PRELIMINARY OFFICIAL STATEMENT

DATED DECEMBER 29, 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 anFloydd political subdivisions thereof (see "Tax Exemption" herein).

$1,465,000*
HART COUNTY SCHOOL DISTRICT FINANCE CORPORATION
SCHOOL BUILDING REFUNDING REVENUE BONDS,
SERIES OF 2021

Dated with Delivery: February 4, 2021 **Due: as shown below**

Interest on the Bonds is payable each May 1 and November 1, beginning May 1, 2021. The Bonds will mature as to principal on May 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 1-May	Amount	Interest Rate	Reoffering Yield	CUSIP	Maturing 1-May	Amount	Interest Rate	Reoffering Yield	CUSIP
2021	$10,000	%	%		2027	$265,000	%	%	
2022	$20,000	%	%		2028	$265,000	%	%	
2023	$20,000	%	%		2029	$270,000	%	%	
2024	$15,000	%	%		2030	$280,000	%	%	
2025	$15,000	%	%		2031	$285,000	%	%	
2026	$20,000	%	%						

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

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

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

The Hart County (Kentucky) School District Finance Corporation will until January 6, 2021 at 11:00 A.M., E.S.T., receive competitive bids for the Bonds at the office of the Executive Director of the Kentucky School Facilities Construction Commission, 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 $145,000.**

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.

R S A
advisors

HART COUNTY, KENTUCKY
BOARD OF EDUCATION

Sheryl Shirley, Chairman
Wesley Hodges, Member
Tina Rutledge, Member
Bonita Haynes, Member
Kelly Smith, Member

Nathan Smith, Superintendent/Secretary

HART COUNTY SCHOOL DISTRICT
FINANCE CORPORATION

Sheryl Shirley, Chairman
Wesley Hodges, Member
Tina Rutledge, Member
Bonita Haynes, Member
Kelly Smith, Member

Nathan Smith, Secretary
Chris Russell, Treasurer

BOND COUNSEL

Steptoe & Johnson PLLC
Louisville, Kentucky

FINANCIAL ADVISOR

RSA Advisors, LLC
Lexington, Kentucky

PAYING AGENT AND REGISTRAR

U.S. Bank, National Association
Louisville, Kentucky

BOOK-ENTRY-ONLY-SYSTEM

REGARDING USE OF THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Hart County School District Finance Corporation School Building Refunding Revenue Bonds, Series of 2021, 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

OFFICIAL STATEMENT
Relating to the Issuance of

$1,465,000*

HART COUNTY SCHOOL DISTRICT FINANCE CORPORATION
SCHOOL BUILDING REFUNDING REVENUE BONDS,
SERIES OF 2021

**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 Hart County School District Finance Corporation (the "Corporation") School Building Refunding Revenue Bonds, Series of 2021 (the "Bonds").

The Bonds are being issued to (i) pay the accrued interest and refund on a current basis on May 1, 2021 the outstanding Hart County School District Finance Corporation School Building Revenue Bonds, Series of 2011, dated June 2, 2011 (the "2011 Bonds") maturing May 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 Hart 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 Hart 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 Hart 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 February 4, 2021, may be obtained at the office of Steptoe & Johnson PLLC, Bond Counsel, 700 N. Hurstbourne Parkway, Suite 115, Louisville, Kentucky 40222.

BOOK-ENTRY-ONLY-SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

THE CORPORATION

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

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

KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION

The 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:

Biennium	Appropriation
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	2,946,900
Total	$183,861,200

BIENNIAL BUDGET FOR PERIOD ENDING JUNE 30, 2022

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

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

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

OUTSTANDING BONDS

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

Bond Series	Original Principal	Current Principal Outstanding	Principal Assigned to Board	Principal Assigned to Commission	Approximate Interest Rate Range	Final Maturity
2011	$1,435,000	$1,390,000	$1,435,000	$0	3.000% - 4.500%	2031
2011-REF	$2,760,000	$2,220,000	$2,532,511	$227,489	1.800% - 2.500%	2023
2013-REF	$8,590,000	$6,400,000	$3,116,276	$5,473,724	2.000% - 2.300%	2027
2015	$3,335,000	$2,690,000	$323,412	$3,011,588	2.000% - 3.125%	2035
2016	$2,870,000	$2,590,000	$2,870,000	$0	3.000% - 3.700%	2036
2017	$30,060,000	$27,430,000	$10,225,492	$19,834,508	2.000% - 3.500%	2037
2020	$2,130,000	$2,130,000	$2,130,000	$0	2.000% - 2.750%	2040
TOTALS:	$51,180,000	$44,850,000	$22,632,691	$28,547,309		

AUTHORITY

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

i) the issuance of approximately $1,465,000 of Bonds subject to a permitted adjustment of $145,000;

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 February 4, 2021, will bear interest from that date as described herein, payable semi-annually on May 1 and November 1 of each year, commencing May 1, 2021, and will mature as to principal on May 1, 2021 and each May 1 thereafter in the years and in the principal amounts as set forth on the cover page of this Official Statement.

Registration, Payment and Transfer

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

Redemption

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

Redemption Date	Redemption Price
May 1, 2028 and thereafter	100%

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

SECURITY

General

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

The Lease; Pledge of Rental Revenues

The Board has leased the school Project securing the Bonds for an initial period from February 4, 2021 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 May 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 2021 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 2021 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 2021 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.

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 Hart County School District Finance Corporation School Building Revenue Bonds, Series of 2011, dated June 2, 2011, maturing May 1, 2021 and thereafter (the "Refunded Bonds") on May 1, 2021; and (ii) pay the cost of the Bond issuance expenses (see "Plan of Refunding" herein). The Board has determined that the plan of refunding the Refunded Bonds will result in considerable interest cost savings to the Hart 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 purchase land and renovations for a new central office (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 2021 Refunding Revenue Bonds -----			Total Local Bond Payments
		Principal Portion	Interest Portion	Total Payment	
2021	$1,648,359	$10,000	$6,574	$16,574	$1,629,716
2022	$1,644,272	$20,000	$27,128	$47,128	$1,627,456
2023	$1,653,772	$20,000	$26,958	$46,958	$1,636,986
2024	$1,646,180	$15,000	$26,768	$41,768	$1,624,404
2025	$1,650,603	$15,000	$26,610	$41,610	$1,628,869
2026	$1,650,721	$20,000	$26,430	$46,430	$1,634,007
2027	$1,654,324	$265,000	$26,160	$291,160	$1,637,540
2028	$1,605,212	$265,000	$22,053	$287,053	$1,584,320
2029	$1,605,105	$270,000	$17,415	$287,415	$1,585,301
2030	$1,607,652	$280,000	$12,150	$292,150	$1,589,058
2031	$1,611,468	$285,000	$6,270	$291,270	$1,594,463
2032	$1,608,730				$1,608,730
2033	$1,610,751				$1,610,751
2034	$1,612,094				$1,612,094
2035	$1,615,187				$1,615,187
2036	$1,614,760				$1,614,760
2037	$1,616,198				$1,616,198
2038	$194,988				$194,988
2039	$195,038				$195,038
2040	$184,950				$184,950
TOTALS:	$28,230,363	$1,465,000	$224,514	$1,689,514	$28,024,816

Note: Numbers rounded to the nearest $1.00.

ESTIMATED USE OF BOND PROCEEDS

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

Sources:	
Par Amount of Bonds	$1,465,000.00
Total Sources	$1,465,000.00
Uses:	
Deposit to Escrow Fund	$1,423,200.00
Underwriter's Discount (1%)	14,650.00
Cost of Issuance	27,150.00
Total Uses	$1,465,000.00

DISTRICT STUDENT POPULATION

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

Year	Average Daily Attendance
2000-01	2,090.4
2001-02	2,135.5
2002-03	2,184.5
2003-04	2,175.0
2004-05	2,236.6
2005-06	2,203.8
2006-07	2,198.8
2007-08	2,166.4
2008-09	2,142.4
2009-10	2,106.8
2010-11	2,066.0
2011-12	2,084.1
2012-13	2,128.2
2013-14	2,117.3
2014-15	2,106.6
2015-16	2,056.4
2016-17	2,076.8
2017-18	2,078.5
2018-19	2,050.1
2019-20	2,020.5

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

Year	Capital Outlay Allotment
2000-01	209,040.0
2001-02	213,550.0
2002-03	218,450.0
2003-04	217,500.0
2004-05	223,660.0
2005-06	220,380.0
2006-07	219,880.0
2007-08	216,640.0
2008-09	214,235.0
2009-10	210,680.0
2010-11	206,600.0
2011-12	208,405.0
2012-13	212,821.0
2013-14	211,730.0
2014-15	210,660.0
2015-16	205,640.0
2016-17	207,680.0
2017-18	207,850.0
2018-19	205,006.8
2019-20	202,050.0

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

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

1) The district must have unmet needs as set forth and approved by the State Department of Education in a School Facilities Plan;

2) The district must commit to establish an equivalent tax rate of at least 5 cents, in addition to the 30 cents minimum current equivalent tax rate; and,

3) The new revenues generated by the 5 cent addition, must be placed in a restricted account for school building construction bonding.

LOCAL SUPPORT

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

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

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

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

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

Local Thirty Cents Minimum. Effective for school years beginning after June 30, 1990, the board of education of each school district shall levy a minimum equivalent tax rate of thirty cents ($0.30) for general school purposes. If a board fails to comply, its members shall be subject to removal from office for willful neglect of duty.

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

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

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

Local Tax Rates, Property Assessments and Revenue Collections

Tax Year	Combined Equivalent Rate	Total Property Assessment	Property Revenue Collections
2000-01	50.4	435,859,528	2,196,732
2001-02	51.2	456,902,234	2,339,339
2002-03	52.4	468,444,959	2,454,652
2003-04	52.4	481,358,879	2,522,321
2004-05	54.7	487,666,965	2,667,538
2005-06	58.1	512,190,056	2,975,824
2006-07	59.3	532,743,175	3,159,167
2007-08	58.1	567,426,429	3,296,748
2008-09	61	594,030,301	3,623,585
2009-10	61	603,928,133	3,683,962
2010-11	65.9	632,443,256	4,167,801
2011-12	65.4	637,892,673	4,171,818
2012-13	65.9	644,533,073	4,247,473
2013-14	69	655,222,946	4,521,038
2014-15	67.7	663,871,252	4,494,408
2015-16	70	684,669,293	4,792,685
2016-17	84.3	712,843,485	6,009,271
2017-18	71.9	735,269,658	5,286,589
2018-19	75.1	758,700,492	5,697,841
2019-20	74.1	798,453,579	5,916,541

Overlapping Bond Indebtedness

The following table shows any other overlapping bond indebtedness of the Hart 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 Hart			
General Obligation	$4,090,000	$1,105,000	$2,985,000
Justice Center/AOC Project Revenue	$18,605,000	$6,645,000	$11,960,000
City of Horse Cave			
Water Revenue	$162,000	$72,800	$89,200
Improvement Project Revenue	$500,000	$62,500	$437,500
City of Munfordville			
Water & Sewer Revenue	$1,554,000	$648,700	$905,300
Totals:	$24,911,000	$8,534,000	$16,377,000

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	8,277,508	2,196,732	10,474,240
2001-02	8,371,700	2,339,339	10,711,039
2002-03	8,930,478	2,454,652	11,385,130
2003-04	9,408,046	2,522,321	11,930,367
2004-05	9,789,308	2,667,538	12,456,846
2005-06	10,319,656	2,975,824	13,295,480
2006-07	10,332,745	3,159,167	13,491,912
2007-08	10,975,388	3,296,748	14,272,136
2008-09	11,070,002	3,623,585	14,693,587
2009-10	9,595,045	3,683,962	13,279,007
2010-11	9,330,347	4,167,801	13,498,148
2011-12	10,192,526	4,171,818	14,364,344
2012-13	10,541,984	4,247,473	14,789,457
2013-14	10,488,904	4,521,038	15,009,942
2014-15	10,674,080	4,494,408	15,168,488
2015-16	10,404,730	4,792,685	15,197,415
2016-17	10,549,182	6,009,271	16,558,453
2017-18	10,807,460	5,286,589	16,094,049
2018-19	10,865,601	5,697,841	16,563,442
2019-20	10,580,208	5,916,541	16,496,749

(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 $0.741 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

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

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, Hart County School District Board of Education, 25 Quality Street, Munfordville, Kentucky 42765, Telephone 270-524-2631.

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, 2021, 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.

FINANCIAL ADVISOR

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

APPROVAL OF OFFICIAL STATEMENT

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

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

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

By /s/______________________
President

By /s/______________________
Secretary

APPENDIX A

Hart County School District Finance Corporation
School Building Refunding Revenue Bonds
Series of 2021

Demographic and Economic Data

HART COUNTY, KENTUCKY

Munfordville is the county seat of Hart County. The city had a 2019 population of 1,625 persons. Munfordville is located 72 miles south of Louisville, Kentucky; 113 miles southwest of Lexington, Kentucky and 105 miles northeast of Nashville, Tennessee.

Hart County covers a land area of 418 square miles. The County had a 2019 population of 18,821 persons.

The Economic Framework - Wayne County has a labor force of 7,717 people with an unemployment rate of 4.3%. The total number of people employed in 2019 averaged 5,646. The top 5 jobs by occupation are as follows: office and administrative support - 816 (14.45%); executive managers and administrators - 761 (13.48%); production workers - 670 (11.87%); sales - 531 (9.4%); and education training/library - 376 (6.66%).

