects for FY19 included the following projects that were in process at the end of the previous year: (1) Nelson Co. Early Childhood Center expansion, (2) Thomas Nelson High School Phase 3, and (3) Bloomfield Middle School Energy Improvement project. All three projects were substantially completed during fiscal 2019.
- Employees received a 1.0% pay increase in addition to normal step and rank increases.
- At the end of FY19, the District reported a net pension liability of \$15.1 million related to the County Employees Retirement System.
- At the end of FY19, the District reported a net post-employment benefit obligation (OPEB) liability of \$11.4 million related to the Teacher's Retirement System - Medical Insurance Fund and a net OPEB liability of \$4.4 million related to the County Employees Retirement System.

**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 government-wide financial statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of Governmental and Business-Type Activities for the District accompanied by a total column.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and deferred outflows and liabilities and deferred inflows, including capital assets as well as long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability incurred. The types of transactions reported as program revenues for the District are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

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

The government-wide financial statements can be found on pages 10 through 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, proprietary and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are food service and child care operations. All other activities of the district are included in the governmental funds. The basic governmental fund financial statements can be found on pages 12 through 20 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 of resources exceeded liabilities and deferred inflows of resources by approximately \$13.91 million as of June 30, 2019.

Typically, 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.



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

**Net Position**

The 2019 Government-wide net position compared to 2018 is as follows:

**Net Position  
(Table 1)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 8,766,772	\$ 6,776,179	\$ 892,245	\$ 1,037,656	\$ 9,659,017	\$ 7,813,835
Capital assets	90,025,064	93,674,339	344,721	426,583	90,369,785	94,100,922
Total assets	98,791,836	100,450,518	1,236,966	1,464,239	100,028,802	101,914,757
Deferred outflows of resources	6,053,315	7,225,718	1,208,459	1,308,096	7,261,774	8,533,814
Long-term debt	80,928,360	86,187,550	4,702,006	4,085,360	85,630,366	90,272,910
Other liabilities	5,151,325	5,710,979	554	62	5,151,879	5,711,041
Total liabilities	86,079,685	91,898,529	4,702,560	4,085,422	90,782,245	95,983,951
Deferred inflows of resources	2,121,173	1,432,361	474,938	361,701	2,596,111	1,794,062
Net position:						
Net investment in capital assets	32,786,800	32,409,808	344,721	426,583	33,131,521	32,836,391
Restricted	2,929,882	2,261,101	-	-	2,929,882	2,261,101
Unrestricted	(19,072,389)	(20,325,563)	(3,076,794)	(2,101,371)	(22,149,183)	(22,426,934)
Total net position	\$ 16,644,293	\$ 14,345,346	\$ (2,732,073)	\$ (1,674,788)	\$ 13,912,220	\$ 12,670,558

The following are significant current year transactions impacting the Statement of Net Position:

- Capital assets decreased approximately \$3.73 million due to current year depreciation of \$4.24 million offset by FY2019 additions of approximately \$593 thousand primarily as a result of the purchase of six buses for \$553 thousand.
- Total long-term obligations for bonds decreased approximately \$4.19 million as a result of regularly schedules principal payments. The District's proportionate share of CERS reported net pension liability increased approximately \$679 thousand during fiscal year 2019. As of June 30, 2019, the District's proportionate share of the CERS net pension liability was \$15.06 million (as actuarially determined by CERS). The District's proportionate share of CERS reported net OPEB liability decreased approximately \$549 thousand during fiscal year 2019. As of June 30, 2019, the District's proportionate share of the CERS net OPEB liability was \$4.39 million (as actuarially determined by CERS). The District's proportionate share of TRS reported net OPEB liability decreased approximately \$313 thousand during fiscal year 2019. As of June 30, 2019, the District's proportionate share of the TRS net OPEB liability was \$11.41 million (as actuarially determined by TRS).

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

**Change in Net Position**

The following Table 2 presents the summary of changes in net position for the fiscal years ending June 30, 2019 and 2018.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
<b>REVENUES</b>						
<b>Program Revenues</b>						
Charges for services	\$ 185,535	\$ 185,932	\$ 1,384,667	\$ 1,478,350	\$ 1,570,202	\$ 1,664,282
Operating grants and contributions	(840,618)	21,314,662	2,429,775	2,040,391	1,589,157	23,355,053
Capital grants and contributions	1,897,085	1,888,010	-	-	1,897,085	1,888,010
<b>General Revenues</b>						
Property taxes	15,535,136	14,626,867	-	-	15,535,136	14,626,867
Motor vehicle taxes	1,720,470	1,566,815	-	-	1,720,470	1,566,815
Utility taxes	1,735,287	1,725,834	-	-	1,735,287	1,725,834
Distilled spirits tax	3,283,376	2,623,902	-	-	3,283,376	2,623,902
Investment earnings	127,096	56,673	-	-	127,096	56,673
State aid formula grants	13,758,509	14,434,482	-	-	13,758,509	14,434,482
Gain (loss) on sale of equipment	500	136,709	-	-	500	136,709
Miscellaneous	616,970	282,812	-	-	616,970	282,812
<b>Total revenues</b>	<b>38,019,346</b>	<b>58,842,698</b>	<b>3,814,442</b>	<b>3,518,741</b>	<b>41,833,788</b>	<b>62,361,439</b>
<b>EXPENSES</b>						
<b>Program Activities</b>						
Instruction	13,396,730	36,193,834	-	-	13,396,730	36,193,834
Student support	2,159,161	2,389,047	-	-	2,159,161	2,389,047
Instruction staff support	3,012,821	2,260,891	-	-	3,012,821	2,260,891
District administration support	1,281,051	1,700,984	-	-	1,281,051	1,700,984
School administrative support	3,637,356	3,498,852	-	-	3,637,356	3,498,852
Business support	1,617,771	2,276,592	-	-	1,617,771	2,276,592
Plant operation and maintenance	5,190,702	5,598,813	-	-	5,190,702	5,598,813
Student transportation	3,329,411	3,696,360	-	-	3,329,411	3,696,360
Community service activities	431,978	322,124	-	-	431,978	322,124
Interest on long-term debt	1,757,501	1,984,240	-	-	1,757,501	1,984,240
<b>Business-type Activities</b>						
Food service	-	-	3,127,881	2,801,406	3,127,881	2,801,406
Child care	-	-	1,643,675	978,363	1,643,675	978,363
<b>Total expenses</b>	<b>35,814,482</b>	<b>59,921,737</b>	<b>4,771,556</b>	<b>3,779,769</b>	<b>40,586,038</b>	<b>63,701,506</b>
<b>Transfers</b>	<b>94,083</b>	<b>140,000</b>	<b>(100,171)</b>	<b>(140,000)</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ 2,298,947</b>	<b>\$ (939,039)</b>	<b>\$ (1,057,285)</b>	<b>\$ (401,028)</b>	<b>\$ 1,247,750</b>	<b>\$ (1,340,067)</b>

The following are significant current year transactions impacting the Changes in Net Position:

- Total revenues decreased approximately \$20.5 million primarily due to decreases in on-behalf revenues and expenses of \$22.1 million related to the decrease in the TRS net pension liability. The TRS on-behalf pension expense totaled approximately \$12.0 million in FY18 and the pension expense for FY19 was negative \$10.1 million due to a decrease in the net pension liability. The decrease was offset by increases in property tax revenues, motor vehicle tax revenues, distilled spirits tax, and utility tax revenues of approximately \$1.78 million.
- Total expenses decreased approximately \$23.1 million primarily due to decreases in on-behalf revenues and expenses of \$22.1 million related to the decrease in the TRS net pension liability as noted above. as a result of increases in Plant Operations and Maintenance (\$1.1 million increase); increases in student transportation (\$243 thousand increase); increases in Student staff support (\$449 thousand increase); increases in Instruction staff support (\$274 thousand increase); increases in district administrative support (\$379 thousand increase); increases in school administrative support (\$572 thousand increase); and increases in Food Service and Child Care of approximately \$212 thousand.

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

**Capital Assets**

At the end of fiscal year 2019, the School District had approximately \$90.4 million invested in land, building and improvements, vehicles, equipment, and construction in process. Table 3 shows fiscal year 2019 and 2018 balances.

**Capital Assets, Net of Depreciation  
(Table 3)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Land	\$ 2,921,133	\$ 2,921,133	\$ -	\$ -	\$ 2,921,133	\$ 2,921,133
Land improvements	126,020	133,703			126,020	133,703
Buildings and improvements	83,781,574	87,226,661	-	-	83,781,574	87,226,661
Technology Equipment	309,385	582,385	131	236	309,516	582,621
Vehicles	2,130,401	1,997,073	-	-	2,130,401	1,997,073
General equipment	756,551	813,384	344,590	426,347	1,101,141	1,239,731
Total	\$ 90,025,064	\$ 93,674,339	\$ 344,721	\$ 426,583	\$ 90,369,785	\$ 94,100,922

The following were major additions and capital assets placed in service during fiscal year 2019:

Buses (six) \$ 552,714

**Debt**

At June 30, 2019, the School District had \$59,115,000 in bonds outstanding. Of this amount, \$5,624,663 is to be paid by the Kentucky School Facility Construction Commission. A total of \$4,295,000 is due within one year.

**General Fund – Budget Highlights**

The School District's budget is prepared according to Kentucky law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. The State Department of Education requires a zero-based budget with any budgeted remaining fund balance shown as a contingency expense in the budget process.

Budgeted expenditures of approximately \$41.98 million compare with actual expenditures of approximately \$42.1 million. The most significant fluctuation is in the other category for \$1.8 million budget for contingency that was not needed. Additional significant variances from budgeted amounts include: (1) state on-behalf expenditures being over budget by \$3.3 million; (2) District administrative expenditures were under budget by \$164 thousand; (3) school administrative expenditures were over budget by \$406 thousand; (4) plant operation and maintenance expenditures were under by \$169 thousand; and (5) student transportation was under budget by \$220 thousand.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 20 – 55 of this report.

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

**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 year, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The district adopted a budget for 2018-2019 with a contingency that exceeded the 2% minimum. The District has adopted a budget for 2019-2020 with a contingency that exceeds the 2% requirement.

**ADDITIONAL CONTACT INFORMATION**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions regarding this report or requests for additional information should be directed to Amy Owens Finance Officer, 288 Wildcat Lane, Bardstown, Kentucky 40004 or call 502-331-4310.

# NELSON COUNTY SCHOOL DISTRICT

## STATEMENT OF NET POSITION

JUNE 30, 2019

	Governmental Activities	Business- Type Activities	Total
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 6,556,783	\$ 819,886	\$ 7,376,669
Investments	1,682,440	-	1,682,440
Inventory	-	47,267	47,267
Receivables:			
Taxes-current	369,327	-	369,327
Taxes-delinquent	9,639	-	9,639
Other receivables	55,087	-	55,087
Intergovernmental-Indirect Federal	74,075	25,092	99,167
Intergovernmental-direct Federal	19,421	-	19,421
<b>Total Current Assets</b>	<u>8,766,772</u>	<u>892,245</u>	<u>9,659,017</u>
<b>Noncurrent Assets</b>			
Non-depreciable capital assets	2,921,133	-	2,921,133
Depreciable capital assets, net of accumulated depreciation	<u>87,103,931</u>	<u>344,721</u>	<u>87,448,652</u>
<b>Total Noncurrent Assets</b>	<u>90,025,064</u>	<u>344,721</u>	<u>90,369,785</u>
<b>Total Assets</b>	<u>\$ 98,791,836</u>	<u>\$ 1,236,966</u>	<u>\$ 100,028,802</u>
<b>Deferred Outflows of Resources</b>			
Deferred amount on debt refundings	\$ 1,520,638	\$ -	\$ 1,520,638
CERS - Pension	2,877,298	917,033	3,794,331
CERS - OPEB	914,385	291,426	1,205,811
TRS - OPEB	740,994	-	740,994
<b>Total Deferred Outflows of Resources</b>	<u>\$ 6,053,315</u>	<u>\$ 1,208,459</u>	<u>\$ 7,261,774</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 24,412	\$ 554	\$ 24,966
Accrued liabilities	439,570	-	439,570
Unearned revenue	84,717	-	84,717
Bond obligations	4,295,000	-	4,295,000
Capital leases payable	33,326	-	33,326
Compensated absences	58,515	-	58,515
Interest payable	215,785	-	215,785
<b>Total Current Liabilities</b>	<u>5,151,325</u>	<u>554</u>	<u>5,151,879</u>
<b>Noncurrent Liabilities</b>			
Bond obligations	54,430,576	-	54,430,576
Compensated absences	331,582	-	331,582
Net pension liability - CERS	11,423,030	3,640,670	15,063,700
Net OPEB liability - CERS	3,330,066	1,061,336	4,391,402
Net OPEB liability - TRS	11,413,106	-	11,413,106
<b>Total Noncurrent Liabilities</b>	<u>80,928,360</u>	<u>4,702,006</u>	<u>85,630,366</u>
<b>Total Liabilities</b>	<u>\$ 86,079,685</u>	<u>\$ 4,702,560</u>	<u>\$ 90,782,245</u>
<b>Deferred Inflows of Resources</b>			
CERS - Pension	\$ 857,982	\$ 273,450	\$ 1,131,432
CERS - OPEB	632,191	201,488	833,679
TRS - OPEB	631,000	-	631,000
<b>Total Deferred Inflows of Resources</b>	<u>\$ 2,121,173</u>	<u>\$ 474,938</u>	<u>\$ 2,596,111</u>
<b>Net Position</b>			
Net investment in capital assets	\$ 32,786,800	\$ 344,721	\$ 33,131,521
Restricted	2,929,882	-	2,929,882
Unrestricted	(19,072,389)	(3,076,794)	(22,149,183)
<b>Total Net Position</b>	<u>\$ 16,644,293</u>	<u>\$ (2,732,073)</u>	<u>\$ 13,912,220</u>

