

DATED MAY 27, 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 calculating the alternative minimum tax under the code, 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).*

**\$2,240,000\***  
**JOHNSON COUNTY SCHOOL DISTRICT FINANCE CORPORATION**  
**ENERGY CONSERVATION REVENUE BONDS,**  
**SERIES OF 2021**

**Dated: JUNE 24, 2021**

**Due: as shown below**

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

Maturing		Interest Rate	Reoffering Yield	CUSIP	Maturing		Interest Rate	Reoffering Yield	CUSIP
1-Aug	Amount				1-Aug	Amount			
2022	\$25,000	%	%		2032	\$115,000	%	%	
2023	\$50,000	%	%		2033	\$120,000	%	%	
2024	\$80,000	%	%		2034	\$125,000	%	%	
2025	\$85,000	%	%		2035	\$135,000	%	%	
2026	\$90,000	%	%		2036	\$140,000	%	%	
2027	\$90,000	%	%		2037	\$145,000	%	%	
2028	\$95,000	%	%		2038	\$155,000	%	%	
2029	\$100,000	%	%		2039	\$150,000	%	%	
2030	\$105,000	%	%		2040	\$160,000	%	%	
2031	\$110,000	%	%		2041	\$165,000	%	%	

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

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

The Bonds constitute a limited indebtedness of the Johnson 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 on an annual renewable basis to the Johnson County Board of Education.

The Johnson County (Kentucky) School District Finance Corporation will until June 3, 2021, at 11:00 A.M., E.S.T., receive competitive bids for the Bonds at the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Road, Carriage House, Frankfort, Kentucky 40601.

**\*As set forth in the "Official Terms and Conditions of Bond Sale," the principal amount of Bonds sold to the successful bidder is subject to a Permitted Adjustment by increasing or decreasing the amount not to exceed \$225,000.**

**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.



**JOHNSON COUNTY, KENTUCKY  
BOARD OF EDUCATION**

Bob Hutchinson, Chairman  
Melvin Vanhoose, Member  
Paul Greer, Member  
William Fraley, Member  
Willard Burton, Member

Thom Cochran, Superintendent  
Valarie Blair, Secretary

**JOHNSON COUNTY SCHOOL DISTRICT  
FINANCE CORPORATION**

Bob Hutchinson, President  
Melvin Vanhoose, Member  
Paul Greer, Member  
William Fraley, Member  
Willard Burton, Member

Valarie Blair, Secretary  
Jeff Reed, 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  
Cincinnati, Ohio

**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 Johnson County School District Finance Corporation Energy Conservation 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; No Participation in this Issue . . . . .	3
Biennial Budget For Period Ending June 30, 2022 . . . . .	4
Outstanding Bonds . . . . .	4
Authority . . . . .	5
The Bonds . . . . .	5
General . . . . .	5
Registration, Payment and Transfer . . . . .	5
Redemption . . . . .	5
Security . . . . .	6
General . . . . .	6
The Lease; Pledge of Rental Revenues . . . . .	6
State Intercept . . . . .	6
The Energy Conservation Management Projects . . . . .	6
Additional Parity Bonds for Completion of 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 . . . . .	10
Local Support . . . . .	10
Homestead Exemption . . . . .	10
Limitation on Taxation . . . . .	10
Local Thirty Cents Minimum . . . . .	10
Additional 15% Not Subject to Recall . . . . .	11
Assessment Valuation . . . . .	11
Special Voted and Other Local Taxes . . . . .	11
Local Tax Rates, Property Assessments, and Revenue Collections . . . . .	11
Overlapping Bond Indebtedness . . . . .	12
SEEK Allotment . . . . .	12
State Budgeting Process . . . . .	13
COVID-19 . . . . .	13
Potential Legislation . . . . .	13
Continuing Disclosure . . . . .	14
Tax Exemption; Bank Qualified . . . . .	14
Original Issue Premium . . . . .	14
Original Issue Discount . . . . .	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**

**\$2,240,000\***

**JOHNSON COUNTY SCHOOL DISTRICT FINANCE CORPORATION  
ENERGY CONSERVATION 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 Johnson County School District Finance Corporation (the "Corporation") Energy Conservation Revenue Bonds, Series of 2021 (the "Bonds").

The Bonds are being issued to finance energy improvements at W.R. Castle Elementary School (the "ECM Projects" or "Projects").

The Bonds are revenue bonds and constitute a limited indebtedness of the Corporation. The Bonds will be secured by a pledge of the rental income derived by the Corporation from leasing the Project to the Johnson 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 Johnson County Board of Education from its records, except for information expressly attributed to other sources. The presentation of financial and other information is not intended, unless specifically stated, to indicate future or continuing trends in the financial position or other affairs of the Board. No representation is made that past experience, as is shown by financial and other information, will necessarily continue or be repeated in the future.

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

Copies of the Bond Resolution authorizing the issuance of the Bonds and the Lease Agreement dated June 24, 2021, may be obtained at the office of Steptoe & Johnson PLLC, Bond Counsel, 700 N. Hurstbourne Parkway, Ste. 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 2 million issues of U.S. and non-U.S. equity issues,

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

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

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

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

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

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

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

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

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

## **THE CORPORATION**

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

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

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

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

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

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

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

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.

#### **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>
2007	\$990,000	\$450,000	\$741,339	\$248,661	4.000%	2027
2010 QZAB	\$1,825,000	\$1,825,000	\$1,825,000	\$0	5.600%	2027
2011-REF	\$2,020,000	\$395,000	\$2,020,000	\$0	3.000%	2021
2011	\$1,875,000	\$1,505,000	\$1,875,000	\$0	3.125% - 4.250%	2031
2012-REF	\$1,755,000	\$645,000	\$1,334,808	\$420,192	2.225% - 2.450%	2024
2013-REF	\$1,605,000	\$925,000	\$1,282,344	\$322,656	1.400% - 2.000%	2025
2013	\$2,790,000	\$2,485,000	\$1,925,033	\$864,967	2.500% - 4.000%	2033
2015	\$2,650,000	\$2,440,000	\$2,017,431	\$632,569	2.250% - 3.250%	2035
2017 Energy	\$5,430,000	\$5,150,000	\$0	\$5,430,000	1.500% - 3.000%	2037
2019	\$955,000	\$920,000	\$0	\$955,000	2.250% - 3.150%	2039
2020-REF	\$1,335,000	\$1,225,000	\$1,193,998	\$141,002	1.000% - 1.000%	2030
<b>TOTALS:</b>	<b>\$23,230,000</b>	<b>\$17,965,000</b>	<b>\$14,214,953</b>	<b>\$9,015,047</b>		



## AUTHORITY

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

- i) the issuance of approximately \$2,240,000 of Bonds subject to a permitted adjustment of \$225,000;
- 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 June 24, 2021, will bear interest from that date as described herein, payable semi-annually on February 1 and August 1 of each year, commencing August 1, 2022, and will mature as to principal on August 1, 2022, and each August 1 thereafter in the years and in the principal amounts as set forth on the cover page of this Official Statement.

### Registration, Payment and Transfer

The Bonds are to be issued in fully-registered form (both principal and interest). U.S. Bank, National Association, Cincinnati, Ohio, the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date to Cede & Co., as the nominee of The Depository Trust Company. Please see Book-Entry-Only-System. Interest on the Bonds will be paid at rates to be established upon the basis of competitive bidding as hereinafter set forth, such interest to be payable on February 1 and August 1 of each year, beginning August 1, 2022 (Record Date is 15th day of month preceding interest due date).

### Redemption

The Bonds maturing on or after August 1, 2028, are subject to redemption at the option of the Corporation prior to their stated maturity on any date falling on or after August 1, 2027, 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
August 1, 2027, and thereafter	100%

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

## SECURITY

### General

The Bonds are revenue bonds and constitute a limited indebtedness of the Corporation. The Bonds are payable as to both principal and interest solely from the income and revenues derived from the leasing of the Projects financed from the Bond proceeds from the Corporation to the Board. The Bonds are secured by pledges of revenues on and from the site of the Project; provided, however, that the liens and pledges are on parity with

similar liens and pledges securing the Corporation's School Building Revenue Bonds previously issued to improve or refinance improve certain of the building(s) in which the Projects are located (the "Parity Bonds").

### **The Lease; Pledge of Rental Revenues**

The Board has leased the school Project securing the Bonds for an initial period from June 24, 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 August 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, the Board has agreed so long as the Bonds remain outstanding, and in conformance with the intent and purpose of KRS 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 the right to notify and request the Kentucky Department of Education to withhold from the Board a sufficient portion of any undisbursed funds then held, set aside, or allocated to the Board and to request said Department or Commissioner of Education to transfer the required amount thereof to the Paying Agent for the payment of such rentals.

### **THE ENERGY CONSERVATION MANAGEMENT PROJECTS**

After the payment of expenses in connection with the issuance of the Bonds, the balance of the Bond proceeds will be deposited to the Construction Fund to implement complete energy conservation improvements at W.R. Castle Elementary School.

The Board has or will enter a Guaranteed Energy Savings Contract with Performance Services, Lexington, Kentucky, with the approval of the State Department of Education, Buildings and Grounds.

### **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 ECM Projects and secured by the same pledges of revenues, but only if and to the extent the issuance of such additional parity bonds are in accordance with completed plans and specifications, approved by the Board and DOE, and filed in the office of the Secretary of the Corporation.

*The remainder of this page intentionally left blank.*

### 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 pay approximately 100% of the debt service of the Bonds.

Fiscal Year Ending June 30	Current Local Bond Payments	----- Series 2021 Energy Conservation Revenue Bonds -----					Total Local Bond Payments
		Principal Portion	Interest Portion	Total Payment	General Portion	Local Portion	
2021	\$1,233,676						\$1,233,676
2022	\$1,229,430						\$1,229,430
2023	\$983,938	\$25,000	\$88,460	\$113,460	\$63,999	\$49,461	\$1,033,399
2024	\$986,264	\$50,000	\$54,348	\$104,348	\$65,919	\$38,429	\$1,024,693
2025	\$818,861	\$80,000	\$53,048	\$133,048	\$67,897	\$65,151	\$884,011
2026	\$815,723	\$85,000	\$51,398	\$136,398	\$69,933	\$66,464	\$882,187
2027	\$691,441	\$90,000	\$49,648	\$139,648	\$72,031	\$67,616	\$759,057
2028	\$628,286	\$90,000	\$47,848	\$137,848	\$74,192	\$63,655	\$691,942
2029	\$565,485	\$95,000	\$45,760	\$140,760	\$76,418	\$64,342	\$629,826
2030	\$570,735	\$100,000	\$43,323	\$143,323	\$78,711	\$64,612	\$635,347
2031	\$566,899	\$105,000	\$40,760	\$145,760	\$81,072	\$64,688	\$631,587
2032	\$553,121	\$110,000	\$38,073	\$148,073	\$83,504	\$64,568	\$617,689
2033	\$384,141	\$115,000	\$35,260	\$150,260	\$86,009	\$64,251	\$448,391
2034	\$384,252	\$120,000	\$32,323	\$152,323	\$88,590	\$63,733	\$447,985
2035	\$220,732	\$125,000	\$29,260	\$154,260	\$91,247	\$63,013	\$283,745
2036	\$220,327	\$135,000	\$25,943	\$160,943	\$93,985	\$66,958	\$287,285
2037		\$140,000	\$22,368	\$162,368	\$96,804	\$65,563	\$65,563
2038		\$145,000	\$18,663	\$163,663	\$99,708	\$63,954	\$63,954
2039		\$155,000	\$14,724	\$169,724	\$102,700	\$67,024	\$67,024
2040		\$150,000	\$10,683	\$160,683	\$97,788	\$62,895	\$62,895
2041		\$160,000	\$6,575	\$166,575	\$100,761	\$65,814	\$65,814
2042		\$165,000	\$2,228	\$167,228	\$103,825	\$63,403	\$63,403
<b>TOTALS:</b>	10,853,312	\$2,240,000	\$710,686	\$2,950,686	\$1,695,093	\$1,255,593	\$12,108,905

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

### ESTIMATED USE OF BOND PROCEEDS

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

<b>Sources:</b>	
Par Amount of Bonds	<u>\$2,240,000.00</u>
Total Sources	\$2,240,000.00
<b>Uses:</b>	
Deposit to Construction Fund	\$2,166,240.00
Underwriter's Discount	44,800.00
Cost of Issuance	<u>28,960.00</u>
Total Uses	\$2,240,000.00

## DISTRICT STUDENT POPULATION

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

<u>Year</u>	<u>Average Daily Attendance</u>	<u>Year</u>	<u>Average Daily Attendance</u>
1990-91	3,847.9	2004-05	3,328.2
1991-92	3,823.4	2005-06	3,387.0
1992-93	3,823.4	2006-07	3,342.2
1993-94	3,758.6	2007-08	3,309.4
1994-95	3,746.4	2008-09	3,282.6
1995-96	3,671.0	2009-10	3,287.5
1996-97	3,621.4	2010-11	3,359.4
1997-98	3,573.9	2011-12	3,397.5
1998-99	3,573.9	2012-13	3,378.2
1999-00	3,532.5	2013-14	3,335.2
2000-01	3,532.5	2014-15	3,323.4
2001-02	3,401.9	2015-16	3,304.1
2002-03	3,325.8	2016-17	3,272.9
2003-04	3,322.0	2017-18	3,123.4
		2018-19	3,101.2

*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 Johnson 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>
1990-91	384,790.0	2004-05	332,820.0
1991-92	382,340.0	2005-06	338,700.0
1992-93	382,340.0	2006-07	334,220.0
1993-94	375,860.0	2007-08	330,940.0
1994-95	374,640.0	2008-09	328,263.0
1995-96	367,100.0	2009-10	328,751.0
1996-97	362,140.0	2010-11	335,938.0
1997-98	357,390.0	2011-12	339,754.0
1998-99	357,390.0	2012-13	337,823.0
1999-00	353,250.0	2013-14	333,524.0
2000-01	353,250.0	2014-15	332,339.0
2001-02	340,190.0	2015-16	330,408.0
2002-03	332,580.0	2016-17	327,290.0
2003-04	332,200.0	2017-18	312,340.0
		2018-19	310,120.0

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>
2009-10	55.7	733,884,940	4,087,739
2010-11	48.2	761,550,252	3,670,672
2011-12	52.7	769,347,587	4,054,462
2012-13	53.6	795,215,715	4,262,356
2013-14	51.7	873,531,894	4,516,160
2014-15	60.1	850,497,949	5,111,493
2015-16	58.6	883,757,880	5,178,821
2016-17	60.0	906,983,007	5,441,898
2017-18	60.1	868,392,168	5,219,037
2018-19	58.8	858,644,542	5,048,830

**OVERLAPPING BOND INDEBTEDNESS**

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

<b>Issuer</b>	<b>Original Principal Amount</b>	<b>Amount of Bonds Redeemed</b>	<b>Current Principal Outstanding</b>
County of Johnson			
Refunding Revenue	\$5,880,000	\$2,080,000	\$3,800,000
Vehicles Revenue	\$283,844	\$0	\$283,844
City of Paintsville			
General Obligation	\$1,295,000	\$375,000	\$920,000
Water Revenue	\$808,000	\$253,500	\$554,500
Gas Renewable	\$900,000	\$830,000	\$70,000
Recreational Facilities Revenue	\$698,403	\$209,515	\$488,888
Building Revenue	\$400,000	\$322,422	\$77,578
Improvement Project Revenue	\$18,650,000	\$1,358,500	\$17,291,500
Refinancing Refunding Revenue	\$2,045,000	\$1,925,000	\$120,000
Special Districts			
Johnson County Extension District	\$600,000	\$180,000	\$420,000
<b>Totals:</b>	<b>\$31,560,247</b>	<b>\$7,533,937</b>	<b>\$24,026,310</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.

SEEK	Base Funding	Local Tax Effort	Total State & Local Funding
2009-10	16,564,254	4,087,739	20,651,993
2010-11	16,672,970	3,670,672	20,343,642
2011-12	18,091,229	4,054,462	22,145,691
2012-13	18,019,371	4,262,356	22,281,727
2013-14	17,392,493	4,516,160	21,908,653
2014-15	17,752,409	5,111,493	22,863,902
2015-16	17,815,098	5,178,821	22,993,919
2016-17	17,612,150	5,441,898	23,054,048
2017-18	17,307,740	5,219,037	22,526,777
2018-19	17,600,645	5,048,830	22,649,475

- (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 \$0.660 for FY 2019-20. The equivalent tax rate" is defined as the rate which results when the income from all taxes levied by the district for school purposes is divided by the total assessed value of property plus the assessment for motor vehicles certified by the Commonwealth of Kentucky Revenue Cabinet.

## STATE BUDGETING PROCESS

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

## COVID-19

The recent outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, which was first detected in China and has since spread to other countries, including the United States and the Commonwealth of Kentucky, has been declared a Pandemic by the World Health Organization. The outbreak of



the disease has affected travel, commerce and financial markets globally and is widely expected to affect economic growth worldwide. On March 13, 2020, President Donald Trump declared a national emergency to unlock federal funds to help states and local governments fight the pandemic.

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

On April 22, 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>.

#### **POTENTIAL LEGISLATION**

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

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

#### **CONTINUING DISCLOSURE**

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

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

Financial information regarding the Board may be obtained from Superintendent, Johnson County Board of Education, 253 North Mayo Trail, Paintsville, Kentucky 41240, Telephone: (606) 789-2530.

### **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 alternative minimum tax.

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

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

#### **Original Issue Premium**

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

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

#### **Original Issue Discount**

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

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

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

### **ABSENCE OF MATERIAL LITIGATION**

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

### **APPROVAL OF LEGALITY**

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

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

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

### **BOND RATING**

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

### **FINANCIAL ADVISOR**

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

## APPROVAL OF OFFICIAL STATEMENT

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

**Johnson County School District Finance Corporation  
Energy Conservation Revenue Bonds  
Series of 2021**

---

**Demographic and Economic Data**

## **JOHNSON COUNTY, KENTUCKY**

Paintsville, the county seat of Johnson County, is located in the Eastern Coal Field Region of Kentucky. Paintsville, with an estimated 2017 population of 4,082, is located 116 miles southeast of Lexington, Kentucky; 186 miles southeast of Louisville, Kentucky; 159 miles southeast of Cincinnati, Ohio; and 201 miles northeast of Knoxville, Tennessee. Johnson County, with an estimated 2017 population of 22,594 has a land area of 261 square miles.

### **The Economic Framework**

The total number of persons employed Johnson County in 2017 averaged 5,869. Natural resources and mining provided 83 job opportunities; construction firms provided 188 jobs; manufacturing firms in the county reported 54 employees; trade, transportation and utilities provided 1,536 jobs; information services provided 111 jobs; 231 people were employed in financial activities; 1,511 people were employed in service occupations; and 107 positions were in other services or unclassified.

