

DATED JUNE 22, 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).

\$4,710,000*
HENDERSON COUNTY SCHOOL DISTRICT FINANCE CORPORATION
SCHOOL BUILDING REVENUE BONDS,
SERIES OF 2021

Dated with Delivery: JULY 21, 2021

Due: as shown below

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

Maturing 1-Aug	Amount*	Interest Rate	Reoffering Yield	CUSIP	Maturing 1-Aug	Amount*	Interest Rate	Reoffering Yield	CUSIP
2022	\$445,000	%	%		2027	\$475,000	%	%	
2023	\$450,000	%	%		2028	\$480,000	%	%	
2024	\$455,000	%	%		2029	\$485,000	%	%	
2025	\$460,000	%	%		2030	\$495,000	%	%	
2026	\$465,000	%	%		2031	\$500,000	%	%	

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 Henderson 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 Henderson County Board of Education.

The Henderson County (Kentucky) School District Finance Corporation will until June 30, 2021, at 11:00 A.M., E.D.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 \$470,000.**

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.

**HENDERSON COUNTY, KENTUCKY
BOARD OF EDUCATION**

Mike Waller, Chairman
Tracey Williams, Vice Chair
Thomas Alves, Member
Kirk Haynes, Member
Wesley Smith, Member

Bob Lawson, Superintendent/Secretary

**HENDERSON COUNTY SCHOOL DISTRICT
FINANCE CORPORATION**

Mike Waller, President
Tracey Williams, Vice President
Thomas Alves, Member
Kirk Haynes, Member
Wesley Smith, Member

Bob Lawson, Secretary
Cindy Cloutier, Treasurer

BOND COUNSEL

Stephoe & Johnson PLLC
Louisville, Kentucky

FINANCIAL ADVISOR

RSA Advisors, LLC
Lexington, Kentucky

PAYING AGENT AND REGISTRAR

Independence Bank of Kentucky
Owensboro, 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 Henderson 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**

\$4,710,000*

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

The Bonds are being issued to finance HVAC upgrades to South Heights Elementary School (the "Project").

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

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

Copies of the Bond Resolution authorizing the issuance of the Bonds and the Lease Agreement, dated July 21, 2021, may be obtained at the office of Steptoe & Johnson PLLC, Bond Counsel, 700 N. Hurstbourne Parkway, Suite 115, Louisville, Kentucky 40222.

BOOK-ENTRY-ONLY-SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

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

THE CORPORATION

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

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

KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION; NO PARTICIPATION IN THIS ISSUE

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.

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

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 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

OUTSTANDING BONDS

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

Bond Series	Original Principal	Current Principal Outstanding	Principal Assigned to Board	Principal Assigned to Commission	Approximate Interest Rate Range	Final Maturity
2012-REF	\$2,260,000	\$640,000	\$854,701	\$1,405,299	2.000%	2024
2013	\$1,200,000	\$955,000	\$1,200,000	\$0	2.200% - 4.000%	2033
2014-REF	\$7,865,000	\$6,010,000	\$6,167,266	\$1,697,734	2.000% - 3.000%	2030
2015	\$3,790,000	\$3,515,000	\$3,790,000	\$0	3.000% - 3.750%	2035
2016	\$17,845,000	\$15,830,000	\$12,487,216	\$5,357,784	2.000% - 3.125%	2036
2018 Energy	\$1,275,000	\$1,215,000	\$1,275,000	\$0	3.000% - 3.700%	2038
2020	\$21,595,000	\$20,795,000	\$20,690,118	\$904,882	1.200% - 2.750%	2040
2020-REF	\$1,435,000	\$1,310,000	\$1,435,000	\$0	2.000%	2031
TOTAL:	\$57,265,000	\$50,270,000	\$47,899,301	\$9,365,699		

AUTHORITY

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

- i) the issuance of approximately \$4,710,000 of Bonds subject to a permitted adjustment of \$470,000;
- 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 July 21, 2021, will bear interest from that date as described herein, payable semi-annually on February 1 and August 1 of each year, commencing February 1, 2022, and will mature as to principal on August 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). Independence Bank of Kentucky, Owensboro, 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 February 1 and August 1 of each year, beginning February 1, 2022 (Record Date is 15th day of month preceding interest due date).