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

# NELSON COUNTY SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
Instruction	\$ 13,396,730	\$ 92,575	\$ (4,982,849)	\$ -	\$ (18,287,004)	\$ -	\$ (18,287,004)
Support services:							
Student	2,159,161	-	831,794	-	(1,327,367)	-	(1,327,367)
Instruction staff	3,012,821	-	944,748	-	(2,068,073)	-	(2,068,073)
District administrative	1,281,051	-	128,080	-	(1,152,971)	-	(1,152,971)
School administrative	3,637,356	-	994,991	-	(2,642,365)	-	(2,642,365)
Business	1,617,771	-	292,398	-	(1,325,373)	-	(1,325,373)
Plant operation and maintenance	5,190,702	-	211,480	-	(4,979,222)	-	(4,979,222)
Student transportation	3,329,411	79,960	362,713	-	(2,886,738)	-	(2,886,738)
Community service activities	431,978	-	376,027	-	(55,951)	-	(55,951)
Other	-	13,000	-	-	13,000	-	13,000
Interest on long-term debt	1,757,501	-	-	1,897,085	139,584	-	139,584
<b>Total Governmental Activities</b>	<u>35,814,482</u>	<u>185,535</u>	<u>(840,618)</u>	<u>1,897,085</u>	<u>(34,572,480)</u>	<u>-</u>	<u>(34,572,480)</u>
<b>Business-Type Activities:</b>							
Food service	3,127,881	648,436	2,152,906	-	-	(326,539)	(326,539)
Childcarecare	1,643,675	736,231	276,869	-	-	(630,575)	(630,575)
<b>Total Business-Type Activities</b>	<u>4,771,556</u>	<u>1,384,667</u>	<u>2,429,775</u>	<u>-</u>	<u>-</u>	<u>(957,114)</u>	<u>(957,114)</u>
<b>Total Primary Government</b>	<u>\$ 40,586,038</u>	<u>\$ 1,570,202</u>	<u>\$ 1,589,157</u>	<u>\$ 1,897,085</u>	<u>(34,572,480)</u>	<u>(957,114)</u>	<u>(35,529,594)</u>
<b>General Revenues:</b>							
Taxes:							
Property taxes				15,535,136	-	-	15,535,136
Motor vehicle taxes				1,720,470	-	-	1,720,470
Utility taxes				1,735,287	-	-	1,735,287
Other taxes				3,283,376	-	-	3,283,376
Investment earnings				127,096	-	-	127,096
Gain on disposal of capital assets				500	-	-	500
State and formula grants				13,758,509	-	-	13,758,509
Miscellaneous				616,970	-	-	616,970
Transfers				94,083	(100,171)	-	(6,088)
<b>Total general revenues and transfers</b>				<u>36,871,427</u>	<u>(100,171)</u>	<u>-</u>	<u>36,771,256</u>
Change in net position				<u>2,298,947</u>	<u>(1,057,285)</u>	<u>-</u>	<u>1,241,662</u>
Net position - beginning				<u>14,345,346</u>	<u>(1,674,788)</u>	<u>-</u>	<u>12,670,558</u>
Net position - ending				<u>\$ 16,644,293</u>	<u>\$ (2,732,073)</u>	<u>\$ -</u>	<u>\$ 13,912,220</u>

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

# NELSON COUNTY SCHOOL DISTRICT

## BALANCE SHEET

### GOVERNMENTAL FUNDS

JUNE 30, 2019

	General Fund	Special Revenue	Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>						
Cash and cash equivalents	\$ 3,626,642	\$ -	1,844,006	\$ -	\$ 1,086,135	\$ 6,556,783
Investments	1,682,440	-	-	-	-	1,682,440
Due from other funds	2,896	-	-	-	-	2,896
Receivables:						
Taxes - current	369,327	-	-	-	-	369,327
Taxes - delinquent	9,639	-	-	-	-	9,639
Other receivables	55,087	-	-	-	-	55,087
Intergovernmental - Indirect Federal	-	74,075	-	-	-	74,075
Intergovernmental - Direct Federal	-	19,421	-	-	-	19,421
<b>Total Assets</b>	<b>\$ 5,746,031</b>	<b>\$ 93,496</b>	<b>\$ 1,844,006</b>	<b>\$ -</b>	<b>\$ 1,086,135</b>	<b>\$ 8,769,668</b>
<b>Liabilities and Fund Balances:</b>						
<b>Liabilities</b>						
Due to other funds	\$ -	\$ 2,896	\$ -	\$ -	\$ -	\$ 2,896
Accounts payable	21,112	3,041	-	-	259	24,412
Accrued liabilities	439,570	-	-	-	-	439,570
Unearned revenue	-	84,717	-	-	-	84,717
<b>Total Liabilities</b>	<b>460,682</b>	<b>90,654</b>	<b>-</b>	<b>-</b>	<b>259</b>	<b>551,595</b>
<b>Fund Balances</b>						
Restricted	-	-	1,844,006	-	1,085,876	2,929,882
Committed	1,270,756	-	-	-	-	1,270,756
Unassigned	4,014,593	2,842	-	-	-	4,017,435
<b>Total Fund Balances</b>	<b>5,285,349</b>	<b>2,842</b>	<b>1,844,006</b>	<b>-</b>	<b>1,085,876</b>	<b>8,218,073</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,746,031</b>	<b>\$ 93,496</b>	<b>\$ 1,844,006</b>	<b>\$ -</b>	<b>\$ 1,086,135</b>	<b>\$ 8,769,668</b>

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

## NELSON COUNTY SCHOOL DISTRICT

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

JUNE 30, 2019

Total fund balance per fund financial statements	\$ 8,218,073
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.	90,025,064
Governmental funds record debt refundings as other financing uses when the issues are refunded. Unamortized losses on refundings are reported on the statement of net position as deferred outflows of resources.	1,520,638
Governmental funds do not record deferred outflows of resources for pensions and OPEB but those are reported on the statement of net position as deferred outflows of resources.	4,532,677
Governmental funds do not record deferred inflows of resources for pensions and OPEB but those are reported on the statement of net position as deferred inflows of resources.	(2,121,173)
Certain liabilities are not reported in this fund financial statement because because they are not due and payable, but they are presented in the statement of net position:	
Bonds payable (net of discounts/premiums)	(58,725,576)
Capital lease payable	(33,326)
Interest payable	(215,785)
Compensated absences	(390,097)
Net pension liability - CERS	(11,423,030)
Net OPEB liability - CERS	(3,330,066)
Net OPEB liability - TRS	<u>(11,413,106)</u>
Net position for governmental activities	<u>\$ 16,644,293</u>

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



# NELSON COUNTY SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

### GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Special Revenue	Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
From local sources:						
Taxes:						
Property	\$ 11,532,332	\$ -	\$ -	\$ -	\$ 4,002,804	\$ 15,535,136
Motor vehicle	1,720,470	-	-	-	-	1,720,470
Utilities	1,735,287	-	-	-	-	1,735,287
Distilled spirits	3,283,376	-	-	-	-	3,283,376
Earnings on investments	127,096	-	-	-	-	127,096
Other local revenues	265,017	573,649	-	-	-	838,666
Intergovernmental - State	24,682,134	1,457,244	-	837,037	1,060,048	28,036,463
Intergovernmental - Indirect Federal	-	2,631,216	-	-	-	2,631,216
Intergovernmental - Direct Federal	123,953	-	-	-	-	123,953
<b>Total Revenues</b>	<u>43,469,665</u>	<u>4,662,109</u>	<u>-</u>	<u>837,037</u>	<u>5,062,852</u>	<u>54,031,663</u>
<b>Expenditures:</b>						
Instruction	23,861,388	2,737,720	-	-	2,749	26,601,857
Support services:						
Student	1,924,722	230,633	-	-	-	2,155,355
Instruction staff	2,798,877	221,617	-	-	-	3,020,494
District administrative	1,124,479	-	-	-	-	1,124,479
School administrative	3,556,345	248	-	-	-	3,556,593
Business Support	1,557,247	437	-	-	-	1,557,684
Plant operation and maintenance	4,008,445	72,281	-	-	-	4,080,726
Student transportation	3,176,753	97,427	-	-	-	3,274,180
Facilities acquisition and construction	-	-	-	-	-	-
Community service activities	41,651	368,819	-	-	-	410,470
Debt service:						
Principal	-	-	-	4,190,000	-	4,190,000
Interest	48,415	-	-	1,580,427	-	1,628,842
<b>Total Expenditures</b>	<u>42,098,322</u>	<u>3,729,182</u>	<u>-</u>	<u>5,770,427</u>	<u>2,749</u>	<u>51,600,680</u>
<b>Excess (Deficit) of Revenues over Expenditures</b>	<u>1,371,343</u>	<u>932,927</u>	<u>-</u>	<u>(4,933,390)</u>	<u>5,060,103</u>	<u>2,430,983</u>
<b>Other Financing Sources (Uses):</b>						
Proceeds from disposal of capital assets	500	-	-	-	-	500
Transfers in	947,767	82,878	-	4,933,390	343,169	6,307,204
Transfers out	(465,668)	(1,196,854)	-	-	(4,550,600)	(6,213,122)
<b>Total Other Financing Sources (Uses)</b>	<u>482,599</u>	<u>(1,113,976)</u>	<u>-</u>	<u>4,933,390</u>	<u>(4,207,431)</u>	<u>94,582</u>
<b>Net Change in Fund Balances</b>	1,853,942	(181,049)	-	-	852,672	2,525,565
<b>Fund Balance, July 1, 2018</b>	<u>3,431,407</u>	<u>183,891</u>	<u>1,844,006</u>	<u>-</u>	<u>233,204</u>	<u>5,692,508</u>
<b>Fund Balance, June 30, 2019</b>	<u>\$ 5,285,349</u>	<u>\$ 2,842</u>	<u>\$ 1,844,006</u>	<u>\$ -</u>	<u>\$ 1,085,876</u>	<u>\$ 8,218,073</u>

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

**NELSON COUNTY SCHOOL DISTRICT**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF  
ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2019

Net change in total fund balances per fund financial statements		\$ 2,525,565
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceed depreciation expense for the year.		
Capital expenditures	\$ 593,127	
Depreciation	<u>(4,242,402)</u>	(3,649,275)
Debt service 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. The difference is the amount of principal payment during the year for:		
Principal payments on bonds	4,190,000	
Principal payments on capital leases	<u>96,335</u>	4,286,335
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.		
Compensated absences - long-term	210,659	
Changes in interest payable, discounts, and deferred amounts on refunding	(224,993)	
Pension and OPEB expenses related to changes in the net pension liability, the net OPEB liability, and net changes in deferred outflows and inflows for CERS and TRS pensions and OPEB	<u>(849,344)</u>	<u>(863,678)</u>
Change in net position of governmental activities		<u>\$ 2,298,947</u>

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

**NELSON COUNTY SCHOOL DISTRICT**

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

JUNE 30, 2019

	Food Service Fund	Childcare Fund	Total Enterprise Funds
<b>Assets</b>			
<b><u>Current Assets</u></b>			
Cash and cash equivalents	\$ 549,252	\$ 270,634	\$ 819,886
Intergovernmental - Indirect Federal	25,092	-	25,092
Inventory	47,267	-	47,267
<b>Total Current Assets</b>	<b>621,611</b>	<b>270,634</b>	<b>892,245</b>
<b><u>Noncurrent Assets</u></b>			
Capital assets, net of accumulated depreciation	344,721	-	344,721
<b>Total Noncurrent Assets</b>	<b>344,721</b>	<b>-</b>	<b>344,721</b>
<b>Total Assets</b>	<b>\$ 966,332</b>	<b>\$ 270,634</b>	<b>\$ 1,236,966</b>
<b>Deferred Outflows of Resources</b>			
CERS - Pension	\$ 548,968	\$ 368,065	\$ 917,033
CERS - OPEB	174,458	116,968	291,426
<b>Total Deferred Outflows of Resources</b>	<b>\$ 723,426</b>	<b>\$ 485,033</b>	<b>\$ 1,208,459</b>
<b>Liabilities</b>			
<b><u>Current Liabilities</u></b>			
Accounts payable	\$ 450	\$ 104	\$ 554
<b>Total Current Liabilities</b>	<b>450</b>	<b>104</b>	<b>554</b>
<b><u>Noncurrent Liabilities</u></b>			
Net pension liability - CERS	2,179,432	1,461,238	3,640,670
Net OPEB liability - CERS	635,353	425,983	1,061,336
<b>Total Noncurrent Liabilities</b>	<b>2,814,785</b>	<b>1,887,221</b>	<b>4,702,006</b>
<b>Total Liabilities</b>	<b>\$ 2,815,235</b>	<b>\$ 1,887,325</b>	<b>\$ 4,702,560</b>
<b>Deferred Inflows of Resources</b>			
CERS - Pension	\$ 163,697	\$ 109,753	\$ 273,450
CERS - OPEB	120,618	80,870	201,488
<b>Total Deferred Inflows of Resources</b>	<b>\$ 284,315</b>	<b>\$ 190,623</b>	<b>\$ 474,938</b>
<b><u>Net Position</u></b>			
Net investment in capital assets	344,721	-	344,721
Unrestricted	\$ (1,754,513)	\$ (1,322,281)	\$ (3,076,794)
<b>Total Net Position</b>	<b>\$ (1,409,792)</b>	<b>\$ (1,322,281)</b>	<b>\$ (2,732,073)</b>