### **Transportation**

Highways serving Paintsville include U.S. 23, U.S. 460 and Kentucky Highway 40. The Mountain Parkway is located eighteen miles southwest via U.S. 460 and the Mountain Parkway. Rail service is provided to Paintsville by CSX Transportation. Fifteen trucking companies provide Paintsville with interstate and/or intrastate service. Combs Airport, five miles south of Paintsville, has a 3,200-foot paved runway. Big Sandy Regional Airport, twenty miles southeast of Paintsville, maintains a 5,000-foot paved runway. The nearest scheduled commercial airline service is available at the Tri-State Airport, three miles southwest of Huntington, West Virginia, sixty miles northeast of Paintsville.

### **Power and Fuel**

Electric power is provided to Paintsville and of Johnson County by AEP-Kentucky Power Company, an electric generation and transmission company. Johnson County is also served by the Big Sandy Rural Electric Cooperative Corporation, which is supplied by East Kentucky Power. Natural gas is provided to Paintsville and Johnson County by Columbia Gas of Kentucky, Inc., Paintsville Utilities and Public Gas Company, Inc.

### **Education**

Primary and Secondary education is provided to Paintsville and Johnson County School Systems. Two Universities, three senior colleges, and three community colleges are located within 70 miles of Paintsville. Vocational education is provided to Paintsville and Johnson County by the Mayo Regional Technology Center, located in Paintsville.

## **LOCAL GOVERNMENT**

### **Structure**

Paintsville is served by a mayor and six council members. Johnson County is served by a county judge/executive, a deputy judge/executive, and three commissioners.

### **Planning and Zoning**

City agency - Paintsville Planning and Zoning Commission

Zoning enforced - Yes

Subdivision regulations enforced - Within city limits and five miles beyond

Local codes enforced - Building and housing

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 Paintsville levies an occupational license tax of 1.0 percent and Johnson County levies an occupational license tax of 0.5 percent on wages, salaries, and commissions of individuals and on net profits of businesses. An Annual business license fee of \$25 is also charged.

## 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 Paintsville Labor Market Area includes Johnson County and the adjoining Kentucky counties of Floyd, Lawrence, Martin, Morgan, and Magoffin.

### Population

<u>Area</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Labor Market Area	113,935	111,762	NA
Paintsville	4,203	4,082	4,037
Johnson County	22,978	22,594	22,386

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

### Population Projections

<u>Area</u>	<u>2025</u>	<u>2030</u>	<u>2035</u>
Johnson County	22,813	22,416	21,935

*Source: Kentucky State Data Center, University of Louisville.*

## EDUCATION

### Public Schools

	<u>Paintsville Independent</u>	<u>Johnson County</u>
Total Enrollment (2018-2019)	786	3,468
Pupil-Teacher Ratio (2018-2019)	15-1	15-1

### Vocational Training

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

## Customized Training

The Kentucky Tech system, through its Training and Development Coordinators, will provide technical assistance and will identify and develop low-cost customized training programs and services for established and prospective businesses. Businesses needing customized training should contact a Training and Development Coordinator located on the campus of Mayo Regional Technology Center.

## Assessment Services

Kentucky Tech Career Connections offers to businesses, education, and government agencies customized assessment in career inventories, interest inventories, pre-hire assessment, psychomotor skills, and academic potential. A Career Connection Assessment Center is located on the campus of Mayo Regional Technology Center.

## Tech Prep

Tech Prep is a combined secondary and postsecondary program of studies that leads to an associate degree or diploma in a vocational-technical field. In Paintsville, Johnson Central High School in partnership with Mayo Regional Technology Center and Prestonsburg Community College offer programs in technology, health, human services and business.

## Adult Education Service

Adult education programs are available to adults who want to develop new skills, improve basic skills, or earn a high school equivalency diploma. In Paintsville, adult education is provided through the Johnson County Board of Education and the Mayo Regional Technology Center, and adult literacy is provided through the Johnson County Literacy Project.

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

<u>Vocational School</u>	<u>Location</u>	<u>Enrollment 2017-2018</u>
Martin County ATC	Inez, KY	398
Floyd County ATC	Martin, KY	264
Morgan County ATC	West Liberty, KY	669
Belfry ATC	Belfry, KY	546
Knott County ATC	Hindman, KY	400
Millard ATC	Millard, KY	195
Breathitt County ATC	Jackson, KY	411
Carter County Career & Tech Center	Olive Hill, KY	285
Boyd County High School Voc. School	Ashland, KY	710
Russell ATC	Russell, KY	564
Letcher County ATC	Whitesburg, KY	569
Lee County ATC	Beattyville, KY	395
Greenup County ATC	Greenup, KY	629
Leslie County ATC	Hyden, KY	388
Foster Mead Vocational Ed. Center	Vanceburg, KY	936



## Colleges and Universities

<u>Name</u>	<u>Location</u>	<u>Enrollment (Fall 2018)</u>
University of Pikeville	Pikeville, KY	2,336
Morehead State University	Morehead, KY	10,580
Alice Lloyd College	Pippa Passes, KY	598
Kentucky Christian College	Grayson, KY	688
Marshall University	Huntington, WV	13,246
Ohio University-Southern Campus	Ironton, OH	1,387
Frontier School of Midwifery and Family Nursing	Hyden, KY	2,004

## FINANCIAL INSTITUTIONS

<u>Institution</u>	<u>Total Assets</u>	<u>Total Deposits</u>
Citizens National Bank of Paintsville	\$620,288,000	\$507,925,000

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

## EXISTING INDUSTRY

<u>Firm</u>	<u>Product</u>	<u>Employed</u>
<b>Hagerhill:</b>		
Atlantic India Rubber Company Inc.	Custom rubber products	9
<b>Paintsville:</b>		
American Metal Works LLC	Aerospace manufacturing, general machining, mill and lathe work	10
Hunter's Friend LLC	Hunting equipment	9
Johnson County Newspaper, Inc.	Weekly newspaper & shopper news publishing	9
Paintsville Wood Products LLC	Grade hardwood & wood chips	30

*Source: Kentucky Cabinet for Economic Development (6/2/2019).*

**APPENDIX B**

**Johnson County School District Finance Corporation  
Energy Conservation Revenue Bonds  
Series of 2021**

---

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

JOHNSON COUNTY SCHOOL DISTRICT  
BASIC FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION,  
AND INDEPENDENT AUDITOR'S REPORTS

For the year ended June 30, 2020



WELLS & COMPANY, P.S.C.

*Certified Public Accountants*  
865 South Mayo Trail, Suite 7  
Paintsville, Kentucky 41240-1215

(606) 789-3588

**JOHNSON COUNTY SCHOOL DISTRICT**  
**TABLE OF CONTENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Page</u>
<b>Independent Auditor’s Report</b> .....	1-2
<b>Management’s Discussion and Analysis</b> .....	3-6
<b>Basic Financial Statements:</b>	
<b>Government-wide Financial Statements:</b>	
Statement of Net Position .....	7
Statement of Activities.....	8
<b>Fund Financial Statements:</b>	
Balance Sheet – Governmental Funds.....	9
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	10
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	12
Statement of Net Position – Proprietary Fund .....	13
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund .....	14
Statement of Cash Flows – Proprietary Funds.....	15
Statement of Fiduciary Net Position – Fiduciary Fund .....	16
Statement of Changes in Fiduciary Net Position – Fiduciary Fund.....	17
<b>Notes to Basic Financial Statements</b> .....	18-54
<b>Required Supplementary Information:</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund .....	55
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Special Revenue Fund .....	56
Schedule of the District’s Proportionate Share of the Net Pension Liability .....	57

**JOHNSON COUNTY SCHOOL DISTRICT**  
**TABLE OF CONTENTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Page</u>
Schedule of District Contributions .....	58
Schedule of the District's Proportionate Share of the Net OPEB Liability .....	59-60
Schedule of the District's OPEB Contributions .....	61-62
Notes to Required Supplementary Information .....	63-68
<b>Combining Statements – Nonmajor Funds:</b>	
Combining Balance Sheet – Nonmajor Governmental Funds .....	69
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds .....	70
<b>Other Combining Statements and School Activity Funds:</b>	
Combining Statement of Fiduciary Net Position – School Activity Funds (Agency Fund) .....	71
Combining Statement of Revenues, Expenditures and Changes Due Student Groups – School Activity Funds (Agency Fund) .....	72
Statement of Receipts, Disbursements Due Student Groups – School Activity Funds Johnson Central High School (Agency Fund) .....	73
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Debt Service Funds .....	74
<b>Schedule of Expenditures of Federal Awards .....</b>	<b>75-76</b>
<b>Notes to Schedule of Expenditures of Federal Awards .....</b>	<b>77</b>
<b>Schedule of Findings and Questioned Costs .....</b>	<b>78</b>
<b>Schedule of Prior Year Audit Findings .....</b>	<b>79</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>80-81</b>
<b>Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by The Uniform Guidance .....</b>	<b>82-83</b>
<b>Management Letter Comments .....</b>	<b>84-86</b>

**INDEPENDENT AUDITOR'S REPORT**



WELLS & COMPANY, P.S.C.

*Certified Public Accountants*

865 South Mayo Trail, Suite 7  
Paintsville, Kentucky 41240-1215

(606) 789-3588

Fax (606) 789-3326

## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education  
Johnson County School District  
Paintsville, 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 Johnson 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 as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Johnson 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, on pages 3-6, budgetary comparison information on pages 55-56, and CERS and KTRS schedules and notes on pages 57-68 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 Johnson County School District's basic financial statements. The combining and individual nonmajor fund financial statements and the school activity funds, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2020, on our consideration of Johnson 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 Johnson 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 Johnson County School District's internal control over financial reporting and compliance.

*Wells & Company, PSC*

Certified Public Accountants  
Paintsville, Kentucky  
October 26, 2020



**JOHNSON COUNTY SCHOOL DISTRICT – PAINTSVILLE, KY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE YEAR ENDED JUNE 30, 2020**

As management of the Johnson 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 ending cash balance for the District was \$7,140,373 in 2019 and \$4,851,821 in 2020. This is a decrease of \$2,288,552. This difference can be explained by the increase in expenses.
- From 2020 to 2019, total General Fund revenue decreased by 3.8%. Revenue from the state decreased by 1.1%. Revenues from federal sources increased by 15.1%. Revenues from other local revenues increased by 31.36%.
- Among major funds, the General Fund had \$30.76 million in revenue, which primarily consisted of local property, utilities, and motor vehicle taxes, federal programs and state funding. There were \$31.15 million in expenditures.
- A concerted effort was focused on purchasing in the areas of supplies, food, and travel resulting in several economies due to changed management strategies.
- Bonds are issued as the District renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education's (KDE) stringent compliance regulations. The District made total debt payments of \$1,353,611 during the current fiscal year. In addition, the District issued \$955,000 in School Building Revenue Bonds (series 2019) to finance the security upgrades at each school.
- State law requires districts to update a priority list of construction and renovation needs, called a local facilities plan, every four years. The document guides the allocation of School Facilities Construction Commission dollars. To be eligible to share in that money, the District updated its facilities plan in October 2017. With the age and size of our facility, there is a focus on investing in plant management.

**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.

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 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.

The government-wide financial statements can be found on pages 7 through 8 of this report.

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

The basic governmental fund financial statements can be found on pages 9 through 17 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18 through 54 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and general fixed assets), 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.

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

**Net Position for the period ending June 30, 2020 and 2019**

This is the eighteenth year that the District is following GASB 34 and comparing assets, liabilities and net position. 2020 Government Wide Net Position compared to 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Current Assets	\$ 8,632,334	\$ 8,272,965
Noncurrent Assets	<u>31,524,436</u>	<u>29,542,913</u>
<b>Total assets</b>	<b><u>40,156,770</u></b>	<b><u>37,815,878</u></b>
<b>Deferred Outflows of Resources</b>	<b><u>4,910,129</u></b>	<b><u>3,535,290</u></b>
Current Liabilities	2,965,951	2,514,073
Noncurrent Liabilities	<u>40,008,583</u>	<u>31,311,053</u>
<b>Total liabilities</b>	<b><u>42,974,534</u></b>	<b><u>33,825,126</u></b>
<b>Deferred Inflows of Resources</b>	<b><u>4,509,079</u></b>	<b><u>2,024,235</u></b>
<b>Net Position</b>		
Net investment in capital assets	12,933,905	10,864,371
Restricted	303,705	1,171,803
Unrestricted Fund Balance	<u>(15,654,324)</u>	<u>(6,534,367)</u>
<b>Total net position</b>	<b><u>\$ (2,416,714)</u></b>	<b><u>\$ 5,501,807</u></b>

There has been no significant change in the financial position of the District since the last audit.

The following table presents a fund accounting comparison and summary of revenue and expense for government funds only for the fiscal years 2020 and 2019.

	<u>2020</u>	<u>2019</u>
<b>Revenues:</b>		
Local revenue sources	\$ 7,319,196	\$ 6,835,956
State revenue sources	28,427,654	28,726,245
Federal revenue	<u>4,412,617</u>	<u>3,748,022</u>
<b>Total revenues</b>	<b><u>40,159,467</u></b>	<b><u>39,310,223</u></b>
<b>Expenditures:</b>		
Instruction	25,802,021	24,956,457
Support services:		
Student	1,033,895	1,021,098
Instructional staff	275,140	346,204
District administration	1,187,202	731,001
School administration	2,256,317	2,213,024
Business support	718,401	691,182
Plant operations	3,493,327	3,651,462
Student transportation	1,666,611	2,062,776
Central office support	-	-
Facilities acquisition and construction	2,237,132	137,222
Community support	545,986	613,267
Other	<u>2,009,110</u>	<u>2,118,109</u>
<b>Total expenses</b>	<b><u>41,225,142</u></b>	<b><u>38,541,802</u></b>
<b>Excess (deficit) of revenues over expenses</b>	<b>(1,065,675)</b>	<b>768,421</b>
<b>Other Financing Sources (Uses):</b>		
Bond sale proceeds	935,900	-
Proceeds from sale of fixed assets	8,338	13,877
Transfers	<u>128,569</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<b><u>1,072,807</u></b>	<b><u>13,877</u></b>
<b>Net change in fund balance</b>	<b><u>\$ 7,132</u></b>	<b><u>\$ 782,298</u></b>

## CAPITAL ASSETS

At the end of fiscal 2020, the District had \$31.52 million invested in capital assets, including land, buildings, buses, computers and other equipment. This amount represents a net increase (including additions and deductions) of \$1.98 million over last year. This increase is primarily due to school bus purchases.

### Capital Assets at Year-End (Net of Depreciation, in Millions)

	Governmental Activities		Business-type Activities		Totals	
	2019	2020	2019	2020	2019	2020
Land	\$ 1.57	\$ 1.59	\$ -	\$ -	\$ 1.57	\$ 1.59
Buildings & Improvements	21.27	25.32	-	-	21.27	25.32
Technology Equipment	.14	.18	-	-	.14	.18
Vehicles	.99	1.35	-	-	.99	1.35
General Equipment	.03	.08	.22	.90	.25	.98
Construction in Progress	<u>5.32</u>	<u>2.10</u>	<u>-</u>	<u>-</u>	<u>5.32</u>	<u>2.10</u>
Totals	<u>\$29.32</u>	<u>\$30.62</u>	<u>\$ .22</u>	<u>\$ .90</u>	<u>\$29.54</u>	<u>\$31.52</u>

- On-behalf of amounts are included in revenues and expenses. On-behalf payments as defined by KDE are payments the state makes on behalf of employees to the various agencies for health and life insurance, benefits and administration fees and debt service. Further discussion of these can be found in Note B. Expenses that increased from 2019 to 2020 include instruction, student, district administration, school administration, business support, and facilities acquisition and construction.

The changes in the balances and transactions of individual funds have not been material. Changes in final budget when compared to original are not material.

- The majority of revenue in 2020 was derived from state funding (71%) as compared with fiscal year 2019 (73%) with federal revenue making up 11% of total revenue in 2020 compared to 9% in 2019.

### Comments on Budget Comparisons

- The District's General Fund total revenues for the fiscal year ended June 30, 2020, net of interfund transfers, were \$30.76 million.
- General Fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$4.5 million more than budget.
- The total cost of all General Fund programs and services was \$31.15 million net of debt service.
- General Fund budget expenditures to actual varied significantly in instruction (\$5.67 million). This resulted from the Board recording the on-behalf payments made for the District and other expenses.

## DEBT SERVICE

At year end, the District had approximately \$18.65 million in outstanding debt, compared to \$18.76 million last year. The District continues to maintain favorable debt ratings from Moody's and Standard & Poors.

## FUTURE 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's overall budget. By law the budget must have a minimum 2% contingency. The District adopted a budget with \$1.99 million in contingency (5%). The General Fund beginning cash balance for beginning the fiscal year was \$4.88 million.

Questions regarding this report should be directed to the Superintendent or Gwenlyn Castle, Director of Finances or by mail at 253 North Mayo Trail, Paintsville, Ky. 41240.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

JOHNSON COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2020

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 4,397,233	\$ 47,390	\$ 4,444,623
Inventory	-	111,317	111,317
Accounts receivable			
Taxes - current	116,727	-	116,727
Taxes - delinquent	24,328	-	24,328
Accounts receivable	1,214,667	-	1,214,667
Intergovernmental - state	161,445	-	161,445
Intergovernmental - indirect federal	1,411,033	1,148,194	2,559,227
<b>Total current assets</b>	<b>7,325,433</b>	<b>1,306,901</b>	<b>8,632,334</b>
<b>Noncurrent Assets:</b>			
Capital assets, not being depreciated	3,464,163	-	3,464,163
Capital assets, being depreciated, net	27,155,570	904,703	28,060,273
<b>Total noncurrent assets</b>	<b>30,619,733</b>	<b>904,703</b>	<b>31,524,436</b>
<b>Total assets</b>	<b>37,945,166</b>	<b>2,211,604</b>	<b>40,156,770</b>
<b>Deferred Outflows of Resources:</b>			
Deferred outflows related to pensions	2,182,921	447,104	2,630,025
Deferred outflows related to OPEB	2,046,046	195,912	2,241,958
Refunding of debt	38,146	-	38,146
<b>Total deferred outflows of resources</b>	<b>4,267,113</b>	<b>643,016</b>	<b>4,910,129</b>
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Accounts payable	348,270	11,994	360,264
Payroll liabilities	297,073	-	297,073
Unearned revenue	729,786	-	729,786
Current portion of bond obligations	1,348,722	-	1,348,722
Current portion of capital lease	89,307	-	89,307
Current portion of KSBIT assessment	18,161	-	18,161
Interest payable	122,638	-	122,638
<b>Total current liabilities</b>	<b>2,953,957</b>	<b>11,994</b>	<b>2,965,951</b>
<b>Noncurrent Liabilities:</b>			
Noncurrent portion of capital lease	685,978	-	685,978
Noncurrent portion of bond obligations, net of discounts \$156,385	16,504,670	-	16,504,670
Noncurrent portion of accrued sick leave	207,480	-	207,480
Noncurrent portion of net pension liability	10,084,155	2,065,429	12,149,584
Noncurrent portion of net OPEB liability	9,967,043	493,828	10,460,871
<b>Total noncurrent liabilities</b>	<b>37,449,326</b>	<b>2,559,257</b>	<b>40,008,583</b>
<b>Total liabilities</b>	<b>40,403,283</b>	<b>2,571,251</b>	<b>42,974,534</b>
<b>Deferred Inflows of Resources:</b>			
Deferred inflows related to pensions	661,924	135,574	797,498
Deferred inflows related to OPEB	3,506,463	205,118	3,711,581
<b>Total deferred inflows of resources</b>	<b>4,168,387</b>	<b>340,692</b>	<b>4,509,079</b>
<b>Net Position:</b>			
Net investment in capital assets	12,029,202	904,703	12,933,905
Restricted for:			
District activity	49,962	-	49,962
Future construction	414,804	-	414,804
SFCC escrow	593,485	-	593,485
Sick leave	207,480	-	207,480
Inventory	-	111,317	111,317
Food Service	-	(1,073,343)	(1,073,343)
Unrestricted	(15,654,324)	-	(15,654,324)
<b>Total net position</b>	<b>\$ (2,359,391)</b>	<b>\$ (57,323)</b>	<b>\$ (2,416,714)</b>

See independent auditor's report and accompanying notes to financial statements.