Power and Fuel - East Kentucky Power and Kentucky Utilities provide electric power to Munfordville and Hart County. Atmos Energy Corporation, Bluegrass Gas Sales, Inc. and LG&E provide natural gas service to Hart County.

LABOR MARKET STATISTICS

The Munfordville Labor Market Area includes, Hart County and the adjoining Kentucky counties of Barren, Bullitt, Edmonson, Grayson, Green, Hardin, Larue, Metcalfe, Nelson and Warren.

Population

Area	2017	2018	2019
Munfordville	1,647	1,657	1,625
Horse Cave	2,381	2,394	2,345
Hart County	18,762	18,906	18,821

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

Population Projections

Area	2025	2030	2035
Hart County	18,836	18,935	18,955

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

EDUCATION

Public Schools

	Hart County	Caverna Ind.
Total Enrollment (2018-19)	2,190	607
Pupil-Teacher Ratio	14 - 1	11 - 1

Vocational - Technical Schools

Institution	Location	Enrollment (2014-2015)
Barren County ATC	Glasgow, KY	579
Green County ATC	Greensburg, KY	508
Grayson County Area Voc. Ed. Center	Leitchfield, KY	734
Warren ATC	Bowling Green, KY	165
Allen County AVEC	Scottsville, KY	494
Marion County ATC	Lebanon, KY	594
Monroe County ATC	Tompkinsville, KY	535
Breckinridge County ATC	Harned, KY	534
Nelson County ATC	Bardstown, KY	364
Butler County ATC	Morgantown, KY	267
Lake Cumberland ATC	Russell Springs, KY	569
Bullitt County ATC	Shepherdsville, KY	165
Meade County ATC	Brandenburg, KY	385
Casey County ATC	Liberty, KY	390
Ohio County ATC	Hartford, KY	464
Clinton County ATC	Albany, KY	394

Colleges and Universities

Institution	Location	Enrollment (Fall 2018)
Lindsey Wilson College	Columbia, KY	2,589
Campbellsville University	Campbellsville, KY	5,139
Western Kentucky University	Bowling Green, KY	19,456
Southcentral KY Community College	Bowling Green, KY	4,014
Elizabethtown Community College	Elizabethtown, KY	7,314

FINANCIAL INSTITUTIONS

Institution	Total Assets	Total Deposits
Hart County Bank and Trust Company	$25,898,000	$19,580,000

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

EXISTING INDUSTRY

Firm	Product	Total Employed
Bonnieville:		
Interstate Hardwoods LLC	Kiln dried lumber & millwork	75
Oscarware Inc.	Disposable outdoor barbecue cookware	32
Horse Cave:		
Dart Container Corp of Kentucky	Disposable food service packaging solutions	1,503
Geothermal Supply Company Inc.	Fabricator and accessories manufacturer for the geothermal industry	18
Kentucky Chrome Works LLC	Decorative chrome plating on OEM aluminum alloy wheels	80
Sister Schubert's Homemade Rolls Inc.	Manufacture, package & distribute frozen rolls	170
T Marzetti Company	Salad dressing and sauce production facility	505

Source: Kentucky Directory of Manufacturers (2020).

APPENDIX B

Hart County School District Finance Corporation
School Building Refunding Revenue Bonds
Series of 2021

Audited Financial Statement ending June 30, 2019

HART COUNTY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS

Year Ended June 30, 2019

HART COUNTY SCHOOL DISTRICT

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2019

HART COUNTY SCHOOL DISTRICT

TABLE OF CONTENTS – CONTINUED

YEAR ENDED JUNE 30, 2019

Chris R. Carter, CPA
Ann M. Fisher, CPA
Scott Kisselbaugh, CPA
Philip A. Logsdon, CPA
Brian S. Woosley, CPA

Stiles, Carter & Associates, CPAs, P.S.C.

www.scacpa.com

American Institute of CPAs
Kentucky Society of CPAs

INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
Members of the Board of Education
Hart County School District
Munfordville, 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 Hart County School 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 accompanying 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.

2901 Ring Road East, P.O. Box 622 · Elizabethtown, KY 42702-0622 / Phone 270-769-6371 · Fax 270-765-7934
713 McDowell Blvd. · Bardstown, KY 40004 / Phone 502-348-1433 · Fax 502-349-6365

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 District as of June 30, 2019, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a 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 on pages 4 to 10, budgetary comparison information on pages 56 to 57 schedule of proportionate share of the net pension and OPEB liabilities on pages 58 to 62 and schedule of contributions on pages 63 to 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 Hart County School District's basic financial statements. The combining financial statements, school schedules 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 financial statements, school schedules 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 accounting standards generally accepted in the United States of America. In our opinion, the combining financial statements, school schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 6, 2019, on our consideration of Hart 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 Hart County School District's internal control over financial reporting and compliance.

Stiles, Carter & Associates, CPAs, PSC

Stiles, Carter & Associates, CPAs, P.S.C.
Elizabethtown, Kentucky
November 6, 2019

MANAGEMENT’S DISCUSSION AND ANALYSIS

HART COUNTY SCHOOL DISTRICT – MUNFORDVILLE, KY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019

The discussion and analysis of Hart County School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to review the School District's financial performance as a whole; readers should also review the financial statements and notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- The ending cash balance for the District was $3.4 million. The most significant cash balance was for the General Fund of $1.9 million. The General Fund had $1.5 million in cash at June 30, 2018.

- The General Fund had $22.6 million in revenue, which primarily consisted of the state program (SEEK), state on-behalf payments, property, utilities, and motor vehicle taxes. Excluding inter-fund transfers, there were $21.9 million in expenditures.

- Construction neared completion on the new Hart County High School.

USING THIS ANNUAL REPORT

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

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

The statement of net position presents information on all of the District's assets and deferred outflows and liabilities and deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 - 55 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by $4.8 million at June 30, 2019.

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

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

Net Position for the periods ending June 30, 2019 and 2018
(Table 1)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Current and Other Assets	$ 5,449,015	$ 14,205,146	$ 576,903	$ 514,970	$ 6,025,918	$ 14,720,116
Capital Assets	61,599,918	51,623,059	476,636	518,013	62,076,554	52,141,072
Total Assets	67,048,933	65,828,205	1,053,539	1,032,983	68,102,472	66,861,188
Deferred Outflows	3,037,006	3,390,505	470,913	538,130	3,507,919	3,928,635
Long-term Debt	58,940,818	61,526,851	1,769,609	1,707,072	60,710,427	63,233,923
Other Liabilities	4,452,581	5,182,165	2,016	21,755	4,454,597	5,203,920
Total Liabilities	63,393,399	66,709,016	1,771,625	1,728,827	65,165,024	68,437,843
Deferred Inflows	1,472,379	859,353	190,029	166,286	1,662,408	1,025,639
Net Position						
Net investment in capital assets	44,621,179	32,192,750	476,636	518,013	45,097,815	32,710,763
Restricted	1,830,339	303,163			1,830,339	303,163
Unrestricted	(41,231,357)	(30,845,572)	(913,838)	(842,013)	(42,145,195)	(31,687,585)
Total Net Position	$ 5,220,161	$ 1,650,341	$ (437,202)	$ (324,000)	$ 4,782,959	$ 1,326,341

The following are significant current year transactions that have had an impact on the Statement of Net Position.

The District had $10.9 million in additions to capital assets.

Comments on Budget Comparisons

- The District's total governmental revenues for the fiscal year ended June 30, 2019, net of interfund transfers were $34.3 million.
- General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being $6.8 million more than budget or approximately 43%. This is due to not budgeting on-behalf payments of $6.3 million.
- The total cost of all governmental programs and services was $31.5 million including debt service.
- General fund budget expenditures to actual varied significantly in Instruction and Other expenses. This resulted from not having to spend budgeted contingency funds and changes in on-behalf payments.

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

(Table 2)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
REVENUES:						
Program revenues:						
Charges for services	$ 49,512	$ 41,165	$ 101,569	$ 107,989	$ 151,081	$ 149,154
Operating grants and contributions	1,695,744	13,492,512	1,761,088	1,780,200	3,456,832	15,272,712
Capital grants	5,175,376	3,965,508	-	-	5,175,376	3,965,508
General revenues:						
Property taxes	3,923,233	3,915,346	-	-	3,923,233	3,915,346
Motor vehicle taxes	517,685	502,133	-	-	517,685	502,133
Utility taxes	1,222,541	1,220,017	-	-	1,222,541	1,220,017
Revenue in lieu of taxes	95,056	88,709	-	-	95,056	88,709
Other taxes	-	4,708	-	-	-	4,708
Gain on disposal of capital assets	-	689	1,386		1,386	689
Investment earnings	39,094	141,704	631	517	39,725	142,221
State and formula grants	10,721,906	10,682,365	-	-	10,721,906	10,682,365
Miscellaneous	397,638	74,388	-	-	397,638	74,388
Total revenues	23,837,785	34,129,244	1,864,674	1,888,706	25,702,459	36,017,950
EXPENSES						
Program Activities						
Instruction	8,963,548	20,635,352	-	-	8,963,548	20,635,352
Student support	1,322,567	1,297,215	-	-	1,322,567	1,297,215
Instructional staff support	1,136,276	1,088,585	-	-	1,136,276	1,088,585
District administrative support	1,178,964	1,015,802	-	-	1,178,964	1,015,802
School administrative support	1,474,858	1,540,261	-	-	1,474,858	1,540,261
Business support	756,597	646,394	-	-	756,597	646,394
Plant operation and maintenance	2,216,745	2,178,671	-	-	2,216,745	2,178,671
Student transportation	1,743,908	1,996,511	-	-	1,743,908	1,996,511
Community service activities	240,012	246,714	-	-	240,012	246,714
Other	62,683	48,559	-	-	62,683	48,559
Interest costs	1,515,970	1,596,853	-	-	1,515,970	1,596,853
Business-type Activities:						
Food service	-	-	1,903,713	1,919,137	1,903,713	1,919,137
Total expenses	20,612,128	32,290,917	1,903,713	1,919,137	22,515,841	34,210,054
Transfers	74,163	-	(74,163)	-	-	-
Change in net position	$ 3,299,820	$ 1,838,327	$ (113,202)	$ (30,431)	$ 3,186,618	$ 1,807,896

Governmental Activities

Instruction comprises 43% of governmental program expenses. Support services expenses make up 48% of government expenses. The remaining expense for community services, interest and other items accounts for the remaining 9% of total government expense.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

(Table 3)
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
Instruction	$ 8,963,548	$ 20,635,352	$ 8,499,510	$ 8,574,337
Support Services	9,829,915	9,763,439	8,550,737	8,562,454
Community services	240,012	246,714	13,231	14,199
Facilities acquistion	-	-	(2,826,764)	(1,619,647)
Other	62,683	48,559	17,424	9,397
Interest costs	1,515,970	1,596,853	(832,642)	(749,008)
Total Expenses	$ 20,612,128	$ 32,290,917	$ 13,421,496	$ 14,791,732

Business-Type Activities

The business-type activities include the food service operation. This program had total revenues of $1.86 million and expenses of $1.90 million for fiscal year 2019. Of the revenues, $.1 million was charges for services, $1.76 million was from State and Federal grants, $1,381 was from disposal of assets and $631 was from investment earnings. Business activities receive no support from tax revenues. The School District will continue to monitor the charges and costs of this activity. If it becomes necessary, the School District will increase the charges for this activity.

The School District's Funds

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of $34.3 million and expenditures and other financing uses of $42.4 million. Net changes in fund balances for the year were most significant in the General Fund and Construction Fund.

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.

For the General Fund, revenues were budgeted at $15.8 million with actual amounts of $22.6 million. Budgeted expenditures of $17.9 million compare with actual expenditures of $21.9 million.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2019 the School District had $62.1 million invested in land, buildings and equipment, and $61.6 million in governmental activities. Table 4 shows fiscal year 2019 and 2018 balances.

(Table 4)
Capital Assets at June 30, 2019 and 2018
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Land and land improvements	$ 1,085,999	$ 1,101,244	$ -	$ -	$ 1,085,999	$ 1,101,244
Construction in progress	34,266,677	23,272,505	-	-	34,266,677	23,272,505
Buildings and improvements	25,868,911	26,745,912	471,182	486,888	26,340,093	27,232,800
Technology	6,811	11,672	-	-	6,811	11,672
Vehicles	342,592	453,739	-	-	342,592	453,739
General equipment	28,928	37,987	5,454	31,125	34,382	69,112
Total	$61,599,918	$51,623,059	$476,636	$518,013	$62,076,554	$52,141,072

Table 5 shows changes in capital assets for the years ended June 30, 2019 and 2018.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Beginning balance	$51,623,059	$33,718,827	$518,013	$564,162	$52,141,072	$34,282,989
Additions	10,994,172	18,801,414	-	-	10,994,172	18,801,414
Retirements	-	-	-	-	-	-
Depreciation	(1,017,313)	(897,182)	(41,377)	(46,149)	(1,058,690)	(943,331)
Ending balance	$61,599,918	$51,623,059	$476,636	$518,013	$62,076,554	$52,141,072

Debt

At June 30, 2019, the School District had $45.6 million in bonds outstanding, of this amount $25.1 million is to be paid from the KSFCC funding provided by the State of Kentucky. A total of $2.5 million is due within one year.

District Challenges for the Future

Hart County School District's financial status has improved in the last fiscal year. However, as we look forward, we expect unfunded mandates and the national economic climate to have an impact on our District.

The District is well into the construction of a new high school scheduled to open in the next fiscal year.

