

DATED MAY 17, 2021

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

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

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

**\$7,100,000\***  
**TODD COUNTY SCHOOL DISTRICT FINANCE CORPORATION**  
**SCHOOL BUILDING REVENUE BONDS,**  
**SERIES OF 2021**

**Dated with Delivery: JUNE 15, 2021**

**Due: as shown below**

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

Maturing		Interest	Reoffering		Maturing		Interest	Reoffering		
1-Jun	Amount		Rate	Yield	CUSIP	1-Jun		Amount	Rate	Yield
2022	\$55,000	%	%		2032	\$595,000	%	%		
2023	\$50,000	%	%		2033	\$605,000	%	%		
2024	\$35,000	%	%		2034	\$620,000	%	%		
2025	\$20,000	%	%		2035	\$635,000	%	%		
2026	\$25,000	%	%		2036	\$655,000	%	%		
2027	\$290,000	%	%		2037	\$670,000	%	%		
2028	\$280,000	%	%		2038	\$690,000	%	%		
2029	\$285,000	%	%		2039	\$330,000	%	%		
2030	\$285,000	%	%		2040	\$335,000	%	%		
2031	\$295,000	%	%		2041	\$345,000	%	%		

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

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

The Bonds constitute a limited indebtedness of the Todd County School District Finance Corporation and are payable from and secured by a pledge of the gross income and revenues derived by leasing the Project (as hereinafter defined) on an annual renewable basis to the Todd County Board of Education.

The Todd County (Kentucky) School District Finance Corporation will until May 25, 2021, at 1:00 P.M., E.S.T., receive competitive bids for the Bonds at the office of the Executive Director of the Kentucky School Facilities Construction Commission, 229 West Main Street, Suite 102, Frankfort, Kentucky 40601.

**\*As set forth in the "Official Terms and Conditions of Bond Sale," the principal amount of Bonds sold to the successful bidder is subject to a Permitted Adjustment by increasing or decreasing the amount not to exceed \$710,000.**

**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.



**TODD COUNTY, KENTUCKY  
BOARD OF EDUCATION**

Eric Harris, Chairman  
Joshua Mosby, Vice Chairman  
Dr. Kelley Groves, Member  
Andrea Jones, Member  
Todd Thomas, Member

Mark Thomas, Superintendent/Secretary

**TODD COUNTY SCHOOL DISTRICT  
FINANCE CORPORATION**

Eric Harris, President  
Joshua Mosby, Vice President  
Dr. Kelley Groves, Member  
Andrea Jones, Member  
Todd Thomas, Member

Mark Thomas, Secretary  
Preston Browning, Treasurer

**BOND COUNSEL**

Steptoe & Johnson PLLC  
Louisville, Kentucky

**FINANCIAL ADVISOR**

RSA Advisors, LLC  
Lexington, Kentucky

**PAYING AGENT AND REGISTRAR**

U.S. Bank National Association  
Louisville, Kentucky

**BOOK-ENTRY-ONLY-SYSTEM**

## REGARDING USE OF THIS OFFICIAL STATEMENT

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

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

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

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

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**OFFICIAL STATEMENT  
Relating to the Issuance of**

**\$7,100,000\***

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

*\*Subject to Permitted Adjustment*

**INTRODUCTION**

The purpose of this Official Statement, which includes the cover page and Appendices hereto, is to set forth certain information pertaining to the Todd County School District Finance Corporation (the "Corporation") School Building Revenue Bonds, Series of 2021 (the "Bonds").

The Bonds are being issued to finance renovations to Todd County High School, Todd County Middle School, North Elementary School, and South Elementary School (the "Projects").

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

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

Copies of the Bond Resolution authorizing the issuance of the Bonds, the Participation Agreement and the Lease Agreement, dated June 15, 2021, may be obtained at the office of Steptoe & Johnson PLLC, Bond Counsel, 700 N. Hurstbourne Parkway, Suite 115, Louisville, Kentucky 40222.

**BOOK-ENTRY-ONLY-SYSTEM**

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

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

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry

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

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

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

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

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

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

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

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

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

## **THE CORPORATION**

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

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

## **KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION**

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

Pursuant to the provisions of the Act, the Regulations of the Kentucky Board of Education and the Commission, the Commission has determined that the Board is eligible for participation from the Commission in meeting the costs of construction of the Projects and has entered into a Participation Agreement with the Board whereunder the Commission agrees to pay an annual Agreed Participation equal to approximately \$23,625 to be applied to the annual debt service requirements for the Bonds herein identified each year until their retirement; provided, however, that the contractual commitment of the Commission to pay the annual Agreed Participation is limited to the biennial budget period of the Commonwealth, with the first such biennial period terminating on June 30, 2022; the right is reserved in the Commission to terminate its commitment to pay the Agreed Participation after the initial biennial period and every two years thereafter. The obligation of the Commission to make payments of the Agreed Participation shall be automatically renewed each two years for a period of two years unless the Commission shall give notice of its intention not to participate not less than sixty days prior to the end of the biennium; however, by the execution of the Participation Agreement, the Commission has expressed its present intention to continue to pay the Agreed Participation in each successive biennial budget period until the retirement of all of the Bonds, but such execution does not obligate the Commission to do so.

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

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

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

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

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

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

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

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

### **OUTSTANDING BONDS**

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



<b>Bond Series</b>	<b>Original Principal</b>	<b>Current Principal Outstanding</b>	<b>Principal Assigned to Board</b>	<b>Principal Assigned to Commission</b>	<b>Approximate Interest Rate Range</b>	<b>Final Maturity</b>
2012-REF	\$2,150,000	\$1,670,000	\$70,233	\$2,079,767	2.250%	2023
2013-REF	\$2,720,000	\$1,350,000	\$1,944,912	\$775,088	2.000% - 2.300%	2025
2014-REF	\$8,170,000	\$7,180,000	\$7,804,884	\$365,116	2.250% - 3.000%	2030
2016	\$815,000	\$684,000	\$0	\$815,000	3.050%	2036
<b>TOTALS:</b>	<b>\$13,855,000</b>	<b>\$10,884,000</b>	<b>\$9,820,029</b>	<b>\$4,034,971</b>		

### **AUTHORITY**

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

- i) the issuance of approximately \$7,100,000 of Bonds subject to a permitted adjustment of \$710,000;
- 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 15, 2021, will bear interest from that date as described herein, payable semi-annually on December 1 and June 1 of each year, commencing December 1, 2021, and will mature as to principal on June 1, 2022 and thereafter in the years and in the principal amounts as set forth on the cover page of this Official Statement.

#### **Registration, Payment and Transfer**

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

#### **Redemption**

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

Redemption Date	Redemption Price
June 1, 2029 and thereafter	100%

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

## SECURITY

### General

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

### The Lease; Pledge of Rental Revenues

The Board has leased the school Project securing the Bonds for an initial period from June 15, 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 June 1, 2041, the final maturity date of the Bonds. Under the lease, the Corporation has pledged the rental revenue to the payment of the Bonds.

## STATE INTERCEPT

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

## COMMISSION'S PARTICIPATION

The Commission has determined that the Board is eligible for an average annual participation equal to approximately \$23,625 from the Commission's appropriation by the Kentucky General Assembly which will be used to meet a portion of the debt service of the Bonds. The plan for financing the Project will require the Commission to pay approximately five percent (5%) of the debt service of the Bonds.

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

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

### THE PROJECTS

After payment of the Bond issuance costs, the Board plans to deposit the net Bond proceeds to finance renovations at Todd County High School, Todd County Middle School, North Elementary School, and South Elementary School (the "Projects").

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

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

### ESTIMATED BOND DEBT SERVICE

The following table shows by fiscal year the current bond payments of the Board. The plan of financing provides for the Board to meet 95% of the debt service of the Bonds.

Fiscal Year Ending June 30	Current Local Bond Payments	----- Series 2021 School Building Revenue Bonds -----					Total Local Bond Payments
		Principal Portion	Interest Portion	Total Payment	Local Portion	SFCC Portion	
2021	\$1,254,829						\$1,254,829
2022	\$1,269,690	\$55,000	\$171,246	\$226,246	\$203,506	\$22,740	\$1,473,196
2023	\$1,269,841	\$50,000	\$177,625	\$227,625	\$203,819	\$23,806	\$1,473,660
2024	\$1,288,388	\$35,000	\$177,125	\$212,125	\$187,250	\$24,875	\$1,475,638
2025	\$1,300,124	\$20,000	\$176,775	\$196,775	\$174,773	\$22,002	\$1,474,897
2026	\$1,286,513	\$25,000	\$176,575	\$201,575	\$179,368	\$22,207	\$1,465,881
2027	\$903,864	\$290,000	\$176,325	\$466,325	\$442,898	\$23,427	\$1,346,761
2028	\$899,115	\$280,000	\$170,525	\$450,525	\$425,878	\$24,647	\$1,324,992
2029	\$903,616	\$285,000	\$164,925	\$449,925	\$424,058	\$25,867	\$1,327,673
2030	\$902,290	\$285,000	\$159,225	\$444,225	\$422,062	\$22,163	\$1,324,351
2031	\$898,124	\$295,000	\$153,525	\$448,525	\$424,989	\$23,537	\$1,323,112
2032	\$0	\$595,000	\$146,150	\$741,150	\$716,242	\$24,908	\$716,242
2033	\$0	\$605,000	\$131,275	\$736,275	\$709,994	\$26,281	\$709,994
2034	\$0	\$620,000	\$116,150	\$736,150	\$713,420	\$22,730	\$713,420
2035	\$0	\$635,000	\$100,650	\$735,650	\$711,395	\$24,255	\$711,395
2036	\$0	\$655,000	\$83,188	\$738,188	\$712,407	\$25,781	\$712,407
2037	\$0	\$670,000	\$65,175	\$735,175	\$711,530	\$23,646	\$711,530
2038	\$0	\$690,000	\$46,750	\$736,750	\$714,068	\$22,682	\$714,068
2039	\$0	\$330,000	\$27,775	\$357,775	\$335,131	\$22,644	\$335,131
2040	\$0	\$335,000	\$18,700	\$353,700	\$331,066	\$22,634	\$331,066
2041	\$0	\$345,000	\$9,488	\$354,488	\$332,817	\$21,671	\$332,817
<b>TOTALS:</b>	<b>\$12,176,394</b>	<b>\$7,100,000</b>	<b>\$2,449,171</b>	<b>\$9,549,171</b>	<b>\$9,076,667</b>	<b>\$472,504</b>	<b>\$21,253,060</b>

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

## ESTIMATED USE OF BOND PROCEEDS

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

<b>Sources:</b>	
Par Amount of Bonds	<u>\$7,100,000.00</u>
Total Sources	\$7,100,000.00
<b>Uses:</b>	
Deposit to Escrow Fund	\$6,899,250.00
Underwriter's Discount (2%)	142,000.00
Cost of Issuance	<u>58,750.00</u>
Total Uses	\$7,100,000.00

## DISTRICT STUDENT POPULATION

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

Year	Average Daily Attendance	Year	Average Daily Attendance
2000-01	1,771.8	2010-11	1,831.3
2001-02	1,810.1	2011-12	1,860.8
2002-03	1,770.0	2012-13	1,860.6
2003-04	1,815.5	2013-14	1,841.8
2004-05	1,780.5	2014-15	1,820.4
2005-06	1,794.2	2015-16	1,791.9
2006-07	1,855.5	2016-17	1,768.4
2007-08	1,846.9	2017-18	1,733.4
2008-09	1,852.5	2018-19	1,705.0
2009-10	1,822.9	2019-20	1,659.6
		2020-21	1,659.6

*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 Todd County School District for certain preceding school years.

<u>Year</u>	<u>Capital Outlay Allotment</u>	<u>Year</u>	<u>Capital Outlay Allotment</u>
2000-01	177,180.0	2010-11	183,127.0
2001-02	181,010.0	2011-12	186,081.0
2002-03	177,000.0	2012-13	186,057.0
2003-04	181,550.0	2013-14	184,179.0
2004-05	178,050.0	2014-15	182,042.0
2005-06	179,420.0	2015-16	179,191.0
2006-07	185,550.0	2016-17	176,840.0
2007-08	184,690.0	2017-18	173,340.0
2008-09	185,251.0	2018-19	170,495.3
2009-10	182,290.0	2019-20	165,960.0
		2020-21	165,963.5

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 \$40,500 effective January 1, 2021.

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

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

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

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

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

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

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

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

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

<b>Tax Year</b>	<b>Combined Equivalent Rate</b>	<b>Total Property Assessment</b>	<b>Property Revenue Collections</b>
2000-01	48.0	344,953,003	1,655,774
2001-02	48.0	361,435,753	1,734,892
2002-03	48.4	374,119,384	1,810,738
2003-04	48.4	382,743,302	1,852,478
2004-05	48.6	400,167,401	1,944,814
2005-06	47.8	428,292,425	2,047,238
2006-07	46.8	442,122,333	2,069,133
2007-08	47.8	461,475,640	2,205,854
2008-09	47.4	490,343,012	2,324,226
2009-10	47.4	498,666,018	2,363,677
2010-11	49.8	513,902,693	2,559,235
2011-12	52.6	529,350,608	2,784,384
2012-13	51.7	563,492,299	2,913,255
2013-14	50.0	575,656,273	2,878,281
2014-15	49.2	587,397,832	2,889,997
2015-16	52.3	597,742,655	3,126,194
2016-17	50.2	610,102,350	3,062,714
2017-18	52.1	634,650,993	3,306,532
2018-19	55.6	643,657,636	3,578,736
2019-20	54.3	689,499,178	3,743,981
2020-21	55.1	759,051,604	4,182,374

**OVERLAPPING BOND INDEBTEDNESS**

The following table shows any other overlapping bond indebtedness of the Todd County School District or other issuing agency within the County as reported by the State Local Debt Officer for the period ending June 30, 2021.

<b>Issuer</b>	<b>Original Principal Amount</b>	<b>Amount of Bonds Redeemed</b>	<b>Current Principal Outstanding</b>
County of Todd			
General Obligation	14,937,100	2,648,100	12,289,000
Refunding Revenue	6,810,000	0	6,810,000
City of Elkton			
Water & Sewer Revenue	2,202,000	1,061,100	1,140,900
City of Guthrie			
General Obligation	1,905,000	305,000	1,600,000
Refinancing Refunding	390,000	345,000	45,000
Water & Sewer Revenue	583,000	0	583,000
Special Districts			
Todd County Water District	9,437,000	775,000	8,662,000
<b>Totals:</b>	<b>36,264,100</b>	<b>5,134,200</b>	<b>31,129,900</b>

Source: 2021 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
2000-01	7,088,568	1,655,774	8,744,342
2001-02	7,147,289	1,734,892	8,882,181
2002-03	7,349,053	1,810,738	9,159,791
2003-04	7,789,877	1,852,478	9,642,355
2004-05	7,668,395	1,944,814	9,613,209
2005-06	8,131,008	2,047,238	10,178,246
2006-07	8,750,345	2,069,133	10,819,478
2007-08	9,501,990	2,205,854	11,707,844
2008-09	9,537,704	2,324,226	11,861,930
2009-10	8,542,354	2,363,677	10,906,031
2010-11	8,571,932	2,559,235	11,131,167
2011-12	9,402,952	2,784,384	12,187,336
2012-13	9,267,358	2,913,255	12,180,613
2013-14	9,043,084	2,878,281	11,921,365
2014-15	9,076,552	2,889,997	11,966,549
2015-16	9,187,228	3,126,194	12,313,422
2016-17	9,027,270	3,062,714	12,089,984
2017-18	8,797,136	3,306,532	12,103,668
2018-19	8,814,063	3,578,736	12,392,799
2019-20	8,426,931	3,743,981	12,170,912
2020-21	7,698,873	4,182,374	11,881,247

- (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 \$0.551 for FY 2020-21. The equivalent tax rate" is defined as the rate which results when the income from all taxes levied by the district for school purposes is divided by the total assessed value of property plus the assessment for motor vehicles certified by the Commonwealth of Kentucky Revenue Cabinet.

### State Budgeting Process

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



## **POTENTIAL LEGISLATION**

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

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

## **CONTINUING DISCLOSURE**

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

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

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

## **TAX EXEMPTION; BANK QUALIFIED**

Bond Counsel is of the opinion that:

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

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

(C) As a result of designations and certifications by the Board and the Corporation, indicating the issuance of less than \$10,000,000 of tax-exempt obligations during the calendar year ending December 31, 2021, the Bonds are "qualified tax-exempt obligations" within the meaning of the Internal Revenue Code of 1986, as amended.

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

## **Original Issue Premium**

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

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

## **Original Issue Discount**

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

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

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

## **COVID-19**

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

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

On March 24, 2020 the Governor of Kentucky signed Senate Bill 177 which provides relief to Kentucky School Districts in light of the Coronavirus emergency. Among other things, it removes the limits on the number of days that a district can utilize an approved Non-Traditional Instruction program ("NTI"). Senate Bill 177 also authorizes Kentucky Superintendents to use their school year 2018-2019 attendance data on their Superintendent's Annual Attendance Report. The report determines a district's average daily attendance used in calculating Support Education Excellence in Kentucky ("SEEK") funds. On Friday, Dec. 18, 2020, Gov. Andy Beshear issued Executive Order No. 2020-1041 (EO 2020-1041), which outlines requirements and recommendations for the reopening of schools in January 2021. For more information on the Kentucky Department of Education's response to COVID 19, please see their website at <https://education.ky.gov/comm/Pages/COVID-19-Updates.aspx>.