JOHNSON COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
For the year ended June 30, 2020

FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
<b>Governmental Activities:</b>							
Instruction	\$ 26,030,165	\$ 112,491	\$ 4,129,390	\$ -	\$ (21,788,284)	\$ -	\$ (21,788,284)
Support services:							
Student	1,033,895	-	171,346	-	(862,549)	-	(862,549)
Instructional staff	275,140	-	87,005	-	(188,135)	-	(188,135)
District administrative	1,191,429	-	559,612	-	(631,817)	-	(631,817)
School administrative	2,256,317	-	307,595	-	(1,948,722)	-	(1,948,722)
Business	728,318	-	1,550	-	(726,768)	-	(726,768)
Plant operation and maintenance	4,188,688	-	63,021	-	(4,125,667)	-	(4,125,667)
Student transportation	1,591,262	-	-	-	(1,591,262)	-	(1,591,262)
Central office	-	-	-	-	-	-	-
Facilities acquisition and construction	109,677	-	-	1,582,946	1,473,269	-	1,473,269
Community service activities	545,986	-	400,337	-	(145,649)	-	(145,649)
Interest on long-term debt	637,804	-	-	-	(637,804)	-	(637,804)
Other	50,248	-	-	-	(50,248)	-	(50,248)
<b>Total governmental activities</b>	<b>38,638,929</b>	<b>112,491</b>	<b>5,719,856</b>	<b>1,582,946</b>	<b>(31,223,636)</b>	<b>-</b>	<b>(31,223,636)</b>
<b>Business-Type Activities:</b>							
Food service	4,116,001	31,836	3,851,845	-	-	(232,320)	(232,320)
<b>Total primary government</b>	<b>\$ 42,754,930</b>	<b>\$ 144,327</b>	<b>\$ 9,571,701</b>	<b>\$ 1,582,946</b>	<b>(31,223,636)</b>	<b>(232,320)</b>	<b>(31,455,956)</b>
<b>General Revenues:</b>							
Taxes:							
Property taxes					3,649,174	-	3,649,174
Motor vehicle taxes					763,705	-	763,705
Utility taxes					994,086	-	994,086
Investment earnings					119,866	29,579	149,445
State and formula grants					25,755,695	-	25,755,695
Miscellaneous					1,461,648	-	1,461,648
Transfers					128,569	(128,569)	-
Gain on sale of assets					8,338	-	8,338
Changes in net position					1,657,445	(331,310)	1,326,135
Net position - beginning - restated					(4,016,836)	273,987	(3,742,849)
Net position - ending					\$ (2,359,391)	\$ (57,323)	\$ (2,416,714)

**FUND FINANCIAL STATEMENTS**



JOHNSON COUNTY SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2020

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets and Resources:</b>					
Cash and cash equivalents	\$ 3,754,258	\$ -	\$ -	\$ 642,975	\$ 4,397,233
Interfund receivable	1,170,830	-	-	-	1,170,830
Accounts receivable					
Taxes - current	116,727	-	-	-	116,727
Taxes - delinquent	24,328	-	-	-	24,328
Accounts receivable	135,481	-	1,078,714	472	1,214,667
Intergovernmental - state	-	161,445	-	-	161,445
Intergovernmental - indirect federal	-	1,411,033	-	-	1,411,033
<b>Total assets and resources</b>	<b><u>\$ 5,201,624</u></b>	<b><u>\$ 1,572,478</u></b>	<b><u>\$ 1,078,714</u></b>	<b><u>\$ 643,447</u></b>	<b><u>\$ 8,496,263</u></b>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities</b>					
Interfund payable	\$ -	\$ 817,892	\$ 352,938	\$ -	\$ 1,170,830
Accounts payable	12,498	24,800	310,972	-	348,270
Payroll liabilities	297,073	-	-	-	297,073
Unearned revenue	-	729,786	-	-	729,786
<b>Total liabilities</b>	<b>309,571</b>	<b>1,572,478</b>	<b>663,910</b>	<b>-</b>	<b>2,545,959</b>
<b>Fund Balances:</b>					
<b>Restricted For:</b>					
District activity	-	-	-	49,962	49,962
Future construction	-	-	414,804	-	414,804
SFCC escrow	-	-	-	593,485	593,485
Debt service	-	-	-	-	-
Sick leave payable	207,480	-	-	-	207,480
<b>Unassigned:</b>					
Undesignated, reported in:					
General fund	4,684,573	-	-	-	4,684,573
<b>Total fund balances</b>	<b><u>4,892,053</u></b>	<b><u>-</u></b>	<b><u>414,804</u></b>	<b><u>643,447</u></b>	<b><u>5,950,304</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 5,201,624</u></b>	<b><u>\$ 1,572,478</u></b>	<b><u>\$ 1,078,714</u></b>	<b><u>\$ 643,447</u></b>	<b><u>\$ 8,496,263</u></b>

See independent auditor's report and accompanying notes to financial statements.

**JOHNSON COUNTY SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE STATEMENT OF NET POSITION**

June 30, 2020

Total fund balance per fund financial statement	\$ 5,950,304
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.	30,619,733
Refunding of debt is reported as part of deferred outflows of resources and is 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.	38,146
Pension contributions after measurement date are reported as a deferred outflows of resources.	711,235
OPEB contributions after measurement date are reported as a deferred outflows of resources.	676,714
Net pension liability is not due and payable in the current period and, therefore, is not reported in governmental funds.	(10,084,155)
Net OPEB liability is not due and payable in the current period and, therefore, is not reported in government funds.	(9,967,043)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore are not reported in the governmental funds, but they are presented in the statement of net position, as follows:	
Deferred pension outflows of resources	1,471,686
Deferred OPEB outflows of resources	1,369,332
Deferred pension inflows of resources	(661,924)
Deferred OPEB inflows of resources	(3,506,463)
Certain liabilities (such as KSBIT assessments, bonds payable - net of discount, the long-term portion of accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the Statement of Net Position.	<u>(18,976,956)</u>
Net position for governmental activities	<u>\$ (2,359,391)</u>

See independent auditor's report and accompanying notes to financial statements.

JOHNSON 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	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
From local sources					
Taxes					
Property	\$ 2,787,306	\$ -	\$ -	\$ 861,868	\$ 3,649,174
Motor vehicle	763,705	-	-	-	763,705
Utilities	994,086	-	-	-	994,086
Tuition and fees	112,491	-	-	-	112,491
Earnings on investments	112,150	7,716	-	-	119,866
Other local revenues	229,601	218,226	1,078,714	153,333	1,679,874
Intergovernmental – state	25,632,970	1,306,019	-	1,488,665	28,427,654
Intergovernmental – indirect federal	122,725	4,195,611	-	94,281	4,412,617
<b>Total revenues</b>	<b>30,755,034</b>	<b>5,727,572</b>	<b>1,078,714</b>	<b>2,598,147</b>	<b>40,159,467</b>
<b>Expenditures:</b>					
Instruction	21,582,433	4,199,636	-	19,952	25,802,021
Support services:					
Student	862,549	171,346	-	-	1,033,895
Instructional staff	188,135	87,005	-	-	275,140
District administrative	627,590	559,612	-	-	1,187,202
School administrative	1,948,722	307,595	-	-	2,256,317
Business	716,851	1,550	-	-	718,401
Plant operation and maintenance	3,322,879	63,021	-	107,427	3,493,327
Student transportation	1,666,611	-	-	-	1,666,611
Central office	-	-	-	-	-
Facilities acquisition and construction	-	-	2,237,132	-	2,237,132
Community service activities	145,649	400,337	-	-	545,986
Other	92,532	-	-	1,916,578	2,009,110
<b>Total expenditures</b>	<b>31,153,951</b>	<b>5,790,102</b>	<b>2,237,132</b>	<b>2,043,957</b>	<b>41,225,142</b>
<b>Excess (deficit) of revenues over expenditures</b>	<b>(398,917)</b>	<b>(62,530)</b>	<b>(1,158,418)</b>	<b>554,190</b>	<b>(1,065,675)</b>
<b>Other Financing Sources (Uses):</b>					
Bond proceeds	-	-	-	935,900	935,900
Proceeds from sale of fixed assets	8,338	-	-	-	8,338
Operating transfers in	571,786	65,075	1,045,948	1,443,605	3,126,414
Operating transfers out	(271,204)	(2,545)	-	(2,724,096)	(2,997,845)
Non operating transfers in	-	-	-	-	-
Non operating transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>308,920</b>	<b>62,530</b>	<b>1,045,948</b>	<b>(344,591)</b>	<b>1,072,807</b>
<b>Net change in fund balance</b>	<b>(89,997)</b>	<b>-</b>	<b>(112,470)</b>	<b>209,599</b>	<b>7,132</b>
<b>Fund balance, July 1, 2019</b>	<b>4,982,050</b>	<b>-</b>	<b>527,274</b>	<b>433,848</b>	<b>5,943,172</b>
<b>Fund balance, June 30, 2020</b>	<b>\$ 4,892,053</b>	<b>\$ -</b>	<b>\$ 414,804</b>	<b>\$ 643,447</b>	<b>\$ 5,950,304</b>

See independent auditor's report and accompanying notes to financial statements.

**JOHNSON 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	\$ 7,132
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the Statement of Activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlay exceeds depreciation for the year.	1,299,278
The issuance of long-term debt (bonds and financial obligations) provides current financial resources to government funds, while bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the Statement of Net Position.	107,145
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable.	(12,480)
Changes in pension and OPEB expense are reported only in the statement of activities.	305,671
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the Statement of Activities when they are incurred.	<u>(49,301)</u>
Change in net position of governmental activities	<u>\$ 1,657,445</u>

See independent auditor's report and accompanying notes to financial statements.

JOHNSON COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
June 30, 2020

	<u>Food Service Fund</u>
<b>Assets</b>	
<b>Current Assets:</b>	
Cash and cash equivalents	\$ 47,390
Inventory	111,317
Accounts receivable	
Intergovernmental – indirect federal	<u>1,148,194</u>
<b>Total current assets</b>	<b>1,306,901</b>
<b>Noncurrent Assets:</b>	
Capital assets	1,344,161
Less: accumulated depreciation	<u>439,458</u>
<b>Total noncurrent assets</b>	<b>904,703</b>
<b>Total assets</b>	<b><u>2,211,604</u></b>
<b>Deferred Outflows of Resources:</b>	
Deferred outflows related to pensions	447,104
Deferred outflows related to OPEB	<u>195,912</u>
<b>Total deferred outflows of resources</b>	<b>643,016</b>
<b>Liabilities</b>	
<b>Current Liabilities:</b>	
Accounts payable	<u>11,994</u>
<b>Total current liabilities</b>	<b>11,994</b>
<b>Noncurrent Liabilities:</b>	
Net pension liability	2,065,429
Net OPEB liability	<u>493,828</u>
<b>Total noncurrent liabilities</b>	<b>2,559,257</b>
<b>Total liabilities</b>	<b><u>2,571,251</u></b>
<b>Deferred Inflows of Resources:</b>	
Deferred inflows related to pensions	135,574
Deferred inflows related to OPEB	<u>205,118</u>
<b>Total deferred inflows of resources</b>	<b><u>340,692</u></b>
<b>Net Position:</b>	
Net investment in capital assets	904,703
Restricted	<u>(962,026)</u>
<b>Total net position</b>	<b><u>\$ (57,323)</u></b>

See independent auditor's report and accompanying notes to financial statements.

**JOHNSON COUNTY SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

**PROPRIETARY FUND**

For the year ended June 30, 2020

	<u>Food Service Fund</u>
<b>Operating Revenues:</b>	
Lunchroom sales	\$ 31,836
<b>Total operating revenues</b>	<b>31,836</b>
<b>Operating Expenses:</b>	
Employee wages and benefits	2,469,518
Materials and supplies	933,674
Depreciation	68,355
Other operating expenses	<u>644,454</u>
<b>Total operating expenses</b>	<b><u>4,116,001</u></b>
Operating loss	(4,084,165)
<b>Non-Operating Revenues (Expenses):</b>	
Federal grants	3,312,668
Donated commodities	146,461
State grants	392,716
Interest income	29,579
Transfers out	<u>(128,569)</u>
<b>Total non-operating revenues</b>	<b><u>3,752,855</u></b>
Change in net position	(331,310)
<b>Net Position, July 1, 2019</b>	<b><u>273,987</u></b>
<b>Net Position, June 30, 2020</b>	<b><u><u>\$ (57,323)</u></u></b>

See independent auditor's report and accompanying notes to financial statements.

**JOHNSON COUNTY SCHOOL DISTRICT**

**STATEMENT OF CASH FLOWS**

**PROPRIETARY FUNDS**

For the year ended June 30, 2020

**Cash Flows from Operating Activities:**

Cash received from:

Lunchroom sales \$ 31,836

Cash paid to/for:

Employees (1,047,829)

Material and supplies (825,531)

Other activities (644,454)

**Net cash provided by (used for) operating activities (2,485,978)**

**Cash Flows from Noncapital Financing Activities:**

Government grants 2,403,860

Transfers out (128,569)

**Net cash provided by noncapital and related financing activities 2,275,291**

**Cash Flows from Capital and Related Financing Activities:**

Purchases of capital assets (750,600)

**Net cash used for capital and related financing activities (750,600)**

**Cash Flows from Investing Activities:**

Receipt of interest income 29,579

**Net cash provided by investing activities 29,579**

Net (decrease) in cash and cash equivalents (931,708)

**Balances, beginning of year 979,098**

**Balances, end of year \$ 47,390**

Reconciliation of operating income (loss) to net cash provided

(used) by operating activities

Operating (loss) \$ (4,084,165)

**Adjustments to reconcile operating income to net cash provided**

**(used) by operating activities**

Depreciation 68,355

Donated commodities 146,461

On-behalf payments 392,716

Change in assets and liabilities

Inventory (50,011)

Deferred outflows/inflows and net pension liability 1,028,973

Accounts payable 11,693

**Net cash provided by (used for) operating activities \$ (2,485,978)**

**Schedule of non-cash transactions:**

Donated commodities received from federal government \$ 146,461

On-behalf payments \$ 392,716

See independent auditor's report and accompanying notes to financial statements.

**JOHNSON COUNTY SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUND**

June 30, 2020

	Permanent Trust Fund	Agency Fund
	<u>          </u>	<u>          </u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 76,025	\$ 331,173
Accounts receivable	-	4,932
	<u>          </u>	<u>          </u>
<b>Total assets</b>	<u><u>\$ 76,025</u></u>	<u><u>\$ 336,105</u></u>
<b>Liabilities:</b>		
Accounts payable	\$ -	\$ 365
Due student groups	-	335,740
	<u>          </u>	<u>          </u>
<b>Total liabilities</b>	<u>          </u>	<u>336,105</u>
<b>Net position held in trust</b>	<u><u>\$ 76,025</u></u>	<u><u>\$ -</u></u>

See independent auditor's report and accompanying notes to financial statements.



**JOHNSON COUNTY SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**

For the year ended June 30, 2020

	<u>Permanent Trust Fund</u>
<b>Additions:</b>	
Other local revenues	<u>\$ 4,296</u>
<b>Total revenues</b>	<u>4,296</u>
<b>Deductions:</b>	
Instruction	<u>9,467</u>
<b>Total expenditures</b>	<u>9,467</u>
Change in net position	(5,171)
<b>Net Position, July 30, 2019</b>	<u>81,196</u>
<b>Net Position, July 30, 2020</b>	<u><u>\$ 76,025</u></u>

See independent auditor's report and accompanying notes to financial statements.

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

## JOHNSON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2020

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Johnson County School District have been prepared to conform with Accounting Principles Generally Accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Superintendent of Schools is responsible for keeping records and accounts of all financial transactions in the manner prescribed by the State Board of Education. The following is a summary of the more significant of these policies.

##### Reporting Entity

The Johnson County Board of Education ("Board"), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Johnson County School District ("District"). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. 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 Johnson County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

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

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

Johnson County School District Finance Corporation – In a prior year the Board of Education resolved to authorize the establishment of the Johnson County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

##### 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 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

## JOHNSON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2020

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

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.

**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 accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a Balance Sheet, which generally includes only current assets and current liabilities, and a Statement of Revenues, Expenditures and Changes in Fund Balances, which reports on the changes in fund balance. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. Accordingly, the Statement of Revenues, Expenses, and Changes in Net Position for the proprietary fund reports increases and decreases in total economic net worth. The Statement of Cash Flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The district may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

The District has the following funds:

I. Governmental Fund Types

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

## JOHNSON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2020

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

- (B) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by proprietary fund).
1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
  2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
  3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- (D) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.
- (E) The District Activity Fund is used to account for financial resources to be used for maintenance and up keep at each individual school. It is funded by monies collected at special events at the local school level and to be used for that particular school.

#### II. Proprietary Fund Type (Enterprise Fund)

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

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

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

The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds. The permanent trust fund is accounted for as an expendable trust fund on the modified accrual basis.

## JOHNSON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2020

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

##### Basis of Accounting

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

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

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

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Due to GASB 65, this now has been re-characterized as unearned revenue.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenses, and Changes in Net Position as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as unearned revenue.

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

##### Property Taxes

Property Tax Revenues – Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

**JOHNSON COUNTY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

For the year ended June 30, 2020

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

The property tax rates assessed for the year ended June 30, 2020, to finance the General Fund operations were \$.511 per \$100 valuation for real property, \$.511 per \$100 valuation for business personal property and \$.525 per \$100 valuation for motor vehicles.

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

Capital Assets

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

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

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

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

Interfund Balances

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

Accumulated Unpaid Sick Leave Benefits

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

## JOHNSON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2020

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

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

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

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

#### Budgetary Process

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

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

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

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy, only amendments that aggregate greater than \$50,000 require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

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

The budget for the Special Revenue Fund consists of the sum of each active grant's budget. Large variances between budgeted and actual activity can occur because grants with little activity during the year will have their entire budget rolled up into the combined budget for all grants.

#### Cash and Cash Equivalents

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

#### Inventories

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

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

The Food Service Fund is stated at cost and uses the specific identification method and the General Fund is stated at cost and uses the first-in, first-out method for inventory.



