

DATED MARCH 15, 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 political subdivisions thereof (see "Tax Exemption" herein).*

**\$1,355,000\***  
**MCLEAN COUNTY SCHOOL DISTRICT FINANCE CORPORATION**  
**SCHOOL BUILDING REVENUE BONDS,**  
**SERIES OF 2021**

**Dated with Delivery: April 13, 2021**

**Due: as shown below**

Interest on the Bonds is payable each May 1 and November 1, beginning November 1, 2021. The Bonds will mature as to principal on May 1, 2022 and thereafter as shown below. The Bonds are being issued in Book-Entry-Only Form and will be available for purchase in principal amounts of \$5,000 and integral multiples thereof.

Maturing 1-May	Amount	Interest Rate	Reoffering Yield	CUSIP	Maturing 1-May	Amount	Interest Rate	Reoffering Yield	CUSIP
2022	\$25,000	%	%		2032	\$70,000	%	%	
2023	\$25,000	%	%		2033	\$75,000	%	%	
2024	\$60,000	%	%		2034	\$75,000	%	%	
2025	\$60,000	%	%		2035	\$75,000	%	%	
2026	\$60,000	%	%		2036	\$80,000	%	%	
2027	\$60,000	%	%		2037	\$80,000	%	%	
2028	\$60,000	%	%		2038	\$85,000	%	%	
2029	\$70,000	%	%		2039	\$85,000	%	%	
2030	\$70,000	%	%		2040	\$85,000	%	%	
2031	\$70,000	%	%		2041	\$85,000	%	%	

The Bonds are subject to redemption prior to their stated maturity.

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 McLean 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 McLean County Board of Education.

The McLean County (Kentucky) School District Finance Corporation will until March 23, 2021, at 11:00 A.M., E.S.T., receive competitive bids for the Bonds at the office of the Executive Director of the Kentucky School Facilities Construction Commission, 229 West Main Street, Suite 102, 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 \$135,000.**

**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.



**MCLEAN COUNTY, KENTUCKY  
BOARD OF EDUCATION**

Wendell Miller, Chairman  
John Howard, Vice Chairman  
Angie Bumpus, Member  
Katie Gunterman, Member  
Tracy McMahon, Member

Terry Hayes, Superintendent  
Tommy Burrough, Secretary

**MCLEAN COUNTY SCHOOL DISTRICT  
FINANCE CORPORATION**

Bill Lovell, President  
Wendell Miller, Vice President  
Otis Griffin, Member  
Kelly Baird, Member  
Joyce Sutton, Member

Tommy Burrough, Secretary  
David Stokes, 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 McLean County School District Finance Corporation School Building Revenue Bonds, Series of 2021, identified on the cover page hereof. No person has been authorized by the Corporation or the Board to give any information or to make any representation other than that contained in the Official Statement, and if given or made such other information or representation must not be relied upon as having been given or authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

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

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

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

# TABLE OF CONTENTS

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

**OFFICIAL STATEMENT  
Relating to the Issuance of**

**\$1,355,000\***

**MCLEAN COUNTY SCHOOL DISTRICT FINANCE CORPORATION  
SCHOOL BUILDING 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 McLean County School District Finance Corporation (the "Corporation") School Building Revenue Bonds, Series of 2021 (the "Bonds").

The Bonds are being issued to finance construction of renovations at Calhoun Elementary School (the "Project").

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 McLean 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 McLean 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 April 13, 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.

Pursuant to the provisions of the Act, the Regulations of the Kentucky Board of Education and the Commission, the Commission has determined that the Board is eligible for participation from the Commission in meeting the costs of construction of the Projects and has entered into a Participation Agreement with the Board whereunder the Commission agrees to pay an annual Agreed Participation equal to approximately \$23,904 to be applied to the annual debt service requirements for the Bonds herein identified each year until their retirement; 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 period terminating on June 30, 2022; the right is reserved in the Commission to terminate its commitment to pay the Agreed Participation after the initial biennial period and every two years thereafter. The obligation of the Commission to make payments of the Agreed Participation shall be automatically renewed each two years for a period of two years unless the Commission shall give notice of its intention not to participate not less than sixty days prior to the end of the biennium; however, by the execution of the Participation Agreement, the Commission has expressed its present intention to continue to pay the Agreed Participation in each successive biennial budget period until the retirement of all of the Bonds, but such execution does not obligate the Commission to do so.

The General Assembly of the Commonwealth adopted the State's Budget for the fiscal year ending June 30, 2021. Inter alia, the Budget provides \$124,836,200 in FY 2020-21 to pay debt service on existing and future bond issues; \$58,000,000 of the Commission's previous Offers of Assistance made during the last biennium; and authorizes \$58,000,000 in additional Offers of Assistance for the current biennium to be funded in the Budget for the biennium ending June 30, 2022.

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

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

In addition to the appropriations for new financings as shown, appropriations subsequent to that for 1986 included additional funds to continue to meet the annual debt requirements for all bond issues involving Commission participation issued in prior years.

### **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, 2021 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-REF	\$2,530,000	\$910,000	\$2,530,000	\$0	2.450% - 2.625%	2023
2012	\$1,410,000	\$925,000	\$0	\$1,410,000	2.200% - 3.300%	2032
2014	\$2,020,000	\$1,570,000	\$1,691,401	\$328,599	2.200% - 4.000%	2034
2015-REF	\$1,185,000	\$755,000	\$350,720	\$834,280	2.000% - 2.500%	2026
2015	\$1,505,000	\$1,480,000	\$0	\$1,505,000	2.200% - 3.500%	2035
2017	\$650,000	\$585,000	\$304,551	\$345,449	3.500%	2037
2017-REF	\$1,470,000	\$1,255,000	\$778,866	\$691,134	2.000% - 2.375%	2028
<b>TOTALS:</b>	<b>\$10,770,000</b>	<b>\$7,480,000</b>	<b>\$5,655,538</b>	<b>\$5,114,462</b>		

## **AUTHORITY**

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

- i) the issuance of approximately \$1,355,000 of Bonds subject to a permitted adjustment of \$135,000;
- 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 April 13, 2021, will bear interest from that date as described herein, payable semi-annually on May 1 and November 1 of each year, commencing November 1, 2021, and will mature as to principal on May 1, 2022 and 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 November 1, 2021 (Record Date is 15th day of month preceding interest due date).

### **Redemption**

The Bonds maturing on or after May 1, 2030 are subject to redemption at the option of the Corporation prior to their stated maturity on any date falling on or after May 1, 2029, in any order of maturities (less than all of a single maturity to be selected by lot), in whole or in part, upon notice of such prior redemption being given by the Paying Agent in accordance with DTC requirements not less than thirty (30) days prior to the date of redemption, upon terms of the face amount, plus accrued interest, but without redemption premium.

Redemption Date	Redemption Price
May 1, 2029 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 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.

## 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 April 13, 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, 2041, the final maturity date of the Bonds. Under the lease, the Corporation has pledged the rental revenue to the payment of the Bonds.

## STATE INTERCEPT

Under the terms of the Lease and any renewal thereof, so long as the Bonds remain outstanding and in conformance with the intent and purpose of KRS 157.627(5) and KRS 160.160(5), in the event of a failure by the Board to pay the rentals due under the Lease, and unless sufficient funds have been transmitted to the Paying Agent, or will be so transmitted, for paying said rentals when due, the Board has granted under the terms of the Lease and Participation Agreement to the Corporation and the Commission the right to notify and request the Kentucky Department of Education to withhold from the Board a sufficient portion of any undisbursed funds then held, set aside, or allocated to the Board and to request said Department or Commissioner of Education to transfer the required amount thereof to the Paying Agent for the payment of such rentals.

## COMMISSION'S PARTICIPATION

The Commission has determined that the Board is eligible for an average annual participation equal to approximately \$23,904 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 twenty-eight percent (28%) of the debt service of the Bonds.

The Participation Agreement to be entered into with the Board will be limited to the biennial budget period of the Commonwealth of Kentucky, with the first such biennial period terminating on June 30, 2021. The right is reserved in the Commission to terminate the commitment to pay the agreed participation every two years thereafter. The obligation of the Commission to make payments of the agreed participation shall be automatically renewed each two years thereafter unless the Commission gives notice to the Board of its intention not to

participate not less than sixty days prior to the end of the biennium. However, the Commission has expressed its intention to continue to pay the agreed participation in successive biennial budget periods until the Bonds are retired, but the Commission is not required to do so.

### THE PROJECT

After payment of the Bond issuance costs, the Board plans to deposit the net Bond proceeds to finance renovations at Calhoun Elementary School (the "Project").

The Board has reported construction bids have been let for the Project and approval of the Kentucky Department of Education, Buildings and Grounds, to award the construction contract is expected prior to the sale and delivery of the Bonds.

Contractors for the Project are required to furnish to the Board a one hundred percent completion bond to assure their performance of the construction contract.

### 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 72% of the debt service of the Bonds.

Fiscal Year Ending June 30	Current Local Bond Payments	---- Series 2021 School Building Revenue Bonds ----					Total Local Bond Payments
		Principal Portion	Interest Portion	Total Payment	SFCC Portion	Local Portion	
2021	\$611,086						\$611,086
2022	\$608,465	\$25,000	\$31,440	\$56,440	\$23,904	\$32,536	\$641,001
2023	\$614,714	\$25,000	\$29,543	\$54,543	\$23,904	\$30,639	\$645,353
2024	\$428,597	\$60,000	\$29,143	\$89,143	\$23,903	\$65,239	\$493,836
2025	\$432,824	\$60,000	\$28,183	\$88,183	\$23,904	\$64,279	\$497,103
2026	\$430,817	\$60,000	\$27,223	\$87,223	\$23,903	\$63,319	\$494,137
2027	\$354,687	\$60,000	\$26,263	\$86,263	\$23,903	\$62,359	\$417,046
2028	\$358,678	\$60,000	\$25,303	\$85,303	\$23,903	\$61,399	\$420,078
2029	\$215,891	\$70,000	\$24,343	\$94,343	\$23,904	\$70,439	\$286,329
2030	\$214,125	\$70,000	\$22,908	\$92,908	\$23,903	\$69,005	\$283,130
2031	\$216,254	\$70,000	\$21,473	\$91,473	\$23,904	\$67,569	\$283,823
2032	\$212,560	\$70,000	\$20,038	\$90,038	\$23,903	\$66,134	\$278,695
2033	\$214,234	\$75,000	\$18,603	\$93,603	\$23,904	\$69,699	\$283,933
2034	\$219,439	\$75,000	\$16,765	\$91,765	\$23,903	\$67,862	\$287,301
2035	\$215,126	\$75,000	\$14,928	\$89,928	\$23,903	\$66,024	\$281,150
2036	\$24,108	\$80,000	\$13,090	\$93,090	\$23,904	\$69,186	\$93,294
2037	\$27,533	\$80,000	\$11,130	\$91,130	\$23,903	\$67,227	\$94,760
2038		\$85,000	\$9,010	\$94,010	\$23,903	\$70,107	\$70,107
2039		\$85,000	\$6,758	\$91,758	\$23,904	\$67,854	\$67,854
2040		\$85,000	\$4,505	\$89,505	\$23,903	\$65,602	\$65,602
2041		\$85,000	\$2,253	\$87,253	\$23,903	\$63,349	\$63,349
<b>TOTALS:</b>	<b>\$5,399,139</b>	<b>\$1,355,000</b>	<b>\$382,895</b>	<b>\$1,737,895</b>	<b>\$478,068</b>	<b>\$1,259,826</b>	<b>\$6,658,965</b>

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	<u>\$1,355,000.00</u>
Total Sources	\$1,355,000.00
<b>Uses:</b>	
Deposit to Escrow Fund	\$1,300,000.00
Underwriter's Discount (2%)	27,100.00
Cost of Issuance	<u>27,900.00</u>
Total Uses	\$1,355,000.00

## DISTRICT STUDENT POPULATION

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

Year	Average Daily Attendance	Year	Average Daily Attendance
2000-01	1,510.0	2010-11	1,467.7
2001-02	1,459.7	2011-12	1,436.4
2002-03	1,454.9	2012-13	1,429.0
2003-04	1,447.2	2013-14	1,443.7
2004-05	1,440.3	2014-15	1,452.6
2005-06	1,428.7	2015-16	1,450.5
2006-07	1,435.0	2016-17	1,432.3
2007-08	1,429.3	2017-18	1,395.0
2008-09	1,487.9	2018-19	1,372.9
2009-10	1,476.7	2019-20	1,342.9

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

<u>Year</u>	<u>Capital Outlay Allotment</u>	<u>Year</u>	<u>Capital Outlay Allotment</u>
2000-01	151,000.0	2010-11	146,773.0
2001-02	145,970.0	2011-12	143,642.0
2002-03	145,490.0	2012-13	142,898.0
2003-04	144,720.0	2013-14	144,371.0
2004-05	144,030.0	2014-15	145,258.0
2005-06	142,870.0	2015-16	145,048.0
2006-07	143,500.0	2016-17	143,230.0
2007-08	142,930.0	2017-18	139,500.0
2008-09	148,792.0	2018-19	137,289.0
2009-10	147,670.0	2019-20	134,290.0

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	49.4	355,418,712	1,755,768
2001-02	49.4	371,393,852	1,834,686
2002-03	50.4	381,765,251	1,924,097
2003-04	50.4	388,771,507	1,959,408
2004-05	54.6	397,520,925	2,170,464
2005-06	56.3	407,289,785	2,293,041
2006-07	54.8	432,981,933	2,372,741
2007-08	56.3	439,827,887	2,476,231
2008-09	56.1	460,780,178	2,584,977
2009-10	56.1	463,163,504	2,598,347
2010-11	56.6	475,202,914	2,689,648
2011-12	58	482,358,759	2,797,681
2012-13	58.8	486,920,944	2,863,095
2013-14	63.2	496,474,427	3,137,718
2014-15	61.8	510,018,790	3,151,916
2015-16	63.8	545,048,171	3,477,407
2016-17	62.9	562,104,128	3,535,635
2017-18	62.8	556,801,758	3,496,715
2018-19	65.7	584,414,723	3,839,605
2019-20	64.8	606,865,365	3,932,488

**Overlapping Bond Indebtedness**

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

<b>Issuer</b>	<b>Original Principal Amount</b>	<b>Amount of Bonds Redeemed</b>	<b>Current Principal Outstanding</b>
<b>McLean County</b>			
General Obligation	\$495,000	\$200,000	\$295,000
Sewer Renewable	\$495,000	\$450,000	\$45,000
Real Property Revenue	\$360,000	\$318,407	\$41,593
Courthouse Annex Refunding Revenue	\$2,570,000	\$1,110,000	\$1,460,000
<b>Special Districts</b>			
McLean County Water Commission	\$4,950,000	\$210,500	\$4,739,500
North McLean County Water District	\$245,000	\$154,000	\$91,000
<b>Totals:</b>	<b>\$9,115,000</b>	<b>\$2,442,907</b>	<b>\$6,672,093</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	5,491,505	1,755,768	7,247,273
2001-02	5,322,622	1,834,686	7,157,308
2002-03	5,439,310	1,924,097	7,363,407
2003-04	5,627,554	1,959,408	7,586,962
2004-05	5,665,807	2,170,464	7,836,271
2005-06	6,076,173	2,293,041	8,369,214
2006-07	6,354,764	2,372,741	8,727,505
2007-08	6,976,754	2,476,231	9,452,985
2008-09	7,323,537	2,584,977	9,908,514
2009-10	6,518,135	2,598,347	9,116,482
2010-11	6,263,825	2,689,648	8,953,473
2011-12	6,838,345	2,797,681	9,636,026
2012-13	6,580,285	2,863,095	9,443,380
2013-14	6,660,862	3,137,718	9,798,580
2014-15	6,769,634	3,151,916	9,921,550
2015-16	6,698,784	3,477,407	10,176,191
2016-17	6,696,445	3,535,635	10,232,080
2017-18	6,528,306	3,496,715	10,025,021
2018-19	6,341,859	3,839,605	10,181,464
2019-20	5,974,419	3,932,488	9,906,907

- (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 \$0.648 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.



## POTENTIAL LEGISLATION

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

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

## CONTINUING DISCLOSURE

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

The Board has been timely in making all required disclosure filings in the past five (5) years.

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

Financial information regarding the Board may be obtained from Superintendent, McLean County School District Board of Education, 283 Main Street, P.O. Box 245, Calhoun, Kentucky 42327, Telephone 270-273-5257.

## 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 Federal income taxation.

(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.

## **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 Friday, Dec. 18, 2020, Gov. Andy Beshear issued Executive Order No. 2020-1041 (EO 2020-1041), which outlines requirements and recommendations for the reopening of schools in January 2021. 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>.

### **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 McLean 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 McLean 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 McLean 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**

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

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**Demographic and Economic Data**

## **MCLEAN COUNTY, KENTUCKY**

McLean County is located in the Western Kentucky Coal Field Region. The county covers a total land area of 254 square miles. Calhoun, the county seat of McLean County, is located 21 miles south of Owensboro, Kentucky; 55 miles southeast of Evansville, Indiana; 125 miles southwest of Louisville, Kentucky; and 142 miles north of Nashville, Tennessee.

McLean County had a 2020 population of 9,195, with 721 persons residing in Calhoun and 1,278 in Livermore.

### **The Economic Framework**

The total number of people employed in McLean County in 2020 averaged 1,675. McLean County has a labor force of 4,089 people. The top 5 jobs by occupation are as follows: office and administrative support - 232 (13.85%); executive, managers and administrators - 178 (10.63%); education, training/library - 160 (9.55%); and, construction and extraction - 107 (6.39%).

### **Transportation**

Major highways serving McLean County include U.S. Highway 431 and Kentucky Route 81. Access to the Pennyrile Parkway, the Audubon Parkway, the Western Kentucky Parkway, and the William H. Natcher Parkway is available within thirty miles of Calhoun. Sixteen commercial trucking companies provide interstate and/or intrastate service to McLean County. CSX Transportation provides rail service to Livermore and Island. The Owensboro-Daviess County Airport, 19 miles north of Calhoun, maintains a 6,500-foot and a 3,700-foot paved runway. Scheduled commercial airline service is available at the Evansville Regional Airport near Evansville, Indiana, 58 miles northwest of Calhoun. Calhoun and Livermore are located on the Green River, which has a nine-foot navigation channel to the Ohio River.

### **Power and Fuel**

Kentucky Utilities Company and Green River Electric Corporation each provide electric power to McLean County. Atmos Energy provides natural gas service to Calhoun and Sacramento. Livermore is provided natural gas by Livermore Utilities, which is supplied by the Williams Company.

### **Education**

The McLean County School system provides primary and secondary education to McLean County. Eight institutions of higher learning, including three universities, two senior colleges, and three community colleges, are located within 75 miles of Calhoun. The Daviess County State Vocational-Technical School and the Owensboro State Vocational-Technical School, both located 21 miles north of Calhoun in Owensboro, provide the nearest vocational training facilities and services.

## **LOCAL GOVERNMENT**

### **Structure**

The Cities of Calhoun and Livermore are each governed by a mayor-city council form of government. The City of Island is served by a mayor-commission form of government. McLean County is governed by a county judge/executive and four magistrates.

## Planning and Zoning

Joint agency - McLean County Planning Commission  
Zoning enforced - Calhoun and Livermore  
Subdivision regulations enforced - All areas  
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 Calhoun levies business license fees ranging from \$25 to \$50 per year for most businesses. Manufacturers pay \$50 annually. Business license fees in Island range from \$3.75 to \$25.50; and in Livermore the fees range from \$6 to \$210. Manufacturing plants in Island and Livermore are assessed \$1 per \$1,000 capital stock. The City of Island also levies an unloading license fee of \$22.50 per year, while the City of Livermore levies an annual unloading license fee of \$18. Auto stickers are \$20 per year in Livermore.

## Property Taxes

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

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

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

## LABOR MARKET STATISTICS

The McLean County Labor Market Area includes McLean County and the adjoining Kentucky counties of Daviess, Henderson, Hopkins, Muhlenberg, Ohio, and Webster.