The District is experiencing increased personnel costs associated with preschool and special needs programs that have not been funded through state or federal programs. In addition, retirement costs of TRS and CERS continue to increase. The financial impact of proposed pension reform measures are unknown at this time.

Most costs associated with growth have, in the past, been offset due to increased student enrollment producing additional state funding, and continued increases in business and residential property subject to tax within the School District. As the average service time of employees continues to increase and shift toward a more experienced staff, however, costs will continue to increase. Our property tax base continues to grow; however our School District, like all Kentucky School Districts, is limited to a 4% annual growth in property tax revenue on existing property.

With careful planning and monitoring of our finances, Hart County Schools' goal is to continue to provide a quality education for our students and a secure financial future for the School District.

Future Budgetary Implications

In Kentucky, the public schools fiscal year is July 1 - June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget for 2019 – 2020 with a 4.0 % contingency. Significant Board action that impacts the finances includes pay increases for all employees, additional spending for facility repairs outside of bonded building and renovation projects, and continued funding of Board initiatives.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any question about this report or need additional information contact Chris Russell, Finance Director, 25 Quality Street, Munfordville, Kentucky 42765, (270) 524-2631.

BASIC FINANCIAL STATEMENTS

HART COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2019

Assets	Governmental Activities	Business-Type Activities	Total
Current Assets			
Cash and cash equivalents	$ 2,871,546	$ 552,525	$ 3,424,071
Inventory		24,378	24,378
Receivables:			
Taxes-current	132,465		132,465
Taxes-delinquent	15,352		15,352
Other receivables	10,295		10,295
Intergovernmental-State	2,049,084		2,049,084
Intergovernmental-Indirect Federal	370,273		370,273
Total Current Assets	5,449,015	576,903	6,025,918
Noncurrent Assets			
Non-depreciable capital assets	35,215,472		35,215,472
Depreciable capital assets, net of accumulated depreciation	26,384,446	476,636	26,861,082
Total Noncurrent Assets	61,599,918	476,636	62,076,554
Total Assets	67,048,933	1,053,539	68,102,472
Deferred Outflows of Resources			
Deferred amount on debt refundings	331,293		331,293
CERS Pension	1,723,385	354,285	2,077,670
CERS OPEB	567,328	116,628	683,956
TRS MIF OPEB	415,000		415,000
Total Deferred Outflows of Resources	3,037,006	470,913	3,507,919
Liabilities			
Current Liabilities			
Accounts payable	1,013,173	2,016	1,015,189
Accrued payroll and related expenses	38,002		38,002
Unearned revenue	314,690		314,690
Bond obligations	2,450,624		2,450,624
Capital leases	56,767		56,767
Compensated absences	320,207		320,207
Interest payable	259,118		259,118
Total Current Liabilities	4,452,581	2,016	4,454,597
Noncurrent Liabilities			
Bond obligations	42,629,683		42,629,683
Capital leases	315,205		315,205
Net pension liability - CERS	6,655,124	1,370,181	8,025,305
Net OPEB liability - CERS	1,942,981	399,428	2,342,409
Net OPEB liability - TRS MIF	6,371,000		6,371,000
Compensated absences	1,026,825		1,026,825
Total Noncurrent Liabilities	58,940,818	1,769,609	60,710,427
Total Liabilities	63,393,399	1,771,625	65,165,024
Deferred Inflows of Resources			
CERS Pension	555,623	114,222	669,845
CERS OPEB	368,756	75,807	444,563
TRS MIF OPEB	548,000		548,000
Total Deferred Inflows of Resources	1,472,379	190,029	1,662,408
Net Position			
Net investment in capital assets	44,621,179	476,636	45,097,815
Restricted	1,830,339		1,830,339
Unrestricted	(41,231,357)	(913,838)	(42,145,195)
Total Net Position	$ 5,220,161	$ (437,202)	$ 4,782,959

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

HART COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

		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
FUNCTIONS/PROGRAMS							
Governmental Activities:							
Instruction	$ 8,693,548	$ 49,512	$ 144,526	$ -	$ (8,499,510)	$ -	$ (8,499,510)
Support services:							
Student	1,322,567		119,528		(1,203,039)		(1,203,039)
Instruction staff	1,136,276		329,461		(806,815)		(806,815)
District administrative	1,178,964		42,858		(1,136,106)		(1,136,106)
School administrative	1,474,858		309,924		(1,164,934)		(1,164,934)
Business	756,597		143,465		(613,132)		(613,132)
Plant operation and maintenance	2,216,745		98,286		(2,118,459)		(2,118,459)
Student transportation	1,743,908		235,656		(1,508,252)		(1,508,252)
Community service activities	240,012		226,781		(13,231)		(13,231)
Facility acquisition and construction				2,826,764	2,826,764		2,826,764
Other	62,683		45,259		(17,424)		(17,424)
Interest on long-term debt	1,515,970			2,348,612	832,642		832,642
Total Governmental Activities	20,342,128	49,512	1,695,744	5,175,376	(13,421,496)	-	(13,421,496)
Business-Type Activities:							
Food service	1,903,713	101,569	1,761,088			(41,056)	(41,056)
Total Business-Type Activities	1,903,713	101,569	1,761,088	-	-	(41,056)	(41,056)
Total Primary Government	$ 22,245,841	$ 151,081	$ 3,456,832	$ 5,175,376	(13,421,496)	(41,056)	(13,462,552)
			General Revenues:				
			Taxes:				
			Property taxes		3,923,233		3,923,233
			Motor vehicle taxes		517,685		517,685
			Utility taxes		1,222,541		1,222,541
			Revenue in lieu of taxes		95,056		95,056
			Investment earnings		39,094	631	39,725
			Gain on disposal of capital assets			1,386	1,386
			State and formula grants		10,721,906		10,721,906
			Miscellaneous		397,638		397,638
			Transfers		74,163	(74,163)	-
			Total general revenues and transfers		16,991,316	(72,146)	16,919,170
			Change in net position		3,569,820	(113,202)	3,456,618
			Net position - beginning		1,650,341	(324,000)	1,326,341
			Net position - ending		$ 5,220,161	$ (437,202)	$ 4,782,959

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

FUND FINANCIAL STATEMENTS

HART COUNTY SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2019

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and cash equivalents	$ 1,888,196	$ -	$ 353,518	$ 629,832	$ 2,871,546
Receivables:					
Taxes - current	132,465				132,465
Taxes - delinquent	15,352				15,352
Other receivables	9,795			500	10,295
Intergovernmental - State	303,683	74,700	1,670,701		2,049,084
Intergovernmental - Indirect Federal		370,273			370,273
Due from other funds	746				746
Total Assets	$ 2,350,237	$ 444,973	$ 2,024,219	$ 630,332	$ 5,449,761
Liabilities and Fund Balances:					
Liabilities					
Accounts payable	$ 56,800	$ 58,844	$ 897,168	$ 361	$ 1,013,173
Accrued payroll and related expenses	38,002				38,002
Due to other funds		746			746
Unearned revenue		314,690			314,690
Total Liabilities	94,802	374,280	897,168	361	1,366,611
Fund Balances					
Restricted		70,693	1,127,051	629,971	1,827,715
Committed	84,974				84,974
Assigned	1,025				1,025
Unassigned	2,169,436				2,169,436
Total Fund Balances	2,255,435	70,693	1,127,051	629,971	4,083,150
Total Liabilities and Fund Balances	$ 2,350,237	$ 444,973	$ 2,024,219	$ 630,332	$ 5,449,761

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

HART 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	$ 4,083,150
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.	61,599,918
Governmental funds do not record deferred outflows of resources for pensions and OPEB but those are reported in the statement of net position as as deferred outflows of resources.	2,705,713
Governmental funds record debt refundings as other financiing uses when the issues are refunded. Unamortized losses on refundings are reported on the statement of net position as deferred outflows of resources.	331,293
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.	(1,472,379)
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)	(45,080,307)
Capital leases payable	(371,972)
Interest payable	(259,118)
Compensated absences	(1,347,032)
Net pension liability - CERS	(6,655,124)
Net OPEB liability - CERS	(1,942,981)
Net OPEB liability - TRS MIF	(6,371,000)
Net position for governmental activities	$ 5,220,161

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

HART COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

Year Ended June 30, 2019

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Taxes:					
Property	$ 3,164,533	$ -	$ -	$ 758,700	$ 3,923,233
Motor vehicle	517,685				517,685
Utilities	1,222,541				1,222,541
Revenue in lieu of taxes	95,056				95,056
Earnings on investments	9,280		28,756	1,058	39,094
Other local revenues	397,638	105,917	1,670,701	49,512	2,223,768
Intergovernmental - State	16,988,935	1,769,957		3,504,675	22,263,567
Intergovernmental - Indirect Federal	184,288	2,148,159			2,332,447
Total Revenues	22,579,956	4,024,033	1,699,457	4,313,945	32,617,391
Expenditures:					
Instruction	12,931,800	3,457,091		18,723	16,407,614
Support services:					
Student	1,277,431	33,917			1,311,348
Instruction staff	892,968	223,931		2,376	1,119,275
District administrative	1,191,157				1,191,157
School administrative	1,409,844				1,409,844
Business	682,172				682,172
Plant operation and maintenance	2,019,766	7,430			2,027,196
Student transportation	1,369,591	77,296			1,446,887
Community service activities		229,405			229,405
Other non-instruction	111,606	45,259			156,865
Facilities acquisition and construction			10,994,172		10,994,172
Debt service:					
Principal				2,495,000	2,495,000
Interest				1,393,102	1,393,102
Total Expenditures	21,886,335	4,074,329	10,994,172	3,909,201	40,864,037
Excess (Deficit) of Revenues over Expenditures	693,621	(50,296)	(9,294,715)	404,744	(8,246,646)
Other Financing Sources (Uses):					
Insurance proceeds	3,069				3,069
Transfers in	74,163	43,053		1,538,432	1,655,648
Transfers out	(43,053)			(1,538,432)	(1,581,485)
Total Other Financing Sources (Uses)	34,179	43,053	-	-	77,232
Net Change in Fund Balances	727,800	(7,243)	(9,294,715)	404,744	(8,169,414)
Fund Balance, July 1, 2018	1,527,635	77,936	10,421,766	225,227	12,252,564
Fund Balance, June 30, 2019	$ 2,255,435	$ 70,693	$ 1,127,051	$ 629,971	$ 4,083,150

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

HART COUNTY SCHOOL DISTRICT

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

Year Ended June 30, 2019

Net change in total fund balances per fund financial statements	$ (8,169,414)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.	9,976,859
Bond 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.	2,529,866
Capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.	59,317
The difference between actuarial pension and OPEB contributions to and actual contributions made are recorded as adjustments in the statement of activities.	(729,807)
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.	(97,001)
Change in net position of governmental activities	$ 3,569,820

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

HART COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2019

		Food Service Fund
Assets		
Current Assets		
Cash and cash equivalents	$	552,525
Inventory		24,378
Total Current Assets		576,903
Noncurrent Assets		
Depreciable capital assets, net of accumulated depreciation		476,636
Total Noncurrent Assets		476,636
Total Assets		1,053,539
Deferred Outflows of Resources		
CERS Pension		354,285
CERS OPEB		116,628
Total Deferred Outflows of Resources		470,913
Liabilities		
Current Liabilities		
Accounts payable		2,016
Total Current Liabilities		2,016
Noncurrent Liabilities		
Net pension liability - CERS		1,370,181
Net OPEB liability - CERS		399,428
Total Noncurrent Liabilities		1,769,609
Total Liabilities		1,771,625
Deferred Inflows of Resources		
CERS Pension		114,222
CERS OPEB		75,807
Total Deferred Inflows of Resources		190,029
Net Position		
Net investment in capital assets		476,636
Unrestricted		(913,838)
Total Net Position	$	(437,202)

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

HART COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

Year Ended June 30, 2019

	Food Service Fund
Operating Revenues:	
Lunchroom sales	$ 95,229
Other operating revenues	6,340
Total Operating Revenues	101,569
Operating Expenses:	
Salaries and wages	981,415
Materials and supplies	821,596
Depreciation	41,377
Other operating expenses	59,325
Total Operating Expenses	1,903,713
Operating loss	(1,802,144)
Non-Operating Revenues (Expenses):	
Federal grants	1,547,219
Donated commodities	107,057
State on-behalf payments	92,750
State grants	14,062
Gain on disposal of capital assets	1,386
Interest income	631
Total Non-Operating Revenues (Expenses) before Transfers	1,763,105
Transfers out	(74,163)
Changes in net position	(113,202)
Net Position, July 1, 2018	(324,000)
Net Position June 30, 2019	$ (437,202)

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

HART COUNTY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended June 30, 2019

	Food Service Fund
Cash Flows from Operating Activities	
Cash received from:	
Lunchroom sales	$ 95,229
Other operating activities	6,340
Cash paid to/for:	
Employees	(735,168)
Supplies	(718,887)
Other activities	(59,325)
Net Cash Used by Operating Activities	(1,411,811)
Cash flows from Non-Capital Financing Activities	
Federal grants	1,547,219
State grants	14,062
Transfers out	(74,163)
Net Cash Provided by Non-Capital Financing Activities	1,487,118
Cash Flows from Capital and Related Financing Activities	
Sale of capital assets	1,386
Net Cash Provided by Capital and Related Financing Activities	1,386
Cash Flows from Investing Activities	
Receipt of interest income	631
Net Cash Provided by Investing Financing Activities	631
Net increase in cash and cash equivalents	77,324
Balances, beginning of year	475,201
Balances, end of year	$ 552,525
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	$ (1,802,144)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	41,377
State on-behalf payments	92,750
Donated commodities	107,057
GASB 68 pension expense	133,098
GASB 75 OPEB expense	20,399
Change in assets and liabilities:	
Inventory	15,390
Accounts payable	(19,738)
Net cash used by operating activities	$ (1,411,811)
Schedule of non-cash transactions:	
Donated commodities received from federal government	$ 107,057
State on-behalf payments	$ 92,750
CERS Pensions	$ 133,098
CERS OPEB	$ 20,399

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

HART COUNTY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

June 30, 2019

	Private Purpose Trust Funds	Agency Fund
Assets		
Cash and cash equivalents	$ 22,575	$ 124,943
Receivables		7,208
Total Assets	22,575	132,151
Liabilities		
Accounts payable		8,822
Due to student groups		123,329
Total Liabilities	-	132,151
Net Position Held in Trust	$ 22,575	$ -

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

HART COUNTY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

Year Ended June 30, 2019

	Private Purpose Trust Funds
Additions	
Net interest and investment gains (losses)	$ 34
	34
Deductions	
Scholarships paid	-
Change in net position	34
Net Position, July 1, 2018	22,541
Net Position, June 30, 2019	$ 22,575

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

NOTES TO THE BASIC STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Hart County School District (the "District") have been prepared to conform with Accounting Principles Generally Accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. REPORTING ENTITY

The Hart 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 Hart County School District. 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.

