

DATED JANUARY 13, 2021

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

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

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

**\$520,000\***

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

**Dated with Delivery: February 11, 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 and each May 1 thereafter as shown below. The Bonds are being issued in Book-Entry-Only Form and will be available for purchase in principal amounts of \$1,000 and integral multiples thereof.

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

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 Edmonson 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 Edmonson County Board of Education.

The Edmonson County (Kentucky) School District Finance Corporation will until January 21, 2021 at 1:00 P.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 \$52,000.**

**PURCHASER'S OPTION:** The Purchaser of the Bonds, within 24 hours of the sale, may specify to the Financial Advisor that any Bonds may be combined immediately succeeding sequential maturities into a Term Bond(s), bearing a single rate of interest, with the maturities set forth above (or as may be adjusted as provided herein) being subject to mandatory redemption in such maturities for such Term Bond(s).

The Bonds will be delivered utilizing the BOOK-ENTRY-ONLY-SYSTEM administered by The Depository Trust Company.

The Corporation deems this preliminary Official Statement to be final for purposes of the Securities and Exchange Commission Rule 15c2-12(b)(1), except for certain information on the cover page hereof which has been omitted in accordance with such Rule and which will be supplied with the final Official Statement.



This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sales of these Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the laws of any such jurisdiction.

**EDMONSON COUNTY, KENTUCKY  
BOARD OF EDUCATION**

Lorri Keith, Chairman  
Mickey Johnson, Member  
Paul Forester, Member  
Keith LaMastus, Member  
Alex Ulm, Member

Brian Alexander, Superintendent/Secretary

**EDMONSON COUNTY SCHOOL DISTRICT  
FINANCE CORPORATION**

Lorri Keith, Chairman  
Mickey Johnson, Member  
Paul Forester, Member  
Keith LaMastus, Member  
Alex Ulm, Member

Brian Alexander, Secretary  
Tiffany Carroll, Treasurer

**BOND COUNSEL**

Step toe & Johnson PLLC  
Louisville, Kentucky

**FINANCIAL ADVISOR**

RSA Advisors, LLC  
Lexington, Kentucky

**PAYING AGENT AND REGISTRAR**

U.S. Bank, National Association  
Louisville, Kentucky

**BOOK-ENTRY-ONLY-SYSTEM**

## REGARDING USE OF THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Edmonson 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.

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**OFFICIAL STATEMENT  
Relating to the Issuance of**

**\$520,000\***

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

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

Copies of the Bond Resolution authorizing the issuance of the Bonds, the Participation Agreement and the Lease Agreement, dated February 11, 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](http://www.dtcc.com).

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

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

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

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

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

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

disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

## **THE CORPORATION**

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

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

## **KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION**

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

The Commission will enter into a Participation Agreement with the Board whereunder the Commission, will agree to continue to pay approximately 96% of the debt service of the Refunding Bonds through May 1, 2031; provided, however, that the contractual commitment of the Commission to pay the annual Agreed Participation is limited to the budget period of the Commonwealth, with the first such budget period terminating on June 30, 2022.

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

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

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

### **BIENNIAL BUDGET FOR PERIOD ENDING JUNE 30, 2022**

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

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

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

### **OUTSTANDING BONDS**

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



<b>Bond Series</b>	<b>Original Principal</b>	<b>Current Principal Outstanding</b>	<b>Principal Assigned to Board</b>	<b>Principal Assigned to Commission</b>	<b>Approximate Interest Rate Range</b>	<b>Final Maturity</b>
2011	\$775,000	\$485,000	\$79,609	\$695,391	4.000% - 4.625%	2031
2011-REF	\$5,280,000	\$2,220,000	\$5,280,000	\$0	2.500% - 2.750%	2024
2012-REF	\$1,055,000	\$420,000	\$0	\$1,055,000	2.150% - 2.300%	2024
2017	\$2,055,000	\$1,980,000	\$1,528,794	\$526,206	2.000% - 3.750%	2037
2020	\$1,705,000	\$1,705,000	\$1,574,317	\$130,683	2.000% - 2.250%	2040
<b>Totals:</b>	<b>\$10,870,000</b>	<b>\$6,810,000</b>	<b>\$8,462,720</b>	<b>\$2,407,280</b>		

## **AUTHORITY**

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

- i) the issuance of approximately \$520,000 of Bonds subject to a permitted adjustment of \$52,000;
- 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 11, 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 November 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
November 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 11, 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 Section 157.627(5) of the Act and KRS 160.160(5), in the event of a failure by the Board to pay the rentals due under the 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 and Participation Agreement to the Corporation and the Commission the right to notify and request the Kentucky Department of Education to withhold from the Board a sufficient portion of any undisbursed funds then held, set aside, or allocated to the Board and to request said Department or Commissioner of Education to transfer the required amount thereof to the Paying Agent for the payment of such rentals.

## COMMISSION'S PARTICIPATION

The Commission has determined that the Board is eligible for an average annual participation equal to approximately \$51,010 from the Commission's appropriation by the Kentucky General Assembly which will be used to meet a portion of the debt service of the Bonds. The plan for financing the Project will require the Commission to pay approximately ninety-six percent (96%) of the debt service of the Bonds.

The Participation Agreement to be entered into with the Board will be limited to the biennial budget period of the Commonwealth of Kentucky, with the first such biennial period terminating on June 30, 2022. The right is reserved in the Commission to terminate the commitment to pay the agreed participation every two years

thereafter. The obligation of the Commission to make payments of the agreed participation shall be automatically renewed each two years thereafter unless the Commission gives notice to the Board of its intention not to participate not less than sixty days prior to the end of the biennium. However, the Commission has expressed its intention to continue to pay the agreed participation in successive biennial budget periods until the Bonds are retired, but the Commission is not required to do so.

### **THE PLAN OF REFUNDING**

A sufficient amount of the proceeds of the Bonds at the time of delivery will be deposited into the Bond Fund for the Refunded Bonds. The Bond Fund deposit is intended to be sufficient to (i) pay the accrued interest and refund at or in advance of maturity providing funds to retire the outstanding Edmonson County School District Finance Corporation School Building Revenue Bonds, Series of 2011, dated May 1, 2011 (the "2011 Bonds") maturing May 1, 2021 and thereafter (the "2011 Refunded Bonds") prior to their stated maturities 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 Edmonson 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 make roof improvements to the Edmonson County High School (the "Project").

### ESTIMATED BOND DEBT SERVICE

The following table shows by fiscal year the current bond payments of the Board. The plan of financing provides for the Board to meet approximately 4% of the debt service of the Bonds.

Fiscal Year Ending June 30	Current Local Bond Payments	Series 2021 Refunding Revenue Bonds			SFCC Portion	Local Portion	Total Local Bond Payments
		Principal	Interest	Total			
2021	\$668,038	\$45,000	\$1,774	\$46,774	\$41,680	\$5,095	\$673,133
2022	\$685,894	\$50,000	\$7,445	\$57,445	\$51,010	\$6,436	\$692,330
2023	\$684,958	\$45,000	\$6,845	\$51,845	\$51,010	\$835	\$685,793
2024	\$682,875	\$45,000	\$6,305	\$51,305	\$51,010	\$295	\$683,170
2025	\$684,657	\$45,000	\$5,720	\$50,720	\$50,720	\$0	\$684,657
2026	\$268,295	\$50,000	\$5,090	\$55,090	\$51,010	\$4,080	\$272,375
2027	\$265,946	\$50,000	\$4,340	\$54,340	\$51,009	\$3,331	\$269,276
2028	\$268,395	\$45,000	\$3,540	\$48,540	\$48,540	\$0	\$268,395
2029	\$265,363	\$50,000	\$2,775	\$52,775	\$51,010	\$1,765	\$267,128
2030	\$262,100	\$50,000	\$1,875	\$51,875	\$51,009	\$866	\$262,966
2031	\$263,638	\$45,000	\$900	\$45,900	\$45,900	\$0	\$263,638
2032	\$261,036						\$261,036
2033	\$264,385						\$264,385
2034	\$262,635						\$262,635
2035	\$260,386						\$260,386
2036	\$262,745						\$262,745
2037	\$264,554						\$264,554
2038	\$121,309						\$121,309
2039	\$118,685						\$118,685
2040	\$115,984						\$115,984
2041	\$114,850						\$114,850
Totals:	\$7,046,727	\$520,000	\$46,609	\$566,609	\$543,908	\$22,702	\$7,069,429

Note: numbers are rounded to the nearest \$1.00.

### ESTIMATED USE OF BOND PROCEEDS

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

<b>Sources:</b>	
Par Amount of Bonds	\$520,000.00
Total Sources	\$520,000.00
<b>Uses:</b>	
Deposit to Escrow Fund	\$497,800.00
Underwriter's Discount (1%)	5,200.00
Cost of Issuance	17,000.00
Total Uses	\$520,000.00

## DISTRICT STUDENT POPULATION

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

Year	Average Daily Attendance	Year	Average Daily Attendance
2000-01	1,746.9	2010-11	1,790.8
2001-02	1,770.9	2011-12	1,827.7
2002-03	1,798.5	2012-13	1,808.2
2003-04	1,822.3	2013-14	1,740.6
2004-05	1,819.4	2014-15	1,738.9
2005-06	1,809.3	2015-16	1,712.7
2006-07	1,828.4	2016-17	1,701.9
2007-08	1,808.1	2017-18	1,686.1
2008-09	1,836.3	2018-19	1,674.0
2009-10	1,783.6	2019-20	1,627.3

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

<b>Year</b>	<b>Capital Outlay Allotment</b>	<b>Year</b>	<b>Capital Outlay Allotment</b>
2000-01	174,690.0	2010-11	179,080.0
2001-02	177,090.0	2011-12	182,771.0
2002-03	179,850.0	2012-13	180,819.0
2003-04	182,230.0	2013-14	174,064.0
2004-05	181,940.0	2014-15	173,889.0
2005-06	180,930.0	2015-16	171,270.0
2006-07	182,840.0	2016-17	170,190.0
2007-08	180,810.0	2017-18	168,610.0
2008-09	183,625.0	2018-19	167,395.3
2009-10	178,362.0	2019-20	162,730.0

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

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

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

### **LOCAL SUPPORT**

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

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

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

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

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

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

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

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

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

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

<b>Tax Year</b>	<b>Combined Equivalent Rate</b>	<b>Total Property Assessment</b>	<b>Property Revenue Collections</b>
2000-01	49.3	346,176,312	1,706,649
2001-02	49.9	368,627,580	1,839,452
2002-03	48.3	381,891,567	1,844,536
2003-04	48.3	390,256,693	1,884,940
2004-05	50.9	410,234,766	2,088,095
2005-06	50.6	438,662,091	2,219,630
2006-07	49.7	448,143,090	2,227,271
2007-08	50.6	490,693,582	2,482,910
2008-09	51	527,188,465	2,688,661
2009-10	51	535,666,772	2,731,901
2010-11	49	551,777,510	2,703,710
2011-12	47.5	566,199,737	2,689,449
2012-13	50.3	576,574,283	2,900,169
2013-14	52.1	592,995,724	3,089,508
2014-15	52.2	608,136,950	3,174,475
2015-16	52.4	626,068,313	3,280,598
2016-17	52.1	647,570,299	3,373,841
2017-18	52.7	668,117,243	3,520,978
2018-19	56	690,991,072	3,869,550
2019-20	55	733,377,983	4,033,579

***Overlapping Bond Indebtedness***

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

<b>Issuer</b>	<b>Original Principal Amount</b>	<b>Amount of Bonds Redeemed</b>	<b>Current Principal Outstanding</b>
County of Edmonson			
General Obligation	\$1,258,995	\$342,301	\$916,694
Court Facility Public Corporation	\$2,610,000	\$615,000	\$1,995,000
Refinancing Revenue	\$5,190,000	\$2,805,000	\$2,385,000
Ambulance Renewable	\$75,927	\$28,113	\$47,814
City of Brownsville			
Water & Sewer Revenue	\$202,000	\$136,400	\$65,600
Special Districts			
Edmonson County Ambulance Dist.	\$100,000	\$0	\$100,000
Edmonson County Water District	\$21,355,176	\$4,008,560	\$17,346,616
<b>Totals:</b>	<b>\$30,792,098</b>	<b>\$7,935,374</b>	<b>\$22,856,724</b>

*Source: 2020 Kentucky Local Debt Report.*

**SEEK Allotment**

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

<b>SEEK</b>	<b>Base Funding</b>	<b>Local Tax Effort</b>	<b>Total State &amp; Local Funding</b>
2000-01	7,007,671	1,706,649	8,714,320
2001-02	7,112,107	1,839,452	8,951,559
2002-03	7,661,164	1,844,536	9,505,700
2003-04	8,212,885	1,884,940	10,097,825
2004-05	8,335,528	2,088,095	10,423,623
2005-06	8,795,256	2,219,630	11,014,886
2006-07	9,022,403	2,227,271	11,249,674
2007-08	9,579,697	2,482,910	12,062,607
2008-09	9,862,282	2,688,661	12,550,943
2009-10	8,228,734	2,731,901	10,960,635
2010-11	8,040,967	2,703,710	10,744,677
2011-12	8,804,092	2,689,449	11,493,541
2012-13	8,632,024	2,900,169	11,532,193
2013-14	8,279,190	3,089,508	11,368,698
2014-15	8,315,231	3,174,475	11,489,706
2015-16	8,186,406	3,280,598	11,467,004
2016-17	8,257,018	3,373,841	11,630,859
2017-18	8,334,364	3,520,978	11,855,342
2018-19	8,352,706	3,869,550	12,222,256
2019-20	7,934,858	4,033,579	11,968,437



- (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 \$0.550 for FY 2019-20. The equivalent tax rate" is defined as the rate which results when the income from all taxes levied by the district for school purposes is divided by the total assessed value of property plus the assessment for motor vehicles certified by the Commonwealth of Kentucky Revenue Cabinet.

### **State Budgeting Process**

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

### **COVID-19**

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

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

On March 24, 2020 the Governor of Kentucky signed Senate Bill 177 which provides relief to Kentucky School Districts in light of the Coronavirus emergency. Among other things, it removes the limits on the number of days that a district can utilize an approved Non-Traditional Instruction program ("NTI"). Senate Bill 177 also authorizes Kentucky Superintendents to use their school year 2018-2019 attendance data on their Superintendent's Annual Attendance Report. The report determines a district's average daily attendance used in calculating Support

Education Excellence in Kentucky ("SEEK") funds. On April 2, 2020, the Governor of Kentucky has recommended that all schools remain closed until at least May 1, 2020, and all 172 Kentucky school districts are utilizing KDE's Non-Traditional Instruction (NTI) Program. For more information on the Kentucky Department of Education's response to COVID 19, please see their website at <https://education.ky.gov/comm/Pages/COVID-19-Updates.aspx>.

### **POTENTIAL LEGISLATION**

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

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

### **CONTINUING DISCLOSURE; EXEMPTION**

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

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

Financial information regarding the Board may be obtained from Superintendent, Edmonson County Board of Education, 100 Wildcat Way, PO Box 129, Brownsville, Kentucky 42210 (270-597-2101).

### **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 excludable from gross income for federal income tax purposes.

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

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

## **ABSENCE OF MATERIAL LITIGATION**

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

## **APPROVAL OF LEGALITY**

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

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

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

## **BOND RATING**

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

## **FINANCIAL ADVISOR**

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

## **APPROVAL OF OFFICIAL STATEMENT**

The Corporation has approved and caused this "Official Statement" to be executed and delivered by its President. In making this "Official Statement" the Corporation relied upon information furnished to it by the Board of Education of the Edmonson 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 Edmonson 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 Edmonson 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**

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

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**Demographic and Economic Data**

## EDMONSON COUNTY, KENTUCKY

Edmonson County is located in south central Kentucky, The city of Brownsville, the county seat, is in the central section of the County at the western edge of Mammoth Cave National Park Nearly 47,000 acres of Mammoth Cave lies beneath Edmonson County. Brownsville, with an estimated 2015 population of 826, is located 22 miles northeast of Bowling Green, Kentucky; 86 miles northeast of Nashville, Tennessee; 102 miles southwest of Louisville, Kentucky; and 276 miles southeast of St. Louis, Missouri.

Edmonson County, with a total land area of 302 square dks, covers both the Western Coal Field Region and the Mississippi Plateaus Region of the State. Edmonson County, with over 80 miles of “Scenic” roads, was named as a “Scenic Byways” area. In 2019, Edmonson County had an estimated population of 12,193.

### The Economic Framework

Edmonson County has a labor force of 5,180 people, with an unemployment rate of 4.6%. The top 5 jobs by occupation are as follows: office and administrative support - 280 (17.09%); sales - 190 (11.6%); executive, managers and administrators - 148 (9.04%); education, training/library - 130 (7.94%); and health diagnosing and treating practitioners - 113 (6.9%).

### Transportation

Kentucky Highway 259, a “AA” - rated trucking highway, provides direct access from Brownsville to Interstate Highway 65, 15 miles southeast of Brownsville and to the Western Kentucky Parkway, 24 miles north of Brownsville. There are 12 trucking companies providing interstate and/or intrastate service to the county. The nearest scheduled commercial airline service is available at Louisville International Airport, 96 miles northeast of Brownsville and at the Nashville Metropolitan Airport, 96 miles southwest Brownsville. The CSX Transportation Company provides main line rail service at Cave City, 23 miles east of Brownsville.

### Power and Fuel

The Warren Rural Electric Cooperative Corporation provides electric power to Brownsville and parts of Edmonson County. Edmonson County is also provided electric power East Kentucky Power. Natural gas service is currently unavailable in the City of Brownsville, however, service is provided to the industrial park.

### Population

The Edmonson County Labor Market Area includes Edmonson County and the adjoining Kentucky counties of Grayson, Butler, Warren and Barren. The table below lists the population of the Labor Market Area, Edmonson County and City of Brownsville as reported by the State Data Center:

<b>Description</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Edmonson County	12,226	12,274	12,193
City of Brownsville	833	835	827

### Population Projections

The table below lists the population projections of the county and Labor Market Area as reported by the State Data Center:

<b>Description</b>	<b>2025</b>	<b>2030</b>	<b>2035</b>
Edmonson County	11,565	11,237	10,831

## LOCAL GOVERNMENT

### Structure

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

### Planning and Zoning

Edmonson County is presently not served by a planning and zoning agency.

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

### Local Fees and Licenses

The City of Brownsville requires businesses operating within the city to obtain business licenses, with the fee ranging from \$10 to \$125 per year. An annual unloading license of \$50 is also assessed within the City.