### Population

<u>Area</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
McLean County	9,157	9,109	9,195
Calhoun	729	713	721
Livermore	1,281	1,275	1,278

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

## Population Projections

<u>Area</u>	<u>2025</u>	<u>2030</u>	<u>2035</u>
McLean County	8,980	8,642	8,289

*Source: University of Louisville, Urban Studies Center, State Data Center.*

## EDUCATION

### Public Schools

	<u>McLean County</u>
Total Enrollment (2019-2020)	1,420
Pupil-Teacher Ratio (2019-2020)	15-1

### Vocational Training

Vocational training is available at both the state vocational-technical schools and the area vocational education centers. The state vocational-technical schools are post-secondary institutions. The area vocational education centers are designed to supplement the curriculum of high school students. Both the state vocational-technical schools and the area vocational education centers offer evening courses to enable working adults to upgrade current job skills.

Arrangements can be made to provide training in the specific production skills required by an industrial plant. Instruction may be conducted either in the vocational school or in the industrial plant, depending upon the desired arrangement and the availability of special equipment.

### 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 the primary 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.

<u>Vocational School</u>	<u>Location</u>	<u>Cumulative Enrollment (2019-2020)</u>
Ohio Co. ATC	Hartford, KY	533
Muhlenberg Co. ATC	Greenville, KY	N/A
Butler County ATC	Morgantown, KY	315
Webster Co. ATC	Dixon, KY	405
Breckinridge Co. ATC	Harned, KY	523
Union Co. ATC	Morganfield, KY	N/A
Grayson Co. AVEC	Leitchfield, KY	N/A
Russellville ATC	Russellville, KY	N/A
Christian Co. ATC	Hopkinsville, KY	N/A
Caldwell Co. ATC	Princeton, KY	N/A
Warren ATC	Bowling Green, KY	233



## Colleges and Universities

<u>Name</u>	<u>Location</u>	<u>Enrollment (Fall 2020)</u>
Brescia College	Owensboro, KY	1,015
Western Kentucky University	Bowling Green, KY	18,171
Owensboro Community & Tech	Owensboro, KY	4,015
Madisonville Community College	Madisonville, KY	3,787
Henderson Community College	Henderson, KY	1,609
Hopkinsville Community College	Hopkinsville, KY	2,655
Southcentral Community College	Bowling Green, KY	4,305

## FINANCIAL INSTITUTIONS

<u>Institution</u>	<u>Total Assets</u>	<u>Total Deposits</u>
Sacramento Deposit Bank (Sacramento)	\$109,423,000	\$94,883,000

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

## EXISTING INDUSTRY

<u>Firm</u>	<u>Product</u>	<u>Total Employed</u>
<b>Calhoun:</b>		
Advanced Drainage Systems Inc.	Corrugated plastic pipes & fittings	64
<b>Livermore:</b>		
A&S Fabricating Company	Machine shop: structural steel fabrication	25
Geary Brothers Inc.	Sawmill: rough lumber, cross ties, wood chips, and construction materials	40
Livermore Industrial Plating	Silver, bronze, hard chrome, nickel, tin, electro, copper & bras plating	4
<b>Sacramento:</b>		
Nutrien Ag Solutions	Fertilizer, chemicals, seed VRT spreading	12

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

**APPENDIX B**

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

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**Audited Financial Statement ending June 30, 2020**

# McLean County School District



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**Report on Audit of Financial Statements  
and Supplementary Information**

**for the year ended June 30, 2020**

**MCLEAN COUNTY SCHOOL DISTRICT  
Table of Contents  
for the year ended June 30, 2020**

	<u>Pages</u>
<b>Independent Auditor's Report</b> .....	1-2
<b>Management's Discussion and Analysis</b> .....	3-7
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements:	
Statement of Net Position .....	8
Statement of Activities.....	9
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	10
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position.....	11
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	13
Statement of Net Position – Proprietary Funds .....	14
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds .....	15
Statement of Cash Flows – Proprietary Funds.....	16
Statement of Fiduciary Net Position – Fiduciary Funds .....	17
Statement of Changes in Fiduciary Net Position.....	18
Notes to the Basic Financial Statements .....	19-50
<b>Required Supplementary Information:</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - General Fund .....	51
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Special Revenue Fund.....	52
Summary of Significant Accounting Policies for Budgetary Process .....	53

**Continued**

**MCLEAN COUNTY SCHOOL DISTRICT**  
**Table of Contents, continued**  
**for the year ended June 30, 2020**

Pension and Other Postemployment Benefits Schedules:

Teachers Retirement System of the State of Kentucky .....	54-59
County Employees Retirement System.....	60-64

**Supplementary Information:**

Combining Balance Sheet – Nonmajor Governmental Funds .....	65
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds .....	66
Combining Statement of Net Position – Nonmajor Enterprise Funds .....	67
Combining Statement of Revenues, Expenses and Changes in Net Position – Nonmajor Enterprise Funds.....	68
Combining Statement of Cash Flows – Nonmajor Enterprise Funds .....	69
Combining Schedule of Receipts, Disbursements and Fund Balances – All Activity Funds .....	70
Schedule of Receipts, Disbursements and Fund Balances – McLean County High School.....	71
<b>Schedule of Expenditures of Federal Awards.....</b>	<b>72-73</b>
<b>Board Members and Administrative Personnel.....</b>	<b>74</b>
<b>Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed In Accordance with Government Auditing Standards .....</b>	<b>75-76</b>
<b>Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance.....</b>	<b>77-78</b>
<b>Schedule of Findings and Questioned Costs .....</b>	<b>79-80</b>
<b>Management Letter.....</b>	<b>81-84</b>

# Alford Nance Jones & Oakley, llp

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## INDEPENDENT AUDITOR'S REPORT

State Committee for School District Audits  
Members of the Board of Education  
McLean County School District  
Calhoun, 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 McLean County School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the McLean County School District's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits' Fiscal Year 2019-2020 Financial Audit 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the McLean County School District as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules, and OPEB schedules on pages 3 through 7 and pages 51 through 64 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 McLean County School District's basic financial statements. The combining and individual nonmajor fund financial statements/schedules as listed in the table of contents 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.

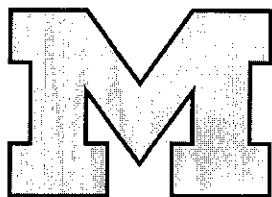
The combining and individual nonmajor fund financial statements/schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2020, on our consideration of the McLean 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 McLean County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering McLean County School District's internal control over financial reporting and compliance.

*Alford, Nance, Jones & Oakley, LLP*

Alford, Nance, Jones, & Oakley LLP  
Madisonville, Kentucky  
November 9, 2020



**McLEAN COUNTY PUBLIC SCHOOL DISTRICT – CALHOUN, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

As management of the McLean 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, 2020. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

- The General Fund balance for the District was \$3,887,903 at the beginning of the year. The ending balance for the General Fund for the District was \$3,719,897. This represents a current year excess of Expenditures over Revenue of \$166,488.
- Excluding beginning balance, inter-fund transfers, and on-behalf of payments made by the state, the General Fund had \$9,766,805 in revenue, which primarily consisted of the state program (SEEK), property taxes, utility taxes, and motor vehicle taxes. Excluding inter-fund transfers and on-behalf of payments, there was \$9,768,418 in General Fund expenditures.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

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

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

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

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

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The proprietary funds are our childcare, food service operations and community education. All other activities of the District are included in the governmental funds.

**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.



## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows exceed assets and deferred outflows by \$713,937 as of June 30, 2020.

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 District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

### Net Position - Comparative for the periods ending June 30, 2020 and June 30, 2019

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Current Assets	\$4,398,963	\$4,425,265	\$190,900	\$134,308	\$4,589,863	\$4,559,573
Noncurrent Assets	<u>12,587,664</u>	<u>13,357,917</u>	<u>50,300</u>	<u>58,500</u>	<u>12,637,964</u>	<u>13,416,417</u>
<b>Total Assets</b>	16,986,627	17,783,182	241,200	192,808	17,227,827	17,975,990
<b>Total Deferred Outflows</b>	1,750,890	1,555,574	274,278	284,365	2,025,168	1,839,939
Current Liabilities	1,148,251	1,114,600	26,331	6,403	1,174,582	1,121,003
Noncurrent Liabilities	<u>15,900,681</u>	<u>16,927,998</u>	<u>1,089,908</u>	<u>1,164,528</u>	<u>16,990,589</u>	<u>18,092,526</u>
<b>Total Liabilities</b>	17,048,932	18,042,598	1,116,239	1,170,931	18,165,171	19,213,529
<b>Total Deferred Inflows</b>	1,634,462	845,836	167,299	130,526	1,801,761	976,362
<b>Net Position</b>						
Investment in capital assets (net of debt)	4,489,053	4,536,819	50,300	58,500	4,539,353	4,620,843
Restricted	317,768	236,670			317,768	236,670
Unrestricted Assets	<u>(4,752,698)</u>	<u>(4,323,167)</u>	<u>(818,360)</u>	<u>(882,784)</u>	<u>(5,571,058)</u>	<u>(5,231,475)</u>
<b>Total Net Position</b>	<b><u>\$54,123</u></b>	<b><u>\$450,322</u></b>	<b><u>(\$768,060)</u></b>	<b><u>(\$824,284)</u></b>	<b><u>(\$713,937)</u></b>	<b><u>(\$373,962)</u></b>

### Comments

- The District's total revenues for the fiscal year ended June 30, 2020, net of inter-fund transfers, were \$17,394,570. The District's total expenditures for the same period were \$17,733,845. Expenditures exceeded revenues by \$339,975.
- Instruction was the major expenditure category and accounted for 53.9% of total expenditures. Plant operation and maintenance was the next highest expenditure at 10.0%.

**Revenues - Comparative for the periods ending June 30, 2020 and June 30, 2019**

Revenues:	Governmental Activities		Business-Type Activities		Total	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Property Tax	\$2,856,251	\$2,669,951			\$2,856,251	\$2,669,951
Motor Vehicle Tax	487,346	508,160			487,346	508,160
Unmined Mineral Tax	75,454	74,080			75,454	74,080
Utilities Tax	627,252	632,442			627,252	632,442
Other Tax						
Investments	98,639	115,934	1,663	1,568	100,302	117,502
Other Local Revenue	91,920	53,280			91,920	53,280
Insurance Proceeds						
Disposal of District Assets						
State and Formula Grants	9,860,383	10,068,542			9,860,383	10,068,542
Program Revenues:						
Charges for Services	19,990	28,802	218,197	289,506	238,187	318,308
Operating grants and contributions	1,456,706	1,591,795	806,613	694,183	2,263,319	2,285,978
Capital grants and contributions	793,456	904,475			793,456	904,475
<b>Total revenues</b>	<b>\$16,367,397</b>	<b>\$16,647,461</b>	<b>\$1,026,473</b>	<b>\$985,257</b>	<b>\$17,393,870</b>	<b>\$17,632,718</b>

**Expenses - Comparative for the periods ending June 30, 2020 and June 30, 2019**

Expenses:	June 30, 2020	June 30, 2019
<b>Governmental Activities:</b>		
Instruction	\$9,561,918	\$9,257,676
Student Support Services	651,007	577,066
Instructional Staff Support	545,545	523,831
District Administration	821,153	914,083
School Administration	1,373,529	1,398,085
Business Support	442,681	441,523
Plant Operation & Maintenance	1,771,480	1,845,001
Student Transportation	1,036,148	1,022,583
Central Office Support	0	0
Facilities acquisition and construction	129,415	24,970
Community Service Activities	156,922	174,006
Depreciation		
Interest on Long-term Debt	273,798	288,974
Amortization of Bond Costs		
<b>Business-Type Activities:</b>		
Food Service	960,648	1,068,693
Child Care Services	9,336	11,547
Community Education Services	265	3,467
<b>Total expenses</b>	<b>\$17,733,845</b>	<b>\$17,551,505</b>

**Comments on General Fund Budget Comparisons**

- The District's General Fund Revenues for the fiscal year ended June 30, 2020 totaled \$13,772,976. This is \$4,025,976 more than the \$9,747,000 of revenue that was budgeted in the final working budget. The primary reason for the difference is that GAAP requires our audit to include state contributions to our employee's retirement, health and life insurance. This is called "On-Behalf" revenue. These funds are not sent directly to the District and are not included in the District's budget. The "On-Behalf" contribution for the fiscal year ended June 30, 2020 was \$4,006,172.

The following tables present a comparative summary of revenues and expenses of the General Fund for the fiscal year ended June 30, 2020 and June 30, 2019.

<b>General Fund Revenues:</b>	June 30, 2020	June 30, 2019
Local Revenue Sources:	\$3,892,799	\$3,759,318
Property Tax	\$2,552,818	\$2,377,744
Motor Vehicle Tax	487,346	508,160
Unmined Mineral Tax	75,454	74,080
Utilities Tax	627,252	632,442
Investment Earnings	97,890	113,412
Contributions	0	2,500
Other Local Revenues	52,039	50,980
State Aide	9,860,387	10,071,598
Federal Aide	19,790	28,602
<b>Total General Fund Revenues</b>	<b>\$13,772,976</b>	<b>\$13,859,518</b>

<b>General Fund Expenditures:</b>	June 30, 2020	June 30, 2019
Instruction	\$8,226,280	\$7,881,367
Student Support Services	506,592	482,694
Instructional Staff Support	456,295	427,598
District Administration	716,487	781,762
School Administration	1,334,820	1,363,290
Business Support	394,711	359,417
Plant Operation & Maintenance	1,380,933	1,378,435
Student Transportation	750,186	745,486
Central Office Support		
Community Support		
Bond Principal (KISTA)	7,904	15,542
Bond Interest (KISTA)	285	851
<b>Total expenditures</b>	<b>\$13,774,493</b>	<b>\$13,436,442</b>

**General Fund Allocation**

Approximately 59.7% of the general fund expenditures went towards instruction in 2019. Site Based Decision Making Councils give direction over some of these expenditures.

## **BUDGETARY IMPLICATIONS**

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. For the Fiscal Year 2019-2020, the District budgeted \$2,520,000 in contingency, which calculates to approximately 18.3% of the General Fund and Food Service Fund budgets.

The District currently participates in several federal and state grants. 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. This leaves the District showing a negative end of the month balance in our Special Revenue Account several months throughout the year.

It is extremely important that the District continue to budget conservatively. The District receives approximately 60% of its annual General Fund receipts through the SEEK formula. The SEEK forecasts from the state should be considered only an estimate of state revenue. If the state's revenue falls below its own revenue projections, an adjustment will be made in the funding formula. The District should be prepared for such reductions in funding.

Approximately 31.1% of the District's annual General Fund receipts come from local property taxes. The majority of this revenue does not come to the District until the fifth month of the fiscal year. The General Fund's beginning balance is used to absorb much of the first four months expenditures. Provisions must be made to have a significant beginning balance to start the year.

### **Contacting the District**

Questions regarding this report should be directed to Tommy Burrough, Superintendent or to David C. Stokes, CFO located at 410 HWY 136 E, Post Office Box 245, Calhoun, KY 42327, by phone at (270) 273-5257 or by e-mail at [tommy.burrough@mclean.kyschools.us](mailto:tommy.burrough@mclean.kyschools.us) or [david.stokes@mclean.kyschools.us](mailto:david.stokes@mclean.kyschools.us).

**MCLEAN COUNTY SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

<b>Assets</b>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<b>Current Assets</b>			
Cash and cash equivalents	\$3,687,224	\$95,754	\$3,782,978
Inventory		62,202	62,202
Receivables:			
Taxes	124,087		124,087
Accounts receivable	54,072	1,194	55,266
Intergovernmental – State	48,827		48,827
Intergovernmental – Federal	109,953		109,953
Intergovernmental – Indirect federal		31,750	31,750
Restricted cash	374,800		374,800
<b>Total current assets</b>	<u>4,398,963</u>	<u>190,900</u>	<u>4,589,863</u>
<b>Noncurrent Assets</b>			
Capital assets, net of accumulated depreciation	12,587,664	50,300	12,637,964
<b>Total noncurrent assets</b>	<u>12,587,664</u>	<u>50,300</u>	<u>12,637,964</u>
<b>Total assets</b>	<u>16,986,627</u>	<u>241,200</u>	<u>17,227,827</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows from retirement contributions	876,156	189,505	1,065,661
Deferred outflows from OPEB contributions	773,298	84,773	858,071
Deferred savings from refunding bonds	101,436		101,436
<b>Total Deferred Outflows of Resources</b>	<u>1,750,890</u>	<u>274,278</u>	<u>2,025,168</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	29,928	9,887	39,815
Unearned revenue	164,127	16,444	180,571
Payable from restricted assets	27,219		27,219
Accrued interest	61,977		61,977
Current portion of bond obligations	785,000		785,000
Current portion of accrued sick leave	80,000		80,000
<b>Total current liabilities</b>	<u>1,148,251</u>	<u>26,331</u>	<u>1,174,582</u>
<b>Noncurrent Liabilities</b>			
Noncurrent portion of bond obligations	7,356,062		7,356,062
Noncurrent portion of accrued sick leave	290,000	2,000	292,000
Net OPEB liability	4,212,048	213,537	4,425,585
Net pension liability	4,042,571	874,371	4,916,942
<b>Total noncurrent liabilities</b>	<u>15,900,681</u>	<u>1,089,908</u>	<u>16,990,589</u>
<b>Total liabilities</b>	<u>17,048,932</u>	<u>1,116,239</u>	<u>18,165,171</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows from OPEB contribution	1,292,539	83,344	1,385,883
Deferred inflows from retirement contribution	341,923	73,955	415,878
<b>Total Deferred inflows</b>	<u>1,634,462</u>	<u>167,299</u>	<u>1,801,761</u>
<b>Net Position</b>			
Net investment in capital assets	4,489,053	50,300	4,539,353
Restricted for:			
Capital projects/debt service	317,768		317,768
Unrestricted	(4,752,698)	(818,360)	(5,571,058)
<b>Total net position</b>	<u>\$54,123</u>	<u>(\$768,060)</u>	<u>(\$713,937)</u>

The accompanying notes are an integral part of these financial statements.

**MCLEAN COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
Instruction	\$9,561,918	\$ 19,790	\$ 823,113		(\$8,719,015)		(\$8,719,015)
Support services:							
Student	651,007		128,306		(522,701)		(522,701)
Instruction staff	545,545		89,657		(455,888)		(455,888)
District administrative	821,153		104,317		(716,836)		(716,836)
School administrative	1,373,529				(1,373,529)		(1,373,529)
Business	442,681		44,826		(397,855)		(397,855)
Plant operation and maintenance	1,771,480	200	40,847		(1,730,433)		(1,730,433)
Student transportation	1,036,148		70,005		(966,143)		(966,143)
Facilities acquisition and construction	129,416		0	\$ 390,832	261,416		261,416
Community service activities	156,922		155,635		(1,287)		(1,287)
Interest on long-term debt	273,798			402,624	128,826		128,826
<b>Total governmental activities</b>	<b>16,763,597</b>	<b>19,990</b>	<b>1,456,706</b>	<b>793,456</b>	<b>(14,493,445)</b>	<b>0</b>	<b>(14,493,445)</b>
<b>Business-Type Activities:</b>							
Food service	960,648	203,833	806,613		\$ 49,798		49,798
Child care	9,336	14,364			5,028		5,028
Community education	265	0			(265)		(265)
<b>Total business-type activities</b>	<b>970,249</b>	<b>218,197</b>	<b>806,613</b>	<b>0</b>	<b>0</b>	<b>54,561</b>	<b>54,561</b>
<b>Total primary government</b>	<b>\$17,733,846</b>	<b>\$238,187</b>	<b>\$2,263,319</b>	<b>\$793,456</b>	<b>(14,493,445)</b>	<b>54,561</b>	<b>(14,438,884)</b>
			<b>General Revenues:</b>				
			Taxes:				
			Property taxes		2,856,251		2,856,251
			Motor vehicle taxes		487,346		487,346
			Unmined mineral taxes		75,454		75,454
			Utility taxes		627,252		627,252
			Investment earnings		98,639	1,663	100,302
			Other local revenue		91,920		91,920
			State and formula grants		9,860,384		9,860,384
			<b>Total general revenues</b>		<b>14,097,246</b>	<b>1,663</b>	<b>14,098,909</b>
			Transfers		-		-
			Change in net position		(396,199)	56,224	(339,975)
			Net position - beginning		450,322	(824,284)	(373,962)
			Net position - ending		<u>\$54,123</u>	<u>(\$768,060)</u>	<u>(\$713,937)</u>

The accompanying notes are an integral part of these financial statements.