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

**NELSON COUNTY SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2019

	Food Service Fund	Childcare Fund	Total Enterprise Funds
<b>Operating Revenues</b>			
Lunchroom sales	\$ 648,436	\$ -	\$ 648,436
Tuition and fees	-	736,231	736,231
<b>Total Operating Revenues</b>	<u>648,436</u>	<u>736,231</u>	<u>1,384,667</u>
<b>Operating Expenses</b>			
Salaries and wages	1,729,748	1,560,730	3,290,478
Materials and supplies	1,315,167	67,733	1,382,900
Depreciation	81,862	-	81,862
Other operating expenses	1,104	15,212	16,316
<b>Total Operating Expenses</b>	<u>3,127,881</u>	<u>1,643,675</u>	<u>4,771,556</u>
Operating loss	<u>(2,479,445)</u>	<u>(907,444)</u>	<u>(3,386,889)</u>
<b>Non-Operating Revenues (Expenses)</b>			
Federal grants	1,739,232	-	1,739,232
Donated commodities	190,363	-	190,363
State grants	21,519	146,721	168,240
State on-behalf payments	201,792	130,148	331,940
<b>Total Non-Operating Revenues (Expenses)</b>	<u>2,152,906</u>	<u>276,869</u>	<u>2,429,775</u>
Transfers out	<u>-</u>	<u>(100,171)</u>	<u>(100,171)</u>
Changes in net position	<u>(326,539)</u>	<u>(730,746)</u>	<u>(1,057,285)</u>
<b>Net Position, July 1, 2018</b>	<u>(1,083,253)</u>	<u>(591,535)</u>	<u>(1,674,788)</u>
<b>Net Position, June 30, 2019</b>	<u>\$ (1,409,792)</u>	<u>\$ (1,322,281)</u>	<u>\$ (2,732,073)</u>

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

**NELSON COUNTY SCHOOL DISTRICT**

**STATEMENT OF CASH FLOWS**

**PROPRIETARY FUNDS**

FOR THE YEAR ENDED JUNE 30, 2019

	Food Service Fund	Childcare Fund	Total Enterprise Funds
<b>Cash Flows from Operating Activities</b>			
Cash received from:			
Lunchroom sales	\$ 648,436	\$ -	\$ 648,436
Tuition and fees	-	736,231	736,231
Cash paid to/for:			
Employees	(1,249,926)	(879,092)	(2,129,018)
Supplies	(1,126,581)	(67,629)	(1,194,210)
Other activities	(1,104)	(15,212)	(16,316)
<b>Net Cash Used by Operating Activities</b>	<u>(1,729,175)</u>	<u>(225,702)</u>	<u>(1,954,877)</u>
<b>Cash flows from Non-Capital Financing Activities</b>			
Federal grants	1,734,609	-	1,734,609
State grants	21,519	146,721	168,240
Transfers to other funds	-	(100,171)	(100,171)
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<u>1,756,128</u>	<u>46,550</u>	<u>1,802,678</u>
Net change in cash and cash equivalents	26,953	(179,152)	(152,199)
<b>Balances, beginning of year</b>	<u>522,299</u>	<u>449,786</u>	<u>972,085</u>
<b>Balances, end of year</b>	<u>\$ 549,252</u>	<u>\$ 270,634</u>	<u>\$ 819,886</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating loss	\$ (2,479,445)	\$ (907,444)	\$ (3,386,889)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	81,862	-	81,862
Donated commodities	190,363	-	190,363
State on-behalf payments	201,792	130,148	331,940
CERS pension and OPEB expense	278,030	551,490	829,520
Change in assets and liabilities:			
Inventory	(2,165)	-	(2,165)
Accounts payable	388	104	492
<b>Net Cash Used by Operating Activities</b>	<u>\$ (1,729,175)</u>	<u>\$ (225,702)</u>	<u>\$ (1,954,877)</u>
<b>Schedule of Non-cash Transactions</b>			
Donated commodities received from federal government	<u>\$ 190,363</u>	<u>\$ -</u>	<u>\$ 190,363</u>
State on-behalf payments	<u>\$ 201,792</u>	<u>\$ 130,148</u>	<u>\$ 331,940</u>
CERS Pensions and OPEB	<u>\$ 278,030</u>	<u>\$ 551,490</u>	<u>\$ 829,520</u>

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

**NELSON COUNTY SCHOOL DISTRICT**

STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS

FIDUCIARY FUNDS

JUNE 30, 2019

	Private Purpose Trust Funds	Agency Fund
<b>Assets</b>		
Cash and cash equivalents	\$ 6,088	\$ 616,890
Receivables		2,399
	<u>6,088</u>	<u>2,399</u>
<b>Total Assets</b>	<u>\$ 6,088</u>	<u>\$ 619,289</u>
<b>Liabilities</b>		
Accounts payable	\$ -	\$ 35,954
Due to student groups	-	583,335
	<u>-</u>	<u>583,335</u>
<b>Total Liabilities</b>	<u>\$ -</u>	<u>\$ 619,289</u>
<b>Net Position - Held in Trust</b>	<u>\$ 6,088</u>	

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

**NELSON COUNTY SCHOOL DISTRICT**

STATEMENT CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUND

FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Private Purpose Trust Funds</u>
<b>Additions</b>	
Transfer from special revenue fund	\$ 6,088
<b>Deductions</b>	
Expenses paid	<u>-</u>
Change in net position	6,088
<b>Net Position, beginning of year</b>	<u>-</u>
<b>Net Position, end of year</b>	<u><u>\$ 6,088</u></u>

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

# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Reporting Entity

The Nelson 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 Nelson County Board of Education (District). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

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

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

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

Nelson County School District Finance Corporation – In 1988, the Board of Education resolved to authorize the establishment of the Nelson 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. The Corporation is blended into the District’s financial statements.

#### Basis of Presentation

The District’s basic financial statement consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within the 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities accompanied by a total column.



# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and deferred outflows and liabilities and deferred inflows, including capital assets as well as long-term liabilities are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the District are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

All governmental funds are accounted for on the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statements of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financial sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the District are property tax and utility tax. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The District has the following funds:

#### I. Governmental Fund Types

- A. The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund and any fund balances are considered as resources available for use. This is a major fund of the District.
- B. The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable 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 on pages 75 – 76. This is a major fund of the District.

# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- C. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).
    - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan.
    - 2. The Facility Support Program of Kentucky (FSPK), Building Fund 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 and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest. This is a major fund of the District.
- II. Proprietary Fund Types (Enterprise Fund)
- A. 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.
  - B. The Child Care Fund is used to account for after school revenues and programs where a fee is charged for participating. The Child Care Fund is a major fund.
- III. Fiduciary Fund Type (Agency Funds)
- A. The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.
  - B. The Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefits individuals, private organizations or other governments. Revenues consist of donations and interest income. Expenditures consist of scholarships.

# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Basis of Accounting

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

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

Non-exchange 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 non-exchange 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.

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

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

#### Property Taxes

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

# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The property tax rates assessed for the year ended June 30, 2019, to finance the General Fund operations were \$0.772 per \$100 valuation for real property, \$0.772 per \$100 valuation for business personal property and \$0.5480 per \$100 valuation for motor vehicles.

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

#### 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 capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	25-50 years
Land Improvements	20 years
Technology Equipment	5 years
Vehicles	5-10 years
Food Service Equipment	10-12 years
Furniture and Fixtures	7 years

#### Interfund Balances

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

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 non-current portion of the liability is not reported.

# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Budgetary Process

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

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

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

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end in accordance with state law.

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

#### Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve a portion of an applicable appropriation, is utilized for budgetary control purposes. Encumbrances are not the equivalent of expenditures, and accordingly, amounts assigned for encumbrances at the governmental fund level indicate that portion of the fund balance segregated for expenditure upon vendor performance.

#### Cash, Cash Equivalents, and Investments

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

The District's investment are reported at fair value.

#### Inventories

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

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

The food service fund uses the specific identification method and the general fund uses the first-in, first-out method.

#### Prepaid Assets

Payments made that will benefit periods beyond June 30, 2019 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Accrued Liabilities and Long-Term Obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the non-current portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within 60 days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

#### Compensated Absences

Compensated absences are payments to employees for accumulated sick leave. These amounts also include the related employer's share of applicable taxes and retirement contributions. District employees may accumulate unused sick leave up to a specified amount depending on their date of hire. Sick leave is payable to employees upon retirement at 30% of the current rate of pay on the date of retirement. The District uses the termination method to calculate the compensated absences amounts. The entire compensated absence liability is reported on the government-wide financial statements. The current portion is the amount estimated to be used in the following year. An expenditure is recognized in the governmental fund as payments come due each period, for example, as a result of employee retirements.

Compensated absences are not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

#### Pension and OPEB Plans

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

#### Fund Balances

Governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

- *Nonspendable fund balance* - amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact.
- *Restricted fund balance* - amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation.

# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- *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 action to remove or change the constraint.
- *Assigned fund balance* - amounts intended to be used by the District for specific purposes that are neither restricted nor committed. The Board and its designees (of which there are none) have the authority to assign amounts to be used for specific purposes.
- *Unassigned fund balance* - This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

#### Net Position

Net position represents the difference between a). assets and deferred outflows of resources and b). liabilities and deferred inflows of resources. 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. All other net position is reported as unrestricted.

#### Operating Revenues

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

#### Contributions of Capital

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

#### Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and as nonoperating revenues/expenses in proprietary funds.

# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Recently Issued And Adopted Accounting Principles

In April 2018, the GASB issued Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement is effective for periods beginning after June 15, 2018. The statement was adopted during the fiscal year and did not have an effect on the District's financial statements.

#### Recently Issued Accounting Pronouncements

In January 2017, the GASB issued Statement 84, *Fiduciary Activities*. This statement is effective for periods beginning after December 15, 2018. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2017, the GASB issued Statement 87, *Leases*. This statement is effective for periods beginning after December 15, 2019. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2018, the GASB issued Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement is effective for periods beginning after December 15, 2019. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In August 2018, the GASB issued Statement 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. This statement is effective for periods beginning after December 15, 2018. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In May 2019, the GASB issued Statement 91, *Conduit Debt Obligations*. This statement is effective for periods beginning after December 15, 2020. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

### NOTE 2 – ESTIMATES

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

### NOTE 3 – CASH, CASH EQUIVALENTS, AND INVESTMENT DEPOSITS

#### Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities. At June 30, 2019, \$10,960,981 of the District's bank balance of \$13,213,890 was exposed to custodial credit risk. The \$10,934,822 of the bank balance not covered by depository insurance was collateralized by securities held by the pledging financial institution and \$26,159 was uninsured and uncollateralized at June 30, 2019.



# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 3 – CASH, CASH EQUIVALENTS, AND INVESTMENT DEPOSITS – CONTINUED

#### Investments

Investments recorded by the District include the following at June 30, 2019:

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rate</u>
Certificate of deposit	10/11/2019	\$ 225,356	2.750%
Certificate of deposit	10/17/2019	225,380	2.750%
Certificate of deposit	4/17/2020	225,929	2.700%
Certificate of deposit	4/17/2020	225,929	2.750%
Certificate of deposit	5/4/2020	100,087	3.500%
Certificate of deposit	10/19/2020	227,077	2.900%
Certificate of deposit	10/30/2020	227,419	3.000%
Certificate of deposit	4/26/2021	225,263	2.550%
		<u>\$ 1,682,440</u>	

Due to the nature of the accounts and limitations imposed by the purposes of the various funds, all cash balances are considered to be restricted except for the General Fund.

The Kentucky Revised Statutes authorize the District to invest money subject to its control in obligations of the United States; bonds or certificates of indebtedness of Kentucky and its agencies and instrumentalities; savings and loan associations insured by an agency of the United States up to the amount insured; and national or state banks chartered in Kentucky and insured by an agency of the United States providing such banks pledge as security obligations, as permitted by KRS 41.240 (4), having a current quoted market value at least equal to uninsured deposits.

The District may legally invest in certificates of deposit and other interest bearing accounts insured by the Federal Deposit Insurance Corporation (FDIC), uncollateralized certificates of deposit rated in one of the three highest categories by a nationally recognized rating agency; obligations of the United States and of its agencies and instrumentalities, including any corporation of the United States government, bonds or certificates of indebtedness of the State of Kentucky and any of its agencies and instrumentalities; or securities issued by a state or local government or any instrumentalities or agency thereof in the United States and rated in one of the three highest categories by a nationally recognized rating agency; commercial paper rated in the highest category by a nationally recognized rating agency and certain mutual funds as more fully described in KRS 66.480. All of the investments of the District are held in U.S. government agency obligations, which carry the explicit guarantee of the U.S. government or certificates of deposit that are insured by the FDIC.

No investments are reported at amortized cost. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's investments are valued using level 1 inputs.

**NELSON COUNTY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2019

**NOTE 3 – CASH, CASH EQUIVALENTS, AND INVESTMENT DEPOSITS – CONTINUED**

Concentration of Credit Risk – The District, in accordance with KRS 66.480, limits the amount that may be invested at any time in uncollateralized certificates of deposit, bankers acceptances, commercial paper and securities issued by a state or local government or any instrumentality or agency thereof, to 20% of the total amount of funds invested by the District. At June 30, 2019, the District did not hold any investments in excess of this limit.

Credit Risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. More specifically, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All investments held by the District are insured or collateralized with securities held by the financial institution in the District’s name.