## EDUCATION

<b>Public Schools</b>	<b>Edmonson County</b>
Total Enrollment (2018-2019)	1,828
Pupil-Teacher Ratio (2018-2019)	16 - 1

### Area Colleges and Universities

<b>Name</b>	<b>Location</b>	<b>Enrollment (Fall, 2018)</b>
Western Kentucky University	Bowling Green	20,257
Campbellsville University	Campbellsville	7,207
Lindsey Wilson College	Columbia	2,565



## Vocational-Technical Training

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

<b>Kentucky Tech Schools</b>	<b>Location</b>	<b>Cumulative Enrollment (2017-2018) Total</b>
Warren County ATC	Bowling Green	243
Grayson County Area Tech	Leitchfield	1,138
Barren County ATC	Glasgow	835
Allen County Career and Tech	Scottsville	1,219
Breckinridge County ATC	Harned	822
Ohio County ATC	Hartford	647
Green County ATC	Greensburg	629
Logan County Career and Tech	Russellville	833
Monroe County ATC	Tompkinsville	809
Muhlenberg County ATC	Greenville	385
Meade County ATC	Brandenburg	688

The Kentucky Tech system, through its Training and Development Coordinators, will provide technical assistance and will identify and develop low-cost customized training programs and services for both established and prospective businesses.

### Assessment Services

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

### Adult Education Services

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

### Bluegrass State Skills Corporation

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

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

## EXISTING INDUSTRY

The following table lists the existing industry of the county

<b>Firm (Establishment Date)</b>	<b>Product</b>	<b>Average Employment</b>
<i>Park City:</i>		
Bluegrass Supply Chain Services	3 <sup>rd</sup> Party logistics, light manufacturing	10
Yahagi America Molding, Inc. (2003)	Plastic injection molded automotive parts	75

*Source: Kentucky Cabinet for Economic Development (3/10/20)*

## FINANCIAL INSTITUTIONS

<b>Institution</b>	<b>Total Assets</b>	<b>Total Deposits</b>
Bank of Edmonson County	\$212,294,000	\$176,774,000

*Source: McFadden American Financial Directory (July - December 2019).*

**APPENDIX B**

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

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

# Edmonson County School District

## Financial Statements

June 30, 2019



**CRI** CARR  
RIGGS &  
INGRAM

CPAs and Advisors

[CRIcpa.com](http://CRIcpa.com)

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**Join Our Conversation**



**REPORT**







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## **Independent Auditors' Report**

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Edmonson County School District  
Brownsville, 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 Edmonson County School District (the "District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an

opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, and select pension/OPEB information on pages 4 through 19 and 78 through 89 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2019 on our consideration of Edmonson County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Carr, Riggs & Ingram, L.L.C.*

Carr, Riggs & Ingram, LLC  
Bowling Green, Kentucky  
November 8, 2019



# **FINANCIAL STATEMENTS**

**EDMONSON COUNTY BOARD OF EDUCATION  
BROWNSVILLE, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2019**

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

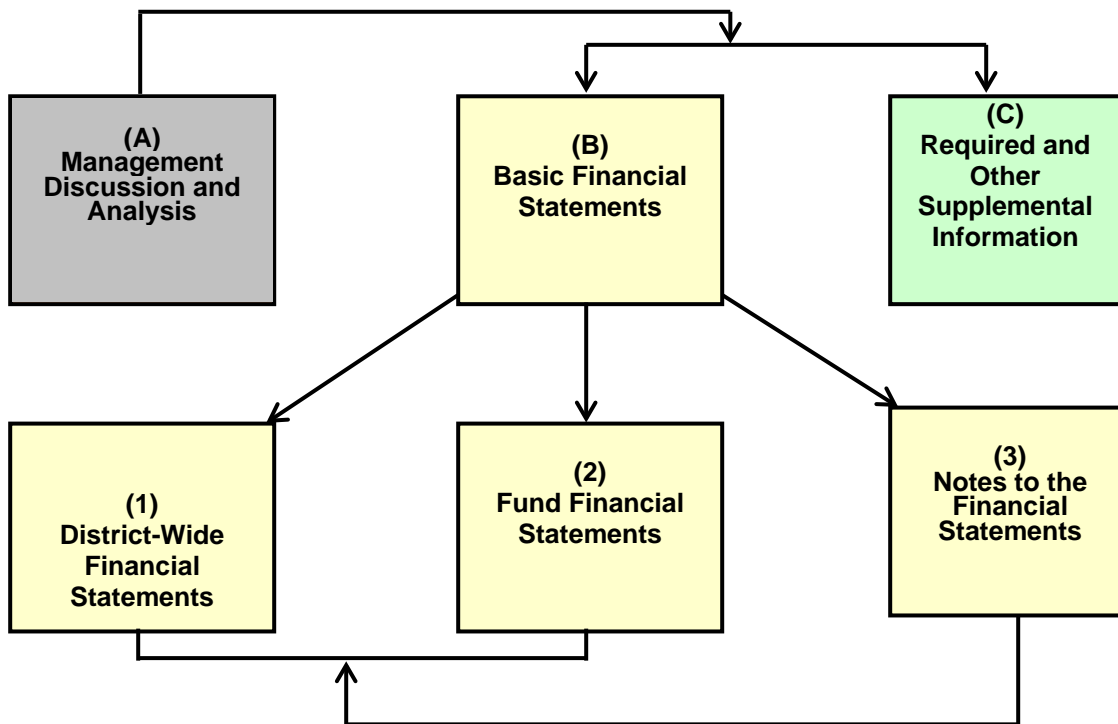
**FINANCIAL HIGHLIGHTS**

- The beginning General Fund balance for the district was \$1,767,032. The ending General Fund balance was \$2,100,238, for an increase in fund balance of \$333,206. The ending general fund balance is 12.7% of total General Fund expenditures, which well exceeds the state minimum contingency of 2%.
- General Fund revenues accounted for \$16,737,371 in revenue or 116.8% of all governmental revenues. Program specific revenues in the form of grants and contributions accounted for \$3,177,439 or 22.2% of total governmental revenues of \$14,333,577.
- The school district had \$14,156,546 in expenses related to governmental activities; approximately \$3,181,389 of these expenses are offset by program specific charges for services, grants, and contributions. General revenues (primarily local taxes and state SEEK allocations) contributed \$11,152,188, which produced an increase in net position of \$177,031.
- The state SEEK formula provided \$8,185,311 in General Fund revenue, which was \$19,555 more than the previous fiscal year due primarily to growth in At-Risk and Exceptional Child increases for the reporting period.
- The Food Service Fund, a proprietary fund, ended fiscal year 2019 with unrestricted fund net position of (\$912,315) for an increase of \$51,802 versus fiscal year 2018.

## Overview of the Annual Financial Report (AFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Edmonson County School District as a financial whole, an entire operating entity, in a manner similar to a private-sector business. The annual report consists of three parts: (A) management's discussion and analysis (this section), (B) the basic financial statements and notes, and (C) required and other supplemental information. The statements then proceed to provide an increasingly detailed look at specific financial activities. The District's basic financial statements comprise three components: (1) district-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### Organization of the Annual Financial Report



The District-Wide Financial Statements have two sections (1) the *Statement of Net Position* and (2) the *Statement of Activities*. The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The District-Wide Financial Statements can be found on pages 20 through 23 of this report. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's major funds with all other non-major funds presented in total in one column. The fund financial statements can be found on pages 24 through 34 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 35 through 77 of this report.

### Reporting the School District as a Whole

One of the most important questions asked about the School District is “How did we do financially during the current fiscal year?” The *Statement of Net Position* and the *Statements of Activities*, which appear first in the School District’s financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These statements include *all assets and liabilities* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

These two statements report the School District’s net position and changes in those assets. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as Kentucky’s SEEK funding formula and its adjustments, the School District’s property tax base, required educational programs and other factors.

In the *Statement of Net Position* and the *Statements of Activities*, the School District is divided into two distinct kinds of activities:

- **Governmental Activities** – Most of the School District’s programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extra-curricular activities. The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). Fixed assets and related debt are also supported by taxes and intergovernmental revenues.
- **Business-Type Activities** – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The School District’s food service is reported as business activities. These activities are funded thru fees, federal grants, and federal commodities.

Net position may serve over time as a useful indicator of a government’s financial position. Deferred outflows due to debt refunding were \$122,257. In addition, the District recognized deferred outflows related to pensions and OPEB of \$2,099,887 and deferred inflows related to pensions and OPEB of \$1,604,403. Net pension and OPEB liability was recognized of \$11,206,243 for governmental activities and \$1,256,755 for business-type activities for a total of \$12,462,998. As a result of this liability recognition, the total net position of the District was \$2,008,712 as of June 30, 2019, which was an increase of \$230,725 versus the previous year.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The amount of capital assets, net of related debt was \$12,062,602 (an increase of \$293,656 versus the previous year). 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.



## Reporting the School District's Most Significant Funds

### Fund Financial Statements

After looking at the District as a whole, an analysis of the School District's major funds follows. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. 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. Fund accounting is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are assets that belong to others. The school's activity funds are reported as fiduciary funds. The only major proprietary fund is the school food fund. A proprietary fund is sometimes referred to as an enterprise fund. It is a fund that operates like a business with sales of goods and services. All other activities of the district are included in the governmental funds. The major governmental funds for the Edmonson County School District are the general fund, and special revenue (grants).

**Governmental Funds** - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental *activities* (reported in the *Statement of Net Position* and the *Statements of Activities*) and governmental *funds* is reconciled in the financial statements.

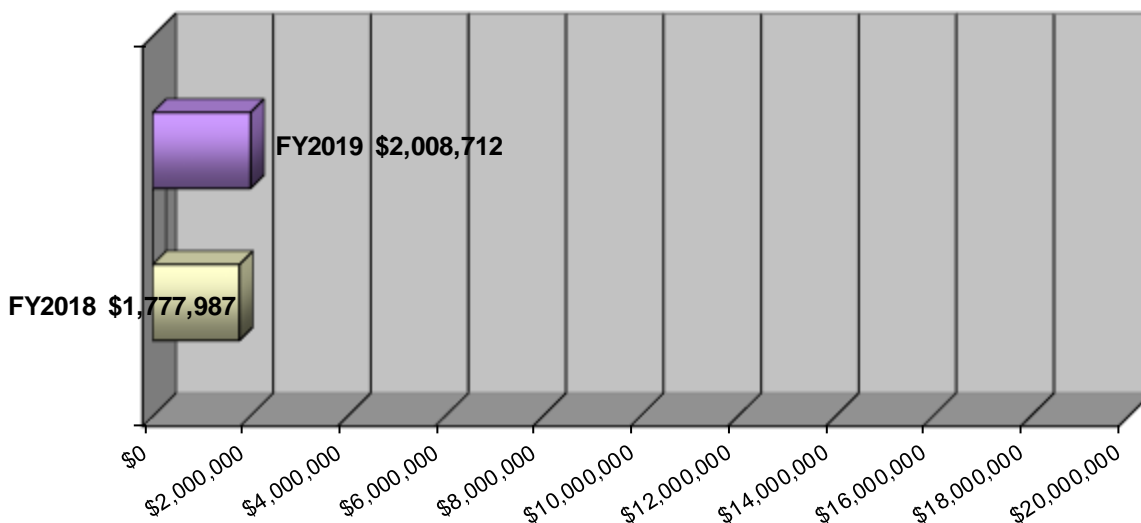
**Proprietary Funds** - Proprietary funds use the same basis of accounting as business-type activities; therefore, the statements for the proprietary fund will essentially match. The School District's proprietary funds consist of food service operations and day care services.

**Fiduciary Funds** – The schools' activity funds (or agency funds) are the District's only fiduciary fund. The schools' activity balances at year-end totaled \$94,892 (an increase of \$824 from the previous year).

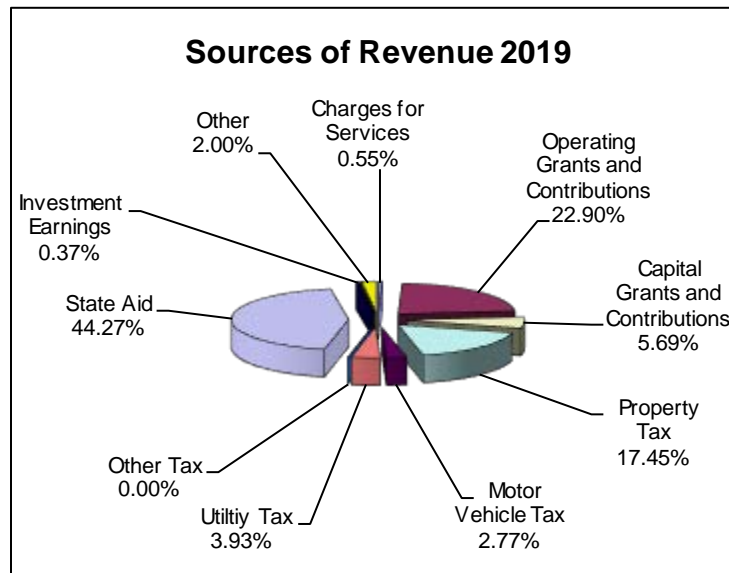
**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**  
**Net Position for June 30, 2018 and June 30, 2019**

	Governmental Activities		Proprietary Business-Type Activities		District Total		Total District Percentage Change 2018 - 2019
	FY2018	FY2019	FY2018	FY2019	FY2018	FY2019	
Current and Other Assets	\$2,914,428	\$3,018,177	\$164,070	\$188,717	\$3,078,498	\$3,206,894	4.2%
Capital Assets	18,852,757	18,340,135	\$18,951	\$12,775	\$18,871,708	\$18,352,910	-2.7%
<b>Total Assets</b>	<b>\$21,767,185</b>	<b>\$21,358,312</b>	<b>\$183,021</b>	<b>\$201,492</b>	<b>\$21,950,206</b>	<b>\$21,559,804</b>	<b>-1.8%</b>
Deferred loss on debt refunding	161,276	122,257	\$0	\$0	\$161,276	\$122,257	-24.2%
OPEB related	504,984	481,551	\$90,797	\$77,323	\$595,781	\$558,874	-6.2%
Pension related	1,760,024	1,304,389	\$204,264	\$236,624	\$1,964,288	\$1,541,013	-21.5%
<b>Total Deferred Outflows of Resources</b>	<b>\$2,426,284</b>	<b>\$1,908,197</b>	<b>\$295,061</b>	<b>\$313,947</b>	<b>\$2,721,345</b>	<b>\$2,222,144</b>	<b>-18.3%</b>
Long Term Liabilities	\$6,966,996	\$6,999,419	\$0	\$0	\$6,966,996	\$6,999,419	0.5%
Net OPEB Liability	\$6,502,418	\$5,844,133	\$331,989	\$283,669	\$6,834,407	\$6,127,802	-10.3%
Net Pension Liability	\$5,361,597	\$5,362,110	\$981,046	\$973,086	\$6,342,643	\$6,335,196	-0.1%
Other Liabilities	1,820,333	706,416	\$0	\$0	\$1,820,333	\$706,416	-61.2%
<b>Total Liabilities</b>	<b>\$20,651,344</b>	<b>\$18,912,078</b>	<b>\$1,313,035</b>	<b>\$1,256,755</b>	<b>\$21,964,379</b>	<b>\$20,168,833</b>	<b>-8.2%</b>
OPEB related	\$129,698	\$809,681	\$17,382	\$64,365	\$147,080	\$874,046	494.3%
Pension related	662,918	618,210	\$119,187	\$112,147	\$782,105	\$730,357	-6.6%
<b>Total Deferred Inflows of Resources</b>	<b>\$792,616</b>	<b>\$1,427,891</b>	<b>\$136,569</b>	<b>\$176,512</b>	<b>\$929,185</b>	<b>\$1,604,403</b>	<b>72.7%</b>
Investment in Capital Assets (net of debt)	\$11,749,995	\$12,049,827	\$18,951	\$12,775	\$11,768,946	\$12,062,602	2.5%
Restricted	295,322	246,459	\$0	\$0	\$295,322	\$246,459	-16.5%
Unrestricted Fund	-9,295,808	-9,369,746	-\$990,473	-\$930,603	-\$10,286,281	-\$10,300,349	0.1%
<b>Total Net Position</b>	<b>\$2,749,509</b>	<b>\$2,926,540</b>	<b>-\$971,522</b>	<b>-\$917,828</b>	<b>\$1,777,987</b>	<b>\$2,008,712</b>	<b>12.98%</b>

**ECBOE Net Position (increased by 12.98% or \$230,725)**



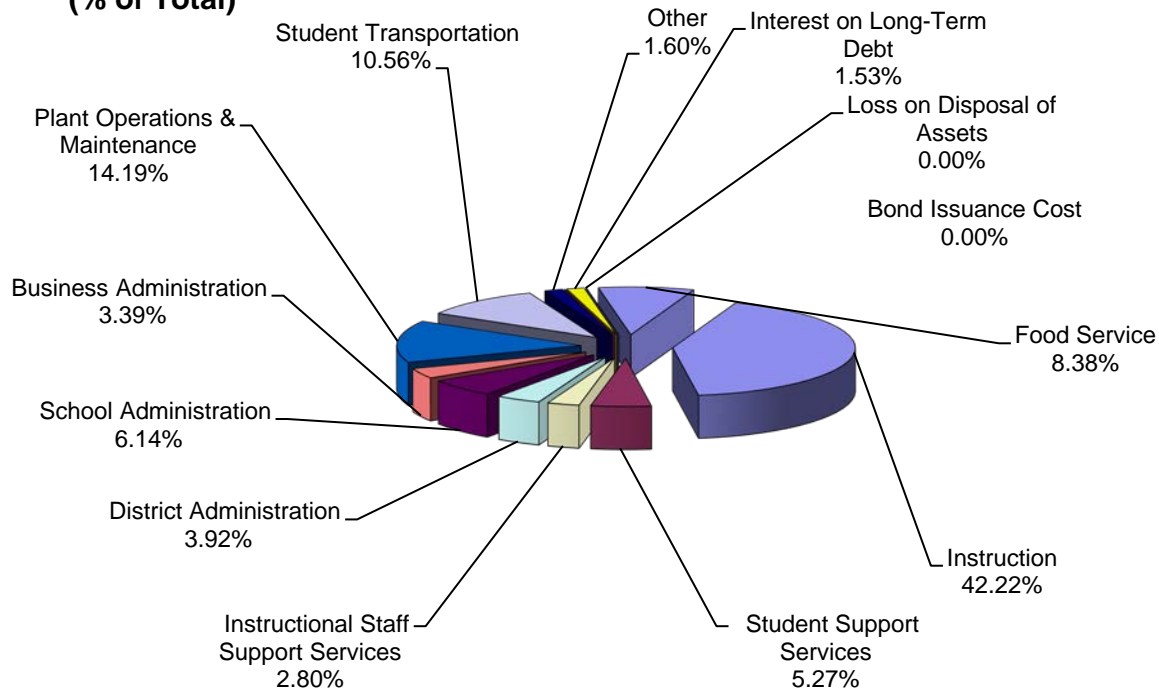
Revenues	Governmental Activities		Proprietary Business-Type Activities		District Total		District Total Percentage Change
	FY2018	FY2019	FY2018	FY2019	FY2018	FY2019	2018 - 2019
Program Revenues							
Charges for Services	\$4,650	\$3,950	\$134,077	\$82,735	\$138,727	\$86,685	-37.5%
Operating Grants and Contributions	\$2,147,506	\$2,282,954	\$1,213,306	\$1,313,680	\$3,360,812	\$3,596,634	7.0%
Capital Grants and Contributions	\$866,345	\$894,485	\$0	\$0	\$866,345	\$894,485	3.2%
General Revenue							
Taxes							
Property Tax	\$2,628,726	\$2,741,086	\$0	\$0	\$2,628,726	\$2,741,086	4.3%
Motor Vehicle Tax	\$426,568	\$434,862	\$0	\$0	\$426,568	\$434,862	1.9%
Utility Tax	\$613,779	\$616,564	\$0	\$0	\$613,779	\$616,564	0.5%
Other Tax	\$0	\$0	\$0	\$0	\$0	\$0	
State Aid	\$15,435,968	\$6,954,330	\$0	\$0	\$15,435,968	\$6,954,330	-54.9%
Investment Earnings	\$75,350	\$53,206	\$6,204	\$5,187	\$81,554	\$58,393	-28.4%
Gain on disposal of Assets	\$2,241	\$11,751	\$0	-\$369	\$2,241	\$11,382	407.9%
Transfers	\$27,038	\$27,000	-\$27,038	-\$27,000	\$0	\$0	
Other	\$329,045	\$313,389	\$0	\$0	\$329,045	\$313,389	-4.8%
<b>Total Revenues</b>	<b>\$22,557,216</b>	<b>\$14,333,577</b>	<b>\$1,326,549</b>	<b>\$1,374,233</b>	<b>\$23,883,765</b>	<b>\$15,707,810</b>	<b>-34.2%</b>