**MCLEAN COUNTY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2020**

	General Fund	Special Revenue Fund	Construction Fund	Total Nonmajor Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 3,687,224				\$ 3,687,224
Receivables:					
Taxes	124,087				124,087
Accounts receivable	54,072				54,072
Intergovernmental - State		\$ 18,616			18,616
Intergovernmental - Federal		109,953			109,953
Due from other funds	4,442				4,442
Restricted cash			\$ 73,759	\$ 301,041	374,800
<b>Total assets</b>	<b>\$ 3,869,825</b>	<b>\$ 128,569</b>	<b>\$ 73,759</b>	<b>\$ 301,041</b>	<b>\$ 4,373,194</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 29,926				\$29,926
Due to other funds		4,442			4,442
Current portion of accrued sick leave	80,000				80,000
Unearned revenue	40,000	124,127			164,127
Payable from restricted assets			27,219	-	27,219
<b>Total liabilities</b>	<b>149,926</b>	<b>128,569</b>	<b>27,219</b>	<b>0</b>	<b>305,714</b>
<b>Fund Balances</b>					
Restricted for:					
Capital projects			46,540	271,228	317,768
Committed:					
SBDM	75,000				75,000
Pavement sealing and repair	200,000				200,000
Vehicles	300,000				300,000
Assigned to:					
Student activities				29,813	29,813
Unassigned:					
General Fund	3,144,899				3,144,899
<b>Total fund balances</b>	<b>3,719,899</b>	<b>0</b>	<b>46,540</b>	<b>301,041</b>	<b>4,067,480</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,869,825</b>	<b>\$ 128,569</b>	<b>\$ 73,759</b>	<b>\$ 301,041</b>	<b>\$ 4,373,194</b>

The accompanying notes are an integral part of these financial statements.

**MCLEAN COUNTY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO  
THE STATEMENT OF NET POSITION  
JUNE 30, 2020**

Total fund balance per fund financial statements		\$4,067,480
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.		12,587,662
Certain assets are not reported in this fund financial statement because they are not available to pay current-period expenditures, but they are reported in the statement of net position.		
Intergovernmental - State		
Accrued interest receivable		30,211
Long-term liabilities are not reported in this fund financial statement because they are not due and payable in the current period, but they are presented in the statement of net position.		
Accrued interest	(61,977)	
Bond obligations	(8,141,062)	
Capital lease obligations	-	
Noncurrent portion of accrued sick leave	(290,000)	
Deferred savings on refunding	101,436	
Net pension liability	(4,042,571)	
Net OPEB liability - CERS	(962,048)	
Net OPEB liability - TRS	<u>(3,250,000)</u>	
		(16,646,222)
Certain amounts related to the net pension and OPEB liabilities are not reported in the governmental funds but are deferred in the statement of net position		
Pension deferred outflows	876,156	
OPEB deferred outflows	773,298	
Pension deferred inflows	(341,923)	
OPEB deferred inflows	<u>(1,292,539)</u>	
		14,992
Net position for governmental activities		<u><u>\$54,123</u></u>

The accompanying notes are an integral part of these financial statements.



**MCLEAN COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

	General Fund	Special Revenue Fund	Construction Fund	Total Nonmajor Funds	Total Governmental Funds
<b>Revenues:</b>					
From local sources:					
Taxes:					
Property	\$2,552,818			\$303,433	\$2,856,251
Motor vehicle	487,346				487,346
Unmined mineral	75,454				75,454
Utilities	627,252				627,252
Earnings on investments	97,890	\$13	\$736	-	98,639
Contributions	0	25,737		4,896	30,633
Other local revenues	52,039			35,185	87,224
Intergovernmental - State	9,860,387	590,635		793,456	11,244,478
Intergovernmental - Indirect federal		804,534			804,534
Intergovernmental - Direct federal	19,790	35,800			55,590
<b>Total revenues</b>	<u>13,772,976</u>	<u>1,456,719</u>	<u>736</u>	<u>1,136,970</u>	<u>16,367,401</u>
<b>Expenditures:</b>					
Current:					
Instruction	8,226,280	887,516		10,268	9,124,084
Support services:					
Student	506,592	128,306			634,898
Instruction staff	456,295	89,657			545,952
District administrative	716,487	104,317			820,804
School administrative	1,334,820				1,334,820
Business	394,711	44,826			439,537
Plant operation and maintenance	1,380,933	40,847			1,421,780
Student transportation	750,186	70,005			820,191
Community service activities		155,635			155,635
Capital outlay:					
Facilities acquisition and construction			103,309		103,309
Debt service:					
Principal	7,904			770,000	777,904
Interest	285			245,315	245,600
<b>Total expenditures</b>	<u>13,774,493</u>	<u>1,521,109</u>	<u>103,309</u>	<u>1,025,583</u>	<u>16,424,494</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(1,517)</u>	<u>(64,390)</u>	<u>(102,573)</u>	<u>111,387</u>	<u>(57,093)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in		64,390	102,098	612,691	779,179
Transfers out	(166,488)			(612,691)	(779,179)
<b>Total other financing sources (uses)</b>	<u>(166,488)</u>	<u>64,390</u>	<u>102,098</u>	<u>0</u>	<u>0</u>
<b>Net change in fund balance</b>	(168,005)	0	(475)	111,387	(57,093)
<b>Fund balance, Beginning</b>	3,887,904	0	47,015	189,655	4,124,574
<b>Fund balance, Ending</b>	<u>\$3,719,899</u>	<u>\$0</u>	<u>\$46,540</u>	<u>\$301,042</u>	<u>\$4,067,481</u>

The accompanying notes are an integral part of these financial statements.

**MCLEAN COUNTY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

Net change in total fund balances per fund financial statements		\$ (57,093)
Amounts reported for governmental activities in the statement of activities are different because:		
<p>Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which depreciation expense is more than capital outlays for the year.</p>		
Capital outlays	184,457	
Depreciation Expense	<u>(954,709)</u>	(770,252)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds</p>		
Decrease in accrued interest receivable		(1,892)
<p>Bond call premiums and discounts are reported as expenditures in fund financial statement because they are current financial resources but they are presented as assets in the statement of activities and amortized over the remaining life of the bonds.</p>		
		(32,442)
<p>Certain accruals do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund statements.</p>		
Decrease in accrued sick leave payable	-	
Decrease in accrued interest payable	6,134	
Increase in pension expense	(380,588)	
Increase in OPEB expense	<u>62,033</u>	(312,421)
<p>Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statements, but are reductions of liabilities in the statement of net position.</p>		
Principal payments on bonds	770,000	
Principal payments on capital lease obligations	<u>7,901</u>	777,901
		<hr/>
Change in net position of governmental activities		<u>\$ (386,199)</u>

The accompanying notes are an integral part of these financial statements.

**MCLEAN COUNTY SCHOOL DISTRICT  
STATEMETN OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2020**

	Food Service Fund	Nonmajor Enterprise Funds	Total
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 85,587	\$ 10,167	\$ 95,754
Inventory	62,202		62,202
Accounts receivable			
Miscellaneous	726	468	1,194
Intergovernmental - Indirect federal	31,750		31,750
<b>Total current assets</b>	<u>180,265</u>	<u>10,635</u>	<u>190,900</u>
<b>Noncurrent assets</b>			
Capital assets	748,734		748,734
Less: Accumulated depreciation	(698,434)		(698,434)
<b>Total noncurrent assets</b>	<u>50,300</u>	<u>-</u>	<u>50,300</u>
<b>Total Assets</b>	<u>230,565</u>	<u>10,635</u>	<u>241,200</u>
<b>Deferred Outflows of Resources</b>			
Deferred Outflows from OPEB Contribution	82,677	2,096	84,773
Deferred Outflows from Pension Contribution	185,087	4,418	189,505
<b>Total Deferred Outflows</b>	<u>267,764</u>	<u>6,514</u>	<u>274,278</u>
<b>Total Assets and Deferred Outflows</b>	<u>\$ 498,329</u>	<u>\$ 17,149</u>	<u>\$ 515,478</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 9,887	\$ -	\$ 9,887
Unearned revenue	16,444		16,444
Accrued sick leave, current portion			-
<b>Total current liabilities</b>	<u>26,331</u>	<u>-</u>	<u>26,331</u>
<b>Noncurrent liabilities</b>			
Accrued sick leave, noncurrent portion	2,000		2,000
Net pension liability	853,986	20,385	874,371
Net OPEB liability	208,258	5,279	213,537
<b>Total noncurrent liabilities</b>	<u>1,064,244</u>	<u>25,664</u>	<u>1,089,908</u>
<b>Total Liabilities</b>	<u>1,090,575</u>	<u>25,664</u>	<u>1,116,239</u>
<b>Deferred Inflows of Resources</b>			
Deferred Inflows from OPEB Contribution	91,036	2,308	93,344
Deferred Inflows from Pension Contribution	72,231	1,724	73,955
<b>Total Deferred Inflows</b>	<u>163,267</u>	<u>4,032</u>	<u>167,299</u>
<b>Net Position</b>			
Net investment in capital assets	50,300	-	50,300
Unrestricted	(805,813)	(12,547)	(818,360)
<b>Total Net Position</b>	<u>(755,513)</u>	<u>(12,547)</u>	<u>(768,060)</u>
<b>Total Liabilities, Deferred Inflows, and Net Position</b>	<u>\$ 498,329</u>	<u>\$ 17,149</u>	<u>\$ 515,478</u>

The accompanying notes are an integral part of these financial statements.

**MCLEAN COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

	Food Service Fund	Nonmajor Enterprise Funds	Total
<b>Operating Revenues:</b>			
Lunchroom sales	\$203,233		\$203,233
Community service activities		\$14,364	14,364
Other operating revenues	600		600
<b>Total operating revenues</b>	<b>203,833</b>	<b>14,364</b>	<b>218,197</b>
<b>Operating Expenses:</b>			
Salaries and wages	355,103	9,963	365,066
Employee benefits	155,997	(1,508)	154,489
Purchased professional services	812	82	894
Other purchased services	16,529	799	17,328
Materials and supplies	418,461	265	418,726
Depreciation	13,746	-	13,746
Other operating expenses		-	-
<b>Total operating expenses</b>	<b>960,648</b>	<b>9,601</b>	<b>970,249</b>
<b>Operating income/(loss)</b>	<b>(756,815)</b>	<b>4,763</b>	<b>(752,052)</b>
<b>Nonoperating Revenues (Expenses):</b>			
Federal grants	662,121	-	662,121
Donated commodities	60,146	-	60,146
State grants	84,346	-	84,346
Interest income	1,447	216	1,663
<b>Total nonoperating revenues (expenses)</b>	<b>808,060</b>	<b>216</b>	<b>808,276</b>
<b>Income (loss) before transfers</b>	<b>51,245</b>	<b>4,979</b>	<b>56,224</b>
<b>Transfers out</b>			-
<b>Change in net position</b>	<b>51,245</b>	<b>4,979</b>	<b>56,224</b>
<b>Net position, Beginning</b>	<b>(806,758)</b>	<b>(17,526)</b>	<b>(824,284)</b>
<b>Net position, Ending</b>	<b>(\$755,513)</b>	<b>(\$12,547)</b>	<b>(\$768,060)</b>

The accompanying notes are an integral part of these financial statements.

**MCLEAN COUNTY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

	Food Service Fund	Nonmajor Enterprise Funds	Total
<b>Cash Flows from Operating Activities</b>			
Cash received from:			
Lunchroom sales	\$214,138		\$214,138
Community service activities		\$13,896	13,896
Cash paid to/for:			
Employees	(459,011)	(9,963)	(468,974)
Supplies	(352,779)	(1,064)	(353,843)
Other activities	(17,341)	(489)	(17,830)
<b>Net cash provided (used) by operating activities</b>	<u>(614,993)</u>	<u>2,380</u>	<u>(612,613)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Nonoperating grants received	647,324	-	647,324
Operating transfers-In (Out)	-	-	-
<b>Net cash provided by noncapital financing activities</b>	<u>647,324</u>		<u>647,324</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Purchases of capital assets	(5,546)		(5,546)
<b>Net cash used from capital and related financing activities</b>	<u>(5,546)</u>		<u>(5,546)</u>
<b>Cash Flows from Investing Activities</b>			
Receipt of interest income	1,447	216	1,663
<b>Net cash from investing activities</b>	<u>1,447</u>	<u>216</u>	<u>1,663</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	28,232	2,596	30,828
<b>Balances, beginning of year</b>	<u>57,355</u>	<u>7,571</u>	<u>64,926</u>
<b>Balances, end of year</b>	<u>\$85,587</u>	<u>\$10,167</u>	<u>\$95,754</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>			
Operating income (loss)	(\$756,815)	\$4,763	(\$752,052)
<b>Adjustments to reconcile operating income to net cash provided (used) by operating activities</b>			
Depreciation	13,746		13,746
On behalf payments	77,935		77,935
Commodities received	60,146		60,146
Change in assets and liabilities			
Receivables	(645)	(468)	(1,113)
Inventory	(3,443)		(3,443)
Accounts payable	8,979		8,979
Accrued payroll and related expense			0
Unearned revenue	10,949		10,949
Net pension / OPEB liability and deferrals	(25,845)	(1,915)	(27,760)
<b>Net cash provided (used) by operating activities</b>	<u>(\$614,993)</u>	<u>\$2,380</u>	<u>(\$612,613)</u>
<b>Schedule of non-cash transactions:</b>			
Donated commodities received from Federal government	\$60,146		
Benefits paid by the state of Kentucky on behalf of District	\$77,935		

The accompanying notes are an integral part of these financial statements.

**MCLEAN COUNTY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2020**

	<u>Agency Fund</u>	<u>Scholarship Private Purpose Trust Funds</u>
<b>Assets</b>		
Cash and cash equivalents	\$246,502	\$739,979
Accounts receivable	0	
Certificates of deposit	-	
<b>Total assets</b>	<u>\$246,502</u>	<u>739,979</u>
 <b>Liabilities</b>		
Accounts payable	\$3,977	
Due to student groups	<u>242,525</u>	
<b>Total liabilities</b>	<u>\$246,502</u>	-
 <b>Net Position</b>		
Held in trust for private purpose		<u>\$739,979</u>

The accompanying notes are an integral part of these financial statements.

**MCLEAN COUNTY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Scholarship Private Purpose Trust Funds</u>
<b>Additions</b>	
Contributions:	
Private donations	\$0
Net Investment income (loss)	<u>16,647</u>
Total additions	16,647
 <b>Deductions</b>	
Scholarship awards	<u>18,500</u>
Change in net position	(1,853)
Net position, beginning	<u>741,832</u>
Net position, ending	<u><u>\$739,979</u></u>

The accompanying notes are an integral part of these financial statements.

**MCLEAN COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING JUNE 30, 2020**

**1. Reporting Entity**

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

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

These financial statements present the District and its component units, entities for which the District entity is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the governmental entity's operations and so data from these units would be combined with data of the primary governmental entity. The McLean County School District has one blended component unit.

Blended Component Unit:

McLean County School District Finance Corporation - In 1989, the McLean County, Kentucky, Board of Education resolved to authorize the establishment of the McLean County School District Finance Corporation (a nonprofit, nonstock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the McLean County Board of Education also comprise the Corporation's Board of Directors.

**2. Summary of Significant Accounting Policies**

**(a) Basis of Presentation**

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The effect of interfund activity has been substantially removed from these statements.

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

The government-wide statement of 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.



**MCLEAN COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING JUNE 30, 2020**

**2. Summary of Significant Accounting Policies, continued**

**(a) Basis of Presentation, continued**

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

The financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for by using a current financial resources measurement focus. 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.

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in retained earnings. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, those revenues are primarily charges for meals provided by the various schools. All revenues not meeting this definition are reported as nonoperating revenues. The District applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations.

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

The District had the following funds:

Governmental Fund Types

- 1) The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- 2) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes.
  - a) The Special Revenue (Grant) Fund accounts for proceeds of federal, state and local grants that are legally restricted to disbursements for specified purposes. Unused balances are returned to the grantor at the close of the specified project periods. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.
  - b) The District Activity Fund is used to account for funds to support co-curricular and extracurricular activities not raised or expended by student groups.

**MCLEAN COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING JUNE 30, 2020**

**2. Summary of Significant Accounting Policies, continued**

**(a) Basis of Presentation, continued**

Governmental Fund Types, continued

- 3) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by a proprietary fund).
  - (a) 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 for the corresponding debt service.
  - (b) Facility Support Program (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 may be used for projects identified in the District's facility plan and for the corresponding debt service.
  - (c) The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- 4) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

Proprietary Fund Type

Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The District has three enterprise funds: the School Food Service Fund, Child Care Fund and the Community Education Fund.

- 1) The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The School Food Service Fund is a major fund.
- 2) The Community Education Fund is used to account for activities and/or classes offered to the community.
- 3) The Child Care Fund is used to account for activities in the District's three licensed child care centers.

Fiduciary Fund Types

Fiduciary Funds account for assets held by the District in a trustee capacity (trust funds) or as an agent on behalf of others (agency funds). The Private Purpose Trust Funds are used to account for four separate scholarship funds, Cardwell Memorial, Muster Memorial, and the Doug & Lou Griffin Memorial. All resources of these funds may be used to award scholarships in the areas specified in the trust arrangements.

The Agency Fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity. The Agency Fund consists of activity funds and 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*.

**MCLEAN COUNTY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDING JUNE 30, 2020**

**2. Summary of Significant Accounting Policies, continued**

**(b) Basis of Accounting**

The government-wide financial statements, as well as the proprietary fund and fiduciary fund financial statements, are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the modified accrual basis of accounting, whereby revenues are recognized when they become both measurable and available. Revenues are considered to be "available" when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Expenditures are generally recognized when the related liability is incurred.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include; (1) timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, (2) matching requirements, in which the District must provide local resources to be used for a specified purpose, and (3) expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

**(c) 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 governmental fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars (\$5,000). The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

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

**MCLEAN COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING JUNE 30, 2020**

**2. Summary of Significant Accounting Policies, continued**

**(d) Cash and Cash Equivalents/Restricted Cash/Investments**

The Board considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents. Cash is restricted in the special revenue funds per grant and other agreements, in the capital projects funds per state requirements and in debt service funds per debt agreements. (See Notes 4 and 5)

Cash balances of the District's funds are pooled and invested. Interest earned from investments purchased with pooled cash is allocated to the various funds based on the fund's average cash balance. Funds with negative cash balances are not charged interest.

As security for deposits of the District, any bank doing such business is required to pledge securities in an amount to exceed funds on deposit by the District. In addition, the District's accounts are insured, subject to FDIC coverage terms and limitations. (See Note 4)

State statutes authorize the District to invest in obligations of the U.S. Treasury, U.S. Agencies, certain federal instruments, commercial bank's certificates of deposit, savings and loan deposits, repurchase agreements, and the Commonwealth of Kentucky Investment Pool.

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments, which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The district does not have any investments that are measured using Level 1, Level 2 or Level 3 inputs.

**(e) Inventories/Commodities**

Supplies and materials are charged to expenditures when purchased with the exception of the proprietary funds, which records inventory using the accrual basis of accounting. Inventories are valued at cost or at their estimated fair value at the date of donation, using the first-in, first-out method. For the purposes of the statement of cash flows, federal grants received do not include noncash commodities received in the amount of \$60,146.

**(f) Accrued Liabilities/Long-Term Obligations/Deferred Outflows of Resources**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. Bond discounts and premiums are recorded as deferred outflows of resources (deferred savings from refunding bonds) in the government-wide financial statements and amortized on a straight-line basis over the life of the bonds.

**MCLEAN COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING JUNE 30, 2020**

**2. Summary of Significant Accounting Policies, continued**

**(f) Accrued Liabilities/Long-Term Obligations/Deferred Outflows of Resources, continued**

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

**(g) Net Position and Fund Balance**

District-Wide Financial Statements

Net position on the Statement of Net Position includes the following:

Net investment in capital assets – The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted for Capital Projects/Debt Service – The component of net position that reports the financial resources restricted to pay for construction activities or related debt service.

Unrestricted – The difference between the assets and liabilities that is not reported in Net investment in Capital Assets, and Net Position Restricted for Capital Projects/Debt Service.