### **ABSENCE OF MATERIAL LITIGATION**

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

### **APPROVAL OF LEGALITY**

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

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

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

### **BOND RATING**

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



**APPENDIX A**

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

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**Demographic and Economic Data**

## **TODD COUNTY, KENTUCKY**

Todd County is situated in southwestern Kentucky's Mississippian Plateau Region. Todd County is bordered on the south by the Tennessee state line and has a land area of 375 square miles. The county had an estimated 2020 population of 12,277 persons.

Elkton, the county seat, is located in central Todd County, 63 miles northwest of Nashville, Tennessee; 161 miles southwest of Louisville, Kentucky; and 265 miles southeast of St. Louis, Missouri. Elkton had a 2020 estimated population of 2,085 persons.

Guthrie is located on the Tennessee state line in southern Todd County, 13 miles south of Elkton, and had a 2020 estimated population of 1,381 persons.

### **The Economic Framework**

Todd County has a labor force of 5,095 people, with a current unemployment rate of 4.6%. The top 5 jobs by occupation are as follows: office and administrative support - 294 (13.85%); sales - 227 (10.7%); executive, managers, and administrators - 220 (10.37%); education, training/library - 210 (9.9%); and production workers - 203 (9.57%).

### **Transportation**

"AAA"-rated trucking highways serving Todd County include US Highway 41, which serves Trenton and Guthrie; US Highway 68/Kentucky Highway 80, which serves Elkton; and US Highway 79, which serves Guthrie. In addition, two interchanges of Interstate 24 are located within eight miles of Todd County. Twenty-five trucking companies provide interstate and/or intrastate service to Todd County. Todd County receives main line rail service from CSX Transportation and short line rail service from RJ Corman Railroad-Memphis Line. The nearest scheduled commercial airline service is available at Nashville International Airport, 63 miles southeast of Elkton, near Nashville, Tennessee. Standard Field at Elkton maintains a 2,800-foot turf runway.

### **Power and Fuel**

Electricity is supplied to Todd County by the Tennessee Valley Authority through the Pennyrite Rural Electric Cooperative Corporation. Natural gas service is provided to Todd County by Atmos Energy Corporation; Clarksville Gas, Water & Sewer Department; and, Guthrie Natural Gas Department.

### **Education**

The Todd County School System provides primary and secondary public education to Todd County residents, and is accredited by the Southern Association of Colleges and Schools. Fourteen institutions of higher learning are located within 60 miles of Elkton. The nearest state technical colleges are Madisonville Technical College and Madisonville Health Extension in Madisonville; West Kentucky Technical College in Madisonville; Bowling Green Technical College in Bowling Green; and Owensboro Technical College and Daviess County Extension in Owensboro. The nearest area technology centers (ATC) are Russellville ATC in Russellville; Christian County ATC in Hopkinsville; Muhlenberg County ATC in Greenville; Ohio County ATC in Hartford; Caldwell County ATC in Princeton; and Webster County ATC in Dixon; all within 60 miles of Elkton.

## **LOCAL GOVERNMENT**

### **Structure**

Elkton and Guthrie are each governed by a mayor and six council members. Trenton is served by a mayor and four commissioners. Todd County is governed by a county judge/executive and five magistrates.

## Planning and Zoning

City agency - Elkton Planning Commission  
Zoning enforced - Within the city of Elkton  
Subdivision regulations enforced - Within city only  
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)

City agency - Planning and Zoning Commission  
Zoning enforced - Within the city of Guthrie  
Subdivision regulations enforced - Within city only  
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)

City agency - City of Trenton Commission  
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

Elkton - The City of Elkton levies a business license tax of one-tenth of one percent of gross receipts of businesses (\$50 minimum and \$2,500 maximum) and an occupational license tax of 1.5 percent.

Guthrie - The City of Guthrie levies an annual business privilege tax of one-fourth of 1.0 percent based on the number of employees and ranges from \$50 to \$2,500. An occupational license tax of 1.0 percent is levied on wages, salaries and commissions of individuals.

## State and Local Property Taxes

All property in Kentucky, except items exempted by the state constitution, is taxed by the state. Property which also may be taxed by local jurisdictions includes land and buildings, finished goods inventories, automobiles, trucks, office furniture and office equipment. Local taxing jurisdictions in Kentucky include counties, cities, and school districts. All property in Kentucky is assessed at 100 percent of fair cash value.

## LABOR MARKET STATISTICS

The Todd County Labor Market Area includes Todd County and the adjoining Kentucky counties of Christian, Logan, Simpson, Warren and Muhlenberg and the Tennessee Counties of Montgomery and Robertson.

### Population

<u>Area</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Todd County	12,216	12,167	12,277
Elkton	2,094	2,086	2,085
Guthrie	1,376	1,375	1,381

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

### Population Projections

<u>Area</u>	<u>2025</u>
Todd County	12,889

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

## EDUCATION

### Public Schools

	<u>Todd County</u>
Total Enrollment (2019-2020)	1,819
Pupil-Teacher Ratio (2019-2020)	17 - 1

### Technical Schools

<u>Institution</u>	<u>Location</u>	<u>Fall 2019</u>
Butler County ATC	Morgantown	315
Warren County ATC	Bowling Green	233
Caldwell County ATC	Princeton	434
Ohio County ATC	Hartford	533
Webster County ATC	Dixon	405

### Area Colleges and Universities

<u>Name</u>	<u>Location</u>	<u>Enrollment (Fall 2020)</u>
Western Kentucky University	Bowling Green, KY	18,171
University of Kentucky	Lexington, KY	29,402
University of Louisville	Louisville, KY	21,670
Sullivan University	Louisville, KY	3,331
Bellarmino University	Louisville, KY	3,331
Belmont University	Nashville, TN	8,428
Fisk University	Nashville, TN	840

## FINANCIAL INSTITUTIONS

<u>Institution</u>	<u>Total Assets</u>	<u>Total Deposits</u>
Elkton Bank & Trust Company	\$141,952,000	\$118,510,000

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



**APPENDIX B**

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

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

# Todd County School District

## Financial Statements

June 30, 2020



**CRI** CARR  
RIGGS &  
INGRAM

CPAs and Advisors


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

Todd County School District  
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**Join Our Conversation**



# REPORT





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## **Independent Auditors' Report**

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Todd County School District  
Elkton, Kentucky

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Todd County School District (the "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.

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

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

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

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

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

### ***Opinions***

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

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, and select pension/OPEB information on pages 4 through 16 and 77 through 89 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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



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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2020 on our consideration of Todd County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Carr, Riggs & Ingram, LLC  
Bowling Green, KY  
November 13, 2020



# **FINANCIAL STATEMENTS**

**TODD COUNTY SCHOOL DISTRICT  
ELKTON, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

As management of the Todd 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.

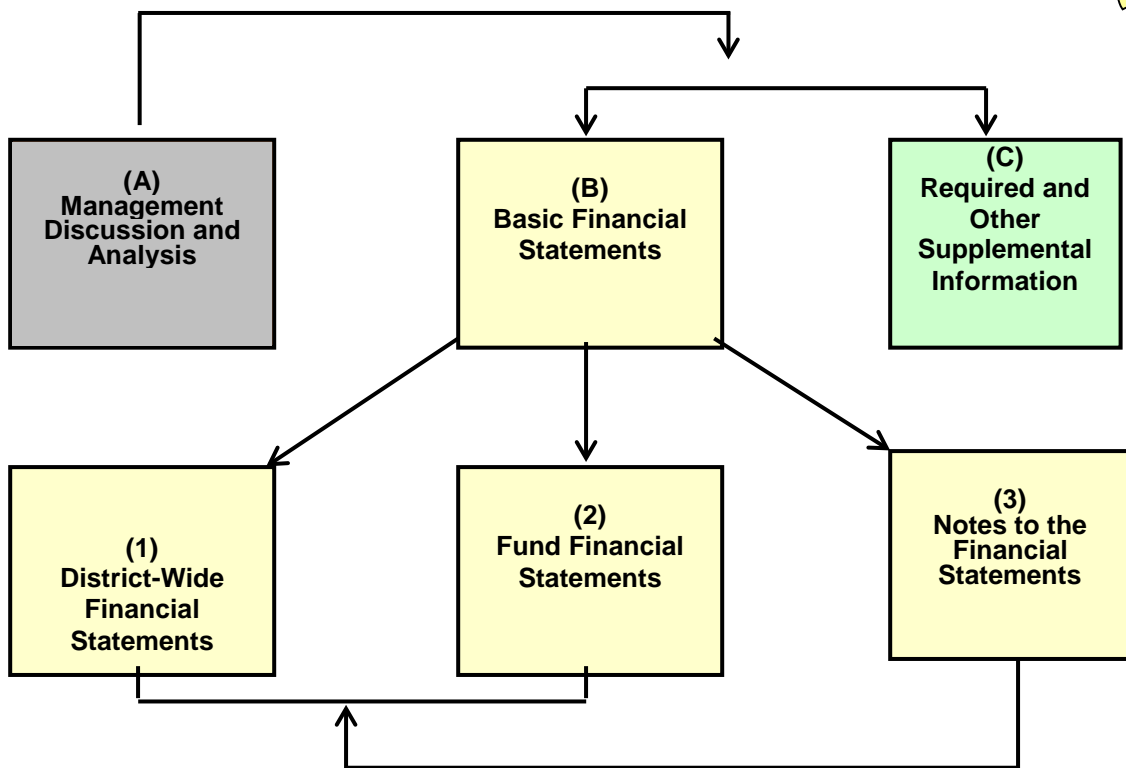
**FINANCIAL HIGHLIGHTS**

- The beginning General Fund balance for the District was \$5,771,692. The ending General Fund balance was \$6,379,433.
- The beginning Special Revenue Fund balance for the District was \$59,276. The ending Special Revenue Fund balance was \$28,902.
- The beginning balance for Other Governmental Funds was \$481,578. The ending balance for Other Governmental Funds was \$30,903.

## Overview of the Annual Financial Report (AFR)

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

### Organization of the Annual Financial Report



The District-Wide Financial Statements have two sections (1) the *Statement of Net Position* and (2) the *Statement of Activities*. The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at

the School District's major funds with all other non-major funds presented in total in one column.

## **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 32 through 76 of this report.

## **Reporting the School District as a Whole**

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

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

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

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

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$4,714,079 as of June 30, 2020. This was a decrease of \$281,413 over the previous year.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that are still outstanding. The amount of capital assets, net of related debt was \$11,145,688 (an increase of \$311,655). The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

Government-wide financial statements can be found on pages 17 through 20 of this report.

## **Reporting the School District's Most Significant Funds**

### **Fund Financial Statements**

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

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

**Proprietary Funds** — Proprietary funds use the same basis of accounting as business-type activities; therefore, the statements for the proprietary fund will essentially match.

**Fiduciary Funds** — The District is fiduciary for assets that belong to others and is responsible for ensuring that assets reported in the fiduciary funds are used only for their intended purposes. The District's fiduciary funds consist of student activities funds. These funds are excluded from the government-wide financial statements because the assets cannot be used to finance the operations of the District.

The basic governmental fund financial statements can be found on pages 21 through 31 of this report.

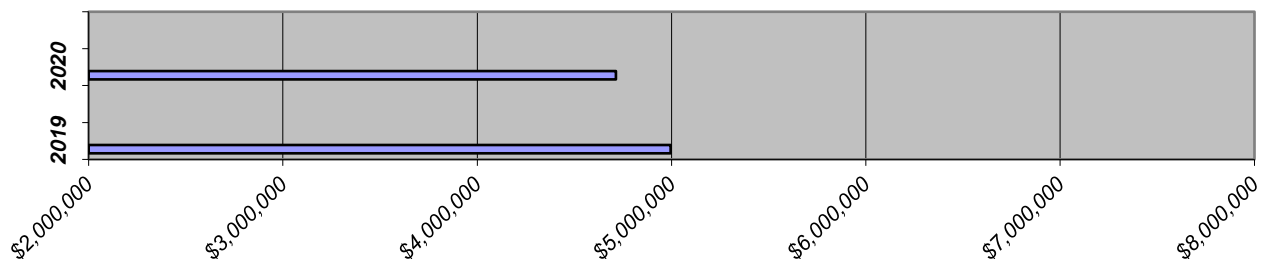
## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

	Governmental Activities		Proprietary Business-Type Activities		District Total		Total District Percentage Change
	FY2019	FY2020	FY2019	FY2020	FY2019	FY2020	2019-2020
Current and Other Assets	\$6,501,137	\$6,603,560	\$570,867	\$588,474	\$7,072,004	\$7,192,034	1.7%
Capital Assets	\$23,725,216	\$22,911,486	\$276,671	\$234,588	\$24,001,887	\$23,146,074	-3.6%
<b>Total Assets</b>	<b>\$30,226,353</b>	<b>\$29,515,046</b>	<b>\$847,538</b>	<b>\$823,062</b>	<b>\$31,073,891</b>	<b>\$30,338,108</b>	<b>-2.4%</b>
Deferred Outflows of Resources	\$2,556,110	\$2,945,149	\$306,949	\$342,805	\$2,863,059	\$3,287,954	14.8%
Long Term Liabilities	\$24,573,406	\$23,799,114	\$1,195,202	\$1,322,711	\$25,768,608	\$25,121,825	-2.5%
Other Liabilities	\$1,689,786	\$1,676,373	\$47	\$45	\$1,689,833	\$1,676,418	-0.8%
<b>Total Liabilities</b>	<b>\$26,263,192</b>	<b>\$25,475,487</b>	<b>\$1,195,249</b>	<b>\$1,322,756</b>	<b>\$27,458,441</b>	<b>\$26,798,243</b>	<b>-2.4%</b>
Deferred Inflows of Resources	\$1,341,314	\$1,969,373	\$141,703	\$144,367	\$1,483,017	\$2,113,740	42.5%
<b>Net Position</b>							
Investment in Capital Assets	\$10,557,362	\$10,911,100	\$276,671	\$234,588	\$10,834,033	\$11,145,688	2.9%
Restricted	\$540,854	\$58,275			\$540,854	\$58,275	-89.2%
Unrestricted	-\$5,920,259	-\$5,954,040	-\$459,136	-\$535,844	-\$6,379,395	-\$6,489,884	-1.7%
<b>Total Net Position</b>	<b>\$5,177,957</b>	<b>\$5,015,335</b>	<b>-\$182,465</b>	<b>-\$301,256</b>	<b>\$4,995,492</b>	<b>\$4,714,079</b>	<b>-5.6%</b>

**At year-end, assets exceeded liabilities by \$4,714,079.**

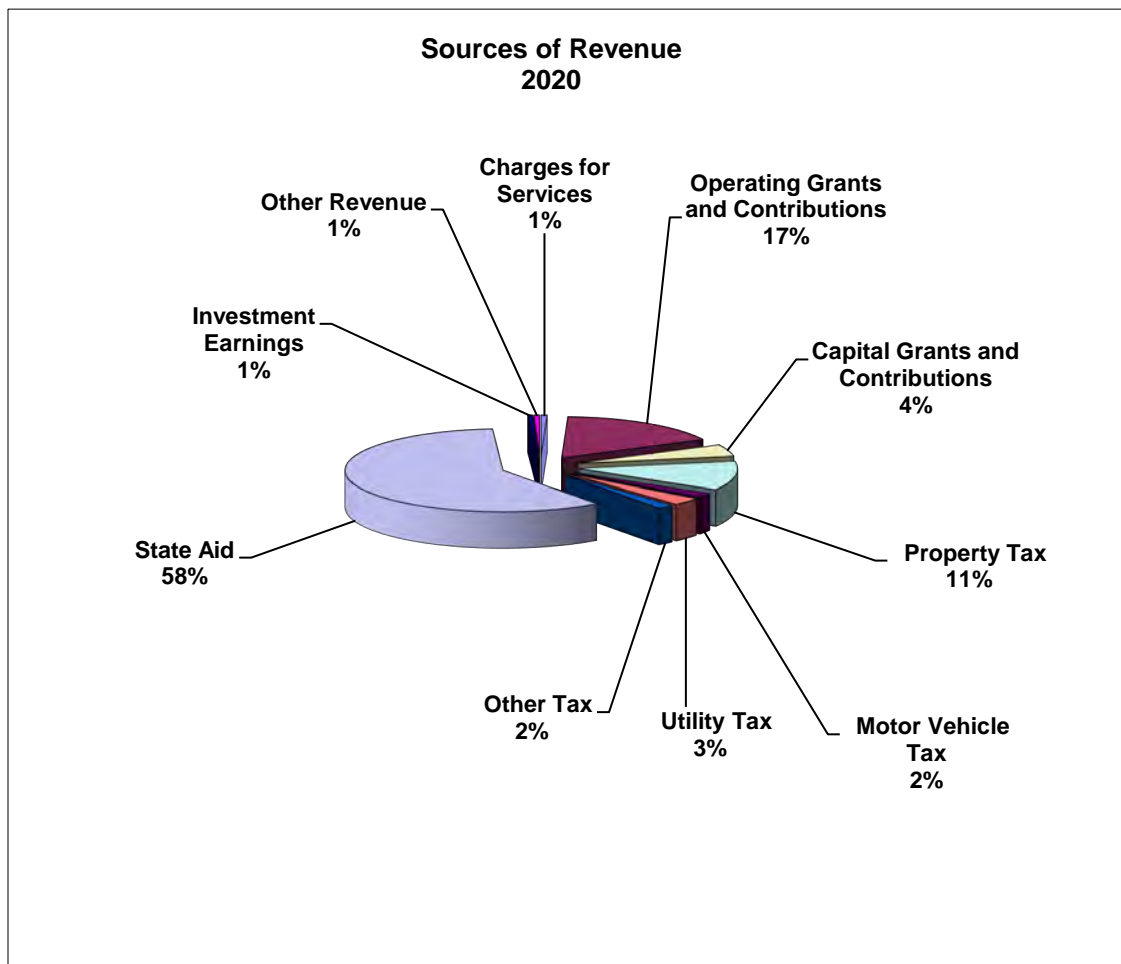
**Todd County Net Position Decreased by 6%.**