**NOTE 4 – TRANSFER OF FUNDS**

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

**Fund Financial Statements:**

From Fund	To Fund	Purpose	Amount
General	Special Revenue	Technology match	\$ 82,878
General	Debt Service	Debt service	382,790
Special Revenue	General	Close out projects	847,596
Building Fund	Non-major Fund	Debt Service	4,550,600
Special Revenue	Non-major Fund	District activity funds	343,169
Special Revenue	Non-major Fund	Scholarship funds	6,088
Daycare Fund	General Fund	Indirect Costs	100,171

**Government-wide Financial Statements:**

From Fund	To Fund	Purpose	Amount
Daycare Fund	General Fund	Indirect Costs	\$ 100,171

**NELSON COUNTY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2019

**NOTE 5 – CAPITAL ASSETS**

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

Governmental Activities	Balance July 01, 2018	Additions	Deductions	Balance June 30, 2019
Capital Assets Not Being Depreciated:				
Land	\$ 2,921,133	\$ -	\$ -	\$ 2,921,133
Total Capital Assets Not Being Depreciated	<u>2,921,133</u>	<u>-</u>	<u>-</u>	<u>2,921,133</u>
Capital Assets Being Depreciated:				
Land improvements	155,475	-	-	155,475
Buildings and improvements	130,606,870	-	-	130,606,870
Technology equipment	3,843,280	-	-	3,843,280
Vehicles	6,193,712	552,714	-	6,746,426
General equipment	2,424,488	40,413	-	2,464,901
Total Capital Assets Being Depreciated at Historical Cost	<u>143,223,825</u>	<u>593,127</u>	<u>-</u>	<u>143,816,952</u>
Accumulated depreciation:				
Land improvements	21,772	7,683	-	29,455
Buildings and improvements	43,380,209	3,445,087	-	46,825,296
Technology equipment	3,260,895	273,000	-	3,533,895
Vehicles	4,196,639	419,386	-	4,616,025
General equipment	1,611,104	97,246	-	1,708,350
Total accumulated depreciation	<u>52,470,619</u>	<u>4,242,402</u>	<u>-</u>	<u>56,713,021</u>
Total Other Capital Assets, net	<u>90,753,206</u>	<u>(3,649,275)</u>	<u>-</u>	<u>87,103,931</u>
Governmental Activities Capital Assets - Net	<u>\$ 93,674,339</u>	<u>\$ (3,649,275)</u>	<u>\$ -</u>	<u>\$ 90,025,064</u>

Depreciation was charged to governmental functions as follows:

Instruction	\$ 2,708,638
District administration	137,038
School administration	6,944
Plant	1,000,070
Transportation	389,712
	<u>\$ 4,242,402</u>

Business-Type Activities	Balance July 01, 2018	Additions	Deductions	Balance June 30, 2019
Capital Assets Being Depreciated:				
Technology equipment	\$ 42,977	\$ -	\$ -	\$ 42,977
General equipment	2,073,819	-	-	2,073,819
Totals at historical cost	<u>2,116,796</u>	<u>-</u>	<u>-</u>	<u>2,116,796</u>
Accumulated depreciation:				
Technology equipment	42,741	105	-	42,846
General equipment	1,647,472	81,757	-	1,729,229
Total accumulated depreciation	<u>1,690,213</u>	<u>81,862</u>	<u>-</u>	<u>1,772,075</u>
Business-type Activities Capital Assets - Net	<u>\$ 426,583</u>	<u>\$ (81,862)</u>	<u>\$ -</u>	<u>\$ 344,721</u>

# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 6 – LONG-TERM OBLIGATIONS

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

<u>Issue Date</u>	<u>Original Proceeds</u>	<u>Interest Rates</u>
2007	8,475,000	3.75%
2009	8,250,000	1.4% - 4.0%
2010 Ref	2,595,000	1.0% - 2.875%
2011	780,000	1.4% - 4.5%
2011 Ref	8,670,000	0.75% - 2.375%
2014 Ref	18,770,000	2.0% - 3.5%
2014 EN	3,420,000	1.5% - 3.7%
2015 A	8,485,000	2.0% - 3.0%
2015 B	3,485,000	2.0% - 2.45%
2016 A Ref	8,905,000	2.0% - 2.5%
2016 A	6,525,000	2.0% - 3.0%
2016 B Ref	7,260,000	2.0% - 3.3%
2017	3,480,000	2.0% - 3.0%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Nelson County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding. The District entered into "participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs.

The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements. The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2019 for debt service (principal and interest) are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>SFCC</u> <u>Participation</u>	<u>District's Portion</u>
2020	\$ 4,295,000	\$ 1,542,973	\$ 833,115	\$ 5,004,858
2021	4,395,000	1,452,020	832,874	5,014,146
2022	4,505,000	1,351,908	832,254	5,024,654
2023	4,615,000	1,249,808	832,352	5,032,456
2024	4,480,000	1,131,346	562,866	5,048,480
2025- 2029	23,415,000	3,880,326	1,921,308	25,374,018
2030 - 2034	11,760,000	956,677	398,248	12,318,429
2035 - 2038	1,650,000	74,548	71,254	1,653,294
	<u>\$ 59,115,000</u>	<u>\$ 11,639,606</u>	<u>\$ 6,284,271</u>	<u>\$ 64,470,335</u>

**NELSON COUNTY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2019

**NOTE 6 – LONG-TERM OBLIGATIONS – CONTINUED**

Capital Lease Obligations

The District has entered into a capital lease agreement for the purchase of copier/fax/scanning equipment to be used District-wide. Future minimum lease payments under the terms of the lease are as follows:

Year Ending June 30 2020	\$ 33,716
Less: amount representing interest	(390)
Present value of minimum lease payments	<u>\$ 33,326</u>
Current maturities	<u>\$ 33,326</u>

Capital assets under capital leases are depreciated over the lower of their related lease terms or their estimated productive lives. Depreciation of assets under capital leases is included in depreciation expense. The cost of the equipment under capital lease is \$290,176.

Changes in Long-term Obligations

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

	Balance <u>July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2019</u>	Amounts Due Within <u>One Year</u>
<b>Governmental Activities:</b>					
Bonds Payable:					
Revenue bonds	\$ 63,305,000	\$ -	\$ 4,190,000	\$ 59,115,000	\$ 4,295,000
Less Premium (Discount)	(437,172)	-	47,748	(389,424)	-
Total Bonds Payable	<u>62,867,828</u>	<u>-</u>	<u>4,237,748</u>	<u>58,725,576</u>	<u>4,295,000</u>
Other Liabilities:					
Other capital lease obligation	129,661	-	96,335	33,326	33,326
Compensated absences	<u>600,758</u>	<u>62,196</u>	<u>272,857</u>	<u>390,097</u>	<u>58,515</u>
Total Other Liabilities	<u>730,419</u>	<u>62,196</u>	<u>369,192</u>	<u>423,423</u>	<u>91,841</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 63,598,247</u>	<u>\$ 62,196</u>	<u>\$ 4,606,940</u>	<u>\$ 59,148,999</u>	<u>\$ 4,386,841</u>

# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 6 – LONG-TERM OBLIGATIONS – CONTINUED

#### 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.

The debt service fund is primarily responsible for paying the bond obligations through funding from the capital outlay and building funds. The general fund is primarily responsible for paying accrued sick leave.

### NOTE 7 – PENSION PLANS

#### Plan Descriptions

The Nelson County School District participates in the Teachers' Retirement System of the State of Kentucky (TRS), a component unit of the Commonwealth of Kentucky which includes certified employees and the County Employees' Retirement System (CERS), a component unit of the Commonwealth of Kentucky which includes all other employees, both of which are cost-sharing multiple-employer defined benefit plans. TRS, which qualifies as a special funding situation under GASB 68, and CERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. TRS is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Retirement Systems (KERS) administers the CERS. The TRS and CERS issue a publicly available financial reports that include financial statements and required supplementary information. TRS' report may be obtained at [www.ktrs.ky.gov](http://www.ktrs.ky.gov). CERS' report may be obtained at [www.kyret.ky.gov](http://www.kyret.ky.gov).

#### **TRS**

##### ***Retirement Plan***

##### Benefits Provided

*For Members Before 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 twenty-seven (27) years of Kentucky service.

# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 7 – PENSION PLANS – CONTINUED

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members receive monthly payments equal to two percent (2%) (service prior to July 1, 1983) and two and one-half percent (2.5%) (service after July 1, 1983) of their final average salaries for each year of credited service. Non-university members who became members on or after July 1, 2002 will receive monthly benefits equal to two percent (2%) of their final average salary for each year of service if, upon retirement, their total service is less than ten (10) years. New members after July 1, 2002 who retire with ten (10) or more years of total service will receive monthly benefits equal to two and one-half percent (2.5%) of their final average salary for each year of service, including the first ten (10) years. In addition, non-university members who retire July 1, 2004 and later with more than thirty (30) years of service will have their multiplier increased for all years over thirty (30) from two and one-half percent (2.5%) to three percent (3%) to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for members hired on or after that date.

The final average salary is the member's five (5) highest annual salaries except members at least age fifty-five (55) with twenty-seven (27) or more years of service may use their three (3) highest annual salaries. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service. The System also provides disability benefits for vested members at the rate of sixty percent (60%) of the final average salary. Cost of living increases are one and one-half percent (1.5%) annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

#### *For Members On or After 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 sixty (60) and complete five (5) years of Kentucky service, or
- 2.) Complete twenty-seven (27) years of Kentucky service, or
- 3.) Attain age fifty-five (55) and complete ten (10) years of Kentucky service.

The annual retirement allowance for non-university members is equal to: (a) one and seven tenths percent (1.7%) of final average salary for each year of credited service if their service is 10 years or less; (b) two percent (2.0%) of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) two and three tenths percent (2.3%) of final average salary for each year of credited service if their service is greater than 20 years but no more than 26 years; (d) two and one half percent (2.5%) of final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; (e) three percent (3.0%) of final average salary for years of credited service greater than 30 years.

The annual retirement allowance for university members is equal to: (a) one and one-half percent (1.5%) of final average salary for each year of credited service if their service is 10 years or less; (b) one and seven tenths percent (1.7%) of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) one and eighty five hundredths percent (1.85%) of final average salary for each year of credited service if their service is greater than 20 years but less than 27 years; (d) two percent (2.0%) of final average salary for each year of credited service if their service is greater than or equal to 27 years.

The final average salary is the member's five (5) highest annual salaries except members at least age fifty-five (55) with twenty-seven (27) or more years of service may use their three (3) highest annual salaries. For all members, the annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 7 – PENSION PLANS – CONTINUED

#### Contributions

Contribution rates are established by Kentucky Revised Statutes. The State contributes 100 percent of school districts' contractually required contributions, which are actuarially determined. Employees are required to contribute 12.855 percent of their annual salary. The school districts' contractually required contribution rate for the year ended June 30, 2019, was 13.105 percent of salaries for members in the plan before July 1, 2008 and 14.105 percent of salaries for members who started their account after June 30, 2008. The District made no contributions to the pension plan for the year ended June 30, 2019. The District reimburses the State for retirement benefits paid on all federally funded employees.

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

At June 30, 2019, the District reported no net pension liability because it did not have a proportionate share of the net pension liability. There was no amount recognized by the District as its proportionate share of the net pension liability. The related State share of the net pension liability was \$83,907,693.

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2018, the District's proportion was 0 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$6,079,753 and revenue of \$6,079,753 in the governmental fund financial statements and negative \$10,137,250 expense and negative \$10,137,250 in revenues in the government-wide financial statements for support provided by the State. At June 30, 2019, the District reported no deferred outflows of resources and no deferred inflows of resources related to TRS.

#### Actuarial Assumptions

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

Inflation	3.00 percent
Salary increases	3.50 – 7.30 percent, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

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, 2018 valuation were based on the results of an actuarial experience study prepared for the period July 1, 2010 – June 30, 2015, submitted to and adopted by the Board on September 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.



# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 7 – PENSION PLANS – CONTINUED

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term</u>
		<u>Expected Real Rate of Return</u>
U.S. Equity	40%	4.20%
International Equity	22%	5.20%
Fixed income	15%	1.20%
Other	8%	3.30%
Real Estate	6%	3.80%
Private Equity	7%	6.30%
Cash	2%	0.90%
	100%	

#### Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. It is 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.

#### Sensitivity Of The Net Pension Liability To Changes In The Discount Rate

The District has no proportional share of the net pension liability. The following presents the sensitivity of the System's net pension liability calculated using the discount rate of 7.50 percent, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1 % Decrease	Current	1% Increase
	(6.50%)	Discount Rate (7.50%)	(8.50)
System's net pension liability (in thousands)	\$ 17,595,452	\$ 13,726,922	\$ 10,472,071

#### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position, which has been determined on the same basis as that used by the plan, is available in the separately issued TRS financial report. The financial statements are prepared on the accrual basis of accounting. Member contributions and employer matching contributions are recognized in the fiscal year due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 7 – PENSION PLANS – CONTINUED

#### CERS

##### Benefits Provided

The system provides for retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of members under certain circumstances. Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 1, 2009, and on July 1 of each year thereafter through June 30, 2014, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgment, the welfare of the Commonwealth so demands. No COLA has been granted since July 1, 2011.

##### Contributions

For the fiscal year ended June 30, 2019, plan members who began participating prior to September 1, 2008, were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. The school districts' contractually required contribution rate for the year ended June 30, 2019, was 16.22 percent of annual creditable compensation. Contributions to the pension plan from the District were \$997,175.

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

At June 30, 2019, the District reported a liability of \$15,063,700 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2018, the District's proportion was 0.247339 percent, which was an increase of .001588 percent from its proportion measured as of June 30, 2017.

# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 7 – PENSION PLANS – CONTINUED

For the year ended June 30, 2019, the District recognized pension expense of \$1,389,206. At June 30, 2019, the District reported its proportionate share of the CERS deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 491,336	\$ 220,501
Changes in actuarial assumptions	1,472,162	-
Difference between projected and actual investment earnings	700,473	881,095
Changes in proportion and differences between employer contributions and proportionate share of contributions	133,185	29,836
Contributions paid to CERS subsequent to the measurement date	997,175	-
	<u>\$ 3,794,331</u>	<u>\$ 1,131,432</u>

The amount reported as deferred outflows for District contributions subsequent to the measurement date of \$997,175 will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending <u>June 30</u>	Pension Expense <u>Amount</u>
2020	\$ 1,257,883
2021	653,053
2022	(164,365)
2023	(80,847)
	<u>\$ 1,665,724</u>

#### Actuarial Assumptions

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

Inflation	2.30 percent
Salary increases	3.05 percent, average, including inflation
Investment rate of return	6.25 percent, net of pension plan investment expense, including inflation

#### Actuarial Assumptions

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. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 7 – PENSION PLANS – CONTINUED

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013 and adopted by the Board on December 4, 2014.