For financial reporting purposes, the accompanying financial statements include all of the operations over which the District is financially accountable. The District is financially accountable for organizations that make up its legal entity, as well as legally separate organizations that meet certain criteria. In accordance with GASB 14, "The Financial Reporting Entity," as amended by GASB 39, "Determining Whether Certain Organizations Are Component Units", the criteria for inclusion in the reporting entity involve those cases where the District or its officials appoint a voting majority of an organization's governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the District or the nature and significance of the relationship between the District and the organization is such that exclusion would cause the District's financial statements to be incomplete. Applying this definition, District management has determined that the component unit reportable within the accompanying financial statements is the Hart County School District Finance Corporation, (the "Corporation"). 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 Boosters, Parent-Teacher Associations, etc.

Blended Component Unit - Hart County School District Finance Corporation – In a prior year, the Board of Education resolved to authorize the establishment of the Hart 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. Therefore, the financial activities of the Corporation have been blended (reported as if it were part of the District) with those of the District. The Corporation does not publish individual component unit financial statements.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

Fund Financial Statements

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

The Governmental Funds are accounted for on the "flow of current financial resources" measurement focus. This measurement focus is based on the concept of accountability, which includes measuring interperiod equity whether current year revenues were sufficient to pay for current year services. The Proprietary Funds are accounted for on an "economic resources" measurement focus. Accordingly, the Statement of Revenues, Expenses and Changes in Fund Net Position for the Proprietary Funds reports increases and decreases in total economic net worth. The private purpose trust fund is reported using the economic resources measurement focus.

Governmental Funds
Governmental Funds are those through which most District functions are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in the Proprietary Funds and Fiduciary Funds) are accounted for through Governmental Funds. The measurement focus is upon determination of changes in financial resources rather than upon determination of net income. The following are the District's Governmental Funds:

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

(C) The District Activity Fund is a Special Revenue Fund type and is used to account for funds received at the school level.

(D) 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 Funds).

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

(E) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest and related costs; and for the payment of interest on notes payable, as required by Kentucky Law.

Proprietary Funds

Proprietary Funds are used to account for ongoing organizations and activities, which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Operating expenses include salaries, benefits, supplies and other items. All items not meeting this definition are reported as nonoperating revenues and expenses. The District has one Proprietary Fund.

The Food Service Fund is used to account for school food service activities, including the National School Lunch and Breakfast Programs, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA and for on-behalf payments for retirement and health insurance paid by the State of Kentucky. This is a major fund of the District.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the District on behalf of outside related organizations or on behalf of other funds within the District.

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 benefit individuals, private organizations or other governments. Revenues consist of donations and interest income. Expenditures represent scholarships.

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.

Modified Accrual

Under the modified accrual basis, revenues are recognized in the accounting period in which they become susceptible to accrual, i.e., both available and measurable. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Significant revenues susceptible to accrual include ad valorem taxes, reimbursable-type grants and interest on investments. The District considers all revenues (with the exception of the expenditure-driven grants) as available if they are collected within sixty (60) days after year-end. The expenditure driven grants are considered available if received within one year from the balance sheet date. Property tax revenue is recognized when taxes are received, except at year end when revenue is recognized for taxes received by the District within sixty (60) days subsequent to fiscal year end. Expenditures are recognized in the accounting period in which the liability is incurred. However, exceptions include the amount of unmatured principal and interest on general long-term debt, compensated absences, claims and judgments and certain prepaids which are recognized when due/paid.

In applying the susceptible to accrual concept to revenues from Federal and State sources, the legal contractual requirements of the numerous individual programs are used as guidance. Revenue from grants and entitlements is recognized when all eligibility requirements have been satisfied. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before the District will receive any amounts; therefore, revenues are recognized based upon the occurrence of expenditures. In the other type, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed legal and contractual requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met. In all cases, monies received before the revenue recognition criteria have been met are reported as unearned revenue.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accrual

Under the accrual basis of accounting, revenues are recognized in the period earned and expenses are recognized in the period incurred.

Revenue Recognition

State Revenue Sources - Revenues from State sources for current operations are primarily from the Support Education Excellence in Kentucky ("SEEK"), administered by the Kentucky Department of Education ("KDE"). The District files reports on average daily attendance ("ADA") student membership with the KDE. The KDE accumulates information from these reports and calculates the allocation of SEEK funds to the District. After review and verification of ADA reports and supporting documentation, the KDE may adjust subsequent fiscal period allocations of SEEK funding. Normally, such adjustments are treated as reductions of revenue in the year the reduction is made, as amounts are not significant.

Property Taxes - On an accrual basis, property tax revenue anticipated to be collected is recognized in the fiscal year for which it is levied. Delinquent taxes collected in subsequent periods are recognized as revenue during the fiscal year in which they are received.

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

C. BUDGETARY POLICIES

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. All budget appropriations lapse at year-end.

D. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

E. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, cash equivalents are considered to be demand deposits, money market funds, and other investments with an original maturity of 90 days or less.

F. INVENTORIES

Inventories are valued at cost, which approximates market. The food service fund uses the specific identification method and the general fund uses the first-in, first-out method. The District's inventories include various items consisting of school supplies, paper, books, maintenance items, transportation items, commodities, etc. USDA commodities received from the Federal government are recorded at the value established by the Federal government using the average cost method.

G. PREPAID ITEMS

Expenditures for insurance and similar services extending over more than one accounting period are allocated between or among accounting periods in the governmental funds. There were no prepaid items at June 30, 2019.

H. 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 greater than $5,000 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 does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an 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:

Description	Governmental Activities Estimated Lives
Land improvements	20 years
Buildings and improvements	25-50 years
Technology equipment	5 years
Vehicles	5-10 years
General equipment	5-15 years
Food service equipment	5-12 years

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I. LONG-TERM DEBT

In the fund-level financial statements, governmental funds report the face amount of debt issued, as well as any premiums (discounts) as other financing sources (uses). Debt issuance costs are reported as debt service expenditures. In the government-wide financial statements, long-term debt is reported as liabilities in the statement of net position. Bond premiums/discounts are amortized over the life of the bonds while deferred loss on advance refundings are amortized over the shorter of the remaining life of the refunded bonds or the life of the new bonds both in a systematic and rational method, which approximates the effective-interest method.

J. 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 termination or retirement at 30% of the current rate of pay on the date of termination or 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 resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

K. ACCOUNTING 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 financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

L. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

M. NET POSITION

Net Position – Net position is divided into three components:

1. Net investment in capital assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
2. Restricted net position – consist of net position that is restricted by the District's creditors (for example, through debt covenants), by grantors (federal, state and local) and by other contributors.
3. Unrestricted – all other net position is reported in this category.

N. IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES

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 – PROPERTY TAXES

Property Tax Revenues – Property taxes are normally levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund. The usual collection date is the period from November 1 through December 31. Property tax bills paid prior to December 1 receive a two percent discount. Property taxes received after December 31, are considered to be delinquent and the County Attorney can file a lien against the property.

The property tax rates assessed for the year ended June 30, 2019, to finance operations were $596 per $100 valuation for real property, $.596 per $100 valuation for business personal property and $.551 per $100 valuation for motor vehicles.

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

NOTE 3 – DEPOSITS AND INVESTMENTS

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, $5,095,341 of the District's bank balance of $5,345,341 was exposed to custodial credit risk. The bank balance not covered by depository insurance was collateralized by securities held by the pledging financial institution.

NOTE 4 – INTERFUND ACTIVITIES

The following transfers were made during the year:

Fund Financial Statements

From Fund	To Fund	Purpose	Amount
General	Special Revenue	Technology Match	$ 43,053
Nonmajor Governmental	Nonmajor Governmental	Debt Service	1,538,432
Food Service	General	Indirect Costs	74,163
			$1,655,648

Government-wide Financial Statements

From Fund	To Fund	Purpose	Amount
Food Service	General	Indirect Costs	$ 74,163

NOTE 5 – CAPITAL ASSETS

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

Governmental Activities	July 1, 2018	Additions	Deductions	June 30, 2019
Capital Assets Not Being Depreciated:				
Land	$ 948,795	$ -	$ -	$ 948,795
Construction in progress	23,272,505	10,994,172		34,266,677
Total Capital Assets Not Being Depreciated	24,221,300	10,994,172	-	35,215,472
Capital Assets Being Depreciated:				
Land improvements	152,449			152,449
Buildings and improvements	41,032,713			41,032,713
Technology equipment	2,645,254			2,645,254
Vehicles	3,871,689			3,871,689
General equipment	1,059,720			1,059,720
Total Capital Assets Being Depreciated at Historical Cost	48,761,825	-	-	48,761,825
Less Accumulated Depreciation For:				
Land improvements	-	15,245		15,245
Buildings and improvements	14,286,801	877,001		15,163,802
Technology equipment	2,633,582	4,861		2,638,443
Vehicles	3,417,950	111,147		3,529,097
General equipment	1,021,733	9,059		1,030,792
Total accumulated depreciation	21,360,066	1,017,313	-	22,377,379
Total Other Capital Assets, net	27,401,759	(1,017,313)	-	26,384,446
Governmental Activities Capital Assets - Net	$ 51,623,059	$ 9,976,859	$ -	$ 61,599,918

Depreciation was charged to governmental functions as follows:

Function	Amount
Instruction	$ 869,324
Student support	104
Instructional staff	1,199
District administration	968
School administration	735
Business support	27,088
Plant	2,349
Transportation	115,546
	$ 1,017,313

NOTE 5 – CAPITAL ASSETS - CONTINUED

Business-Type Activities	July 1, 2018	Additions	Deductions	June 30, 2019
Capital Assets Being Depreciated:				
Buildings and improvements	$ 1,006,305	$ -	$ -	$ 1,006,305
Technology equipment	10,487			10,487
Food service equipment	482,789			482,789
Totals at historical cost	1,499,581	-	-	1,499,581
Less Accumulated Depreciation For:				
Buildings and improvements	519,417	15,706	-	535,123
Technology equipment	10,487			10,487
Food service equipment	451,664	25,671		477,335
Total accumulated depreciation	981,568	41,377	-	1,022,945
Business-Type Activities Capital Assets - Net	$ 518,013	$ (41,377)	$ -	$ 476,636

NOTE 6 – 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. The District purchases commercial insurance for workers' compensation, errors and omissions and general liability coverage. The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. 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 7 – LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2019, is as follows:

Column1	July 1, 2018	Additions	Reductions	June 30, 2019	Due Within 1 Year
Governmental Activities:					
Bonds and Leases Payable:					
Revenue bonds	$ 48,119,872	$ -	$ (2,529,866)	$ 45,590,006	$ 2,450,624
Capital leases	431,289		(59,317)	371,972	56,767
	48,551,161	-	(2,589,183)	45,961,978	2,507,391
Less Discounts and Premiums	(547,795)		38,096	(509,699)	
Total Bonds and Leases Payable	48,003,366	-	(2,551,087)	45,452,279	2,507,391
Other Liabilities:					
Compensated absences	1,372,901	238,806	(264,675)	1,347,032	320,207
Total Other Liabilities	1,372,901	238,806	(264,675)	1,347,032	320,207
Total Governmental Activities Long-Term Liabilities	$ 49,376,267	$ 238,806	$ (2,815,762)	$ 46,799,311	$ 2,827,598

NOTE 7 – LONG-TERM LIABILITIES – CONTINUED

The debt service fund is primarily responsible for paying the bond obligations through funding from the capital outlay and FSPK funds. The general fund is primarily responsible for paying compensated absences.