Governmental Fund Financial Statements

In July 2010, the District adopted Statement of Governmental Accounting standards No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Accordingly, in the fund financial statements, governmental funds report fund balances as nonspendable, restricted, committed, assigned, or unassigned fund balance. Also, the District has established the order of assigned, committed and restricted when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Nonspendable fund balances are those amounts that cannot be spent because they are either: (1) generally, amounts that are not expected to be converted to cash, such as inventories or prepaid amounts or (2) amounts that are required to be maintained intact, such as the principal of a permanent fund. The District did not have a nonspendable fund balance at June 30, 2020.

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, 2020, the District had \$46,540 restricted in the Construction Fund for capital projects and \$271,228 restricted in the SEEK Capital Outlay Fund.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. At June 30, 2020, the District had \$75,000 committed as carryover for SBDM, \$200,000 for pavement sealing and repairs, and \$300,000 toward future vehicle purchases.

**MCLEAN COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING JUNE 30, 2020**

**2. Summary of Significant Accounting Policies, continued**

**(g) Net Position and Fund Balance, continued**

Assigned fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which results in the encumbrance of funds. Assigned fund balance also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose. The District had \$29,813 assigned in the District Activity Fund for Student Activities.

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.

**(h) 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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**(i) 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, 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.

**(j) Compensated Absences (Accrued Sick Leave)**

The McLean County School District allows employees to accumulate and carry over sick days from year to year. The maximum number of days which may be earned per year vary from seven to ten days depending upon employment terms. A maximum of two personal days may be added to the sick days carryover each year. The accumulated amount of days that may be carried over from year to year is unlimited. Upon retirement from the school system, employees will receive thirty percent (30%) of the value of accumulated sick leave. Separation of employment for any reason other than retirement results in the employee forfeiting all accumulated sick and personal days. Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. It is deemed probable that benefits will be paid to certified employees with twenty or more years of experience and classified employees with ten or more years of experience.

The entire accrued sick leave liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accrued sick leave" in the general fund. The noncurrent portion of the liability is not reported.

**MCLEAN COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING JUNE 30, 2020**

**2. Summary of Significant Accounting Policies, continued**

**(k) Bonds and Related Premiums, Discounts, and Issuance Costs**

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premiums or discounts. Bond issuance costs are expensed when bonds are issued. In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Discounts related to debt issuance are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**(l) Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous ("CERS") and Teachers Retirement System of the State of Kentucky ("TRS") and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. 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.

**(m) Other Postemployment Benefits - (OPEB)**

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous ("CERS") and Teachers' Retirement System of the State of Kentucky ("TRS") and additions to/deductions from CER's and TRS's fiduciary net position have been determined on the same basis as they are reported by CERS and TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

**(n) Deferred Outflows of Resources and Deferred Inflows of Resources**

**Deferred Outflows of Resources**

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

Deferred outflows related to pensions and OPEB are reported in the statement of net position. A deferred outflow from pension's and OPEB's results from System contributions made subsequent to the measurement date, difference between expected and actual experience, net difference between projected and actual investment earnings on pension and OPEB plan investments, changes of assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions. This amount from System contributions made subsequent to the measurement date are deferred and will be recognized as a reduction of net pension liability and net OPEB liability in the year ending June 30, 2020. The other components of deferred outflows are deferred and will be recognized as a reduction of pension and OPEB expense over the next several years.

Deferred outflows from a bond refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**MCLEAN COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING JUNE 30, 2020**

**2. Summary of Significant Accounting Policies, continued**

**(n) Deferred Outflows of Resources and Deferred Inflows of Resources, continued**

**Deferred Inflows of Resources**

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

Deferred inflows related to pensions and OPEB are reported in the statement of net position. A deferred inflow from pension's and OPEB's results from net differences between expected and actual earnings on pension and OPEB plan investments and the changes in proportions in differences between employer contributions and proportionate share of contributions. This amount is deferred and will be recognized as a reduction of pension and OPEB expense over the next several years.

**(o) Encumbrance Accounting**

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are re-appropriated in the next year. An assignment of fund balance equal to outstanding encumbrances at year-end is provided for at June 30, 2020. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

**(p) Allowance for Doubtful Accounts**

The District does not record an allowance for doubtful accounts because there have been no uncollectible accounts in previous years.

**(q) Recently Issued Accounting Standards**

The following recently issued accounting standards are expected to impact the financial statements of the District in future periods:

**GASBS No. 84 Fiduciary Activities**

In January of 2017, the GASB issued Statement No. 84 to improve guidance regarding the identification, accounting and financial reporting for fiduciary activities. This Statement establishes criteria for identifying fiduciary activities for all state and local governments and requires that activities meeting such criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statements is effective for reporting periods beginning after December 15, 2019. The District is currently evaluating the impact the standard will have on its financial statements.

**GASBS No. 87 Leases**

In June of 2017, the GASB issued Statement No. 87 to improve accounting and financial reporting for leases by governments, by establishing standards for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset, thus requiring lessees to recognize a lease liability and an intangible right-to-use lease asset and lessors to recognize a lease receivable and a deferred inflow of resources. The Statement is effective for reporting periods beginning after June 15, 2021. The District is currently evaluating the impact the standard will have on its financial statements.



**MCLEAN COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING JUNE 30, 2020**

**3. Property Taxes**

Property taxes collected are recorded as revenues in the Fund for which they were levied. Each year, property taxes are levied on October 1, based on assessments as of January 1 prepared by the McLean County property valuation administrator. The taxes are payable on November 1. The tax rates placed in effect are 57.9 cents per \$100 of assessed valuation on real estate and 57.9 cents per \$100 on tangible property, of which 6.1 cents is for participation in the Facility Support Program, and 51.5 cents per \$100 of assessed valuation on motor vehicles.

**4. Deposits**

At June 30, 2020, the carrying amount of the District's deposits was \$5,144,259 and the bank balance was \$5,592,128. Of the bank balances, \$282,880 was insured by federal depository insurance and \$4,861,379 was covered by collateral held by the pledging bank's agent.

The District's deposits at June 30, 2020 consisted of the following:

	<b>Bank Balance</b>	<b>Book Balance</b>
Independence Bank	\$ 5,559,248	\$ 5,111,379
Sacramento Deposit Bank	32,880	32,880
	<b>\$ 5,592,128</b>	<b>\$ 5,144,259</b>
Reported in the financial statements:		
Governmental funds - Cash and cash equivalents		\$ 4,062,024
Proprietary funds		95,754
Fiduciary funds - Cash and cash equivalents		986,481
		<b>\$ 5,144,259</b>

**5. Restricted Cash**

Restricted cash at June 30, 2020 consists of the following:

Construction Fund (for capital projects)	\$ 73,759
SEEK Capital Outlay (for capital projects)	271,228
District Activity Funds	29,813
	<b>\$ 374,800</b>
<b>Total Restricted Cash</b>	<b>\$ 374,800</b>

**MCLEAN COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING JUNE 30, 2020**

**6. Capital Assets**

During the year ended June 30, 2020, the following changes occurred in capital assets:

<u>Governmental Activities:</u>	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Not depreciated:				
Land	\$ 65,267	\$ -	\$ -	\$ 65,267
Construction in progress	770,138	103,308	759,427	114,019
Total not being depreciated	<u>835,405</u>	<u>103,308</u>	<u>759,427</u>	<u>179,286</u>
Depreciated:				
Land improvements	1,296,376	32,720		1,329,096
Buildings and improvements	25,544,333	807,855		26,352,188
Technology equipment	1,690,002			1,690,002
Vehicles	2,402,572			2,402,572
General	723,473			723,473
Total being depreciated	<u>31,656,756</u>	<u>840,575</u>	<u>-</u>	<u>32,497,331</u>
Less: accumulated depreciation				
Land improvements	915,228	30,203		945,431
Buildings and improvements	14,007,670	761,596		14,769,266
Technology equipment	1,690,002	31,250		1,721,252
Vehicles	1,973,747	106,766		2,080,513
General	547,597	24,894		572,491
Total accumulated depreciation	<u>19,134,244</u>	<u>954,709</u>	<u>-</u>	<u>20,088,953</u>
Depreciated assets, net	<u>12,522,512</u>	<u>(114,134)</u>	<u>-</u>	<u>12,408,378</u>
Governmental Activities Capital Assets - Net	<u>\$ 13,357,917</u>	<u>\$ (10,826)</u>	<u>\$ 759,427</u>	<u>\$ 12,587,664</u>
<u>Business-Type Activities:</u>				
Depreciated:				
Food service equipment	\$ 724,841	\$ 5,546	\$ -	\$ 730,387
Technology equipment	18,347			18,347
Total being depreciated	<u>743,188</u>	<u>5,546</u>	<u>-</u>	<u>748,734</u>
Less: accumulated depreciation				
Food service equipment	666,389	13,698		680,087
Technology equipment	18,299	48		18,347
Total accumulated depreciation	<u>684,688</u>	<u>13,746</u>	<u>-</u>	<u>698,434</u>
Business-Type Activities Capital Assets - Net	<u>\$ 58,500</u>	<u>\$ (8,200)</u>	<u>\$ -</u>	<u>\$ 50,300</u>

**MCLEAN COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING JUNE 30, 2020**

**6. Capital Assets, continued**

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 393,102
Support services:	
Student	11
Instruction support services	-
District administration	3,957
School administration	1,315
Business	-
Plant operation and maintenance	445,044
Student transportation	111,042
Community service activities	<u>238</u>
Total depreciation expense	<u>\$ 954,709</u>

**7. Long-Term Debt**

**Bonds**

The District issues debt to provide funds for the acquisition and construction of major capital facilities and improvements. The purpose, original amounts, issue dates, and interest rates are summarized below:

<u>Issue</u>	<u>Original Amount</u>	<u>Interest Rates</u>
Refunding Issue of October 2011	2,530,000	1.00% - 2.625%
Issue of June 2012	1,410,000	1.05% - 3.30%
Issue of July 2014	2,020,000	2.20 % - 4.00%
Refunding Issue of March 2015	1,185,000	2.00% - 2.50%
Issue of June 2015	1,505,000	2.00% - 3.50%
Issue of April 2017	650,000	3.50%
Refunding Issue of September 2017	1,470,000	2.00%-2.375%

**MCLEAN COUNTY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDING JUNE 30, 2020**

**7. Long-Term Debt, continued**

**Bonds, continued**

McLean County School District Finance Corporation School Building Refunding Revenue Bonds, Series of 2011, dated October 1, 2011 in the amount of \$2,530,000, were issued for the purpose of refunding and defeasing the McLean County School District Finance Corporation School Building Revenue Bonds, Series of 2003. Net proceeds of \$2,468,174 were placed in an escrow account from which investments were purchased for the purpose of generating resources for the future debt service payments on \$2,320,000 of refunded debt. As a result, \$2,320,000 of the McLean County School District Finance Corporation School Building Revenue Bonds, Series of 2003 are considered to be defeased and the liability has been removed from the long-term debt. This advance refunding was undertaken to reduce total debt service payments over the next twelve years by \$228,762 and resulted in an economic gain of \$197,103. The KSFCC is not participating in the debt service of the bonds. In February, 2013, the remaining balance of the defeased 2003 bonds was redeemed.

McLean County School District Finance Corporation School Building Revenue Bonds, Series of 2012, dated June 1, 2012 in the amount of \$1,410,000 were issued for the purpose of financing HVAC replacement at the Livermore Elementary School. The KFSCC is liable for 100% of the debt service of the bonds.

McLean County School District Finance Corporation School Building Revenue Bonds, Series of 2014 dated July 1, 2014 in the amount of \$2,020,000 were issued for the purpose of financing roof improvements at the McLean County High School. The KFSCC is participating in approximately 78% of the debt service of the Bonds.

McLean County School District Finance Corporation School Building Refunding Revenue Bonds, Series of 2015, dated March 1, 2015 in the amount of \$1,185,000, were issued for the purpose of refunding the McLean County School District Finance Corporation School, Series 2005 and 2006 Bonds. The KSFCC is participating in approximately 69% of the debt service of the bonds. Net proceeds of \$1,148,417 were placed in an escrow account from which investments were purchased for the purpose of generating resources for the future debt service payments on \$1,090,000 of refunded debt. As a result, \$360,000 and \$730,000 of the McLean County School District Finance Corporation School Building Revenue Bonds, Series of 2005 and 2006 respectively, are considered to be defeased and the liability has been removed from the long-term debt. This advance refunding was undertaken to reduce total debt service payments over the next eleven year by \$78,776 and resulted in an economic gain of \$63,159.

McLean County School District Finance Corporation School Building Revenue Bonds, Series 2015, dated June 1, 2015 in the amount for \$1,505,000 were issued for the purpose of financing the purchase and renovation of a central office. The KFSCC is not participating in the debt service of the bonds.

McLean County School District Finance Corporation School Building Revenue Bonds, Series 2017, dated April 1, 2017 in the amount of \$650,000 were issued for the purpose of financing the roof and HVAC replacement at Livermore Elementary. The KFSCC is participating in approximately 53% of the debt service of the bonds.

McLean County School District Finance Corporation School Building Refunding Revenue Bonds, Series of 2017, dated September 14, 2017 in the amount of \$1,470,000, were issued for the purpose of refunding the McLean County School District Finance Corporation School, Series 2008 Bonds. The KSFCC is participating in approximately 46% of the debt service of the bonds. Net proceeds of \$1,425,630 were placed in an escrow account from which SLGS were purchased for the purpose of generating resources for the future debt service payments on \$1,405,000 of refunded debt. As a result, \$1,405,000 of the McLean County School District Finance Corporation School Building Revenue Bonds, Series of 2008 are considered to be defeased and the liability has been removed from the long-term debt. This advance refunding was undertaken to reduce total debt service payments over the next ten years by \$100,424 and resulted in an economic gain of \$90,174.

**MCLEAN COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING JUNE 30, 2020**

**7. Long-Term Debt, continued**

**Participation Agreements**

The District entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs. Receipts from the KSFCC are recorded as intergovernmental-state revenue in the Debt Service Fund. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bonds issues (see note 14).

**Maturities**

The annual debt service requirements to maturity for bonds payable, as of June 30, 2020 are as follows:

YEAR	McLean County School District		School Facility Construction Commission		Total		TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2020-21	485,417	125,669	299,583	103,039	785,000	228,708	1,013,708
2021-22	493,870	114,594	306,130	96,495	800,000	211,089	1,011,089
2022-23	512,238	102,476	312,762	89,860	825,000	192,336	1,017,336
2023-24	340,013	88,584	319,987	82,636	660,000	171,220	831,220
2024-25	352,515	80,309	327,485	75,138	680,000	155,447	835,447
2025-26	359,261	71,555	335,739	66,885	695,000	138,440	833,440
2026-27	291,425	63,262	318,575	58,203	610,000	121,465	731,465
2027-28	303,082	55,597	261,918	50,131	565,000	105,728	670,728
2028-29	169,013	46,878	190,987	42,472	360,000	89,350	449,350
2029-30	172,710	41,415	197,290	36,170	370,000	77,585	447,585
2030-31	180,832	35,422	204,168	29,293	385,000	64,715	449,715
2031-32	183,253	29,307	211,747	21,713	395,000	51,020	446,020
2032-33	191,560	22,674	128,440	13,851	320,000	36,525	356,525
2033-34	203,789	15,650	131,211	8,775	335,000	24,425	359,425
2034-35	206,680	8,446	108,320	4,104	315,000	12,550	327,550
2035-36	22,393	1,715	22,607	1,610	45,000	3,325	48,325
2036-37	26,602	931	23,398	819	50,000	1,750	51,750
	<u>\$ 4,494,653</u>	<u>\$ 904,484</u>	<u>\$ 3,700,347</u>	<u>\$ 781,194</u>	<u>\$ 8,195,000</u>	<u>\$ 1,685,678</u>	<u>\$ 9,880,677</u>

**MCLEAN COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING JUNE 30, 2020**

**7. Long-Term Debt, continued**

During the year ended June 30, 2020, the following changes occurred in the long-term debt:

	Balance July 1,2019	Additions	Deletions	Balance June 30,2020	Due Within One Year
Government activities					
Bonds:					
Issue of Oct 2011	1,775,000	-	425,000	1,350,000	440,000
Issue of June 2012	990,000	-	65,000	925,000	65,000
Issue of July 2014	1,730,000	-	80,000	1,650,000	80,000
Issue of Mar 2015	970,000	-	110,000	860,000	105,000
Issue of June 2015	1,485,000	-	5,000	1,480,000	5,000
Issue of April 2017	620,000	-	15,000	605,000	20,000
Issue of September 2017	1,395,000	-	70,000	1,325,000	70,000
Total bonds	<u>8,965,000</u>	<u>-</u>	<u>770,000</u>	<u>8,195,000</u>	<u>785,000</u>
Premiums (Discounts)	(62,503)	-	(8,565)	(53,938)	-
	<u>8,902,497</u>	<u>-</u>	<u>761,435</u>	<u>8,141,062</u>	<u>-</u>
Capital leases	7,901	-	7,901	-	-
Compensated absences	370,000	(a)	-	370,000	80,000
Net pension liability	3,688,303	354,268	-	4,042,571	-
Net OPEB liability	4,817,198	-	605,150	4,212,048	-
	<u>\$ 17,785,899</u>	<u>\$ 354,268</u>	<u>\$ 1,374,486</u>	<u>\$ 16,765,681</u>	<u>\$ 865,000</u>
Business-type activities					
Compensated absences	\$ 2,000	-	-	\$ 2,000	\$ -
Net pension liability	900,133	-	25,762	874,371	-
Net OPEB liability	262,395	-	48,858	213,537	-
	<u>\$ 1,164,528</u>	<u>\$ -</u>	<u>\$ 74,620</u>	<u>\$ 1,089,908</u>	<u>\$ -</u>

(a) This amount represents the net addition in compensated absences, i.e., days earned less days taken.

**8. Capital Lease Obligations**

The District has entered into various lease agreements with KISTA for financing the acquisitions of school buses. The KISTA lease payments are paid by the General Fund and reported as debt service. The depreciation of these capital leases is allocated to the student transportation function. The following is an analysis of leased property under capital leases by class:

KISTA Leases	Class of Property	Cost	Accumulated Depreciation
2004, 2005, 2006B, 2008, 2009, 2010	Vehicles(6 buses)	\$769,184	\$760,886

**MCLEAN COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING JUNE 30, 2020**

**9. Defined Contribution Plans**

The District makes available various 401(k) and 403(b) defined contribution pension plans for all regular full-time and part-time employees. These Plans are administered by independent third party administrators. Employees are allowed to contribute any amount to the Plans up to the Internal Revenue Code maximum allowable amount. The District can but is not required to contribute to the Plans. In addition, the District retains authority to amend or terminate these plans. During the year ended June 30, 2020, employees of the District contributed \$29,960 to 401(k) plans and \$4,152 to 403(b) plans.

**10. Deferred Compensation**

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administrating involvement and who do not perform the investing functions for these plans to omit plan assets and related liabilities from their financial statements. The District therefore does not show these assets and liabilities on its financial statements. The District does not contribute to these plans, and employees of the District contributed \$3,780 to these plans during the year ended June 30, 2020.

**11. Pension Benefits – Teachers' Retirement System of the State of Kentucky**

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

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

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

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

**MCLEAN COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING JUNE 30, 2020**

**11. Pension Benefits – Teachers’ Retirement System of the State of Kentucky, continued**

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

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions- Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university members are required to contribute 12.855% of their salaries to the System. The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions of the amount 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative members whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member’s request.

The McLean County School District’s total payroll for the year was \$8,860,731. The payroll for employees covered under TRS was \$6,980,957. For the year ended June 30, 2020, the Commonwealth contributed \$2,140,413 to TRS for the pension benefit of our participating employees. The District’s contributions to TRS for the years ending June 30, 2020, 2019 and 2018 were \$271,748, \$269,983, and \$201,027, respectively, which represent 100% of the required contributions for those employees covered by federal programs.

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

Because the State, as a non-employer contributing entity, is required by Kentucky Revised Statutes to contribute 100% of the District’s contractually required contributions, the District reports no pension liabilities, pension expenses, deferred outflows of resources, or deferred inflows of resources related to TRS.

The portion of the TRS net pension liability that was associated with the District recognized at June 30, 2020, was as follows:

District’s proportionate share of the net pension liability	\$	-
States’s proportionate share of the net pension liability associated with the District		28,441,896
<b>Total</b>	<b>\$</b>	<b>28,441,896</b>

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The net pension liability associated with the District was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2019, the measurement date, the State’s proportion of the TRS net pension liability associated with the District was 0.2085% percent which was a increase of 0.0096 from it proportion measured as of June 30, 2018 (0.1989%).