Expenses	Governmental Activities		Proprietary Business-Type Activities		District Total		District Total Percentage Change
	FY2018	FY2019	FY2018	FY2019	FY2018	FY2019	2018 - 2019
Instruction	\$14,179,639	\$6,533,843			\$14,179,639	\$6,533,843	-53.9%
Support Services							
Student Support Services	\$703,662	\$815,436			\$703,662	\$815,436	15.9%
Instructional Staff	\$1,527,661	\$433,556			\$1,527,661	\$433,556	-71.6%
District Administration	\$557,856	\$606,258			\$557,856	\$606,258	8.7%
School Administration	\$851,196	\$949,620			\$851,196	\$949,620	11.6%
Business Administration	\$484,138	\$525,024			\$484,138	\$525,024	8.4%
Plant Operations & Maintenance	\$2,390,296	\$2,196,950			\$2,390,296	\$2,196,950	-8.1%
Student Transportation	\$1,814,524	\$1,634,749			\$1,814,524	\$1,634,749	-9.9%
Other	\$240,689	\$223,545	\$14,296	\$23,888	\$254,985	\$247,433	-3.0%
Building Improvement	\$0	\$0			\$0	\$0	
Interest on Long-Term Debt	\$253,560	\$237,565			\$253,560	\$237,565	-6.3%
Loss on Disposal of Assets	\$0	\$0			\$0	\$0	
Bond Issuance Cost	\$0	\$0			\$0	\$0	
Food Service			\$1,494,584	\$1,296,651	\$1,494,584	\$1,296,651	-13.2%
<b>Total Expenses</b>	<b>\$23,003,221</b>	<b>\$14,156,546</b>	<b>\$1,508,880</b>	<b>\$1,320,539</b>	<b>\$24,512,101</b>	<b>\$15,477,085</b>	<b>-36.9%</b>

## Expenses 2019

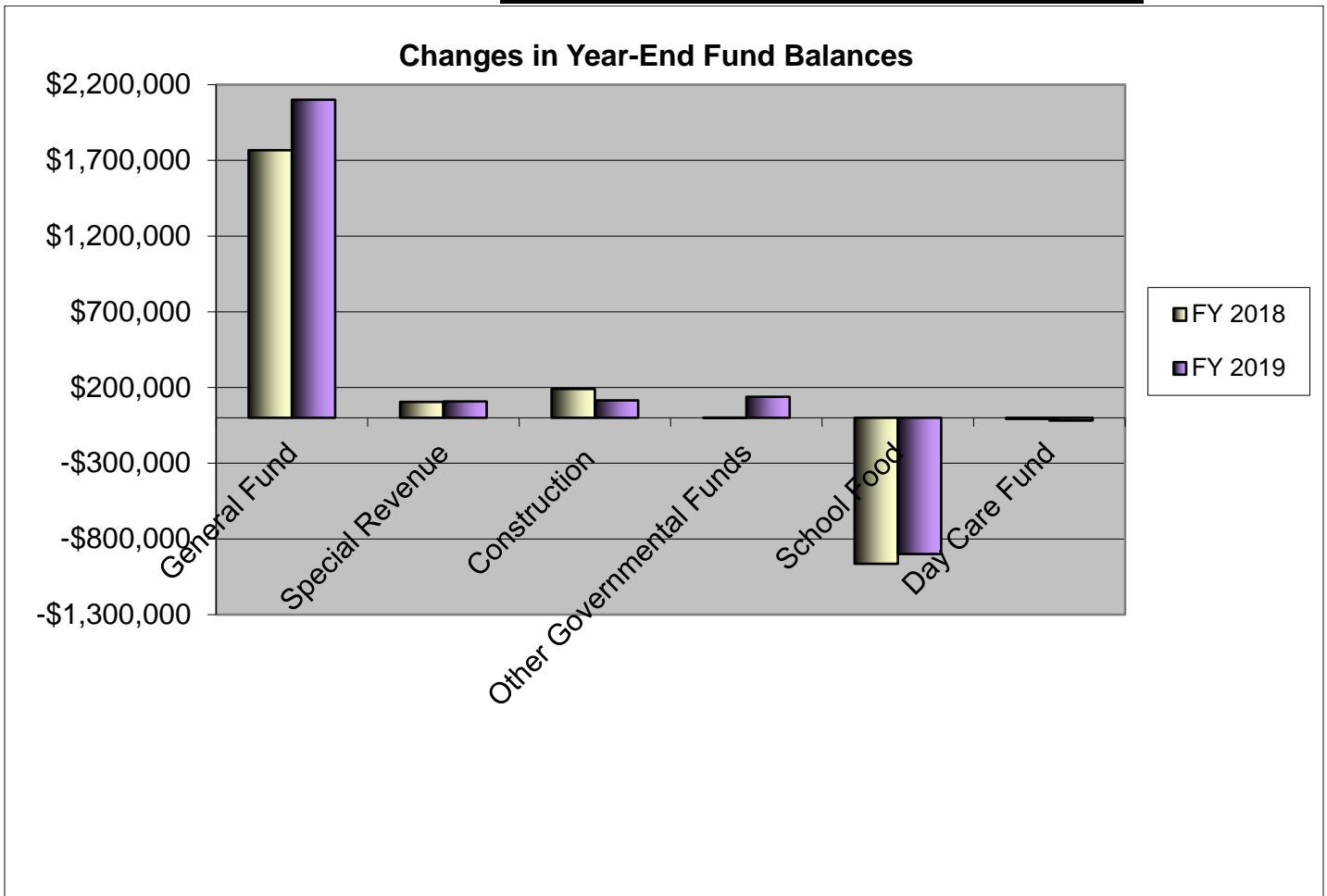
(% of Total)



- The District's total revenues were \$15,707,810 and the total expenses were \$15,477,085. Revenues exceeded expenses by \$230,725.
- State revenues accounted for 44% and local taxes accounted for 24.2% of the revenue.
- Instruction was the major expense category and accounted for 42% of the total.
- Proprietary revenues exceeded expenditures by \$53,694 and Governmental revenues exceeded expenditures by \$177,031

### Financial Analysis of the District Fund Balances

Changes in End-of-Year Fund Balances	FY 2018	FY 2019	Amount of Change	% Change
General Fund	\$1,767,032	\$2,100,239	\$333,207	18.9%
Special Revenue	\$105,013	\$107,898	\$2,885	2.7%
Construction	\$190,150	\$114,825	(\$75,325)	-39.6%
Other Governmental Funds	\$159	\$138,562	\$138,403	87045.9%
School Food	-\$964,117	-\$899,540	\$64,577	-6.7%
Day Care Fund	-\$7,405	-\$18,288	(\$10,883)	147.0%
Total	\$1,090,832	\$1,543,696	\$452,864	41.5%



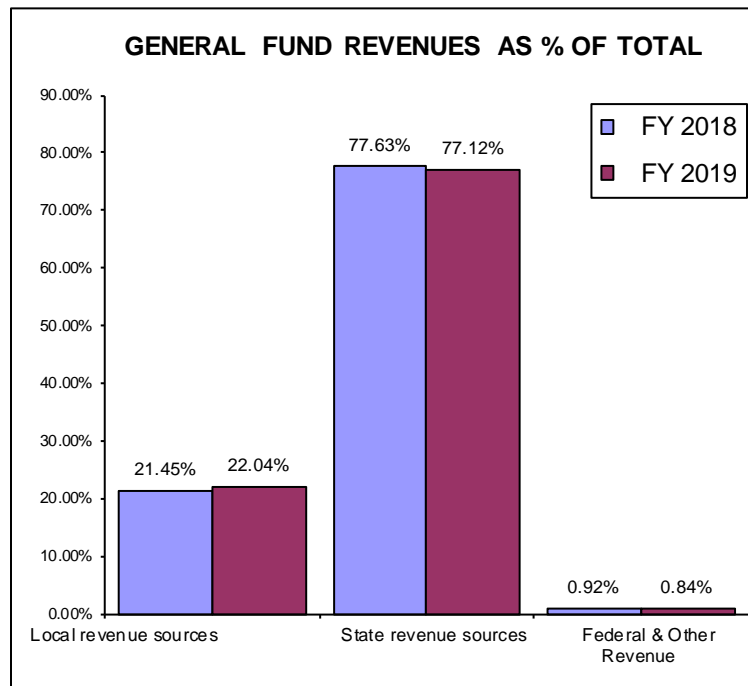
- The General Fund's fund balance increased by \$333,206.
- The Special Revenue fund increased by \$2,884.
- The Construction Fund's fund balance decreased by \$75,325 representing the expenditures of the capital funds for District Wide Renovations Project.
- The School Food Service fund balance increased \$64,577 with an ending (deficit) fund balance of (\$899,540).
- The Day Care Service fund ended FY 2019 with fund balance of (\$18,288) resulting from a decrease in net position of \$10,883.

### **Comments on General Fund and Special Revenue Budget Comparisons**

- The District's General Fund total revenues for the fiscal year ended June 30, 2019 were \$16,737,371. This is \$1,412,145 more than was budgeted in the final working budget. This variance is attributable to higher than anticipated On Behalf revenues (actual exceeded budget by \$1,171,664) and unbudgeted federal impact aid revenue of \$84,701. Impact aid revenue is not budgeted by the district due to the unpredictability of payments. The On Behalf revenue is offset in expenditures by the corresponding record of On Behalf Expenditures.
- General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual fund revenue being \$11,165 less than the prior year primarily due to the decrease in earnings on investments.
- Instructional expenditures were \$736,653 more than budget due primarily due to the On-Behalf expenditures being \$874,253 more than budgeted.
- The Special Revenue Fund budget compared to actual will always differ slightly because the state budget report only shows current fiscal year grant awards. The Special Revenue expenditures will include current year grant expenditures and previous year grant expenditures that were not completed at the end of the previous year.

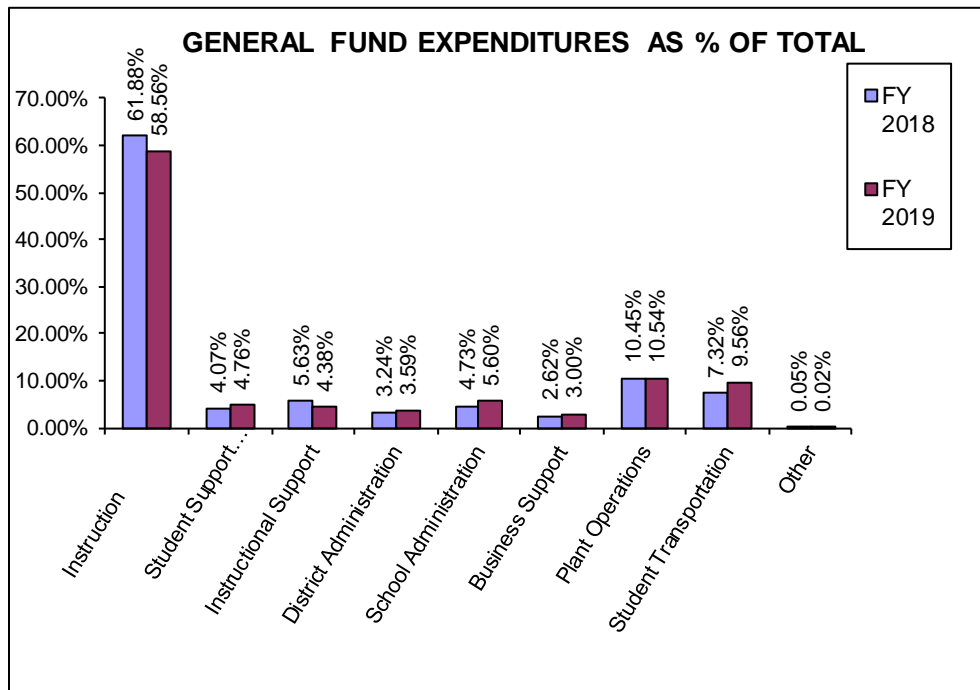
The following tables present a summary of revenue and expenditures of the General Fund for the fiscal year ended June 30, 2019.

<b>General Fund Revenues:</b>	<b>FY 2018</b>	<b>FY 2019</b>
Local revenue sources	\$3,593,123	\$3,689,609
<i>Taxes</i>		
<i>Property</i>	\$2,294,667	\$2,395,590
<i>Motor Vehicle</i>	\$426,568	\$434,862
<i>Utilities</i>	\$613,779	\$616,564
<i>Earnings on Investments</i>	\$75,350	\$52,684
<i>Other Local Revenue</i>	\$182,759	\$189,909
State revenue sources	\$13,002,107	\$12,907,331
Federal Revenue	\$153,306	\$140,431
<b>Total revenues</b>	<b>\$16,748,536</b>	<b>\$16,737,371</b>



The majority of General Fund revenue was derived from state funding (77%), with local revenue sources making up 22% of the total.

<b>General Fund Expenditures</b>	<b>FY 2018</b>	<b>FY 2019</b>
Instruction	\$10,073,826	\$9,654,715
Support Services		
Student Support Services	\$662,995	\$783,903
Instructional Support	\$916,549	\$722,304
District Administration	\$527,263	\$591,524
School Administration	\$770,281	\$923,713
Business Support	\$426,924	\$494,067
Plant Operations	\$1,700,315	\$1,736,885
Student Transportation	\$1,192,385	\$1,575,572
Other	\$8,153	\$3,068
<b>Total Expenditures</b>	<b>\$16,278,691</b>	<b>\$16,485,751</b>
Excess of Revenue over Expenditures	\$469,845	\$251,620
Operating Transfers	\$ 70,599	\$ 81,586
<b>Net Change in Fund Balance</b>	<b>\$540,444</b>	<b>\$333,206</b>



Revenues in Excess of Expenditures	\$ 251,620
Operating Transfers	\$ 81,586
Net Change in Fund Balance	\$ 333,206



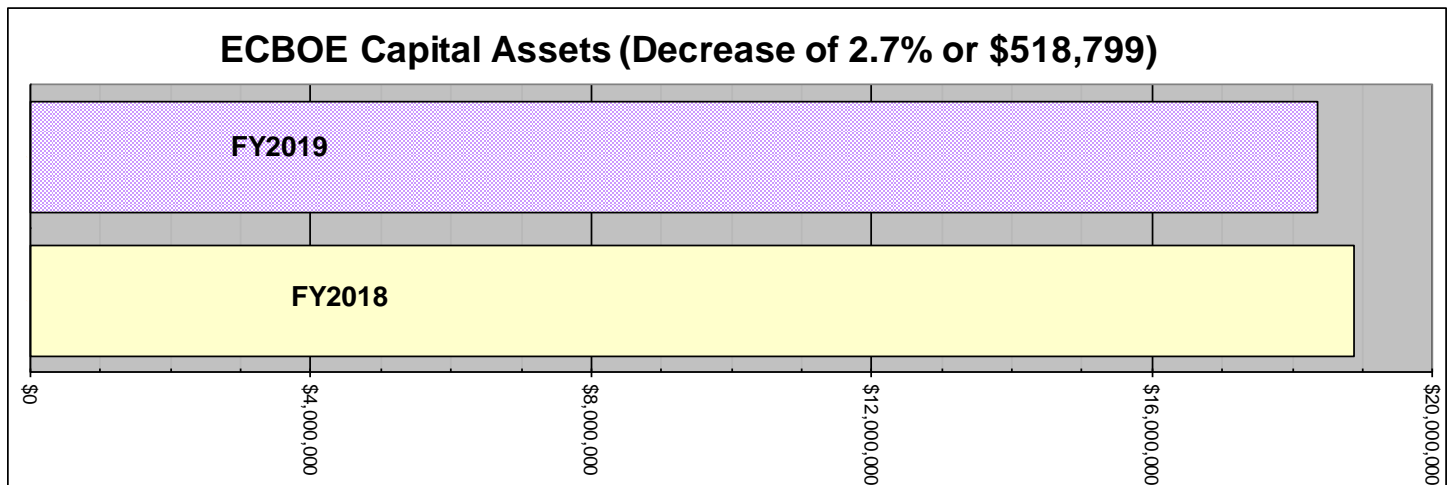
## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

By June 30, 2019, the district had invested \$18,352,910 in capital assets. This included land, school buildings, athletic facilities, maintenance facilities, computer equipment and administrative offices and construction in process. The cumulative total initial cost of assets was \$37,853,998 with accumulated depreciation of \$19,501,089.