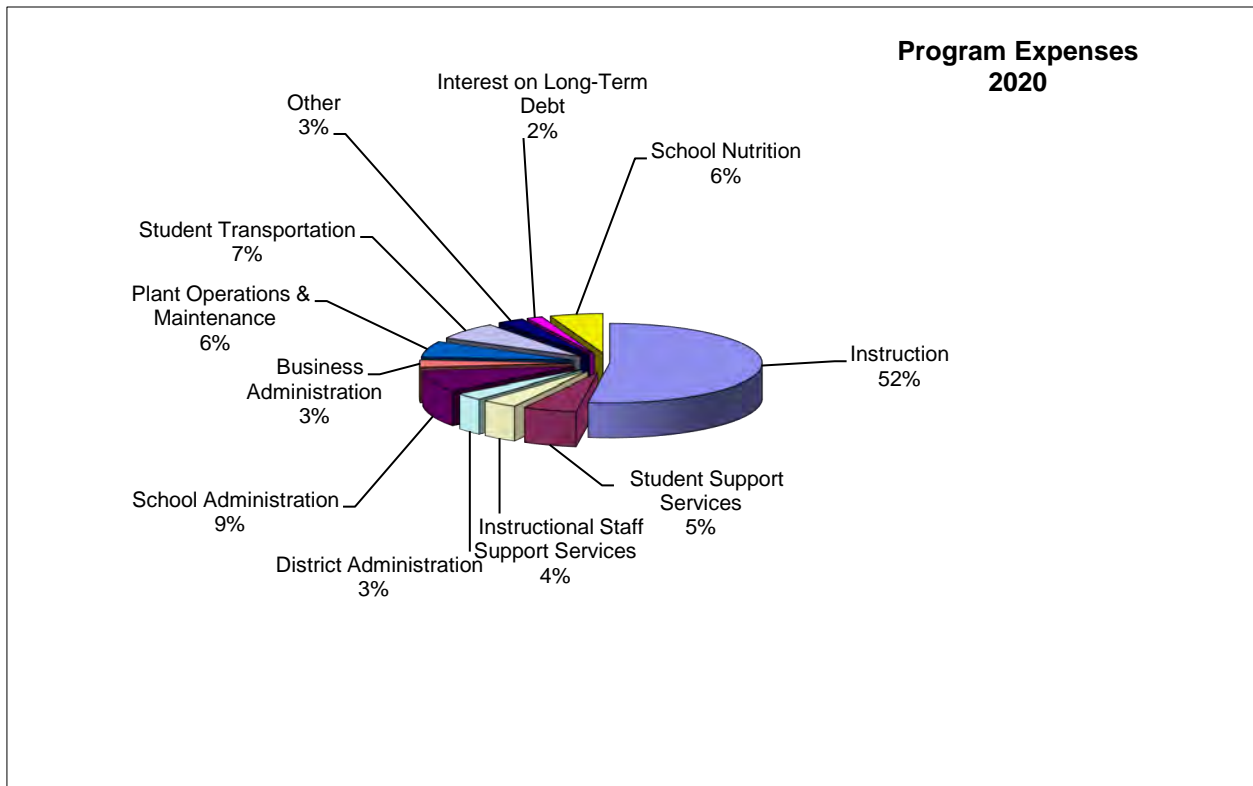
## Changes in Net Position for June 30, 2019 and June 30, 2020

	Governmental Activities		Proprietary Business-Type Activities		District Total		District Total Percentage Change 2018-2019
	FY2019	FY2020	FY2019	FY2020	FY2019	FY2020	
<b>Program Revenues</b>							
Charges for Services	\$25,740	\$40,337	\$137,530	\$110,483	\$163,270	\$150,820	-7.6%
Operating Grants and Contributions	\$2,920,544	\$2,842,988	\$1,249,095	\$1,187,537	\$4,169,639	\$4,030,525	-3.3%
Capital Grants and Contributions	\$1,232,862	\$1,103,510			\$1,232,862	\$1,103,510	-10.5%
<b>General Revenue</b>							
<b>Taxes</b>							
Property Tax	\$2,364,120	\$2,681,980			\$2,364,120	\$2,681,980	13.4%
Motor Vehicle Tax	\$420,573	\$422,428			\$420,573	\$422,428	0.4%
Utility Tax	\$710,364	\$707,262			\$710,364	\$707,262	-0.4%
Other Tax	\$387,801	\$401,224			\$387,801	\$401,224	3.5%
State Aid	\$7,690,599	\$14,033,424			\$7,690,599	\$14,033,424	82.5%
Investment Earnings	\$147,513	\$108,977	\$11,728	\$10,387	\$159,241	\$119,364	-25.0%
Other Revenue	\$158,611	\$204,412	-\$67,077	-\$71,775	\$91,534	\$132,637	44.9%
<b>Total Revenues</b>	<b>\$16,058,727</b>	<b>\$22,546,542</b>	<b>\$1,331,276</b>	<b>\$1,236,632</b>	<b>\$17,390,003</b>	<b>\$23,783,174</b>	<b>36.8%</b>



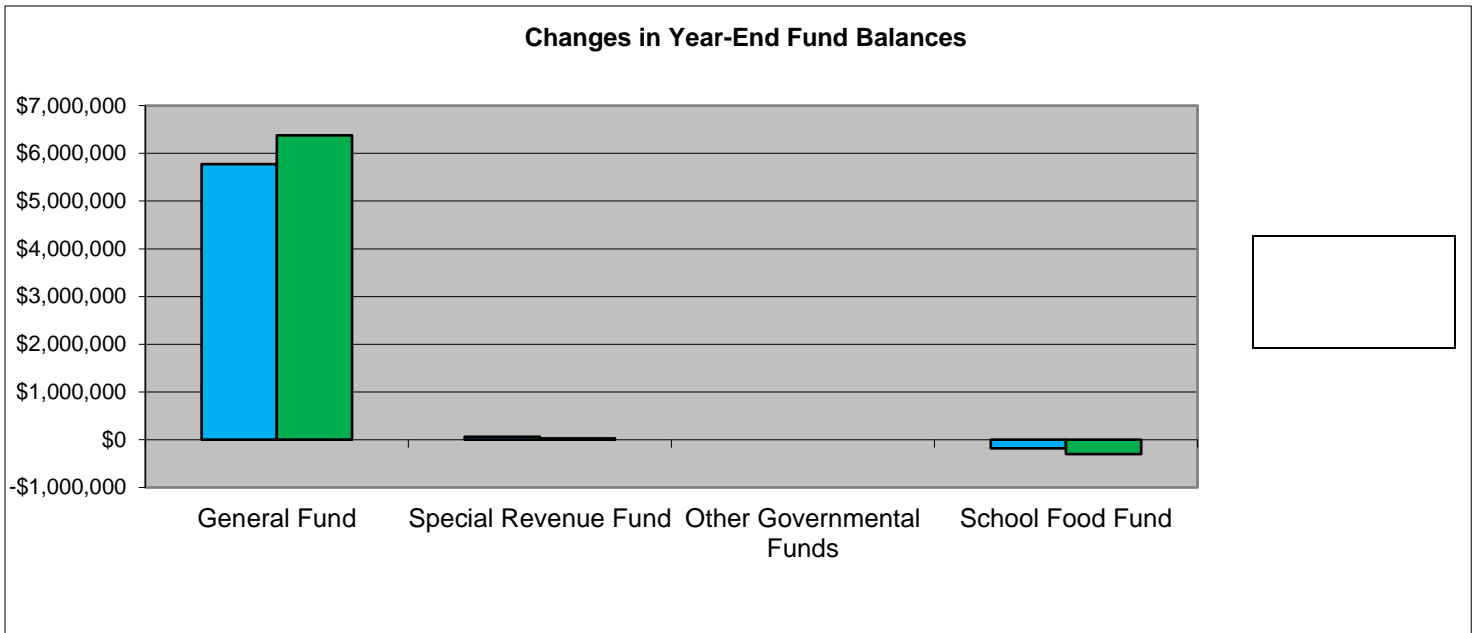
Expenses	Governmental Activities		Proprietary Business-Type Activities		District Total	
	FY 2019	FY 2020	FY 2019	FY 2020	FY 2019	FY 2020
	Instruction	\$ 6,085,457	\$ 12,576,301			\$ 6,085,457
Support Services						
Student Support Services	\$ 928,433	\$ 1,369,777			\$ 928,433	\$ 1,369,777
Instructional Staff	\$ 664,005	\$ 904,726			\$ 664,005	\$ 904,726
District Administration	\$ 653,255	\$ 725,120			\$ 653,255	\$ 725,120
School Administration	\$ 1,696,717	\$ 2,053,520			\$ 1,696,717	\$ 2,053,520
Business Administration	\$ 795,959	\$ 711,034			\$ 795,959	\$ 711,034
Plant Operations & Maintenance	\$ 2,144,498	\$ 1,576,546			\$ 2,144,498	\$ 1,576,546
Student Transportation	\$ 2,146,145	\$ 1,699,556			\$ 2,146,145	\$ 1,699,556
Other	\$ 221,172	\$ 232,347			\$ 221,172	\$ 232,347
Interest on Long-Term Debt	\$ 442,786	\$ 455,950			\$ 442,786	\$ 455,950
Engineering Services	\$ 12,810	\$ 404,287			\$ 12,810	\$ 404,287
School Nutrition			\$ 1,321,012	\$ 1,355,423	\$ 1,321,012	\$ 1,355,423
<b>Total Expenses</b>	<b>\$ 15,791,237</b>	<b>\$ 22,709,164</b>	<b>\$ 1,321,012</b>	<b>\$ 1,355,423</b>	<b>\$ 17,112,249</b>	<b>\$ 24,064,587</b>

- The District's total revenues were \$23,783,174 and the total expenditures were \$24,064,587.
- State revenues accounted for 58% and local taxes accounted for 16% of the revenue.
- Instruction was the major expense category and accounted for 55% of the total.
- School Nutrition expenses exceeded revenues by \$118,791 and Governmental expenses exceeded revenues by \$162,622.



## Financial Analysis of the District Funds

Changes in End-of-Year Fund Balances	FY 2019	FY 2020	Amount of Change	% Change
General Fund	\$5,771,692	\$6,379,433	\$607,741	11%
Special Revenue Fund	\$59,276	\$28,902	(\$30,374)	-51%
Other Governmental Funds	\$481,578	\$30,903	(\$450,675)	-94%
School Nutrition Fund	-\$182,465	-\$301,256	(\$118,791)	65%
Total	\$6,130,081	\$6,137,982	\$7,901	0%



- The General Fund's fund balance showed an increase of \$607,741.
- The Special Revenue fund had decrease of \$30,374.
- The Other Governmental funds showed a decrease in fund balance of \$450,675.
- The School Nutrition fund balance showed a decrease of \$118,791.

## CAPITAL ASSET AND DEBT ADMINISTRATION

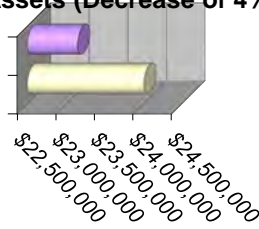
### Capital Assets

By June 30, 2020, the district had invested \$23,146,074 in capital assets. This included land, school buildings, athletic facilities, maintenance facilities, computer equipment and administrative offices. The cumulative total initial cost of assets was \$46,857,480 with accumulated depreciation of \$23,711,406.

### SUMMARY OF CAPITAL ASSETS

Capital Assets (net of depreciation)	Government Activities		Proprietary Business-Type Activities		District Total	
	FY 2019	FY 2020	FY 2019	FY 2020	FY 2019	FY 2020
	Land	\$4,215,072	\$4,215,072	\$0	\$0	\$4,215,072
Construction in Progress	\$132,289	\$0	\$0	\$0	\$132,289	\$0
Buildings	\$16,704,248	\$16,402,779	\$169,202	\$141,531	\$16,873,450	\$16,544,310
Equipment & Furniture	\$2,673,607	\$2,293,635	\$107,469	\$93,057	\$2,781,076	\$2,386,692
<b>Total Assets</b>	<b>\$23,725,216</b>	<b>\$22,911,486</b>	<b>\$276,671</b>	<b>\$234,588</b>	<b>\$24,001,887</b>	<b>\$23,146,074</b>

TCBOE Capital Assets (Decrease of 4%) or \$855,813



## **Long-Term Debt**

The District's long-term general obligation bonds outstanding at June 30, 2020 were \$12,200,828. Of that amount, the Kentucky SFCC has agreed to make a portion of the principal and interest under agreements previously described. Though the District is liable for the full amount of the bonds and the full amount is recorded on the financial statements, the SFCC has agreed to repay \$1,444,356 of the bonds leaving the District to pay \$10,756,472.

## **BUDGETARY IMPLICATIONS**

It is extremely important that the district continue to budget very conservatively. The district receives approximately 80% of its general fund revenue each year through the state funding formula (SEEK). On occasions, there have been adjustments that caused a very significant decrease in the funding. The SEEK forecasts from the state should be considered only an estimate of state revenue. If the state does not get the revenue from taxing sources, an adjustment will be made to the funding formula. The district should always be prepared for such reductions in funding.

Approximately 20% of the general fund revenue is from local property tax. The major portion of the tax revenue does not come to the district until the fifth through seventh months. This means the general fund's beginning fund balance must be used to absorb much of the first four months of expenditures. Provisions must always be made to have a significant fund beginning balance to start each year. The district has an ending fund balance of \$6,379,433.

By law, the budget must have a minimum 2% contingency. The district adopted a budget with \$1,700,000 in contingency. Significant Board action that impacts finances include pay raises for all employees, additional spending on students and classroom technology needs and general fund matching dollars for other grants. The district currently participates in thirty federal and state grants. Many of these grants are funded on a reimbursement basis. This requires the district to pay the expenses of the grant and then apply for reimbursement. The district must continue to monitor the grants constantly and get reimbursements in a timely manner. The district must also maintain a significant cash balance in order to pay the expenses of these grants while waiting for reimbursements.

## **DISTRICT CHALLENGES FOR THE FUTURE**

The primary challenges for Todd County Schools are to continue to improve the academic performance of our students and to improve the school climate and culture.

Todd County will continue to improve the curriculum so that it is rigorous, intentional and aligned to state standards. We are continually realigning the curriculum, not only by having communication within grade levels, but between the schools with focus on key transitions. We continue to analyze our test scores and student work to identify gaps and provide feedback not only to the students but staff as well. We will continue to implement professional development and instructional practices in all classrooms throughout the district to motivate and increase student achievement.

Another challenge for the future of Todd County Schools is to improve school culture and climate. The leadership believes all children can learn at high levels and supports a climate that is conducive to performance excellence. We continually strive to improve our learning community by working with families to remove barriers to learning to meet the needs of students. We will continue to use multiple communication strategies to disseminate information on things like student achievement.

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, inquiries should be directed to the Todd County Board of Education, Preston Browning, Treasurer & Director of Finance.