MCLEAN COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDING JUNE 30, 2020

11. Pension Benefits – Teachers’ Retirement System of the State of Kentucky, continued

For the year ended June 30, 2020, the District recognized on-behalf pension expense and revenue of \$2,140,413 for contributions provided by the State.

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

Inflation	3.00%
Salary increases, including inflation	3.50% to 7.30%
Long-term Investment rate of return, net of pension plan investment expense & inflation	7.50%
Municipal Bond Index Rate:	
Prior Measurement Date	3.89%
Measurement Date	3.50%
Year FNP is projected to be depleted	N/A
Single Equivalent Interest Rate, net of pension plan investment expense & inflation:	
Prior Measurement Date	7.50%
Measurement Date	7.50%
Post-Retirement Benefit Increases	1.50% annually

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

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2010, to June 30, 2015, adopted by the TRS 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.

**MCLEAN COUNTY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDING JUNE 30, 2020**

**11. Pension Benefits – Teachers’ Retirement System of the State of Kentucky, continued**

Actuarial Assumptions, continued

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	40.0%	4.2%
International Equity	22.0%	5.2%
Fixed Income	15.0%	1.2%
Additional Categories	7.0%	3.2%
Real Estate	7.0%	3.8%
Private Equity	7.0%	6.3%
Cash	2.0%	0.9%
Total	<u>100.0%</u>	

Discount Rate- The discount rate used to measure the total pension liability (TPL) as of the Measurement Date was 7.5%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. TRS assumed that Plan member contributions will be made at the current contribution rates and that employer contributions will be made at Actuarially Determined Contribution rates for all fiscal years in the future. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The change in the discount rate from 7.5% used in 2018 disclosure report is considered a change in actuarial assumptions or other under inputs under GASB 68.

Sensitivity of the District’s Proportionate Share of Net Pension Liability to Changes in the Discount Rate—The following presents the State’s proportionate share of the net pension liability associated with the District using the discount rate of 7.50% as well as what the State’s proportionate share of the net pension liability associated with the District would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	<u>1% Decrease 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase 8.50%</u>
State's proportionate share of net pension liability associated with the District	36,315,848	28,441,896	21,815,207

Plan Fiduciary Net Position- Detailed information about the TRS fiduciary net position is available in the publically available financial report.

Payable to the Pension Plan- Because the State is required by statute to contribute 100% of the District’s contractually required pension contributions, the District reports no payable for such pension contributions at June 30, 2020.

**MCLEAN COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING JUNE 30, 2020**

**12. Other Postemployment Benefits – Teachers’ Retirement System of the State of Kentucky**

Other Postemployment Benefits (OPEB)

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

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

Medical Insurance Plan (MIP)

*Plan description* – In addition to the pension benefits described in Note 11 Kentucky Revised Statute 161.675 requires TRS to provide post-employment healthcare benefits to eligible members and dependents. The MIP 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 MIP offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. TRS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member’s supplement is based on a contribution supplement table approved by the TRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

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

At June 30, 2020, the District reported a liability for its proportionate share of the collective net OPEB MIP liability and the related deferred outflows or deferred inflows.

Life Insurance Plan (LIP)

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

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

**MCLEAN COUNTY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDING JUNE 30, 2020**

**12. Other Postemployment Benefits – Teachers’ Retirement System of the State of Kentucky, continued**

*Contributions* – In order to fund the post-retirement life insurance benefit, three hundredths of one percent (.03%) of the gross annual payroll of members is contributed by the State. Employers do not contribute to the LIP.

At June 30, 2020, the District did not report a liability for a proportionate share of the collective net OPEB LIP liability, nor any related deferred outflows or deferred inflows, because the State of Kentucky provides the OPEB LIP support directly to TRS on behalf of the District, and the District does not contribute to the LIP.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs- At June 30, 2020, the District reported a liability of \$3,250,000 for its proportionate share of the collective net MIP OPEB liability that reflected a reduction for state MIP OPEB support provided to the District. The collective net MIP OPEB liability was measured as of June 30, 2019, and the total MIP OPEB liability used to calculate the collective net MIP OPEB liability was based on a projection of the District’s long-term share of contributions to the MIP OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the District’s proportion was 0.11105 percent, a increase of .0032 percent from proportion measured as of June 30, 2018 of .10785

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

	<u>MIP</u>	<u>LIP</u>
District’s proportionate share of the net OPEB liability	\$ 3,250,000	\$ -
State’s proportionate share of the net OPEB liability associated with the District	<u>2,625,000</u>	<u>61,000</u>
Total	<u>\$ 5,875,000</u>	<u>\$ 61,000</u>

For the year ended June 30, 2020, the District recognized MIP OPEB expense and on-behalf MIP revenue of \$156,151 for support provided by the State. For the year ended June 30, 2020, the District recognized on-behalf LIP OPEB expense and revenue of \$2,578 for support provided by the State. At June 30, 2020 the District reported deferred outflows of resources and deferred inflows of resources related to the MIP OPEB from the following sources:

	<u>MIP</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 787,000
Assumption changes	14,000	-
Net difference between projected and actual investment earnings on OPEB plan investments	86,000	
Changes in proportion and differences between District contributions and proportionate share of contributions	98,000	85,000
District contributions subsequent to the measurement date	<u>193,371</u>	<u>-</u>
Total	<u>\$ 391,371</u>	<u>\$ 872,000</u>

**MCLEAN COUNTY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDING JUNE 30, 2020**

**12. Other Postemployment Benefits – Teachers’ Retirement System of the State of Kentucky, continued**

Of the total amount reported as deferred outflows of resources related to the MIP OPEB, \$193,371 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net MIP OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to MIP OPEB will be recognized in the District's MIP OPEB expense as follows:

<u>Year ended June 30:</u>	
2021	\$(129,000)
2022	\$(129,000)
2023	\$(122,000)
2024	\$(124,000)
2025	\$(105,000)
Thereafter	<u>\$ (65,000)</u>
Total	<u>\$(674,000)</u>

Actuarial assumptions – The total MIP and LIP OPEB liabilities in the June 30, 2018 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return, net of	
OPEB plan investment expense & inflation:	
MIP	8.00%
LIP	7.50%
Projected salary increases	3.50% to 7.30%, including inflation
Inflation Rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Healthcare cost trend rates,	
MIP only:	
Under 65	7.50% for FY 2019 decreasing to an ultimate rate of 5.00% by FY 2024
Ages 65 and Older	5.50% for FY 2019 decreasing to an ultimate rate of 5.00% by FY 2021
Medicare Part B Premiums	2.63% for FY 2019 with an ultimate rate of 5.00% by 2031
Municipal Bond Index Rate	3.50%
Discount Rate:	
MIP	8.00%
LIP	7.50%
Single Equivalent Interest Rate, net of	
OPEB plan investment expense & inflation:	
MIP	8.00%
LIP	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 remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018, valuation were based on a review of recent plan experience done concurrently with the June 30, 2015 valuation.

**MCLEAN COUNTY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDING JUNE 30, 2020**

**12. Other Postemployment Benefits – Teachers’ Retirement System of the State of Kentucky, continued**

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

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

Asset Class	Target Allocation		30 Year Expected Geometric Real Rate of Return	
	MIP	LIP	MIP	LIP
Global Equity	58.0%	0.0%	5.1%	0.0%
U.S. Equity	0.0%	40.0%	0.0%	4.3%
International Equity	0.0%	23.0%	0.0%	5.2%
Fixed Income	9.0%	18.0%	1.2%	1.2%
Real Estate	6.5%	6.0%	3.8%	3.8%
Private Equity	8.5%	5.0%	6.3%	6.3%
Other Additional Categories	17.0%	6.0%	3.2%	3.2%
Cash (LIBOR)	1.0%	2.0%	0.9%	0.9%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>		

Discount rate- The discount rates used to measure the total MIP and LIP OPEB liabilities were 8.00% and 7.50%, respectively. 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 MIP 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 liabilities.

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

	<u>1% Decrease</u> 7.00%	<u>Current Discount Rate</u> 8.00%	<u>1% Increase</u> 9.00%
Net MIP OPEB liability	3,850,000	3,250,000	2,748,000

**MCLEAN COUNTY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDING JUNE 30, 2020**

**12. Other Postemployment Benefits – Teachers’ Retirement System of the State of Kentucky, continued**

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

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Net MIP OPEB liability	2,646,000	3,250,000	3,993,000

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

Payable to the OPEB Plans – The District reported payables of \$0 for the outstanding amount of MIP and LIP OPEB contributions due to the Plans at June 30, 2020.

**13. Pension and Other Postemployment Benefits- County Employees Retirement System**

Plan Description - Substantially, all other employees (classified personnel) are covered under the County Employees Retirement System (CERS), a cost-sharing, multiple-employer defined benefit pension / OPEB plan administered by Kentucky Retirement Systems (KRS). CERS covers members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in CERS. Kentucky Revised Statute Section 61.645 assigns the authority to establish and amend benefit provisions to the Board of Trustees of Kentucky Retirement Systems (Board). KRS issues a publically available financial report that can be obtained at [www.kyret.ky.gov](http://www.kyret.ky.gov) or by writing to Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601 or by calling 1-502-696-8000.

Benefits Provided - CERS provides for retirement, disability, and death benefits to system members through its Pension Fund, as well as other postemployment benefits (OPEB) for hospital and medical insurance through its Insurance Fund.

Retirement benefits may be extended to beneficiaries of members under certain circumstances. Retirement benefits are determined using a formula which considers the member’s final compensation; benefit factors set by statute which vary depending upon the type / amount of service, participation date, and retirement date; and years of service. Plan members with a participation date prior to September 1, 2008 are eligible to retire with full benefits at any time with 27 or more years of service credit, or at age 65 with at least 4 years of service credit. Plan members with a participation date on or after September 1, 2008, are eligible to retire with full benefits at age 57 if the member’s age and years of service equal 87, or at age 65 with at least 5 years of service credit.

Other postemployment benefits provided by CERS consist of prescribed contributions for whole or partial payments of required premiums to purchase hospital and medical insurance.

Contributions – State statute requires active members to contribute 5% of creditable compensation. For members participating on or after September 1, 2008, an additional 1% of creditable compensation is required. This amount is credited to the Insurance Fund and is non-refundable to the member. Employers contribute at the rate determined by the KRS Board to be necessary for the actuarial soundness of the systems, as required by KRS 61.565 and KRS 61.752.

The District’s actuarially determined contribution amounts, based on annual creditable compensation for the years ended June 30, 2020, 2019 and 2018 were \$348,082, \$370,094, and \$355,369, respectively, equal to the required contributions for each year.

**MCLEAN COUNTY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDING JUNE 30, 2020**

**13. Pension and Other Postemployment Benefits- County Employees Retirement System, continued**

The District's actuarially determined contribution rates and contribution amounts, based on annual creditable compensation for the years ended June 30, 2020, were as follows:

	<u>Contribution Rates</u>	<u>Contributions</u>
Pension	19.30%	\$ 279,231
OPEB	4.76%	68,851
Total	<u>24.06%</u>	<u>\$ 348,082</u>

Liabilities, Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions and OPEB  
 – The net pension and OPEB liabilities reported as June 30, 2020, were measured as of June 30, 2018, and the total pension and OPEB liabilities used to calculate the net pension liability and net OPEB liability were determined by an actuarial valuation as of June 30, 2017. The District's proportion of the liabilities was based on a projection of the District's long-term share of contributions to the plan relative to the projected contributions of all participating entities, actuarially determined. At the June 30, 2019, measurement date, the District's pension and OPEB proportion was 0.069912%, a decrease of 0.005428 from its proportion measured as of June 30, 2018, of 0.075340%.

The District's pension and OPEB liabilities and expense as of and for the year ended June 30, 2020, were as follows:

	<u>Net Pension Liability</u>	<u>Net OPEB Liability</u>
Proportionate Share	\$ 4,916,942	\$ 1,175,586
Pension/OPEB Expense	<u>\$ 725,681</u>	<u>\$ 109,853</u>



**MCLEAN COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING JUNE 30, 2020**

**13. Pension and Other Postemployment Benefits- County Employees Retirement System, continued**

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability experience	\$ 125,543	\$ 20,775	\$ 347,867	\$ 354,701
Assumption changes	497,650	-	7,743	2,326
Investment experience	94,386	173,649	-	59,958
Changes in proportion and differences between District contributions and proportionate share of contributions	-	221,454	-	96,898
Implicit Subsidy			25,242	
District contributions subsequent to the measurement date	348,082	-	85,848	-
<b>Total</b>	<b>\$ 1,065,661</b>	<b>\$ 415,878</b>	<b>\$ 466,700</b>	<b>\$ 513,883</b>

The \$348,082 and \$85,848 of deferred outflows of resources resulting from the District's pension and OPEB contributions subsequent to the measurement date will be recognized as a reduction of the net pension and OPEB liabilities in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension and OPEB expense as follows:

Year ending June 30,	Pension	OPEB
2021	\$ 243,448	\$ (27,831)
2022	36,418	(11,230)
2023	16,214	(42,989)
2024	5,622	(39,994)
Thereafter	-	(8,398)
	<b>\$ 301,702</b>	<b>\$ (130,442)</b>

**MCLEAN COUNTY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDING JUNE 30, 2020**

**13. Pension and Other Postemployment Benefits- County Employees Retirement System, continued**

Actuarial assumptions—The total pension / OPEB liabilities in the June 30, 2017 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases, average	3.30%
Investment rate of return, net of investment expense & inflation	6.25%
Healthcare cost trend rates (OPEB)	Initial trend starting at 7.25% for Pre-65, or 5.10% for Post-65, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 5 years for Pre-65, or 2 years for Post-65

Mortality rates were based on the following assumptions and assume a margin for future mortality improvement:

Pre-retirement mortality: RP-2000 Combined Mortality Table projected with Scale BB to 2013. Male mortality rates are multiplied by 50% and female mortality rates are multiplied by 30%.

Post-retirement mortality (non-disabled): RP-2000 Combined Mortality Table projected with Scale BB to 2013. Female mortality rates are set back one year.

Post-retirement mortality (disabled): RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013. Male mortality rates are set back four years.

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the five year period ended June 30, 2013.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
<b>Growth</b>	<b>53.50%</b>	
US Equity	15.75%	4.30%
Non-US Equity	15.75%	4.80%
Private Equity	7.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
<b>Liquidity</b>	<b>23.50%</b>	
Core Bonds	20.50%	1.35%
Cash	3.00%	0.20%
<b>Diversifying Strategies</b>	<b>23.00%</b>	
Real Estate	5.00%	4.85%
Opportunistic/Absolute Return	3.00%	2.97%
Real Return	15.00%	4.10%
<b>Total</b>	<b>100.00%</b>	<b>3.52%</b>

**MCLEAN COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING JUNE 30, 2020**

**13. Pension and Other Postemployment Benefits- County Employees Retirement System, continued**

Discount Rate - The discount rates used to measure the total pension / OPEB liabilities at the measurement dates and changes since the prior year were as follows:

	<u>Pension</u>	<u>OPEB</u>
Discount rate, June 30, 2018	6.25%	5.85%
Increase(decrease)		( .17%)
Discount rate, June 30, 2019	6.25%	5.68%

The discount rate of 6.25% used to measure the total pension liability was based on the expected rate of return on pension plan investments. The discount rate of 5.68% used to measure the total OPEB liability was based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 3.13%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2019.

The projection of cash flows used to determine the discount rates is based on the assumption that each participating employer in CERS will contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded.

Sensitivity of the District's Proportionate Share of the Net Pension and OPEB Liabilities to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension / OPEB liabilities, as well as what the District's proportionate share of the net pension / OPEB liabilities would be if they were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>District's porportionate share</u>		
	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net Pension Liability	5.25% 6,149,700	6.25% 4,916,942	7.25% 3,889,450
Net OPEB Liability	4.68% 1,574,801	5.68% 1,175,586	6.68% 846,659

**MCLEAN COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING JUNE 30, 2020**

**13. Pension and Other Postemployment Benefits- County Employees Retirement System, continued**

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trends Rates  
 - The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current healthcare cost trend rate	1% Increase
	6.25% Pre-65 or 5.10% Post-65 decreasing to 3.05%	8.25% Pre-65 or 5.10% Post-65 decreasing to 4.05%	8.25% Pre-65 or 5.10% Post-65 decreasing to 5.05%
District's Proportionate Share of Net OPEB Liability	874,289	1,175,586	1,540,943

Plan Fiduciary Net Position - Detailed information about the CERS fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report.

Payables to the Pension / OPEB Plans - The District reported the following payables for the outstanding amount of pension/OPEB contributions due to CERS for the year ended June 30, 2020:

Pension	OPEB
\$ -	\$ -

**14. Contingencies**

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose; the grantors may request a refund of monies advanced, or to 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 grantor's satisfaction that the funds provided are being spent as intended and the grantor's intent to continue its programs.

As reported in Note 7 above, the Kentucky School Facilities Construction Commission (KSFCC) is assisting the District with the repayment of the bond issues of 2012(100%), 2014(78%), 2015-ref(70%), 2017(53%), and 2017 Revenue Refunding (47%). In the unlikely event the KSFCC defaults on their portion of the debt, the District is responsible to repay the amount in full. KSFCC's portion as of June 30, 2020, was \$4,481,541.

**15. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, the District bought a commercial insurance policy. The District pays an annual premium for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount.

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

**MCLEAN COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING JUNE 30, 2020**

**16. Deficit Operating/Net Position**

The following funds have operations that resulted in a current year deficit of revenues under expenditures resulting in a corresponding reduction of fund balance net position. These deficits were funded by available resources at the beginning of the year. The following net positions primarily have a deficit fund balance as of June 30, 2020 due to the adoption of GASB 68 and GASB 75.

	<u>Operating</u>	<u>Net Position</u>
General Fund	\$ 1,517	\$ -
Special Revenue Fund	\$ 64,390	\$ -
Construction Fund	\$ 102,573	\$ -
Food Service Fund	\$ -	\$ 755,513
Child Care Fund	\$ -	\$ 13,663
Community Education Fund	\$ 238	\$ -

**17. Interfund Balances and Transfers**

The interfund balances as of June 30, 2020 consisted of a receivable in the General fund from the Special revenue fund in the amount of \$4,442 for cash deficit in pooled cash account.

The following transfers were made during the year ended June 30, 2020:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>Nonmajor Governmental Funds:</u>			
Capital Projects (SEEK)	Debt Service	Debt Payments	52,713
Capital Projects (FSPK)	Debt Service	Debt Payments	<u>559,978</u>
Total Nonmajor governmental funds			<u>612,691</u>
General Fund	Construction Fund	HVAC Projects	102,098
General Fund	Special Revenue	KETS match	59,390
General Fund	Special Revenue	Community Ed. match	<u>5,000</u>
Total Major governmental funds			<u>166,488</u>
Total transfers			<u>\$ 779,179</u>

**18. COBRA**

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

**19. On-behalf Payments**

The Commonwealth of Kentucky made payments on-behalf of the District as follows for the year ended June 30, 2020. The amounts are included in the General Fund, Debt Service Fund and Food Service Fund as Intergovernmental-State revenues. In the General Fund, the retirement payments are recorded as additional instruction expense and the health insurance, life insurance, flexible spending and administrative fees payments are allocated to the various expense functions based on a ratio of employees. The technology fees are recorded in district administration expense. In the Food Services Fund, all of the payments are recorded as additional employee benefits. The debt service payments are recorded as payment of principle and interest expense.

**MCLEAN COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING JUNE 30, 2020**

**19. On-behalf Payments, continued**

Kentucky Teachers Retirement System	\$ 2,140,413
Health insurance, life insurance, administrative fee, health reimbursement account, net of federal reimbursements	1,878,126
Technology	65,567
Debt Service	<u>402,624</u>
	<u>\$ 4,486,730</u>
Reported in:	
General Fund	\$ 4,006,172
Debt Service Fund	402,624
Proprietary Fund	<u>77,934</u>
	<u>\$ 4,486,730</u>

**20. Commitments**

The District had the following outstanding construction projects, as evidenced by contracts, purchase orders or BG-1 forms, as applicable, as of June 30, 2020.