### SUMMARY OF CAPITAL ASSETS

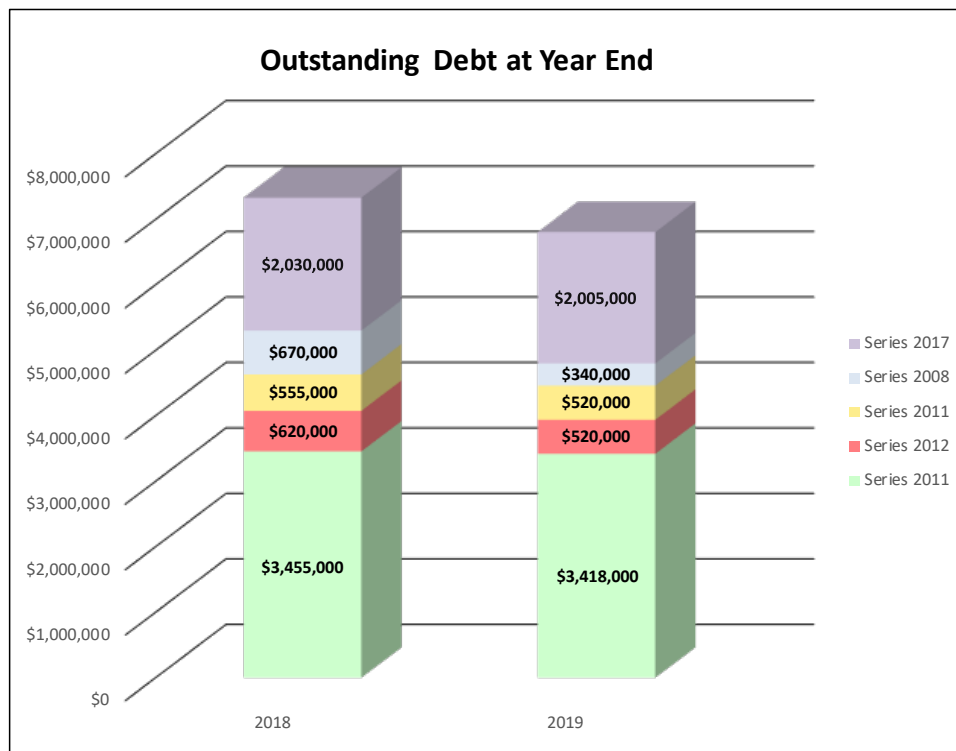
CAPITAL ASSETS (net of depreciation)	Governmental Activities		Proprietary Business-Type Activities		District Total		Total District Percentage Change 2018 - 2019
	FY2018	FY2019	FY2018	FY2019	FY2018	FY2019	
	Land & Land Improvements	\$511,528	\$517,924	\$0	\$0	\$511,528	
Buildings	\$15,186,959	\$16,821,113	\$0	\$0	\$15,186,959	\$16,821,113	10.8%
Construction Work in Process	\$2,236,661	\$0	\$0	\$0	\$2,236,661	\$0	-100.0%
Equipment & Furniture	\$917,610	1,001,098	\$18,951	\$12,775	\$936,561	\$1,013,873	8.3%
<b>Total Assets</b>	<b>\$18,852,758</b>	<b>\$18,340,135</b>	<b>\$18,951</b>	<b>\$12,775</b>	<b>\$18,871,709</b>	<b>\$18,352,910</b>	<b>-2.7%</b>



## Long-Term Debt

At year-end, the district had \$6,470,000 in general obligation bonds outstanding. General obligation debt decreased by principal payments totaling \$860,000 for the fiscal year.

Outstanding Debt at Year End		Par Amount	Governmental Activities 2018	Governmental Activities 2019
<b>General Obligation Bonds:</b>				
Series 2017	District Wide Restroom and Facility Renovations	\$2,055,000	\$2,030,000	\$2,005,000
Series 2011	Edmonson County High School Refunding Renovation/Addition	\$5,280,000	\$3,455,000	\$3,085,000
Series 2012	Edmonson County 5/6 Center & Kyrock Elem. Renov. Refunding	\$1,055,000	\$620,000	\$520,000
Series 2011	Edmonson County High School Roof Replacement & Bleachers	\$775,000	\$555,000	\$520,000
Series 2008	South Edmonson Elementary Refunding Revenue Bonds	\$2,825,000	\$670,000	\$340,000
<b>TOTAL</b>		<b>\$11,990,000</b>	<b>\$7,330,000</b>	<b>\$6,470,000</b>



## **BUDGETARY IMPLICATIONS**

It is extremely important that the district continue to budget very conservatively. The district receives approximately 50% of its new general fund revenue each year through the state funding formula (SEEK). On occasions, there have been adjustments that caused a very significant decrease in the funding. The SEEK forecasts from the state should be considered only an estimate of state revenue. If the state does not get the revenue from taxing sources, an adjustment will be made to the funding formula. The district should always be prepared for such reductions in funding.

Approximately 25% of the general fund revenue is from local property tax. The major portion of the tax revenue does not come to the district until the sixth through eighth months. This means the general fund's beginning fund balance must be used to absorb much of the first four months of expenditures. Provisions must always be made to have a significant fund beginning balance to start each year. The district has an ending fund balance of \$2,100,239 of the total general fund budget as a beginning balance for next year.

By law, the budget must have a minimum 2% contingency. The district adopted a budget with \$1,849,248 in total contingency (10%) for fiscal year 2020. The beginning general fund balance for the 2019 fiscal year was \$1,767,032. Significant Board action that impacts finances include additional spending on students with special needs, increased building operations and maintenance costs associated with maintenance of facilities, and general fund matching dollars for the state KETS grant. For the year ended June 30, 2019, \$35,154 was required from the general fund to participate in special revenue funds (grants). The district currently participates in 28 federal and state grants. The total budget for these grants is \$2,347,137. Many of these grants are funded on a reimbursement basis. This requires the district to pay the expenses of the grant and then apply for reimbursement. The district must continue to monitor the grants constantly and get reimbursements in a timely manner. The district must also maintain a significant cash balance in order to pay the expenses of these grants while waiting for reimbursements.

## **DISTRICT CHALLENGES FOR THE FUTURE**

The primary challenges for the Edmonson County School District are to continue to build and develop our educational programs, integrate technology into our curriculum, and continue to update and modernize our existing facilities.

The Edmonson County School District has a role to educate our students to the fullest ability to create an environment of trained, educated, and knowledgeable citizens. As our district continues to focus on graduating students who are Transition Ready, we need to increase our focus with making improvements in our content presentation by utilizing research based curriculum, technology, and professional development focusing on improving the art of teaching. The primary concerns for addressing these three areas are the expense of staying updated and current with facilities, technology curriculum and funding.

The district recently completed the process of updating the Edmonson County District Facility Plan and has made numerous safety and aesthetic improvements to our facilities with plans in place to continue during the 2020 calendar year. There are always concerns in this area with keeping our

current facilities in top shape and continuing to make plans for updating throughout the district with limited funding.

The Edmonson County School District has experienced decreases in student population in the past three years combined with the decrease in state funding over the past hinders the district in many areas. The District has also had to burden increases in salaries, which have not been fully funded as well as the potential of an increase in our employee pension match, which could be devastating for the district. Our challenge is working with all stakeholders involved is to maximize all resources and streamline programs to ensure resources are available and can be utilized to meet the needs of all students.

This financial report is designed to provide our citizens, taxpayers, 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 questions about this report or requests for additional information should be directed to Tiffany Carroll, Finance Officer, (270) 597-2101, 100 Wildcat Way, P O Box 129, Brownsville, KY 42210 or e-mail to [tiffany.carroll@edmonson.kyschools.us](mailto:tiffany.carroll@edmonson.kyschools.us).

Edmonson County School District  
Statement of Net Position

<i>June 30, 2019</i>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash	\$ 2,543,126	\$ 63,487	\$ 2,606,613
Accounts receivable:			
Taxes	145,335	-	145,335
Accounts	8,833	-	8,833
Intergovernmental	320,883	91,295	412,178
Inventory	-	33,935	33,935
Non-depreciable capital assets	332,789	-	332,789
Depreciable capital assets	37,009,104	512,105	37,521,209
Less: accumulated depreciation	(19,001,758)	(499,330)	(19,501,088)
<b>Total assets</b>	<b>21,358,312</b>	<b>201,492</b>	<b>21,559,804</b>
<b>Deferred Outflows of Resources</b>			
Deferred amount on debt refundings	122,257	-	122,257
OPEB related	481,551	77,323	558,874
Pension related	1,304,389	236,624	1,541,013
<b>Total deferred outflows of resources</b>	<b>1,908,197</b>	<b>313,947</b>	<b>2,222,144</b>
<b>Liabilities</b>			
Accounts payable	44,400	-	44,400
Accrued liabilities	535,511	-	535,511
Unearned revenue	91,569	-	91,569
Accrued interest	34,936	-	34,936
Long-term obligations:			
Due within one year:			
Outstanding bonds	855,000	-	855,000
Other - KSBIT	9,083	-	9,083
Compensated absences	98,000	-	98,000
Due beyond one year:			
Outstanding bonds	5,557,565	-	5,557,565
Other - KSBIT	9,085	-	9,085
Compensated absences	470,686	-	470,686
Net OPEB liability	5,844,133	283,669	6,127,802
Net pension liability	5,362,110	973,086	6,335,196
<b>Total liabilities</b>	<b>18,912,078</b>	<b>1,256,755</b>	<b>20,168,833</b>

*See accompanying notes to the financial statements.*

Edmonson County School District  
Statement of Net Position

<i>June 30, 2019</i>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Deferred Inflows of Resources</b>			
OPEB related	809,681	64,365	874,046
Pension related	618,210	112,147	730,357
<b>Total deferred inflows of resources</b>	<b>1,427,891</b>	<b>176,512</b>	<b>1,604,403</b>
<b>Net Position</b>			
Net investment in capital assets	12,049,827	12,775	12,062,602
Restricted for:			
Capital projects	138,562	-	138,562
Grant programs	107,897	-	107,897
Unrestricted	(9,369,746)	(930,603)	(10,300,349)
<b>Total net position</b>	<b>\$ 2,926,540</b>	<b>\$ (917,828)</b>	<b>\$ 2,008,712</b>

*See accompanying notes to the financial statements.*

Edmonson County School District  
Statement of Activities

Year Ended June 30, 2019	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities</b>							
Instruction	\$ 6,533,843	\$ -	\$ 1,561,693	\$ 70,308	\$ (4,901,842)	\$ -	\$ (4,901,842)
Support Services:							
Student	815,436	-	9,134	-	(806,302)	-	(806,302)
Instructional staff	433,556	-	307,542	-	(126,014)	-	(126,014)
District administration	606,258	-	-	-	(606,258)	-	(606,258)
School administration	949,620	-	-	-	(949,620)	-	(949,620)
Business	525,024	-	20,366	-	(504,658)	-	(504,658)
Plant operations and maintenance	2,196,950	3,950	84,409	-	(2,108,591)	-	(2,108,591)
Student transportation	1,634,749	-	88,039	-	(1,546,710)	-	(1,546,710)
Other	223,545	-	211,771	-	(11,774)	-	(11,774)
Building acquisition and construction	-	-	-	519,938	519,938	-	519,938
Interest on long-term debt	237,565	-	-	304,239	66,674	-	66,674
<b>Total governmental activities</b>	<b>14,156,546</b>	<b>3,950</b>	<b>2,282,954</b>	<b>894,485</b>	<b>(10,975,157)</b>	<b>-</b>	<b>(10,975,157)</b>
<b>Business-type activities</b>							
Food services	1,296,651	69,730	1,313,680	-	-	86,759	86,759
Day care services	23,888	13,005	-	-	-	(10,883)	(10,883)
<b>Total business-type activities</b>	<b>1,320,539</b>	<b>82,735</b>	<b>1,313,680</b>	<b>-</b>	<b>-</b>	<b>75,876</b>	<b>75,876</b>
<b>Total school district</b>	<b>\$ 15,477,085</b>	<b>\$ 86,685</b>	<b>\$ 3,596,634</b>	<b>\$ 894,485</b>	<b>\$ (10,975,157)</b>	<b>\$ 75,876</b>	<b>\$ (10,899,281)</b>

See accompanying notes to the financial statements.

Edmonson County School District  
Statement of Activities

<i>Year Ended June 30, 2019</i>	<b>Net (Expense) Revenue and Change in Net Position</b>		
	<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Total</b>
<b>General Revenues</b>			
Taxes:			
Property	2,741,086	-	2,741,086
Motor vehicle	434,862	-	434,862
Utilities	616,564	-	616,564
State aid	6,954,330	-	6,954,330
Investment earnings	53,206	5,187	58,393
Other	313,389	-	313,389
Transfers	27,000	(27,000)	-
Gain (loss) on sale of assets	11,751	(369)	11,382
Total general revenues and transfers	11,152,188	(22,182)	11,130,006
Change in net position	177,031	53,694	230,725
Net position - beginning of year	2,749,509	(971,522)	1,777,987
Net position - end of year	\$ 2,926,540	\$ (917,828)	\$ 2,008,712

*See accompanying notes to the financial statements.*



Edmonson County School District  
Balance Sheet  
Governmental Funds

<i>June 30, 2019</i>	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
Cash	\$ 2,360,468	\$ -	\$ 182,658	\$ 2,543,126
Accounts receivable:				
Taxes	145,335	-	-	145,335
Accounts	8,833	-	-	8,833
Intergovernmental	-	320,883	-	320,883
Due from other funds	121,417	-	-	121,417
<b>Total assets</b>	<b>\$ 2,636,053</b>	<b>\$ 320,883</b>	<b>\$ 182,658</b>	<b>\$ 3,139,594</b>

*See accompanying notes to the financial statements.*

Edmonson County School District  
Balance Sheet  
Governmental Funds

<i>June 30, 2019</i>	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 304	\$ -	\$ 44,096	\$ 44,400
Accrued liabilities	535,511	-	-	535,511
Due to other funds	-	121,417	-	121,417
Unearned revenue	-	91,569	-	91,569
<b>Total liabilities</b>	<b>535,815</b>	<b>212,986</b>	<b>44,096</b>	<b>792,897</b>
<b>Fund Balances</b>				
Restricted	-	107,897	138,562	246,459
Committed	237,546	-	-	237,546
Assigned	-	-	-	-
Unassigned	1,862,692	-	-	1,862,692
<b>Total fund balances</b>	<b>2,100,238</b>	<b>107,897</b>	<b>138,562</b>	<b>2,346,697</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,636,053</b>	<b>\$ 320,883</b>	<b>\$ 182,658</b>	<b>\$ 3,139,594</b>

See accompanying notes to the financial statements.

Edmonson County School District  
Reconciliation of the Governmental Funds  
Balance Sheet to the Statement of Net Position

<i>June 30,</i>	2019
Total fund balances - governmental funds	\$ 2,346,697
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$37,341,893 and the accumulated depreciation is \$19,001,758.	18,340,135
Governmental funds record losses on debt refundings as other financing uses when the issues are refunded. Unamortized losses on refundings are included on the government-wide financial statements as a deferred outflow.	122,257
Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds statements.	(328,130)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds statements.	686,179
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Bonds payable	(6,412,565)
Accrued interest on the bonds	(34,936)
Other debt	(18,168)
Net OPEB liability	(5,844,133)
Net pension liability	(5,362,110)
Compensated absences	(568,686)
Total net position - governmental activities	\$ 2,926,540

*See accompanying notes to the financial statements.*

Edmonson County School District  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds

<i>Year Ended June 30, 2019</i>	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
From local sources:				
Taxes:				
Property	\$ 2,395,590	\$ -	\$ 345,496	\$ 2,741,086
Motor vehicle	434,862	-	-	434,862
Utilities	616,564	-	-	616,564
Tuition and fees	-	-	-	-
Earnings on investments	52,684	2,002	522	55,208
Other local revenue	189,909	60,118	-	250,027
Intergovernmental - state	12,907,331	1,105,437	824,177	14,836,945
Direct federal	84,701	-	-	84,701
Intergovernmental - federal	55,730	1,185,705	-	1,241,435
<b>Total revenues</b>	<b>16,737,371</b>	<b>2,353,262</b>	<b>1,170,195</b>	<b>20,260,828</b>
<b>Expenditures</b>				
Current:				
Instruction	9,654,715	1,664,271	-	11,318,986
Support services:				
Student	783,903	9,134	-	793,037
Instructional staff	722,304	307,542	-	1,029,846
District administration	591,524	-	-	591,524
School administration	923,713	-	-	923,713
Business	494,067	20,366	-	514,433
Plant operations and maintenance	1,736,885	84,409	-	1,821,294
Student transportation	1,575,572	88,039	-	1,663,611

See accompanying notes to the financial statements.

Edmonson County School District  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds

<i>Year Ended June 30, 2019</i>	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Other	3,068	211,771	-	214,839
Debt service:				
Principal	-	-	860,000	860,000
Interest	-	-	196,877	196,877
Facilities acquisition and construction	-	-	75,325	75,325
<b>Total expenditures</b>	<b>16,485,751</b>	<b>2,385,532</b>	<b>1,132,202</b>	<b>20,003,485</b>
Excess (deficiency) of revenues over expenditures	251,620	(32,270)	37,993	257,343
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	116,740	35,154	752,638	904,532
Operating transfers out	(35,154)	-	(842,378)	(877,532)
<b>Total other financing sources (uses)</b>	<b>81,586</b>	<b>35,154</b>	<b>(89,740)</b>	<b>27,000</b>
Net change in fund balances	333,206	2,884	(51,747)	284,343
Fund balances - beginning of year	1,767,032	105,013	190,309	2,062,354
<b>Fund balances - end of year</b>	<b>\$ 2,100,238</b>	<b>\$ 107,897</b>	<b>\$ 138,562</b>	<b>\$ 2,346,697</b>

See accompanying notes to the financial statements.