## JOHNSON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2020

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

##### Prepaid Assets

Payments made that will benefit periods beyond June 30, 2020 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

##### Investments

The private purpose trust funds record investments at their quoted market prices. All realized gains and losses and changes in fair value are recorded in the Statement of Changes in Fiduciary Net Position.

The permanent funds record investments at their quoted market value prices for purposes of the Statement of Net Position. All realized gains and losses and changes in fair value are recorded in the Statement of Activities. Long-term investments are not recorded on the fund financial statements nor are unrealized gains and losses.

##### Accrued Liabilities and Long-Term Obligations

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

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

##### Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position includes a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has twelve items that qualifies for reporting in this category. It is the deferred charge on debt refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Also, the other items are the District pension contributions subsequent to measurement date, the difference between expected and actual experience, net difference between projected and actual investment earnings on pension plan investments, change of assumptions. In addition, we have OPEB (CERS) contributions subsequent to measurement date, change of assumptions, and net difference between projected and actual investment earnings on OPEB plan investments. Then we have OPEB (KTRS) contributions subsequent to measurement date, changes of assumptions, net difference between projected and actual earnings on investments, and changes in proportion and difference between District contributions and proportionate share of contributions.

## JOHNSON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2020

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

In addition to liabilities, the Statement of Financial 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. The District has nine items that qualifies for reporting in this category. For pensions it is the difference between expected and actual experience, net difference between projected and actual investment earnings on pension plan investments, and the change in proportion and differences between employer contributions and proportionate share of contributions. In addition, for OPED (CERS) it is the difference between expected and actual experience, changes of assumptions, net difference between projected and actual investment earnings on OPEB plan investments and the change in proportion and differences between employer contributions and proportionate share of contributions. Then we have OPED (KTRS) difference between expected and actual experience and changes in proportion and differences between District contributions and proportionate share of contributions.

#### Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Fund equity reserves have been established for inventories and fixed assets.

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into non-spendable and spendable components, if applicable.

Non-spendable includes amounts that must be maintained intact legally or contractually.

Spendable include the following:

- Restricted-amounts constrained for a specific purpose by external parties, constitutional provisions, or enabling legislation.
- Committed-amounts constrained for a specific purpose by the district using its highest level of decision making authority.
- Assigned-for all governmental funds, other than general fund, any remaining positive amounts not classified as non-spendable, restricted, or committed. For the General Fund, amounts constrained by intent to be used for a specified purpose by the District or the delegated county committee or official given authority to assign amounts.
- Unassigned-for the General Fund, amounts not classified as non-spendable, restricted, committed or assigned. For all other governmental funds, amount expended in excess of resources that are non-spendable, restricted, committed or assigned.

For resources considered committed, the district issues an ordinance or resolution that can only be changed with another corresponding ordinance or resolution.

For resources considered assigned, the district has designated the board to carry out the intent of the school district.

It is policy of the District to spend restricted resources first, when both restricted and unrestricted resources are available to spend on the activity. Once restricted resources are exhausted, then committed, assigned and unassigned resources will be spent in that order on the activity.

Encumbrances, although not reported on the Balance Sheet, are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the district incurs no liability until performance has occurred on the part of the party with whom the district has

## JOHNSON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2020

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

entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Significant encumbrances at year end are reported by major funds and non-major funds in the aggregate and included with the commitments and contingencies note disclosure, if applicable.

##### Net Position

Net positions represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the district-wide financial statements. Net positions are classified in the following categories:

*Net investments in capital assets* – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

*Restricted net position* – This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

*Unrestricted net position* – This amount is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position".

##### Operating Revenues and Expenses

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

##### Contributions of Capital

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

##### Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

##### Pension

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

**PAINTSVILLE INDEPENDENT SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

For the year ended June 30, 2020

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Postemployment Benefits Other Than Pensions (OPEB)

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

Recent Accounting Pronouncements

In February 2017, the GASB issued Statement No. 84, *Fiduciary Activities* ("GASB 84"). GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. Generally, the focus of the criteria relates to (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and post-employment benefit arrangements that are fiduciary activities. Additionally, GASB 84 describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust, or an equivalent arrangement, that meets specific criteria. Finally, it provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. GASB 84 will be effective for the District beginning with its year ending June 30, 2021. Management is currently evaluating the impact of this Statement on its financial statements.

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

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

## JOHNSON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2020

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

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

#### NOTE B – ON-BEHALF PAYMENTS

For the year ended June 30, 2020, on-behalf payments were made on behalf of the District for KTRS – GASB 68 \$4,922,138, KTRS – GASB 75 \$369,023, Health insurance \$3,578,387, Life insurance \$6,133, Administrative fee \$50,703, HRA/Dental/Vision \$211,293, Federal reimbursement (\$287,788), KEN services \$106,917, AT&T Firewall Services \$16,775, Munis financial management software and services \$9,606, McAfee virus protection software and services \$2,293, and SFCC debt service \$317,507. The overall total payments for on-behalf were \$9,302,987. In addition, \$94,281 was made from federal sources to satisfy a QZAB Bond payment. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the Statement of Activities.

#### NOTE C – ESTIMATES

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

#### NOTE D – CASH AND CASH EQUIVALENTS

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation insurance.

At June 30, 2020, the carrying amount of the District's deposits was \$4,851,821 and the bank balance was \$6,005,558. The entire bank balance throughout the year was covered by federal depository insurance or by collateral held by the District's agent in the District's name.

The deposits were deemed collateralized under Kentucky Law during the year. The Kentucky Department of Education maintains copies of all safekeeping receipts in the name of the District. The following is disclosed:

- a. Name of bank: Citizens National Bank.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$8,400,000.

**JOHNSON COUNTY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

For the year ended June 30, 2020

**NOTE D – CASH AND CASH EQUIVALENTS – CONTINUED**

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

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

As of June 30, 2020, based on these three levels of risk, all of the District's cash deposits are classified as Category 2.

Breakdown per financial statements:

Governmental funds	\$ 4,397,233
Proprietary funds	47,390
Permanent trust funds	76,025
Agency funds	<u>331,173</u>
	<u>\$ 4,851,821</u>

**NOTE E – INVESTMENTS**

At year-end the District had no investment.

**NOTE F – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

<b>Governmental Activities</b>	<b>Balance July 1, 2019</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2020</b>
Land	\$ 1,361,137	\$ -	\$ -	\$ 1,361,137
Construction work in progress	5,322,321	2,103,026	5,322,321	2,103,026
Land improvements	1,383,119	42,636	-	1,425,755
Buildings and improvements	39,884,271	5,346,750	-	45,231,021
Technology equipment	3,341,930	53,421	28,401	3,366,950
General equipment	576,617	66,888	-	643,505
Vehicles	<u>4,940,359</u>	<u>645,412</u>	<u>936,071</u>	<u>4,649,700</u>
Totals at historical cost	<u>56,809,754</u>	<u>8,258,133</u>	<u>6,286,793</u>	<u>58,781,094</u>

**JOHNSON COUNTY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

For the year ended June 30, 2020

**NOTE F – CAPITAL ASSETS – CONTINUED**

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2020</u>
Less: accumulated depreciation				
Land improvements	1,170,282	28,398	-	1,198,680
Buildings and improvements	18,616,969	1,297,549	-	19,914,518
Technology equipment	3,201,451	16,978	28,401	3,190,028
Vehicles	3,950,115	283,539	936,071	3,297,583
General equipment	<u>550,482</u>	<u>10,070</u>	<u>-</u>	<u>560,552</u>
Total accumulated depreciation	<u>27,489,299</u>	<u>1,636,534</u>	<u>964,472</u>	<u>28,161,361</u>
Governmental Activities				
Capital Assets – Net	<u>\$29,320,455</u>	<u>\$ 6,621,599</u>	<u>\$ 5,322,321</u>	<u>\$30,619,733</u>
<b>Business-Type Activities</b>				
General equipment	\$ 655,243	\$ 750,600	\$ 86,985	\$ 1,318,858
Technology equipment	<u>29,303</u>	<u>-</u>	<u>4,000</u>	<u>25,303</u>
Totals at historical cost	<u>684,546</u>	<u>750,600</u>	<u>90,985</u>	<u>1,344,161</u>
Less: accumulated depreciation				
General equipment	432,785	68,355	86,985	414,155
Technology equipment	<u>29,303</u>	<u>-</u>	<u>4,000</u>	<u>25,303</u>
Total accumulated depreciation	<u>462,088</u>	<u>68,355</u>	<u>90,985</u>	<u>439,458</u>
Business-Type Activities				
Capital Assets – Net	<u>\$ 222,458</u>	<u>\$ 682,245</u>	<u>\$ -</u>	<u>\$ 904,703</u>

Depreciation expense has been charged to the following functions in the statement of activities:

Instruction	\$ 648,432
District administrative	4,227
Plant operation and maintenance	695,361
Student transportation	278,597
Business support services	9,917
Food service	<u>68,355</u>
	<u>\$1,704,889</u>

**NOTE G – BONDED DEBT AND LEASE OBLIGATIONS**

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

<u>Issue Date</u>	<u>Amounts</u>	<u>Interest Rates</u>
2007	\$ 990,000	3.700% - 4.000%
2010	\$ 1,955,000	.750% - 4.300%
2011	\$ 1,875,000	1.250% - 4.250%
2011 Refinancing	\$ 2,020,000	500% - 3.000%
2012 Refinancing	\$ 1,755,000	1.050% - 2.450%
2013 Refinancing	\$ 1,605,000	700% - 2.000%
2013	\$ 2,790,000	.400% - 4.000%
2015	\$ 2,650,000	2.000% - 3.250%
2017	\$ 5,430,000	1.500% - 3.150%
2019	\$ 995,000	2.250% - 2.875%

## **JOHNSON COUNTY SCHOOL DISTRICT**

### **NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

For the year ended June 30, 2020

#### **NOTE G – BONDED DEBT AND LEASE OBLIGATIONS – CONTINUED**

The 2007, 2010, 2011, 2011R, 2012, 2013R, 2013, 2015, 2017, and 2019 bond issues were sold at a discount of \$16,407, \$16,046, \$13,478, \$35,625, \$15,211, \$38,681, \$14,288, \$42,797, \$30,931, and \$19,100, respectively. These amounts are being amortized over the life of the respective debt.

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Johnson County School District Finance Corp. to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The proceeds from certain refunding issues have been placed in escrow accounts to be used to service the related debt.

On July 30, 2019, the District issued \$955,000 in School Building Revenue Bonds (Series 2019 with an interest rate ranging from 2.25% to 2.875%.

On September 7, 2017, the District issued \$5,430,000 in School Building Revenue Bonds (Series 2017) with an interest rate ranging from 1.50% to 3.15% to finance improvements at various locations.

On November 18, 2015, the District issued \$2,650,000 in School Building Revenue Bonds (Series 2015) with an interest rate ranging from 2.00% to 3.25% to finance improvements at various locations.

On November 26, 2013, the District issued \$2,790,000 in School Building Revenue Bonds (Series 2013) with an interest rate ranging from .40% to 4.00% to finance improvements at various locations.

On May 9, 2013, the District refinanced the School Building Revenue Bonds (Series 2005) with a cumulative savings of \$141,674. The new 2013 bond series was issued for \$1,605,000 with an interest rate ranging from .7% to 2.0%.

On March 7, 2012, the District refinanced the School Building Revenue Bonds (Series 2004) with a cumulative savings of \$140,545. The new 2012 bond series was issued for \$1,755,000 with an interest rate ranging from 1.05% to 2.45%.

On July 20, 2011, the District issued \$1,875,000 in School Building Revenue Bonds (Series 2011) with an interest rate ranging from 1.25% to 4.25% to finance roof improvements at various locations.

On July 12, 2011, the District refinanced the School Building Revenue Bonds (Series 2001) with a cumulative savings of \$185,694. The new 2011 bond series was issued for \$2,020,000 with an interest rate ranging from .5% to 3.0%.

On December 6, 2010, the District issued \$1,955,000 in School Building Revenue Bonds (Series 2010) with an interest rate ranging from .750% to 4.30% to finance roof improvements at various locations.

On May 9, 2007, the District issued \$990,000 in School Building Revenue Bonds (Series 2007) with an average interest rate of 3.85% to finance Johnson Central High School renovations.

The District has "participation agreements" with the Kentucky School Facilities Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs. The following table sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.



**JOHNSON COUNTY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

For the year ended June 30, 2020

**NOTE G – BONDED DEBT AND LEASE OBLIGATIONS – CONTINUED**

The bonds may be called prior to maturity at dates and redemption premiums specified in each issue. Assuming no issues are called prior to scheduled maturity, the minimum obligations of the funds at June 30, 2020 for debt service (principal and interest) are as follows:

<u>YEAR</u>	<u>JOHNSON COUNTY SCHOOL DISTRICT</u>		<u>KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION</u>		<u>TOTAL REQUIREMENTS FOR YEAR</u>
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2020-2021	\$ 1,013,096	\$ 397,098	\$ 256,904	\$ 109,192	\$ 1,776,290
2021-2022	1,047,117	371,352	267,883	102,371	1,788,723
2022-2023	840,723	348,154	274,277	95,077	1,558,231
2023-2024	883,873	327,183	281,127	87,274	1,579,457
2024-2025	748,742	303,823	251,258	79,024	1,382,847
2025-2026	784,331	283,317	250,669	71,284	1,389,601
2026-2027	698,352	262,465	236,648	63,284	1,260,749
2027-2028	674,361	240,907	225,639	55,013	1,195,920
2028-2029	732,602	219,153	232,398	47,130	1,231,283
2029-2030	780,386	194,135	239,614	38,789	1,252,924
2030-2031	825,816	166,588	229,184	30,305	1,251,893
2031-2032	844,187	137,583	140,813	23,835	1,146,418
2032-2033	720,856	111,284	144,144	19,128	995,412
2033-2034	768,759	86,869	141,241	14,372	1,011,241
2034-2035	655,269	64,088	94,731	10,565	824,653
2035-2036	696,804	43,273	88,196	7,798	836,071
2036-2037	520,000	24,750	55,000	5,678	605,428
2037-2038	565,000	8,475	60,000	4,025	637,500
2038-2039	-	-	60,000	2,300	62,300
2039-2040	-	-	50,000	719	50,719
<b>TOTALS</b>	<b><u>\$13,800,274</u></b>	<b><u>\$3,590,497</u></b>	<b><u>\$3,579,726</u></b>	<b><u>\$ 867,163</u></b>	<b><u>\$21,837,660</u></b>

During the year ended June 30, 2020 the District's debt obligation was as follows:

	<u>BALANCE 6/30/19</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE 6/30/20</u>	<u>DUE WITHIN ONE YEAR</u>
	\$17,620,000	\$ 955,000	\$ 1,195,000	\$17,380,000	\$ 1,270,000
Less:					
Discounts on bonds	<u>(146,259)</u>	<u>(19,100)</u>	<u>(12,998)</u>	<u>(152,361)</u>	<u>-</u>
	<b><u>\$17,473,741</u></b>	<b><u>\$ 935,900</u></b>	<b><u>\$ 1,182,002</u></b>	<b><u>\$17,227,639</u></b>	<b><u>\$ 1,270,000</u></b>

**QUALIFIED ZONE ACADEMY BONDS**

The Johnson County School District Finance Corporation issued \$1,825,000 of Qualified Zone Academy Bonds (QZAB), Series 2010, December 1, 2010 under a guaranteed investment contract whereby the Johnson County School District will remit to the low bidder Monticello Banking Company contributions to an escrow account \$1,338,275 over an eighteen year period. The federal government will pay directly to the bank most of the annual interest expense leaving the board a small portion of interest due twice a year.

**JOHNSON COUNTY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

For the year ended June 30, 2020

**NOTE G – BONDED DEBT AND LEASE OBLIGATIONS – CONTINUED**

Funds from the escrow will be used to defease the entire bond upon maturity December 1, 2027. The 2010 QZAB sold at a discount of \$9,125. This amount is being amortized over the life of the respective debt. The minimum obligations of the funds at June 30, 2020 for the escrow and interest are as follows:

<u>Year</u>	<u>Johnson County School District</u>		<u>Federal Rebate</u>	<u>Total Requirements For Year</u>
	<u>Escrow</u>	<u>Interest</u>	<u>Interest</u>	<u>Total</u>
2020-2021	\$ 78,722	\$ 2,007	\$ 100,193	\$ 180,922
2021-2022	78,722	2,008	100,192	180,922
2022-2023	78,722	2,007	100,193	180,922
2023-2024	78,722	2,008	100,192	180,922
2024-2025	78,722	2,007	100,193	180,922
2025-2026	78,722	2,008	100,192	180,922
2026-2027	78,722	2,007	100,193	180,922
2027	<u>78,723</u>	<u>1,003</u>	<u>50,096</u>	<u>129,822</u>
Totals	<u>\$ 629,777</u>	<u>\$15,055</u>	<u>\$ 751,444</u>	<u>\$1,396,276</u>

During the year ended June 30, 2020 the District's QZAB debt obligation to the escrow was as follows:

	<u>BALANCE 6/30/19</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE 6/30/20</u>	<u>DUE WITHIN ONE YEAR</u>
	\$708,499	\$ -	\$78,722	\$629,777	\$78,722
Less:					
Discount on bonds	<u>(4,561)</u>	<u>-</u>	<u>(537)</u>	<u>(4,024)</u>	<u>-</u>
	<u>\$703,938</u>	<u>\$ -</u>	<u>\$78,185</u>	<u>\$625,753</u>	<u>\$78,722</u>

The Johnson County School District Finance Corporation issued \$1,223,000 of Qualified Zone Academy Bonds (QZAB), Series 2007, October 9, 2007 under a guaranteed investment contract whereby the Johnson County School District remitted to the low bidder, Citizens National Bank, Paying Agent, \$670,000. This initial investment was required to defease the entire bond issue due October 8, 2022. This money was put into a guaranteed escrow account that will be used to defease the bond upon maturity.

The District issued a (QZAB), Series 2006, January 12, 2006 where a one time payment of \$285,000 was required to defease the entire bond issue due January 25, 2021. This money was put into a guaranteed escrow account that will be used to defease the bond upon maturity.

The private business contribution requirement for Qualified Zone Academy Bonds (QZAB) as set out in Section 1397E of the Internal Revenue Code of 1986, as amended states that the issuer must certify that written assurances from private business contribution be met with respect to such bonds.

**JOHNSON COUNTY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

For the year ended June 30, 2020

**NOTE G – BONDED DEBT AND LEASE OBLIGATIONS – CONTINUED**

The Johnson County School District Educational Assistance Foundation, Inc., a private non-stock, non-profit charitable and educational corporation having for its corporate purpose the promotion of education and educational opportunities resolved and executed a written contribution contract with the Johnson County School District as required by the Internal Revenue Code for Qualified Zone Academy Bonds. These contributions for academy bond purposes can be from cash to goods in kind and is schedule as follows:

<u>FISCAL YEAR</u>	<u>AMOUNT</u>
2021	\$ 8,189
2022	5,642
2023	<u>5,332</u>
	<u>\$ 19,163</u>

The private business contribution requirement for Qualified Zone Academy Bonds (QZAB) as set out in Section 1397E of the Internal Revenue Code of 1986, was met from private business contributions. The amount provided was \$305,668 with the requirement being \$8,660.