The long-term expected return on plan assets 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.

<u>Asset Class</u>	Target	Long-term
	<u>Allocation</u>	<u>Expected Real Rate of Return</u>
U.S. Large Cap	5.0%	4.50%
U.S. Mid Cap	6.0%	4.50%
U.S. Small Cap	6.5%	5.50%
International Equity	12.5%	6.50%
Emerging Markets	5.0%	7.25%
Global Bonds	4.0%	3.00%
Global IG Credit	2.0%	3.75%
High Yield	7.0%	5.50%
Emerging Market Debt	5.0%	6.00%
Illiquid Private	10.0%	8.50%
Real Estate	5.0%	9.00%
Absolute Return	10.0%	5.00%
Real Return	10.0%	7.00%
Private Equity	10.0%	6.50%
Cash	2.0%	1.50%
	<u>100.0%</u>	

#### Discount Rate

The discount rate used to measure the total pension liability as of the Measurement Date was 6.25%. 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 26 year closed amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CERS Comprehensive Annual Financial Report.

#### 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 percent, 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 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
District's proportionate share of the net pension liability	\$ 18,963,637	\$ 15,063,700	\$ 11,796,234

# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 7 – PENSION PLANS – CONTINUED

#### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position, which has been determined on the same basis as that used by the plan, is available in the separately issued CERS financial report. The financial statements are prepared on the accrual basis of accounting. Member contributions and employer matching contributions are recognized in the fiscal year due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

### NOTE 8 – OTHER POST-EMPLOYMENT BENEFIT PLANS

#### Plan Descriptions

The Nelson County School District participates in the Teachers' Retirement System of the State of Kentucky (TRS), a component unit of the Commonwealth of Kentucky which includes certified employees and the County Employees' Retirement System (CERS), a component unit of the Commonwealth of Kentucky which includes all other employees, both of which are cost-sharing multiple-employer defined benefit plans. TRS, which qualifies as a special funding situation for the Life Insurance Fund under GASB 75, and CERS provide other post-employment benefits to plan members and beneficiaries. TRS is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Retirement Systems (KERS) administers the CERS. The TRS and CERS issue a publicly available financial reports that include financial statements and required supplementary information. TRS' report may be obtained at [www.trs.ky.gov](http://www.trs.ky.gov). CERS' report may be obtained at [www.kyret.ky.gov](http://www.kyret.ky.gov).

#### **TRS**

#### General Information about the OPEB Plan

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

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 Fund**

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.

# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 8 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

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

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

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

At June 30, 2019, the District reported a liability of \$11,413,106 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the District's proportion was 0.328935 percent which was an decrease of .00008 percent from its proportion measured as of June 30, 2017.

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

District's proportionate share of the net OPEB liability	\$ 11,413,106
State proportionate share of the net OPEB liability associated with the District	9,836,000
	<u>\$ 21,249,106</u>

For the year ended June 30, 2019, the District recognized OPEB expense of \$504,953 in the governmental funds and revenues of \$686,000 (\$504,953 in the governmental funds and an additional \$181,047 in government-wide activities) for support provided by the Commonwealth. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

**NELSON COUNTY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2019

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 585,000
Difference between projected and actual investment earnings	-	46,000
Changes in actuarial assumptions	157,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,000	
Contributions paid to TRS subsequent to the measurement date	580,994	-
	<u>\$ 740,994</u>	<u>\$ 631,000</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$580,994 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:

Year Ending June 30	Pension Expense Amount
2020	\$ (96,000)
2021	(96,000)
2022	(96,000)
2023	(75,000)
2024	(79,000)
Thereafter	(29,000)
	<u>\$ (471,000)</u>

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

Investment rate of return	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	1.02% for FY 2018 with an ultimate rate of 5.00% by 2030
Municipal Bond Index Rate	3.56%
Discount Rate	8.00%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation

# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 8 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

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

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation.

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>Long-term Expected Real Rate of Return</u>
Global Equity	58.0%	4.60%
Fixed Income	9.0%	1.20%
Real Estate	5.5%	3.80%
Private Equity	6.5%	6.30%
Other (LIBOR)	20.0%	3.30%
Cash	1.0%	0.90%
	<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.

#### Sensitivity Of The District's Proportionate Share Of The Net OPEB Liability To Changes In The Discount Rate

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

	1 % Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
District's proportionate share of the net OPEB liability	\$ 13,384,000	\$ 11,413,106	\$ 9,772,000



# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 8 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

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

	1 % Decrease (3.20%)	Current Trend Rate (4.20%)	1% Increase (5.20)
District's proportionate share of the net OPEB liability	\$ 9,464,000	\$ 11,413,106	\$ 13,818,000

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

#### Life Insurance Fund

Plan description – Life Insurance Fund – TRS administers the life insurance fund 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 Commonwealth.

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

At June 30, 2019, the District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability was \$0 and the Commonwealth's total portion of the net OPEB liability that was associated with the District was \$169,000.

For the year ended June 30, 2019, the District recognized OPEB expense of \$5,859 in the governmental funds and revenues of 28,000 (\$5,859 in the governmental funds and an additional \$22,141 in government-wide activities) for support provided by the Commonwealth. At June 30, 2019, the District reported no deferred outflows of resources and deferred inflows of resources related to the OPEB.

# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 8 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

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

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	3.56%
Discount Rate	7.75%
Single Equivalent Interest Rate	7.50%, net of OPEB plan investment expense, including inflation

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

The remaining actuarial assumptions (e.g. initial per capita costs, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
U.S. Equity	40%	4.20%
International Equity	23%	5.20%
Fixed Income	18%	1.20%
Real Estate	6%	3.80%
Private Equity	5%	6.30%
Other	6%	3.30%
Cash	2%	0.90%
Total	<u>100%</u>	

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.

# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 8 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

#### Sensitivity Of The Net OPEB Liability To Changes In The Discount Rate

The District has no proportional share of the net pension liability. The following presents the sensitivity of the System's net pension liability calculated using the discount rate of 7.50 percent, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1 % Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50)
System's net OPEB liability (in thousands)	\$ 42,929	\$ 28,198	\$ 16,144

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

### CERS

Plan description – The Kentucky Retirement Systems' Insurance Fund (Insurance Fund) was established to provide hospital and medical insurance for eligible members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

Benefits provided – For members participating prior to July 1, 2003, KRS pays a percentage of the monthly premium for single coverage based upon the service credit accrued at retirement. Members participating on or after July 1, 2003, and before September 1, 2008, are required to earn at least 10 years of service credit in order to be eligible for insurance benefits at retirement. Members participating on or after September 1, 2008 are required to earn at least 15 years of service credit in order to be eligible for insurance benefits at retirement. The monthly health insurance contribution will be \$10 for each year of earned service increased by the CPI prior to July 1, 2009, and by 1.5% annually from July 1, 2009.

Contributions – For the fiscal year ended June 30, 2019, plan members who began participating prior to September 1, 2008, were required to contribute 0% of their annual creditable compensation. Those members who began participating on, or after, September 1, 2008 and before January 1, 2014 were required to contribute 1% of their annual creditable compensation. Those members who began participating on, or after, January 1, 2014 were required to contribute 1% of their annual creditable compensation but their contribution is not credited to their account and is not refundable. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. The school districts' contractually required contribution rate for the year ended June 30, 2019, was 5.26 percent of annual creditable compensation. Contributions to the pension plan from the District were \$323,375.

**NELSON COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED**

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

At June 30, 2019, the District reported a liability of \$4,391,402 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the 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 school districts, actuarially determined. At June 30, 2018, the District's proportion was 0.247336, which was an increase of .001585 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of \$182,601. At June 30, 2019, the District reported its proportionate share of the CERS deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 511,760
Changes in actuarial assumptions	877,028	10,146
Difference between projected and actual investment earnings	-	302,481
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,408	9,292
Contributions paid to CERS subsequent to the measurement date	323,375	-
	<u>\$ 1,205,811</u>	<u>\$ 833,679</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$323,375 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:

Year Ending June 30	Pension Expense Amount
2019	\$ 14,479
2020	14,479
2021	14,479
2022	73,226
2023	(39,304)
Thereafter	(28,602)
	<u>\$ 48,757</u>

# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 8 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

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

Investment rate of return	6.25%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.05%, average
Inflation rate	2.30%
Real Wage Growth	2.00%
Healthcare Trend Rate:	
Pre-65	Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post-65	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.
Municipal Bond Index Rate	3.62%
Discount Rate	5.85%

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 actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2008 — June 30, 2013.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the Systems. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated December 3, 2015. Several factors are considered in evaluating the long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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:

**NELSON COUNTY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2019

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
U.S. Large Cap	5.0%	4.50%
U.S. Mid Cap	6.0%	4.50%
U.S. Small Cap	6.5%	5.50%
International Equity	12.5%	6.50%
Emerging Markets	5.0%	7.25%
Global Bonds	4.0%	3.00%
Global IG Credit	2.0%	3.75%
High Yield	7.0%	5.50%
Emerging Market Debt	5.0%	6.00%
Illiquid Private	10.0%	8.50%
Real Estate	5.0%	9.00%
Absolute Return	10.0%	5.00%
Real Return	10.0%	7.00%
Private Equity	10.0%	6.50%
Cash	2.0%	1.50%
	<u>100.0%</u>	

The projection of cash flows used to determine the discount rate of 5.85% assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.62%, as reported in Fidelity Index's "20 –Year Municipal GO AA Index" as of June 30, 2018. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

Sensitivity Of The District's Proportionate Share Of The Net OPEB Liability To Changes In The Discount Rate

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	\$ 5,703,727	\$ 4,391,402	\$ 3,273,540

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.

**NELSON COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED**

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 3,269,442	\$ 4,391,402	\$ 5,713,869

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

DEFERRED COMPENSATION

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Sections 457, 401(k) and 403(b). The Plans, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administrative involvement who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The District, therefore, does not show these assets and liabilities on these financial statements.

**NOTE 9 – FUND BALANCES – CONTINUED**

Nonspendable fund balances are those that cannot be spent on future obligations. There were no nonspendable fund balances reported at June 30, 2019.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2019, the District had \$342,420 restricted for student activities in the District Activity Fund, \$1,844,006 restricted for capital projects in the Construction Fund, \$399,206 restricted for debt service in the Capital Outlay Fund, and \$346,250 restricted for debt service in the Building Fund.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had the following general fund commitments at June 30, 2019: \$250,000 for sick leave; \$430,000 for future site costs, \$334,000 for future general fund construction, and \$256,756 for future technology upgrades.

Assigned fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. There were no amounts assigned related to encumbrances at June 30, 2019. Assigned fund balance also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose. At June 30, 2019, the District had no assigned fund balances.

# **NELSON COUNTY SCHOOL DISTRICT**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2019

### **NOTE 9 – FUND BALANCES – CONTINUED**

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The District considers unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Also, the District has established the order of assigned, committed and restricted when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

### **NOTE 10 – COMMITMENTS AND CONTINGENCIES**

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

In addition, the District operates in a heavily regulated environment. The operations of the District are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U.S. Department of Education and the Kentucky Department of Education. Such administrative directives, rules and regulations are subject to change by an act of Congress of the Kentucky Legislature or an administrative change mandated by the Kentucky Department of Education. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.



# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

### NOTE 11 – LITIGATION

The District is subject to various other legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the combined financial statements as a result of the cases presently in progress. The Nelson County School District is covered by insurance which provides for a defense and response to the litigation.

### NOTE 12 – INSURANCE AND RELATED ACTIVITIES

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

### NOTE 13 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for errors and omissions and general liability coverage, the District purchases insurance with a commercial insurance company. District purchases insurance through Kentucky Employers Mutual Insurance for workers compensation.

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

### NOTE 14 – DEFICIT OPERATING BALANCES

The Food Service Fund and Child Care Fund had a deficit net position at June 30, 2019 in the amounts of \$1,409,792 and \$1,322,281, respectively. The deficit net position is a result of the recording of the net pension liability and net OPEB liability for CERS.