Edmonson County School District  
 Reconciliation of the Governmental Funds  
 Statement of Revenues, Expenditures, and Changes in  
 Fund Balances to the Statement of Activities

<i>Year Ended June 30,</i>	2019
Total net change in fund balances - governmental funds	\$ 284,343
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$420,860) exceeds depreciation expense (\$932,232) in the period.	(511,372)
Gains and losses are not presented in governmental funds because they do not provide or use current financial resources. However, they are presented on the statement of activities. The difference between proceeds from the sale of assets and the actual gain (loss) from the sale net to this amount for the year.	(1,250)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	860,000
Governmental funds report district OPEB contributions as expenditures. However, in the Statements of Activities, the cost of OPEB benefits earned net of employee contributions is reported as OPEB expense.	
District OPEB contributions	114,227
Cost of benefits earned net of employee contributions	(159,358)
Governmental funds report district pension contributions as expenditures. However, in the Statements of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	
District pension contributions	351,027
Cost of benefits earned net of employee contributions	(762,467)
Expenditures reported in the fund financial statements are recognized when the current financial resource is used. However, expenses in the statement of activities are recognized when they are incurred.	1,881
Change in net position - governmental activities	\$ 177,031

*See accompanying notes to the financial statements.*

Edmonson County School District  
Statement of Net Position  
Proprietary Funds

<i>June 30, 2019</i>	<b>Enterprise Fund Food Service</b>	<b>Day Care (Nonmajor)</b>	<b>Total Proprietary Funds</b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash	\$ 55,521	\$ 7,966	\$ 63,487
Accounts receivable	91,295	-	91,295
Inventory	33,935	-	33,935
<b>Total current assets</b>	<b>180,751</b>	<b>7,966</b>	<b>188,717</b>
<b>Non-Current Assets</b>			
Fixed assets - net	12,775	-	12,775
<b>Total assets</b>	<b>193,526</b>	<b>7,966</b>	<b>201,492</b>
<b>Deferred Outflows of Resources</b>			
OPEB related	75,511	1,812	77,323
Pension related	231,114	5,510	236,624
<b>Total deferred outflows of resources</b>	<b>306,625</b>	<b>7,322</b>	<b>313,947</b>
<b>Liabilities</b>			
<b>Long-Term Liabilities</b>			
Net OPEB liability	277,020	6,649	283,669
Net pension liability	950,279	22,807	973,086
<b>Total long-term liabilities</b>	<b>1,227,299</b>	<b>29,456</b>	<b>1,256,755</b>
<b>Deferred Inflows of Resources</b>			
OPEB related	62,857	1,508	64,365
Pension related	109,535	2,612	112,147
<b>Total deferred inflows of resources</b>	<b>172,392</b>	<b>4,120</b>	<b>176,512</b>
<b>Net Position</b>			
Net investment in capital assets	12,775	-	12,775
Unrestricted	(912,315)	(18,288)	(930,603)
<b>Total net position</b>	<b>\$ (899,540)</b>	<b>\$ (18,288)</b>	<b>\$ (917,828)</b>

*See accompanying notes to the financial statements.*

Edmonson County School District  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Funds

<i>Year Ended June 30, 2019</i>	<b>Enterprise Fund Food Service</b>	<b>Day Care (Nonmajor)</b>	<b>Total Proprietary Funds</b>
<b>Operating Revenues</b>			
Lunchroom sales	\$ 69,730	\$ -	\$ 69,730
Tuition and fees	-	13,005	13,005
<b>Total operating revenues</b>	<b>69,730</b>	<b>13,005</b>	<b>82,735</b>
<b>Operating Expenses</b>			
Salaries and wages	544,860	20,911	565,771
Contract services	30,275	-	30,275
Materials and supplies	711,611	2,977	714,588
Other operating expenses	4,098	-	4,098
Depreciation expense	5,807	-	5,807
<b>Total operating expenses</b>	<b>1,296,651</b>	<b>23,888</b>	<b>1,320,539</b>
<b>Operating loss</b>	<b>(1,226,921)</b>	<b>(10,883)</b>	<b>(1,237,804)</b>
<b>Non-Operating Revenues</b>			
State operating grants	105,770	-	105,770
Federal operating grants	1,137,831	-	1,137,831
Donated commodities	70,079	-	70,079
Interest revenue	5,187	-	5,187
Loss on disposal of assets	(369)	-	(369)
<b>Total non-operating revenues</b>	<b>1,318,498</b>	<b>-</b>	<b>1,318,498</b>
<b>Loss before transfers</b>	<b>91,577</b>	<b>(10,883)</b>	<b>80,694</b>
<b>Transfers</b>	<b>(27,000)</b>	<b>-</b>	<b>(27,000)</b>
<b>Change in net position</b>	<b>64,577</b>	<b>(10,883)</b>	<b>53,694</b>
<b>Net position - beginning of year</b>	<b>(964,117)</b>	<b>(7,405)</b>	<b>(971,522)</b>
<b>Net position - end of year</b>	<b>\$ (899,540)</b>	<b>\$ (18,288)</b>	<b>\$ (917,828)</b>

*See accompanying notes to the financial statements.*



Edmonson County School District  
Statement of Cash Flows  
Proprietary Funds

<i>Year Ended June 30, 2019</i>	<b>Enterprise Fund Food Service</b>	<b>Day Care (Nonmajor)</b>	<b>Total Proprietary Funds</b>
<b>Cash Flows from Operating Activities</b>			
Cash received from user charges	\$ (21,565)	\$ 13,005	\$ (8,560)
Cash payments to employees for services	(494,449)	(11,731)	(506,180)
Cash payments for contract services	(30,275)	-	(30,275)
Cash payments to suppliers for goods and services	(644,420)	(2,977)	(647,397)
Cash payments for other operating expenses	(4,098)	-	(4,098)
<b>Net cash used in operating activities</b>	<b>(1,194,807)</b>	<b>(1,703)</b>	<b>(1,196,510)</b>
<b>Cash Flows from Non-Capital Financing Activities</b>			
Indirect cost transfer to general fund	(27,000)	-	(27,000)
Non-operating grants received	1,148,787	-	1,148,787
<b>Net cash provided by noncapital financing activities</b>	<b>1,121,787</b>	<b>-</b>	<b>1,121,787</b>
<b>Cash Flows from Investing Activities</b>			
Interest on investments	5,187	-	5,187
<b>Net cash provided by investing activities</b>	<b>5,187</b>	<b>-</b>	<b>5,187</b>
<b>Net (decrease) in cash</b>	<b>(67,833)</b>	<b>(1,703)</b>	<b>(69,536)</b>
Cash - beginning of year	123,354	9,669	133,023
<b>Cash - end of year</b>	<b>\$ 55,521</b>	<b>\$ 7,966</b>	<b>\$ 63,487</b>

*See accompanying notes to the financial statements.*

Edmonson County School District  
Statement of Cash Flows  
Proprietary Funds

<i>Year Ended June 30, 2019</i>	Enterprise Fund Food Service	Day Care (Nonmajor)	Total Proprietary Funds
<b>Reconciliation of Operating Loss to Net Cash Used In Operating Activities</b>			
Operating loss	\$ (1,226,921)	\$ (10,883)	\$ (1,237,804)
<b>Adjustments to reconcile operating loss to net cash used in operating activities:</b>			
Depreciation	5,807	-	5,807
Commodities received	70,079	-	70,079
On-behalf payments received	94,814	-	94,814
Pension contributions in excess of pension expense	(50,195)	2,835	(47,360)
OPEB contributions in excess of OPEB expense	5,792	6,345	12,137
Changes in assets and liabilities:			
Receivables	(91,295)	-	(91,295)
Inventories	(2,888)	-	(2,888)
<b>Net cash (used in) provided by operating activities</b>	<b>\$ (1,194,807)</b>	<b>\$ (1,703)</b>	<b>\$ (1,196,510)</b>

**Non-Cash Activities**

- The food service fund received \$70,079 of donated commodities from the federal government.
- The District received on-behalf payments of \$94,814 relating to insurance benefits.
- The District reclassified \$63,678 related to pension expense to deferred outflows of resources.
- The District reclassified \$20,670 related to OPEB expense to deferred outflows of resources.

*See accompanying notes to the financial statements.*

Edmonson County School District  
Statement of Fiduciary Net Position  
Fiduciary Funds

<i>June 30, 2019</i>	<b>Agency Fund</b>
<hr/>	
<b>Assets</b>	
Cash	\$ 94,892
<hr/>	
Total assets	\$ 94,892
<hr/> <hr/>	
<b>Liabilities</b>	
Due to student groups	94,892
<hr/>	
Total liabilities	\$ 94,892
<hr/> <hr/>	

*See accompanying notes to the financial statements.*

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Reporting Entity***

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

The District, for financial purposes, includes all of the funds relevant to the operation of the Edmonson County School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc., except for those funds administered as an activity in the agency funds.

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 and there is 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.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements as a blended component unit:

**Edmonson County School District Finance Corporation** — The Edmonson County Board of Education resolved to authorize the establishment of the Edmonson County School District Finance Corporation (a nonprofit, nonstock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Edmonson County Board of Education also comprise the Corporation's Board of Directors.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Basis of Presentation***

**Government-Wide Financial Statements** — The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the District, except for fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

**Fund Financial Statements** — Fund financial statements report detailed information about the District's funds, including fiduciary funds. Separate statements for each fund category — governmental, proprietary and fiduciary — are presented. The focus of governmental and proprietary 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 District has the following funds:

**Governmental Fund Types**

The *General Fund* is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unassigned fund balance is considered as resources available for use. The general fund is a major fund.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Basis of Presentation (Continued)***

The *Special Revenue Fund* accounts for proceeds of specific revenue sources that are restricted, committed or assigned to expenditures for specified purposes other than debt service or capital projects. It includes federal financial programs where unused balances are returned to the grantor at the close of 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. The special revenue fund is a major fund.

*Capital Projects Funds* are used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations or other governments.

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 and certain operating costs.

The *Facility Support Program of Kentucky (FSPK) Fund* accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds are restricted for use in financing projects identified in the District's facility plan.

The *Construction Fund* accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

The *Debt Service Fund* is used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest and other debt related costs.

**Proprietary Fund Types**

***Enterprise Funds***

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Basis of Presentation (Continued)***

The *Day Care Fund* is used to account for day care services offered to the general public.

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

**Fiduciary Fund Types** (includes agency funds)

Fiduciary funds account for assets held by the District in a trustee's capacity or as an agent on behalf of others.

***Agency Funds***

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

***Measurement Focus and Basis of Accounting***

**Government-Wide, Proprietary and Fiduciary Fund Financial Statements** – The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary and fiduciary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place.

**Governmental Fund Financial Statements** – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This approach differs from the manner in which the government-wide financial statements are prepared. The governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the fund balance. On this basis of accounting, revenues are recognized when they become measurable and available as assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is interest on general long-term debt, which is recognized as an expenditure when paid.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Measurement Focus and Basis of Accounting (Continued)***

The records of the District and the budgetary process are based on the modified accrual basis of accounting. This practice is the accounting method prescribed by the Committee for School District Audits. The District is required by state law to adopt annual budgets for the general fund, special revenue fund and capital projects funds.

***Estimates***

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

***Inventory***

Supplies and materials are charged to expenditures when purchased (purchases method) with the exception of the proprietary funds, which record inventory at the lower of cost, determined by first-in first-out ("FIFO") method, or market.

***Capital Assets***

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

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

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



**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Capital Assets (Continued)***

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

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

***Deferred Outflows of Resources – Pension Related and Debt Refundings***

The District reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The deferred outflows of resources reported in this year’s financial statements include (1) deferred amount arising from the refunding of bonds, (2) a deferred outflow of resources for contributions made to the District’s defined benefit pension plan between the measurement date of the net pension liabilities from the plan and the end of the District’s fiscal year (3) and deferred outflows of resources related to the differences between the expected and actual demographics for the cost sharing defined benefit plan. The deferred refunding amount is being amortized over the remaining life of the refunding bonds as part of interest expense. Deferred outflows for pension contributions will be recognized in the subsequent fiscal year. The deferred amounts related to the actuarial assumptions for demographic factors in the cost sharing pension plan will be recognized over a closed period equal to the average of the expected remaining services lives of all employees participating in the plan. No deferred outflows of resources affect the governmental funds financial statements in the current year.

***Deferred Inflows of Resources – Pension Related***

The District’s statements of net position and its governmental fund balance sheet report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period(s). Deferred inflows of resources are reported in the District’s various statements of net position for actual pension plan investment earnings in excess of the expected amounts included in determining pension expense. This deferred inflow of resources is attributed to pension expense over a total of 5 years, including the current year. Deferred inflows of resources also include changes in the proportion and differences between employee

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Deferred Inflows of Resources – Pension Related (Continued)***

contributions and the proportion share of contributions in the cost sharing plan. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The District will not recognize the related revenues until they are available (collected not later than 60 days after the end of the District's fiscal year) under the modified accrual basis of accounting. No deferred inflows of resources affect the governmental funds financial statements in the current year.

***Deferred Inflows and Outflows of Resources – OPEB Related***

The District's statement of net position reports a separate section for deferred inflows and outflows of resources related to OPEB which includes only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions, and differences between projected and actual earnings on plan investments. Deferred outflows include resources for the District's contributions made subsequent to the measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period.

***Net Pension Liability***

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System (CERS)/Teachers Retirement System of the State of Kentucky (KTRS) and additions to/deductions from CERS/KTRS fiduciary net position have been determined on the same basis as they are reported by CERS/KTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The District proportionate share of pension amounts were further allocated to each participating employer based on the contributions paid by each employer. Pension investments are reported at fair value. Note 6 provides further detail on the net pension liability.

***Net Other Post-Employment Benefits (OPEB) Liability***

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System (CERS)/Teachers Retirement System of the State of Kentucky (KTRS) and additions to/deductions from CERS/KTRS fiduciary net position have been determined on the same basis as they are reported by CERS/KTRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The District's proportionate share of OPEB amounts were further allocated to each participating employer based on the contributions paid by each employer. OPEB investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. Note 7 provides further detail on the net OPEB liability.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Post-Employment Health Care Benefits***

Retired District employees receive some health care benefits depending on their length of service. In accordance with Kentucky Revised Statutes, these benefits are provided and advanced-funded on an actuarially determined basis through the CERS and the KTRS plans.

***Unearned Revenue***

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

***Compensated Absences***

The District uses the vesting method to compute compensated absences for sick leave. Sick leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits at termination. The District records a liability for accumulated unused sick leave when earned for all employees with more than five years of service.

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

For governmental fund financial statements, compensated absences are reported as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the funds from which the employees will be paid.

***Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. Bonds are recognized as a liability on the fund financial statements when due.

***Net Position***

The District classifies its net position into the following three categories:

*Net investment in capital assets* - This represents the District's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Net Position (Continued)***

*Restricted* - The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

*Unrestricted* - The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

***Property Taxes***

Property taxes collected are recorded as revenues in the fund for which they were levied. The assessment date of the property taxes is January 1 of each year. The levy is normally set during the September Board meeting. Assuming property tax bills are timely mailed, the collection date is the period from September 15 through December 31. Collections from the period September 15 through November 1 receive a two percent discount. The due date is the period from November 2 through December 31 in which no discount is allowed. Property taxes received subsequent to December 31 are considered to be delinquent and subject to a lien being filed by the County Attorney.

***Revenues — Exchange and Non-exchange Transactions***

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Assets from property taxes are normally recognized when an enforceable legal claim arises. However, for the District, an enforceable legal claim arises after the period for which taxes are levied. Property taxes receivable are recognized in the same period that the revenues are recognized. The property taxes are normally levied in September.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Revenues — Exchange and Non-exchange Transactions (Continued)***

On the modified accrual basis of accounting, assets and revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Revenues from non-exchange transactions must also be available before they can be recognized.

***Interfund Activity***

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

***Interfund Balances***

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

***Contributions of Capital***

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

***Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

***Subsequent Events***

The District has evaluated any recognized or unrecognized subsequent events for consideration in the accompanying financial statements through November 8, 2019, which was the date the financial statements were made available.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Recent Accounting Pronouncements***

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The District is evaluating the requirements of this Statement.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The District is evaluating the requirements of this Statement.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The District is evaluating the requirements of this Statement.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Recent Accounting Pronouncements (Continued)***

value. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The District is evaluating the requirements of this Statement.

**NOTE 2: CASH**

***Deposits***

At June 30, 2019, the carrying amounts of the District’s deposits were \$2,701,505 and the bank balances were \$3,175,863, which were covered by federal depository insurance or by collateral held by the bank’s agent in the District’s name.

The carrying amounts are reflected in the financial statements as follows:

<i>June 30,</i>	<u>2019</u>
Governmental funds	\$ 2,543,126
Proprietary funds	63,487
Fiduciary funds	94,892
	<u>\$ 2,701,505</u>

***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 does not have a deposit policy for custodial credit risk. However, the District is required by state statute that bank deposits must be collateralized. As of June 30, 2019, the District’s bank balance of \$3,175,863 was not exposed to custodial credit risk.

Edmonson County School District  
Notes to the Financial Statements

**NOTE 3: CAPITAL ASSETS**

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

<i>June 30, 2019</i>	Capital Cost			Ending Balance
	Beginning Balance	Additions	Retirements/ Reclassifications	
<b>Governmental activities:</b>				
Capital assets that are not depreciated:				
Land	\$ 332,789	\$ -	\$ -	\$ 332,789
Construction in progress	2,236,661	75,325	2,311,986	-
Total non-depreciable historical cost	2,569,450	75,325	2,311,986	332,789
Capital assets that are depreciated:				
Land improvements	1,157,438	35,626	-	1,193,064
Buildings and improvements	27,792,023	2,332,398	-	30,124,421
Technology equipment	1,156,570	9,786	182,908	983,448
Vehicles	3,327,785	276,211	2,535	3,601,461
General	1,120,350	3,500	17,140	1,106,710
Total depreciable historical cost	34,554,166	2,657,521	202,583	37,009,104
Less accumulated depreciation for:				
Land improvements	978,699	29,230	-	1,007,929
Buildings and improvements	12,605,064	698,244	-	13,303,308
Technology equipment	1,053,768	42,862	181,971	914,659
Vehicles	2,724,395	125,185	2,535	2,847,045
General	908,933	36,711	16,827	928,817
Total accumulated depreciation	18,270,859	932,232	201,333	19,001,758
Total depreciable historical cost, net	16,283,307	1,725,289	1,250	18,007,346
Governmental activities, capital assets, net	\$ 18,852,757	\$ 1,800,614	\$ 2,313,236	\$ 18,340,135



Edmonson County School District  
Notes to the Financial Statements

**NOTE 3: CAPITAL ASSETS (CONTINUED)**

<i>June 30, 2019</i>	Capital Cost			
	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Business-type activities:				
General	\$ 498,341	\$ -	\$ 1,206	\$ 497,135
Technology equipment	14,970	-	-	14,970
	513,311	-	1,206	512,105
Less accumulated depreciation	494,360	5,807	837	499,330
Business-type activities, capital assets, net	\$ 18,951	\$ (5,807)	\$ 369	\$ 12,775

Depreciation expense was charged to governmental functions as follows:

<i>Year ended June 30,</i>	<i>2019</i>
Instruction	\$ 485,990
Support services:	
District administration	3,885
Facilities operations	306,615
Student transportation	135,742
Total depreciation expense	\$ 932,232

**NOTE 4: LONG-TERM OBLIGATIONS**

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

Issue Date	Proceeds	Rates
2008	\$ 2,825,000	2.20%—3.40%
2011	775,000	1.00%—4.625%
2011	5,280,000	1.00%—3.30%
2012	1,055,000	1.10%—4.30%
2017	2,055,000	1.15%-3.45%

The District, through the general fund, including utility taxes and the SEEK capital outlay fund, is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Edmonson 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.