The District is required by GASB 68 and GASB 75 to account for net pension liability and net OPEB liability on the statement of net position. The district is not required to make any payments toward these liabilities.

During the year ended June 30, 2020, the District's changes in long term obligations for pensions and OPEB are as follows:

<u>Governmental Activities</u>	<u>Balance 6/30/19</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/20</u>	<u>Due Within One Year</u>
Net pension liability	\$ 9,578,965	\$ 505,190	\$ -	\$10,084,155	\$ -
Net OPEB liability - restated	<u>11,291,403</u>	<u>-</u>	<u>(1,324,360)</u>	<u>9,967,043</u>	<u>-</u>
Total government activities	<u>\$20,870,368</u>	<u>\$ 505,190</u>	<u>\$ (1,324,360)</u>	<u>\$20,051,198</u>	<u>\$ -</u>

<u>Business - Type Activities</u>	<u>Balance 6/30/19</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/20</u>	<u>Due Within One Year</u>
Net pension liability	\$ 1,064,330	\$ 1,001,099	\$ -	\$ 2,065,429	\$ -
Net OPEB liability	<u>310,266</u>	<u>183,562</u>	<u>-</u>	<u>493,828</u>	<u>-</u>
Total business - type activities	<u>\$ 1,374,596</u>	<u>\$ 1,184,661</u>	<u>\$ -</u>	<u>\$ 2,559,257</u>	<u>\$ -</u>

**NOTE H – CAPITAL LEASE PAYABLE**

On March 11, 2020, the Kentucky Interlocal School Transportation Association (KISTA) entered into an equipment lease and security agreement with the Johnson County School District. The District received \$291,466 in transportation equipment (three school buses) and is required to make payments over a ten year period with an interest rate of 2%.

On March 6, 2019, the Kentucky Interlocal School Transportation Association (KISTA) entered into an equipment lease and security agreement with the Johnson County School District. The District received \$285,437 in transportation equipment (three school buses) and is required to make payments over a ten year period with an interest rate of 3%.

**JOHNSON COUNTY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

For the year ended June 30, 2020

**NOTE H – CAPITAL LEASE PAYABLE – CONTINUED**

On March 21, 2018, the Kentucky Interlocal School Transportation Association (KISTA) entered into an equipment lease and security agreement with the Johnson County School District. The District received \$291,397 in transportation equipment (three school buses) and is required to make payments over a ten year period with an interest rate ranging from 2% to 3%.

The following is a schedule of equipment lease payments, by years of the future minimum lease payments under capital lease:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2020-21	\$ 89,307	\$ 20,182	\$ 109,489
2021-22	86,924	17,977	104,901
2022-23	84,709	15,685	100,394
2023-24	87,063	13,423	100,486
2024-25	89,225	11,098	100,323
2025-26	91,666	8,711	100,377
2026-27	88,267	6,258	94,525
2027-28	81,684	3,913	85,597
2028-29	50,086	1,772	51,858
2029-30	<u>26,354</u>	<u>527</u>	<u>26,881</u>
TOTALS	<u>\$ 775,285</u>	<u>\$ 99,546</u>	<u>\$ 874,831</u>

During the year ended June 30, 2020 the District's capital lease obligation was as follows:

<u>BALANCE 6/30/19</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE 6/30/20</u>	<u>DUE WITHIN ONE YEAR</u>
\$545,547	\$291,466	\$61,728	\$775,285	\$89,307

**NOTE I – COMMITMENTS UNDER NONCAPITALIZED LEASES**

The District had no commitments under noncapitalized leases at June 30, 2020.

**NOTE J – KSBIT PAYABLE**

The Kentucky School Board Insurance Trust ("KSBIT") notified the District during 2013 that their self-insurance pools for worker's compensation and liability insurance were underfunded. As a result, an assessment will be required under a fair methodology to be approved by the Kentucky Department of Insurance, of current and past participating members to fund the deficit and the transfer of liability to a qualified insurer/reinsurer. On June 24, 2013, the KSBIT Board voted to submit a plan to the Kentucky Department of Insurance using the novation option. A novation transfers all existing KSBIT claims and risk to a highly rated reinsurer which will continue to make claims payments. Under novation method, the District's liability would be \$342,874. Members will have the option of making a lump-sum payment of their assessment or to take advantage of bond financing for up to 20 years. The District has voted to finance this obligation over a six year period. The minimum obligations of the funds at June 30, 2020 for principal only are as follows:

<u>FISCAL YEAR</u>	<u>AMOUNT</u>
2021	\$ 18,161
	<u>\$ 18,161</u>

**JOHNSON COUNTY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

For the year ended June 30, 2020

**NOTE J – KSBIT PAYABLE – CONTINUED**

During the year ended June 30, 2020 the District's debt obligation was as follows:

<u>BALANCE</u> <u>6/30/19</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE</u> <u>6/30/20</u>	<u>DUE WITHIN</u> <u>ONE YEAR</u>
\$36,322	\$ -	\$18,161	\$18,161	\$18,161

**NOTE K – PENSION PLANS**

**KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS)**

The Johnson County School District contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by Kentucky Department of Education (KDE). Job classifications that permit experience to substitute for either of these requirements do not participate in KTRS.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Ky 40601 or from the KTRS web site at <http://www.ktrs.ky.gov/>.

*Funding Policy* – Contribution rates are established by KRS. Members are required to contribute 12.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members in a state retirement system before July 1, 2008 and 14.105% of salaries for members who started their account after June 30, 2008. The federal program for any salaries paid by that program pays the matching contributions. The local school districts pay employer matching on all employees who do not occupy federally funded positions. As part of the Shared Responsibility Plan, beginning July 1, 2010 each employer is required to pay the amount equal to the increase in employee contributions. Effective July 1, 2015, the current employer match is 3.00% of total gross non-federal salaries in the district and for individuals employed in federally funded positions the employer-matching rate is 16.105%.

***Medical Insurance Plan***

*Plan description* – In addition to the pension benefits described above, Kentucky Revised Statute 161.675 requires KTRS to provide access to post-employment healthcare benefits to eligible members and dependents. The KTRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

*Funding policy* – In order to fund the post-employment healthcare benefit, active member contributions are

## JOHNSON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2020

#### NOTE K – PENSION PLANS – CONTINUED

matched by the state at .75% of members' gross salaries. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the local school district employers pay 3.00% of members' salary for the 2019-2020 fiscal year.

The Johnson County School District's total payroll for the year was \$23,805,099. The payroll for employees covered under KTRS was \$17,208,043. For the year ended June 30, 2020, the Commonwealth contributed \$2,988,488 to KTRS for the benefit of participating employees. The School district's contributions to KTRS for the year ending June 30, 2020 was \$776,942, which represents those employees covered by federal programs.

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

At June 30, 2020, the District did not report a liability for its proportionate share of the net pension liability because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net Pension Liability	\$ -
Commonwealth's proportionate share of the Net Pension liability associated with the District	<u>65,405,705</u>
	<u>\$65,405,705</u>

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2018. An expected total pension liability as of June 30, 2019 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the Commonwealth as determined by the actuary. At June 30, 2019, the District's proportion was 0.4794%.

For the year ended June 30, 2020, the District recognized pension expense of \$(6,837,696) and revenue of \$(6,837,696) for support provided by the State.

*Actuarial Methods and Assumptions:* The total pension liability was determined by applying procedures to the actuarial valuation as of June 30, 2018. The financial reporting actuarial valuation as of June 30, 2019, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Single Equivalent Interest Rate	7.50%
Municipal Bond Index Rate	3.89%
Inflation	3.0%
Salary Increase	3.5%-7.3%, including inflation
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation
Post-retirement Benefit Increases	1.50% annually

## JOHNSON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2020

#### NOTE K – PENSION PLANS – CONTINUED

The following change of assumptions were adopted by the Board of Trustees and reflected in the liability measurement as of June 30, 2019:

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

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2010 – June 30, 2015 adopted by the Board on November 19, 2016.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US Equity	40.0%	4.2%
International Equity	22.0%	5.2%
Fixed Income	15.0%	1.2%
Other Additional Categories*	8.0%	3.3%
Real Estate	6.0%	3.8%
Private Equity	7.0%	6.3%
Cash (LIBOR)	<u>2.0%</u>	0.9%
Total	<u>100.0%</u>	

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

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

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

#### COUNTY EMPLOYEES' RETIREMENT SYSTEM (CERS)

##### ***Plan Description***

Classified employees (substantially all full-time Board employees other than certified employees) are covered by the County Employees' Retirement System (CERS), a cost-sharing, multiple-employer defined

## JOHNSON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2020

#### NOTE K – PENSION PLANS – CONTINUED

benefit pension plan administered by the Kentucky Retirement System. CERS provides for retirement, disability, and death benefits to plan members and beneficiaries. Cost of living adjustments are provided at the discretion of the State legislature. Under the provisions of the Kentucky Revised Statute Section 61.645, the Board of Trustees of Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The County Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601.

##### ***Benefits Provided***

The following is a description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

##### **Retirement Benefit**

CERS is designed to provide three types of benefits: a monthly retirement benefit for life based on the employee's salary and service (the pension benefit), health insurance benefits after retirement, and disability/death benefits.

Monthly retirement benefits are based on a formula established by statute which is (final compensation x benefit factor x years of service credit). Participants hired before 8/1/04 have their monthly benefit calculated at the average of highest five years salary which must contain at least 48 months of service and includes lump-sum payments for compensatory time times 2.2% benefit factor times years of service credit. Participants hired after 8/1/04 but before 9/1/08 have a reduced benefit factor of 2.0%.

Participants hired after 9/1/08 have their monthly benefit calculated at the average of the five complete fiscal years immediately preceding retirement which must contain 60 months of service and does not include lump-sum payments for compensatory time. The benefit factor is 1.10% for 10 years or less of service, 1.30% for more than 10 years but no more than 20 years, 1.50% for greater than 20 years but no more than 26 years, 1.75% for greater than 26 years but no more than 30 years, and 2.00% for greater than 30 years.

At retirement, a retiree may choose to take a reduced monthly benefit in order to provide a monthly benefit to a beneficiary upon their death, either for a period certain or for the life of the beneficiary.

The system also provides for a statutory 1.5% annual increase to monthly benefits after retirement, often referred to as the cost of living adjustment (COLA).

##### **Medical Insurance**

CERS also provides access to group rates on medical insurance for retired members, their spouse, and dependents. Coverage for retirees not eligible for Medicare is provided through the Kentucky Employees Health Plan the same health plan provided to state employees. Coverage for Medicare eligible retirees is provided through a plan administered by or contracted through the retirement systems which then coordinates with Medicare for delivery of health benefits.

As provided by state statute, CERS also subsidizes medical coverage for the retiree. In general, employees participating prior to 7/1/03 receive a percentage of the premium paid based upon service credit, while employees who begin participating after that date receive a set dollar amount for each year of service credit.



**JOHNSON COUNTY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

For the year ended June 30, 2020

**NOTE K – PENSION PLANS – CONTINUED**

**Disability and Death Benefits**

Like most defined benefit plans, CERS provides benefits for those employees who become disabled or who die prior to retirement. Participants have to have a minimum of 5 years of service to apply for disability benefits and approval determined by systems under criteria established by state statute. CERS also provides death before retirement and special death in the line of duty benefits. After retirement, the benefits left to the retiree's beneficiary vary based upon the payment option selected at retirement. In addition, CERS provides a \$5,000 lump sum death benefit for members who retire with at least 4 years of service.

**Contributions**

Plan members are required to contribute 5.00% of their annual salary if hired before September 1, 2008 and 6% if hired on or after September 1, 2008 through payroll deductions and the Board is required to contribute at an actuarially determined rate. The current rate is 19.30% of the employee's total covered compensation, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District's contributions to CERS for the year ended June 30, 2020 was \$1,100,140, which consisted of \$856,910 from the District and \$243,230 from the employees.

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

KTRS portion of GASB 68 changes will be reported by the State only and the District will not reflect any of those changes in their report but the District will fully comply with all changes of GASB 68 concerning CERS and disclose those changes within the report.

At June 30, 2020, the District reported a liability of \$12,149,584 for its proportionate share of the net pension liability. 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 that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the District's proportion was 0.172750%, which was a decrease of .002008% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$1,845,944. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 310,215	\$ 51,335
Changes of assumptions	1,229,676	-
Net difference between projected and actual investment earnings on pension plan investments	233,224	429,081

**JOHNSON COUNTY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

For the year ended June 30, 2020

**NOTE K – PENSION PLANS – CONTINUED**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	317,082
District contributions subsequent to the measurement date	<u>856,910</u>	<u>-</u>
Total	<u>\$ 2,630,025</u>	<u>\$ 797,498</u>

\$856,910 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses follows:

**Year ended June 30:**

2021	\$ 634,898
2022	213,522
2023	113,302
2024	13,895
2025	-
Thereafter	<u>-</u>
	<u>\$ 975,617</u>

***Actuarial Methods and Assumptions***

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2019 are as follows:

Inflation	2.30%
Payroll Growth Rate	2% for CERS Non-hazardous
Salary Increase	3.30% to 11.55%, varies by source
Investment Rate of Return	7.50%

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-Hazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

**JOHNSON COUNTY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

For the year ended June 30, 2020

**NOTE K – PENSION PLANS – CONTINUED**

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 following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
<b>Growth</b>	<b>62.50%</b>	
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
<b>Liquidity</b>	<b>14.50%</b>	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
<b>Diversifying Strategies</b>	<b>23.00%</b>	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%

***Discount Rate***

The projection of cash flows used to determine the discount rate of 6.25% for CERS Non-hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate.

***Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

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

	<u>1.0% Decrease (5.25%)</u>	<u>Current Discount Rate (6.25%)</u>	<u>1.0% Increase (7.25%)</u>
District's proportionate share of the net pension liability	\$15,195,684	\$12,149,584	\$9,610,690

**JOHNSON COUNTY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

For the year ended June 30, 2020

**NOTE K – PENSION PLANS – CONTINUED**

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in the separately issued KRS 2019 Comprehensive Annual Financial Report at [kyret.ky.gov](http://kyret.ky.gov).

***Payable to the Pension Plan***

At June 30, 2020, the District reported a payable of \$2,302 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2020. The payable includes both the pension and insurance contribution allocation.

**NOTE L – OPEB PLAN**

**General Information about the OPEB plan**

**COUNTY EMPLOYEE'S RETIREMENT SYSTEM (CERS) OPEB PLANS**

***Plan Description and Benefits Provided***

The Johnson County School District participates in the County Employees Retirement System (CERS) Insurance Fund, a multiple-employer defined benefit Other Post-Employment Benefits (OPEB) plan for members that cover all regular full-time members employed by the District. The plan provides for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

***Contributions***

The District's contractually required contribution rate for the year ended June 30, 2020, was 4.76 percent of covered payroll. Contributions to the OPEB plan from the District were \$273,714 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$2,904,871 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2019, the District's proportion was 0.172708%, which was a decrease of 0.002043% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized OPEB expense of \$278,956. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**JOHNSON COUNTY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

For the year ended June 30, 2020

**NOTE L – OPEB PLAN – CONTINUED**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 876,467
Changes of assumptions	859,578	5,748
Net difference between projected and actual earnings on OPEB plan investments	19,134	148,156
Changes in proportion and differences between District contributions and proportionate share of contributions	-	176,210
District contributions subsequent to the measurement date	<u>273,714</u>	<u>-</u>
Total	<u>\$ 1,152,426</u>	<u>\$ 1,206,581</u>

\$273,714 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

**Year ended June 30:**

2021	\$ (61,262)
2022	(61,262)
2023	(20,240)
2024	(98,730)
2025	(74,240)
Thereafter	<u>(12,134)</u>
	<u>\$ (327,868)</u>

***Actuarial Methods and Assumptions***

A summary of the actuarial methods and assumptions used in determining the total OPEB liability as of June 30, 2019 are as follows:

Inflation	2.30%
Payroll Growth Rate	2.0% for CERS non-hazardous
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post - 65	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

**JOHNSON COUNTY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

For the year ended June 30, 2020

**NOTE L – OPEB PLAN – CONTINUED**

**Mortality**

Pre-retirement	PUB-2010 General Mortality table, for the Non-Hazardous Systems, and the PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

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 following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
<b>Growth</b>	<b>62.50%</b>	
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
<b>Liquidity</b>	<b>14.50%</b>	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
<b>Diversifying Strategies</b>	<b>23.00%</b>	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%

***Sensitivity of the Employer's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend***

	<u>1.0% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1.0% Increase</u>
District's proportionate share of the net OPEB liability	\$2,160,367	\$2,904,871	\$3,807,670

**JOHNSON COUNTY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

For the year ended June 30, 2020

**NOTE L – OPEB PLAN – CONTINUED**

***Discount Rate***

The projection of cash flows used to determine the discount rate of 5.68% for CERS Non-hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.13%, as reported in Fidelity Index's "20 – Year Municipal GO AA Index" as of June 30, 2019. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

***Sensitivity of the Employer's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate***

The following presents the District's proportionate share of the Net OPEB Liability using the discount rate of (5.68%), as well as what the District's proportionate share of the Net OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower (4.68%) or one percentage-point higher (6.68%) than the current rate:

	<u>1.0% Decrease (4.68%)</u>	<u>Current Discount Rate (5.68%)</u>	<u>1.0% Increase (6.68%)</u>
District's proportionate share of the net OPEB liability	\$3,891,332	\$2,904,871	\$2,160,367

***OPEB Plan Fiduciary Net Position***

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued KRS 2019 Comprehensive Annual Financial Report at [kyret.ky.gov](http://kyret.ky.gov).

**KENTUCKY TEACHERS RETIREMENT SYSTEM (KTRS) OPEB PLANS**

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

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

**Medical Insurance Plan**

*Plan description* – In addition to the OPEB benefits described above, Kentucky Revised Statute 161.675 requires

**JOHNSON COUNTY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

For the year ended June 30, 2020

**NOTE L – OPEB PLAN – CONTINUED**

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

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

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

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

At June 30, 2020, the District reported a liability of \$7,556,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2018. An expected total OPEB liability as of June 30, 2019 was determined using standard roll-forward techniques. The total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the District's proportion was 0.466648%.