The following funds had operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of net position / fund balance:

Special Revenue Fund	\$	181,049
Food Service Fund		326,539
Child Care Fund		730,746

**NELSON COUNTY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2019

**NOTE 15 – ON-BEHALF PAYMENTS**

The District receives on-behalf payments from the Commonwealth of Kentucky for items including pension, technology, health care costs, operating costs and debt service. The amounts received and funds where these items were recorded for the fiscal year ended June 30, 2019 were as follows:

Health	\$ 4,337,760
Life	7,577
Admin	62,638
HRA	346,000
TRS - Pension	6,079,753
TRS - OPEB	510,812
Technology	107,134
Debt Service	837,037
Less: Federal Reimbursement	<u>(253,543)</u>
 Total on-behalf	 <u><u>\$ 12,035,168</u></u>
 Recorded as follows:	
General Fund	\$ 10,866,191
Food Service Fund	201,792
Daycare Fund	130,148
Debt Service Fund	<u>837,037</u>
	 <u><u>\$ 12,035,168</u></u>

**NOTE 16 – COBRA**

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**NELSON COUNTY SCHOOL DISTRICT**

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

FOR THE YEAR ENDED JUNE 30, 2019

	Original	Final	Actual
<b>Revenues</b>			
From local sources:			
Taxes:			
Property	\$ 11,495,000	\$ 11,465,000	\$ 11,532,332
Motor vehicle	1,400,000	1,500,000	1,720,470
Utilities	1,700,000	1,700,000	1,735,287
Distilled spirits	2,575,000	2,650,000	3,283,376
Earnings on investments	40,000	71,264	127,096
Other local revenues	100,000	186,713	265,017
Intergovernmental - State	20,900,000	21,135,918	24,682,134
Intergovernmental - Direct Federal	-	110,000	123,953
<b>Total Revenues</b>	<u>38,210,000</u>	<u>38,818,895</u>	<u>43,469,665</u>
<b>Expenditures</b>			
Instruction	20,970,312	21,696,990	23,861,388
Support services:			
Student	1,757,660	1,846,274	1,924,722
Instruction staff	2,744,124	2,362,921	2,798,877
District administrative	1,218,202	1,431,600	1,124,479
School administrative	3,035,508	3,150,305	3,556,345
Business	1,096,151	2,002,850	1,557,247
Plant operation and maintenance	3,848,721	4,177,915	4,008,445
Student transportation	3,049,567	3,397,180	3,176,753
Community service activities	-	36,175	41,651
Other	2,000,000	1,803,157	-
Debt service:			
Principal	185,868	-	-
Interest	143,887	-	48,415
<b>Total Expenditures</b>	<u>40,050,000</u>	<u>41,905,367</u>	<u>42,098,322</u>
<b>Excess (Deficit) of Revenues over Expenditures</b>	<u>(1,840,000)</u>	<u>(3,086,472)</u>	<u>1,371,343</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from disposal of capital assets	-	-	500
Transfers in	140,000	255,000	947,767
Transfers out	(100,000)	(500,673)	(465,668)
<b>Total Other Financing Sources (Uses)</b>	<u>40,000</u>	<u>(245,673)</u>	<u>482,599</u>
<b>Net Change in Fund Balance</b>	(1,800,000)	(3,332,145)	- 1,853,942
<b>Fund Balance, July 1, 2018</b>	1,800,000	2,088,737	3,431,407
<b>Fund Balance, June 30, 2019</b>	<u>\$ -</u>	<u>\$ (1,243,408)</u>	<u>\$ 5,285,349</u>

**NELSON COUNTY SCHOOL DISTRICT**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET TO ACTUAL  
SPECIAL REVENUE FUND**

FOR THE YEAR ENDED JUNE 30, 2019

	Original	Final	Actual
<b>Revenues</b>			
Other local revenues	\$ 20,000	\$ 76,625	\$ 573,649
Intergovernmental - State	1,384,836	1,665,701	1,457,244
Intergovernmental - Indirect Federal	1,926,165	2,009,790	2,631,216
<b>Total Revenues</b>	<u>3,331,001</u>	<u>3,752,116</u>	<u>4,662,109</u>
<b>Expenditures</b>			
Instruction	2,240,901	2,875,969	2,737,720
Support services:			
Student	259,100	134,060	230,633
Instruction staff	132,490	132,490	221,617
School administrative	-	-	248
Business Support	150,000	165,756	437
Plant operation and maintenance	72,278	85,278	72,281
Student transportation	283,705	117,495	97,427
Community service activities	267,527	329,538	368,819
<b>Total Expenditures</b>	<u>3,406,001</u>	<u>3,840,586</u>	<u>3,729,182</u>
<b>Excess (Deficit) of Revenues over Expenditures</b>	<u>(75,000)</u>	<u>(88,470)</u>	<u>932,927</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	75,000	82,878	82,878
Transfers out	-	-	(1,196,854)
<b>Total Other Financing Sources (Uses)</b>	<u>75,000</u>	<u>82,878</u>	<u>(1,113,976)</u>
<b>Net Change in Fund Balance</b>	<u>-</u>	<u>(5,592)</u>	<u>(181,049)</u>
<b>Fund Balance, July 1, 2018</b>	<u>-</u>	<u>-</u>	<u>183,891</u>
<b>Fund Balance, June 30, 2019</b>	<u>\$ -</u>	<u>\$ (5,592)</u>	<u>\$ 2,842</u>

**NELSON COUNTY SCHOOL DISTRICT**

**SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**

**FOR THE YEAR ENDED JUNE 30, 2019**

<b>CERS</b>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.247339%	0.245751%	0.241810%	0.248350%	0.252790%
Proportionate share of the net pension liability	\$ 15,063,700	\$ 14,384,562	\$ 11,905,816	\$ 10,678,078	\$ 8,201,309
Covered - employee payroll	\$ 6,115,449	\$ 6,003,620	\$ 5,880,370	\$ 5,801,992	\$ 5,461,978
Proportionate share of the net pension liability as percentage of covered payroll	246.3%	239.6%	202.5%	184.0%	150.2%
Plan fiduciary net position as a percentage of the total pension liability	53.54%	53.30%	55.50%	59.97%	66.80%
<b>TRS</b>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -
State proportionate share of the net pension liability associated with the District	<u>83,907,693</u>	<u>168,684,244</u>	<u>182,723,668</u>	<u>144,669,837</u>	<u>122,991,359</u>
Total	<u>\$ 83,907,693</u>	<u>\$ 168,684,244</u>	<u>\$ 182,723,668</u>	<u>\$ 144,669,837</u>	<u>\$ 122,991,359</u>
Covered - employee payroll	\$ 18,928,279	\$ 18,260,022	\$ 18,312,036	\$ 18,016,715	\$ 17,821,912
District's proportionate share of the net pension liability as percentage of covered payroll	0.0%	0.0%	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	59.30%	39.80%	35.20%	42.50%	45.59%

\* The above schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will report available information.

Note: The amounts presented for each fiscal year were determined as of the prior fiscal year-end June 30.

**NELSON COUNTY SCHOOL DISTRICT**  
**SCHEDULES DISTRICT CONTRIBUTIONS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**CERS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 997,175	\$ 885,517	\$ 837,505	\$ 730,342	\$ 739,754
Contribution in relation to the actuarially determined contributions	<u>997,175</u>	<u>885,517</u>	<u>837,505</u>	<u>730,342</u>	<u>739,754</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 6,147,811	\$ 6,115,449	\$ 6,003,620	\$ 5,880,370	\$ 5,801,992
Contributions as a percentage of covered employee payroll	16.22%	14.48%	13.95%	12.42%	12.75%

**TRS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution in relation to the actuarially determined contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 18,394,531	\$ 18,928,279	\$ 18,260,022	\$ 18,312,036	\$ 18,016,715
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%

\* The above schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will report available information.

Note: The amounts presented for each fiscal year were determined as of the prior fiscal year-end June 30.

## NELSON COUNTY SCHOOL DISTRICT

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSIONS

JUNE 30, 2019

#### CERS PENSION

*Changes of benefit terms.* There were no changes in benefit terms for 2015 through 2019.

*Changes of assumptions (as of June 30 of the year measurement date):*

2014 – 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. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted. The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

2015 and 2016 – No changes.

2017 – The assumed investment return was changed from 7.50% to 6.25%. The price inflation assumption was changed from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service. The payroll growth assumption (applicable for the amortization unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%.

2018 – No changes.

#### TRS PENSION

*Changes of benefit terms.* There were no changes in benefit terms for 2015 through 2019.

*Changes of assumptions (as of June 30 of the year measurement date):*

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. Beginning with the 2014 valuation, the interest smoothing methodology is no longer used. In 2014, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.16% to 5.23%. In 2015, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.23% to 4.88%. In the 2016 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2016 valuation, the Assumed Salary Scale, Price Inflation, and Wage Inflation were adjusted to reflect a decrease. In addition, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.88% to 4.20%. In 2017, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.20% to 4.49%. In 2018, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.49% to 7.50%.



**NELSON COUNTY SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE TRS NET OPEB LIABILITY – MEDICAL INSURANCE FUND**

JUNE 30, 2019

	<u>2019</u>	<sup>*</sup> <u>2018</u>
Proportion of the net OPEB liability	0.32894%	0.32885%
District's proportionate share of the net OPEB liability	\$ 11,413,106	\$ 11,726,113
State proportionate share of the net OPEB liability associated with the District	<u>9,836,000</u>	<u>9,579,000</u>
Total	<u>\$ 21,249,106</u>	<u>\$ 21,305,113</u>
Covered - employee payroll	\$ 18,928,279	\$ 18,260,022
District's proportionate share of the net OPEB liability as percentage of covered payroll	60.3%	64.2%
Plan fiduciary net position as a percentage of the total OPEB liability	25.50%	21.20%

\* The above schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will report available information.

**NELSON COUNTY SCHOOL DISTRICT**

**SCHEDULE OF THE CONTRIBUTIONS TO TRS MEDICAL INSURANCE FUND**

JUNE 30, 2019

	<u>2019</u>	<sup>*</sup> <u>2018</u>
Contractually required contribution (actuarially determined)	\$ 580,994	\$ 613,167
Contribution in relation to the actuarially determined contributions	<u>580,994</u>	<u>613,167</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 18,394,531	\$ 18,928,279
Contributions as a percentage of covered employee payroll	3.16%	3.24%

\* The above schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will report available information.

**NELSON COUNTY SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE TRS NET OPEB LIABILITY – LIFE INSURANCE FUND**

JUNE 30, 2019

	<u>2019</u>	<sup>*</sup> <u>2018</u>
Proportion of the net OPEB liability	0.00000%	0.00000%
District's proportionate share of the net OPEB liability	\$ -	\$ -
State proportionate share of the net OPEB liability associated with the District	<u>169,000</u>	<u>128,000</u>
Total	<u>\$ 169,000</u>	<u>\$ 128,000</u>
Covered - employee payroll	\$ 18,928,279	\$ 18,260,022
District's proportionate share of the net OPEB liability as percentage of covered payroll	0.0%	0.0%
Plan fiduciary net position as a percentage of the total OPEB liability	75.00%	80.00%

\* The above schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will report available information.

**NELSON COUNTY SCHOOL DISTRICT**

**SCHEDULE OF CONTRIBUTIONS TO THE TRS LIFE INSURANCE FUND**

JUNE 30, 2019

	<u>2019</u>	<sup>*</sup> <u>2018</u>
Contractually required contribution (actuarially determined)	\$ -	\$ -
Contribution in relation to the actuarially determined contributions	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 18,394,531	\$ 18,928,279
Contributions as a percentage of covered employee payroll	0.00%	0.00%

\* The above schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will report available information.

**NELSON COUNTY SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE CERS NET OPEB LIABILITY**

JUNE 30, 2019

	<u>2019</u>	<sup>*</sup> <u>2018</u>
Proportion of the net OPEB liability	0.247336%	0.245751%
Proportionate share of the net OPEB liability	\$ 4,391,402	\$ 4,940,437
Covered - employee payroll	\$ 6,147,811	\$ 6,115,449
Proportionate share of the net OPEB liability as percentage of covered payroll	71.4%	80.8%
Plan fiduciary net position as a percentage of the total OPEB liability	57.62%	52.39%

\* The above schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will report available information.

**NELSON COUNTY SCHOOL DISTRICT**

**SCHEDULE OF CONTRIBUTIONS TO CERS OPEB**

JUNE 30, 2019

	<u>2019</u>	<sup>*</sup> <u>2018</u>
Contractually required contribution (actuarially determined)	\$ 323,375	\$ 287,426
Contribution in relation to the actuarially determined contributions	<u>323,375</u>	<u>287,426</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 6,147,811	\$ 6,115,449
Contributions as a percentage of covered employee payroll	5.26%	4.70%

\* The above schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will report available information.

## NELSON COUNTY SCHOOL DISTRICT

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB

JUNE 30, 2019

#### CERS OPEB

*Changes of benefit terms.* There were no changes in benefit terms for 2018 to 2019.

*Changes of assumptions (as of June 30 of the year measurement date):*

2017 – The assumed investment return was changed from 7.50% to 6.25%. The price inflation assumption was changed from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service. The payroll growth assumption (applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%. For the Non-Hazardous Plan, the single discount rate changed from 6.89% to 5.84%. For the Hazardous Plan, the single discount rate changed from 7.37% to 5.96%.

2018 – No changes.

#### TRS OPEB

*Changes of benefit terms.*

2018

MIF – 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.

LIF - None

2019 – No changes for MIF or LIF.

*Changes of assumptions (as of June 30 of the year measurement date):*

The MIF had no changes for 2017 and updated the health care trend rates for 2018. There were no changes in assumptions for 2017 or 2018 for the LIF.