Todd County School District  
Statement of Net Position

<i>June 30, 2020</i>	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash	\$ 6,152,206	\$ 559,132	\$ 6,711,338
Accounts receivable:			
Taxes	113,487	-	113,487
Accounts	68,791	-	68,791
Intergovernmental	268,808	-	268,808
Inventory	-	29,342	29,342
Prepaid expenses	268	-	268
Non-depreciable capital assets	4,215,072	-	4,215,072
Depreciable capital assets	41,331,363	1,311,045	42,642,408
Less: accumulated depreciation	(22,634,949)	(1,076,457)	(23,711,406)
<b>Total assets</b>	<b>29,515,046</b>	<b>823,062</b>	<b>30,338,108</b>
<b>Deferred Outflows of Resources</b>			
Deferred loss on debt refundings	280,685	-	280,685
OPEB related	1,017,331	99,201	1,116,532
Pension related	1,647,133	243,604	1,890,737
<b>Total deferred outflows of resources</b>	<b>2,945,149</b>	<b>342,805</b>	<b>3,287,954</b>
<b>Liabilities</b>			
Accounts payable	51,180	45	51,225
Accrued liabilities	19,388	-	19,388
Unearned revenue	93,754	-	93,754
Accrued interest	130,215	-	130,215
Long-term obligations:			
Due within one year:			
Outstanding bonds	1,157,688	-	1,157,688
Other	90,680	-	90,680
Compensated absences	133,468	-	133,468
Due beyond one year:			
Outstanding bonds	11,032,703	-	11,032,703
Compensated absences	329,663	-	329,663
Net OPEB liability	5,218,769	255,201	5,473,970
Net pension liability	7,217,979	1,067,510	8,285,489
<b>Total liabilities</b>	<b>25,475,487</b>	<b>1,322,756</b>	<b>26,798,243</b>

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



Todd County School District  
Statement of Net Position

<i>June 30, 2020</i>	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
<b>Deferred Inflows of Resources</b>			
OPEB related	1,634,491	94,839	1,729,330
Pension related	334,882	49,528	384,410
<b>Total deferred inflows of resources</b>	<b>1,969,373</b>	<b>144,367</b>	<b>2,113,740</b>
<b>Net Position</b>			
Net investment in capital assets	10,911,100	234,588	11,145,688
Restricted for:			
Grant programs	28,902	-	28,902
Capital projects	29,373	-	29,373
Unrestricted (deficit)	(5,954,040)	(535,844)	(6,489,884)
<b>Total net position (deficit)</b>	<b>\$ 5,015,335</b>	<b>\$ (301,256)</b>	<b>\$ 4,714,079</b>

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

Todd County School District  
Statement of Activities

Year Ended June 30, 2020	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
Instruction	\$ 12,576,301	\$ 39,537	\$ 2,115,515	\$ 69,702	\$ (10,351,547)	\$ -	\$ (10,351,547)
Support Services:							
Student	1,369,777	-	31,540	-	(1,338,237)	-	(1,338,237)
Instructional staff	904,726	-	354,412	-	(550,314)	-	(550,314)
District administration	725,120	-	-	-	(725,120)	-	(725,120)
School administration	2,053,520	-	-	-	(2,053,520)	-	(2,053,520)
Business	711,034	-	-	-	(711,034)	-	(711,034)
Plant operations and maintenance	1,576,546	800	25,004	-	(1,550,742)	-	(1,550,742)
Student transportation	1,699,556	-	129,330	-	(1,570,226)	-	(1,570,226)
Other	232,347	-	187,187	-	(45,160)	-	(45,160)
Architectural & engineering services	455,950	-	-	-	(455,950)	-	(455,950)
Interest on long-term debt	404,287	-	-	1,033,808	629,521	-	629,521
<b>Total governmental activities</b>	<b>22,709,164</b>	<b>40,337</b>	<b>2,842,988</b>	<b>1,103,510</b>	<b>(18,722,329)</b>	<b>-</b>	<b>(18,722,329)</b>
<b>Business-Type Activities:</b>							
Food services	1,355,423	110,483	1,187,537	-	-	(57,403)	(57,403)
<b>Total business-type activities</b>	<b>1,355,423</b>	<b>110,483</b>	<b>1,187,537</b>	<b>-</b>	<b>-</b>	<b>(57,403)</b>	<b>(57,403)</b>
<b>Total school district</b>	<b>\$ 24,064,587</b>	<b>\$ 150,820</b>	<b>\$ 4,030,525</b>	<b>\$ 1,103,510</b>	<b>(18,722,329)</b>	<b>(57,403)</b>	<b>(18,779,732)</b>

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

Todd County School District  
Statement of Activities

**Net (Expense) Revenue and  
Changes in Net Position**

<i>Year Ended June 30, 2020</i>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>General Revenues</b>			
Taxes:			
Property	2,681,980	-	2,681,980
Motor vehicle	422,428	-	422,428
Utilities	707,262	-	707,262
Unmined minerals	115	-	115
Other	401,109	-	401,109
State aid	14,033,424	-	14,033,424
Investment earnings	108,977	10,387	119,364
Other	130,536	-	130,536
Transfers	71,775	(71,775)	-
Gain on disposal of assets	2,101	-	2,101
<b>Total general revenues and transfers</b>	<b>18,559,707</b>	<b>(61,388)</b>	<b>18,498,319</b>
Change in net position	(162,622)	(118,791)	(281,413)
Net position (deficit) - beginning of year	5,177,957	(182,465)	4,995,492
<b>Net position (deficit) - end of year</b>	<b>\$ 5,015,335</b>	<b>\$ (301,256)</b>	<b>\$ 4,714,079</b>

*The accompanying notes are in integral part of these financial statements.*

Todd County School District  
Balance Sheet  
Governmental Funds

<i>June 30, 2020</i>	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
Cash	\$ 6,121,303	\$ -	\$ 30,903	\$ 6,152,206
Accounts receivable:				
Taxes	113,487	-	-	113,487
Accounts	68,791	-	-	68,791
Intergovernmental	-	268,808	-	268,808
Due from other funds	145,659	-	-	145,659
Prepaid expenses	268	-	-	268
<b>Total assets</b>	<b>\$ 6,449,508</b>	<b>\$ 268,808</b>	<b>\$ 30,903</b>	<b>\$ 6,749,219</b>

Todd County School District  
Balance Sheet  
Governmental Funds

<i>June 30, 2020</i>	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 50,687	\$ 493	\$ -	\$ 51,180
Accrued liabilities	19,388	-	-	19,388
Due to other funds	-	145,659	-	145,659
Unearned revenue	-	93,754	-	93,754
<b>Total liabilities</b>	<b>70,075</b>	<b>239,906</b>	<b>-</b>	<b>309,981</b>
<b>Fund Balances</b>				
Nonspendable	268	-	-	268
Restricted	-	28,902	29,373	58,275
Committed	3,690,500	-	-	3,690,500
Assigned	-	-	1,530	1,530
Unassigned	2,688,665	-	-	2,688,665
<b>Total fund balances</b>	<b>6,379,433</b>	<b>28,902</b>	<b>30,903</b>	<b>6,439,238</b>
<b>Total liabilities and fund balances</b>	<b>\$ 6,449,508</b>	<b>\$ 268,808</b>	<b>\$ 30,903</b>	<b>\$ 6,749,219</b>

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

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

<i>June 30,</i>	2020
Total fund balances – governmental funds	\$ 6,439,238
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$45,546,435 and the accumulated depreciation is \$22,634,949.	22,911,486
Deferred outflows and inflows of resources related to pensions are applicable to future periods, therefore, are not reported in the fund statements.	1,312,251
Deferred outflows and inflows of resources related to OPEB are applicable to future periods, therefore, are not reported in the fund statements.	(617,160)
Governmental funds record losses on debt refundings as other financing uses when the issues are refunded. Unamortized losses on refundings are included on the government-wide financial statements as a deferred outflow of resources.	280,685
Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:	
Bonds payable	(12,190,391)
Accrued interest on outstanding bonds	(130,215)
Other debt	(90,680)
Compensated absences	(463,131)
Net OPEB liability	(5,218,769)
Net pension liability	(7,217,979)
Total net position – governmental activities	\$ 5,015,335

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

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

<i>Year Ended June 30, 2020</i>	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
From local sources:				
Taxes:				
Property	\$ 1,992,480	\$ -	\$ 689,500	\$ 2,681,980
Motor vehicle	422,428	-	-	422,428
Utilities	707,262	-	-	707,262
Unmined minerals	115	-	-	115
Other	401,109	-	-	401,109
Tuition and fees	24,800	-	14,737	39,537
Earnings on investments	105,232	503	3,745	109,480
Other local revenue	63,201	-	3,238	66,439
Intergovernmental - state	13,136,705	1,223,039	1,033,808	15,393,552
Direct federal	73,246	-	-	73,246
Intergovernmental - federal	-	1,689,148	-	1,689,148
<b>Total revenues</b>	<b>16,926,578</b>	<b>2,912,690</b>	<b>1,745,028</b>	<b>21,584,296</b>
<b>Expenditures</b>				
Current:				
Instruction	8,977,819	2,250,172	16,445	11,244,436
Support services:				
Student	1,287,493	31,540	-	1,319,033
Instructional staff	508,552	354,412	-	862,964
District administration	611,631	-	-	611,631
School administration	1,529,041	-	-	1,529,041
Business	649,468	-	-	649,468
Plant operations and maintenance	1,777,364	25,004	-	1,802,368
Student transportation	1,229,624	129,330	-	1,358,954

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

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

<i>Year Ended June 30, 2020</i>	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Other	19,147	187,187	-	206,334
Debt service:				
Principal	-	-	1,124,694	1,124,694
Interest	-	-	364,506	364,506
Architectural & engineering services	-	-	455,950	455,950
<b>Total expenditures</b>	<b>16,590,139</b>	<b>2,977,645</b>	<b>1,961,595</b>	<b>21,529,379</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>336,439</b>	<b>(64,955)</b>	<b>(216,567)</b>	<b>54,917</b>
<b>Other Financing Sources (Uses)</b>				
Operating transfers-in	369,030	179,396	1,315,992	1,864,418
Operating transfers-out	(97,728)	(144,815)	(1,550,100)	(1,792,643)
<b>Total other financing sources (uses)</b>	<b>271,302</b>	<b>34,581</b>	<b>(234,108)</b>	<b>71,775</b>
<b>Net change in fund balances</b>	<b>607,741</b>	<b>(30,374)</b>	<b>(450,675)</b>	<b>126,692</b>
<b>Fund balances - beginning of year</b>	<b>5,771,692</b>	<b>59,276</b>	<b>481,578</b>	<b>6,312,546</b>
<b>Fund balances - end of year</b>	<b>\$ 6,379,433</b>	<b>\$ 28,902</b>	<b>\$ 30,903</b>	<b>\$ 6,439,238</b>

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



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

<i>Year Ended June 30,</i>	2020
Total net change in fund balances – governmental funds	\$ 126,692
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation, \$1,360,685, exceeds capital outlays, \$553,203, in the period.	(807,482)
Gains and losses are not presented in governmental funds because they do not provide or use current financial resources. However, they are presented on the statement of activities. The difference between proceeds from the sale of assets and the actual gain/loss from the sale net to this amount for the year.	(6,248)
Repayment of bond principal and other debt are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,219,337
Government funds report District pension contributions as expenditures. However, in the Statement of Activities the cost of pension benefits earned net of employee contributions is reported as pension expense.	
District pension contributions	501,042
Cost of benefits earned net of employee contributions	(1,237,057)
Government funds report District OPEB contributions as expenditures. However, in the Statement of Activities the cost of OPEB benefits earned net of employee contributions is reported as pension expense.	
District OPEB contributions	315,046
Cost of benefits earned net of employee contributions	(238,542)
Expenditures reported in the fund financial statements are recognized when the current financial resource is used. However, expenses in the statement of activities are recognized when they are incurred.	(35,410)
Change in net position - governmental activities	\$ (162,622)

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

Todd County School District  
Statement of Net Position  
Proprietary Funds

<i>June 30, 2020</i>	<b>Enterprise Fund Food Service</b>
<b>Assets</b>	
<b>Current Assets</b>	
Cash	\$ 559,132
Inventory	29,342
<hr/>	
Total current assets	588,474
<hr/>	
<b>Non-Current Assets</b>	
Fixed assets - net	234,588
<hr/>	
Total assets	823,062
<hr/>	
<b>Deferred Outflows of Resources</b>	
OPEB related	99,201
Pension related	243,604
<hr/>	
Total deferred outflows of resources	342,805
<hr/>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts payable	45
<hr/>	
Total current liabilities	45
<hr/>	
<b>Long-Term Liabilities</b>	
Net OPEB liability	255,201
Net pension liability	1,067,510
<hr/>	
Total long-term liabilities	1,322,711
<hr/>	
<b>Deferred Inflows of Resources</b>	
OPEB related	94,839
Pension related	49,528
<hr/>	
Total deferred inflows of resources	144,367
<hr/>	
<b>Net Position</b>	
Net investment in capital assets	234,588
Unrestricted (deficit)	(535,844)
<hr/>	
Total net position (deficit)	\$ (301,256)
<hr/>	

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

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

<i>Year Ended June 30, 2020</i>	<b>Enterprise Fund Food Service</b>
<hr/>	
<b>Operating Revenues</b>	
Lunchroom sales	\$ 110,483
<hr/>	
Total operating revenues	110,483
<hr/>	
<b>Operating Expenses</b>	
Salaries and wages	714,997
Contract services	16,602
Materials and supplies	578,466
Other operating expenses	3,275
Depreciation expense	42,083
<hr/>	
Total operating expenses	1,355,423
<hr/>	
Operating loss	(1,244,940)
<hr/>	
<b>Non-Operating Revenues</b>	
State operating grants	124,553
Federal operating grants	995,134
Donated commodities	67,850
Interest revenue	10,387
<hr/>	
Total non-operating revenues	1,197,924
<hr/>	
Income (loss) before transfers	(47,016)
<hr/>	
Transfers	(71,775)
<hr/>	
Change in net position	(118,791)
<hr/>	
Net position (deficit) - beginning of year	(182,465)
<hr/>	
Net position (deficit) - end of year	\$ (301,256)
<hr/> <hr/>	

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

Todd County School District  
Statement of Cash Flows  
Proprietary Funds

<i>Year Ended June 30, 2020</i>	<b>Enterprise Fund Food Service</b>
<b>Cash Flows from Operating Activities</b>	
Cash received from user charges	\$ 110,483
Cash payments to employees for services	(507,815)
Cash payments for contract services	(16,602)
Cash payments to suppliers for goods and services	(516,235)
Cash payments for other operating expenses	(3,275)
Net cash used in operating activities	(933,444)
<b>Cash Flows from Non-Capital Financing Activities</b>	
Indirect cost transfer to general fund	(71,775)
Non-operating grants received	1,006,822
Net cash provided by non-capital financing activities	935,047
<b>Cash Flows from Investing Activities</b>	
Interest on investments	10,387
Net cash provided by investing activities	10,387
Net increase in cash	11,990
Cash - beginning of year	547,142
Cash - end of year	\$ 559,132

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

Todd County School District  
Statement of Cash Flows  
Proprietary Funds

<i>Year Ended June 30, 2020</i>	<b>Enterprise Fund Food Service</b>
<b>Reconciliation of Operating Loss to Net Cash Used In Operating Activities</b>	
Operating loss	\$ (1,244,940)
<b>Adjustments To Reconcile Operating Loss To Net Cash Used In Operating Activities:</b>	
Depreciation	42,083
Commodities used	67,850
On-behalf payments received	112,865
Pension contributions in excess of pension expense	89,399
OPEB contributions in excess of OPEB expense	4,918
Changes in assets and liabilities:	
Inventories	(5,617)
Accounts payable	(2)
Net cash used in operating activities	\$ (933,444)

**Noncash Activities**

- The food service fund received \$67,850 of donated commodities from the federal government.
- The District received on-behalf payments of \$112,865 relating to insurance benefits.
- The District reclassified \$74,102 related to pension expense to deferred outflows of resources.
- The District reclassified \$18,289 related to OPEB expense to deferred outflows of resources.

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

Todd County School District  
Statement of Fiduciary Net Position  
Fiduciary Funds

<i>June 30, 2020</i>	<b>Agency Fund</b>
<hr/>	
<b>Assets</b>	
Cash	\$ 292,144
Accounts receivable	11,388
<hr/>	
<b>Total assets</b>	<b>\$ 303,532</b>
<hr/> <hr/>	
<b>Liabilities</b>	
Accounts payable	\$ 63,894
Due to student groups	239,638
<hr/>	
<b>Total liabilities</b>	<b>\$ 303,532</b>
<hr/> <hr/>	

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

**NOTE 1: DESCRIPTION OF THE ENTITY**

***Reporting Entity***

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

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

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

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

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

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

***Basis of Presentation***

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

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

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

**Fund Financial Statements** — Fund financial statements report detailed information about the District's funds, including fiduciary funds. Separate statements for each fund category — governmental, proprietary and fiduciary — are presented. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The District has the following funds:

**Governmental Fund Types**

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



**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**Governmental Fund Types (Continued)**

The *Special Revenue Fund* accounts for proceeds of specific revenue sources that are restricted, committed, or assigned to expenditures for specified purposes other than debt service or capital projects. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the schedule of expenditures of federal awards. The special revenue fund is a major fund.

The *Special Revenue District Activity Fund* is used to account for proceeds collected by the District's individual schools which are not raised by students or parents and are swept to the District's finance office. Funds can be spent on operating expenses as directed by the District's schools.

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

The *Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund* receives those funds designated by the state as capital outlay funds and is restricted for use in financing projects identified in the District's facility plan and certain operating costs.

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

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

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

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**Proprietary Fund Types**

*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 contributions of commodities from the USDA. The food service fund is a major fund.

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

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

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

*Agency Funds*

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

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

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

**Governmental Fund Financial Statements** – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This approach differs from the manner in which the government-wide financial statements are prepared. The governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e.,

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the fund balance. On this basis of accounting, revenues are recognized when they become measurable and available as assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is interest on general long-term debt, which is recognized as an expenditure when paid.

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

***Estimates***

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

***Inventory***

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

***Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

***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.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Capital Assets (Continued)***

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000 with the exception of 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 asset’s life are not capitalized.

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

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

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

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

The District reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position. The deferred outflows of resources reported in this year’s financial statements include the deferred amount arising from the refunding of bonds. The deferred refunding amount is being amortized over the remaining life of the refunding bonds as part of interest expense. No deferred outflows of resources affect the governmental funds financial statements in the current year.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

The District's statement of net position and proprietary funds statements of net position report a separate section for deferred inflows and outflows of resources related to pension which includes only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions, and differences between projected and actual earnings on plan investments. Deferred outflows include resources for the District's contributions made subsequent to the measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period. Deferred inflows of resources also include changes in the proportion and differences between employee contributions and the proportion share of contributions in the cost sharing plan. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The District will not recognize the related revenues until they are available (collected not later than 60 days after the end of the District's fiscal year) under the modified accrual basis of accounting. No deferred inflows of resources affect the governmental funds financial statements in the current year.

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

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

***Net Pension Liability***

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System (CERS)/Teacher Retirement System of the State of Kentucky (KTRS) and additions to/deductions from CERS/KTRS fiduciary net position have been determined on the same basis as they are reported by CERS/KTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The District proportionate share of pension amounts were further allocated to each participating employer based on the contributions paid by each employer. Pension investments are reported at fair value. Note 8 provides further detail on the net pension liability.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Certified Employees Retirement System (CERS)/Teachers Retirement System of the State of Kentucky (KTRS) and additions to/deductions from CERS/KTRS fiduciary net position have been determined on the same basis as they are reported by CERS/KTRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The District's proportionate share of OPEB amounts were further allocated to each participating employer based on the contributions paid by each employer. OPEB investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. Note 9 provides further detail on the net OPEB liability.