Bond Liabilities

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

Issue Date	Proceeds	Rate
2006R	$ 3,200,000	3.25% - 4.00%
2008R	1,560,000	2.75% - 3.45%
2011	2,685,000	3.00% - 4.50%
2011R	1,435,000	2.30% - 4.60%
2013R	2,540,000	2.00% - 2.35%
2014	360,644	2.00% - 3.25%
2015	3,335,000	2.00% - 3.125%
2016	2,870,000	2.00% - 3.625%
2017	30,060,000	2.00% - 3.50%

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 Hart 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 has “participation agreements” with the Kentucky School Facilities 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:

NOTE 7 – LONG-TERM LIABILITIES – CONTINUED

Year	Principal	Interest	Participation	District's Portion
2020	$ 2,450,624	$ 1,337,740	$ 2,204,281	$ 1,584,083
2021	2,511,555	1,276,203	2,204,281	1,583,477
2022	2,562,668	1,222,389	2,204,281	1,580,776
2023	2,623,816	1,166,842	2,204,281	1,586,377
2024	2,655,023	1,099,310	2,174,349	1,579,984
2025-2029	12,121,320	4,478,371	9,017,533	7,582,158
2030-2034	12,400,000	2,664,525	7,750,461	7,314,064
2035-2037	8,265,000	597,056	4,460,764	4,401,292
	$ 45,590,006	$ 13,842,436	$ 32,220,231	$ 27,212,211

Capital Lease Liabilities

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

Classes of Property	
Buses	
Gross amount of assets	$ 554,438

These assets are included in depreciable capital assets and depreciated in the statement of activities.

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2019:

Description	Year	Amount
	2020	$ 65,904
	2021	64,458
	2022	60,802
	2023	60,817
	2024	43,114
	2025-2028	115,922
Total minimum lease payments		411,017
Less: Amount representing interest		(39,045)
Present Value of Net Minimum Lease Payments		$ 371,972

NOTE 8 – PENSION PLANS

Plan Descriptions

The Hart 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.trs.ky.gov. CERS' report may be obtained at www.kyret.ky.gov.

TRS

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.

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

NOTE 8 – PENSION PLANS – CONTINUED

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.

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, 2018, 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, 2018. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

NOTE 8 – PENSION PLANS – CONTINUED

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 $48,627,737.

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 negative $5,561,857 and revenue of negative $5,561,857 ($3,335,685 in the governmental funds and negative $8,897,542 in government-wide activities) 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 November 19, 2016.

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

NOTE 8 – PENSION PLANS – CONTINUED

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	40%	4.2%
International Equity	22%	5.2%
Fixed Income	15%	1.2%
Other	8%	3.3%
Real Estate	6%	3.8%
Private Equity	7%	6.3%
Cash	2%	0.9%
	100%	

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. We 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:

Description	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (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.

NOTE 8 – 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 $507,594.

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 $8,025,305 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 0.13193627630 percent, which was an increase of .004306 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of $1,274,146. 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:

NOTE 8 – PENSION PLANS – CONTINUED

Column1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 262,089	$ 117,620
Changes in actuarial assumptions	785,283	
Difference between projected and actual investment earnings	373,648	469,995
Changes in proportion and differences between employer contributions and proportionate share of contributions	149,056	82,230
Contributions paid to CERS subsequent to the measurement date	507,594	
	$ 2,077,670	$ 669,845

The amount reported as deferred outflows for District contributions subsequent to the measurement date of $507,594 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 June 30	Pension Expense Amount
2020	$ 650,136
2021	358,630
2022	(65,409)
2023	(43,126)
	$ 900,231

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

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.

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.

NOTE 8 – PENSION PLANS – CONTINUED

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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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 Developed	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%
	100%	

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 25 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:

Description	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
District's proportionate share of the net pension liability	$ 10,115,616	$ 8,025,305	$ 6,292,368

NOTE 8 – 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 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Descriptions
The Hart 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. CERS' report may be obtained at 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.

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.

NOTE 9 – 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 $6,371,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the District's proportion was .183608 percent which was a decrease of .006461 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:

Description	Amount
District's proportionate share of the net OPEB liability	$ 6,371,000
State proportionate share of the net OPEB liability associated with the District	5,490,000
Total	$ 11,861,000

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

For the year ended June 30, 2019, the District recognized OPEB expense of $294,000 and revenue of $384,000 ($281,860 in the governmental funds and an additional $102,140 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:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 88,000	$ -
Difference between projected and actual investment earnings		326,000
Difference between projected and actual investment earnings	-	26,000
Changes in proportion and differences between employer contributions and proportionate share of contributions		196,000
Contributions paid to TRS subsequent to the measurement date	327,000	
	$ 415,000	$ 548,000

Of the total amount reported as deferred outflows of resources related to OPEB, $327,000 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	OPEB Expense Amount
2020	$ (89,000)
2021	(89,000)
2022	(89,000)
2023	(78,000)
2024	(80,000)
Thereafter	(35,000)
	$ (460,000)

NOTE 9 – 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	8.00%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 – 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Healthcare cost trend rates	
Under 65	7.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2024
Ages 65 and Older	5.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2021
Medicare Part B Premiums	1.02% for FY 2017 with an ultimate rate of 5.00% by 2029
Municipal Bond Index Rate	3.56%
Discount Rate	8.00%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation

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

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016 valuation were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation.

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

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:

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

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

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:

Description	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	$ 7,471,000	$ 6,371,000	$ 5,454,000

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

Description	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	$ 5,283,000	$ 6,371,000	$ 7,713,000

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.

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

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 $94,000.

For the year ended June 30, 2019, the District recognized OPEB expense of $16,000 and revenue of $16,000 ($3,271 in the governmental funds and an additional $12,729 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.

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

Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation.
Projected salary increases	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, 2016 valuation were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation.

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

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity	40.0%	4.2%
International Equity	23.0%	5.2%
Fixed Income	18.0%	1.2%
Real Estate	6.0%	3.8%
Private Equity	5.0%	6.3%
Other	6.0%	3.3%
Cash (LIBOR)	2.0%	0.9%
	100%	

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.

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

The District has no proportional share of the net OPEB liability. The following presents the sensitivity of the System's net OPEB liability calculated using the discount rate of 7.50 percent, as well as what the System's net OPEB 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:

Description	1% Decrease	Current Discount Rate	1% Increase
System's net OPEB liability (in thousands)	$ 42,929	$ 28,198	$ 16,114

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.

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

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 OPEB plan from the District were $164,608.

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

At June 30, 2018, the District reported a liability of $2,342,409 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 0.131931 percent, which was an increase of .0044301 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of $307,433. 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:

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 272,979
Changes in actuarial assumptions	467,814	5,412
Difference between projected and actual investment earnings		161,346
Changes in proportion and differences between employer contributions and proportionate share of contributions	51,534	4,826
Contributions paid to CERS subsequent to the measurement date	164,608	
	$ 683,956	$ 444,563

Of the total amount reported as deferred outflows of resources related to OPEB, $164,608 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	OPEB Expense Amount
2020	$ 16,933
2021	16,933
2022	16,933
2023	48,269
2024	(11,777)
Thereafter	(12,506)
	$ 74,785

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 7.25% 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 5.10% 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%

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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 Developed	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%
	100%	

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

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:

Column1	1% Decrease (4.85%)	Current Discount Rate (5.85)	1% Increase (6.85%)
District's proportionate share			
of the net OPEB liability	$ 3,042,413	$ 2,342,409	$ 1,746,133

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.

Description	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share			
of the net OPEB liability	$ 1,743,946	$ 2,342,409	$ 3,047,823

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 10 – FUND BALANCES

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

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 $73,317 restricted for grants in the Special Revenue Fund, $101,215 restricted for school activities in the District Activity Fund, $528,756 restricted for capital projects in the FSPK Fund, and $1,127,051 restricted for capital projects in the Construction 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 commitments at June 30, 2019 in the General Fund - $84,974 for site-based carryforward.

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 District allows program supervisors to complete purchase orders which result in the encumbrance of funds. The amounts assigned related to encumbrances at June 30, 2019, were $1,025 recorded in the General Fund. 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. There were no amounts intended to be used for a specific purpose.

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 11 – 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.

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 basic financial statements as a result of the cases presently in progress. 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.

The District also has construction commitments for on-going projects at June 30, 2019.

NOTE 12 – DEFICIT OPERATING BALANCES

The Food Service Fund had a deficit net position at June 30, 2019 in the amount of $437,202. The deficit net position is a result of the recording of the net pension liability for CERS as part of GASB Statement 68 and the net OPEB liability for CERS as part of GASB Statement 75. The following funds had operations that resulted in a current year deficit of revenues over expenditures/expenses resulting in a corresponding reduction of fund balance/net position:

Fund	Amount
Special Revenue Fund	$ 7,243
Construction Fund	9,294,715
Food Service Fund	113,202

NOTE 13 – 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:

Description	Amount
Health	$ 2,733,155
Life	4,284
Admin	35,335
HRA	126,354
TRS Pension	3,335,685
TRS OPEB	286,131
Technology	88,952
Debt Service	2,348,612
Less: Federal Reimbursement	(249,118)
Total on-behalf	$ 8,709,390
Recorded as follows:	
General Fund	$ 6,267,028
Food Service Fund	92,750
Debt Service Fund	2,348,612
	$ 8,708,390

REQUIRED SUPPLEMENTARY INFORMATION

HART COUNTY SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL

GENERAL FUND

Year Ended June 30, 2019

	Original	Final	Actual
Revenues:			
From local sources:			
Taxes:			
Property	$ 3,025,619	$ 3,095,000	$ 3,164,533
Motor vehicle	425,000	450,000	517,685
Utilities	1,040,000	1,110,000	1,222,541
Revenue in lieu of taxes	85,000	85,000	95,056
Other taxes	5,000	5,000	
Earnings on investments	5,000	5,000	9,280
Other local revenues	70,000	37,000	397,638
Intergovernmental - State	10,895,844	10,868,844	16,988,935
Intergovernmental - Indirect Federal	120,000	105,000	184,288
Total Revenues	15,671,463	15,760,844	22,579,956
Expenditures:			
Instruction	7,834,151	8,050,866	12,931,800
Support services:			
Student	1,285,678	1,304,484	1,277,431
Instruction staff	840,497	929,971	892,968
District administrative	953,230	1,357,509	1,191,157
School administrative	1,199,241	1,220,066	1,409,844
Business	578,126	596,360	682,172
Plant operation and maintenance	1,919,965	1,924,479	2,019,766
Student transportation	1,349,483	1,348,983	1,369,591
Community service activities		400	
Other	761,592	847,872	111,606
Total Expenditures	16,721,963	17,580,990	21,886,335
Excess (Deficit) of Revenues over Expenditures	(1,050,500)	(1,820,146)	693,621
Other Financing Sources (Uses):			
Insurance proceeds			3,069
Proceeds from disposal of capital assets	500	5,000	
Transfers in	175,000	292,500	74,163
Transfers out	(35,000)	(44,000)	(43,053)
Total Other Financing Sources (Uses)	140,500	253,500	34,179
Net Change in Fund Balance	(910,000)	(1,566,646)	727,800
Fund Balance, July 1, 2018	910,000	1,566,646	1,527,635
Fund Balance, June 30, 2019	$ -	$ -	$ 2,255,435

Both inflows and outflows are equally different in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds by the amount of on-behalf payments of $6,267,028.

HART COUNTY SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL

SPECIAL REVENUE FUND

Year Ended June 30, 2019

	Original	Final	Actual
Revenues:			
Other local revenues	$ 32,050	$ 61,317	$ 105,917
Intergovernmental - State	1,813,346	2,029,304	1,769,957
Intergovernmental - Indirect Federal	1,943,371	2,192,977	2,148,159
Total Revenues	3,788,767	4,283,598	4,024,033
Expenditures:			
Instruction	3,096,848	3,738,832	3,457,091
Support services:			
Student	23,103	35,533	33,917
Instruction staff	216,026	180,577	223,931
Plant operation and maintenance	10,000	10,000	7,430
Student transportation	92,956	92,956	77,296
Community service activities	212,068	250,115	229,405
Other non-instruction	171,022	23,505	45,259
Total Expenditures	3,822,023	4,331,518	4,074,329
Excess (Deficit) of Revenues over Expenditures	(33,256)	(47,920)	(50,296)
Other Financing Sources (Uses):			
Transfers in	33,256	43,053	43,053
Total Other Financing Sources (Uses)	33,256	43,053	43,053
Net Change in Fund Balance	-	(4,867)	(7,243)
Fund Balance, July 1, 2018	-	4,867	77,936
Fund Balance, June 30, 2019	$ -	$ -	$ 70,693

HART COUNTY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE CERS NET PENSION LIABILITY

June 30, 2019

Last 10 Years *

	2019	2018	2017
Proportion of the net pension liability	0.131936%	0.127630%	0.131911%
Proportionate share of the net pension liability	$ 8,025,305	$ 7,470,576	$ 6,494,770
Covered - employee payroll	$ 3,264,197	$ 3,108,991	$ 3,157,310
Proportionate share of the net pension liability as percentage of covered payroll	245.9%	240.3%	205.7%
Plan fiduciary net position as a percentage of the total pension liability	53.54%	53.30%	55.50%

	2016	2015
Proportion of the net pension liability	0.133865%	0.134164%
Proportionate share of the net pension liability	$ 5,755,857	$ 4,353,000
Covered - employee payroll	$ 3,077,935	$ 3,290,447
Proportionate share of the net pension liability as percentage of covered payroll	187.0%	132.3%
Plan fiduciary net position as a percentage of the total pension liability	59.97%	66.80%

* Fiscal year 2015 was the first year of implementation, therefore, only five years are shown.

.

HART COUNTY SCHOOL DISTRICT

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

June 30, 2019

Last 10 Years *

	2019	2018
Proportion of the net OPEB liability	0.131931%	0.127630%
Proportionate share of the net OPEB liability	$ 2,342,409	$ 2,565,800
Covered - employee payroll	$ 3,264,197	$ 3,108,991
Proportionate share of the net OPEB liability as percentage of covered payroll	71.76%	82.53%
Plan fiduciary net position as a percentage of the total OPEB liability	0.5762	0.5239

* Fiscal year 2018 was the first year of implementation, therefore, only two years are shown.