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

District's proportionate share of the net OPEB liability	\$ 7,556,000
Commonwealth's proportionate share of the Net OPEB liability associated with the District	<u>6,102,000</u>
	<u>\$13,658,000</u>

For the year ended June 30, 2020, the District recognized OPEB expense of \$190,000. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,829,000



**JOHNSON COUNTY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

For the year ended June 30, 2020

**NOTE L – OPEB PLAN – CONTINUED**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	32,000	-
Net difference between projected and actual earnings on investments	201,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	407,000	676,000
District contributions subsequent to the measurement date	<u>449,532</u>	<u>-</u>
	<u>\$ 1,089,532</u>	<u>\$ 2,505,000</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$449,532 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

<u>Year</u>	
2021	\$ (378,000)
2022	(378,000)
2023	(362,000)
2024	(365,000)
2025	(255,000)
Thereafter	<u>(127,000)</u>
	<u>\$ (1,865,000)</u>

*Actuarial methods and assumptions* – The total OPEB liability was determined by applying procedures to the actuarial valuation as of June 30, 2018. The financial reporting actuarial valuation as of June 30, 2019, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Investment Rate of Return	8.00%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 – 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Healthcare cost trend rates	
Under 65	7.50% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2024
Ages 65 and Older	5.50% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2021
Medicare Part B Premiums	0.00% for FY 2018 with an ultimate rate of 5.00% by 2030
Municipal Bond Index Rate	3.89%
Discount Rate	8.00%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation.

**JOHNSON COUNTY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

For the year ended June 30, 2020

**NOTE L – OPEB PLAN – CONTINUED**

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

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2015 valuation.

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

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

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

*Discount rate* – The discount rate used to measure the total OPEB liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

	<u>1.0% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1.0% Increase (9.00%)</u>
District's proportionate share of the net OPEB liability	\$8,951,000	\$7,556,000	\$6,387,000

**JOHNSON COUNTY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

For the year ended June 30, 2020

**NOTE L – OPEB PLAN – CONTINUED**

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

	<u>1.0% Decrease</u>	<u>Current Trend Rate</u>	<u>1.0% Increase</u>
District's proportionate share of the net OPEB liability	\$6,151,000	\$7,556,000	\$9,284,000

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

**Life Insurance Plan**

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

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

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

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

At June 30, 2020, the District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	\$ -
Commonwealth's proportionate share of the Net OPEB liability associated with the District	<u>142,000</u> <u>\$ 142,000</u>

The net OPEB liability was measured as of June 30, 2019, and the total pension liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. An expected total OPEB liability as of June 30, 2019 was determined using standard roll-forward techniques. The District's proportion of the net OPEB liability was based on the actual liability of the employees and former employees relative to the total liability of the Commonwealth as determined by the actuary. At June 30, 2019, the District's proportion was 0.456232%.

**JOHNSON COUNTY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

For the year ended June 30, 2020

**NOTE L – OPEB PLAN – CONTINUED**

For the year ended June 30, 2020, the District recognized OPEB expense of \$-0- and revenue of \$-0- for support provided by the state.

*Actuarial methods and assumptions* – The total OPEB liability was determined by applying procedures to the actuarial valuation as of June 30, 2018. The financial reporting actuarial valuation as of June 30, 2019, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Investment Rate of Return	7.50%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 – 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Municipal Bond Index Rate	3.89%
Discount Rate	7.50%
Single Equivalent Interest Rate	7.50%, net of OPEB plan investment expense, including inflation.

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

The remaining actuarial assumptions (e.g. initial per capita costs, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2015 valuation.

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

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

	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
U.S. Equity	40.0%	4.2%
International Equity	23.0%	5.2%
Fixed Income	18.0%	1.2%
Real Estate	6.0%	3.8%
Private Equity	5.0%	6.3%
Other Additional Categories	6.0%	3.3%
Cash (LIBOR)	<u>2.0%</u>	0.9%
Total	<u>100.0%</u>	

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

## **JOHNSON COUNTY SCHOOL DISTRICT**

### **NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

For the year ended June 30, 2020

#### **NOTE L – OPEB PLAN – CONTINUED**

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

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

#### **Payable to the OPEB Plan**

At June 30, 2020, the District reported a payable of \$ -0- for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2020.

#### **NOTE M – CONTINGENCIES**

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

#### **NOTE N – LITIGATION**

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

#### **NOTE O – INSURANCE AND RELATED ACTIVITIES**

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

#### **NOTE P – RISK MANAGEMENT**

The District is exposed to various risks of loss of torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards' Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the

**JOHNSON COUNTY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

For the year ended June 30, 2020

**NOTE P – RISK MANAGEMENT– CONTINUED**

expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

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

**NOTE Q – DEFICIT OPERATING BALANCES**

The Business-Type Activities (Proprietary Fund) had a deficit net position of \$57,323 and the Governmental Activities had a deficit net position of \$2,359,391 during the current year due to the recording of GASB 68 pensions and GASB 75 OPEB. There are no funds of the District that currently have a deficit fund balance. However, the following funds have operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance:

General Fund	\$ 89,997
Construction	\$ 112,470
Debt Service Fund	\$ 42,680

**NOTE R – 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.

**NOTE S – TRANSFER OF FUNDS**

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	General	Debt Service	Debt Service	\$ 77,576
Operating	General	Special Revenue	Technology	\$ 65,075
Operating	General	Construction	Construction	\$ 128,553
Operating	Capital Outlay	General	Debt Service	\$ 309,882
Operating	Debt Service	Construction	Bond Issue	\$ 917,395
Operating	FSPK	Debt Service	Debt Service	\$1,366,029
Operating	FSPK	General	Capital Funds Request	\$ 130,790
Operating	Special Revenue	General Fund	Indirect Costs	\$ 2,545
Operating	Proprietary	General	Indirect Costs	\$ 128,569

**JOHNSON COUNTY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

For the year ended June 30, 2020

**NOTE T – INTERFUND RECEIVABLES AND PAYABLES**

There was an interfund receivable and payable at June 30, 2020 between the following funds:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Purpose</u>
General Fund	\$1,170,830		Cash shortage
Special Revenue Fund		\$817,892	Cash shortage
Construction Fund		\$352,938	Cash shortage

**NOTE U – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 26, 2020, the date on which the financial statements were available to be issued.

**NOTE V – RESTATEMENTS**

For the year ended June 30, 2020, the District implemented GASB Statement No. 75 for KTRS. This Statement established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures for other postemployment benefits (OPEB). This Statement identifies the methods and assumptions that should be used to project benefit payments, and discount projected benefit payments to their actuarial present value. The Statement also requires enhanced note disclosures and schedules of required supplementary information that will be presented by the OPEB plans that are within its scope.

The implementation of GASB Statement No. 75 for KTRS had the following effect:

	<u>Government – Wide Statements Governmental Activities</u>
Net position/fund balance June 30, 2019	\$ 5,227,820
Recognition of net OPEB liabilities for KTRS	<u>(9,244,656)</u>
Restated net position/fund balance, June 30, 2019	<u>\$ (4,016,836)</u>

**REQUIRED SUPPLEMENTARY INFORMATION**



JOHNSON COUNTY SCHOOL DISTRICT

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

GENERAL FUND

For the year ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources				
Taxes				
Property	\$ 2,733,069	\$ 2,733,069	\$ 2,787,306	\$ 54,237
Motor vehicle	750,000	750,000	763,705	13,705
Utilities	1,000,000	1,000,000	994,086	(5,914)
Tuition and fees	125,000	125,000	112,491	(12,509)
Earnings on investments	160,000	160,000	112,150	(47,850)
Other local revenues	20,000	20,000	229,601	209,601
Intergovernmental - state	17,039,359	17,039,359	25,632,970	8,593,611
Intergovernmental - indirect federal	100,000	100,000	122,725	22,725
<b>Total revenues</b>	<b>21,927,428</b>	<b>21,927,428</b>	<b>30,755,034</b>	<b>8,827,606</b>
<b>Expenditures:</b>				
Instruction	15,909,961	15,909,961	21,582,433	(5,672,472)
Support services:				
Student	556,921	556,921	862,549	(305,628)
Instructional staff	133,341	133,341	188,135	(54,794)
District administrative	2,665,109	2,665,109	627,590	2,037,519
School administrative	1,490,993	1,490,993	1,948,722	(457,729)
Business	409,248	409,248	716,851	(307,603)
Plant operation and maintenance	3,419,426	3,419,426	3,322,879	96,547
Student transportation	1,929,035	1,929,035	1,666,611	262,424
Central office	-	-	-	-
Community service activities	185,436	185,436	145,649	39,787
Other	80,162	80,162	92,532	(12,370)
<b>Total expenditures</b>	<b>26,779,632</b>	<b>26,779,632</b>	<b>31,153,951</b>	<b>(4,374,319)</b>
<b>Excess (deficit) of revenues over expenditures</b>	<b>(4,852,204)</b>	<b>(4,852,204)</b>	<b>(398,917)</b>	<b>4,453,287</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds from sale of fixed assets	-	-	8,338	8,338
Operating transfers in	-	-	571,786	571,786
Operating transfers out	-	-	(271,204)	(271,204)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>308,920</b>	<b>308,920</b>
<b>Net change in fund balance</b>	<b>(4,852,204)</b>	<b>(4,852,204)</b>	<b>(89,997)</b>	<b>4,762,207</b>
<b>Fund balance, July 1, 2019</b>	<b>4,852,204</b>	<b>4,852,204</b>	<b>4,982,050</b>	<b>129,846</b>
<b>Fund balance, June 30, 2020</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,892,053</b>	<b>\$ 4,892,053</b>

See independent auditor's report and accompanying notes to financial statements.

**JOHNSON COUNTY SCHOOL DISTRICT**

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

**SPECIAL REVENUE FUND**

For the year ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variances with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Earnings on investments	\$ -	\$ -	\$ 7,716	\$ 7,716
Other local revenues	82,361	82,361	218,226	135,865
State aid	1,419,382	1,419,382	1,306,019	(113,363)
Federal aid	4,456,409	4,456,409	4,195,611	(260,798)
<b>Total revenues</b>	<b>5,958,152</b>	<b>5,958,152</b>	<b>5,727,572</b>	<b>(230,580)</b>
<b>Expenditures:</b>				
Current:				
Instruction	4,267,022	4,267,022	4,199,636	67,386
Support Services:				
Student	193,092	193,092	171,346	21,746
Instructional staff	-	-	87,005	(87,005)
District administration	913,986	913,986	559,612	354,374
School administration	156,786	156,786	307,595	(150,809)
Business	-	-	1,550	(1,550)
Plant operations and maintenance	36,036	36,036	63,021	(26,985)
Student transportation	-	-	-	-
Central office	-	-	-	-
Community services activities	391,230	391,230	400,337	(9,107)
Other	-	-	-	-
<b>Total expenditures</b>	<b>5,958,152</b>	<b>5,958,152</b>	<b>5,790,102</b>	<b>168,050</b>
<b>Excess (deficit) of revenues over expenditures</b>	<b>-</b>	<b>-</b>	<b>(62,530)</b>	<b>(62,530)</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	65,075	65,075
Transfers out	-	-	(2,545)	(2,545)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>62,530</b>	<b>62,530</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balance July 1, 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balance June 30, 2020</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

See independent auditor's report and accompanying notes to financial statements.

**JOHNSON COUNTY SCHOOL DISTRICT**

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

JUNE 30, 2020

	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
<b>CERS:</b>						
District's proportion of the net pension liability (asset)	0.198881%	0.193384%	0.192858%	0.185340%	0.174758%	0.172750%
District's proportionate share of the net pension liability (asset)	\$ 6,452,000	\$ 8,314,574	\$ 9,495,609	\$ 10,848,520	\$ 10,643,295	\$ 12,149,584
District's covered-employee payroll	\$ 4,527,595	\$ 4,613,113	\$ 4,524,459	\$ 4,331,510	\$ 4,369,969	\$ 4,439,947
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	142.50%	180.24%	209.87%	250.46%	243.56%	273.64%
Plan fiduciary net position as a percentage of the total OPEB liability	66.80%	60.00%	55.50%	53.30%	53.54%	50.45%
<b>KTRS:</b>						
District's proportion of net pension liability	0.5298%	0.5101%	0.5038%	0.5113%	0.4702%	0.4794%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State of Kentucky's share of the net pension liability associated with the district	<u>108,870,303</u>	<u>118,701,577</u>	<u>148,622,134</u>	<u>137,961,692</u>	<u>61,570,386</u>	<u>65,405,705</u>
Total	<u>\$ 108,870,303</u>	<u>\$ 118,701,577</u>	<u>\$ 148,622,134</u>	<u>\$ 137,961,692</u>	<u>\$ 61,570,386</u>	<u>\$ 65,405,705</u>
District's covered-employee payroll	\$ 16,623,646	\$ 16,675,652	\$ 17,194,930	\$ 17,192,269	\$ 16,538,315	\$ 17,097,439
District's proportionate share of the net pension liability as a percentage of its covered-payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	45.59%	44.70%	57.04%	39.80%	59.30%	58.80%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

The amounts presented have a measurement date of the previous fiscal year end.

**JOHNSON COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**JUNE 30, 2020**

	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
<b>CERS:</b>						
Contractually required contribution	\$ 577,268	\$ 572,949	\$ 631,162	\$ 627,203	\$ 708,809	\$ 856,910
Contributions in relation to the contractually required contribution	<u>577,268</u>	<u>572,949</u>	<u>631,162</u>	<u>627,203</u>	<u>708,809</u>	<u>856,910</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 4,527,595	\$ 4,613,113	\$ 4,524,459	\$ 4,331,510	\$ 4,369,969	\$ 4,439,947
Contributions as a percentage of covered-employee payroll	12.75%	12.42%	13.95%	14.48%	16.22%	19.30%
<b>KTRS:</b>						
Contractually required contributions (actuarially determined)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 16,623,646	\$ 16,675,652	\$ 17,194,930	\$ 17,192,269	\$ 16,538,315	\$ 17,097,439
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

JOHNSON COUNTY SCHOOL DISTRICT

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

JUNE 30, 2020

	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
<b>CERS - INSURANCE FUND:</b>			
District's proportion of the net OPEB liability (asset)	0.185340%	0.174751%	0.172708%
District's proportionate share of the net OPEB liability (asset)	\$ 3,725,968	\$ 3,102,669	\$ 2,904,871
District's covered-employee payroll	\$ 4,331,510	\$ 4,369,969	\$ 4,439,947
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	86.02%	71.00%	65.43%
Plan fiduciary net position as a percentage of the total OPEB liability	52.40%	57.62%	60.44%
<b>KTRS - MEDICAL INSURANCE PLAN:</b>			
District's proportion of net OPEB liability	0.494741%	0.456057%	0.466648%
District's proportionate share of the net OPEB liability	\$ 9,710,000	\$ 8,499,000	\$ 7,556,000
State of Kentucky's share of the net OPEB liability associated with the district	<u>7,932,000</u>	<u>7,325,000</u>	<u>6,102,000</u>
<b>TOTAL</b>	<u>\$ 17,642,000</u>	<u>\$ 15,824,000</u>	<u>\$ 13,658,000</u>
District's covered-employee payroll	\$ 17,192,269	\$ 16,538,315	\$ 17,097,439
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	56.48%	51.39%	44.19%
Plan fiduciary net position as a percentage of the total OPEB liability	21.18%	25.50%	32.58%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**JOHNSON COUNTY SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET OPEB LIABILITY (CONCLUDED)**

JUNE 30, 2020

	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
<b>KTRS - LIFE INSURANCE PLAN:</b>			
District's proportion of the net OPEB liability	0.483462%	0.445619%	0.456232%
District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the District	<u>106,000</u>	<u>126,000</u>	<u>142,000</u>
Total	<u>\$ 106,000</u>	<u>\$ 126,000</u>	<u>\$ 142,000</u>
District's covered payroll	\$ 17,192,269	\$ 16,538,315	\$ 17,097,439
District's proportionate share of the net 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 OPEB liability	79.99%	75.00%	73.40%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**JOHNSON COUNTY SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS**

JUNE 30, 2020

	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
<b>CERS - INSURANCE FUND:</b>			
Contractually required contribution	\$ 249,118	\$ 279,912	\$ 273,714
Contributions in relation to the contractually required contribution	<u>249,118</u>	<u>279,912</u>	<u>\$ 273,714</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 4,331,510	\$ 4,369,969	\$ 4,439,947
Contributions as a percentage of covered-employee payroll	5.75%	6.41%	6.16%
<b>KTRS - MEDICAL INSURANCE PLAN:</b>			
Contractually required contributions	\$ 466,536	\$ 436,344	\$ 449,532
Contributions in relation to the contractually required contribution	466,536	436,344	449,532
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 17,192,269	\$ 16,538,315	\$ 17,097,439
District's contributions as a percentage of its covered-employee payroll	2.71%	2.64%	2.63%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**JOHNSON COUNTY SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT OPEB CONTRIBUTIONS (CONCLUDED)**

**JUNE 30, 2020**

	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
KTRS - LIFE INSURANCE PLAN:			
Contractually required contribution	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	-	-	-
District's covered payroll	\$ 17,192,269	\$ 16,538,315	\$ 17,097,439
District's contributions as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.



**JOHNSON COUNTY SCHOOL DISTRICT**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY**

For the year ended June 30, 2020

**TEACHERS' RETIREMENT SYSTEM**

**NOTE A – CHANGES OF ASSUMPTIONS**

In 2018, the calculation of Single Equivalent Interest Rate resulted in an assumption change from 4.49% to 7.50%.

In 2017, the calculation of the Single Equivalent Interest Rate resulted in an assumption change from 4.20% to 4.49%.

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

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

**NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS**

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

Actuarial Cost Method	Entry age
Amortization Period	Level percentage of payroll, open
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.00 percent
Salary Increase	3.50 – 7.30 percent, including inflation
Ultimate Investment Rate of Return	7.50 percent, net of pension plan investment expense, including inflation

**NOTE C – CHANGES OF BENEFITS**

There were no changes in benefits for TRS pension.

**JOHNSON COUNTY SCHOOL DISTRICT**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY**

For the year ended June 30, 2020

**COUNTY EMPLOYEES RETIREMENT SYSTEM**

**NOTE A – CHANGES OF ASSUMPTIONS**

**2015**

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

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

The assumed inflation rate was reduced from 3.5% to 3.255%

The assumed rate of wage inflation was reduced from 1.00% to .75%

Payroll growth assumption was reduced from 4.5% to 4%

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females)

For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

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

**2016**

There were no changes in assumptions for the year ended June 30, 2016.

**2017**

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

The assumed rate of inflation was reduced to 2.30% from 3.25%

The assumed salary increases were reduced to 3.05%, average, from 4.00%, average including inflation

The assumed investment rate of return was reduced to 6.25% from 7.50%

**2018**

There were no changes in assumptions.

**2019**

There were no changes in assumptions.

**JOHNSON COUNTY SCHOOL DISTRICT**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY**

For the year ended June 30, 2020

**COUNTY EMPLOYEES RETIREMENT SYSTEM – CONTINUED**

**NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS**

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for the fiscal year ending June 30, 2019:

Valuation Date	June 30, 2018
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	26 years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 11.55%, varies by service
Investment Rate of Return	6.25% net of pension plan investment expense, including inflation

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

**NOTE C – CHANGES OF BENEFITS**

There were no changes in benefits for CERS pension.

**JOHNSON COUNTY SCHOOL DISTRICT**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE  
NET OPEB LIABILITY**

For the year ended June 30, 2020

**TEACHERS' RETIREMENT SYSTEM**

**NOTE A – CHANGES OF ASSUMPTIONS**

**2017**

There were no changes in assumptions.