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

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

***Unearned Revenue***

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

***Compensated Absences***

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

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

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

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

***Net Position***

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

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

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

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

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

***Property Taxes***

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

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Revenues — Exchange and Nonexchange Transactions***

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

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

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

***Interfund Activity***

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

***Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund receivables/payables. These 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.



**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Contributions of Capital***

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

***Operating Revenues and Expenses***

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

***Subsequent Events***

The District has evaluated any recognized or unrecognized subsequent events for consideration in the accompanying financial statements through November 13, 2020, which was the date the financial statements were made available.

***Recent Accounting Pronouncements***

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 (as modified by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*). Early adoption is permitted. The District is evaluating the requirements of this Statement.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021 (as modified by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*). The District is evaluating the requirements of this Statement.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020 (as modified by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*). The District is evaluating the requirements of this Statement.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 (as modified by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*). The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The District is evaluating the requirements of this Statement.

Todd County School District  
Notes to the Financial Statements

**NOTE 3: CASH**

***Deposits***

At June 30, 2020, the carrying amounts of the District's cash in deposits were \$7,003,482 and the bank balances were \$7,510,862, which were covered by federal depository insurance or by collateral held by the bank's agent in the District's name.

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

<i>June 30,</i>	<i>2020</i>
Governmental funds	\$ 6,152,206
Proprietary fund	559,132
Fiduciary funds	292,144
	\$ 7,003,482

***Custodial Credit Risk Deposits***

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. However, the District is required by state statute that bank deposits must be collateralized. The District's bank balance of \$7,510,862 was not exposed to custodial credit risk as of June 30, 2020.

**NOTE 4: INTERFUND RECEIVABLES AND PAYABLES**

Interfund balances at June 30, 2020 consist of the following:

<i>June 30, 2020</i>		
<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
General Fund	Special Revenue Fund	\$ 145,659

The amounts represent interfund loans between the general fund and special revenue fund that are necessary to fulfill the current cash requirements of the special revenue fund.

Todd County School District  
Notes to the Financial Statements

**NOTE 5: CAPITAL ASSETS**

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

<i>June 30, 2020</i>	Capital Cost			
	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
<b>Governmental Activities:</b>				
Capital assets that are not depreciated:				
Land	\$ 4,215,072	\$ -	\$ -	\$ 4,215,072
Construction in progress	132,289	455,950	588,239	-
Total non-depreciable historical cost	4,347,361	455,950	588,239	4,215,072
Capital assets that are depreciated:				
Land improvements	984,164	-	-	984,164
Buildings and improvements	31,875,596	604,339	-	32,479,935
Technology equipment	2,221,830	81,153	133,988	2,168,995
Vehicles	3,423,044	-	366,045	3,056,999
General	2,653,256	-	11,986	2,641,270
Total depreciable historical cost	41,157,890	685,492	512,019	41,331,363
Less accumulated depreciation for:				
Land improvements	948,432	8,723	-	957,155
Buildings and improvements	15,207,080	897,085	-	16,104,165
Technology equipment	1,674,042	219,846	133,305	1,760,583
Vehicles	2,818,409	107,717	363,562	2,562,564
General	1,132,072	127,314	8,904	1,250,482
Total accumulated depreciation	21,780,035	1,360,685	505,771	22,634,949
Total depreciable historical cost, net	19,377,855	(675,193)	6,248	18,696,414
Governmental activities, capital assets, net	\$ 23,725,216	\$ (219,243)	\$ 594,487	\$ 22,911,486

Todd County School District  
Notes to the Financial Statements

**NOTE 5: CAPITAL ASSETS (CONTINUED)**

<i>June 30, 2020</i>	Capital Cost			
	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
<b>Business-Type Activities:</b>				
Buildings and improvements	\$ 930,627	\$ -	\$ -	\$ 930,627
Technology equipment	18,119	-	-	18,119
General	362,299	-	-	362,299
Total depreciable historical cost	1,311,045	-	-	1,311,045
Less accumulated depreciation for:				
Buildings and improvements	761,425	27,671	-	789,096
Technology equipment	12,499	2,564	-	15,063
General	260,450	11,848	-	272,298
Total accumulated depreciation	1,034,374	42,083	-	1,076,457
Total depreciable historical cost, net	276,671	(42,083)	-	234,588
Business-type activities, capital assets, net	\$ 276,671	\$ (42,083)	\$ -	\$ 234,588

Depreciation expense was charged to governmental functions as follows:

<i>Year ended June 30,</i>	<i>2020</i>
Instruction	\$ 485,646
Support services:	
Student	71,544
Instructional staff	37,656
District administration	104,928
School administration	430,325
Facilities operations	117,067
Student transportation	113,519
Total depreciation expense	\$ 1,360,685

Todd County School District  
Notes to the Financial Statements

**NOTE 6: LONG-TERM OBLIGATIONS**

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

Issue Date	Proceeds	Rates
2009	\$ 4,410,000	1.500% - 3.000%
2010	1,675,000	2.000% - 3.250%
2012	2,150,000	1.100% - 2.250%
2014 KISTA	563,952	2.000% - 2.625%
2013	2,720,000	.750% - 2.300%
2014	8,170,000	.350% - 3.000%
2016	815,000	3.050%

The District, through the General Fund, including utility taxes and the SEEK capital outlay fund, is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Todd County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The District has entered into "participation agreements" with the School Facility Construction Commission (SFCC). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

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

Todd County School District  
Notes to the Financial Statements

**NOTE 6: LONG-TERM OBLIGATIONS (CONTINUED)**

Year	Todd County School District		School Facility Construction Commission		Total Debt Service
	Principal	Interest	Principal	Interest	
2020-2021	\$ 1,021,077	\$ 296,487	\$ 136,611	\$ 37,558	\$ 1,491,733
2021-2022	1,064,992	267,277	138,691	34,412	1,505,372
2022-2023	1,078,848	243,298	140,883	31,152	1,494,181
2023-2024	1,134,567	205,882	136,159	27,699	1,504,307
2024-2025	1,126,438	173,687	142,562	24,154	1,466,841
2025-2026	1,144,762	141,752	125,238	20,650	1,432,402
2026-2027	790,142	113,722	64,858	17,993	986,715
2027-2028	809,386	89,729	65,614	16,016	980,745
2028-2029	838,607	65,009	66,393	14,016	984,025
2029-2030	862,802	39,488	72,198	11,916	986,404
2030-2031	884,851	13,273	65,149	9,827	973,100
2031-2032	-	-	45,000	8,159	53,159
2032-2033	-	-	45,000	6,786	51,786
2033-2034	-	-	50,000	5,338	55,338
2034-2035	-	-	50,000	3,813	53,813
2035-2036	-	-	50,000	2,288	52,288
2036-2037	-	-	50,000	763	50,763
	\$ 10,756,472	\$ 1,649,604	\$ 1,444,356	\$ 272,540	\$ 14,122,972

Maturities of other debt, which consists of lease obligations of \$90,680, are as follow for the fiscal years ending:

June 30,	
2021	\$ 90,680
	\$ 90,680

Todd County School District  
Notes to the Financial Statements

**NOTE 6: LONG-TERM OBLIGATIONS (CONTINUED)**

Changes in long-term obligations are as follows:

<i>June 30, 2020</i>	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Bonds and notes payable:					
Bonds	\$ 13,325,522	\$ -	\$ (1,124,694)	\$ 12,200,828	\$ 1,157,688
Less discounts	(13,694)	-	3,257	(10,437)	-
<b>Total bonds and notes payable</b>	<b>13,311,828</b>	<b>-</b>	<b>(1,121,437)</b>	<b>12,190,391</b>	<b>1,157,688</b>
Other liabilities:					
Compensated absences	467,502	73,340	(77,711)	463,131	133,468
Other	185,323	-	(94,643)	90,680	90,680
<b>Total other liabilities</b>	<b>652,825</b>	<b>73,340</b>	<b>(172,354)</b>	<b>553,811</b>	<b>224,148</b>
<b>Total long-term liabilities</b>	<b>\$ 13,964,653</b>	<b>\$ 73,340</b>	<b>\$ (1,293,791)</b>	<b>\$ 12,744,202</b>	<b>\$ 1,381,836</b>

**NOTE 7: FUND BALANCES**

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

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

*Restricted fund balances* arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2020, the District had \$29,373 restricted for capital projects in the construction fund and \$28,902 restricted in the special revenue fund for grant programs.



Todd County School District  
Notes to the Financial Statements

**NOTE 7: FUND BALANCES (CONTINUED)**

*Committed fund balances* are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had the following commitments in the general fund at June 30, 2020: \$205,500 for compensated absences, \$500,000 for future construction and \$2,985,000 for a minimum fund balance policy.

*Assigned fund balances* are amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. The amount assigned related to the site base carryforward at June 30, 2020 was \$0. The special revenue district activity fund had assigned \$1,530 for operating costs of District's schools at June 30, 2020. Assigned fund balances also include (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

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

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations using restricted funds first, followed by committed funds, assigned funds and then unassigned funds. Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance at June 30, 2020 in the governmental funds balance sheet.

**NOTE 8: PENSION PLANS**

**Pensions**

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

**NOTE 8: PENSION PLANS (CONTINUED)**

**Pensions *(continued)***

benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**General Information About the KTRS Pension Plan**

**Plan Description**

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

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

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

**Benefits Provided**

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

**For Members Hired Before July 1, 2008:**

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

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

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

**NOTE 8: PENSION PLANS (CONTINUED)**

**Benefits Provided (*continued*)**

2002 who retires with 10 or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first 10 years. In addition, members who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3% to be used in their benefit calculation.

The final average salary is the member's 5 highest annual salaries except members at least age 55 with 27 or more years of service may use their 3 highest annual salaries. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service.

For Members Hired On or After July 1, 2008:

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

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

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

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

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

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

**NOTE 8: PENSION PLANS (CONTINUED)**

**Contributions**

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

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

***Pension Liabilities and Pension Expense***

At June 30, 2020, the amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth of Kentucky (State) support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with the District		<u>30,617,979</u>
Total		<u><u>\$ 30,617,979</u></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 determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures.

For the year ended June 30, 2020, the District recognized pension expense of \$3,200,889 and revenue of \$3,200,889 for support provided by the State in the government wide financial statements.

**Actuarial Assumptions**

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age
Actuarial Assumptions:	
Investment rate of return	7.50% net of pension plan investment expense, including inflation
Projected salary increases	3.50 - 7.30%, including inflation
Inflation rate	3.00%
Municipal bond index rate	3.50%
Discount rate	7.50%

**NOTE 8: PENSION PLANS (CONTINUED)**

**Actuarial Assumptions (continued)**

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 September 19, 2016. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System.

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	40.0%	4.20%
International Equity	22.0%	5.20%
Fixed Income	15.0%	1.20%
Additional Categories	7.0%	3.20%
Real Estate	7.0%	3.80%
Private Equity	7.0%	6.30%
Cash	2.0%	0.90%
Total	100.0%	

**NOTE 8: PENSION PLANS (CONTINUED)**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at the Actuarially Determined Contribution rates for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Pension Plan Fiduciary Net Position**

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

**General Information About the CERS Pension Plan**

**Plan Description**

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

**Benefits Provided**

CERS provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Prior to July 1, 2009, Cost of Living Adjustments (COLAs) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. After July 1, 2009, the COLAs were limited to 1.5%. No COLA has been granted since July 1, 2011.

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

**NOTE 8: PENSION PLANS (CONTINUED)**

**Benefits Provided (continued)**

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

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

**Contributions**

Employers participating in the CERS were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the KRS Board of Trustees on the basis of an annual valuation last preceding the July 1 of a new biennium. The KRS Board of Trustees may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the KRS Board of Trustees. For the fiscal year ended June 30, 2020 participating employers contributed a percentage of each employee's creditable compensation. Administrative costs to KRS are financed through employer contributions and investment earnings. The actuarially determined rate set by the KRS Board of Trustees for the fiscal year ended June 30, 2020 was 19.30%.

**NOTE 8: PENSION PLANS (CONTINUED)**

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

At June 30, 2020, the District reported a liability of \$8,285,489 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 June 30, 2018. The District's proportion of the net pension liability was based on the District's share of 2019 contributions to the pension plan relative to the 2019 contributions of all participating employers, actuarially determined. At June 30, 2019, the District's proportion was .117808%.

For the year ended June 30, 2020, the District recognized pension expense of \$1,237,057. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following source:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 211,553	\$ 35,008
Net difference between projected and actual investment earnings on pension plan investments	159,049	292,614
Change of assumptions	838,584	-
Changes in proportion and differences between employer contributions and proportionate share of contribution	106,405	56,788
District contributions subsequent to the measurement date	<u>575,146</u>	<u>-</u>
Total	<u>\$ 1,890,737</u>	<u>\$ 384,410</u>



**NOTE 8: PENSION PLANS (CONTINUED)**

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

\$575,146 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	
2020	\$ 580,474
2021	239,612
2022	101,620
2023	9,475
2024	-

**Actuarial Assumptions**

The total pension liability, net pension liability, and sensitivity information as of June 30, 2019 were based on an actuarial valuation date of June 30, 2018. The total pension liability was rolled-forward from the valuation date (June 30, 2018) to the plan's fiscal year ending June 30, 2019, using generally accepted actuarial principles.

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

Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increases	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%

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 tab 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.

**NOTE 8: PENSION PLANS (CONTINUED)**

**Long-Term Expected Rate of Return**

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<b>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%
Special 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>Diversity Strategies</b>	<b>23.00%</b>	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
	<u>100.00%</u>	3.89%

**Discount Rate**

The projection of cash flows used to determine the discount rate of 6.25% assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018). The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the KRS plan's CAFR.

**NOTE 8: PENSION PLANS (CONTINUED)**

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

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

	<b>1% Decrease (5.25%)</b>	<b>Current Discount Rate (6.25%)</b>	<b>1% Increase (7.25%)</b>
District's proportionate share of the net pension liability	\$ 10,362,797	\$ 8,285,489	\$ 6,554,073

**Pension Plan Fiduciary Net Position**

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

***Deferred Compensation Plans***

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

**NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**General Information about the KTRS OPEB Plan**

**Plan Description**

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

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

***Medical Insurance Plan***

**Plan Description**

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

**Benefits Provided**

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

**NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Contributions**

In order to fund the post-retirement healthcare benefit, 7.50% of the gross annual payroll of members is contributed. 3.75% is paid by member contributions and .75% from state appropriation and 3% from the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

**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 \$3,493,000 for its proportionate share of collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the District's proportion was 0.119332%.

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	\$ 3,493,000
State's proportionate share of the net OPEB liability	
<u>associated with the District</u>	<u>2,821,000</u>
<u>Total</u>	<u>\$ 6,314,000</u>

For the year ended June 30, 2020, the District recognized OPEB expense of \$101,000, which included \$(25,000) related to changes in proportion and differences between employer contributions and proportionate share of contributions. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Todd County School District  
Notes to the Financial Statements

**NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 845,000
Changes of assumptions	93,000	-
Net difference between projected and actual earnings on OPEB plan investments	15,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	47,000	148,000
District contributions subsequent to measurement date	191,341	-
Total	\$ 346,341	\$ 993,000

Of the total amount reported as deferred outflows of resources related to OPEB, \$191,341 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 ended June 30,</u>	
2020	\$ (162,000)
2021	(162,000)
2022	(154,000)
2023	(156,000)
2024	(129,000)
Thereafter	(75,000)

**Actuarial Assumptions**

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

Todd County School District  
Notes to the Financial Statements

**NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Actuarial Assumptions (continued)**

Inflation	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Projected Salary Increases	3.50% - 7.20%, including inflation
Investment Rate of Return	8.00%, net of OPEB plan investment expense, including inflation
Municipal Bond Index Rate	3.50%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation
Discount Rate	8.00%
Healthcare Cost Trends:	
KEHP group	7.50% for FYE 2019 decreasing to an ultimate rate of 5.00% by FYE 2024
MEHP group	5.50% for FYE 2019 decreasing to an ultimate rate of 5.00% by FYE 2021
Medicare Part B Premiums	2.63% for FYE 2019 with an ultimate rate of 5.00% by 2031

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

The demographic actuarial assumptions for retirement disability, incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2018 valuation were based on the results of the most recent actuarial experience studies for the OPEB plan, which covered the five-year period ending June 30, 2015. The remaining actuarial assumptions used in the June 30, 2018 valuation of the Medical Insurance Fund (MIF) were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation. The healthcare cost trend rate assumption was updated for the June 30, 2018 valuation and was shown as an assumption change in the Total OPEB Liability (TOL) roll forward while the change in initial per capita claims costs were included with the experience in the TOL roll forward. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System.

**NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Actuarial Assumptions *(continued)***

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>30-Year Expected Geometric Real Rate of Return</b>
Global Equity	58.00%	5.10%
Fixed Income	9.00%	1.20%
Real Estate	6.50%	3.80%
Private Equity	8.50%	6.30%
Additional Categories	17.00%	3.20%
Cash (LIBOR)	1.00%	0.90%
<b>Total</b>	<b>100.00%</b>	

**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.



**NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

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

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
District's proportionate share of the collective net OPEB liability	\$ 4,137,000	\$ 3,493,000	\$ 2,953,000

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

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

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the collective net OPEB liability	\$ 2,843,000	\$ 3,493,000	\$ 4,291,000

**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**

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

Todd County School District  
Notes to the Financial Statements

**NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Benefits Provided**

TRS provides a life insurance benefit of \$5,000 payable for members who retire based on service or disability. TRS provides a life insurance benefit of \$2,000 payable for its active contributing members. The life insurance benefit is payable upon the death of the member to the member's estate or to a party designated by the member.

**Contributions**

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

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

At June 30, 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 net OPEB liability, the related Commonwealth of Kentucky (state) support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the District	66,000
Total	\$ 66,000

**Actuarial Assumptions**

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

Inflation	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Projected Salary Increases	3.50% - 7.45%, including wage inflation
Investment Rate of Return	7.50%, net of OPEB plan investment expense, including inflation
Municipal Bond Index Rate	3.50%
Single Equivalent Interest Rate	7.50%, net of OPEB plan investment expense, including inflation
Discount Rate	7.50%

**NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Actuarial Assumptions *(continued)***

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2018 valuation were based on the results for the most recent actuarial experience studies for the System, which covered the five-year period ending June 30, 2015. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>30-Year Expected Geometric Real Rate of Return</b>
U.S. Equity	40.00%	4.30%
International Equity	23.00%	5.20%
Fixed Income	18.00%	1.20%
Real Estate	6.00%	3.80%
Private Equity	5.00%	6.30%
Additional Categories	6.00%	3.20%
Cash	2.00%	0.90%
<b>Total</b>	<b>100.00%</b>	

**Discount Rate**

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

**NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**OPEB Plan Fiduciary Net Position**

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

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

**Plan Description**

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

**Benefits Provided**

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

**Contributions**

Employers participating in the CERS Insurance Fund contribute a percentage of each employee's creditable compensation. The actuarially determined rates set by the KRS board is a percentage of each employee's creditable compensation. For the year ended June 30, 2020, the required contribution was 4.76% of each employee's covered payroll. Contributions from the District to the CERS Insurance Fund for the year ended June 30, 2020, were \$141,994. The KRS board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the KRS board. Employees qualifying as Tier 2 or Tier 3 of the CERS plan members contribute 1% of creditable compensation to an account created for the payment of health insurance benefits.

**NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Implicit Subsidy**

The fully-insured premiums KRS pays for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the no-Medicare eligible retirees. This implicit subsidy is included in the calculation of the total OPEB liability.

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

At June 30, 2020, the District reported a liability of \$1,981,377 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 June 30, 2018. The District's proportion of the net OPEB liability was based on the District's share of 2019 contributions to the OPEB plan relative to the 2019 contributions of all participating employers, actuarially determined. At June 30, 2020, the District's proportion was 0.117802%.

For the year ended June 30, 2020, the District recognized OPEB expense of \$214,744.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 597,827
Net difference between projected and actual investment earnings on OPEB plan investments	13,051	101,055
Change of assumptions	586,308	3,921
Changes in proportion and differences between employer contributions and proportionate share of contribution	28,838	33,527
District contributions subsequent to the measurement date	<u>141,994</u>	<u>-</u>
Total	<u>\$ 770,191</u>	<u>\$ 736,330</u>

For the year ended June 30, 2020, \$141,994 was reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability 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 OPEB expense as follows:

Todd County School District  
Notes to the Financial Statements

**NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

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

<i>Year ended June 30,</i>	
2020	\$ (17,314)
2021	(17,314)
2022	10,666
2023	(42,928)
2024	(35,848)
Thereafter	(5,395)

**Actuarial Assumptions**

The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2019 were based on an actuarial valuation date of June 30, 2018. The total OPEB liability was rolled-forward from the valuation date (June 30, 2018) to the plan's fiscal year ending June 30, 2019, using generally accepted actuarial principles. There have been no changes in plan provisions since June 30, 2018. The plan adopted new actuarial assumptions since June 30, 2018, which were used to determine the total OPEB liability as follows:

Inflation	2.30%
Payroll Growth Rate	2.00%
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.
Healthcare Trend Rates (Post-65)	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

Todd County School District  
Notes to the Financial Statements

**NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Long-Term Expected Rate of Return**

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<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%
Special 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>Diversity Strategies</b>	<b>23.00%</b>	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
<b>Total</b>	<b>100.00%</b>	<b>3.89%</b>

**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 28, 2019. However, the cost associated with the implicit employer subsidy was not included in the calculation of the Plan's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the OPEB Plan trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return of each major asset class are summarized in the KRS plan's CAFR.

**NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

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

The following presents the District's proportionate share of the net OPEB liability as of June 30, 2020, calculated 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 1-percentage-point lower (4.68%) or 1-percentage-point higher (6.68%) than the current rate:

	<u>1% Decrease (4.68%)</u>	<u>Current Discount Rate (5.68%)</u>	<u>1% Increase (6.68%)</u>
District's proportionate share of the collective net OPEB liability	\$ 2,654,230	\$ 1,981,377	\$ 1,426,991

**Sensitivity of the District's Proportionate Share of the collective net OPEB Liability to Changes in the Healthcare Cost Trend Rates**

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

	<u>1% Decrease</u>	<u>Current Healthcare Rate</u>	<u>1% Increase</u>
District's proportionate share of the collective net OPEB liability	\$ 1,473,560	\$ 1,981,377	\$ 2,597,165

**OPEB Plan Fiduciary Net Position**

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

**NOTE 10: CONTINGENCIES**

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



Todd County School District  
Notes to the Financial Statements

**NOTE 11: RISK MANAGEMENT**

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

The District purchases unemployment insurance through 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 12: 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 financial statements as a result of the cases presently in progress.

**NOTE 13: EXCESS EXPENDITURES OVER APPROPRIATIONS**

The District has one fund with a deficit net position, Food service (\$300,703). Also, the following funds had excess current year expenditures over current year appropriated revenues:

<i>Year ended June 30, 2020</i>	
<b>Fund</b>	<b>Amount</b>
Special Revenue	\$ 30,374
Construction	452,205
Food Service	118,791

Todd County School District  
Notes to the Financial Statements

**NOTE 14: FUND TRANSFERS**

Fund transfers for the year ended June 30, 2020 consist of the following:

Type	From Fund	To Fund	Purpose	Amount
Operating	General	Special Revenue	Matching	\$ 34,851
Operating	FSPK	Debt Service	Debt Service	1,253,115
Operating	General	Debt Service	Debt Service	62,877
Operating	SEEK	General	Indirect Costs	165,964
Operating	FSPK	General	Indirect Costs	131,021
Operating	Special Revenue	General	Indirect Costs	270
Operating	Food Service	General	Indirect Costs	71,775
Operating	Special Revenue	Special Revenue	Expenditures	144,545

**NOTE 15: ON-BEHALF PAYMENTS**

The District receives on-behalf payments from the State of Kentucky and the US Treasury for items including pension, technology, health care costs, operating costs and debt service. The amount received for the fiscal year ended June 30, 2020, was \$5,053,553. These payments were recorded as follows:

*Year Ended June 30, 2020*

Fund	Amount
General Fund	\$ 4,767,480
Food Service Fund	112,865
Debt Service Fund	173,208
<b>Total</b>	<b>\$ 5,053,553</b>

*Year Ended June 30, 2020*

	Amount
Technology	\$ 83,505
Health Insurance less Federal reimbursements	2,162,327
Life Insurance	3,731
Administrative Fees	30,913
HRA/Dental/Vision Insurance	125,125
SFCC Debt Service	173,207
KTRS	2,474,745
<b>Total</b>	<b>\$ 5,053,553</b>

**NOTE 16: UNCERTAINTY**

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the District. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

Todd County School District  
Budgetary Comparison Schedule for the General Fund

<i>Year Ended June 30, 2020</i>	Budgeted Amounts		Actual	Variances
	Original	Final		Final to Actual
<b>Revenues</b>				
Local and intermediate sources	\$ 3,266,065	\$ 3,173,735	\$ 3,716,627	\$ 542,892
State programs	12,045,915	12,045,915	13,136,705	1,090,790
Federal programs	50,000	50,000	73,246	23,246
<hr/>				
Total revenues	15,361,980	15,269,650	16,926,578	1,656,928
<hr/>				
<b>Expenditures</b>				
Current:				
Instruction	8,331,675	7,911,910	8,977,819	(1,065,909)
Support services:				
Student	1,092,885	1,067,245	1,287,493	(220,248)
Instructional staff	528,605	525,865	508,552	17,313
District administration	857,580	745,570	611,631	133,939
School administration	1,371,260	1,351,465	1,529,041	(177,576)
Business	684,515	676,510	649,468	27,042
Plant operations and maintenance	2,109,045	2,205,380	1,777,364	428,016
Student transportation	1,460,560	1,602,040	1,229,624	372,416
Other	25,855	25,605	19,147	6,458
Building acquisition and construction	325,000	325,000	-	325,000
<hr/>				
Total expenditures	16,786,980	16,436,590	16,590,139	(153,549)
<hr/>				
Excess (deficiency) of revenues over expenditures	(1,425,000)	(1,166,940)	336,439	1,503,379

Todd County School District  
Budgetary Comparison Schedule for the General Fund

<i>Year Ended June 30, 2020</i>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>
<b>Other Financing Sources (Uses)</b>				
Contingency	(1,700,000)	(1,700,000)	-	1,700,000
Operating transfers - net	25,000	(133,060)	271,302	404,362
<b>Total other financing sources (uses)</b>	<b>(1,675,000)</b>	<b>(1,833,060)</b>	<b>271,302</b>	<b>2,104,362</b>
Net change in fund balance	(3,100,000)	(3,000,000)	607,741	3,607,741
Fund balance - beginning of year	3,100,000	3,000,000	5,771,692	2,771,692
Fund balance - end of year	\$ -	\$ -	\$ 6,379,433	\$ 6,379,433

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

<i>Year Ended June 30, 2020</i>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>
<b>Revenues</b>				
Local and intermediate sources	\$ -	\$ 384	\$ 503	\$ 119
State programs	1,145,903	1,336,639	1,223,039	(113,600)
Federal programs	1,677,339	1,681,431	1,689,148	7,717
<b>Total revenues</b>	<b>2,823,242</b>	<b>3,018,454</b>	<b>2,912,690</b>	<b>(105,764)</b>
<b>Expenditures</b>				
Current:				
Instruction	2,193,875	2,340,284	2,250,172	90,112
Support services:				
Student	25,914	25,914	31,540	(5,626)
Instructional staff	318,212	364,610	354,412	10,198
Plant operations and maintenance	10,500	10,500	25,004	(14,504)
Student transportation	120,491	120,491	129,330	(8,839)
Other	184,250	192,460	187,187	5,273
<b>Total expenditures</b>	<b>2,853,242</b>	<b>3,054,259</b>	<b>2,977,645</b>	<b>76,614</b>
<b>Deficiency of revenues over expenditures</b>	<b>(30,000)</b>	<b>(35,805)</b>	<b>(64,955)</b>	<b>(29,150)</b>

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

<i>Year Ended June 30, 2020</i>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>	
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>	
<b>Other Financing Sources (Uses)</b>					
Operating transfers- net	30,000	35,805	34,581		(1,224)
Total other financing sources (uses)	30,000	35,805	34,581		(1,224)
Net change in fund balance	-	-	(30,374)		(30,374)
Fund balance - beginning of year	-	-	59,276		59,276
Fund balance - end of year	\$ -	\$ -	\$ 28,902	\$	28,902

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

**Schedule of the District's Proportionate Share of the Net Pension Liability-KTRS**

<i>As of June 30,</i>	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	\$ 30,617,979	\$ 29,975,778	\$ 63,417,813	\$ 71,778,188	\$ 57,599,582	\$ 53,015,710
District's covered payroll	\$ 7,777,236	\$ 7,920,319	\$ 7,928,382	\$ 8,115,826	\$ 8,235,595	\$ 8,085,372
District's proportionate share of the net pension liability as a percentage of its covered payroll	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	58.80%	59.30%	39.83%	35.22%	42.49%	45.59%

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

<i>For the Year Ended June 30,</i>	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 7,916,584	\$ 7,777,236	\$ 7,920,319	\$ 7,928,382	\$ 8,115,826	\$ 8,235,595
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%



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

**Changes of Benefit Terms**

None noted.

**Changes of Assumptions**

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

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

In the 2016 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2016 valuation, the Assumed Salary Scale, Price Inflation, and Wage Inflation were adjusted to reflect a decrease. In addition, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.88% to 4.20%.

In 2015, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.23% to 4.88%.

In 2014, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.16% to 5.23%.

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

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

<i>As of June 30,</i>	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.117808%	0.115385%	0.117450%	0.120120%	0.124668%	0.125705%
District's proportionate share of the net pension liability	\$ 8,285,489	\$ 7,027,298	\$ 6,875,119	\$ 5,914,258	\$ 5,360,134	\$ 4,078,000
District's covered payroll	\$ 2,963,446	\$ 2,851,137	\$ 2,845,117	\$ 2,868,370	\$ 2,850,832	\$ 2,843,023
District's proportionate share of the net pension liability as a percentage of its covered payroll	279.59%	246.47%	241.65%	206.19%	188.02%	143.44%
Plan fiduciary net position as a percentage of the total pension liability	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%

**Schedule of District's Contributions-CERS**

<i>For the Year Ended June 30,</i>	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 575,146	\$ 480,671	\$ 412,845	\$ 396,894	\$ 356,252	\$ 363,481
Contributions in relation to the contractually required contribution	575,146	480,671	412,845	396,894	356,252	363,481
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 2,980,031	\$ 2,963,446	\$ 2,851,137	\$ 2,845,117	\$ 2,868,370	\$ 2,850,832
Contributions as a percentage of covered payroll	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%

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

**Changes of Benefit Terms**

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

2020: No changes in benefit terms.

2019: No changes in benefit terms.

2018: No changes in benefit terms.

2017: No changes in benefit terms.

2016: No changes in benefit terms.

**Changes of Assumptions**

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

2020: There have been no changes in plan provisions since June 30, 2018. However, the Board of Trustees has adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018". The Total Pension liability as of June 30, 2019 is determined using these updated assumptions.

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

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

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

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

2016: No changes in assumptions.

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

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

<i>As of June 30,</i>	2020	2019	2018
District's proportion of the collective net OPEB liability	0.119332%	0.117782%	0.123769%
District's proportionate share of the collective net OPEB liability	\$ 3,493,000	\$ 4,087,000	\$ 4,413,000
District's covered payroll	\$ 7,777,236	\$ 7,920,319	\$ 7,928,382
District's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	44.91%	51.60%	55.66%
Plan fiduciary net position as a percentage of the total OPEB liability	32.58%	25.50%	21.18%

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

<i>As of June 30,</i>	2020	2019	2018
Contractually required contribution	\$ 191,341	\$ 189,229	\$ 190,077
Contributions in relation to the contractually required contribution	191,341	189,229	190,077
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered payroll	\$ 7,916,584	\$ 7,777,236	\$ 7,920,319
Contributions as percentage of covered payroll	2.42%	2.43%	2.40%

**Changes of Benefit Terms**

2019: No changes of benefit terms.

2018: With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the State will only finance, via its KEHP "shared responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

**Changes of Assumptions**

No changes of assumptions.

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

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

<i>As of June 30,</i>	2020	2019	2018
District's proportion of the collective net OPEB liability	0.000000%	0.000000%	0.000000%
District's proportionate share of the collective net OPEB liability	\$ -	\$ -	\$ -
District's covered payroll	\$ 7,777,236	\$ 7,920,319	\$ 7,928,382
District's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total OEPB liability	73.40%	75.00%	79.99%

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

<i>As of June 30,</i>	2020	2019	2018
Contractually required contribution	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered payroll	\$ 7,916,584	\$ 7,777,236	\$ 7,920,319
Contributions as percentage of covered payroll	0.00%	0.00%	0.00%

**Changes of Benefit Terms**

No changes of benefit terms.

**Changes of Assumptions**

No changes of assumptions.

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

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

<i>As of June 30,</i>	2020	2019	2018
District's proportion of the net OPEB liability	0.117802%	0.115380%	0.117457%
District's proportionate share of the net OPEB liability	\$ 1,981,377	\$ 2,048,549	\$ 2,361,287
District's covered - employee payroll	\$ 2,963,446	\$ 2,851,137	\$ 2,845,117
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	66.86%	71.85%	82.99%
Plan fiduciary net position as a percentage of the total OPEB liability	60.44%	57.62%	52.40%

**Schedule of District Contributions - CERS**

<i>For the years ended June 30,</i>	2020	2019	2018
Contractually required contribution	\$ 141,994	\$ 155,979	\$ 133,969
Contributions in relation to the contractually required contribution	141,994	155,979	133,969
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 2,980,031	\$ 2,963,443	\$ 2,851,137
Contributions as a percentage of covered-employee payroll	4.76%	5.26%	4.70%

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

**Changes of Benefit Terms**

No changes of benefit terms.

**Changes of Assumptions**

2020: There have been no changes in plan provisions since June 30, 2018. However, the Board of Trustees has adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018". The Total Pension liability as of June 30, 2019 is determined using these updated assumptions.