HART COUNTY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE TRS NET PENSION LIABILITY

June 30, 2019

Last 10 Years *

	2019	2018	2017
Proportion of the net pension liability	0.351600%	0.356400%	0.354600%
District's proportionate share of the net pension liability	$ -	$ -	$ -
State proportionate share of the net pension liability associated with the District	48,627,737	96,192,453	104,612,988
Total	$ 48,627,737	$ 96,192,453	$ 104,612,988
Covered - employee payroll	$ 11,117,886	$ 11,475,733	$ 11,341,346
District's proportionate share of the net pension liability as percentage of covered payroll	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	59.30%	39.80%	35.20%

	2016	2015
Proportion of the net pension liability	0.362000%	0.365800%
District's proportionate share of the net pension liability	$ -	$ -
State proportionate share of the net pension liability associated with the District	84,248,499	75,167,425
Total	$ 84,248,499	$ 75,167,425
Covered - employee payroll	$ 11,119,817	$ 11,162,602
District's proportionate share of the net pension liability as percentage of covered payroll	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	42.50%	45.59%

* Fiscal year 2015 was the first year of implementation, therefore, only five years are shown.

HART COUNTY SCHOOL DISTRICT

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

June 30, 2019

Last 10 Years *

	2019	2018
Proportion of the net OPEB liability	0.183608%	0.190069%
District's proportionate share of the net OPEB liability	$ 6,371,000	$ 6,777,000
State proportionate share of the net OPEB liability associated with the District	5,490,000	5,536,000
Total	$ 11,861,000	$ 12,313,000
Covered - employee payroll	$ 11,117,886	$ 11,475,733
District's proportionate share of the net OPEB liability as percentage of covered payroll	57.30%	59.06%
Plan fiduciary net position as a percentage of the total OPEB liability	25.50%	21.20%

* Fiscal year 2018 was the first year of implementation, therefore, only two years are shown.

HART COUNTY SCHOOL DISTRICT

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

June 30, 2019

Last 10 Years *

	2019	2018
Proportion of the net OPEB liability	0.334086%	0.337439%
District's proportionate share of the net OPEB liability	$ -	$ -
State proportionate share of the net OPEB liability associated with the District	94,000	74,000
Total	$ 94,000	$ 74,000
Covered - employee payroll	$ 11,117,886	$ 11,475,733
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%

* Fiscal year 2018 was the first year of implementation, therefore, only two years are shown.

HART COUNTY SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS TO CERS PENSION

June 30, 2019

Last 10 Years *

	2019	2018	2017
Contractually require contribution (actuarially determined)	$ 507,594	$ 472,656	$ 433,704
Contribution in relation to the actuarially determined contributions	507,594	472,656	433,704
Contribution deficiency (excess)	$ -	$ -	$ -
Covered employee payroll	$ 3,129,437	$ 3,264,197	$ 3,108,991
Contributions as a percentage of covered employee payroll	16.22%	14.48%	13.95%

	2016	2015
Contractually require contribution (actuarially determined)	$ 392,138	$ 392,437
Contribution in relation to the actuarially determined contributions	392,138	392,437
Contribution deficiency (excess)	$ -	$ -
Covered employee payroll	$ 3,157,310	$ 3,077,935
Contributions as a percentage of covered employee payroll	12.42%	12.75%

* Fiscal year 2015 was the first year of implementation, therefore, only five years are shown.

HART COUNTY SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS TO TRS PENSION

June 30, 2019

Last 10 Years *

	2019	2018	2017
Contractually required contribution (actuarially determined)	$ -	$ -	$ -
Contribution in relation to the actuarially determined contributions	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -
Covered employee payroll	$ 10,900,021	$ 11,117,886	$ 11,475,733
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.00%

	2016	2015
Contractually required contribution (actuarially determined)	$ -	$ -
Contribution in relation to the actuarially determined contributions	-	-
Contribution deficiency (excess)	$ -	$ -
Covered employee payroll	$ 11,341,346	$ 11,119,817
Contributions as a percentage of covered employee payroll	0.00%	0.00%

* Fiscal year 2015 was the first year of implementation, therefore, only five years are shown.

HART COUNTY SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS TO CERS OPEB

June 30, 2019

Last 10 Years *

	2019	2018
Contractually required contribution (actuarially determined)	$ 164,608	$ 153,417
Contribution in relation to the actuarially determined contributions	164,608	153,417
Contribution deficiency (excess)	$ -	$ -
Covered employee payroll	$ 3,129,437	$ 3,264,197
Contributions as a percentage of covered employee payroll	5.26%	4.70%

* Fiscal year 2018 was the first year of implementation, therefore, only two years are shown.

HART COUNTY SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS TO TRS OPEB - MEDICAL INSURANCE FUND

June 30, 2019

Last 10 Years *

	2018	2018
Contractually required contribution (actuarially determined)	$ 327,000	$ 334,000
Contribution in relation to the actuarially determined contributions	327,000	334,000
Contribution deficiency (excess)	$ -	$ -
Covered employee payroll	$ 10,900,021	$ 11,117,886
Contributions as a percentage of covered employee payroll	3.00%	3.00%

* Fiscal year 2018 was the first year of implementation, therefore, only two years are shown.

HART COUNTY SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS TO TRS OPEB - LIFE INSURANCE FUND

June 30, 2019

Last 10 Years *

	2019	2018
Contractually required contribution (actuarially determined)	$ -	$ -
Contribution in relation to the actuarially determined contributions	-	-
Contribution deficiency (excess)	$ -	$ -
Covered employee payroll	$ 10,900,021	$ 11,117,886
Contributions as a percentage of covered employee payroll	0.00%	0.00%

* Fiscal year 2018 was the first year of implementation, therefore, only two years are shown.

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%.

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

HART COUNTY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2019

	District Activity Fund	SEEK Capital Outlay Fund	FSPK Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Assets:					
Cash and cash equivalents	$ 101,076	$ -	$ 528,756	$ -	$ 629,832
Receivables - other	500				500
Total Assets	$ 101,576	$ -	$ 528,756	$ -	$ 630,332
Liabilities and Fund Balances:					
Liabilities					
Accounts payable	$ 361	$ -	$ -	$ -	$ 361
Total Liabilities	361	-	-	-	361
Fund Balances					
Restricted	101,215		528,756		629,971
Total Fund Balances	101,215	-	528,756	-	629,971
Total Liabilities and Fund Balances	$ 101,576	$ -	$ 528,756	$ -	$ 630,332

HART COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2019

	District Activity Fund	SEEK Capital Outlay Fund	FSPK Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues					
From local sources:					
Property taxes	$ -	$ -	$ 758,700	$ -	$ 758,700
Other local revenue	49,512				49,512
Earnings on investments				1,058	1,058
Intergovernmental - State		205,007	951,056	2,348,612	3,504,675
Total Revenues	49,512	205,007	1,709,756	2,349,670	4,313,945
Expenditures					
Instruction	18,723				18,723
Support services:					
Instruction staff	2,376				2,376
Debt service:					
Principal				2,495,000	2,495,000
Interest				1,393,102	1,393,102
Total Expenditures	21,099	-	-	3,888,102	3,909,201
Excess (Deficit) of Revenues over Expenditures	28,413	205,007	1,709,756	(1,538,432)	404,744
Other Financing Sources (Uses)					
Transfers in				1,538,432	1,538,432
Transfers out		(205,007)	(1,333,425)		(1,538,432)
Total Other Financing Sources (Uses)	-	(205,007)	(1,333,425)	1,538,432	-
Net Change in Fund Balances	28,413	-	376,331	-	404,744
Fund balance, July 1, 2018	72,802	-	152,425	-	225,227
Fund balance, June 30, 2019	$ 101,215	$ -	$ 528,756	$ -	$ 629,971

HART COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

June 30, 2019

	Bonnieville Elementary	Cub Run Elementary	Hart County High School	LeGrande Elementary	Memorial Elementary	Munfordville Elementary	Total Agency Fund
Assets							
Cash and cash equivalents	$ 2,465	$ 15,923	$ 59,356	$ 11,724	$ 8,612	$ 26,863	$ 124,943
Accounts receivable		75	6,960	173			7,208
Total Assets	$ 2,465	$ 15,998	$ 66,316	$ 11,897	$ 8,612	$ 26,863	$ 132,151
Liabilities							
Accounts payable	$ -	$ 5,565	$ 2,695	$ 562	$ -	$ -	$ 8,822
Due to student groups	2,465	10,433	63,621	11,335	8,612	26,863	123,329
Total Liabilities	$ 2,465	$ 15,998	$ 66,316	$ 11,897	$ 8,612	$ 26,863	$ 132,151

HART COUNTY SCHOOL DISTRICT
SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES
AGENCY FUNDS
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
Bonnieville Elementary	$ 17,689	$ 16,559	$ 31,783	$ 2,465	$ -	$ -	$ 2,465
Cub Run Elementary	15,503	13,666	13,246	15,923	75	5,565	10,433
Hart County High School	61,973	243,886	246,503	59,356	6,960	2,695	63,621
LeGrande Elementary	10,472	20,734	19,482	11,724	173	562	11,335
Memorial Elementary	8,276	36,385	36,049	8,612	-	-	8,612
Munfordville Elementary	27,979	37,378	38,494	26,863	-	-	26,863
	$ 145,100	$ 368,608	$ 385,557	$ 124,943	$ 7,208	$ 8,822	$ 123,329

HART COUNTY SCHOOL DISTRICT
SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES
HART COUNTY HIGH SCHOOL
YEAR ENDED JUNE 30, 2019

NAME OF ACTIVITY	CASH BALANCES July 1, 2018	RECEIPTS	DISBURSE-MENTS	CASH BALANCES June 30, 2019	RECEIVABLE June 30, 2019	ACCOUNTS PAYABLE June 30, 2019	DUE TO STUDENT GROUPS June 30, 2019
Academic Team	$ -	$ 420	$ 67	$ 353	$ -	$ -	$ 353
Art Club	1,144	1,655	442	2,357	-	-	2,357
Athletics	3,110	67,463	67,840	2,733	6,960	-	9,693
Baseball District Tours	-	13,483	13,483	-	-	-	-
Beta Club	4,841	7,126	7,698	4,269	-	-	4,269
Cheerleaders	128	1,631	752	1,007	-	-	1,007
Chess Club	90	-	-	90	-	-	90
Class of 2019	7,239	4,734	11,973	-	-	-	-
Class of 2020	1,566	13,305	5,034	9,837	-	-	9,837
Class of 2021	525	765	-	1,290	-	-	1,290
Class of 2022	-	640	-	640	-	-	640
District Activity Fund	190	31,467	31,467	190	-	-	190
Faculty Commission	1,321	2,102	2,716	707	-	-	707
FBLA	8,003	15,680	13,629	10,054	-	-	10,054
FCCLA	40	-	-	40	-	-	40
FFA	2,495	22,312	24,722	85	-	-	85
Football Team	327	4,107	4,319	115	-	-	115
General Fund	4,639	6,257	7,616	3,280	-	2,695	585
Hart Co. Bass Fishing Team	1,645	-	265	1,380	-	-	1,380
Hospitality Room	-	375	375	-	-	-	-
NHS	1,910	1,125	1,225	1,810	-	-	1,810
Pep Club	1,135	2,240	1,996	1,379	-	-	1,379
Regional FFA	4,739	480	2,512	2,707	-	-	2,707
Regional Tournament	-	29,573	29,573	-	-	-	-
SADD HOPE	504	500	893	111	-	-	111
Science Club	660	885	1,404	141	-	-	141
Softball	-	4,068	2,467	1,601			1,601
STAND	1,128	-	1,128	-	-	-	-
STLP	85	-	-	85	-	-	85
Student Council	364	-	146	218	-	-	218
World Language	1,496	2,049	1,057	2,488	-	-	2,488
Y Club	-	6,170	6,170	-	-	-	-
Yearbook	12,649	10,168	12,428	10,389	-	-	10,389
Volleyball	-	1,612	1,612	-			-
TOTALS	61,973	252,392	255,009	59,356	6,960	2,695	63,621
Transfers	-	8,506	8,506	-	-	-	-
TOTALS	$ 61,973	$ 243,886	$ 246,503	$ 59,356	$ 6,960	$ 2,695	$ 63,621

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

HART COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2019

FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS THROUGH GRANTOR'S NUMBER	FEDERAL EXPENDITURES
U.S. DEPARTMENT OF AGRICULTURE			
Child Nutrition Cluster -			
Passed Through State Department of Education:			
National School Lunch	10.555	7750002-18	$ 206,836
		7750002-19	854,728
School Breakfast Program	10.553	7760005-18	103,589
		7760005-19	382,067
Non-Cash Assistance (Commodities)			
National School Lunch Program	10.555	057502-02	107,057
TOTAL CHILD NUTRITION CLUSTER			1,654,277
TOTAL U.S. DEPT. OF AGRICULTURE			1,654,277
U.S. DEPARTMENT OF EDUCATION			
Special Education Cluster -			
Passed Through State Department of Education:			
Special Education - Grants to States	84.027	337D	113,889
		337E	466,531
Passed Through Green River Regional Educational Cooperative			
Special Education - Grants to States	84.027	335C	7,761
		335D	7,542
		335E	68,704
			664,427
Passed Through State Department of Education:			
Special Education - Preschool Grants	84.173	343D	21,262
		343E	3,407
			24,669
TOTAL SPECIAL EDUCATION CLUSTER			689,096
OTHER U.S. DEPARTMENT OF EDUCATION PROGRAMS			
Passed Through Kentucky Council on Postsecondary Education			
Adult Education - State Grant Program	84.002	365E	9,458
		373C	37,022
		373D	9,389
		373E	18,330
		464ER	13,147
			87,346
Passed Through State Department of Education			
Title I Grants to Local Educational Agencies	84.010	310D	130,060
		310DM	6,323
		310E	800,487
		310EM	5,526
			942,396
Migrant Education - State Grant Program	84.011	311C	10,336
		311D	386
			10,722
Career and Technical Education - Basic Grants to States	84.048	348C	565
		348CA	500
		348D	1,906
		348DA	1,279
		348E	36,263
			40,513

The accompanying notes are an integral part of this schedule.