Project	Total Commitment	Incurred To Date	Commitment Remaining
Calhoun Elementary School HVAC (BG20-091)	1,951,350	102,098	1,849,252
McLean County High School Classroom Partitions (BG17-091)	19,000	11,921	7,079
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total	<u>\$ 1,970,350</u>	<u>\$ 114,019</u>	<u>\$ 1,856,331</u>

**21. Subsequent Events**

Management has evaluated subsequent events through November 9, 2020 the date on which the financial statements were available to be issued.

**MCLEAN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2020**

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**MCLEAN COUNTY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues:</b>				
From local sources				
Taxes				
Property	\$2,573,000	\$2,573,000	\$2,552,818	(\$20,182)
Motor vehicle	475,000	475,000	487,346	12,346
Unmined mineral	50,000	50,000	75,454	25,454
Utilities	600,000	600,000	627,252	27,252
Other				0
Earnings on investments	95,000	95,000	97,890	2,890
Contributions			0	0
Other local revenues	18,500	18,500	52,039	33,539
Intergovernmental - Local				0
Intergovernmental - State	5,910,500	5,910,500	5,854,216	(56,284)
Intergovernmental - Federal	25,000	25,000	19,790	(5,210)
<b>Total revenues</b>	<b>9,747,000</b>	<b>9,747,000</b>	<b>9,766,805</b>	<b>19,805</b>
<b>Expenditures:</b>				
Current:				
Instruction	5,433,453	5,433,453	5,380,225	53,228
Support services:				
Student	347,537	347,537	356,342	(8,805)
Instruction staff	334,135	334,135	321,533	12,602
District administrative	641,447	641,447	564,258	77,189
School administrative	913,543	913,543	932,066	(18,523)
Business	361,099	361,099	258,021	103,078
Plant operation and maintenance	1,466,145	1,466,145	1,291,869	174,276
Student transportation	787,452	787,452	655,819	131,633
Central office			0	0
Debt service:				
Principal	8,189	8,189	7,904	285
Interest			285	(285)
<b>Total expenditures</b>	<b>10,293,000</b>	<b>10,293,000</b>	<b>9,768,322</b>	<b>524,678</b>
<b>Excess (deficit) of revenues over expenditures</b>	<b>(546,000)</b>	<b>(546,000)</b>	<b>(1,517)</b>	<b>544,483</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in			0	0
Transfers out	(34,000)	(34,000)	(166,488)	(132,488)
Contingency	(2,520,000)	(2,520,000)		2,520,000
<b>Total other financing sources (uses)</b>	<b>(2,554,000)</b>	<b>(2,554,000)</b>	<b>(166,488)</b>	<b>2,387,512</b>
<b>Net change in fund balance</b>	<b>(3,100,000)</b>	<b>(3,100,000)</b>	<b>(168,005)</b>	<b>2,931,995</b>
<b>Fund balance, Beginning</b>	<b>3,100,000</b>	<b>3,100,000</b>	<b>3,887,904</b>	<b>787,904</b>
<b>Fund balance, Ending</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,719,899</b>	<b>\$3,719,899</b>



**MCLEAN COUNTY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues:</b>				
From local sources:				
Earnings on investments			\$ 13	\$ 13
Contributions			25,737	25,737
Other local revenues				-
Intergovernmental - State	\$ 515,693	515,693	590,635	74,942
Intergovernmental - Indirect federal	853,240	854,334	804,534	(49,800)
Intergovernmental - Direct federal	51,000	102,000	35,800	(66,200)
<b>Total revenues</b>	<b>1,419,933</b>	<b>1,472,027</b>	<b>1,456,719</b>	<b>(15,308)</b>
<b>Expenditures:</b>				
Current:				
Instruction	883,165	938,760	887,516	51,244
Support services:				
Student	74,982	77,092	128,306	(51,214)
Instruction staff	98,911	97,858	89,657	8,201
District administrative	93,790	102,637	104,317	(1,880)
School administrative				0
Business	60,787	60,787	44,826	15,961
Plant operation and maintenance	43,514	43,514	40,847	2,667
Student transportation	54,485	54,485	70,005	(15,520)
Community services	144,299	144,299	155,635	(11,336)
Capital outlay:				
Facilities acquisition and construction				0
<b>Total expenditures</b>	<b>1,453,933</b>	<b>1,519,432</b>	<b>1,521,109</b>	<b>(1,677)</b>
<b>Excess (deficit) of revenues over expenditures</b>	<b>(34,000)</b>	<b>(47,405)</b>	<b>(64,390)</b>	<b>(16,985)</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds from sale of fixed assets				
Transfers in	34,000	34,000	64,390	(30,390)
Transfers out				0
<b>Total other financing sources (uses)</b>	<b>34,000</b>	<b>34,000</b>	<b>64,390</b>	<b>(30,390)</b>
<b>Net change in fund balance</b>	<b>0</b>	<b>(13,405)</b>	<b>0</b>	<b>(13,405)</b>
<b>Fund balance, Beginning</b>				<b>0</b>
<b>Fund balance, Ending</b>	<b>\$0</b>	<b>(\$13,405)</b>	<b>\$0</b>	<b>(\$13,405)</b>

**MCLEAN COUNTY SCHOOL DISTRICT**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES for BUDGETARY PROCESS**

**FOR THE YEAR ENDED JUNE 30, 2020**

**Budgetary Process**

Budgetary Basis of Accounting: Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America, except for on-behalf payments. All annual appropriations lapse at fiscal year-end.

As required by KRS 160.470, on or before January 31 of each year, the District commences budget preparation for the following fiscal year. Before May 30, a tentative working budget is presented to the Kentucky Department of Education. A final working budget must be prepared and adopted no later than September 30. The budget is periodically amended and adopted by the Board of Education during the fiscal year with a final budget adopted by the Board prior to June 30.

The appropriated budget is prepared by fund unit, function, program, level, object and project. The legal level of budgetary control is the fund level.

**Reconciliation between the Budgetary Basis of Accounting and GAAP**

A basis difference exists in the General Fund between the GAAP prescribed basis of accounting for governmental funds and the budgetary basis used by the District. The difference relates to on-behalf payments, primarily retirement and employee benefits in the General Fund. The Kentucky Department of Education encourages Kentucky school districts to include on-behalf payments in the budget process but the District did not budget on-behalf payments. Line item differences are as follows:

<u>General Fund:</u>	<u>Budget Basis</u>	<u>GAAP Basis</u>	<u>Difference</u>
Revenues:			
Intergovernmental-state	\$ 5,854,216	\$ 9,860,387	\$ 4,006,171
Expenditures:			
Instruction	5,380,225	8,226,280	2,846,055
Support services:			
Student	356,342	506,592	150,250
Instructional staff	321,533	456,295	134,762
District administration	564,258	716,487	152,229
School administration	932,066	1,334,820	402,754
Business support services	258,021	394,711	136,690
Plant operations maintenance	1,291,869	1,380,933	89,064
Student transportation	655,819	750,186	94,367

**Special Revenue Fund:**

There were no material variances between the GAAP prescribed basis of accounting for governmental funds and the budgetary basis used by the District.

**MCLEAN COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**TEACHERS RETIREMENT SYSTEM OF THE STATE OF KENTUCKY**

Last 10 Fiscal Years\*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the plan total net pension liability	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
District's proportionate share of the net pension liability associated with the District	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	<u>28,441,896</u>	<u>27,309,288</u>	<u>56,898,243</u>	<u>62,903,080</u>	<u>50,681,541</u>	<u>44,822,094</u>
<b>Total</b>	<b><u>\$ 28,441,896</u></b>	<b><u>\$ 27,309,288</u></b>	<b><u>\$ 56,898,243</u></b>	<b><u>\$ 62,903,080</u></b>	<b><u>\$ 50,681,541</u></b>	<b><u>\$ 44,822,094</u></b>
District's covered-employee payroll	\$ 6,980,957	\$ 6,916,691	\$ 6,700,900	\$ 6,901,517	\$ 6,835,837	\$ 6,808,133
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	58.80%	59.30%	39.83%	35.22%	42.48%	45.59%

\*The amounts presented for each fiscal year were determined as of June 30.  
Schedule is intended to show information for ten years.  
Additional years will be displayed as they become available.

**MCLEAN COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
**TEACHERS RETIREMENT SYSTEM OF THE STATE OF KENTUCKY**

Last 10 Fiscal Years\*

	2020	2019	2018	2017	2016	2015
District's contractually required contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's contributions in relation to the contractually required contributions	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 6,880,957	\$ 6,916,691	\$ 6,700,900	\$ 6,901,517	\$ 6,835,837	\$ 6,809,133
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

\*The amounts presented for each fiscal year were determined as of June 30.  
Schedule is intended to show information for ten years.  
Additional years will be displayed as they become available.

**MCLEAN COUNTY SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**NET PENSION LIABILITY**  
**TEACHERS RETIREMENT SYSTEM OF THE STATE OF KENTUCKY**  
**For the Year Ended June 30, 2020**

Changes of Benefit Terms

2020	None
2019	None
2018	None
2017	None
2016	None

Changes of Assumptions

2020	The municipal bond index rate decreased from 3.89% to 3.50%. The projected salary increases increased from 3.50% - 7.20% to 3.50% - 7.30%.
2019	The municipal bond index rate increased from 3.56% to 3.89%. The discount rate increased from 4.49% to 7.50%.
2018	The municipal bond index rate increased from 3.01% to 3.56%. The single equivalent interest rate, net of pension plan investment expense, including inflation increased from 4.20% to 4.49%. The inflation rate decreased from 3.50% to 3.00%.
2017	The municipal bond index rate decreased from 3.82% to 3.01%. The discount rate decreased from 4.88% to 4.20%.
2016	None

**MCLEAN COUNTY SCHOOL DISTRICT**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITIES  
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF KENTUCKY**

Last 10 Fiscal Years\*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b><u>MEDICAL INSURANCE PLAN (MIP)</u></b>			
District's proportion of the plan total net MIP OPEB liability	0.111052%	0.107850%	0.111257%
District's proportionate share of the net MIP OPEB liability associated with the District	\$ 3,250,000	\$ 3,742,000	\$ 3,967,000
State's proportionate share of the net MIP OPEB liability associated with the District	<u>2,625,000</u>	<u>3,225,000</u>	<u>3,241,000</u>
Total	<u>\$ 5,875,000</u>	<u>\$ 6,967,000</u>	<u>\$ 7,208,000</u>
District's covered-employee payroll	\$ 6,980,957	\$ 6,916,691	\$ 6,700,900
District's proportionate share of the net MIP OPEB liability as a percentage of its covered-employee payroll	46.56%	54.10%	59.20%
Plan fiduciary net position as a percentage of the total MIP OPEB liability	32.60%	25.50%	21.18%
<b><u>LIFE INSURANCE PLAN (LIP)</u></b>			
District's proportion of the plan total net LIP OPEB liability	0.0000%	0.0000%	0.0000%
District's proportionate share of the net LIP OPEB liability associated with the District	\$ -	\$ -	\$ -
State's proportionate share of the net LIP OPEB liability associated with the District	<u>61,000</u>	<u>55,000</u>	<u>43,000</u>
Total	<u>\$ 61,000</u>	<u>\$ 55,000</u>	<u>\$ 43,000</u>
District's covered-employee payroll	\$ 6,980,957	\$ 6,916,691	\$ 6,700,900
District's proportionate share of the net LIP OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total LIP OPEB liability	73.40%	75.00%	79.99%

\*The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**MCLEAN COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF OPEB CONTRIBUTIONS**  
**TEACHERS' RETIREMENT SYSTEM OF THE STATE OF KENTUCKY**

Last 10 Fiscal Years\*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b><u>MEDICAL INSURANCE PLAN (MIP)</u></b>			
District's contractually required contributions	\$ 193,371	\$ 192,095	\$ 201,027
District's contributions in relation to the contractually required contributions	<u>(193,371)</u>	<u>(192,095)</u>	<u>(201,027)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 6,980,957	\$ 6,916,691	\$ 6,700,900
Contributions as a percentage of covered-employee payroll	3.00%	3.00%	3.00%
<b><u>LIFE INSURANCE PLAN (LIP)</u></b>			
District's contractually required contributions	\$ -	\$ -	\$ -
District's contributions in relation to the contractually required contributions	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 6,980,957	\$ 6,916,691	\$ 6,700,900
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%

\*The amounts presented for each fiscal year were determined as of June 30.  
Schedule is intended to show information for ten years.  
Additional years will be displayed as they become available.

**MCLEAN COUNTY SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**NET OPEB LIABILITY**  
**TEACHERS RETIREMENT SYSTEM OF THE STATE OF KENTUCKY**  
**For the Year Ended June 30, 2020**

**MEDICAL INSURANCE PLAN (MIP)**

**Changes of Benefit Terms**

- 2020 None
- 2019 None
- 2018 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 KEPH "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**

- 2020 The municipal bond index rate decreased from 3.89% to 3.50%.  
The projected salary increases increased from 3.50% - 7.20% to 3.50% - 7.30%.
- 2019 The municipal bond index rate increased from 3.56% to 3.89%.
- 2018 None

**LIFE INSURANCE PLAN (LIP)**

**Changes of Benefit Terms**

- 2020 None
- 2019 None
- 2018 None

**Changes of Assumptions**

- 2020 The municipal bond index rate decreased from 3.89% to 3.50%.
- 2019 The municipal bond index rate increased from 3.56% to 3.89%.
- 2018 None



**MCLEAN COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**COUNTY EMPLOYEES RETIREMENT SYSTEM**

Last 10 Fiscal Years\*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.699120%	0.753400%	0.075879%	0.077550%	0.081290%	0.082151%
District's proportionate share of the net pension liability	\$ 4,918,942	\$ 4,588,456	\$ 4,441,431	\$ 3,818,210	\$ 3,495,016	\$ 2,665,000
District's covered-employee payroll	\$ 1,833,200	\$ 1,783,476	\$ 1,852,811	\$ 1,883,498	\$ 1,849,990	\$ 1,896,269
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	268.22%	260.19%	239.71%	202.72%	188.92%	140.54%
Plan fiduciary net position as a percentage of the total pension liability	50.45%	53.54%	53.30%	55.50%	58.97%	66.80%

\*The amounts presented for each fiscal year were determined as of June 30.  
Schedule is intended to show information for ten years.  
Additional years will be displayed as they become available.

**MCLEAN COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
**COUNTY EMPLOYEES RETIREMENT SYSTEM**

Last 10 Fiscal Years\*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 286,035	\$ 279,466	\$ 268,287	\$ 262,748	\$ 229,762	\$ 241,787
Contributions in relation to the contractually required contributions	<u>(286,035)</u>	<u>(279,466)</u>	<u>(268,287)</u>	<u>(262,748)</u>	<u>(229,762)</u>	<u>(241,787)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,833,200	\$ 1,763,476	\$ 1,852,811	\$ 1,883,498	\$ 1,849,990	\$ 1,896,269
Contributions as a percentage of covered-employee payroll	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%

\*The amounts presented for each fiscal year were determined as of June 30.  
Schedule is intended to show information for ten years.  
Additional years will be displayed as they become available.

**MCLEAN COUNTY SCHOOL DISTRICT**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
COUNTY EMPLOYEES RETIREMENT SYSTEM**

Last 10 Fiscal Years\*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.069912%	0.075337%	0.075879%
District's proportionate share of the net OPEB liability	\$ 1,175,586	\$ 1,337,593	\$ 1,525,427
District's covered-employee payroll	\$ 1,833,200	\$ 1,763,476	\$ 1,852,811
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	64.13%	75.85%	82.33%
Plan fiduciary net position as a percentage of the total OPEB liability	60.44%	57.62%	52.40%

\*The amounts presented for each fiscal year were determined as of June 30.  
Schedule is intended to show information for ten years.  
Additional years will be displayed as they become available.

**MCLEAN COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF OPEB CONTRIBUTIONS**  
**COUNTY EMPLOYEES RETIREMENT SYSTEM**

Last 10 Fiscal Years\*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 85,848	\$ 90,638	\$ 87,082
Contributions in relation to the contractually required contribution	<u>(85,848)</u>	<u>(90,638)</u>	<u>(87,082)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,833,200	\$ 1,763,476	\$ 1,852,811
Contributions as a percentage of covered-employee payroll	4.68%	5.26%	4.70%

\*The amounts presented for each fiscal year were determined as of June 30.  
Schedule is intended to show information for ten years.  
Additional years will be displayed as they become available.

**MCLEAN COUNTY SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**COUNTY EMPLOYEES RETIREMENT SYSTEM**

**For the Year Ended June 30, 2020**

Changes of Benefit Terms

2020	None
2019	None
2018	None
2017	None
2016	None

Changes of Assumptions

Pension and OPEB:

2020 The salary increases assumption was changed from 3.05% to 3.30%

2019 The salary increases assumption was changed from 2.00% to 3.05%.

2018 The inflation rate decreased from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service.

The investment rate of return, net of investment expense & inflation decreased from 7.50% to 6.25%.

The payroll growth assumption (applicable for the amortization of unfunded actuarial accrued liabilities) decreased from 4.00% to 2.00%.

OPEB:

2020 The single discount rate was changed from 5.85% to 5.68%.

2019 The single discount rate changed from 5.84% to 5.85%.

2018 The single discount rate changed from 6.89% to 5.84%.

2017 None

2016 Pension:

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

The assumed rate of inflation was reduced from 3.50% to 3.25%

The assumed rate of wage inflation was reduced from 1.00% to 0.75%.

Payroll growth assumption was reduced from 4.50% to 4.00%.