**2018**

There were no changes in assumptions.

**2019**

There were no changes in assumptions.

**NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS**

*Methods and assumptions used in the actuarially determined contributions* – The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2019:

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll
Amortization Period	22 years, Closed
Asset Valuation Method	Five-year smoothed value
Inflation	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Salary Increases, Including Wage Inflation	3.5% - 7.20%
Discount Rate	8.00%
Healthcare Cost Trends	
Under 65	7.50% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2024
Ages 65 and Older	5.50% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2021
Medicare Part B Premiums	0.00% for FY 2018 with an ultimate rate of 5.00% by 2030
Under Age 65 Claims	The current premium charged by KEHP is used as the base cost and is projected forward using only the healthcare trend assumption (no implicit rate subsidy is recognized).

**NOTE C – CHANGES OF BENEFITS**

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

**JOHNSON COUNTY SCHOOL DISTRICT**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE  
NET OPEB LIABILITY**

For the year ended June 30, 2020

**COUNTY EMPLOYEES RETIREMENT SYSTEM**

**NOTE A – CHANGES OF ASSUMPTIONS**

**2017**

The assumed investment return was changed from 7.5% to 6.2%

The price inflation assumption was changed from 3.25% to 2.30% which resulted in a .95% decrease in the salary increase assumption at all years of service

The payroll growth assumption (\*applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.0% to 2.0%

For the non-hazardous plan, the single discount rate changed from 6.89% to 5.84%. For the hazardous plan the single discount rate changed from 7.37% to 5.96%

**2018**

There were no changes in assumptions.

**2019**

There were no changes in assumptions.

**NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS**

*Methods and assumptions used in the actuarially determined contributions* – The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2019:

Valuation Date	June 30, 2018
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	26 years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 11.55%, varies by service
Investment Rate of Return	6.25%
Healthcare Cost Trend Rates	
Under 65	Initial trend starting at 7.25% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Ages 65 and Older	Initial trend starting at 5.10% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years

**JOHNSON COUNTY SCHOOL DISTRICT**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE  
NET OPEB LIABILITY**

For the year ended June 30, 2020

**COUNTY EMPLOYEES RETIREMENT SYSTEM – CONTINUED**

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

**NOTE C – CHANGES OF BENEFITS**

There were no changes in benefits for CERS OPEB.

**COMBINING STATEMENTS - NONMAJOR FUNDS**

**JOHNSON 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 and Resources:</b>					
Cash and cash equivalents	\$ 49,490	\$ 269,285	\$ 324,200	\$ -	\$ 642,975
Accounts receivables	472	-	-	-	472
<b>Total assets and resources</b>	<b><u>\$ 49,962</u></b>	<b><u>\$ 269,285</u></b>	<b><u>\$ 324,200</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 643,447</u></b>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total liabilities</b>	-	-	-	-	-
<b>Fund Balances:</b>					
<b>Restricted For:</b>					
District activity	49,962	-	-	-	49,962
SFCC escrow	-	269,285	324,200	-	593,485
Debt service	-	-	-	-	-
<b>Total fund balances</b>	<b><u>49,962</u></b>	<b><u>269,285</u></b>	<b><u>324,200</u></b>	<b><u>-</u></b>	<b><u>643,447</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 49,962</u></b>	<b><u>\$ 269,285</u></b>	<b><u>\$ 324,200</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 643,447</u></b>

See independent auditor's report and accompanying notes to financial statements.



**JOHNSON 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	\$ -	\$ 861,868	\$ -	\$ -	\$ 861,868
Earnings on investments	-	-	-	-	-
Other local revenues	153,333	-	-	-	153,333
Intergovernmental - state	-	861,276	309,882	317,507	1,488,665
Intergovernmental - indirect federal	-	-	-	94,281	94,281
<b>Total revenues</b>	<b>153,333</b>	<b>1,723,144</b>	<b>309,882</b>	<b>411,788</b>	<b>2,598,147</b>
<b>Expenditures:</b>					
Instruction	19,952	-	-	-	19,952
Support services:					
Student	-	-	-	-	-
Instructional staff	-	-	-	-	-
Direct administrative	-	-	-	-	-
School administrative	-	-	-	-	-
Business	-	-	-	-	-
Plant operation and maintenance	107,427	-	-	-	107,427
Student transportation	-	-	-	-	-
Central office	-	-	-	-	-
Facilities and construction	-	-	-	-	-
Community service activities	-	-	-	-	-
Other	-	-	-	1,916,578	1,916,578
<b>Total expenditures</b>	<b>127,379</b>	<b>-</b>	<b>-</b>	<b>1,916,578</b>	<b>2,043,957</b>
<b>Excess (deficit) of revenues over expenditures</b>	<b>25,954</b>	<b>1,723,144</b>	<b>309,882</b>	<b>(1,504,790)</b>	<b>554,190</b>
<b>Other Financing Sources (Uses):</b>					
Bonds proceeds	-	-	-	935,900	935,900
Operating transfers in	-	-	-	1,443,605	1,443,605
Operating transfers out	-	(1,496,819)	(309,882)	(917,395)	(2,724,096)
Non operating transfers in	-	-	-	-	-
Non operating transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(1,496,819)</b>	<b>(309,882)</b>	<b>1,462,110</b>	<b>(344,591)</b>
<b>Net change in fund balance</b>	<b>25,954</b>	<b>226,325</b>	<b>-</b>	<b>(42,680)</b>	<b>209,599</b>
<b>Fund balance, July 1, 2019</b>	<b>24,008</b>	<b>42,960</b>	<b>324,200</b>	<b>42,680</b>	<b>433,848</b>
<b>Fund balance, June 30, 2020</b>	<b>\$ 49,962</b>	<b>\$ 269,285</b>	<b>\$ 324,200</b>	<b>\$ -</b>	<b>\$ 643,447</b>

See independent auditor's report and accompanying notes to financial statements. -70-

**OTHER COMBINING STATEMENTS AND SCHOOL ACTIVITY FUNDS**

**JOHNSON COUNTY SCHOOL DISTRICT**

**COMBINING STATEMENT OF FIDUCIARY NET POSITION**

**SCHOOL ACTIVITY FUNDS (AGENCY FUND)**

For the year ended June 30, 2020

	<u>Johnson County Elementary Athletic Association</u>	<u>Johnson Central High School</u>	<u>Central Elementary</u>	<u>Flat Gap Elementary</u>	<u>Highlands Elementary</u>	<u>Porter Elementary</u>	<u>W. R. Castle Memorial Elementary</u>	<u>Johnson County Middle School</u>	<u>Totals</u>
<b>Assets:</b>									
Cash	\$ 902	\$ 134,911	\$ 42,109	\$ 27,826	\$ 45,057	\$ 26,120	\$ 31,050	\$ 23,198	\$ 331,173
Accounts receivable	<u>-</u>	<u>4,851</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>81</u>	<u>4,932</u>
<b>Total assets</b>	<u>\$ 902</u>	<u>\$ 139,762</u>	<u>\$ 42,109</u>	<u>\$ 27,826</u>	<u>\$ 45,057</u>	<u>\$ 26,120</u>	<u>\$ 31,050</u>	<u>\$ 23,279</u>	<u>\$ 336,105</u>
<b>Liabilities and Fund Balances:</b>									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 365	\$ -	\$ -	\$ 365
Due to student groups	<u>902</u>	<u>139,762</u>	<u>42,109</u>	<u>27,826</u>	<u>45,057</u>	<u>25,755</u>	<u>31,050</u>	<u>23,279</u>	<u>335,740</u>
<b>Total liabilities</b>	<u>\$ 902</u>	<u>\$ 139,762</u>	<u>\$ 42,109</u>	<u>\$ 27,826</u>	<u>\$ 45,057</u>	<u>\$ 26,120</u>	<u>\$ 31,050</u>	<u>\$ 23,279</u>	<u>\$ 336,105</u>

JOHNSON COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES DUE STUDENT GROUPS

SCHOOL ACTIVITY FUNDS (AGENCY FUND)

For the year ended June 30, 2020

	Johnson County Athletic Association	Johnson Central High School	Central Elementary	Flat Gap Elementary	Highlands Elementary	Porter Elementary	W. R. Castle Memorial Elementary	Johnson County Middle School	Totals
<b>Revenues:</b>									
School activities and projects funds	\$ -	\$ 703,697	\$22,495	\$29,181	\$34,399	\$43,829	\$24,804	\$ 88,548	\$ 946,953
Athletic fund	<u>30,961</u>	<u>304,025</u>	<u>12,123</u>	<u>21,224</u>	<u>13,456</u>	<u>16,788</u>	<u>8,307</u>	<u>60,961</u>	<u>467,845</u>
<b>Total revenues</b>	<b>30,961</b>	<b>1,007,722</b>	<b>34,618</b>	<b>50,405</b>	<b>47,855</b>	<b>60,617</b>	<b>33,111</b>	<b>149,509</b>	<b>1,414,798</b>
<b>Expenditures:</b>									
School activities and projects funds	-	635,720	20,222	32,266	30,958	37,346	16,642	85,931	859,085
Athletic fund	<u>31,911</u>	<u>299,293</u>	<u>13,923</u>	<u>20,068</u>	<u>11,485</u>	<u>13,045</u>	<u>7,115</u>	<u>59,039</u>	<u>455,879</u>
<b>Total expenditures</b>	<b>31,911</b>	<b>935,013</b>	<b>34,145</b>	<b>52,334</b>	<b>42,443</b>	<b>50,391</b>	<b>23,757</b>	<b>144,970</b>	<b>1,314,964</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(950)</b>	<b>72,709</b>	<b>473</b>	<b>(1,929)</b>	<b>5,412</b>	<b>10,226</b>	<b>9,354</b>	<b>4,539</b>	<b>99,834</b>
<b>Due Student Groups, July 1, 2019</b>	<b>1,852</b>	<b>67,053</b>	<b>41,636</b>	<b>29,755</b>	<b>39,645</b>	<b>15,529</b>	<b>21,696</b>	<b>18,740</b>	<b>235,906</b>
<b>Due Student Groups, June 30, 2020</b>	<b><u>\$ 902</u></b>	<b><u>\$ 139,762</u></b>	<b><u>\$42,109</u></b>	<b><u>\$27,826</u></b>	<b><u>\$45,057</u></b>	<b><u>\$25,755</u></b>	<b><u>\$31,050</u></b>	<b><u>\$ 23,279</u></b>	<b><u>\$ 335,740</u></b>

JOHNSON COUNTY SCHOOL DISTRICT

STATEMENT OF RECEIPTS, DISBURSEMENTS DUE STUDENT GROUPS

SCHOOL ACTIVITY FUNDS - JOHNSON CENTRAL HIGH SCHOOL (AGENCY FUND)

For the year ended June 30, 2020

Name of Activity:	Cash	Receipts	Disbursements	Cash	Accounts	Accounts	Fund
	Balances			Balances	Receivable	Payable	Balances
	July 1, 2019			June 30, 2020	June 30, 2020	June 30, 2020	June 30, 2020
Academic	\$ -	\$ 2,570	\$ 2,570	-	\$ -	\$ -	\$ -
Academic Team Scholarship	1,000	-	1,000	-	-	-	-
All CTE Programs	-	4,982	4,543	439	356	-	795
Alumni Scholarship	-	1,102	500	602	-	-	602
Americorp/YSC	-	17,450	7,541	9,909	-	-	9,909
Athletics	3,000	305,723	299,293	9,430	3,345	-	12,775
Band	-	300	300	-	-	-	-
Bass Fishing Club	500	21,790	7,590	14,700	-	-	14,700
Bass Fishing	-	629	525	104	-	-	104
Beta Club	-	3	-	3	-	-	3
Carpentry - Skills USA	-	2,934	81	2,853	-	-	2,853
Choir	-	8,041	8,041	-	-	-	-
Class of 2020	-	57,384	53,166	4,218	-	-	4,218
Chromebooks	-	51,447	51,447	-	-	-	-
Cooking Lab	-	640	69	571	-	-	571
District Activity	-	11,399	11,399	-	-	-	-
Eagle's Nest	-	11,287	6,541	4,746	-	-	4,746
Eagle Spirit Club	-	6,329	1,805	4,724	-	-	4,724
Esports	-	1,296	1,296	-	-	-	-
FBLA Fund	79	1,106	1,185	-	-	-	-
FCA	-	3,904	1,153	2,751	-	-	2,751
FCCLA National	464	5,451	3,427	2,488	-	-	2,488
FFA Fund	1,869	17,496	19,092	273	825	-	1,098
HOSA	-	13,307	6,931	6,376	-	-	6,376
Interact Club	-	1,605	154	1,451	-	-	1,451
JC Dance	-	3,637	3,637	-	-	-	-
JC FMD	-	2,123	1,578	545	-	-	545
JCHS Barbell Club	-	515	-	515	-	-	515
JCHS Radio	-	40	-	40	-	-	40
JCHS Speech Team	-	3,058	1,343	1,715	-	-	1,715
JKG	-	1,838	1,743	95	-	-	95
Junior Prom	-	17,284	11,991	5,293	-	-	5,293
KYA	-	400	-	400	-	-	400
KYA/KUNA	-	1,191	1,017	174	-	-	174
Musical Theater	-	6,878	3,516	3,362	-	-	3,362
National Honors Society	-	2,460	2,176	284	-	-	284
Project Prom	-	6,009	-	6,009	-	-	6,009
Project Prom Scholarship	9,065	2,500	5,000	6,565	-	-	6,565
Scholarship Program	9,251	6,013	2,001	13,263	-	-	13,263
School Library	-	42	-	42	-	-	42
Senior Class	-	1,954	1,954	-	-	-	-
Skills USA	-	14,817	14,817	-	-	-	-
Skills USA Scholarship	510	-	500	10	-	-	10
Store Fund	33,807	274,154	299,578	8,383	325	-	8,708
Student Council Fund	250	69,590	66,175	3,665	-	-	3,665
Teachers Discretionary	2,099	7,028	8,440	887	-	-	887
Television Station	-	3,293	2,884	609	-	-	609
Vo-Ag Greenhouse	-	16,101	12,813	3,488	-	-	3,488
Yearbook	-	12,101	6,313	5,788	-	-	5,788
YSC Tee Shirt Fund	-	8,341	-	8,341	-	-	8,341
<b>Totals</b>	<b>\$ 61,894</b>	<b>\$ 1,009,542</b>	<b>\$ 936,525</b>	<b>\$ 134,911</b>	<b>\$ 4,851</b>	<b>\$ -</b>	<b>\$ 139,762</b>

See independent auditor's report and accompanying notes to financial statements.

**JOHNSON COUNTY SCHOOL DISTRICT**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**DEBT SERVICE FUNDS**

For the year ended June 30, 2020

	Issue of 2007	QZAB Series 2010	Issue of 2010	Issue of 2011 Refunding	Issue of 2011	Issue of 2012 Refunding	Issue of 2013 Refunding	Issue of 2013	Issue of 2015	Issue of 2017	Issue of 2019	Total Debt Service Funds
<b>Revenues:</b>												
Earning on investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - state	18,155	-	116,255	-	-	37,123	33,286	59,918	41,455	-	11,315	317,507
Intergovernmental - federal	-	94,281	-	-	-	-	-	-	-	-	-	94,281
<b>Total revenues</b>	<b>18,155</b>	<b>94,281</b>	<b>116,255</b>	<b>-</b>	<b>-</b>	<b>37,123</b>	<b>33,286</b>	<b>59,918</b>	<b>41,455</b>	<b>-</b>	<b>11,315</b>	<b>411,788</b>
<b>Expenditures:</b>												
<b>Current:</b>												
Bond payments	65,000	78,722	85,000	375,000	105,000	205,000	170,000	50,000	50,000	90,000	-	1,273,722
Bond interest	23,400	102,200	51,394	28,556	60,863	23,935	18,910	90,128	69,713	143,937	11,315	624,351
Bond costs	-	-	-	-	-	-	-	-	-	-	18,505	18,505
<b>Total expenditures</b>	<b>88,400</b>	<b>180,922</b>	<b>136,394</b>	<b>403,556</b>	<b>165,863</b>	<b>228,935</b>	<b>188,910</b>	<b>140,128</b>	<b>119,713</b>	<b>233,937</b>	<b>29,820</b>	<b>1,916,578</b>
<b>Excess (deficit) of revenues over expenditures</b>	<b>(70,245)</b>	<b>(86,641)</b>	<b>(20,139)</b>	<b>(403,556)</b>	<b>(165,863)</b>	<b>(191,812)</b>	<b>(155,624)</b>	<b>(80,210)</b>	<b>(78,258)</b>	<b>(233,937)</b>	<b>(18,505)</b>	<b>(1,504,790)</b>
<b>Other Financing Sources (Uses):</b>												
Bond proceeds	-	-	-	-	-	-	-	-	-	-	935,900	935,900
Operating transfers in	70,245	43,961	20,139	403,556	165,863	191,812	155,624	80,210	78,258	233,937	-	1,443,605
Operating transfers out	-	-	-	-	-	-	-	-	-	-	(917,395)	(917,395)
Non operating transfers in	-	-	-	-	-	-	-	-	-	-	-	-
Non operating transfers out	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>70,245</b>	<b>43,961</b>	<b>20,139</b>	<b>403,556</b>	<b>165,863</b>	<b>191,812</b>	<b>155,624</b>	<b>80,210</b>	<b>78,258</b>	<b>233,937</b>	<b>18,505</b>	<b>1,462,110</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>(42,680)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(42,680)</b>
<b>Fund balance, July 1, 2019</b>	<b>-</b>	<b>42,680</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42,680</b>
<b>Fund balance, June 30, 2020</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

JOHNSON COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2020

FEDERAL GRANTOR/ PASS - THROUGH GRANTOR/ <u>PROGRAM OR CLUSTER TITLE</u>	Federal CFDA <u>Number</u>	Pass- Through Grantor's <u>Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPT. OF AGRICULTURE</u>			
Passed Through State Dept. of Education:			
<u>CHILD NUTRITION CLUSTER</u>			
National School Lunch Program	10.555	7750002 19 7750002 20	\$ 509,965 787,434 <u>1,297,399</u>
Passed Through State Dept. of Agriculture:			
Food Donation (In-Kind Commodities)	10.555	1007	<u>146,461</u> <u>1,443,860</u>
School Breakfast Program	10.553	7760005 19 7760005 20	245,873 378,992 <u>624,865</u>
Summer Food Service Program for Children	10.559	7690024 19 7690024 20 7740023 19 7740223 20	5,352 39,113 51,148 381,132 <u>476,745</u>
TOTAL CHILD NUTRITION CLUSTER			<u>2,545,470</u>
State Administrative Expenses for Child Nutrition	10.560	7700001 19	<u>4,640</u>
Fresh Fruit and Vegetable Program	10.582	7720012 19	<u>1,584</u>
TOTAL U.S. DEPT. OF AGRICULTURE			<u>2,551,694</u>
<u>U.S. DEPT. OF EDUCATION</u>			
Passed Through State Dept. of Education:			
Title I - Grants to Local Educational Agencies	84.010	3100002 17 3100002 18 3100002 19 3100202 18	8,053 65,039 973,495 114,778 <u>1,161,365</u>
Twenty-First Century Community Learning Centers	84.287	3400002 17 3400002 18	68,795 87,664 <u>156,459</u>
Supporting Effective Instruction - State Grant	84.367	3230002 17 3230002 18 3230002 19	1,081 166,594 66,076 <u>233,751</u>
			<u>1,551,575</u>

The accompanying notes are an integral part of this schedule.