**SUPPLEMENTARY INFORMATION**



**NELSON COUNTY SCHOOL DISTRICT**

**COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS**

JUNE 30, 2019

	Capital Outlay Fund	District Activity Fund	Building Fund	Total Nonmajor Governmental Funds
<b>Assets:</b>				
Cash and cash equivalents	\$ 399,206	\$ 340,679	\$ 346,250	\$ 1,086,135
Receivables	-	-	-	-
<b>Total Assets</b>	<u>\$ 399,206</u>	<u>\$ 340,679</u>	<u>\$ 346,250</u>	<u>\$ 1,086,135</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 259	\$ -	\$ 259
<b>Total Liabilities</b>	<u>-</u>	<u>259</u>	<u>-</u>	<u>259</u>
<b>Fund Balances</b>				
Restricted	399,206	340,420	346,250	1,085,876
<b>Total Fund Balances</b>	<u>399,206</u>	<u>340,420</u>	<u>346,250</u>	<u>1,085,876</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 399,206</u>	<u>\$ 340,679</u>	<u>\$ 346,250</u>	<u>\$ 1,086,135</u>

**NELSON 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	District Activity Fund	Building Fund	Total Nonmajor Governmental Funds
<b>Revenues</b>				
From local sources:				
Taxes:				
Property	\$ -	\$ -	\$ 4,002,804	\$ 4,002,804
Intergovernmental - State	399,206	-	660,842	1,060,048
<b>Total Revenues</b>	<u>399,206</u>	<u>-</u>	<u>4,663,646</u>	<u>5,062,852</u>
 <b>Other Financing Sources (Uses)</b>				
Transfers in		343,169	-	343,169
Transfers out	-	-	(4,550,600)	(4,550,600)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>343,169</u>	<u>(4,550,600)</u>	<u>(4,207,431)</u>
 <b>Net Change in Fund Balances</b>	399,206	340,420	113,046	852,672
 <b>Fund balance, July 1, 2018</b>	<u>-</u>	<u>-</u>	<u>233,204</u>	<u>233,204</u>
 <b>Fund balance, June 30, 2019</b>	<u>\$ 399,206</u>	<u>\$ 340,420</u>	<u>\$ 346,250</u>	<u>\$ 1,085,876</u>

**NELSON COUNTY SCHOOL DISTRICT**

**COMBINING STATEMENT OF FIDUCIARY NET POSITION – AGENCY FUNDS**

JUNE 30, 2019

	Bloomfield Middle School	New Haven School	Boston School	Old Kentucky Home Middle School	Cox's Creek Elementary School	Foster Heights Elementary School
<b>Assets</b>						
Cash and cash equivalents	\$ 19,791	\$ 56,601	\$ 25,447	\$ 23,200	\$ 51,436	\$ 4,305
Receivables	-	-	-	-	-	-
<b>Total Assets</b>	<u>\$ 19,791</u>	<u>\$ 56,601</u>	<u>\$ 25,447</u>	<u>\$ 23,200</u>	<u>\$ 51,436</u>	<u>\$ 4,305</u>
<b>Liabilities</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ 82	\$ 7,023	\$ -
Due to student groups	19,791	56,601	25,447	23,118	44,413	4,305
<b>Total Liabilities</b>	<u>\$ 19,791</u>	<u>\$ 56,601</u>	<u>\$ 25,447</u>	<u>\$ 23,200</u>	<u>\$ 51,436</u>	<u>\$ 4,305</u>
<b>Assets</b>						
	Nelson County High School	Bloomfield Elementary School	Thomas Nelson High School	Early Childhood Center	Hoirzons Academy	Total Agency Funds
Cash and cash equivalents	\$ 8,255	\$ 203,108	\$ 39,302	\$ 45,631	\$ 139,814	\$ 616,890
Receivables	-	2,399	-	-	-	2,399
<b>Total Assets</b>	<u>\$ 8,255</u>	<u>\$ 205,507</u>	<u>\$ 39,302</u>	<u>\$ 45,631</u>	<u>\$ 139,814</u>	<u>\$ 619,289</u>
<b>Liabilities</b>						
Accounts payable	\$ -	\$ 27,842	\$ 1,007	\$ -	\$ -	\$ 35,954
Due to student groups	8,255	177,665	38,295	45,631	139,814	583,335
<b>Total Liabilities</b>	<u>\$ 8,255</u>	<u>\$ 205,507</u>	<u>\$ 39,302</u>	<u>\$ 45,631</u>	<u>\$ 139,814</u>	<u>\$ 619,289</u>

**NELSON COUNTY SCHOOL DISTRICT**

**SCHEDULE OF ASSETS, RECEIPTS, DISBURSEMENTS, AND LIABILITIES – ALL SCHOOLS**

AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

SCHOOL	CASH BALANCE JULY 1, 2018	RECEIPTS	DISBURSE- MENTS	CASH BALANCE JUNE 30, 2019	RECEIVABLES JUNE 30, 2019	ACCOUNTS PAYABLE JUNE 30, 2019	DUE TO STUDENT GROUPS JUNE 30, 2019
Bloomfield Elementary School	\$ 69,054	\$ 64,291	\$ 113,554	\$ 19,791	\$ -	\$ -	\$ 19,791
Bloomfield Middle School	60,874	156,108	160,381	56,601	-	-	56,601
Boston Elementary School	35,833	84,953	95,339	25,447	-	-	25,447
Cox's Creek Elementary School	25,008	105,203	107,011	23,200	-	-	23,200
Foster Heights Elementary School	60,752	190,872	200,188	51,436	-	7,023	44,413
Horizons Academy	3,808	1,872	1,375	4,305	-	-	4,305
Nelson Co. Early Learning Center	3,556	7,021	2,322	8,255	-	-	8,255
Nelson County High School	293,081	563,232	653,205	203,108	2,399	27,842	177,665
New Haven Elementary School	34,872	111,876	107,446	39,302	-	-	39,302
Old Ky Home Middle School	41,829	137,282	133,480	45,631	-	82	45,549
Thomas Nelson High School	133,576	408,382	402,144	139,814	-	1,007	138,807
	<u>\$ 762,243</u>	<u>\$ 1,831,092</u>	<u>\$ 1,976,445</u>	<u>\$ 616,890</u>	<u>\$ 2,399</u>	<u>\$ 35,954</u>	<u>\$ 583,335</u>

# NELSON COUNTY SCHOOL DISTRICT

## SCHEDULE OF ASSETS, RECEIPTS, DISBURSEMENTS, AND LIABILITIES – NELSON COUNTY HIGH SCHOOL

AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NAME OF ACTIVITY	CASH		DISBURSE- MENTS	CASH		RECEIVABLES JUNE 30, 2019	ACCOUNTS PAYABLE JUNE 30, 2019	DUE TO STUDENT GROUPS JUNE 30, 2019
	BALANCES JULY 1, 2018	RECEIPTS		BALANCES JUNE 30, 2019				
General Fund	\$ 6,532	\$ 4,412	\$ 9,312	\$ 1,632	\$ -	\$ -	\$ 1,632	
Closed	-	4,083	4,083	-	-	-	-	
Athletic Vending	1,652	457	869	1,240	-	-	1,240	
Concessions	11,539	57,257	63,052	5,744	-	-	5,744	
Teacher's Lounge/Admin	833	791	1,079	545	-	56	489	
Board Parking Pass	-	1,915	1,915	-	-	-	-	
Board Band	-	8,867	8,867	-	-	-	-	
Sweep	-	163,197	163,197	-	-	-	-	
Band Fundraising	2,947	27,957	27,687	3,217	-	111	3,106	
AP Exam	2,751	11,803	12,011	2,543	-	-	2,543	
Choir	156	4,362	4,111	407	-	-	407	
Drama	10,775	10,183	8,500	12,458	-	700	11,758	
FRYSC	-	2,500	94	2,406	-	-	2,406	
Guidance	1,876	669	-	2,545	-	-	2,545	
Special Education	902	32	32	902	-	-	902	
Prom	7,038	9,696	3,005	13,729	-	-	13,729	
Board Library	-	326	326	-	-	-	-	
Global Educ Tour Group	-	1,281	1,281	-	-	-	-	
Board Use of Building	-	4,926	4,926	-	708	-	708	
Yearbook	35,053	8,497	1,613	41,937	-	300	41,637	
Student Beverage-Vending	1,303	2,728	1,768	2,263	-	-	2,263	
ROTC-Unit Funds	6,667	9,866	10,745	5,788	1,691	-	7,479	
Board Instructional	-	19,411	19,411	-	-	-	-	
Board Science Dept	-	557	557	-	-	-	-	
Board Art	-	100	100	-	-	-	-	
Art	526	5,755	5,602	679	-	-	679	
Graduate Class	36	75	-	111	-	10	101	
KYA Club	-	1,762	1,570	192	-	-	192	
Transition	704	519	987	236	-	-	236	
Key Club	325	6,281	5,687	919	-	-	919	
Beta Club	539	5,889	4,844	1,584	-	-	1,584	
FBLA	1,619	-	-	1,619	-	-	1,619	
Vex Robotics Club	171	30	-	201	-	-	201	
Nelson County ATC	515	1,014	1,426	103	-	-	103	
FCCLA	694	10,455	7,983	3,166	-	-	3,166	
FFA	4,445	26,439	24,154	6,730	-	2,235	4,495	
STLP	211	379	522	68	-	-	68	
SAC	-	374	194	180	-	-	180	
Future Problem Solving	105	-	52	53	-	-	53	
National Honor Society	226	1,610	1,771	65	-	-	65	
Library Magazine	21	-	-	21	-	-	21	
Student Council	1,649	2,111	2,314	1,446	-	-	1,446	
FFA-School-Truck Ticket	-	3,096	971	2,125	-	-	2,125	
Academic Team	269	894	1,016	147	-	-	147	
FCA	814	-	70	744	-	-	744	
FFA- Region Lincoln Trail	1,444	1,585	1,349	1,680	-	-	1,680	
Girls Golf	3,064	4,670	4,816	2,918	-	3,725	(807)	
E-Sports Club	-	1,088	1,088	-	-	-	-	
Girls Soccer	9,781	9,841	16,214	3,408	-	-	3,408	
Athletic	19,180	100,911	93,147	26,944	-	14,203	12,741	
Boys Basketball	415	23,327	22,034	1,708	-	-	1,708	
Turf Replacement Fund	110,741	4,199	114,940	-	-	-	-	
Bass Fishing	-	2,011	1,025	986	-	-	986	
Track/Cross Country	2,740	21,767	21,021	3,486	-	600	2,886	
Pep Club/The End Zone	580	180	153	607	-	-	607	
Boys Soccer	2,949	13,090	12,432	3,607	-	-	3,607	
Dance Team	1,209	1,510	1,371	1,348	-	-	1,348	
Archery	8,784	13,794	10,696	11,882	-	4,211	7,671	
Tennis	147	148	50	245	-	-	245	
Baseball	1,173	16,905	16,806	1,272	-	-	1,272	
Girls Softball	2,742	3,566	3,394	2,914	-	200	2,714	
Volleyball	2,154	6,406	5,741	2,819	-	-	2,819	
Boys Golf	592	-	450	142	-	-	142	

**NELSON COUNTY SCHOOL DISTRICT**

**SCHEDULE OF ASSETS, RECEIPTS, DISBURSEMENTS, AND LIABILITIES – NELSON COUNTY HIGH SCHOOL**

AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

**(Continued)**

NAME OF ACTIVITY	CASH		DISBURSE- MENTS	CASH		ACCOUNTS PAYABLE	DUE TO STUDENT GROUPS
	BALANCES JULY 1, 2018	RECEIPTS		BALANCES JUNE 30, 2019	RECEIVABLES JUNE 30, 2019		
Swim Team	3,179	845	503	3,521	-	-	3,521
Cheerleaders	769	5,073	3,903	1,939	-	586	1,353
Bowling	675	2,378	2,498	555	-	-	555
Lady Cards Basketball	961	8,128	8,129	960	-	-	960
Wrestling	1,038	1,200	690	1,548	-	-	1,548
Football	3,588	8,294	8,608	3,274	-	86	3,188
N.C. Elem Boys Basketball	834	27,750	28,584	-	-	-	-
Board Project Graduation	-	1,148	1,148	-	-	-	-
Project Graduation	3,162	36,622	38,917	867	-	819	48
FFA Alumni	8,287	4,399	5,953	6,733	-	-	6,733
Sub total	293,081	743,391	833,364	203,108	2,399	27,842	177,665
Transfers	-	180,159	180,159	-	-	-	-
TOTALS	\$ 293,081	\$ 563,232	\$ 653,205	\$ 203,108	\$ 2,399	\$ 27,842	\$ 177,665