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

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

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



Todd County School District  
Combining Balance Sheet  
Nonmajor Governmental Funds

<i>June 30, 2020</i>	SEEK Fund	FSPK Fund	Construction Fund	District Activity Fund	Debt Service Fund	Total Other Governmental Funds
<b>Assets</b>						
Cash	\$ -	\$ -	\$ 29,373	\$ 1,530	\$ -	\$ 30,903
<b>Total assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 29,373</b>	<b>\$ 1,530</b>	<b>\$ -</b>	<b>\$ 30,903</b>
<b>Fund Balances</b>						
Restricted						
Capital projects	\$ -	\$ -	\$ 29,373	\$ -	\$ -	\$ 29,373
Assigned	-	-	-	1,530	-	1,530
<b>Total fund balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 29,373</b>	<b>\$ 1,530</b>	<b>\$ -</b>	<b>\$ 30,903</b>

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

<i>Year Ended June 30, 2020</i>	SEEK Fund	FSPK Fund	Construction Fund	District Activity Fund	Debt Service Fund	Total Other Governmental Funds
<b>Revenues</b>						
From local sources:						
Taxes:						
Property	\$ -	\$ 689,500	\$ -	\$ -	\$ -	\$ 689,500
Tuition and fees	-	-	-	14,737	-	14,737
Earnings on investments	-	-	3,745	-	-	3,745
Other local revenue	-	-	-	3,238	-	3,238
Intergovernmental - state	165,964	694,636	-	-	173,208	1,033,808
<b>Total revenues</b>	<b>165,964</b>	<b>1,384,136</b>	<b>3,745</b>	<b>17,975</b>	<b>173,208</b>	<b>1,745,028</b>
<b>Expenditures</b>						
Current:						
Instruction	-	-	-	16,445	-	16,445
Debt service:						
Principal	-	-	-	-	1,124,694	1,124,694
Interest	-	-	-	-	364,506	364,506
Building acquisition and construction	-	-	455,950	-	-	455,950
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>455,950</b>	<b>16,445</b>	<b>1,489,200</b>	<b>1,961,595</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>165,964</b>	<b>1,384,136</b>	<b>(452,205)</b>	<b>1,530</b>	<b>(1,315,992)</b>	<b>(216,567)</b>

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

<i>Year Ended June 30, 2020</i>	SEEK Fund	FSPK Fund	Construction Fund	District Activity Fund	Debt Service Fund	Total Other Governmental Funds
<b>Other Financing Sources (Uses)</b>						
Operating transfers-in	-	-	-	-	1,315,992	1,315,992
Operating transfers-out	(165,964)	(1,384,136)	-	-	-	(1,550,100)
<b>Total other financing sources (uses)</b>	(165,964)	(1,384,136)	-	-	1,315,992	(234,108)
Net change in fund balances	-	-	(452,205)	1,530	-	(450,675)
Fund Balances - beginning of year	-	-	481,578	-	-	481,578
Fund Balances - end of year	\$ -	\$ -	\$ 29,373	\$ 1,530	\$ -	\$ 30,903

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

<i>Year Ended June 30, 2020</i>	<b>Cash</b>			<b>Cash</b>			<b>Accounts</b>	<b>Accounts</b>	<b>Due to Student</b>
	<b>July 1, 2019</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>June 30, 2020</b>	<b>Receivable</b>	<b>Payable</b>	<b>Groups</b>	<b>June 30, 2020</b>	
Todd Co. Central High School	\$ 128,142	\$ 311,639	\$ 304,981	\$ 134,800	\$ 8,693	\$ 60,749	\$ 82,744		
Todd Co. Middle	61,816	121,254	100,750	82,320	2,676	95	84,901		
North Todd Elementary	36,747	65,005	73,598	28,154	7	39	28,122		
South Todd Elementary	34,582	86,265	73,977	46,870	12	3,011	43,871		
<b>Total</b>	<b>\$ 261,287</b>	<b>\$ 584,163</b>	<b>\$ 553,306</b>	<b>\$ 292,144</b>	<b>\$ 11,388</b>	<b>\$ 63,894</b>	<b>\$ 239,638</b>		

Todd County School District  
Statement of Fiduciary Net Position  
School Activity Funds  
Todd County Central High School

<i>Year Ended June 30, 2020</i>	<b>Cash</b>			<b>Cash</b>	<b>Accounts</b>	<b>Accounts</b>		<b>Due to Student</b>
	<b>July 1, 2019</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>June 30, 2020</b>	<b>Receivable</b>	<b>Payable</b>	<b>Transfers</b>	<b>Groups</b>
								<b>June 30, 2020</b>
General Fund	\$ 9,261	\$ 2,505	\$ 1,714	\$ 10,052	\$ 44	\$ 791	\$ (500)	\$ 8,805
District Activity Fund	-	6,230	6,230	-	-	-	-	-
Athletic Fund	12,151	40,548	31,079	21,620	-	200	(1,094)	20,326
Game Concessions	17,226	14,298	8,971	22,553	-	-	(386)	22,167
AMTC	-	30	-	30	-	-	-	30
Ag/Greenhouse	4,587	2,902	3,957	3,532	153	1,661	-	2,024
Drama	715	545	804	456	-	-	-	456
Family/Consumer Sci	463	-	106	357	-	-	-	357
Band Account	7,028	15,191	21,631	588	29	-	-	617
Students/PBIS	1,719	234	72	1,881	-	-	-	1,881
PE Fund	545	-	-	545	-	-	-	545
Coaches Vs. Cancer	10	-	-	10	-	-	-	10
Spilled Ink Literacy Magazine	545	-	-	545	-	-	-	545
FFA Club	672	21,605	21,039	1,238	-	162	(80)	996
Beta Club	1,530	5,628	6,422	736	-	55	-	681
Student Council Club	2,212	5,284	4,431	3,065	-	-	-	3,065
Art Club	205	333	-	538	-	-	-	538
FCCLA Club	676	475	828	323	-	-	-	323
Spanish Club	220	575	300	495	-	-	-	495
Special Education	-	215	215	-	-	-	-	-
Yearbook Fund	1,264	9,684	8,410	2,538	-	3,068	(28)	(558)
Library Fund	593	-	344	249	-	-	-	249
CPR Fund	25	-	-	25	-	-	-	25
TC Pep Club	777	-	86	691	-	-	-	691
1st Priority Club	44	1,142	495	691	-	-	-	691
Dance Team	203	7,008	7,164	47	-	-	(47)	-

Todd County School District  
Statement of Fiduciary Net Position  
School Activity Funds  
Todd County Central High School

<i>Year Ended June 30, 2020</i>	<b>Cash</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Cash</b>	<b>Accounts</b>	<b>Accounts</b>	<b>Transfers</b>	<b>Due to Student</b>
	<b>July 1, 2019</b>			<b>June 30, 2020</b>	<b>Receivable</b>	<b>Payable</b>		<b>Groups</b>
								<b>June 30, 2020</b>
Science Dept	155	-	-	155	-	-	-	155
Cheerleader Fund	3,608	15,251	9,875	8,984	-	278	80	8,786
Future Educators of America	342	-	-	342	-	-	-	342
National Honor Society	1,259	500	770	989	-	-	-	989
Faculty Lounge	677	1,698	1,426	949	18	-	-	967
School Fees	5	-	-	5	-	-	-	5
TCCHS PTO	482	100	-	582	-	-	-	582
TCCHS Veteran's Day Program	623	500	816	307	-	-	-	307
Class of 2019	189	-	-	189	-	-	(189)	-
Class of 2020	7,134	3,222	7,184	3,172	2,399	1,589	(3,172)	810
Class of 2021	-	4,217	3,425	792	-	-	-	792
Ricky Jolly Scholarship Fund	4,840	2,000	-	6,840	-	-	-	6,840
Scholarships	1,175	2,392	1,532	2,035	-	532	28	1,531
2019 Parents/Project Graduation	2,810	44,201	49,244	(2,233)	-	44,316	3,517	(43,032)
Project Graduation New Games	2,000	-	-	2,000	-	-	-	2,000
JR ROTC	985	-	-	985	-	-	-	985
Athletic Travel	826	-	-	826	-	-	-	826
Baseball	11,044	32,160	27,482	15,722	2,150	3,408	-	14,464
Boys Basketball	946	9,156	9,683	419	-	-	(85)	334
Girls Basketball	2,018	3,168	3,793	1,393	-	-	-	1,393
G/B Golf	2,333	4,300	1,498	5,135	3,900	-	500	9,535

Todd County School District  
Statement of Fiduciary Net Position  
School Activity Funds  
Todd County Central High School

<i>Year Ended June 30, 2020</i>	<b>Cash</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Cash</b>	<b>Accounts</b>	<b>Accounts</b>	<b>Transfers</b>	<b>Due to Student</b>
	<b>July 1, 2019</b>			<b>June 30, 2020</b>	<b>Receivable</b>	<b>Payable</b>		<b>Groups</b>
								<b>June 30, 2020</b>
Boys Soccer	4,178	10,059	13,867	370	-	1,503	-	(1,133)
Girls Soccer	2,531	2,665	5,985	(789)	-	-	789	-
Softball	8,738	6,683	9,851	5,570	-	3,186	-	2,384
Track	2,699	-	3,769	(1,070)	-	-	1,070	-
Volleyball	903	3,355	3,575	683	-	-	-	683
Weightlifting	50	-	-	50	-	-	-	50
Archery	2,654	6,544	1,908	7,290	-	-	(403)	6,887
Charitable Gaming	267	25,036	25,000	303	-	-	-	303
<b>Total</b>	<b>\$ 128,142</b>	<b>\$ 311,639</b>	<b>\$ 304,981</b>	<b>\$ 134,800</b>	<b>\$ 8,693</b>	<b>\$ 60,749</b>	<b>\$ -</b>	<b>\$ 82,744</b>

Todd County School District  
Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U.S. Department of Agriculture</b>				
Child Nutrition Cluster				
Direct Program:				
Food Distribution Program - non-cash	10.555	-	\$ -	\$ 67,850
Passed-Through State Department of Education:				
School Breakfast Program	10.553	7760005 20	-	223,470
National School Lunch Program	10.555	7750002 20	-	645,996
Summer Food Service Program For Children	10.559	7690024 20	-	<u>122,911</u>
Subtotal				1,060,227
State Administrative Expenses (SAE) Funds	10.560	7700001 20		<u>2,757</u>
<b>Total U.S. Department of Agriculture</b>				<b>1,062,984</b>
<b>U.S. Department of Education</b>				
Passed-Through State Department of Education:				
Title I, Part A				
Title I Grants to Local Educational Agencies - 2018	84.010	3100002 17	-	3,884
Title I Grants to Local Educational Agencies - 2019	84.010	3100002 18	-	281,966
Title I Grants to Local Educational Agencies - 2020	84.010	3100002 19	-	<u>578,271</u>
Subtotal				864,121
Migrant Education State Grant Program- 2019	84.011	3110002 18	-	39,032
Migrant Education State Grant Program- 2020	84.011	3110002 19	-	<u>88,011</u>
Subtotal				127,043
Special Education Cluster				
Special Education Grant to States - 2018	84.027	3810002 17	-	6,855
Special Education Grant to States - 2019	84.027	3810002 18	-	157,722
Special Education Grant to States - 2020	84.027	3810002 19	-	340,745
Special Education Preschool Grant - 2019	84.173	3800002 18	-	10,667
Special Education Preschool Grant - 2020	84.173	3800002 19	-	<u>64,768</u>
Subtotal				580,757
English Language Acquisition State Grants - 2019	84.365	3300002 18	-	2,678
English Language Acquisition State Grants - 2020	84.365	3300002 19	-	<u>9,122</u>
Subtotal				11,800

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



Todd County School District  
Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Career and Technical Education - Basic Grants to States - 2020	84.048	3710002 19	-	14,343
Rural Education - 2019	84.358	3140002 18	-	22,021
Rural Education - 2020	84.358	3140002 19	-	<u>10,211</u>
Subtotal				32,232
COVID-19 -Education Stabilization Fund	84.425	4000002 20		2,097
COVID-19 -Education Stabilization Fund	84.425	CARE-20		<u>3,403</u>
Subtotal				5,500
Student Support and Academic Enrichment Program - 2019	84.424	3420002 18	-	21,974
Student Support and Academic Enrichment Program - 2020	84.424	3420002 19	-	<u>31,378</u>
Subtotal				53,352
Total U.S. Department of Education				1,689,148
Total Expenditures of Federal Awards			\$ -	\$ 2,752,132

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

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

**NOTE 1: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Todd County School District (the "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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

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

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

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

**NOTE 3: INDIRECT COST RATE**

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

Child Nutrition Cluster

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

**NOTE 4: SUBRECIPIENTS**

The District did not provide federal funds to subrecipients for the fiscal year ended June 30, 2020.

**NOTE 5: LOANS AND LOAN GUARANTEES**

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

Todd County School District  
Summary Schedule of Prior Audit Findings

None reported.



Carr, Riggs & Ingram, LLC

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**Independent Auditors' Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards***

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Todd County School District  
Elkton, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits as defined in the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Todd County School District (the "District") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Todd County School District's basic financial statements, and have issued our report thereon dated November 13, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in the *Independent Auditor's Contract – State Compliance Requirements*.

We noted certain matters that we reported to management of the District in a separate letter dated November 13, 2020.

### **District's Response to Finding**

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The 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.

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

Carr, Riggs & Ingram, LLC  
Bowling Green, Kentucky  
November 13, 2020



Carr, Riggs & Ingram, LLC

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

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Todd County School District  
Elkton, Kentucky

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

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

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

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

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

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

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the 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 District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-002, that we consider to be a significant deficiency.

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

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The District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

Carr, Riggs & Ingram, LLC  
Bowling Green, KY  
November 13, 2020



Todd County School District  
Schedule of Findings and Questioned Costs

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

**Financial Statements**

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

Internal control over financial reporting:

- |   |   |  |
|---|---|--|
| Material weakness(es) identified?                     | <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No |
| Significant deficiency(ies) identified?               | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> None reported |
| Noncompliance material to financial statements noted? | <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No |

**Federal Awards**

Internal control over major Federal programs:

- |   |   |  |
|---|---|--|
| Material weakness(es) identified?       | <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No |
| Significant deficiency(ies) identified? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> None reported |

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

- |   |                              |   |
|---|------------------------------|---|
| Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance (2 CFR 200.516(a))? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> None reported |
|---|------------------------------|---|

Todd County School District  
Schedule of Findings and Questioned Costs

Identification of major Federal programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553; 10.555; 10.559	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee?  Yes  No

**Section II — Financial Statement Findings**

2020-001 Journal Entries

*Criteria and Condition:* During our audit procedures, we noted that journal entries lacked documentation of review for the year ended June 30, 2020.

*Cause:* Certain internal controls were not in place to prevent or detect and correct misstatements.

*Effect:* Incorrect and unapproved journal entries could be made without a documented review.

*Recommendation:* We recommend the District implement a journal entry review process with adequate documentation maintained for the review.

*View of Responsible Officials and Planned Corrective Actions:* The District concurs with the finding, see corrective action plan.

Todd County School District  
Schedule of Findings and Questioned Costs

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

U.S. DEPARTMENT OF AGRICULTURE  
Passed-Through State Department of Education

2020-002 Child Nutrition Cluster – CFDA 10.553; 10.555; 10.559  
Award Identifying Number – 7760005 20; 7750002 20; 7690024 20  
June 30, 2020

*Criteria and Condition:* During our audit procedures for the year ended June 30, 2020, we noted that journal entries lacked documentation of review to comply with CFR 200.303, which requires the non-federal entity to establish and maintain effective internal controls over federal awards.

*Cause:* Certain internal controls were not in place to prevent or detect and correct misstatements.

*Effect:* Incorrect and unapproved journal entries could be made without a documented review.

*Questioned Costs:* No questioned costs were incurred from this finding.

*Recommendation:* We recommend the District implement a journal entry review process with adequate documentation maintained for the review.

*View of Responsible Officials and Planned Corrective Actions:* The District concurs with the finding, see corrective action plan.

# Todd County School District Corrective Action Plan



**Board Members**  
Kellie Groves  
Eric Harris, Chairman  
Andrea Jones  
Joshua Mosby  
Todd Thomas, Vice Chairman

Mark Thomas, Superintendent  
Camille Dillingham, Assistant Superintendent  
Preston Browning, Chief Finance Officer  
Jennifer Pope, Director of District Wide Services  
Kim Justice, Director of Exceptional Children

## CORRECTIVE ACTION PLAN

November 13, 2020

Kentucky Department of Education

The Todd County School District respectfully submits the following corrective action plan for the year ended June 30, 2020.

Carr, Riggs & Ingram LLC  
PO Box 104  
Bowling Green, KY 42102

### Findings - Financial Statement Audit

#### Significant Deficiency

##### 2020-001 Journal Entries

*Criteria and Condition:* During our audit procedures, we noted that journal entries lacked documentation of review for the year ended June 30, 2020.

*Cause:* Certain internal controls were not in place to prevent or detect and correct misstatements.

*Effect:* Incorrect and unapproved journal entries could be made without a documented review.

*Recommendation:* We recommend the District implement a journal entry review process with adequate documentation maintained for the review.

*Action Taken:* Effective immediately (11/13/2020), the Todd County School District will include supporting documentation for all journal entries to provide as complete a description as possible for approvers and for historical and/or audit purposes. Journal entries will be approved by a finance staff member with sufficient knowledge of the purpose and appropriateness of the journal entry. Evidence of the approval will be maintained with the journal entry documentation.