Edmonson County School District  
Notes to the Financial Statements

**NOTE 4: LONG-TERM OBLIGATIONS (CONTINUED)**

The District has entered into "participation agreements" with the School Facility Construction Commission (SFCC). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The following table 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:

Year	Edmonson County School District		School Facility Construction Commission		Total Debt Service
	Interest	Principal	Interest	Principal	
2019—2020	128,436	625,054	46,239	229,946	1,029,675
2020—2021	113,420	535,619	41,407	159,381	849,827
2021—2022	99,757	548,885	37,415	156,115	842,172
2022—2023	85,814	562,090	33,319	162,910	844,133
2023—2024	70,792	575,231	29,045	169,769	844,837
2024—2025	54,753	593,250	24,534	61,750	734,287
2025—2026	46,442	106,199	22,481	63,801	238,923
2026—2027	43,200	108,892	20,174	66,108	238,374
2027—2028	39,894	111,498	17,783	68,502	237,677
2028—2029	36,509	113,751	15,035	71,249	236,544
2029—2030	33,007	115,890	12,174	74,110	235,181
2030—2031	29,476	117,909	9,192	77,091	233,668
2031—2032	25,918	125,815	6,088	29,185	187,006
2032—2033	22,144	124,938	5,212	30,062	182,356
2033—2034	18,395	129,036	4,311	30,964	182,706
2034—2035	14,202	138,031	3,304	31,969	187,506
2035—2036	9,716	141,992	2,265	33,008	186,981
2036—2037	4,924	145,877	1,152	34,123	186,076
	\$ 876,799	\$ 4,919,957	\$ 331,130	\$ 1,550,043	\$ 7,677,929

Edmonson County School District  
Notes to the Financial Statements

**NOTE 4: LONG-TERM OBLIGATIONS (CONTINUED)**

Maturities of other debt, including payments on KSBIT settlement, are as follows for the fiscal years ending:

<u>June 30,</u>		
2020	\$	9,083
2021		9,085
Thereafter		-
	\$	<u>18,168</u>

Changes in long-term obligations are as follows:

<u>June 30, 2019</u>	<b>Balance</b>			<b>Balance</b>	<b>Amounts</b>
	<b>July 1, 2018</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2019</b>	<b>Due Within</b>
					<b>One Year</b>
<b>Governmental Activities:</b>					
Bonds payable	\$ 7,330,000	\$ -	\$ (860,000)	\$ 6,470,000	\$ 855,000
Less: deferred issuance discounts	(65,962)	-	8,527	(57,435)	-
<b>Total bonds payable</b>	<b>7,264,038</b>	<b>-</b>	<b>(851,473)</b>	<b>6,412,565</b>	<b>855,000</b>
<b>Other liabilities:</b>					
Other	27,251	-	(9,083)	18,168	9,083
Compensated absences	602,172	11,538	(45,024)	568,686	98,000
<b>Total other liabilities</b>	<b>629,423</b>	<b>11,538</b>	<b>(54,107)</b>	<b>586,854</b>	<b>107,083</b>
<b>Total long-term liabilities</b>	<b>\$ 7,893,461</b>	<b>\$ 11,538</b>	<b>\$ (905,580)</b>	<b>\$ 6,999,419</b>	<b>\$ 962,083</b>

**NOTE 5: FUND BALANCES**

The Board follows GASB Statement Number 54. Under this statement, fund balance is separated into five categories, as follows:

*Nonspendable fund balances* are amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.

*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 \$107,897 restricted in the special revenue fund for grant programs, \$114,825 restricted in the construction fund, \$0 restricted in the SEEK fund for debt service, and \$23,737 restricted in the FSPK for capital outlay.

*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 in the general fund at June 30, 2019: \$187,648 for compensated absences balances and \$49,898 for school site based decision making balances.

*Assigned fund balances* are amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. The amount assigned related to encumbrances at June 30, 2019 was \$0. Assigned fund balances also include (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.

*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.

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations using restricted funds first, followed by committed funds, assigned funds and then unassigned funds. Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically rebudgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance at June 30, 2019 in the governmental funds balance sheet.

**NOTE 6: PENSION PLANS**

**Pensions**

Edmonson County School District participates in the Teachers' Retirement System of the State of Kentucky (KTRS), a blended component unit of the Commonwealth of Kentucky and the County Employees' Retirement System (CERS), a blended component unit of the Commonwealth of Kentucky. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the KTRS and the CERS and additions to/deductions from KTRS's and CERS's fiduciary net position have been determined on the same basis as they are reported by KTRS 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.

**General Information About the KTRS Pension Plan**

**Plan Description**

The KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS is a cost-sharing multiple-employer defined benefit plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth.

KRS 161.250 provides that the general administration and management of KTRS, and the responsibility for its proper operation, is vested in a board of trustees. The board of trustees consists of the chief state school officer, the State Treasurer, and seven elected trustees. Four of the elected trustees are active teachers, two are not members of the teaching profession, and one is an annuitant of the retirement system.

Any regular or special teacher or professional employed by a local school district or a regional educational cooperative and occupying a position requiring certification or graduation from a four year college or university is eligible to participate in the plan. KTRS issues a publicly available financial report that can be found on the KTRS website.

**Benefits Provided**

KTRS provides retirement, medical, disability, annual cost of living adjustments, and death benefits to plan members. Plan members are divided into the following two categories:

**NOTE 6: PENSION PLANS (CONTINUED)**

**Benefits Provided (Continued)**

For Members Hired Before July 1, 2008:

Members become vested when they complete 5 years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

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

Members receive monthly payments equal to 2% (service prior to July 1, 1983) and 2.5% (service after July 1, 1983) of their final average salaries for each year of credited service. Members hired on or after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than 10 years. New members hired after July 1, 2002 who retires with 10 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 10 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% to be used in their benefit calculation.

The final average salary is the member's 5 highest annual salaries except members at least age 55 with 27 or more years of service may use their 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.

For Members Hired On or After July 1, 2008:

Members become vested when they complete 5 years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

- 1.) Attain age 60 and complete 5 years of Kentucky service, or
- 2.) Complete 27 years of Kentucky service, or
- 3.) Attain age 55 and complete 10 years of Kentucky service.

The annual retirement allowance for members is equal to: (a) 1.7% of final average salary for each year of credited service if their service is 10 years or less; (b) 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) 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) 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) 3.0% of final average salary for years of credited service greater than 30 years.

The final average salary is the member's 5 highest annual salaries except members at least age 55 with 27 or more years of service may use their 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.

**NOTE 6: PENSION PLANS (CONTINUED)**

**Benefits Provided (Continued)**

KTRS also provides disability benefits for vested members at the rate of 60% of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing members and \$5,000 for retired or disabled members.

Cost of living increases are 1.5% annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

**Contributions**

Contribution rates are established by Kentucky Revised Statutes. KTRS members are required to contribute 12.855% of their salaries to the KTRS. For members employed by local school districts, the State, as a non-employer contributing entity, contributes 13.105% of salary for those who joined before July 1, 2008 and 14.105% for those joined thereafter.

Other participating employers are required to contribute the percentage contributed by members plus an additional 3.25% of members' gross salaries.

***Pension Liabilities and Pension Expense***

At June 30, 2019, the amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth of Kentucky (State) support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the District	<u>31,206,890</u>
<b>Total</b>	<u><u>\$ 31,206,890</u></u>

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures.

For the year ended June 30, 2019, the District recognized pension expense of \$(2,261,177) and revenue of \$(2,261,177) for support provided by the State in the government wide financial statements.

**NOTE 6: PENSION PLANS (CONTINUED)**

**Actuarial Assumptions**

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age
Actuarial Assumptions:	
Investment rate of return	7.50% net of pension plan investment expense, including inflation
Projected salary increases	3.50 - 7.30%, including inflation
Inflation rate	3.00%
Municipal bond index rate	3.89%
Discount rate	7.50%

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

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

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



**NOTE 6: PENSION PLANS (CONTINUED)**

**Actuarial Assumptions (Continued)**

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
U.S. Equity	40.0%	4.20%
International Equity	22.0%	5.20%
Fixed Income	15.0%	1.20%
Additional Categories	8.0%	3.30%
Real Estate	6.0%	3.80%
Alternatives	7.0%	6.30%
Cash	2.0%	0.90%
<b>Total</b>	<b>100.0%</b>	

**Discount Rate**

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Employer contributions will be made at the Actuarially Determined Contribution rates, adjusted by 95%, for all fiscal years in the future. 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.

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued KTRS financial report.

**General Information About the CERS Pension Plan**

**Plan Description**

The District contributes to the Non-Hazardous CERS plan, a cost-sharing multiple-employer defined benefit pension plan that covers all regular full-time members of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the plan. CERS is administered by the Board of Trustees of the Kentucky Retirement System. CERS issues a publicly available financial report that can be obtained at [www.kyret.ky.gov](http://www.kyret.ky.gov).

**NOTE 6: PENSION PLANS (CONTINUED)**

**Benefits Provided**

CERS provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Prior to July 1, 2009, Cost of Living Adjustments (COLAs) 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. After July 1, 2009, the COLAs were limited to 1.5%. No COLA has been granted since July 1, 2011.

*Tier 1* - Non-Hazardous Tier 1 plan members who began participating prior to September 1, 2008, are required to contribute 5% of their annual creditable compensation. These members are classified in the Tier 1 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest.

*Tier 2* - Non-Hazardous Tier 2 plan members, who began participating on, or after, September 1, 2008, and before January 1, 2014, are required to contribute a total of 6% of their annual creditable compensation, while 1% of these contributions are deposited in an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E). These members were classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited.

*Tier 3* - Non-Hazardous Tier 3 plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Non-hazardous members contribute 5% of their annual creditable compensation and 1% to the health insurance fund (401(h) account) which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the KRS Board of Trustees based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

**NOTE 6: PENSION PLANS (CONTINUED)**

**Contributions**

Employers participating in the CERS 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 KRS Board of Trustees on the basis of an annual valuation last preceding the July 1 of a new biennium. The KRS Board of Trustees 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 KRS Board of Trustees. For the fiscal year ended June 30, 2019, participating employers contributed 16.22% of each employee's creditable compensation. The actuarially determined rate set by the KRS Board of Trustees for the fiscal years ended June 30, 2019 was 16.22%.

**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 \$6,335,196 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 June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The District's proportion of the net pension liability was based on the District's share of 2018 contributions to the pension plan relative to the 2018 contributions of all participating employers, actuarially determined. At June 30, 2018, the District's proportion was 0.104021%.

Edmonson County School District  
Notes to the Financial Statements

**NOTE 6: PENSION PLANS (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

For the year ended June 30, 2019, the District recognized pension expense of \$889,011. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following source:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 206,636	\$ 92,734
Net difference between projected and actual earnings on pension plan investments	294,591	370,554
Change of assumptions	619,133	-
Changes in proportion and differences between employer contributions and proportionate share of contribution	5,948	267,069
District contributions subsequent to the measurement date	414,705	-
<b>Total</b>	<b>\$ 1,541,013</b>	<b>\$ 730,357</b>

The \$414,705 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**NOTE 6: PENSION PLANS (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

Year ended June 30,	
2019	\$ 376,969
2020	154,342
2021	(101,357)
2022	(34,003)
2023	-
Thereafter	-

**Actuarial Assumptions**

The total pension liability, net pension liability, and sensitivity information as of June 30, 2018 were based on an actuarial valuation date of June 30, 2017. The total pension liability was rolled-forward from the valuation date (June 30, 2017) to the plan’s fiscal year ending June 30, 2018, using generally accepted actuarial principles.

There have been no changes in actuarial assumptions since June 30, 2017. The actuarial assumptions are:

Inflation	2.30%
Salary Increases	3.05%
Investment Rate of Return	6.25%

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

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

**NOTE 6: PENSION PLANS (CONTINUED)**

**Long-Term Expected Rate of Return**

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<b>US Equity</b>	<b>17.50%</b>	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
<b>Non US Equity</b>	<b>17.50%</b>	
International Develop	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
<b>Credit Fixed</b>	<b>24.00%</b>	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
	<b>100.00%</b>	<b>6.09%</b>

**Discount Rate**

The projection of cash flows used to determine the discount rate of 6.25% assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination 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 KRS plan's CAFR.

**NOTE 6: PENSION PLANS (CONTINUED)**

**Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

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

	<u>1% Decrease (5.25%)</u>	<u>Current Discount Rate (6.25%)</u>	<u>1% Increase (7.25%)</u>
District's proportionate share of the net pension liability	\$ 7,975,356	\$ 6,335,196	\$ 4,961,029

**Pension Plan Fiduciary Net Position**

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

***Deferred Compensation Plans***

The District offers its employees to defer compensation in accordance with Internal Revenue Code Sections 457, 401(k) and 403(b). The Plans, available to all employees, permit 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 in the financial statements.

**NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**General Information about the KTRS 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 on the TRS website.

**NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**General Information about the KTRS OPEB Plan (Continued)**

**Plan Description (Continued)**

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

***Medical Insurance Plan***

**Plan Description**

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

**Benefits Provided**

To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan (KEHP) 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, 7.50% of the gross annual payroll of members is contributed. 3.75% is paid by member contributions and .75% from state appropriation and 3% 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.



**NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

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

At June 30, 2019, the District reported a liability of \$4,281,000 for its proportionate share of 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 of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the District's proportion was 0.123369%.

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

District's proportionate share of the net OPEB liability	\$ 4,281,000
State's proportionate share of the net OPEB liability associated with the District	3,689,000
<b>Total</b>	<b>\$ 7,970,000</b>

For the year ended June 30, 2019, the District recognized OPEB expense of \$440,000 and revenue of \$181,000 for support provided by the state. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 219,000
Changes of assumptions	59,000	-
Net difference between projected and actual earnings on OPEB plan investments	-	17,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	219,000
District contributions subsequent to measurement date	324	-
<b>Total</b>	<b>\$ 59,324</b>	<b>\$ 455,000</b>

**NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)**

Of the total amount reported as deferred outflows of resources related to OPEB, \$324 resulted 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 ended June 30,	
2020	\$ (76,000)
2021	(76,000)
2022	(76,000)
2023	(68,000)
2024	(70,000)
Thereafter	(30,000)

**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:

Inflation	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Projected Salary Increases	3.50% - 7.20%, including inflation
Investment Rate of Return	8.00%, net of OPEB plan investment expense, including inflation
Municipal Bond Index Rate	3.89%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation
Discount Rate	8.00%
Healthcare Cost Trends:	
Under Age 65	7.75% for FYE 2018 decreasing to an ultimate rate of 5.00% by FYE 2024
Age 65 and Older	5.75% for FYE 2018 decreasing to an ultimate rate of 5.00% by FYE 2021
Medicare Part B Premiums	0.00% for FYE 2018 with an ultimate rate of 5.00% by 2030

**NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Actuarial Assumptions (Continued)**

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

The demographic actuarial assumptions for retirement disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2017 valuation were based on the results of the most recent actuarial experience studies for the OPEB plan, which covered the five-year period ending June 30, 2015. The remaining actuarial assumptions used in the June 30, 2017 valuation of the Medical Insurance Fund (MIF) were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation. The health care cost trend rate assumption was updated for the June 30, 2017 valuation and was shown as an assumption change in the Total OPEB Liability (TOL) roll forward while the change in initial per capita claims costs were included with the experience in the TOL roll forward.

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 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>30 Year Expected Geometric Real Rate of Return</b>
Global Equity	58.00%	4.60%
Fixed Income	9.00%	1.20%
Real Estate	5.50%	3.80%
Private Equity	6.50%	6.30%
Other Additional Categories	20.00%	3.30%
Cash (LIBOR)	1.00%	0.90%
<b>Total</b>	<b>100.00%</b>	

**NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (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 collective net OPEB Liability to Changes in the Discount Rate**

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 a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current discount rate:

	<b>1% Decrease (7.00%)</b>	<b>Current Discount Rate (8.00%)</b>	<b>1% Increase (9.00%)</b>
District's proportionate share of the collective net OPEB liability	\$ 5,020,000	\$ 4,281,000	\$ 3,665,000

**Sensitivity of the District’s Proportionate Share of the collective net OPEB Liability to Changes in the Healthcare Cost Trends 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:

	<b>1% Decrease</b>	<b>Current Trend Rate</b>	<b>1% Increase</b>
District's proportionate share of the collective net OPEB liability	\$ 3,549,000	\$ 4,281,000	\$ 5,183,000

**OPEB Plan Fiduciary Net Position**

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

**NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

***Life Insurance Plan***

**Plan Description**

TRS administers the Life Insurance Plan as provided by KRS 161.655 to provide life insurance benefits to retired and active 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 \$5,000 payable for members who retire based on service or disability. TRS provides a life insurance benefit of \$2,000 payable for its active contributing members. The life insurance benefit is payable upon the death of the member to the member's estate or to a party designated by the member.

**Contributions**

In order to fund the post-retirement life insurance benefit, three hundredths of one percent (0.3%) of the gross annual payroll of members is contributed by the state.

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

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 net OPEB liability, the related Commonwealth of Kentucky (state) support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	\$	-
State's proportionate share of the net OPEB liability associated with the District		63,000
Total	\$	63,000

For the year ended June 30, 2019, the District recognized OPEB revenue of \$11,000 for support provided by the State in the government wide financial statements.

**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:

**NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Actuarial Assumptions (Continued)**

Inflation	3.50%
Real Wage Growth	0.50%
Wage Inflation	4.00%
Projected Salary Increases	4.00% - 8.10%, including inflation
Investment Rate of Return	7.50%, net of OPEB plan investment expense, including inflation
Municipal Bond Index Rate	3.89%
Single Equivalent Interest Rate	7.50%, net of OPEB plan investment expense, including inflation
Discount Rate	7.50%

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 demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2017 valuation were based on the results for the most recent actuarial experience studies for the System, which covered the five-year period ending June 30, 2015.

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 are summarized in the following table:

**NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Actuarial Assumptions (Continued)**

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity	40.00%	4.20%
International Equity	23.00%	5.20%
Fixed Income	18.00%	1.20%
Real Estate	6.00%	3.80%
Private Equity	5.00%	6.30%
Other Additional Categories	6.00%	3.30%
Cash (LIBOR)	2.00%	0.90%
<b>Total</b>	<b>100.00%</b>	

**Discount Rate**

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

**OPEB Plan Fiduciary Net Position**

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

**General Information about the County Employees Retirement System’s (CERS) OPEB Plan**

**Plan Description**

The District’s employees are provided OPEB under the provisions of Kentucky Revised Statutes, the Kentucky Retirement Systems (KRS) board administers the CERS Insurance Fund. The CERS Insurance Fund is a cost sharing, multiple employer defined benefit OPEB plan which provides group health insurance benefits for plan members that are all regular full-time members employed in non-hazardous duty positions of the District. OPEB may be extended to beneficiaries of the plan members under certain circumstances. The CERS Insurance Fund is included in a publicly available financial report that can be obtained at [www.kyret.ky.gov](http://www.kyret.ky.gov).

**NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Benefits Provided**

The CERS Insurance Fund provides hospital and medical benefits to eligible plan members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. Premium payments are submitted to DEI. The KRS board contracts with Humana to provide health care benefits to the eligible Medicare retirees. The CERS Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

**Contributions**

Employers participating in the CERS Insurance Fund contribute a percentage of each employee's creditable compensation. The actuarially determined rates set by the KRS board is a percentage of each employee's creditable compensation. For the year ended June 30, 2019, the required contribution was 5.26% of each employee's covered payroll. Contributions from the District to the CERS Insurance Fund for the year ended June 30, 2019, were \$130,716. The KRS 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 KRS board. Employees qualifying as Tier 2 or Tier 3 of the CERS plan members contribute 1% of creditable compensation to an account created for the payment of health insurance benefits.

**Implicit Subsidy**

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

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

At June 30, 2019, the District reported a liability of \$1,846,801 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 June 30, 2017. The District's proportion of the net OPEB liability was based on the District's share of 2018 contributions to the OPEB plan relative to the 2018 contributions of all participating employers, actuarially determined. At June 30, 2019, the District's proportion was 0.104021%.

For the year ended June 30, 2019, the District recognized OPEB expense of approximately \$221,774.



**NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ -	\$ 215,220
Net difference between projected and actual investment earnings on OPEB plan investments	-	127,208
Change of assumptions	368,834	4,267
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	72,351
District contributions subsequent to measurement date	130,716	-
Total	\$ 499,550	\$ 419,046

For the year ended June 30, 2019, \$130,716 was reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	
2019	\$ (7,262)
2020	(7,262)
2021	(7,262)
2022	17,444
2022	(29,849)
Thereafter	(16,021)

**Actuarial Assumptions**

The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2018 were based on an actuarial valuation date of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018, using generally accepted actuarial principles. There have been no changes in actuarial assumptions since June 30, 2017 (other than the blended discount rate used to calculate the total OPEB liability). However, during the 2018

**NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Actuarial Assumptions (Continued)**

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

Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increase	3.05%, average
Investment Rate of Return	6.25%
Healthcare Trend Rates (Pre-65)	Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Healthcare Trend Rates (Post-65)	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

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.

**Long-Term Expected Rate of Return**

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

**NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Long-Term Expected Rate of Return (Continued)**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
<b>US Equity</b>	<b>17.50%</b>	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
<b>Non US Equity</b>	<b>17.50%</b>	
International Develop	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
<b>Credit Fixed</b>	<b>24.00%</b>	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
	<u>100.00%</u>	6.09%

**Discount Rate**

The projection of cash flows used to determine the discount rate of 5.85% for CERS non-hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.62%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2018. However, the cost associated with the implicit employer subsidy was not included in the calculation of the actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the OPEB Plan 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 of each major asset class are summarized in the KRS plan's CAFR.

**NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Sensitivity of the District's Proportionate Share of the collective net OPEB Liability to Changes in the Discount Rate**

The following presents the District's proportionate share of the net OPEB liability as of June 30, 2019, calculated using the discount rate of 5.85%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.85%) or 1-percentage-point higher (6.85%) than the current rate:

	1% Decrease (4.84%)	Current Discount Rate (5.84%)	1% Increase (6.84%)
District's proportionate share of the collective net OPEB liability	\$ 2,398,699	\$ 1,846,801	\$ 1,376,685

**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 are 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Healthcare Rate	1% Increase
District's proportionate share of the collective net OPEB liability	\$ 1,374,962	\$ 1,846,801	\$ 2,402,964

**OPEB Plan Fiduciary Net Position**

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

**NOTE 8: 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 the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

**NOTE 9: RISK MANAGEMENT**

The District is exposed to various forms of loss of assets associated with the risks related to torts; theft of, damage to and destruction of assets; fire, personal liability, vehicular accidents; errors and omissions; injuries to employees; fiduciary responsibility; and natural disaster. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which include workers' compensation insurance.

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

**NOTE 10: LITIGATION**

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

**NOTE 11: EXCESS EXPENDITURES OVER APPROPRIATIONS**

The District has two funds with a deficit net position, Food Service (\$899,540) and Day Care (\$18,288). Also, the following funds had excess current year expenditures over current year appropriated revenues:

<i>Year ended June 30, 2019</i>	
<b>Fund</b>	<b>Amount</b>
Construction	\$ 75,325
SEEK	159
Day care	10,883

Edmonson County School District  
Notes to the Financial Statements

**NOTE 12: FUND TRANSFERS**

Fund transfers for the year ended June 30, 2019 consist of the following:

Type	From Fund	To Fund	Purpose	Amount
Operating	General	Special revenue	Matching	\$ 35,154
Operating	SEEK	Debt service	Debt service	77,814
Operating	FSPK	Debt service	Debt service	674,824
Operating	SEEK	General	Operating	89,740
Operating	Food Service	General	Indirect costs	27,000

**NOTE 13: ON-BEHALF PAYMENTS**

The District receives on-behalf payments from the State of Kentucky for items including pension, technology, health care costs, operating costs and debt service. The amount received for the fiscal year ended June 30, 2019, was \$5,070,716. These payments were recorded in the funds as follows:

*Year ended June 30, 2019*

Fund	Amount
General fund	\$ 4,671,664
Food Service fund	94,814
Debt Service fund	304,238
<b>Total</b>	<b>\$ 5,070,716</b>

*Year ended June 30, 2019*

Technology	\$ 84,874
Health Insurance less Federal Reimbursements	2,114,980
Life Insurance	3,397
Administrative Fees	28,040
HRA/Dental/Vision Insurance	82,425
SFCC Debt Service	304,238
KTRS	2,452,762
<b>Total</b>	<b>\$ 5,070,716</b>

Edmonson County School District  
Budgetary Comparison Schedule for the General Fund

<i>Year Ended June 30, 2019</i>	Budgeted Amounts		Actual (Budgetary Basis)	Variances Final to Actual
	Original	Final		
<b>Revenues</b>				
Local and intermediate sources	\$ 3,547,493	\$ 3,678,512	\$ 3,689,609	\$ 11,097
State programs	11,701,714	11,566,714	12,907,331	1,340,617
Federal programs	85,000	80,000	140,431	60,431
<hr/>				
Total revenues	15,334,207	15,325,226	16,737,371	1,412,145
<hr/>				
<b>Expenditures</b>				
Current:				
Instruction	9,156,355	8,918,062	9,654,715	(736,653)
Support services:				
Student	739,418	737,315	783,903	(46,588)
Instructional staff	620,458	658,332	722,304	(63,972)
District administration	577,856	561,461	591,524	(30,063)
School administration	867,045	846,642	923,713	(77,071)
Business	458,804	455,340	494,067	(38,727)
Plant operations and maintenance	1,870,685	1,945,552	1,736,885	208,667
Student transportation	1,124,465	1,789,332	1,575,572	213,760
Other	1,225,207	1,146,223	3,068	1,143,155
<hr/>				
Total expenditures	16,640,293	17,058,259	16,485,751	572,508

Edmonson County School District  
Budgetary Comparison Schedule for the General Fund

<i>Year Ended June 30, 2019</i>	<u>Budgeted Amounts</u>		<b>Actual (Budgetary Basis)</b>	<u>Variances Final to Actual</u>
	<b>Original</b>	<b>Final</b>		
Excess (deficiency) of revenues over expenditures	(1,306,086)	(1,733,033)	251,620	1,984,653
<b>Other Financing Sources (Uses)</b>				
Operating transfers - net	70,965	71,003	81,586	10,583
Total other financing sources (uses)	70,965	71,003	81,586	10,583
Net change in fund balance	(1,235,121)	(1,662,030)	333,206	1,995,236
Fund balance-beginning of year	1,235,121	1,662,030	1,767,032	105,002
Fund balance-end of year	\$ -	\$ -	\$ 2,100,238	\$ 2,100,238



Edmonson County School District  
Budgetary Comparison Schedule for the Special Revenue Fund

<i>Year Ended June 30, 2019</i>	Budgeted Amounts		Actual (GAAP Basis)	Variances Final to Actual
	Original	Final		
<b>Revenues</b>				
Local and intermediate sources	\$ 350	\$ 350	\$ 62,120	\$ 61,770
State programs	1,132,884	1,126,967	1,105,437	(21,530)
Federal programs	1,098,725	1,273,559	1,185,705	(87,854)
<b>Total revenues</b>	<b>2,231,959</b>	<b>2,400,876</b>	<b>2,353,262</b>	<b>(47,614)</b>
<b>Expenditures</b>				
Current:				
Instruction	1,605,869	1,657,258	1,664,271	(7,013)
Support services:				
Student	24,239	17,125	9,134	7,991
Instructional staff	277,749	355,409	307,542	47,867
Business	23,500	23,500	20,366	3,134
Plant operations and maintenance	42,355	84,637	84,409	228
Student transportation	103,938	94,207	88,039	6,168
Other	189,309	203,740	211,771	(8,031)
<b>Total expenditures</b>	<b>2,266,959</b>	<b>2,435,876</b>	<b>2,385,532</b>	<b>50,344</b>

Edmonson County School District  
Budgetary Comparison Schedule for the Special Revenue Fund

<i>Year Ended June 30, 2019</i>	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variances Final to Actual</u>
	<u>Original</u>	<u>Final</u>		
Excess (deficiency) of revenues over expenditures	(35,000)	(35,000)	(32,270)	2,730
<b>Other Financing Sources (Uses)</b>				
Operating transfers - net	35,000	35,000	35,154	154
Total other financing sources (uses)	35,000	35,000	35,154	154
Net change in fund balance	-	-	2,884	2,884
Fund balance-beginning of year	-	-	105,013	105,013
Fund balance-end of year	\$ -	\$ -	\$ 107,897	\$ 107,897

Edmonson County School District  
 Schedule of the District's Proportionate Share of the  
 Net Pension Liability and Schedule of District's Contributions  
 Kentucky Teachers' Retirement System

<b>Schedule of the District's Proportionate Share of the Net Pension Liability-KTRS</b>					
<i>As of June 30,</i>	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.0%	0.0%	0.0%	0.0%	0.0%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	\$ 31,206,890	\$ 66,296,602	\$ 71,515,932	\$ 56,544,274	\$ 51,978,177
District's covered payroll	\$ 5,783,359	\$ 6,532,314	\$ 6,933,221	\$ 6,801,895	\$ 7,923,760
District's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	59.30%	39.83%	35.22%	42.49%	45.59%
<b>Schedule of the District's Contributions-KTRS</b>					
<i>For the Year Ended June 30,</i>	2019	2018	2017	2016	2015
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 5,528,170	\$ 5,783,359	\$ 6,532,314	\$ 6,933,221	\$ 6,801,895
Contributions as a percentage of covered payroll	0.000%	0.000%	0.000%	0.000%	0.000%

Edmonson County School District  
Schedule of the District's Proportionate Share of the  
Net Pension Liability and Schedule of District's Contributions  
Kentucky Teachers' Retirement System

**Changes of Benefit Terms**

None noted.

**Changes of Assumptions**

The discount rate used to measure the total pension liability as of the measurement date, June 30, 2018, was 7.50% where the discount rate for the measurement date June 30, 2017 was 4.49%.

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

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

Edmonson County School District  
 Schedule of the District's Proportionate Share of the  
 Net Pension Liability and Schedule of District's Contributions  
 County Employees Retirement System

<b>Schedule of the District's Proportionate Share of the Net Pension Liability-CERS</b>					
<i>As of June 30,</i>	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.104021%	0.108360%	0.115126%	0.113821%	0.113792%
District's proportionate share of the net pension liability	\$ 6,335,196	\$ 6,342,644	\$ 5,668,371	\$ 4,893,774	\$ 3,692,000
District's covered payroll	\$ 2,591,595	\$ 2,654,172	\$ 2,744,581	\$ 2,667,733	\$ 2,615,807
District's proportionate share of the net pension liability as a percentage of its covered payroll	244.45%	238.97%	206.53%	183.44%	141.14%
Plan fiduciary net position as a percentage of the total pension liability	53.54%	53.30%	55.50%	59.97%	66.80%
<b>Schedule of the District's Contributions-CERS</b>					
<i>For the Year Ended June 30,</i>	2019	2018	2017	2016	2015
Contractually required contribution	\$ 414,705	\$ 375,263	\$ 370,257	\$ 340,877	\$ 340,136
Contributions in relation to the contractually required contribution	414,705	375,263	370,257	340,877	340,136
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 2,556,750	\$ 2,591,595	\$ 2,654,172	\$ 2,744,581	\$ 2,667,733
Contributions as a percentage of covered payroll	16.22%	14.48%	13.95%	12.42%	12.75%

Edmonson County School District  
Schedule of the District's Proportionate Share of the  
Net Pension Liability and Schedule of District's Contributions  
County Employees Retirement System

**Changes of Benefit Terms**

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

2019: No changes in benefit terms.

2018: No changes in benefit terms.

2017: No changes in benefit terms.

2016: No changes in benefit terms.

**Changes of Assumptions**

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

2019: During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The Total Pension Liability as of June 30, 2018 is determined using these updated benefit provisions.

2018: There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for CERS. However, subsequent to the actual valuation date (June 30, 2016), but prior to the measurement date (June 30, 2017), the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, the Total Pension Liability as of June 30, 2017 is determined using a 2.30% price inflation assumption for the non-hazardous system and the assumed rate of return is 6.25% for the non-hazardous system.

2017: There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for CERS. However, subsequent to the actual valuation date (June 30, 2016), but prior to the measurement date (June 30, 2017), the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, the Total Pension Liability as of June 30, 2017 is determined using a 2.30% price inflation assumption for the non-hazardous system and the assumed rate of return is 6.25% for the non-hazardous system.

2016: No changes in assumptions.

Edmonson County School District  
 Schedule of the District's Proportionate Share of the  
 Collective Net OPEB Liability and Schedule of District's Contributions –  
 Kentucky Teachers' Retirement System – Medical Insurance Fund

**Schedule of the District's Proportionate share of the Collective Net OPEB Liability - KTRS**

<i>As of June 30,</i>	2019	2018
District's proportion of the collective net OPEB liability	0.123369%	0.130561%
District's proportionate share of the collective net OPEB liability	\$ 4,281,000	\$ 4,656,000
District's covered - employee payroll	\$ 5,783,359	\$ 6,532,314
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	74.0%	71.3%
Plan fiduciary net position as a percentage of the total OEPB liability	25.50%	21.18%

**Schedule of the District's Contributions - KTRS**

<i>As of June 30,</i>	2019	2018
Contractually required contribution	\$ 324	\$ -
Contributions in relation to the contractually required contribution	324	-
Contribution deficiency (excess)	\$ -	\$ -
District's covered - employee payroll	\$ 5,528,170	\$ 5,783,359
Contributions as percentage of covered payroll	0.01%	0.00%

**Changes of Benefit Terms**

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

**Changes of Assumptions**

No changes of assumptions.

Edmonson County School District  
 Schedule of the District's Proportionate Share of the  
 Collective Net OPEB Liability and Schedule of District's Contributions –  
 Kentucky Teachers' Retirement System – Life Insurance Fund

**Schedule of the District's Proportionate share of the Collective Net OPEB Liability - KTRS**

<i>As of June 30,</i>	2019	2018
District's proportion of the collective net OPEB liability	0.000000%	0.000000%
District's proportionate share of the collective net OPEB liability	\$ -	\$ -
District's covered - employee payroll	\$ 5,783,359	\$ 6,532,314
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	0.0%	0.0%
Plan fiduciary net position as a percentage of the total OEPB liability	75.00%	79.99%

**Schedule of the District's Contributions - KTRS**

<i>As of June 30,</i>	2019	2018
Contractually required contribution	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-
Contribution deficiency (excess)	\$ -	\$ -
District's covered - employee payroll	\$ 5,528,170	\$ 5,783,359
Contributions as percentage of covered payroll	0.00%	0.00%

**Changes of Benefit Terms**

No changes of benefit terms.

**Changes of Assumptions**

No changes of assumptions.



**Edmonson County School District  
Schedule of the District's Proportionate Share of the  
Collective Net OPEB Liability and Schedule of District's Contributions –  
County Employees Retirement System**

**Schedule of District's Proportionate Share of the Collective Net OPEB Liability - CERS**

<i>As of June 30,</i>	2019	2018
District's proportion of the net OPEB liability	0.104021%	0.108360%
District's proportionate share of the net OPEB liability	\$ 1,846,801	\$ 2,178,407
District's covered - employee payroll	\$ 2,591,595	\$ 2,654,172
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	71.26%	82.07%
Plan fiduciary net position as a percentage of the total OPEB liability	57.62%	52.40%

**Schedule of District Contributions - CERS**

<i>For the years ended June 30,</i>	2019	2018
Contractually required contribution	\$ 130,716	\$ 121,774
Contributions in relation to the contractually required contribution	130,716	121,774
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 2,556,750	\$ 2,591,595
Contributions as a percentage of covered-employee payroll	5.11%	4.70%

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

**Changes of Benefit Terms**

No changes of benefit terms.

**Changes of Assumptions**

2019: There have been no changes in actuarial assumptions since June 30, 2017 (other than the blended discount rate used to calculate the total OPEB liability). However, during the 2018 legislative session, House Bill 185 was enacted, which update the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018 is determined using the updated benefit provisions.

Edmonson County School District  
Schedule of the District's Proportionate Share of the  
Collective Net OPEB Liability and Schedule of District's Contributions –  
County Employees Retirement System

**Changes of Assumptions (Continued)**

2018: There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for CERS. However, subsequent to the actual valuation date (June 30, 2016), but prior to the measurement date (June 30, 2017), the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, the Total OPEB Liability as of June 30, 2017 is determined using a 2.30% price inflation assumption for the non-hazardous system and the assumed rate of return is 6.25%.