HART COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONCLUDED

YEAR ENDED JUNE 30, 2019

FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS THROUGH GRANTOR'S NUMBER	FEDERAL EXPENDITURES
Rural Education	84.358B	350E	26,628
Supporting Effective Instruction - State Grants	84.367A	401D	8
		401E	133,762
			133,770
Striving Readers	84.371	466E	244,820
Student Support and Academic Enrichment	84.424	552D	9,305
		552E	67,621
			76,926
Passed Through Green River Regional Educational Cooperative			
ARRA - Race to the Top - District Grants, Recovery Act	84.416	436B	7,227
TOTAL U.S. DEPARTMENT OF EDUCATION			2,259,444
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 3,913,721

The accompanying notes are an integral part of this schedule.

HART COUNTY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2019

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Hart 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 Hart County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of Hart County School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – FOOD DISTRIBUTION

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

NOTE D – INDIRECT COST RATE

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

NOTE E – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HART COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued (unmodified):

Internal control over financial reporting:

• Material weakness(es) identified?	___X__yes	______no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	______yes	___X__none reported
Noncompliance material to financial statements noted?	______yes	___X__no

Federal Awards:

Internal control over major programs:

• Material weakness(es) identified?	______yes	___X__no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	______yes	___X__none reported

Type of auditor's report issued on compliance for major programs (unmodified):

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	______yes	___X__no

Section I – Summary of Auditor's Results - Continued

Identification of major programs:

CFDA Number	Federal Program or Cluster
	DEPARTMENT OF AGRICULTURE
10.553/10.555	Child Nutrition Cluster

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

MATERIAL WEAKNESSES

REFERENCE NUMBER 2019-001 ADJUSTMENTS

Condition: As part of the audit we proposed material adjustments to the financial statements.

Criteria: The District's management is responsible for establishing and maintaining internal controls for the proper recording of all the District's accounting transactions.

Cause: The District did not identify items to be corrected.

Context: The District is required to record adjustments during the annual closing process. Not all items were adjusted during this process.

Effect: The design of the internal controls identifying adjustments did not prevent material adjustments.

Recommendation: We recommend District management and financial personnel review the procedures and processes involved in recording journal entries and enhance its internal control policies to ensure proper recording of these items.

Views of Responsible Officials *and Planned Corrective Actions:* Management will review the procedures and processes involved in recording journal entries and enhance its internal control policies to ensure proper recording of these items by November 15, 2019.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

HART COUNTY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

June 30, 2019

FINDING 2018-001 – MATERIAL WEAKNESS – ADJUSTMENTS

Condition This finding was a material weakness stating that material adjustments were required to the financial statements.

Recommendation: The auditor recommended that the District review its procedures to ensure all adjustments are made to the financial statements.

Current Status: This finding was repeated as a material weakness as finding 2019-001 in the June 30, 2019 audit.

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

CHRIS R. CARTER, CPA
ANN M. FISHER, CPA
SCOTT KISSELBAUGH, CPA
PHILIP A. LOGSDON, CPA
BRIAN S. WOOSLEY, CPA

STILES, CARTER & ASSOCIATES, CPAs, P.S.C.

WWW.SCACPA.COM

AMERICAN INSTITUTE OF CPAS
KENTUCKY SOCIETY OF CPAS

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

Kentucky State Committee for School District Audits
Members of the Board of Education
Hart County School District
Munfordville, 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 Hart County School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Hart School District's basic financial statements, and have issued our report thereon dated November 6, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness as item 2019-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hart County School 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 the *Independent Auditor's Contract.*

We noted certain matters that we reported to management of Hart County School District in a separate letter dated November 6, 2019.

Hart County School District's Response to Finding

Hart County School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Hart County School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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, PSC

Stiles, Carter & Associates, CPAs, P.S.C.
Elizabethtown, Kentucky
November 6, 2019

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

Chris R. Carter, CPA
Ann M. Fisher, CPA
Scott Kisselbaugh, CPA
Philip A. Logsdon, CPA
Brian S. Woosley, CPA

SCA
Stiles, Carter & Associates, CPAs, P.S.C.
www.scacpa.com

American Institute of CPAs
Kentucky Society of CPAs

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

Kentucky State Committee for School District Audits
Members of the Board of Education
Hart County School District
Munfordville, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Hart 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 Hart County School District's major federal programs for the year ended June 30, 2019. Hart 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Hart County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I and II 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 Hart County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

2901 Ring Road East, P.O. Box 622 · Elizabethtown, KY 42702-0622 / Phone 270-769-6371 · Fax 270-765-7934
713 McDowell Blvd. · Bardstown, KY 40004 / Phone 502-348-1433 · Fax 502-349-6365

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of Hart 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 Hart 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 in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major 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 Hart 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 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, PSC

Stiles, Carter & Associates, CPAs, P.S.C.
Elizabethtown, Kentucky
November 6, 2019

MANAGEMENT LETTER AND COMMENTS

CHRIS R. CARTER, CPA
ANN M. FISHER, CPA
SCOTT KISSELBAUGH, CPA
PHILIP A. LOGSDON, CPA
BRIAN S. WOOSLEY, CPA

STILES, CARTER & ASSOCIATES, CPAs, P.S.C.
WWW.SCACPA.COM

AMERICAN INSTITUTE OF CPAS
KENTUCKY SOCIETY OF CPAS

Kentucky State Committee for School District Audits
Members of the Board of Education of
Hart County School District
Munfordville, Kentucky

In planning and performing our audit of the basic financial statements of Hart County School District for the year ended June 30, 2019, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. Any uncorrected comments from the prior year have been included in the memorandum. A separate report dated November 6, 2019, contains our report on the District's internal control. This letter does not affect our report dated November 6, 2019, on the financial statements of the Hart County School District.

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

This report is intended solely for the information and use of management, the members of the Hart County Board of Education, others within the District, the Kentucky Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Stiles, Carter & Associates, CPAs, PSC

Stiles, Carter & Associates, CPAs, P.S.C.
Elizabethtown, Kentucky
November 6, 2019

2901 RING ROAD EAST, P.O. BOX 622 · ELIZABETHTOWN, KY 42702-0622 / PHONE 270-769-6371 · FAX 270-765-7934
713 MCDOWELL BLVD. · BARDSTOWN, KY 40004 / PHONE 502-348-1433 · FAX 502-349-6365

UNCORRECTED PRIOR YEAR COMMENTS

LEGRANDE ELEMENTARY SCHOOL

FUNDRAISERS
We noted that the school's bookkeeper stated in the Internal Control Questionnaire that there were zero fundraisers held by the school activity funds in the 2018-2019 fiscal year. However, per review of the receipt listing for the 2018-2019 fiscal year, we noted receipts from yearbook sales. There was not a Fundraiser Approval Form (F-SA-2A) on file for this fundraiser to determine if funds were properly deposited or expensed from the correct activity fund. Redbook requires that fundraisers be approved before they are held.

MANAGEMENT RESPONSE
Understanding that yearbook sales are a fundraiser, proper documentation will be completed for yearbooks and all other fundraisers to clearly determine that the funds are deposited and expensed from the proper account. Documentation includes a Fundraiser Approval Form (F-SA-2A) and the fundraiser will be held after approval. The fundraiser will also be listed on the Internal Control Questionnaire. Documentation will be submitted to the district finance officer.

MEMORIAL ELEMENTARY SCHOOL

EXTERNAL SUPPORT/BOOSTER CLUBS
We noted that there was a Memorial Elementary PTSA for the 2018-2019 school year, however there was not an Annual Financial Report or an EIN on file. Redbook requires each external support club to submit an Annual Financial Report for the fiscal year to the principal by July 25 Redbook also requires each external support club to submit the FEIN and to the principal at the beginning of the school year or within thirty days of the first transaction of the organization.

MANAGEMENT RESPONSE
On the same day as the audit results meeting was held, an e-mail was issued to the PTSA President and the PTSA treasurer explaining the necessity of their Annual Financial Report and their FEIN. It was explained to them that we never received it last year despite our best efforts and that it WOULD NOT be acceptable for them to withhold at this point. The PTSA President e-mailed back on 10/15/2019 and sent all of the information needed/required. A reminder has been set to ask about those things periodically if not received. The original of each document will be included in the PTSA folder of our 2019-2020 audit box.

FUNDRAISER APPROVAL FORM
We noted that there was a deposit made for Yearbook sales. However, there was not an applicable Fundraiser Approval Form (F-SA-2A) completed for it. Per discussion with the bookkeeper, the PTO handles all fundraising activities at the school. No fundraisers were in-house. Rebook requires the Fundraiser Approval Form to be completed before the fundraiser begins.

MANAGEMENT RESPONSE
The fundraiser approval form has already been filled out and submitted for the 2019-2020 year. It was an oversight that it was missing from the 2018-2019 year. The school had some confusion regarding the yearbook being an actual fundraiser as it was simply considered taking money from the student and issuing them a yearbook in return.

UNCORRECTED PRIOR YEAR COMMENTS – CONTINUED

MUNFORDVILLE ELEMENTARY SCHOOL

EXTERNAL SUPPORT/BOOSTER CLUBS
We noted that the following documentation was not on file for the PTO for the 2018-2019 fiscal year: an employer identification number. Redbook requires that each external support/booster organization submit its own Federal Employer Identification Number (FEIN) specifically and only for its use.

MANAGEMENT RESPONSE
We recognize that the FEIN was not on file for the PTO for the 2018-2019 school year and we will be in contact with the PTO to get this from them.

DEPOSIT SLIPS
Upon review of the receipts for 2018-2019, we noted that the receipt numbers were not included on the corresponding deposit slip for the 12/5/2018 deposit.

MANAGEMENT RESPONSE
We recognize that the receipts for 2018-2019 did not have the receipt numbers on the corresponding deposit slip for the 12/5/2018 deposit. We are including the receipt numbers on deposit slips for the 2019-2020 school year and will continue to do so in the future.

HART COUNTY HIGH SCHOOL

ACCOUNTS PAYABLE
Upon review of the Sequential List of Checks for July 2019, we noted check #11666 dated 6/6/2019 in the amount of $2,695 was written for 2018-2019 AP exam fees. This amount was not listed on the Form F-SA-15B for June 2019.

MANAGEMENT RESPONSE
Upon reviewing this, discovered this check was outstanding and had not yet cleared the bank. Will make sure that any outstanding check will be listed on the Form-SA-15B for the end of the year.

CURRENT YEAR COMMENTS

BONNIEVILLE ELEMENTARY SCHOOL

EXTERNAL SUPPORT/BOOSTER CLUBS – ANNUAL FINANCIAL REPORT
Upon review of the Annual Financial Report that was submitted by the Bonnieville PTO for the 2018-2019 fiscal year, we noted that the revenues and expenditures were not listed by category. Redbook states that the annual financial report shall contain, at a minimum, cash beginning balance, cash ending balance, and revenues and expenditures by category. (i.e. admission revenues, concession revenues, items for resale, supplies).

MANAGEMENT RESPONSE
The principal and bookkeeper met with the PTO on Monday October 21, 2019, to discuss the Redbook requirement for revenues and expenditures to be listed by categories on the Annual Financial Report. We will provide them with a document which they can use to help met all requirements for the Annual Financial Report. In addition to this, the financial officer will hold a Redbook training.

CURRENT YEAR COMMENTS – CONTINUED

CUB RUN ELEMENTARY SCHOOL

EXTERNAL SUPPORT/BOOSTER CLUBS – ANNUAL FINANCIAL REPORT

Upon review of the Annual Financial Report that was submitted by the Cub Run ES PTO for the 2018-2019 fiscal year, we noted that the revenues and expenditures were not listed by category. Redbook states that the annual financial report shall contain, at a minimum, cash beginning balance, cash ending balance, and revenues and expenditures by category. (i.e. admission revenues, concession revenues, items for resale, supplies).

MANAGEMENT RESPONSE

The principal and bookkeeper went to a district meeting at Central Office on October 15, 2019 that was led by the District Finance Officer, who informed all schools of their audit findings. The Finance Officer gave suggestions and forms that the External Support/Booster Club treasurers can use in order to help with checks and balances when reporting revenue/expenditures. Form submission, from the PTO organization. The Finance Officer also noted that there would be a training scheduled in the near future with all external support/booster club treasurers. The principal and bookkeeper had a conference with the PTO Treasurer and discussed the new forms that need to be submitted at the end of the fiscal year. The PTO Treasurer was very appreciative of the information and will be sure to submit the correct forms next year.

MEMORIAL ELEMENTARY SCHOOL

CASH ADVANCE

We noted that check #4345, dated 1/16/2019, in the amount of $750 was for a cash advances for food for the Beta Convention. However, there wasn't an Expense Report (F-SA-9) on file. Redbook requires that the Expense Report, related receipts, other supporting documentation, and unused cash be returned by the close of the next business day after the trip.