Redemption

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

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

Notwithstanding the foregoing, the Corporation reserves the right, upon thirty (30) days notice, to call the Bonds in whole or in part 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 school building which constitute the Project.

The Lease; Pledge of Rental Revenues

The Board has leased the school building Project securing the Bonds for an initial period from July 21, 2021, through June 30, 2022 with the option in the Board to renew said Lease from year to year for one year at a time, at annual rentals, sufficient in each year to enable the Corporation to pay, solely from the rental due under the Lease, the principal and interest on all of the Bonds as same become due. The Lease provides further that so long as the Board exercises its annual renewal options, its rentals will be payable according to the terms and provisions of the Lease until August 1, 2031, the final maturity date of the Bonds. Under the lease, the Corporation has pledged the rental revenue to the payment of the Bonds.

STATE INTERCEPT

Under the terms of the 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.

THE PROJECT

After payment of the Bond issuance costs, the Board plans to deposit the net Bond proceeds to finance HVAC upgrades to South Heights Elementary School (the "Project").

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

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

ESTIMATED BOND DEBT SERVICE

The following table shows by fiscal year the current bond payments of the Board. The plan of financing provides for the Board to meet 100% of the debt service of the Bonds.

Fiscal	Current	-- Series 2021 School Building Revenue Bonds (100% Local) --			Total
Year	Local				Local
Ending	Bond	Principal	Interest	Total	Bond
June 30	Payments	Portion	Portion	Payment	Payments
2022	\$3,269,883	\$0	\$33,337	\$33,337	\$3,303,220
2023	\$3,271,335	\$445,000	\$60,495	\$505,495	\$3,776,830
2024	\$3,270,106	\$450,000	\$55,125	\$505,125	\$3,775,231
2025	\$3,270,656	\$455,000	\$49,695	\$504,695	\$3,775,351
2026	\$3,272,749	\$460,000	\$44,205	\$504,205	\$3,776,954
2027	\$3,264,899	\$465,000	\$38,655	\$503,655	\$3,768,554
2028	\$3,268,620	\$475,000	\$33,015	\$508,015	\$3,776,635
2029	\$3,273,811	\$480,000	\$26,805	\$506,805	\$3,780,616
2030	\$3,270,967	\$485,000	\$19,808	\$504,808	\$3,775,775
2031	\$3,266,987	\$495,000	\$12,210	\$507,210	\$3,774,197
2032	\$2,897,447	\$500,000	\$4,125	\$504,125	\$3,401,572
2033	\$2,799,147				\$2,799,147
2034	\$2,797,440				\$2,797,440
2035	\$2,795,092				\$2,795,092
2036	\$2,276,743				\$2,276,743
2037	\$2,279,171				\$2,279,171
2038	\$1,385,064				\$1,385,064
2039	\$1,389,154				\$1,389,154
2040	\$1,386,479				\$1,386,479
TOTALS:	\$52,705,746	\$4,710,000	\$377,475	\$5,087,475	\$57,793,220

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

ESTIMATED USE OF BOND PROCEEDS

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

Sources:	
Par Amount of Bonds	<u>\$4,710,000.00</u>
Total Sources	\$4,710,000.00
Uses:	
Deposit to Escrow Fund	\$4,616,710.00
Underwriter's Discount (1%)	47,100.00
Cost of Issuance	<u>46,190.00</u>
Total Uses	\$4,710,000.00

DISTRICT STUDENT POPULATION

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

<u>Year</u>	<u>Average Daily Attendance</u>	<u>Year</u>	<u>Average Daily Attendance</u>
2000-01	6,423.4	2010-11	6,364.0
2001-02	6,278.6	2011-12	6,346.2
2002-03	6,170.1	2012-13	6,483.8
2003-04	6,197.3	2013-14	6,467.4
2004-05	6,219.9	2014-15	6,580.3
2005-06	6,258.1	2015-16	6,549.2
2006-07	6,257.4	2016-17	6,607.9
2007-08	6,231.9	2017-18	6,503.5
2008-09	6,212.3	2018-19	6,417.1
2009-10	6,295.3	2019-20	6,324.0
		2020-21	6,324.0