Edmonson County School District  
Combining Balance Sheet  
Nonmajor Governmental Funds

<i>June 30, 2019</i>	SEEK Fund	FSPK Fund	Construction Fund	Debt Service Fund	Total Other Governmental Funds
<b>Assets</b>					
Cash	\$ -	\$ 23,737	\$ 158,921	\$ -	\$ 182,658
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 23,737</b>	<b>\$ 158,921</b>	<b>\$ -</b>	<b>\$ 182,658</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ 44,096	\$ -	\$ 44,096
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>44,096</b>	<b>-</b>	<b>44,096</b>
<b>Fund Balances</b>					
Restricted	\$ -	\$ 23,737	\$ 114,825	\$ -	\$ 138,562
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ 23,737</b>	<b>\$ 158,921</b>	<b>\$ -</b>	<b>\$ 182,658</b>

Edmonson County School District  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds

<i>Year Ended June 30, 2019</i>	<b>SEEK Fund</b>	<b>FSPK Fund</b>	<b>Construction Fund</b>	<b>Debt Service Fund</b>	<b>Total Other Governmental Funds</b>
<b>Revenues</b>					
From local sources:					
Taxes:					
Property	\$ -	\$ 345,496	\$ -	\$ -	\$ 345,496
Earnings on investments	-	522	-	-	522
Intergovernmental - state	167,395	352,543	-	304,239	824,177
<b>Total revenues</b>	<b>167,395</b>	<b>698,561</b>	<b>-</b>	<b>304,239</b>	<b>1,170,195</b>
<b>Expenditures</b>					
Current:					
Debt service:					
Principal	-	-	-	860,000	860,000
Interest	-	-	-	196,877	196,877
Facilities acquisition and construction	-	-	75,325	-	75,325
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>75,325</b>	<b>1,056,877</b>	<b>1,132,202</b>
 Excess (deficiency) of revenues over expenditures	 167,395	 698,561	 (75,325)	 (752,638)	 37,993

Edmonson County School District  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Governmental Funds

<i>Year Ended June 30, 2019</i>	SEEK Fund	FSPK Fund	Construction Fund	Debt Service Fund	Total Other Governmental Funds
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	-	-	-	752,638	752,638
Operating transfers out	(167,554)	(674,824)	-	-	(842,378)
<b>Total other financing sources (uses)</b>	(167,554)	(674,824)	-	752,638	(89,740)
Net change in fund balances	(159)	23,737	(75,325)	-	(51,747)
Fund balance - beginning of year	159	-	190,150	-	190,309
Fund balance - end of year	\$ -	\$ 23,737	\$ 114,825	\$ -	\$ 138,562

Edmonson County School District  
Combining Statement of Fiduciary Net Position  
School Activity Funds  
Agency Funds

<i>Year Ended June 30, 2019</i>	<b>Cash</b>			<b>Cash</b>	<b>Accounts Payable</b>	<b>Due to Student Groups</b>
	<b>July 1, 2018</b>	<b>Receipts</b>	<b>Disbursements</b>			
Edmonson County High School	\$ 72,018	\$ 138,522	\$ 136,166	\$ 74,374	\$ -	\$ 74,374
Edmonson County Middle School	11,782	19,519	19,835	11,466	-	11,466
Fifth - Sixth Center	1,563	3,056	3,478	1,141	-	1,141
Kyrock Elementary School	2,596	4,669	3,747	3,518	-	3,518
South Edmonson Elementary School	6,109	9,959	11,675	4,393	-	4,393
<b>Total</b>	<b>\$ 94,068</b>	<b>\$ 175,725</b>	<b>\$ 174,901</b>	<b>\$ 94,892</b>	<b>\$ -</b>	<b>\$ 94,892</b>

Edmonson County School District  
Statement of Fiduciary Net Position  
School Activity Funds  
Edmonson County High School

<i>Year Ended June 30, 2019</i>	<b>Cash</b>			<b>Cash</b>			<b>Due to Student</b>
	<b>July 1, 2018</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Transfers</b>	<b>June 30, 2019</b>	<b>Groups</b>	<b>June 30, 2019</b>
Teacher	\$ -	\$ 1,155	\$ 850		\$ 305	\$ 305	
Student Generated	2,297	5,158	5,190	-	2,265	2,265	
Emp/Skills/T-Shirt	1,126	6,842	12,563	5,972	1,377	1,377	
Advanced Placement	4,672	2,995	5,556	-	2,111	2,111	
Cheer	995		995	-	-	-	
FFA	7,730	16,274	16,438	(1,394)	6,172	6,172	
Farm and Greenhouse	13,056	3,890	2,158	260	15,048	15,048	
DECA	341	35,259	31,267	(4,088)	245	245	
Yearbook	11,651	14,123	16,021	-	9,753	9,753	
Art Club	397	2,102	1,640	-	859	859	
Drama	919	10,997	9,100	-	2,816	2,816	
Prom	9,326	5,020	3,760	-	10,586	10,586	
Skills U	4,159	6,498	5,245	(409)	5,003	5,003	
Welding	364	-		-	364	364	
Autoshop	79	20		-	99	99	
Woodworking	4,255	3,009	1,705	-	5,559	5,559	
FMD	764	2,792	1,987	-	1,569	1,569	
Senior Trip	483	2,200	2,225	-	458	458	
Beta Club	1,188	12,078	10,759	-	2,507	2,507	
SADD	1,841	1,536	2,342	-	1,035	1,035	

Edmonson County School District  
Statement of Fiduciary Net Position  
School Activity Funds  
Edmonson County High School

<i>Year Ended June 30, 2019</i>	<b>Cash</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Transfers</b>	<b>Cash</b>	<b>Due to Student</b>
	<b>July 1, 2018</b>				<b>June 30, 2019</b>	<b>Groups</b>
						<b>June 30, 2019</b>
Literary Club	690	479	713	-	456	456
Math Club	792	280	235	-	837	837
Wildcat Citizenship	2,454	180	-		2,634	2,634
International Club	1,226	400	451	-	1,175	1,175
Academic Team	127	1,394	1,211	-	310	310
Y Club	-	390	-	-	390	390
FCA	145	-	110	-	35	35
Science Club	941	2,984	3,352	(341)	232	232
ECHS 13	-	295	293	-	2	2
JAG	-	172	-	-	172	172
<b>Total</b>	<b>\$ 72,018</b>	<b>\$ 138,522</b>	<b>\$ 136,166</b>	<b>\$ -</b>	<b>\$ 74,374</b>	<b>\$ 74,374</b>



Edmonson County School District  
Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U.S. Department of Agriculture</b>				
Child Nutrition Cluster				
Direct Program				
Food Distribution Program - noncash	10.555	-	\$ -	\$ 70,079
Passed-Through State Department of Education:				
School Breakfast Program	10.553	7760005 19	-	392,831
National School Lunch Program	10.555	7750002 19	-	745,000
Subtotal				1,207,910
Total U.S. Department of Agriculture				1,207,910
<b>U.S. Department of Education</b>				
Direct Program				
Impact Aid	84.041	-	-	84,701
Passed-Through State Department of Education:				
Title I, Part A				
Title I Grants to Local Educational Agencies - 2016	84.010	3100002 15	-	(96)
Title I Grants to Local Educational Agencies - 2017	84.010	3100002 16	-	(27,633)
Title I Grants to Local Educational Agencies - 2018	84.010	3100002 17	-	111,852
Title I Grants to Local Educational Agencies - 2019	84.010	3100002 18	-	488,990
Title I - Parent Involvement - 2017	84.010	3100002 16	-	20,541
Title I - Parent Involvement - 2018	84.010	3100002 18	-	9,134
Subtotal				602,788
Title IV				
Title IV Student Support and Academic Enrichment Program - 2018	84.424	3420002 17	-	11,395
Title IV Student Support and Academic Enrichment Program - 2019	84.424	3420002 18	-	29,921
Subtotal				41,316

See accompanying notes to the Schedule of Expenditures of Federal Awards.

Edmonson County School District  
Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Passed-Through State Department of Education:				
Special Education Cluster				
Special Education Grants to States - 2017	84.027	3810002 16	-	(5,646)
Special Education Grants to States - 2018	84.027	3810002 17	-	70,252
Special Education Grants to States - 2019	84.027	3810002 18	-	254,774
Special Education Preschool Grants - 2017	84.173	3800002 16	-	(4,062)
Special Education Preschool Grants - 2018	84.173	3800002 17	-	(728)
Special Education Preschool Grants - 2019	84.173	3800002 18	-	<u>20,087</u>
Subtotal				334,677
Career and Technical Education - Basic				
Grants to State - 2017	84.048	3710002 16	-	(644)
Grants to State - 2019	84.048	3710002 18	-	<u>19,268</u>
Subtotal				18,624
Rural Education				
- 2017	84.358	3140002 16	-	4,951
- 2018	84.358	3140002 17	-	1,156
- 2019	84.358	3140002 18	-	<u>28,701</u>
Subtotal				34,808
Supporting Effective Instruction State Grants				
- 2018	84.367	3230002 17	-	23,580
- 2019	84.367	3230002 18	-	<u>59,520</u>
Subtotal				83,100
Passed-Through State Workforce Cabinet:				
Adult Education	84.002	373D	-	368
Adult Education	84.002	373E	-	59,605
Adult Education	84.002	365E	-	8,327
Adult Education	84.002	464E	-	<u>2,092</u>
Subtotal				70,392
Total U.S. Department of Education				1,270,406
Total expenditures of federal awards			\$ -	\$ 2,478,316

See accompanying notes to the Schedule of Expenditures of Federal Awards.

Edmonson County School District  
Notes to the Schedule of Expenditures of Federal Awards

**NOTE 1: BASIS OF PRESENTATION**

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

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in 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.

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

**NOTE 3: INDIRECT COST RATE**

The District has elected to use indirect cost rates as defined by the grantor in the following programs:

Child Nutrition Cluster

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

**NOTE 4: LOANS AND LOAN GUARANTEES**

The District did not have any loans or loan guarantee programs required to be reported on the schedule.

# Edmonson County School District Summary Schedule of Prior Audit Findings

## *Edmonson County Board of Education*

*PATRICK WADDELL, SUPERINTENDENT*

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Brownsville, KY 42210

Phone: 270-597-2101 - Fax: 270-597-2103

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Supervisor of State & Federal Programs, JAMIE CARNES  
Finance Officer, TIFFANY CARROLL

### U.S. DEPARTMENT OF AGRICULTURE

#### Passed-Through State Department of Education

**2018-001 Child Nutrition Cluster – CFDA 10.553; 10.555**  
**Award Identifying Number – 7760005 18 and 7750002 18**  
**Grant Period – Year ended June 30, 2018**

*Condition:* Deposit tickets for Child Nutrition funds lacked evidence of dual controls. A sample of 2 months of Child Nutrition deposits, from a population of 10 months of Child Nutrition deposits, was selected for audit purposes. The sample found some deposits lacked documentation of dual control over cash receipts. The sample was not statistically valid.

*Recommendation:* All Child Nutrition deposits should include documentation of dual control over cash receipts.

*Current Status:* The recommendation was adopted on November 8, 2018. Similar findings were noted in the 2019 audit regarding the deposit tickets, but more Daily Cash Receipts included dual control documentation after January 2019.



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**Independent Auditors' 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  
Edmonson County School District  
Brownsville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits as defined 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 Edmonson County School District (the "District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Edmonson County School District's basic financial statements, and have issued our report thereon dated November 8, 2019.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

We noted certain matters that we reported to management of the District in a separate letter dated November 8, 2019.

### **Purpose of this Report**

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

*Carr, Riggs & Ingram, L.L.C.*



Carr, Riggs & Ingram, LLC

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## **Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance**

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Edmonson County School District  
Brownsville, Kentucky

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

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

#### ***Management's Responsibility***

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

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

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

### **Report on Internal Control over Compliance**

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

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

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



Kentucky State Committee for School District Audits  
Members of the Board of Education  
Edmonson County School District

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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.

*Carr, Riggs & Ingram, L.L.C.*

Carr, Riggs & Ingram, LLC  
Bowling Green, Kentucky  
November 8, 2019

Edmonson County School District  
Schedule of Findings and Questioned Costs

**Section I — Summary of Auditors' Results**

**Financial Statements**

Type of report the auditors issued on whether the financial statements audited were prepared in accordance with GAAP: unmodified

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified?  Yes  None reported

Type of Auditors' report issued on compliance for major Federal programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance (2 CFR 200.516(a))?  Yes  None reported

Edmonson County School District  
Schedule of Findings and Questioned Costs

Identification of major Federal program:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I, Grants to Local Educational Agencies

Dollar threshold used to distinguish  
between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

Yes     No

**Section II — Financial Statement Findings**

None reported.

**Section III — Federal Award Findings And Questioned Costs**

None reported.



**THOUGHT LEADERSHIP**



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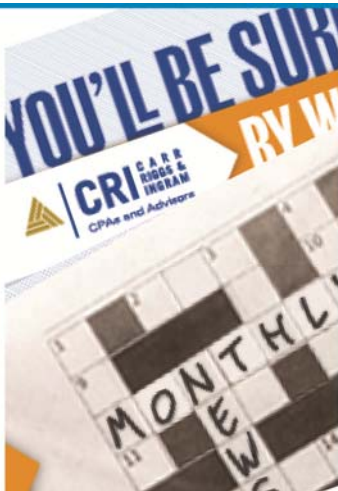
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**APPENDIX C**

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

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**Official Terms and Conditions of Bond Sale**

**OFFICIAL TERMS AND CONDITIONS OF BOND SALE**

**\$520,000\***

**Edmonson County School District Finance Corporation  
School Building Refunding Revenue Bonds, Series of 2021  
Dated as of February 11, 2021**

**SALE: January 21, 2021 AT 1:00 P.M., E.S.T.**

As published on PARITY®, a nationally recognized electronic bidding system, the Edmonson County School District Finance Corporation (the "Corporation") will until 1:00 P.M., E.S.T., on January 21, 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 \$520,000 principal amount of Edmonson County School District Finance Corporation School Building Refunding Revenue Bonds, Series of 2021 (the "Refunding Bonds"), dated and bearing interest from February 11, 2021, payable on May 1, 2021, and semi-annually thereafter on November 1 and May 1 of each year, in denominations in multiples of \$1,000 within the same maturity, maturing on May 1 in each of the years as follows:

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

\* 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 November 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, Louisville, Kentucky, the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date to each Registered Owner of record as of the 15th day of the month preceding the due date which shall be Cede & Co., as the Nominee of The Depository Trust Company ("DTC"). Please see "Book-Entry-Only-System" below.

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

### **AUTHORITY AND PURPOSE**

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

### **SCHOOL FACILITIES CONSTRUCTION COMMISSION**

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

The Commission will enter into a Participation Agreement with the Board whereunder the Commission, will agree to continue to pay approximately \$51,010 to be applied to the debt service of the Refunding Bonds through May 1, 2031; provided, however, that the contractual commitment of the Commission to pay the annual Agreed Participation is limited to the biennial budget period of the Commonwealth, with the first such biennial budget period terminating on June 30, 2022.

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 2020-20 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.

### **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 improvements at Edmonson County High School (the "Project"). Under the terms of the Resolution authorizing the Refunded Bonds, the Refunded Bonds are payable from the income and revenues of the Project financed from the proceeds thereof. The Refunded Bonds are secured by a lien upon and a pledge of revenues from the rental of the Project to the Board under a Lease Agreement, dated May 1, 2011 (the "Prior Lease").

The total principal amount of the Refunded Bonds currently outstanding is \$485,000, 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 Refunded Bonds constitute the only outstanding bonded indebtedness payable from or secured by the school Project financed from the proceeds thereof.

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 11, 2021 (the "2021 Lease"); provided, however, that said lien and pledge are on parity with similar liens and pledges securing certain of the Corporation's outstanding School Building Revenue Bonds previously issued to improve the Project (the "Parity Bonds").

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 11, 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 Section 157.627(5) of the Act and KRS 160.160(5), in the event of a failure by the Board to pay the rentals due under the 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 and Participation Agreement to the Corporation and the Commission the right to notify and request the Kentucky Department of Education to withhold from the Board a sufficient portion of any undisbursed funds then held, set aside, or allocated to the Board and to request said Department or Commissioner of Education to transfer the required amount thereof to the Paying Agent for the payment of such rentals.

### **BIDDING CONDITIONS AND RESTRICTIONS**

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

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

(2) Electronic bids for the Bonds must be submitted through PARITY® and no other provider of electronic bidding services will be accepted. Subscription to the PARITY® Competitive Bidding System is required in order to submit an electronic bid. The Corporation will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by PARITY® shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in PARITY® conflict with the terms of the Official Terms and Conditions of Sale of Bonds, this Official Terms and Conditions of Sale of Bonds shall prevail. Electronic bids made through the facilities of PARITY® shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to

the Corporation. The Corporation shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by PARITY®. The use of PARITY® facilities are at the sole risk of the prospective bidders. For further information regarding PARITY®, potential bidders may contact PARITY®, telephone (212) 404-8102. Notwithstanding the foregoing non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form.

(3) The bid shall be not less than \$514,800 (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 \$520,000 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 \$52,000, 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 \$468,000 or a maximum of \$572,000. In the event of any such adjustment, no rebidding or recalculation of a submitted bid will be required or permitted. The price at which such adjusted principal amount of Bonds will be sold will be at the same price per \$1,000 of Refunding Bonds as the price per \$1,000 for the \$520,000 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 21, 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 Municipal Advisor within twenty-four (24) hours of the award of the Bonds that certain serial maturities as awarded may be combined with immediately succeeding serial maturities as one or more Term Bonds; provided, however, (a) bids must be submitted to permit only a single interest rate for each Term Bond specified, and (b) Term Bonds will be subject to mandatory redemption by lot on 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, Louisville, 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](http://www.osbd.ky.gov).

## **POTENTIAL LEGISLATION**

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

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

## **CONTINUING DISCLOSURE**

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

Financial information regarding the Board may be obtained from Superintendent, Edmonson County Board of Education, 100 Wildcat Way, PO Box 129, Brownsville, Kentucky 42210 (270-597-2101).

## **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.

**EDMONSON COUNTY SCHOOL DISTRICT  
FINANCE CORPORATION**

By /s/ Brian Alexander  
Secretary

**APPENDIX D**

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

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**Official Bid Form**



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

The Edmonson County School District Finance Corporation ("Corporation"), will until 1:00 P.M., E.S.T., on January 21, 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 \$520,000 School Building Refunding Revenue Bonds, Series of 2021, dated as of February 11, 2021; maturing May 1, 2021 through 2031 ("Bonds").

We hereby bid for said \$520,000\* principal amount of Bonds, the total sum of \$\_\_\_\_\_ (not less than \$514,800) plus accrued interest from February 11, 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:

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

\* Subject to Permitted Adjustment up to \$52,000

We understand this bid may be accepted for as much as \$572,000 of Bonds or as little as \$468,000 of Bonds, at the same price per \$1,000 Bond, with the variation in such amount occurring in any maturity or all maturities, which will be determined by the Secretary of the Corporation at the time of acceptance of the best bid.

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

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

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

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

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

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

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

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

(d)*Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is January 21, 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 December 1 in accordance with the maturity schedule setting the actual size of the issue.

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

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

No certified or bank cashier's check will be required to accompany a bid, but the successful bidder shall be required to wire transfer an amount equal to 2% of the principal amount of Refunding Bonds awarded by the close of business on the date following the award. Said good faith amount will be applied (without interest) to the purchase price on delivery. Wire transfer procedures should be arranged through U.S. Bank National Association, 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 11, 2021 and upon acceptance by the Issuer's Municipal Advisor this Official Bid Form shall become the Bond Purchase Agreement.

Respectfully submitted,

\_\_\_\_\_  
Bidder

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

\_\_\_\_\_  
Address

Total interest cost from February 11, 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 Edmonson County School District Finance Corporation for \$ \_\_\_\_\_ amount of Bonds at a price of \$ \_\_\_\_\_ as follows:

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

Dated: January 21, 2021

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