(Continued next page)

JOHNSON COUNTY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED  
 For the year ended June 30, 2020

FEDERAL GRANTOR/ PASS - THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE <u>U.S. DEPT. OF EDUCATION</u>	Federal CFDA Number	Pass- Through Grantor's Number	Federal Expenditures
Career and Technical Education - Basic Grants to States	84.048	3710002 18 3710002 19	13,370 26,358 <hr/> 39,728
Rural Education	84.358	3140002 18 3140002 19	4,591 66,322 <hr/> 70,913
Student Support and Academic Enrichment Program	84.424	3420002 18 3420002 19	22,735 51,417 <hr/> 74,152
<b><u>SPECIAL EDUCATION CLUSTER (IDEA)</u></b>			
Special Education - Grants to States	84.027	3810002 18 3810002 19	89,839 735,587 <hr/> 825,426
Special Education - Preschool Grants	84.173	3800002 18 3800002 19	18,935 17,542 <hr/> 36,477
TOTAL SPECIAL EDUCATION CLUSTER			<hr/> 861,903
Education Stabilization Fund	84.425	633F 613F	31,479 433,962 <hr/> 465,441
<b>TOTAL U.S. DEPT. OF EDUCATION</b>			<hr/> 3,063,712
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
Passed Through Big Sandy Area Community Action Program, Inc.: Head Start	93.600	04CH010269 19 04CH010269 20	213,805 415,444 <hr/> 629,249
Passed Through Department of Health and Human Services: Child Care and Development Black Grant	93.575	658FC	<hr/> 25,802
Passed Through State Department of Education: Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School- Based Surveillance	93.079	2100001 19	<hr/> 300
Improving Student Health and Academic Achievement through Nutrition, Physical Activity and the Management of Chronic Conditions in Schools	93.981	2200001 18 2200001 19	13,178 1,850 <hr/> 15,028
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<hr/> 670,379
<b><u>U.S. DEPARTMENT OF HOMELAND SECURITY</u></b>			
Passed through Department of Homeland Security: Fema - Disaster Grant Public Assistance	97.036	677F	<hr/> 26,984
<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>			<hr/> 26,984
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<hr/> <hr/> <b>\$ 6,312,769</b>

The accompanying notes are an integral part of this schedule.



**JOHNSON COUNTY SCHOOL DISTRICT**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the year ended June 30, 2020

**NOTE A – BASIS OF PRESENTATION**

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

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE C – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair value of the commodities received and disbursed. At June 30, 2020, the District had no food commodities in inventory.

**NOTE D – TYPE A PROGRAMS**

Type A programs for the Johnson County School District is any program for which total expenditures of federal awards exceeded \$750,000 for fiscal year 2020. The District had the following programs and clusters that met the Type A program definition for fiscal year 2020:

<u>CFDA#</u>	<u>PROGRAM TITLE</u>	<u>EXPENDITURES</u>
Child Nutrition Cluster:		
10.555	Food Donation (In-Kind Commodities)	\$ 146,461
10.555	National School Lunch Program	1,297,399
10.553	School Breakfast Program	624,865
10.559	Summer Food Service Program for Children	<u>476,745</u>
		<u>2,545,470</u>
84.010	Title I – Grants to Local Educational Agencies	<u>1,161,365</u>
Special Education Cluster:		
84.027	Special Education – Grants to States	825,426
84.173	Special Education – Preschool Grants	<u>36,477</u>
		<u>861,903</u>
	Total Type A Programs	<u>\$ 4,568,738</u>

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JOHNSON COUNTY SCHOOL DISTRICT**  
 Schedule of Findings and Questioned Costs  
 For the year ended June 30, 2020

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's report issued *unmodified*:

Internal control over financial reporting:

- Material weakness(es) identified?     yes     X\_no
- Significant deficiency(ies) identified?     yes     X\_none reported

Noncompliance material to financial statements noted?     X\_yes     no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?     yes     X\_no
- Significant deficiency(ies) identified?     yes     X\_none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?     yes     X\_no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	Food Donation (In-kind Commodities)
10.559	Summer Food Service Program for Children
84.027	Special Education – Grants to States
84.173	Special Education – Preschool Grants

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

Auditee qualified as low-risk auditee?     X\_yes     no

**SECTION II - FINDINGS-FINANCIAL STATEMENTS AUDIT**

2020 – 001 Accounting Errors – (A Non Repeat Finding)

Condition: Several audit adjustments had to be made to correct the annual financial report.

Criteria: The District should have some checks and balances in place to catch these errors.

Cause of Condition: Lack of checks and balances.

Effect: The annual financial report is inaccurate.

Recommendation: The Finance Officer needs to review all accounts and reconcile back to known check balances.

Views of Responsible Officials and Planned Corrective Actions: We will review all accounts and make sure they reconcile back to known balances effective October 26, 2020.

**SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS**

The audit did not disclose any audit findings.

**JOHNSON COUNTY SCHOOL DISTRICT**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

**June 30, 2020**

The prior year comment was addressed by the District. Corrections were initiated on the documentation that was recommended.

**2019 – 001 Inappropriate Fund Transfers**

**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***



WELLS & COMPANY, P.S.C.

*Certified Public Accountants*

865 South Mayo Trail, Suite 7  
Paintsville, Kentucky 41240-1215

(606) 789-3588

Fax (606) 789-3326

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

Members of the Board of Education  
Johnson County School District  
Paintsville, 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 requirements prescribed by the Kentucky State Committee for School District Audits in the Independent Auditor's Contract, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Johnson County School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Johnson County School District's basic financial statements and have issued our report thereon dated October 26, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Johnson County School District's internal control over financial reporting (internal control) as a basis for designing 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 Johnson County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Johnson 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 Johnson 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 financial statements. 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2020-001.

In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulation identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements*.

We noted certain matters that we reported to management of Johnson County School District, in a separate letter dated October 26, 2020.

**Johnson County School District's Response to Findings**

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

**Purpose of this Report**

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

*Wells & Company, PSC*

Certified Public Accountants  
Paintsville, Kentucky  
October 26, 2020

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





**WELLS & COMPANY, P.S.C.**

*Certified Public Accountants*

865 South Mayo Trail, Suite 7  
Paintsville, Kentucky 41240-1215

(606) 789-3588

Fax (606) 789-3326

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

Members of the Board of Education  
Johnson County School District  
Paintsville, Kentucky

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

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

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Johnson 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 the Johnson 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 the Johnson County School District's compliance.

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

In our opinion, the Johnson 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 the Johnson County School District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Johnson County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on

compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Johnson County School District's internal control over compliance.

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

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

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

Wells & Company, PSC

Certified Public Accountants  
Paintsville, Kentucky  
October 26, 2020

**MANAGEMENT LETTER COMMENTS**



**WELLS & COMPANY, P.S.C.**

*Certified Public Accountants*

865 South Mayo Trail, Suite 7  
Paintsville, Kentucky 41240-1215

(606) 789-3588

Fax (606) 789-3326

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Johnson County School District  
Paintsville, Kentucky

In planning and performing our audit of the financial statements of Johnson County School District (the "District") as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated October 26, 2020, on the financial statements of the District.

We will review the status of these comments during our next audit engagement. We have already discussed these comments 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.

Respectfully,

*Wells & Company, P.S.C.*

Certified Public Accountants  
Paintsville, Kentucky  
October 26, 2020

**JOHNSON COUNTY SCHOOL DISTRICT**

**MANAGEMENT LETTER COMMENTS**

June 30, 2020

**PRIOR YEAR COMMENTS**

All prior year comments were addressed and corrected by the District. Corrections were initiated and improvements made in the documentation that was recommended.

**JOHNSON COUNTY SCHOOL DISTRICT**

**MANAGEMENT LETTER COMMENTS - CONTINUED**

June 30, 2020

**CURRENT YEAR COMMENTS**

**Activity Fund 20-1 Multiple Receipt Forms Not Completed Correctly**

Condition: Teachers were not having the students sign the multiple receipt form at Central Elementary School.

Criteria: Multiple receipt forms are to be signed by 6<sup>th</sup> grade students and above. Also, they need to be accurately completed and turned into the bookkeeper for back up when collecting money.

Cause of Condition: Principals are failing to enforce this requirement.

Effect: Bookkeeper had no idea if all money collected is being turned in for deposit.

Recommendation: We recommend that multiple receipt forms to be completed by teachers and signed by actual students, 6<sup>th</sup> grade and above, when money is collected from or issued to students. The multiple receipt forms should be turned into bookkeeper daily with all monies.

Views of Responsible Officials and Planned Corrective Actions: Principals will be made aware of this requirement and ask to have their teachers comply effective immediately.

**Activity Fund 20-2 Booster Clubs Did Not Submit Required Information**

Condition: Found where the booster clubs at the high school did not submit required information to the principal.

Criteria: External booster organizations must submit the FEIN and the names of the officers, proof of liability insurance coverage, an annual External Support/Booster Budget worksheet (Form F-SA-4B), and its annual financial report to the principal by the due date listed in the Red Book.

Cause of Condition: Principal failed to make the booster clubs comply.

Effect: A liability to the district could result if someone associated with the booster clubs gets hurt or causes some sort of damage.

Recommendation: The board needs to enforce the rules in the Red Book or disassociate with any booster clubs that fail to comply.

Views of Responsible Officials and Planned Corrective Actions: Principals will be made to gather all required information from the booster clubs before the booster clubs are allowed to participate in any activities or school function effective immediately.

**APPENDIX C**

**Johnson County School District Finance Corporation  
Energy Conservation Revenue Bonds  
Series of 2021**

---

---

**Continuing Disclosure Agreement**

## CONTINUING DISCLOSURE UNDERTAKING AGREEMENT

This Continuing Disclosure Undertaking Agreement ("Agreement") made and entered into as of the 24th day of June, 2021 by and between the Board of Education of Johnson County, Kentucky School District ("Board"); the Johnson 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 \$2,240,000 of the Corporation's Energy Conservation Revenue Bonds, Series of 2021, dated June 24, 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  
JOHNSON COUNTY, KENTUCKY**

Attest:

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Secretary

**JOHNSON COUNTY SCHOOL  
DISTRICT FINANCE CORPORATION**

Attest:

\_\_\_\_\_  
President

\_\_\_\_\_  
Secretary

**APPENDIX D**

**Johnson County School District Finance Corporation  
Energy Conservation Revenue Bonds  
Series of 2021**

---

---

**Official Terms and Conditions of Bond Sale**

**OFFICIAL  
TERMS AND CONDITIONS OF BOND SALE**

**\$2,240,000\***

**Johnson County School District Finance Corporation  
Energy Conservation Revenue Bonds, Series of 2021  
Dated June 24, 2021**

**SALE: June 3, 2021 AT 11:00 A.M., E.D.S.T.**

As published on PARITY®, a nationally recognized electronic bidding system, the Johnson County (Kentucky) School District Finance Corporation ("Corporation") will until 11:00 A.M., E.D.S.T., on June 3, 2021 receive at the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Road, Carriage House, Frankfort, Kentucky, 40601, competitive bids for the purchase of \$2,240,000 principal amount of Johnson County School District Finance Corporation Energy Conservation Revenue Bonds, Series of 2021, dated June 24, 2021. To be considered bids must be submitted on an Official Bid Form and must be received by facsimile transmission or electronically Via PARITY® on the date of sale no later than the hour indicated. 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\* as described herein.

**JOHNSON COUNTY (KENTUCKY)  
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 facilities for and on behalf of the Board of Education of Johnson 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 162.385, 58.010 through 58.140, 58.180, 58.600 through 58.615, 45A.345 through 45A.460, 65.940 through 65.956, 160.160(5) and 162.120 through 162.300 (collectively, the "Act") 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 the improvements consisting of Energy Conservation Measures, as contemplated by the Act, at W.R. Castle Elementary School (the "ECM Project") and are secured by a lien on and pledge of the revenues from the rental of the ECM Project to the Board under the Lease on a year to year basis; the first rental period ending June 30, 2021; provided, however, said lien and pledge are on parity with a similar lien and pledge of rental revenues securing the Corporation's School Building Revenue Bonds previously issued to improve or refinance the school building which constitutes the Project (the "Parity Bonds").

The rental of the ECM 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 ECM 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, the Board has agreed so long as the Bonds remain outstanding, and in conformance with the intent and purpose of KRS 160.160(5), in the event of a failure by the Board to pay the rentals due under the 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 to the Corporation the right to notify and request the Kentucky Department of Education to withhold from the Board a sufficient portion

of any undisbursed funds then held, set aside, or allocated to the Board and to request said Department or Commissioner of Education to transfer the required amount thereof to the Paying Agent for the payment of such rentals.

### **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 June 24, 2021, payable on August 1, 2022, and semi annually thereafter and shall mature as to principal on August 1 in each of the years as follows:

<u>YEAR</u>	<u>MATURITIES*</u>	<u>YEAR</u>	<u>MATURITIES*</u>
2022	\$ 25,000	2032	\$ 115,000
2023	50,000	2033	120,000
2024	80,000	2034	125,000
2025	85,000	2035	135,000
2026	90,000	2036	140,000
2027	90,000	2037	145,000
2028	95,000	2038	155,000
2029	100,000	2039	150,000
2030	105,000	2040	160,000
2031	110,000	2041	165,000

\* Subject to a Permitted Adjustment as further described herein which may be applied in any or all maturities.

The Bonds maturing on or after August 1, 2028 are subject to redemption at the option of the Corporation prior to their stated maturity on any date falling on or after August 1, 2027, 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 Corporation will deliver Bond Certificates to U.S. Bank National Association, Louisville, Kentucky, the Bond Registrar and Paying Agent, fully registered in the name of Cede & Co., New York, New York, as the designee of The Depository Trust Company ("DTC"). The payment of all interest, principal and redemption premium, if any, as well as all transfers of ownership of the Bonds shall be effected through the Book Entry Only System facilitated through DTC to Owners of record as of the 15th day of the previous month.

### **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, or by visiting [www.rsamuni.com](http://www.rsamuni.com) submitted manually, by facsimile or electronically via PARITY® INFRA.

(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 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

(C) The minimum bid shall be not less than \$2,195,200 (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 Bonds shall be made on the basis of all bids submitted for exactly \$2,240,000 principal amount of Bonds offered for sale hereunder, but the Corporation may adjust the principal amount of Bonds upward or downward by \$225,000 (the "Permitted Adjustment") which may be awarded to such best bidder may be a minimum of \$2,015,000 or a maximum of \$2,465,000. In the event of such Permitted Adjustment, no rebidding or recalculation of a submitted bid will be required or permitted. 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 \$2,240,000 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 as of the Sale Date for each Maturity of the Bonds which prices are the prices for each Maturity of the Bonds used by the successful purchaser in formulating its bid to purchase the Bonds.

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

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

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

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

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

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

(d) Sale Date means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is June 3, 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 Financial Advisor within twenty four (24) hours of the award of the Bonds that certain serial maturities as awarded may be combined with immediately succeeding serial maturities as one or more Term Bonds; provided, however, (a) bids must be submitted to permit only a single interest rate for each term bond specified, and (b) Term Bonds will be subject to mandatory redemption by lot on August 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 shall provide to the successful purchaser a Final Official Statement in accordance with SEC Rule 15c2 12.

(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 via the Book-Entry-Only-System administered by DTC. Payment shall be in FEDERAL FUNDS.

(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 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 Kentucky Department of Education ("DOE"), an appointee of the reconstituted Kentucky Board of Education (the "State Board"). Some salient features of KERA are as follows:

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



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

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

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

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

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

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

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

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

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

Due to the unforeseen nature on the economy of the Commonwealth caused by the COVID-19 pandemic, in its 2020 regular session, the General Assembly adopted only a one-year budget for the biennial period ending June 30, 2022 which was approved and signed by the Governor. The biennial budget was 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. 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, Johnson County Board of Education, 253 N. Mayo Trail, Paintsville, Kentucky 41240 (606-789-2530).

## **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 Federal taxation.

(C) As a result of certifications by the Board and the Corporation, indicating the issuance of less than \$10,000,000 of tax-exempt obligations during the calendar year ending December 31, 2021, the 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.

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

by s/ Valarie Blair  
Secretary

**APPENDIX E**

**Johnson County School District Finance Corporation  
Energy Conservation Revenue Bonds  
Series of 2021**

---

**Official Bid Form**

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

The Johnson County (Kentucky) School District Finance Corporation ("Corporation" or "Issuer"), will until 11:00 A.M., E.D.S.T., on June 3, 2021, receive in the office of the Executive Director of the Kentucky Schools Facilities Construction Commission, 700 Louisville Road, Carriage House, Frankfort, Kentucky, 40601, (telephone 502-564-5582; Fax 888-979-6152) competitive bids for its \$2,240,000 School District Finance Corporation Energy Conservation Revenue Bonds, Series of 2021, dated June 24, 2021; maturing August 1, 2022 through 2041 ("Bonds").

We hereby bid for said \$2,240,000\* principal amount of Bonds, the total sum of \$ \_\_\_\_\_ (not less than \$2,195,200) plus accrued interest from June 24, 2021 payable August 1, 2022 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 August 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	\$115,000	_____%
2023	50,000	_____%	2033	120,000	_____%
2024	80,000	_____%	2034	125,000	_____%
2025	85,000	_____%	2035	135,000	_____%
2026	90,000	_____%	2036	140,000	_____%
2027	90,000	_____%	2037	145,000	_____%
2028	95,000	_____%	2038	155,000	_____%
2029	100,000	_____%	2039	150,000	_____%
2030	105,000	_____%	2040	160,000	_____%
2031	110,000	_____%	2041	165,000	_____%

\* Subject to Permitted Adjustment

We understand this bid may be accepted for as much as \$2,465,000 of Bonds or as little as \$2,015,000 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.

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

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

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

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

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

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

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

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

(d) Sale Date means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is June 3, 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 Financial Advisor within twenty-four (24) hours of the award of the Bonds that certain serial maturities as awarded may be combined with immediately succeeding serial maturities as one or more Term Bonds; provided, however, (a) bids must be submitted to permit only a single interest rate for each Term Bond specified, and (b) Term Bonds will be subject to mandatory redemption on August 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 June 24, 2021 and upon acceptance by the Issuer's Financial Advisor this Official Bid Form shall become the Bond Purchase Agreement.

Respectfully submitted,

\_\_\_\_\_  
Bidder

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

\_\_\_\_\_  
Address

Total interest cost from June 24, 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 Financial Advisor and Agent for the Johnson 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: June 3, 2021

\_\_\_\_\_  
RSA ADVISORS, LLC,  
as Agent for the Johnson County  
School District Finance Corporation