Todd County Schools  
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# Todd County School District Corrective Action Plan



**Board Members**  
Keddy Croves  
Eric Harris, Chairman  
Andrea Jones  
Joshua Mosby  
Todd Thomas, Vice Chairman

**Mark Thomas, Superintendent**  
Caville Dillingham, Assistant Superintendent  
Preston Browning, Chief Finance Officer  
Jennifer Pope, Director of District Wide Services  
Kim Justice, Director of Exceptional Children

## Findings – Federal Award

### Significant Deficiency

#### 2020-002 Journal Entries

The significant deficiency at finding 2020-001 also applies to this grant program.

*Action Taken: Effective immediately (11/13/2020), the Todd County School District will include supporting documentation for all grant program journal entries to provide as complete a description as possible for approvers and for historical and/or audit purposes. Grant program journal entries will be approved by a finance staff member with sufficient knowledge of the purpose and appropriateness of the journal entry. Evidence of the approval will be maintained with the grant program journal entry documentation.*

If the Kentucky Department of Education has questions regarding this plan, please call (Preston Browning) at 270-265-2436.



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Kentucky State Committee for School District Audits  
Members of the Board of Education  
Todd County School District  
Elkton, Kentucky

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

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. Any uncorrected comments from the prior year have been listed in this letter. A separate report dated November 13, 2020 contains our report on the District's internal control. This letter does not affect our report dated November 13, 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 the comments and recommendations 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.

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

Carr, Riggs & Ingram, LLC  
Bowling Green, KY  
November 13, 2020

# Todd County School District Comments and Recommendations

## Current Year Comments

- **Central Office**
  - During our audit procedures over fixed assets, we noted the District had recorded assets the District did not have the rights to on the general ledger. We recommend the District reconcile fixed assets to ensure only assets with the District's right to use are recorded on the general ledger.
  - During our procedures over food service daily sales, we noted the daily sales reports lacked consistent documentation of dual initials. We recommend the daily sales reports have dual initials of persons reconciling the daily cash.
  
- **Todd County High School**
  - During our sampling procedures over deposits, we noted one deposit ticket did not have receipt numbers recorded on it. We recommend all deposit tickets include receipt numbers in accordance with Redbook.
  - During our procedures over school activity funds, we noted three activity funds with deficit balances at June 30, 2020. We recommend appropriate transfers be made to cover deficit balances in accordance with Redbook.

## Prior Year

No prior year findings.

# Todd County School District Management Responses



## *Board Members*

Kelley Groves  
Eric Harris, Chairman  
Andrea Jones  
Joshua Mosby  
Todd Thomas, Vice Chairman

## *Mark Thomas, Superintendent*

Camille Dillingham, Assistant Superintendent  
Preston Browning, Chief Finance Officer  
Jennifer Pope, Director of District Wide Services  
Kim Justice, Director of Exceptional Children

## **Responses to Current Year Comment**

- **Central Office**
  - During our audit procedures over fixed assets, we noted the District had recorded assets the District did not have the rights to on the general ledger. We recommend the District reconcile fixed assets to ensure only assets with the District's right to use are recorded on the general ledger.
    - The fixed assets that were recorded were located in the AMTC building. We are no longer responsible for the building or any equipment included. Therefore, those assets will no longer be reconciled as part of the District fixed assets.
  - During our procedures over food service daily sales, we noted the daily sales reports lacked consistent documentation of dual initials. We recommend the daily sales reports have dual initials of persons reconciling the daily cash.
    - Going forward, we will have the Director of Food Service and the Director of Finance sign off on all daily sales reports.
  
- **Todd County High School**
  - During our sampling procedures over deposits, we noted one deposit ticket did not have receipt numbers recorded on it. We recommend all deposit tickets include receipt numbers in accordance with Redbook.
    - Account clerk will verify that deposit ticket includes receipt numbers before leaving the bank.
  - During our procedures over school activity funds, we noted three activity funds with deficit balances at June 30, 2020. We recommend appropriate transfers be made to cover deficit balances in accordance with Redbook.
    - All accounts will be reviewed prior to June 30 to ensure that all balances are brought to 0.

Respectfully,

Preston Browning, Finance Officer

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**THOUGHT LEADERSHIP**



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- Navigating Alternative Minimum Tax (AMT)
- Key Considerations of Health Care Law
- Six Commandments of Estate Planning

## **APPENDIX C**

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

---

**Continuing Disclosure Undertaking Agreement**

## CONTINUING DISCLOSURE UNDERTAKING AGREEMENT

This Continuing Disclosure Undertaking Agreement ("Agreement") made and entered into as of the 15th day of June, 2021 by and between the Board of Education of Todd County, Kentucky School District ("Board"); the Todd 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 \$7,100,000 of the Corporation's School Building Revenue Bonds, Series of 2021, dated June 13, 2021 ("Bonds"), which Bonds were offered for sale under the terms and conditions of a Final Official Statement ("FOS") prepared by RSA Advisors, LLC, Lexington, Kentucky ("Municipal Advisor") and approved by the authorized representatives of the Board and the Corporation, and

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

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

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

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

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

### **1. ANNUAL FINANCIAL INFORMATION**

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

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

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

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

## **2. MATERIAL EVENTS NOTICES**

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

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

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

- (A) Debt obligation;
- (B) Derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or
- (C) Guarantee of paragraph (A) or (B) above.

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

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

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

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

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

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

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

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

That the Final Official Statement prepared by the 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  
TODD COUNTY, KENTUCKY**

Attest:

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Secretary

**TODD COUNTY SCHOOL  
DISTRICT FINANCE CORPORATION**

Attest:

\_\_\_\_\_  
President

\_\_\_\_\_  
Secretary

**APPENDIX D**

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

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**Official Terms and Conditions of Bond Sale**



**OFFICIAL TERMS AND CONDITIONS OF BOND SALE**

**\$7,100,000\***

**Todd County School District Finance Corporation  
School Building Revenue Bonds, Series of 2021  
Dated as of June 15, 2021**

**SALE: May 25, 2021 AT 1:00 P.M., E.D.S.T.**

As published on PARITY®, a nationally recognized electronic bidding system, the Todd County School District Finance Corporation ("Corporation") will until May 25, 2021, at the hour of 1:00 P.M., E.D.S.T., in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Rd, Carriage House, Frankfort, KY 40601, receive competitive bids for the revenue bonds herein described. To be considered, bids must be submitted on an Official Bid Form and must be delivered to the Corporation at the address indicated on the date of sale no later than the hour indicated. Bids may be submitted manually or by facsimile or electronically via PARITY. Bids will be considered by the Corporation and may be accepted without further action by the Corporation's Board of Directors.

Subject to a Permitted Adjustment\* increasing or decreasing the issue by up to \$710,000.

**TODD COUNTY SCHOOL  
DISTRICT FINANCE CORPORATION**

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

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

These Bonds are authorized pursuant to KRS 162.120 through 162.300, 162.385, and KRS 58.180 and are issued in accordance with a Resolution of the Corporation's Board of Directors. Said Bonds are revenue bonds and constitute a limited indebtedness of the Corporation payable from rental revenues derived by the Corporation from the Board under the Lease identified below. Said Bonds are being issued to finance renovations to Todd County Central High School, Todd County Middle School, South Todd Elementary School and North Todd Elementary School (collectively, the "Project") and are secured by a lien upon and a pledge of the revenues from the rental of the school building 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 securing the Corporation's School Building Revenue Bonds previously issued to finance or refinance the school building(s) Project (the "Parity Bonds").

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

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

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

Although the Board is obligated to pay the Corporation annual rentals in the full amount of the principal and interest requirements for the Bonds for each year in which the Lease is renewed, the Board has entered into the Lease in reliance upon a certain Participation Agreement by and between the Board and the Kentucky School Facilities Construction Commission (the "Commission"). Under the terms of the Participation Agreement, the Commission has agreed to pay annually directly to the Paying Agent for the Bonds a stated Agreed Participation equal to approximately 5.2% of the annual debt service requirements for the Bonds herein identified until their retirement, subject to the constitutional restrictions limiting the commitment to the biennium; said annual amount is to be applied only to the principal and interest requirements of the Bonds so long as the Board renews the Lease. Under the Lease, the Board has pledged and assigned all of its rights under the Participation Agreement in and to the Agreed Participation to the Corporation in order to secure the Bonds and has agreed to pay that portion of the rentals in excess of said Agreed Participation for each year in which the Lease is renewed.

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

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

Pursuant to the provisions of the Act, the Regulations of the Kentucky Board of Education and the Commission, the Commission has determined that the Board is eligible for participation from the Commission in meeting the costs of construction of the Projects and has entered into a Participation Agreement with the Board whereunder the Commission agrees to pay an annual Agreed Participation equal to approximately 5.2% of the annual debt service requirements for the Bonds herein identified each year until their retirement; provided, however, that the contractual commitment of the Commission to pay the annual Agreed Participation is limited to the biennial budget period of the Commonwealth, with the first such biennial period terminating on June 30, 2022; the right is reserved in the Commission to terminate its commitment to pay the Agreed Participation after the initial biennial period and every two years thereafter. The obligation of the Commission to make payments of the Agreed Participation shall be automatically renewed each two years for a period of two years unless the Commission shall give notice of its intention not to participate not less than sixty days prior to the end of the biennium; however, by the execution of the Participation Agreement, the Commission has expressed its present intention to continue to pay the Agreed Participation in each successive biennial budget period until the retirement of all of the Bonds, but such execution does not obligate the Commission to do so.

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

### **ADDITIONAL PARITY BONDS**

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

payments during the life of such additional bonds shall be increased by the amount of the annual principal and interest requirements of such additional bonds.

### **BOND MATURITIES, PRIOR REDEMPTION PROVISIONS AND PAYING AGENT**

All such Bonds shall be in denominations in multiples of \$5,000 within the same maturity, bear interest from June 15, 2021, payable on December 1, 2021, and semi annually thereafter and shall mature as to principal on June 1 in each of the years as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2022	\$55,000	2032	\$595,000
2023	50,000	2033	605,000
2024	35,000	2034	620,000
2025	20,000	2035	635,000
2026	25,000	2036	655,000
2027	290,000	2037	670,000
2028	280,000	2038	690,000
2029	285,000	2039	330,000
2030	285,000	2040	335,000
2031	295,000	2041	345,000

\*Subject to a Permitted Adjustment of the amount of Bonds awarded of up to \$710,000 which may be applied in any or all maturities.

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

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

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

### **BIDDING CONDITIONS AND RESTRICTIONS**

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

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

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

(C) The minimum bid shall be not less than \$6,958,000 (98% of par) plus accrued interest. Interest rates shall be in multiples of 1/8 or 1/20 of 1% or both. Only one interest rate shall be permitted per Bond, and all Bonds of the same maturity shall bear the same rate. Interest rates must be on an ascending scale, in that the interest rate stipulated in any year may not be less than that stipulated for any preceding maturity. There is no limit on the number of different interest rates.

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

(E) The determination of the best purchase bid for said Refunding Bonds shall be made on the basis of all bids submitted for exactly \$7,100,000 principal amount of Refunding Bonds offered for sale under the terms and conditions herein specified, but the Corporation may adjust the principal amount of Bonds upward or downward by \$710,000 (the "Permitted Adjustment") which may be awarded to such best bidder may be a minimum of \$6,390,000 or a maximum of \$7,810,000. In the event of such Permitted Adjustment, no rebidding or recalculation of a submitted bid will be required or permitted and the Underwriter's Discount on the Bonds as submitted by the successful bidder shall be held constant. The Underwriter's Discount shall be defined as the difference between the purchase price of the Bonds submitted by the bidder and the price at which the Bonds will be issued to the public, calculated from information provided by the bidder, divided by the par amount of the Bonds bid. The price of which such adjusted principal amount of Bonds will be sold will be the same price per \$5,000 of Bonds as the price per \$5,000 for the \$7,100,000 of Bonds bid.

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

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

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

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

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

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

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

(d) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is May 25, 2021.

(e) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

(G) The successful bidder may elect to notify the Municipal Advisor within twenty-four (24) hours of the award of the Bonds that certain serial maturities as awarded may be combined with immediately succeeding serial maturities as one or more Term Bonds; provided, however, (a) bids must be submitted to permit only a single interest rate for each term bond specified, and (b) Term Bonds will be subject to mandatory redemption by lot on June 1 in accordance with the maturity schedule setting the actual size of the issue.

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

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

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

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

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

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

## **STATE SUPPORT OF EDUCATION**

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

KERA became fully effective on July 13, 1990. Elementary and Secondary Education in the Commonwealth is supervised by the Commissioner of Education as the Chief Executive Officer of the State Department of

Education ("DOE"), an appointee of the reconstituted State Board for Elementary and Secondary Education (the "State Board"). Some salient features of KERA are as follows:

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

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

KRS 160.470(12)(a) requires that effective for fiscal years beginning July 1, 1990 each school district shall levy a minimum equivalent tax rate of \$.30 for general school purposes. The equivalent tax rate is defined as the rate which results when the income collected during the prior year from all taxes levied by the district (including utilities gross receipts license and special voted) for school purposes is divided by the total assessed value of property, plus the assessment for motor vehicles certified by the Revenue Cabinet of the Commonwealth. Any school district board of education which fails to comply with the minimum equivalent tax rate levy shall be subject to removal from office.

KRS 160.470(12)(2) provides that for fiscal years beginning July 1, 1990 each school district may levy an equivalent tax rate which will produce up to 15% of those revenues guaranteed by the SEEK program. Any increase beyond the 4% annual limitation imposed by KRS 132.017 is not subject to the recall provisions of that Section. Revenue generated by the 15% levy is to be equalized at 150% of the state-wide average per pupil equalized assessment.

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

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

KRS 160.460 provides that as of July 1, 1994 all real property located in the Commonwealth subject to local taxation shall be assessed at \$57,158 to be applied to fair cash value.

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

The Kentucky General Assembly is required by the Kentucky Constitution to adopt measures providing for the state's revenues and appropriations for each fiscal year. The Governor is required by law to submit a biennial State Budget (the "State Budget") to the General Assembly during the legislative session held in each even numbered year. State Budgets have generally been adopted by the General Assembly during those legislative

sessions, which end in mid-April, to be effective upon the Governor's signature for appropriations commencing for a two-year period beginning the following July 1.

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

Due to the unforeseen nature on the economy of the Commonwealth caused by the COVID-19 pandemic, in its 2020 regular session, the General Assembly adopted only a one-year budget for the biennial period ending June 30, 2022 which was approved and signed by the Governor. The biennial budget 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. Proposals are currently pending in both Federal houses which, if passed, would eliminate the ability of the issuer to advance refund the Bonds. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation.

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

### **CONTINUING DISCLOSURE**

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

Financial information regarding the Board may be obtained from Superintendent, Todd County Board of Education, 205 Airport Road, Elkton, Kentucky 42220 (270-265-2436).

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

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

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

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

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

**TODD COUNTY SCHOOL DISTRICT  
FINANCE CORPORATION**

By /s/ Mark Thomas  
Secretary

**APPENDIX E**

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

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**Official Bid Form**

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

The Todd County School District Finance Corporation ("Corporation" or "Issuer"), will until 1:00 P.M., E.D.S.T., on May 25, 2021, receive in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Rd, Carriage House, Frankfort, KY 40601, (telephone 502-564-5582; fax 888-979-6152) competitive bids for its \$7,100,000 School Building Revenue Bonds, Series of 2021, dated June 15, 2021; maturing June 1, 2022 through 2041 ("Bonds").

We hereby bid for said \$7,100,000\* principal amount of Bonds, the total sum of \$\_\_\_\_\_ (not less than \$6,958,000) plus accrued interest from June 15, 2021 payable December 1, 2021 and semiannually thereafter at the following annual rates, (rates on ascending scale in multiples of 1/8 or 1/20 of 1%; number of interest rates unlimited) and maturing as to principal on June 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	\$55,000	_____%	2032	\$595,000	_____%
2023	50,000	_____%	2033	605,000	_____%
2024	35,000	_____%	2034	620,000	_____%
2025	20,000	_____%	2035	635,000	_____%
2026	25,000	_____%	2036	655,000	_____%
2027	290,000	_____%	2037	670,000	_____%
2028	280,000	_____%	2038	690,000	_____%
2029	285,000	_____%	2039	330,000	_____%
2030	285,000	_____%	2040	335,000	_____%
2031	295,000	_____%	2041	345,000	_____%

\* Subject to Permitted Adjustment

We understand this bid may be accepted for as much as \$7,810,000 of Bonds or as little as \$6,390,000 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 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 May 25, 2021.

(e)  *Underwriter*  means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

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

regarding PARITY®, potential bidders may contact PARITY®, telephone (212) 404-8102. Notwithstanding the foregoing, non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form.

The successful bidder may elect to notify the Municipal Advisor within twenty-four (24) hours of the award of the Bonds that certain serial maturities as awarded may be combined with immediately succeeding serial maturities as one or more Term Bonds; provided, however, (a) bids must be submitted to permit only a single interest rate for each Term Bond specified, and (b) Term Bonds will be subject to mandatory redemption on June 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 15, 2021 and upon acceptance by the Issuer's Municipal Advisor this Official Bid Form shall become the Bond Purchase Agreement.

Respectfully submitted,

\_\_\_\_\_  
Bidder

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

\_\_\_\_\_  
Address

Total interest cost from June 15, 2021 to final maturity	\$ _____
Plus discount or less any premium	\$ _____
Net interest cost (Total interest cost plus discount or less any premium)	\$ _____
Average interest rate or cost (ie NIC)	_____ %

The above computation of net interest cost and of average interest rate or cost is submitted for information only and is not a part of this Bid.

Accepted by RSA Advisors, LLC, as Agent for the Todd 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: May 25, 2021

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