# NELSON COUNTY SCHOOL DISTRICT

## SCHEDULE OF ASSETS, RECEIPTS, DISBURSEMENTS, AND LIABILITIES – THOMAS NELSON HIGH SCHOOL

AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NAME OF ACTIVITY	CASH		DISBURSE- MENTS	CASH		ACCOUNTS PAYABLE	DUE TO STUDENT GROUPS
	BALANCES JULY 1, 2018	RECEIPTS		BALANCES JUNE 30, 2019	RECEIVABLES JUNE 30, 2019		
General	\$ 2,768	\$ 20,329	\$ 13,887	\$ 9,210	\$ -	\$ -	\$ 9,210
Board Account	-	45,410	42,719	2,691	-	-	2,691
Board - Project Liftoff	-	10,924	10,924	-	-	-	-
Laying the Foundation	822	-	-	822	-	-	822
Gate/Concession Change	-	3,100	3,100	-	-	-	-
KYA	787	716	-	1,503	-	-	1,503
FRYSC	-	2,500	63	2,437	-	-	2,437
SEA	492	-	-	492	-	-	492
SOC	1,594	16,470	7,358	10,706	-	-	10,706
Concessions	6,698	35,722	34,070	8,350	-	-	8,350
Concession Equipment	3,907	-	2,880	1,027	-	-	1,027
Athletics	9,426	88,207	77,917	19,716	-	-	19,716
Staff Vending	370	800	933	237	-	-	237
Leadership Dynamics	2,377	-	-	2,377	-	-	2,377
STLP	8	-	-	8	-	-	8
FBLA	474	570	709	335	-	-	335
FCA	252	-	-	252	-	-	252
Key Club	4,253	50	268	4,035	-	-	4,035
VAPA	207	-	-	207	-	-	207
G Crew	-	450	281	169	-	-	169
Beta Club	1,951	16,036	12,714	5,273	-	-	5,273
tCOY	3	-	-	3	-	-	3
Speech	-	1,297	1,190	107	-	-	107
Science/Engineering Club	290	654	601	343	-	-	343
Academic Team/FPS	1,667	565	1,161	1,071	-	-	1,071
Football	5,695	24,795	24,199	6,291	-	-	6,291
Volleyball	2,121	20,701	18,583	4,239	-	-	4,239
Boys Basketball	6,035	11,320	15,610	1,745	-	-	1,745
Boy's Soccer	3,032	3,545	4,166	2,411	-	134	2,277
Girls Soccer	2,243	12,602	8,905	5,940	-	-	5,940
T Martin Memorial Fund	-	4,343	1,875	2,468	-	-	2,468
Boys' Golf	781	-	777	4	-	-	4
Girls' Golf	857	356	1,210	3	-	-	3
Bowling	12	4,230	1,912	2,330	-	-	2,330
Cross Country	316	9,161	7,903	1,574	-	-	1,574
Baseball	917	9,384	5,101	5,200	-	-	5,200
Wrestling	858	100	906	52	-	-	52
Girls Basketball	13,657	10,699	15,742	8,614	-	-	8,614
Archery	2,955	3,779	5,490	1,244	-	-	1,244
Girl's Softball	1,388	6,251	5,232	2,407	-	-	2,407
Bass Fishing	419	-	404	15	-	-	15
Swim Team	734	3,020	2,730	1,024	-	675	349
Cheerleading	2,136	5,407	5,341	2,202	-	-	2,202
Tennis	185	1,353	1,534	4	-	-	4
Band	2,474	6,752	6,789	2,437	-	-	2,437
Choir	1,077	401	919	559	-	-	559
Drama	1,044	11,333	7,944	4,433	-	-	4,433
FFA	187	12,966	11,886	1,267	-	198	1,069
Corn Maze	7,671	7,226	9,044	5,853	-	-	5,853
FFA Alumni	5,621	1,072	5,056	1,637	-	-	1,637
Farm Bureau FFA	141	-	-	141	-	-	141
AP Test	1,428	13,028	13,664	792	-	-	792
Project Liftoff	287	16,159	16,393	53	-	-	53
Prom	11,229	-	10,237	992	-	-	992
Library	468	-	-	468	-	-	468
Yearbook	17,491	-	17,491	-	-	-	-
Art	564	-	-	564	-	-	564
Physical Ed	114	-	-	114	-	-	114
National Honor Society	684	539	893	330	-	-	330
Lafayette House	80	1,438	789	729	-	-	729
Hamilton House	51	4,965	4,980	36	-	-	36
Lincoln House	68	480	507	41	-	-	41
Washington House	210	1,117	1,097	230	-	-	230
Sub total	133,576	452,322	446,084	139,814	-	1,007	138,807
Transfers	-	43,940	43,940	-	-	-	-
TOTALS	\$ 133,576	\$ 408,382	\$ 402,144	\$ 139,814	\$ -	\$ 1,007	\$ 138,807

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**



**NELSON COUNTY SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2019**

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR'S IDENTIFYING NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Child Nutrition Cluster - Cash Assistance Passed Through State Department of agriculture School Breakfast Program	10.553	7760005-18 7760005-19	\$ 94,796 355,887
National School Lunch Program	10.555	7760005-18 7760005-19	269,513 979,921
Summer Food Service Program for Children	10.559	7690024-18 7740023-19	9,502 29,613
Non-Cash Assistance (Commodities) National School Lunch Program	10.555	4003164	<u>190,363</u>
TOTAL U.S. DEPT. OF AGRICULTURE			<u>1,929,595</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Special Education Cluster (IDEA) - Passed Through State Department of Education			
Special Education - Grants to States	84.027	337CD 337DP 337E	220,178 16,953 543,101
Special Education - Preschool Grants	84.173	343D 343E 343DP	13,646 49,519 <u>4,263</u>
			<u>847,660</u>
<u>OTHER U.S. DEPARTMENT OF EDUCATION PROGRAMS</u>			
Passed Through State Department of Education			
Title I Grants to Local Educational Agencies	84.010	310D 310DM 310DN 310E 310EN 3110EP	233,988 3,819 5,859 552,040 17,508 302
			<u>813,516</u>
Career and Technical Education - Basic Grants to States	84.048	348D 348DA 348E	1,353 1,080 29,334
			<u>31,767</u>
Title III - Limited English Proficiency	84.365	345C 345D 345E	3,164 2,296 1,684
			<u>7,144</u>
Supporting Effective Instruction - State Grants	84.367	401D 401DP 401E 401EP	770 2,599 58,824 9,043
			<u>71,236</u>

See accompanying independent auditor's report and notes to the schedule of expenditures of federal awards.

**NELSON COUNTY SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2019**

**(Continued)**

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR'S IDENTIFYING NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
Student Support and Academic Enrichment Program	84.424A	552D	19,286
		552DP	1,330
		552EP	3,307
		552ES	23,221
		552ET	3,800
		552EW	3,180
			<hr/> 54,124
TOTAL U.S. DEPARTMENT OF EDUCATION			<hr/> 1,825,447
TOTAL EXPENDITURES OF FEDERAL AWARDS			<hr/> <b>\$ 3,755,042</b> <hr/>

See accompanying independent auditor's report and notes to the schedule of expenditures of federal awards.

# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2019

### **NOTE 1 – BASIS OF PRESENTATION**

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

### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### **NOTE 3 – FOOD DISTRIBUTION**

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

### **NOTE 4 – INDIRECT COST RATE**

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

### **NOTE 5 – SUBRECIPIENTS**

There were no subrecipients during the fiscal year.

**NELSON COUNTY SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2019

---

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

---

**Financial Statements**

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiencies(s) identified that are not considered to be material weaknesses?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Significant deficiencies(s) identified that are not considered to be material weakness(es)?  yes  none reported

Type of auditor’s report issued on compliance for major programs: Unmodified

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

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

10.553 / 10.555 / 10.559

**Child Nutrition Cluster**

**NELSON COUNTY SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2019

---

---

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

---

---

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

Auditee qualified as low-risk auditee?           \_\_\_ yes                                   X no

---

---

**Section II – Financial Statement Findings**

---

---

No findings to report.

---

---

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

---

---

No findings to report.

**NELSON COUNTY SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

**JUNE 30, 2019**

No findings to report.

**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 and  
Members of the Board of Education  
Nelson County School District  
Bardstown, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Nelson County School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Nelson County School District's basic financial statements, and have issued our report thereon dated November 13, 2019.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The

results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements*.

We also noted certain other matters that we reported to management of Nelson County School District in a separate letter dated November 13, 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Stiles, Carter & Associates, CPAs, P.S.C.*  
Stiles, Carter & Associates, CPAs, P.S.C.  
Bardstown, Kentucky  
November 13, 2019



**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 and  
Members of the Board of Education  
Nelson County School District  
Bardstown, Kentucky

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

We have audited the Nelson 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. The Nelson 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Nelson 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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I, II, III, and IV of the Independent Auditor's Contract. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

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

## Report on Internal Control Over Compliance

The management of Nelson 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 Nelson County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Nelson County School District's internal control over compliance.

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

*Stiles, Carter & Associates, CPAs, P.S.C.*  
Stiles, Carter & Associates, CPAs, P.S.C.  
Bardstown, Kentucky  
November 13, 2019

## **APPENDIX C**

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

---

---

**Official Terms and Conditions of Bond Sale**

**OFFICIAL TERMS AND CONDITIONS OF BOND SALE**

**\$500,000\***

**Nelson County School District Finance Corporation  
School Building Refunding Revenue Bonds, Series of 2020  
Dated as of December 3, 2020**

**SALE: November 12, 2020 AT 11:00 A.M., E.S.T.**

As published on PARITY®, a nationally recognized electronic bidding system, the Nelson County School District Finance Corporation (the "Corporation") will until 11:00 A.M., E.S.T., on November 12, 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 \$500,000 principal amount of Nelson County School District Finance Corporation School Building Refunding Revenue Bonds, Series of 2020 (the "Refunding Bonds"), dated and bearing interest from December 3, 2020, payable on February 1, 2021, and semi-annually thereafter on February 1 and August 1 of each year, in denominations in multiples of \$5,000 within the same maturity, maturing on February 1 in each of the years as follows:

<u>MATURITY</u>	<u>PRINCIPAL AMOUNT*</u>
2021	\$ 45,000
2022	30,000
2023	25,000
2024	50,000
2025	50,000
2026	50,000
2027	45,000
2028	50,000
2029	50,000
2030	55,000
2031	50,000

\* Subject to Permitted Adjustment as described herein.

**REDEMPTION PROVISIONS**

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

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 Bardstown 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). Town & Country Bank and Trust Company, Bardstown, 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.

**NELSON 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 Nelson 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 Nelson County School District Finance Corporation School Building Revenue Bonds, Series of 2011,

dated February 1, 2011 (the "Prior Bonds") maturing February 1, 2021 and thereafter (the "Refunded Bonds") at or prior to their stated maturities on February 1, 2021.

### **ADDITIONAL PARITY BONDS**

The Corporation has reserved the right and privilege of issuing additional bonds from time to time payable from the income and revenues of said lands and school building Projects and secured by a statutory mortgage lien and pledge of revenues, but only if and to the extent the issuance of such additional parity bonds are in accordance with the plans and specifications of the architect in charge of said Projects, which plans have been completed, approved by the Board, Commissioner of Education, and filed in the office of the Secretary of the Corporation.

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

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 construction of a new Pre-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 February 1, 2011 (the "Prior Lease").

The total principal amount of the Refunded Bonds currently outstanding is \$470,000, scheduled to mature on February 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 February 1, 2021 all of the Prior 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 December 3, 2020 (the "2020 Lease"); provided, however, that the lien and pledge are on parity with similar liens and pledges securing the Corporation's School Building Revenue Bonds previously issued to improve or refinance the Project (the "Parity Bonds").

Under the 2020 Lease the Board has leased the school property securing the Refunding Bonds in accordance with the provisions of KRS 162.140 for an initial period from December 3, 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 February 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 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 to the Corporation the right to notify and request the Kentucky Department of Education to withhold from the Board a sufficient portion of any undisbursed funds then held, set aside, or allocated to the Board and to request said Department or Commissioner of Education to transfer the required amount thereof to the Paying Agent for the payment of such rentals.

## BIDDING CONDITIONS AND RESTRICTIONS

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

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

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

(3) The bid shall be not less than \$490,000 (98% of par) plus accrued interest. Interest rates shall be in multiples of 1/8 or 1/20 of 1% or both. Only one interest rate shall be permitted per Bond, and all Bonds of the same maturity shall bear the same rate. Interest rates must be on an ascending scale, in that the interest rate stipulated in any year may not be less than that stipulated for any preceding maturity. There is no limit on the number of different interest rates.

(4) The determination of the best purchase bid for said Refunding Bonds shall be made on the basis of all bids submitted for exactly \$500,000 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 \$50,000, 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 \$450,000 or a maximum of \$550,000. 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 \$500,000 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 November 12, 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 February 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: Town & Country Bank and Trust Company, Bardstown, Kentucky, Attn: Ms. Debbi Douglas (502-348-3911) by the close of business on the day following the award as a good faith deposit said amount will be applied (without interest) to the purchase price upon delivery and will be forfeited if the purchaser fails to take delivery.

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

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

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

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

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

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

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

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

## STATE SUPPORT OF EDUCATION

The 1990 Regular Session of the General Assembly of the Commonwealth enacted a comprehensive legislative package known as the Kentucky Education Reform Act ("KERA") designed to comply with the

mandate of the Kentucky Supreme Court that the General Assembly provide for as efficient and equitable system of schools throughout the State.

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

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

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

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

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

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

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

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

## **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](http://www.osbd.ky.gov).

### **POTENTIAL LEGISLATION**

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

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

### **CONTINUING DISCLOSURE**

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

Financial information regarding the Board may be obtained from Superintendent, Nelson County Board of Education, 288 Wildcat Lane, PO Box 2277, Bardstown, Kentucky 40004 (502) 349-7000.

### **TAX EXEMPTION; BANK QUALIFIED**

Bond Counsel advises as follows:

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

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

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

### **BOOK-ENTRY-ONLY-SYSTEM**

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

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

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized

book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. "Direct Participants" include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its participants are on file with the Securities and Exchange Commission.

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

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

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

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

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

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

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

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

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

**NELSON COUNTY SCHOOL DISTRICT  
FINANCE CORPORATION**

By /s/ Wes Bradley  
Secretary

**APPENDIX D**

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

---

**Official Bid Form**

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

The Nelson County School District Finance Corporation ("Corporation"), will until 11:00 A.M., E.S.T., on November 12, 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 \$500,000 School Building Refunding Revenue Bonds, Series of 2020, dated as of December 3, 2020; maturing February 1, 2021 through 2031 ("Bonds").

We hereby bid for said \$500,000\* principal amount of Bonds, the total sum of \$ \_\_\_\_\_ (not less than \$490,000) plus accrued interest from December 3, 2020 payable February 1, 2021 and semiannually thereafter (rates on ascending scale in multiples of 1/8 or 1/20 of 1%; number of interest rates unlimited) and maturing as to principal on February 1 in each of the years as follows:

<u>Year</u>	<u>Amount*</u>	<u>Rate</u>
2021	\$ 45,000	_____ %
2022	30,000	_____ %
2023	25,000	_____ %
2024	50,000	_____ %
2025	50,000	_____ %
2026	50,000	_____ %
2027	45,000	_____ %
2028	50,000	_____ %
2029	50,000	_____ %
2030	55,000	_____ %
2031	50,000	_____ %

\* Subject to Permitted Adjustment up to \$50,000

We understand this bid may be accepted for as much as \$550,000 of Bonds or as little as \$450,000 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 November 12, 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 February 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 Town & Country Bank and Trust Company, Bardstown, Kentucky, Attn: Ms. Debbi Douglas (502-348-3911).

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 December 3, 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 December 3, 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 Nelson County School District Finance Corporation for \$ \_\_\_\_\_ amount of Bonds at a price of \$ \_\_\_\_\_ as follows:

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

Dated: November 12, 2020

\_\_\_\_\_  
 RSA Advisors, LLC, Municipal Advisor and  
 Agent for Nelson County School District Finance Corporation