MANAGEMENT RESPONSE

To avoid this issue we have decided not to do cash advances anymore. By not issuing a cash advance we can eliminate the need for the F-SA-9 and other related paperwork associated with it. We will either reimburse the club sponsor for meal expenses, or see if we can get a list of where the students will be eating in advance and write a check to the restaurant for meal expenses. A message was sent to our Beta sponsor, to see which she would prefer.

CHANGE BOX

We noted that the change money was not redeposited before the end of the fiscal year. Redbook requires that change fund money be re-deposited before the end of the fiscal year on a separate receipt and not commingled with gate or concession receipts.

MANAGEMENT RESPONSE

The change box, as mentioned in the letter in the audit box, was an oversight. Steps have been taken to prevent this issue this school year. A calendar alarm, cell phone notification, note on desk calendar, and note on office wall, all state to make sure money is deposited as soon as ball season is over. That will eliminate the problem of the money being forgotten in the safe.

CURRENT YEAR COMMENTS – CONTINUED

MUNFORDVILLE ELEMENTARY SCHOOL

FUNDRAISERS
We noted that following documentation was on file for the Yearbook Sales fundraiser that was held by the Yearbook account during the 2018-2019 fiscal year: a Fundraiser Approval (F-SA-2A). There was not a Fundraiser Worksheet (F-SA-2B) or a Multiple Receipt Form (F-SA-6) on file for the fundraiser. Redbook states that fundraisers where items are sold, whether purchased or donated or both, require the use of the Fundraiser Worksheet to recap the profitability of the fundraiser sales cycle. Redbook also requires Yearbook fundraisers to be supported with Multiple Receipt Forms (F-SA-6).

MANAGEMENT RESPONSE
We recognize the missing fundraiser worksheet and multiple receipt form for the yearbook fundraiser. We will work with the yearbook sponsor to ensure that this is not missed in the coming year.

FUNDRAISER APPROVAL FORMS
We noted that the deposit made on 9/14/2018 in the amount of $2,848.77, included a Sales Collection Form (F-SA-17) for the receipt of $2,848.77 from sales into the Library account. However, there was not a Fundraiser Approval Form (F-SA-2A) on file for this fundraiser. Therefore, we were unable to determine if this fundraiser was approved or if these funds were deposited into the correct account.

MANAGEMENT RESPONSE
Explanation of the deposit made on 9/14/2018 (Receipt #3229). It was the original intent that the funds from the book fair would be processed through the PTO account. After the completion of the Fair, the PTO referred the processing to the school activity account. Both the Librarian and the bookkeeper were new in their roles at that time and due to the misunderstanding the librarian had kept the sales with her until the end. On 9/14/2018 the money was presented and it was deposited into the account.

TICKET SALES
We noted during review of ticket sales that the Requisition and Report of Ticket Sales Form (F-SA-1) that was submitted for the boys' basketball game held on 1/07/2019 had the same individual that initialed in column C as being the ticket seller also signed off as being the ticket taker for the event. Redbook requires that these duties be segregated.

MANAGEMENT RESPONSE
We recognize that the requisition and report of ticket sales forms need to have a different individual for ticket sales and ticket taker for each event.

HART COUNTY HIGH SCHOOL

EXTERNAL SUPPORT/BOOSTER CLUBS
We noted that the Boys' Basketball Booster did not have their Employer Identification Number on file for the 2018-2019 school year. We also noted that the Friends of the Library Booster did not have proof of liability insurance coverage on file for the 2018-2019 school year. Redbook requires that all booster clubs submit a proof of general liability insurance for each school year the club is active and obtain its own Federal Employer Identification Number specifically and only for its use.

MANAGEMENT RESPONSE
Upon reviewing this, the principal contacted both booster clubs discussing Redbook procedures about having the proper paperwork on file and submitted to the book keeper by date that is set. In mid-November of this year, there will be a Redbook meeting with all booster clubs to discuss submitting proper paperwork and documentation needed at the school to keep on file. No fundraisers will be approved from until all paperwork is on file at the school office.

APPENDIX C

Hart County School District Finance Corporation
School Building Refunding Revenue Bonds
Series of 2021

Continuing Disclosure Agreement

CONTINUING DISCLOSURE UNDERTAKING AGREEMENT

This Continuing Disclosure Undertaking Agreement ("Agreement") made and entered into as of the 4th day of February, 2021, by and between the Board of Education of Hart County, Kentucky School District ("Board"); the Hart County School District Finance Corporation, an agency and instrumentality of the Board ("Corporation") and the Registered and Beneficial Owners of the Bonds hereinafter identified as third party beneficiaries to this Agreement. For the purposes of this Agreement "Beneficial Owner" means the person or entity treated as the owner of the Bonds for federal income tax purposes and "Registered Owner" means the person or entity named on the registration books of the bond registrar.

W I T N E S S E T H:

WHEREAS, the Corporation has acted as issuing agency for the Board pursuant to the provisions of Section 162.385 of the Kentucky Revised Statutes ("KRS") and the Corporation's Bond Resolution in connection with the authorization, sale and delivery of $1,465,000 of the Corporation's School Building Refunding Revenue Bonds, Series of 2021, dated as of February 4, 2021 ("Bonds"), which Bonds were offered for sale under the terms and conditions of a Final Official Statement ("FOS") prepared by RSA Advisors, LLC, Lexington, Kentucky ("Financial Advisor") and approved by the authorized representatives of the Board and the Corporation, and

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

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

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

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

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

1. ANNUAL FINANCIAL INFORMATION

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

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

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

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

2. MATERIAL EVENTS NOTICES

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

(1) Principal/interest payment delinquency;

(2) Nonpayment related default, if material;

(3) Unscheduled draw on debt service reserve reflecting financial difficulties;

(4) Unscheduled draw on credit enhancement reflecting financial difficulties;

(5) Substitution of credit or liquidity provider, or its failure to perform;

(6) Adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the securities, or other material events affecting the tax status of the security;

(7) Modifications to rights of security holders, if material;

(8) Bond call, if material and tender offers;

(9) Defeasance;

(10) Release, substitution or sale of property securing the repayment of the security, if material;

(11) Rating change;

(12) Merger, consolidation, acquisition or sale of all or substantially all assets of an obligated person, other than in the ordinary course of business, and the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to such action, other than pursuant to its terms, if material;

(13) Bankruptcy, insolvency, receivership or similar event of the obligated person;

(14) Successor, additional or change in trustee, if material;

(15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material, and;

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

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

(A) Debt obligation;

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

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

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

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

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

3. SPECIAL REQUESTS FOR INFORMATION

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

4. DISCLAIMER OF LIABILITY

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

5. FINAL OFFICIAL STATEMENT

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

6. DURATION OF THE AGREEMENT

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

7. AMENDMENT; WAIVER

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

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

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

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

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

8. DEFAULT

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

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

BOARD OF EDUCATION OF
HART COUNTY, KENTUCKY SCHOOL DISTRICT

____
Chairperson

Attest:

____
Secretary

HART COUNTY SCHOOL
DISTRICT FINANCE CORPORATION

____
President

Attest:

____
Secretary

APPENDIX D

Hart County School District Finance Corporation
School Building Refunding Revenue Bonds
Series of 2021

Official Terms and Conditions of Bond Sale

OFFICIAL TERMS AND CONDITIONS OF BOND SALE

$1,465,000*
Hart County School District Finance Corporation
School Building Refunding Revenue Bonds, Series of 2021
Dated as of February 4, 2021

SALE: January 6, 2021 AT 11:00 A.M., E.S.T.

The Hart County School District Finance Corporation (the "Corporation") will until 11:00 A.M., E.S.T., on January 6, 2021 receive at the office of the Kentucky School Facilities Construction Commission, 700 Louisville Road, Carriage House, Frankfort, Kentucky, 40601, competitive bids for the purchase of $1,465,000 principal amount of Hart County School District Finance Corporation School Building Refunding Revenue Bonds, Series of 2021 (the "Refunding Bonds"), dated and bearing interest from February 4, 2021, payable on May 1, 2021, and semi-annually thereafter on May 1 and November 1 of each year, in denominations in multiples of $5,000 within the same maturity, maturing on May 1 in each of the years as follows:

MATURITY	PRINCIPAL AMOUNT*
2021	$ 10,000
2022	20,000
2023	20,000
2024	15,000
2025	15,000
2026	20,000
2027	265,000
2028	265,000
2029	270,000
2030	280,000
2031	285,000

* Subject to Permitted Adjustment as described herein.

REDEMPTION PROVISIONS

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

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

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

HART 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 Hart County, Kentucky School District (the "Board"). Under the provisions of exist-ing 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 Hart County School District Finance Corporation School Building Revenue Bonds, Series of 2011, dated June 2, 2011 maturing May 1, 2021 and thereafter (the "Refunded Bonds") at or prior to their stated maturities on May 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 BONDS OF PRIOR ISSUE

The Refunded Bonds were issued under the authority of Sections 162.120 through 162.300 and 162.385 of the Kentucky Revised Statutes for the purpose of providing funds to finance the acquisition of land and renovation of existing building for Board's Central Office (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 June 2, 2011 (the "Prior Lease").

The total principal amount of the Refunded Bonds currently outstanding is $1,390,000, scheduled to mature on May 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 May 1, 2021 all of the Refunded Bonds

The 2021 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 2021 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 February 4, 2021 (the "2021 Lease).

Under the 2021 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 February 4, 2021 through June 30, 2021, with the option in the Board to renew said 2021 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 2021 Lease , the principal and interest on all of the Refunding Bonds as same become due.

The 2021 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 2021 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 2021 Lease until May 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 2021 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 2021 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 2021 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 submitted manually, by facsimile or electronically via PARITY®.

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

(3) The bid shall be not less than $1,450,350 (99% of par) plus accrued interest. Interest rates shall be in multiples of 1/8 or 1/20 of 1% or both. Only one interest rate shall be permitted per Bond, and all Bonds of the same maturity shall bear the same rate. Interest rates must be on an ascending scale, in that the interest rate stipulated in any year may not be less than that stipulated for any preceding maturity. There is no limit on the number of different interest rates.

(4) The determination of the best purchase bid for said Refunding Bonds shall be made on the basis of all bids submitted for exactly $1,465,000 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 $145,000, with such increase or decrease to be made in any maturity, and the total amount of Refunding Bonds awarded to such best bidder will be a minimum of $1,320,000 or a maximum of $1,610,000. In the event of any such adjustment, no rebidding or recalculation of a submitted bid will be required or permitted. The price at which such adjusted principal amount of Bonds will be sold will be at the same price per $5,000 of Refunding Bonds as the price per $5,000 for the $1,465,000 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 January 6, 2021.

(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 May 1 in accordance with the maturity schedule setting the actual size of the issue.

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

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

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

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

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

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

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

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

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

STATE SUPPORT OF EDUCATION

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

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

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

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

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

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

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

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

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

BIENNIAL BUDGET FOR PERIOD ENDING JUNE 30, 2022

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

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

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

POTENTIAL LEGISLATION

No assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the 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 Board and issuing agencies acting on behalf of the Board offering for public sale municipal securities in excess of $1,000,000, the Corporation and the Board will enter into a written agreement for the benefit of all parties who may become Registered or Beneficial Owners of the Bonds whereunder said Corporation and Board will agree to comply with the provisions of the Municipal Securities Disclosure Rules set forth in Securities and Exchange Commission Rule 15c2-12 (the "Rule") by filing annual financial statements and material events notices with the Electronic Municipal Market Access ("EMMA") System maintained by the Municipal Securities Rule Making Board.

Financial information regarding the Board may be obtained from Superintendent, Hart County Board of Education, 25 Quality Street, Munfordville, Kentucky 42765 (270) 524-2631.

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, 2021, 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.

HART COUNTY SCHOOL DISTRICT
FINANCE CORPORATION

By /s/ Nathan Smith
Secretary

APPENDIX E

Hart County School District Finance Corporation
School Building Refunding Revenue Bonds
Series of 2021

Official Bid Form

OFFICIAL BID FORM
(Bond Purchase Agreement)

The Hart County School District Finance Corporation ("Corporation"), will until 11:00 A.M., E.S.T., on January 6, 2021, receive in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Road, Carriage House, Frankfort, Kentucky, 40601, (telephone 502-564-5582; Fax 888-979-6152) competitive bids for its $1,465,000 School Building Refunding Revenue Bonds, Series of 2021, dated as of February 4, 2021; maturing May 1, 2021 through 2031 ("Bonds").

We hereby bid for said $1,465,000* principal amount of Bonds, the total sum of $_______________ (not less than $1,450,350) plus accrued interest from February 4, 2021 payable May 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 May 1 in each of the years as follows:

Year	Amount*	Rate
2021	$ 10,000	________%
2022	20,000	________%
2023	20,000	________%
2024	15,000	________%
2025	15,000	________%
2026	20,000	________%
2027	265,000	________%
2028	265,000	________%
2029	270,000	________%
2030	280,000	________%
2031	285,000	________%

* Subject to Permitted Adjustment up to $145,000

We understand this bid may be accepted for as much as $1,610,000 of Bonds or as little as $1,320,000 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 January 6, 2021.

(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 May 1 in accordance with the maturity schedule setting the actual size of the issue.

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

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

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

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

If we are the successful bidder, we agree to accept and make payment for the Bonds in Federal Funds on or about February 4, 2021 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 February 4, 2021 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 Hart County School District Finance Corporation for $________________ amount of Bonds at a price of $_____________ as follows:

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

Dated: January 6, 2021

____

RSA Advisors, LLC, Municipal Advisor and
Agent for Hart County School District Finance Corporation