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

**MCLEAN COUNTY SCHOOL DISTRICT  
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2020**

	District Activity Fund	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Fund	Total Nonmajor Governmental Funds
<b>Assets</b>					
Cash and cash equivalents					\$0
Restricted cash	\$29,813		\$271,228		301,041
<b>Total assets</b>	\$29,813	\$0	\$271,228	\$0	\$301,041
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable					\$0
Payable from restricted assets					0
<b>Total liabilities</b>	0	0	0	0	0
<b>Fund Balances</b>					
Restricted for:					
Capital Projects			\$271,228		271,228
Assigned	\$29,813				29,813
Unassigned:					0
<b>Total fund balances</b>	29,813	0	271,228	0	301,041
<b>Total liabilities and fund balances</b>	\$29,813	\$0	\$271,228	\$0	\$301,041

**MCLEAN COUNTY SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

	District Activity Fund	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Fund	Total Nonmajor Governmental Funds
<b>Revenues:</b>					
From local sources:					
Taxes:					
Property		\$303,433			\$303,433
Earnings on investments					0
Contributions	\$4,896				4,896
Other local revenue	35,185				35,185
Intergovernmental - State		256,545	\$134,287	\$402,624	793,456
<b>Total revenues</b>	<u>40,081</u>	<u>559,978</u>	<u>134,287</u>	<u>402,624</u>	<u>1,136,970</u>
<b>Expenditures:</b>					
Instruction	10,268				10,268
Debt Service:					
Principal				770,000	770,000
Interest				245,315	245,315
Purchased services					
<b>Total expenditures</b>	<u>10,268</u>	<u>0</u>	<u>0</u>	<u>1,015,315</u>	<u>1,025,583</u>
<b>Excess (deficit) of revenues over expenditures</b>	<u>29,813</u>	<u>559,978</u>	<u>134,287</u>	<u>(612,691)</u>	<u>111,387</u>
<b>Other Financing Sources (Uses)</b>					
Proceeds from bond issues					0
Bond discounts					0
Payment to refunded bond escrow agent					0
Transfers in				612,691	612,691
Transfers out		(559,978)	(52,713)		(612,691)
<b>Total other financing sources (uses)</b>	<u>0</u>	<u>(559,978)</u>	<u>(52,713)</u>	<u>612,691</u>	<u>0</u>
<b>Net Change in fund balance</b>	29,813	0	81,574	0	111,387
<b>Fund balance, Beginning</b>	<u>0</u>	<u>0</u>	<u>189,655</u>	<u>0</u>	<u>189,655</u>
<b>Fund balance, Ending</b>	<u>\$29,813</u>	<u>\$0</u>	<u>\$271,229</u>	<u>\$0</u>	<u>\$301,042</u>

**MCLEAN COUNTY SCHOOL DISTRICT  
COMBINING STATEMENT OF NET POSITION  
NONMAJOR ENTERPRISE FUNDS  
JUNE 30, 2020**

	Child Care Fund	Community Ed. Fund	Total Nonmajor Enterprise Funds
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 9,051	\$ 1,116	\$ 10,167
Accounts receivable	468		468
Inventory			0
<b>Total Assets</b>	9,519	1,116	10,635
<b>Deferred Outflows of Resources</b>			
Deferred Outflows from OPEB Contribution	2,096		2,096
Deferred Outflows from Pension Contribution	4,418		4,418
<b>Total Deferred Outflows</b>	6,514	0	6,514
<b>Total Assets and Deferred Outflows</b>	\$ 16,033	\$ 1,116	\$ 17,149
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	\$ -	\$ -	\$ -
<b>Total Current Liabilities</b>	-	-	-
<b>Noncurrent Liabilities</b>			
Net Pension liability	20,385		20,385
Net OPEB liability	5,279		5,279
<b>Total Noncurrent Liabilities</b>	25,664	0	25,664
<b>Total Liabilities</b>	25,664	0	25,664
<b>Deferred Inflows of Resources</b>			
Deferred Inflows from OPEB Contribution	2,308		2,308
Deferred Inflows from Pension Contribution	1,724		1,724
<b>Total Deferred Inflows</b>	4,032	0	4,032
<b>Net Position</b>			
Unrestricted	(13,663)	1,116	(12,547)
<b>Total Net Position</b>	(13,663)	1,116	(12,547)
<b>Total Liabilities, Deferred Inflows, and Net Position</b>	\$ 16,033	\$ 1,116	\$ 17,149



**MCLEAN COUNTY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 NONMAJOR ENTERPRISE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2020**

	Child Care Fund	Community Ed. Fund	Total Nonmajor Enterprise Funds
<b>Operating Revenues:</b>			
Community service activities	\$14,364		\$14,364
Other operating revenues			-
<b>Total operating revenues</b>	<u>14,364</u>	<u>0</u>	<u>14,364</u>
<b>Operating Expenses:</b>			
Salaries and wages	9,963		9,963
Employee benefits	(1,508)		(1,508)
Purchased professional services	82		82
Other purchased services	799		799
Materials and supplies		265	265
Other operating expenses			-
<b>Total operating expenses</b>	<u>9,336</u>	<u>265</u>	<u>9,601</u>
<b>Operating gain/(loss)</b>	<u>5,028</u>	<u>(265)</u>	<u>4,763</u>
<b>Nonoperating Revenues (Expenses):</b>			
Federal grants			-
State grants			-
Interest income	189	27	216
<b>Total nonoperating revenues (expenses)</b>	<u>189</u>	<u>27</u>	<u>216</u>
<b>Change in net position</b>	5,217	(238)	4,979
<b>Net position, Beginning</b>	<u>(18,880)</u>	<u>1,354</u>	<u>(17,526)</u>
<b>Net position, Ending</b>	<u>(\$13,663)</u>	<u>\$1,116</u>	<u>(\$12,547)</u>

**MCLEAN COUNTY SCHOOL DISTRICT  
COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

	Child Care Fund	Community Ed. Funds	Total Nonmajor Enterprise Funds
<b>Cash Flows from Operating Activities</b>			
Cash received from:			
Community service activities	\$13,896	\$0	\$13,896
Cash paid to/for:			
Employees	(9,963)	0	(9,963)
Supplies	(799)	(265)	(1,064)
Other activities	(489)		(489)
<b>Net cash provided (used) by operating activities</b>	<u>2,645</u>	<u>(265)</u>	<u>2,380</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Purchases of capital assets			0
<b>Cash Flows from Investing Activities</b>			
Receipt of interest income	189	27	216
Net increase (decrease) in cash and cash equivalents	2,834	(238)	2,596
<b>Cash balances, beginning of year</b>	<u>6,217</u>	<u>1,354</u>	<u>7,571</u>
<b>Cash balances, end of year</b>	<u>\$9,051</u>	<u>\$1,116</u>	<u>\$10,167</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$5,028	(\$265)	\$4,763
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Change in assets and liabilities			
Inventory			0
Accounts receivable	(488)		(488)
Accounts payable			0
Other current liabilities			0
Net Pension / OPEB Liability and deferrals	(1,915)		(1,915)
<b>Net cash provided (used) by operating activities</b>	<u>\$2,645</u>	<u>(\$265)</u>	<u>\$2,380</u>

**MCLEAN COUNTY SCHOOL DISTRICT  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES  
ALL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

School	Cash Balances July 1, 2019	Receipts	Disburse- ments	Cash Balances June 30, 2020	Accounts Receivable June 30, 2020	Accounts Payable June 30, 2020	Fund Balances June 30, 2020
McLean Co. High School	\$120,915	\$371,513	\$400,150	92,278		\$3,977	\$88,301
McLean Co. Middle School	62,186	70,743	70,801	62,128			62,128
Calhoun Elementary	13,775	42,377	36,328	19,824			19,824
Livemore Elementary	14,478	42,462	40,052	18,886			16,886
Sacramento Elementary	27,780	16,283	11,182	32,881			32,881
<b>Central Office</b>							
Clyde & Troy Ande Memorial	2,422	52	1,000	1,474			1,474
Eubanks Memorial	(408)	500		92			92
Mary Havenor Scholarship	1,855	37		1,692			1,692
Edward & Lula Ayer - FFA	2,654	60		2,714			2,714
FFA	3,313	97		3,410			3,410
Morgan Farley Memorial	2,587	35		2,622			2,622
Cindy West Scholarship	3,188	1,073	1,000	3,259			3,259
Special Ed (Hollander)	496	11		507			507
Volleyball (Paulson)	486	10		476			476
Keenan Smith Memorial	7,618	168	2,000	5,784			5,784
Tichner Landscaping UK AG	219	6		225			225
Misc. Scholarships	250	3,500	3,500	250			250
	<u>\$263,590</u>	<u>\$546,925</u>	<u>\$566,013</u>	<u>\$246,502</u>	<u>\$0</u>	<u>\$3,977</u>	<u>\$242,525</u>

**MCLEAN COUNTY SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES  
MCLEAN COUNTY HIGH SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

	Cash Balances July 1, 2020	Receipts	Disburse- ments	Transfers	Cash Balances June 30, 2020	Accounts Receivable June 30, 2020	Accounts Payable June 30, 2020	Fund Balances June 30, 2020
General	342	11,325	7,374	(235)	4,058		155	3,903
Teachers Lounge	95	600	266		429			429
Concessions	331	30,277	18,946	(9,750)	1,912			1,912
Dance Receipts	1,660	835	1,024		1,471			1,471
Cats Incentives	3,690	340		(4,030)	-			-
Textbook Rental	121	1,325		(1,446)	-			-
Freshman Technology Fee	340	10,756	38	(11,044)	14			14
Guidance	218	970	1,078		110			110
Athletic	7,793	75,684	39,799	(33,808)	9,870			9,870
Soccer	2,160	5,012	7,251	4,850	4,771		2,377	2,394
Start Up Money	-	1,900	1,900		-			-
Sweep Account	-		41,642	41,642	-			-
Assignors Fees- Ath	-	18,275	20,050	1,775	-			-
Boys Basketball	4,809	10,210	15,574	3,350	2,795		285	2,510
Cheerleaders	10,808	26,215	36,687	2,250	2,586			2,586
Football	6,208	16,820	18,498	500	5,030		300	4,730
Weightlifting Club	-	5,365	4,929	1,700	2,136		638	1,498
Girls Basketball	5,503	17,063	26,301	3,736	1			1
Girls Softball	2,348	5,105	4,587	3,350	6,216			6,216
Board Reimbursable Acct	(450)	15,056	14,606		-			-
Chromebook Board Reimb Exp	135	1,244	33	(1,346)	-			-
Track	778	1,167	2,927	1,600	618			618
Volleyball	3,191	930	6,483	3,600	1,238			1,238
Baseball	6,125	15,548	23,586	2,847	934		222	712
Junior Class	342	3,415	3,359		398			398
Senior Class	60	1,379	964		475			475
Annual	18,519	6,884	10,995	(9,969)	4,439			4,439
Academic Team	15				15			15
Beta Club	3,341	1,125	783		3,683			3,683
Cougar Council	3,472		65	(29)	3,378			3,378
CBI	525	55	81	250	749			749
FBLA	195	4,419	4,557	203	260			260
FCA	521				521			521
FFA	3,292	15,119	17,530		881			881
FCCLA	742	449	142		1,049			1,049
Region 3 FCCLA	33	82			115			115
Library Club	332		138		194			194
Science Club	580		101		479			479
Spirit/Pep Club	83	605	969	300	19			19
Chess Club	59			(59)	-			-
Spanish Club	1,457				1,457			1,457
JR Leadership McLean	5			(5)	-			-
AP Fees	986	2,640	3,214		412			412
ROTC	1,682	8,647	7,606		2,723			2,723
Cougar Quick Recall	91				91			91
Cougar Book Club	124	150	269		5			5
Band	2,537	24,551	27,088		-			-
Agriculture	194	502	60		636			636
Greenhouse	-	4,089	2,189		1,900			1,900
Art	2,048	1,055	2,988		115			115
Art Club	290	140			430			430
Arts & Humanities	1,714	434	213		1,935			1,935
Drama Club	619	380	356		643			643
Business	2,670	1,487	666	(200)	3,291			3,291
English	2,021	1,099	2,264		856			856
Consumer & Family	517	4,375	3,470		1,422			1,422
Math	2,422	822	378		2,866			2,866
PE	1,776	401	1,655		522			522
Science	5,819	3,119	3,623	(31)	5,284			5,284
Disney	184				184			184
Social Studies	583	1,482	161		1,904			1,904
Moot Court	5	5,031	4,868		168			168
Spanish	3,252	787	1,050		2,989			2,989
Special Ed.	1,598				1,598			1,598
Charitable Gaming	5	4,770	4,770		5			5
<b>TOTAL</b>	<b>\$120,915</b>	<b>\$371,515</b>	<b>\$400,151</b>	<b>\$1</b>	<b>\$92,280</b>	<b>\$0</b>	<b>3,977</b>	<b>\$88,303</b>

**MCLEAN COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020**

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Disbursements/ Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
PASSED THRU STATE DEPARTMENT OF EDUCATION:			
CHILD NUTRITION CLUSTER:			
SCHOOL BREAKFAST PROGRAM	10.553	7760005-19	\$ 41,310
	10.553	7760005-20	98,835
			<u>140,145</u>
NATIONAL SCHOOL LUNCH PROGRAM			
Cash Assistance	10.555	7750002-19	83,724
	10.555	7750002-20	204,394
NonCash Assistance - Commodities (Note C)	10.555	Fund 51	60,146
			<u>348,264</u>
SUMMER FOOD SERVICE PROGRAM			
	10.559	7690024-19	731
	10.559	7690024-20	20,819
	10.559	7740023-19	7,049
	10.559	7740023-20	202,853
			<u>231,452</u>
TOTAL CHILD NUTRITION CLUSTER			
			<u>719,861</u>
STATE ADM FOR CHILD NUTRITION - WAREHOUSE	10.560	7700001-19	2,406
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			
			<u>722,267</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
NATIONAL WRITING PROJECT-INVESTING IN INNOVATIONS (I3) SCALING UP			
	84.411A	552D	<u>3,582</u>
PASSED THROUGH STATE DEPARTMENT OF EDUCATION:			
TITLE I, GRANTS TO LOCAL EDUCATION AGENCIES			
	84.010	3100002-18	166,403
	84.010	3100002-19	188,556
TOTAL TITLE I			
			<u>354,959</u>
SPECIAL EDUCATION CLUSTER:			
SPECIAL EDUCATION - GRANTS TO STATES	84.027	3810002-18	70,320
	84.027	3810002-19	259,210
TOTAL SPECIAL EDUCATION CLUSTER			
			<u>329,530</u>
GOVERNOR'S EMERGENCY EDUCATION RELIEF			
	84.425C	633F	<u>9,668</u>
VOCATIONAL EDUCATION BASIC GRANTS TO STATES			
	84.048	3710002-18	590
	84.048	3710002-19	12,300
			<u>12,890</u>
RACE TO THE TOP & TITLE IV			
	84.242	3420002-18	10,000
	84.242	3420002-18	24,480
	84.242	3420002-19	6,730
			<u>41,210</u>
IMPROVING TEACHER QUALITY STATE GRANTS			
	84.367	3230002-18	40,666
	84.367	3230002-19	1,496
			<u>42,162</u>

Continued

**MCLEAN COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, continued  
FOR THE YEAR ENDED JUNE 30, 2020**

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Disbursements/ Expenditures
<u>U.S. DEPARTMENT OF EDUCATION, CONTINUED</u>			
TITLE VI RURAL & LOW INCOME	84.358	3140002-19	295
	84.358	3140002-18	<u>11,035</u>
			<u>11,330</u>
ELEMENTARY AND SECONDARY SCHOOL EMERGENCY RELIEF FUND	84.425D	3960002-11	<u>2,785</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u>808,116</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>			
ROTC	1010.17JROTC	9009.00	26,638
	1010.18JROTC	9009.00	22,386
<b>TOTAL U.S. DEPARTMENT OF DEFENSE</b>			<u>49,024</u>
<b>TOTAL FEDERAL AWARDS</b>			<u>\$ 1,579,407</u>

**Note A: Basis of Presentation:**

The accompanying schedule of expenditures of federal awards ( the Schedule) includes the federal award activity of the McLean County School District under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the McLean County School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the McLean County School District.

**Note B: Summary of Significant Accounting Policies:**

- (1) Expenditures reported on this Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein, certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) The McLean County School District has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance

**Note C: Commodities:**

Noncash assistance is reported in the schedule at the fair market value of the USDA food commodities received and disbursed.

**Note D: Medicaid Reimbursements:**

Although reported in the financial statements as direct federal revenue, medicaid reimbursements (\$19,790) are not considered expenditures of federal awards for the purposes of the schedule.

**Note E: Subrecipients:**

There were no awards passed through to subrecipients.

**MCLEAN COUNTY SCHOOL DISTRICT**  
**BOARD MEMBERS AND ADMINISTRATIVE PERSONNEL**  
**JUNE 30, 2020**

<b><u>Term Expires</u></b> <b><u>Board Members</u></b>	<b><u>Address</u></b>	<b><u>December 31</u></b>
Wendell Miller Chairman	Sacramento, Kentucky	2020
John Howard	Calhoun, Kentucky	2022
Angie Bumpus	Livermore, Kentucky	2022
Joyce Sutton	Island, Kentucky	2020
Stephen Riggs	Calhoun, Kentucky	2022

**Administrative Personnel**

Tommy Burrough - Superintendent and Secretary of the Board

Jodie Brackett – Instructional Supervisor

Ashley Troutman – Director of Pupil Personnel, Transportation, and Facilities

Shannon Lindsey – Director of Federal Programs, Human Resources

Sherri Turley – Director of Special Education, FRYSC

David Stokes – Finance Officer

Melody Chelstrom – Director of Food Services

Jason Bowman - Technology

# Alford Nance Jones & Oakley, llp

Certified Public Accountants

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

State Committee for School District Audits  
Members of the Board of Education  
McLean County School District  
Calhoun, 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 State Committee for School District Audits' Fiscal Year 2019-2020 Financial Audit Contract, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of McLean County School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 9, 2020.

### Internal Control over Financial Reporting

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

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

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

### Compliance and Other Matters

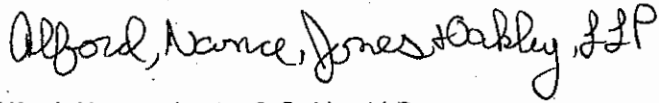
As part of obtaining reasonable assurance about whether the McLean County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in the State Committee for School District Audits' Fiscal Year 2019-2020 Financial Audit Contract.

We noted certain matters other than significant deficiencies and material weaknesses that we have reported to management of the McLean County School District in a separate letter dated November 9, 2020.



## 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.



Alford, Nance, Jones, & Oakley LLP

Madisonville, Kentucky  
November 9, 2020

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

State Committee for School District Audits  
Members of the Board of Education  
McLean County School District  
Calhoun, Kentucky

### Report on Compliance for Each Major Federal Program

We have audited McLean County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of McLean County School District's major federal programs for the year ended June 30, 2020. McLean County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

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

### Auditor's Responsibility

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

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

### Opinion on Each Major Federal Program

In our opinion, McLean County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

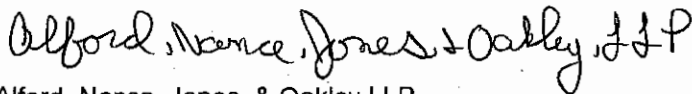
### Report on Internal Control Over Compliance

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

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

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

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



Alford, Nance, Jones, & Oakley LLP  
Madisonville, Kentucky  
November 9, 2020

**MCLEAN COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**for the year ended June 30, 2020**

**A. Summary of Audit Results**

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the McLean County School District were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the financial statements as reported in the Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of McLean County School District were disclosed during the audit.
4. There were no significant deficiencies in internal control disclosed during the audit of the major federal award programs disclosed during the audit as reported in the Independent Auditors Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance. No material weaknesses are reported.
5. The auditor's report on compliance for the major federal award programs for the McLean County School District expresses an unmodified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The programs tested as major programs included:  
  
    Child Nutrition Cluster:  
    - National School Lunch                            10.555  
    - National School Breakfast                      10.553  
    - Summer Food Service                            10.559
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. McLean County Board of Education was determined to be a low risk auditee.

**MCLEAN COUNTY SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued**

**for the year ended June 30, 2020**

**B. Findings-Financial Statements Audit**

None reported

**C. Findings and Questioned Costs - Major Federal Award Program Audit**

None reported

**D. Schedule of Prior Audit Findings**

Relative to Financial Statements - None reported

Relative to Major Federal Awards – None reported

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State Committee for School District Audits  
Members of the Board of Education  
McLean County School District  
Calhoun, Kentucky 42327

In planning and performing our audit of the financial statements of the McLean County School District for the year ended June 30, 2020, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated November 9, 2020 contains our report on significant deficiencies and material weaknesses, if any, in the District's internal control structure. This letter does not affect our report dated November 9, 2020 on the financial statements of the McLean County School District.

We appreciate the opportunity to bring these comments to your attention. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

  
Alford, Nance, Jones & Oakley, LLP  
November 9, 2020

**MCLEAN COUNTY SCHOOL DISTRICT**

**MANAGEMENT LETTER POINTS**

**For the year ended June 30, 2020**

**CURRENT YEAR MANAGEMENT LETTER POINTS**

**School Food Service Authority**

Finding: The administrative review of the Child Nutrition Program conducted by the Kentucky Department of Education, Division of School and Community Nutrition found the School Food Service Authority's household applications selected for verification did not have a confirming official signature. The confirming and determining official cannot be the same person.

Criteria: Household applications selected for verification should be reviewed by the confirming official to determine if the initial status was correct.

Recommendation: We recommend proper procedures be implemented in reviewing household applications. Due to the large volume of applications at the beginning of the school year, we believe it would be very beneficial to have a second review of the applications for completeness and accurate classification.

Response: Food Service has implemented a procedure for reviewing household applications that have been selected for verification. The FRAM coordinator will verify all household applications have been determined correctly by the Food Service Director. The Food Service Director is the determining official and the FRAM coordinator will confirm for accuracy.

Finding: The administrative review of the Child Nutrition Program conducted by the Kentucky Department of Education, Division of School and Community Nutrition found that incorrect conversion factors were used when processing household applications with more than one income frequency. Therefore, not all income was included when the applications were processed for status determination.

Criteria: The applicant's income, listed on the household application, should be converted to an annual basis before determining the eligibility status of the household. Eligibility for the program is determined by the applicant's household application or by Direct Certification.

Recommendation: We recommend proper procedures be implemented in reviewing household applications. Due to the large volume of applications at the beginning of the school year, we believe it would be very beneficial to have a second review of the applications for completeness and accurate classification.

Response: The Food Service Director will convert all household income to an annual income before determining the eligibility status for the household. The FRAM coordinator will review all meal applications to confirm accuracy.

**School Activity Funds Required Forms/Procedures**

Finding: We noted instances where it appeared that Red Book forms were either not completed, were completed improperly, and/or required procedures were not followed.

Criteria: The "Red Book" and KDE guidelines. KDE "Red Book" requires the use of specific forms (or reasonable facsimiles) for certain activities such as: (1) Transfers and (2) Receipts.

Cause:

FORMS

- Transfers: Noticed an instance where a transfer form was not used. (LES)

PROCEDURES

- Noticed instances of money being held overnight by teachers (MCHS, LES)

MCLEAN COUNTY SCHOOL DISTRICT

MANAGEMENT LETTER POINTS

For the year ended June 30, 2020

**CURRENT YEAR MANAGEMENT LETTER POINTS, continued**

**School Activity Funds Required Forms/Procedures, continued**

Effect: Failure to use proper forms and to follow proper procedures set forth by Red Book minimizes accountability for those handling school funds and, consequently, could lead to misuse of school funds.

Recommendation: We recommend that the principal and secretary at each school review the "Red Book" and comply with its requirements regarding the use of standard forms and procedures.

Response: This was the first time for LES moving funds to the DAF account. They will review RedBook policies and will make sure a transfer sheet is completed with each transfer. LES will discuss with teachers about holding money overnight. In addition, they will train a second person to make deposits when bookkeeper is out. MCHS will continue to conduct professional development on RedBook policies with Staff. (This was addressed this year on Aug 24th, 2020). All staff when receiving a multiple receipt form will be reminded and it will be documented that they know they MUST turn in any money collected by 2:00 of the day they receive the money.

**PRIOR YEAR MANAGEMENT LETTER COMMENTS (with current year status)**

**School Activity Funds Required Forms/Procedures**

Finding: We noted instances where it appeared that Red Book forms were either not completed, were completed improperly, and/or required procedures were not followed.

Criteria: The "Red Book" and KDE guidelines. KDE "Red Book" requires the use of specific forms (or reasonable facsimiles) for certain activities such as: (1) Fundraising, (2) Transfers, (3) Tickets, (4) Inventory Control, and (5) Receipts.

Cause:

FORMS

- Fundraising: Noticed an instance where the approval and/or the worksheet were not used properly. (LES)
- Transfers: Noticed an instance where a transfer form was not used. (MCMS)
- Inventory Control: Noticed instances where the worksheet was not used or incorrectly used. (MCMS)
- Receipts: Noticed instances where multiple receipt forms were not used properly (MGPES)

PROCEDURES

- Noticed instances of checks containing only one signature. (MCMS)
- Noted one instance of inappropriate expenditures from Activity Funds (MGPES)

Effect: Failure to use proper forms and to follow proper procedures set forth by Red Book minimizes accountability for those handling school funds and, consequently, could lead to misuse of school funds.

Recommendation: We recommend that the principal and secretary at each school review the "Red Book" and comply with its requirements regarding the use of standard forms and procedures.

Response:

1. LES – The Principal and Bookkeeper will go over the Fundraising form with the school staff to make sure they understand how to use the form.
2. MCMS – The District held another Redbook training on 8/16/19. All Redbook forms were discussed. The Principal and Bookkeeper will make sure each transfer form is properly signed before funds are transferred.



**MCLEAN COUNTY SCHOOL DISTRICT**

**MANAGEMENT LETTER POINTS**

**For the year ended June 30, 2020**

**PRIOR YEAR MANAGEMENT LETTER COMMENTS (with current year status)**

**School Activity Funds Required Forms/Procedures**

3. MCMS – The Principal will review with school staff to make sure everyone understands the importance of the Inventory Worksheet and how to use the worksheet.
4. MGPEs - The School deposited checks from the mail without using a multiple receipts form. They acknowledge the mistake and are aware of the requirement moving forward.
5. MCMS – The District Finance Officer reviewed the importance of dual signatures with the Principal and the Bookkeeper. This was also addressed in our district Redbook training on 8/16/19. The school is double-checking signatures before issuing checks.
6. MGPEs – The school will use alternative funds for purchasing expenditures not allowed by Redbook.

FYE 6/30/20: See current year comments.

**Booster Clubs/PTOs**

Finding: We noted an instance where the PTO budget and AFR were not submitted timely. (LES)

Criteria: The "Red Book" and KDE guidelines require booster clubs, PTOs, and PTAs to submit the names of club officers and a budget to the principal at the beginning of the school year. In addition, an annual financial report shall be submitted to the principal by July 15 reporting receipts from admissions, fund raisers, dues, concession sales, and other categories; expenditures by payee, and beginning and ending balances.

Cause: Volunteers failed to comply with Red Book procedures.

Effect: Failure to submit various reports by the dates specified in Red Book does not give the schools/district timely financial information.

Recommendation: We recommend the principals increase their efforts in obtaining the required information from Booster Clubs, PTOs, and PTAs.

Response: The Principal and Bookkeeper will meet with the PTO President to go over Redbook guidelines and requirements. The school will also make sure to send multiple reminders to the President to be sure they have everything turned in on time.

FYE 6/30/20: Finding was remedied in current year.

## **APPENDIX C**

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

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**Continuing Disclosure Undertaking Agreement**

## CONTINUING DISCLOSURE UNDERTAKING AGREEMENT

This Continuing Disclosure Undertaking Agreement ("Agreement") made and entered into as of the 13<sup>th</sup> day of April, 2021 by and between the Board of Education of McLean County, Kentucky School District ("Board"); the McLean County School District Finance Corporation, an agency and instrumentality of the Board ("Corporation") and the Registered and Beneficial Owners of the Bonds hereinafter identified as third party beneficiaries to this Agreement. For the purposes of this Agreement "Beneficial Owner" means the person or entity treated as the owner of the Bonds for federal income tax purposes and "Registered Owner" means the person or entity named on the registration books of the bond registrar.

### WITNESSETH:

WHEREAS, the Corporation has acted as issuing agency for the Board pursuant to the provisions of Section 162.385 of the Kentucky Revised Statutes ("KRS") and the Corporation's Bond Resolution in connection with the authorization, sale and delivery of \$1,355,000 of the Corporation's School Building Revenue Bonds, Series of 2021, dated April 13, 2021 ("Bonds"), which Bonds were offered for sale under the terms and conditions of a Final Official Statement ("FOS") prepared by RSA Advisors, LLC, Lexington, Kentucky ("Municipal Advisor") and approved by the authorized representatives of the Board and the Corporation, and

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

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

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

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

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

### 1. ANNUAL FINANCIAL INFORMATION

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

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

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

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

## 2. MATERIAL EVENTS NOTICES

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

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

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

- (A) Debt obligation;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **8. DEFAULT**

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

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

**BOARD OF EDUCATION OF  
MCLEAN COUNTY, KENTUCKY**

\_\_\_\_\_  
Chairman

Attest:

\_\_\_\_\_  
Secretary

**MCLEAN COUNTY SCHOOL  
DISTRICT FINANCE CORPORATION**

\_\_\_\_\_  
President

Attest:

\_\_\_\_\_  
Secretary

## **APPENDIX D**

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

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**Official Terms and Conditions of Bond Sale**



**OFFICIAL TERMS AND CONDITIONS OF BOND SALE**

**\$1,355,000\***

**McLean County School District Finance Corporation  
School Building Revenue Bonds, Series of 2021  
Dated as of April 13, 2021**

**SALE: March 23, 2021 AT 11:00 A.M., E.S.T.**

As published on PARITY®, a nationally recognized electronic bidding system, the McLean County School District Finance Corporation ("Corporation") will until March 23, 2021, at the hour of 11:00 A.M., E.D.S.T., in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Rd, Carriage House, Frankfort, KY 40601, receive competitive bids for the revenue bonds herein described. To be considered, bids must be submitted on an Official Bid Form and must be delivered to the Corporation at the address indicated on the date of sale no later than the hour indicated. Bids may be submitted manually or by facsimile or electronically via PARITY. Bids will be considered by the Corporation and may be accepted without further action by the Corporation's Board of Directors.

Subject to a Permitted Adjustment\* increasing or decreasing the issue by up to \$135,000.

**MCLEAN 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 McLean 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.

**STATUTORY AUTHORITY, PURPOSE OF ISSUE AND SECURITY**

These Bonds are authorized pursuant to KRS 162.120 through 162.300, 162.385, and KRS 58.180 and are issued in accordance with a Resolution of the Corporation's Board of Directors. Said Bonds are revenue bonds and constitute a limited indebtedness of the Corporation payable from rental revenues derived by the Corporation from the Board under the Lease identified below. Said Bonds are being issued to finance renovations to Calhoun Elementary School (the "Project") and are secured by a lien upon and a pledge of the revenues from the rental of the school building to the Board under the Lease on a year to year basis; the first rental period ending June 30, 2021.

Should the Board default in its obligations under the Lease or fail to renew the Lease, the Registered Owners of Bonds have the right to have a receiver appointed to administer the Project but foreclosure and sale are not available as remedies.

The rental of the Project from the Corporation to the Board is to be effected under a certain Lease Agreement by and between the Corporation and the Board (the "Lease"), whereunder the Project is leased to the Board for the initial period ending June 30, 2021, with an option in the Board to renew the Lease each year at rentals sufficient to provide for the principal and interest requirements on the Bonds as they become due, plus the costs of insurance, maintenance, depreciation, and bond issuance and administration expenses; the Board being legally obligated only for the initial rental period and for one year at a time thereafter each time the Lease is renewed.

Under the terms of the Lease and any renewal thereof, so long as the Bonds remain outstanding and in conformance with the intent and purpose of KRS 157.627(5) and KRS 160.160(5), in the event of a failure by the Board to pay the rentals due under the Lease, and unless sufficient funds have been transmitted to the Paying Agent, or will be so transmitted, for paying said rentals when due, the Board has granted under the terms of the

Lease and Participation Agreement to the Corporation and the Commission the right to notify and request the Kentucky Department of Education to withhold from the Board a sufficient portion of any undisbursed funds then held, set aside, or allocated to the Board and to request said Department or Commissioner of Education to transfer the required amount thereof to the Paying Agent for the payment of such rentals.

Although the Board is obligated to pay the Corporation annual rentals in the full amount of the principal and interest requirements for the Bonds for each year in which the Lease is renewed, the Board has entered into the Lease in reliance upon a certain Participation Agreement by and between the Board and the Kentucky School Facilities Construction Commission (the "Commission"). Under the terms of the Participation Agreement, the Commission has agreed to pay annually directly to the Paying Agent for the Bonds a stated Agreed Participation equal to approximately \$23,904 to be applied to the annual debt service requirements for the Bonds herein identified until their retirement, subject to the constitutional restrictions limiting the commitment to the biennium; said annual amount is to be applied only to the principal and interest requirements of the Bonds so long as the Board renews the Lease. Under the Lease, the Board has pledged and assigned all of its rights under the Participation Agreement in and to the Agreed Participation to the Corporation in order to secure the Bonds and has agreed to pay that portion of the rentals in excess of said Agreed Participation for each year in which the Lease is renewed.

### **KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION**

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

Pursuant to the provisions of the Act, the Regulations of the Kentucky Board of Education and the Commission, the Commission has determined that the Board is eligible for participation from the Commission in meeting the costs of construction of the Projects and has entered into a Participation Agreement with the Board whereunder the Commission agrees to pay an annual Agreed Participation equal to approximately \$23,904 to be applied to the annual debt service requirements for the Bonds herein identified each year until their retirement; 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 period terminating on June 30, 2022; the right is reserved in the Commission to terminate its commitment to pay the Agreed Participation after the initial biennial period and every two years thereafter. The obligation of the Commission to make payments of the Agreed Participation shall be automatically renewed each two years for a period of two years unless the Commission shall give notice of its intention not to participate not less than sixty days prior to the end of the biennium; however, by the execution of the Participation Agreement, the Commission has expressed its present intention to continue to pay the Agreed Participation in each successive biennial budget period until the retirement of all of the Bonds, but such execution does not obligate the Commission to do so.

The General Assembly of the Commonwealth adopted the State's Budget for the biennium ending June 30, 2022. 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.

### **ADDITIONAL PARITY BONDS**

The Corporation has reserved the right and privilege of issuing additional bonds from time to time payable from the income and revenues of said lands and school building Project and secured by a statutory mortgage lien and pledge of revenues, but only if and to the extent the issuance of such additional parity bonds are in accordance with the plans and specifications which have been approved by the Board, Commissioner of Education, and filed in the office of the Secretary of the Corporation and a Lease shall be entered into whereunder the annual rental payments during the life of such additional bonds shall be increased by the amount of the annual principal and interest requirements of such additional bonds.

## BOND MATURITIES, PRIOR REDEMPTION PROVISIONS AND PAYING AGENT

All such Bonds shall be in denominations in multiples of \$5,000 within the same maturity, bear interest from April 13, 2021, payable on November 1, 2021, and semi annually thereafter and shall mature as to principal on May 1 in each of the years as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2022	\$25,000	2032	\$70,000
2023	25,000	2033	75,000
2024	60,000	2034	75,000
2025	60,000	2035	75,000
2026	60,000	2036	80,000
2027	60,000	2037	80,000
2028	60,000	2038	85,000
2029	70,000	2039	85,000
2030	70,000	2040	85,000
2031	70,000	2041	85,000

\*Subject to a Permitted Adjustment of the amount of Bonds awarded of up to \$135,000 which may be applied in any or all maturities.

The Bonds maturing on or after May 1, 2030 are subject to redemption at the option of the Corporation prior to their stated maturity on any date falling on or after May 1, 2029, 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.

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 Bonds are to be issued in fully registered form (both principal and interest). U.S. Bank National Association, Louisville, Kentucky, has been designated as the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date to Cede & Co. Principal and interest will be payable through the Book-Entry-Only-System administered by The Depository Trust Company: Please see "BOOK-ENTRY-ONLY-SYSTEM" below. 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 November 1 and May 1 of each year, beginning November 1, 2021 (Record Date is the 15th day of month preceding interest due date).

### BIDDING CONDITIONS AND RESTRICTIONS

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

(B) 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 Bond Sale, 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.

(C) The minimum bid shall be not less than \$1,327,900 (98% of par) plus accrued interest. Interest rates shall be in multiples of 1/8 or 1/20 of 1% or both. Only one interest rate shall be permitted per Bond, and all Bonds of the same maturity shall bear the same rate. Interest rates must be on an ascending scale, in that the interest rate stipulated in any year may not be less than that stipulated for any preceding maturity. There is no limit on the number of different interest rates.

(D) The maximum permissible net interest cost for the Bonds shall not exceed "The Bond Buyer's" Index of 20 Municipal Bonds as established on the Thursday immediately preceding the sale of said Bonds plus 1.50%.

(E) The determination of the best purchase bid for said Refunding Bonds shall be made on the basis of all bids submitted for exactly \$1,355,000 principal amount of Refunding Bonds offered for sale under the terms and conditions herein specified, but the Corporation may adjust the principal amount of Bonds upward or downward by \$135,000 (the "Permitted Adjustment") which may be awarded to such best bidder may be a minimum of \$1,220,000 or a maximum of \$1,490,000. In the event of such Permitted Adjustment, no rebidding or recalculation of a submitted bid will be required or permitted and the Underwriter's Discount on the Bonds as submitted by the successful bidder shall be held constant. The Underwriter's Discount shall be defined as the difference between the purchase price of the Bonds submitted by the bidder and the price at which the Bonds will be issued to the public, calculated from information provided by the bidder, divided by the par amount of the Bonds bid. The price of which such adjusted principal amount of Bonds will be sold will be the same price per \$5,000 of Bonds as the price per \$5,000 for the \$1,355,000 of Bonds bid.

(F) 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 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 March 23, 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).

(G) 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.

(H) CUSIP identification numbers will be printed on the Bonds at the expense of the Corporation. The purchaser shall pay the CUSIP Service Bureau 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 Bonds in accordance with the terms of any accepted proposal for the purchase of said Bonds.

(I) 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.

(J) Bids need not be accompanied by a certified or bank cashier's good faith check, BUT the successful bidder will be required to wire transfer an amount equal to 2% of the amount of the principal amount of Bonds awarded to the order of the Corporation by the close of business on the day following the award. Said good faith amount which will be forfeited as liquidated damages in the event of a failure of the successful bidder to take delivery of such Bonds when ready. The good faith amount (without interest) will be applied to the purchase price upon delivery of the Bonds. The successful bidder shall not be required to take up and pay for said Bonds unless delivery is made within 45 days from the date the bid is accepted.

(K) Delivery will be made utilizing the DTC Book-Entry-Only-System.

(L) The Corporation reserves the right to reject any and all bids or to waive any informality in any bid. The Bonds are offered for sale subject to the principal and interest not being subject to Federal or Kentucky income taxation or Kentucky ad valorem taxation on the date of their delivery to the successful bidder, in accordance with the Final Approving Legal Opinion of Steptoe & Johnson PLLC, Bond Counsel, Louisville, Kentucky, which Opinion will be qualified in accordance with the section hereof on TAX EXEMPTION.

(M) 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 160.470(12)(a) 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 160.470(12)(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 \$57,158 to be applied to 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 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. Proposals are currently pending in both Federal houses which, if passed, would eliminate the ability of the issuer to advance refund the Bonds. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation.

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

### **CONTINUING DISCLOSURE**

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

Financial information regarding the Board may be obtained from Superintendent, McLean County Board of Education, PO Box 245, 410 Highway 136 East, Calhoun, Kentucky 42327 (270-273-5257).

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

Bond Counsel is of the opinion that the Bonds are "qualified tax-exempt obligations" within the meaning of the Internal Revenue Code of 1986, as amended, and therefore advises as follows:

(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 interest on the Bonds will not be a specific item of tax preference for purposes of calculating the Federal alternative minimum tax.

(C) As a result of certifications by the Board and the Corporation, indicating the issuance of less than \$10,000,000 of tax-exempt obligations during the calendar year ending December 31, 2020, the 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 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.

**MCLEAN COUNTY SCHOOL DISTRICT  
FINANCE CORPORATION**

By /s/ Tommy Burrough  
Secretary

**APPENDIX E**

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

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**Official Bid Form**

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

The McLean County School District Finance Corporation ("Corporation" or "Issuer"), will until 11:00 A.M., E.D.S.T., on March 23, 2021, receive in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Rd, Carriage House, Frankfort, KY 40601, (telephone 502-564-5582; fax 888-979-6152) competitive bids for its \$1,355,000 School Building Revenue Bonds, Series of 2021, dated April 13, 2021; maturing May 1, 2022 through 2041 ("Bonds").

We hereby bid for said \$1,355,000\* principal amount of Bonds, the total sum of \$ \_\_\_\_\_ (not less than \$1,327,900) plus accrued interest from April 13, 2021 payable November 1, 2021 and semiannually thereafter at the following annual rates, (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 the years as follows:

<u>Year</u>	<u>Amount*</u>	<u>Rate</u>	<u>Year</u>	<u>Amount*</u>	<u>Rate</u>
2022	\$25,000	_____ %	2032	\$ 70,000	_____ %
2023	25,000	_____ %	2033	75,000	_____ %
2024	60,000	_____ %	2034	75,000	_____ %
2025	60,000	_____ %	2035	75,000	_____ %
2026	60,000	_____ %	2036	80,000	_____ %
2027	60,000	_____ %	2037	80,000	_____ %
2028	60,000	_____ %	2038	85,000	_____ %
2029	70,000	_____ %	2039	85,000	_____ %
2030	70,000	_____ %	2040	85,000	_____ %
2031	70,000	_____ %	2041	85,000	_____ %

\* Subject to Permitted Adjustment

We understand this bid may be accepted for as much as \$1,490,000 of Bonds or as little as \$1,220,000 of Bonds, at the same price per \$5,000 Bond, with the variation in such amount occurring in any maturity or all maturities, which will be determined at the time of acceptance of the best bid.

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 March 23, 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. Notwithstanding the foregoing, non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form.

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

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

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

No certified or bank cashier's check will be required to accompany a bid, but the successful bidder shall be required to wire transfer an amount equal to 2% of the principal amount of 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 April 13, 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 April 13, 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 McLean 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>
2022	_____,000	_____%	2032	_____,000	_____%
2023	_____,000	_____%	2033	_____,000	_____%
2024	_____,000	_____%	2034	_____,000	_____%
2025	_____,000	_____%	2035	_____,000	_____%
2026	_____,000	_____%	2036	_____,000	_____%
2027	_____,000	_____%	2037	_____,000	_____%
2028	_____,000	_____%	2038	_____,000	_____%
2029	_____,000	_____%	2039	_____,000	_____%
2030	_____,000	_____%	2040	_____,000	_____%
2031	_____,000	_____%	2041	_____,000	_____%

Dated: March 23, 2020

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