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 Henderson 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	642,340.0	2010-11	636,404.0
2001-02	627,860.0	2011-12	634,624.0
2002-03	617,010.0	2012-13	648,376.0
2003-04	619,730.0	2013-14	646,744.0
2004-05	621,990.0	2014-15	658,033.0
2005-06	625,810.0	2015-16	654,920.0
2006-07	625,740.0	2016-17	660,790.0
2007-08	623,190.0	2017-18	650,350.0
2008-09	621,234.0	2018-19	641,709.6
2009-10	629,528.0	2019-20	632,400.0
		2020-21	632,400.6

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

Tax Year	Combined Equivalent Rate	Total Property Assessment	Property Revenue Collections
2000-01	55.4	1,909,717,060	10,579,833
2001-02	56	2,004,944,785	11,227,691
2002-03	56.7	2,045,279,160	11,596,733
2003-04	56.7	2,151,433,420	12,198,627
2004-05	56.1	2,170,031,899	12,173,879
2005-06	57.6	2,265,595,747	13,049,832
2006-07	58.7	2,343,991,457	13,759,230
2007-08	57.6	2,493,508,321	14,362,608
2008-09	59.4	2,631,151,356	15,629,039
2009-10	59.4	2,718,513,178	16,147,968
2010-11	60.2	2,729,935,493	16,434,212
2011-12	62.8	2,760,136,969	17,333,660
2012-13	65.6	2,844,086,939	18,657,210
2013-14	66.4	2,888,110,886	19,177,056
2014-15	64	2,912,638,609	18,640,887
2015-16	65.6	2,989,213,166	19,609,238
2016-17	67.4	3,034,840,549	20,454,825
2017-18	70.3	3,039,171,855	21,365,378
2018-19	72.3	3,077,682,423	22,251,644
2019-20	74.4	3,143,727,388	23,389,332
2020-21	73.6	3,206,892,738	23,602,731

OVERLAPPING BOND INDEBTEDNESS

The following table shows any other overlapping bond indebtedness of the Henderson 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.

Issuer	Original Principal Amount	Amount of Bonds Redeemed	Current Principal Outstanding
County of Henderson			
General Obligation	9,504,599	5,056,446	4,448,153
Solid Waste Revenue	36,000,000	0	36,000,000
Health Care Facility Ref. Revenue	32,210,000	18,058,000	14,152,000
City of Corydon			
Sewer Revenue	793,000	351,000	442,000
Refinancing Refunding Revenue	809,000	302,000	507,000
City of Henderson			
General Obligation	63,470,000	20,330,000	43,140,000
Residential Revenue	3,510,000	1,615,000	1,895,000
Multiple Purposes Revenue	3,670,000	1,240,000	2,430,000
Electric Revenue	11,350,000	3,690,000	7,660,000
Special Districts			
Henderson County Extension District	800,000	536,217	263,783
Henderson County Public Library	6,320,000	95,000	6,225,000
Henderson County Water District	7,037,000	2,933,686	4,103,314
Henderson County Public Properties Corporation	15,470,881	7,800,659	7,670,222
Totals:	190,944,480	62,008,008	128,936,472

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.

<u>SEEK</u>	<u>Base Funding</u>	<u>Local Tax Effort</u>	<u>Total State & Local Funding</u>
2000-01	21,532,755	10,579,833	32,112,588
2001-02	21,212,613	11,227,691	32,440,304
2002-03	21,920,154	11,596,733	33,516,887
2003-04	22,106,627	12,198,627	34,305,254
2004-05	22,593,905	12,173,879	34,767,784
2005-06	24,240,848	13,049,832	37,290,680
2006-07	24,781,040	13,759,230	38,540,270
2007-08	26,771,542	14,362,608	41,134,150
2008-09	26,647,018	15,629,039	42,276,057
2009-10	24,432,840	16,147,968	40,580,808
2010-11	24,774,540	16,434,212	41,208,752
2011-12	26,884,459	17,333,660	44,218,119
2012-13	27,288,164	18,657,210	45,945,374
2013-14	27,079,124	19,177,056	46,256,180
2014-15	28,324,130	18,640,887	46,965,017
2015-16	28,155,508	19,609,238	47,764,746
2016-17	28,898,875	20,454,825	49,353,700
2017-18	28,483,009	21,365,378	49,848,387
2018-19	28,407,170	22,251,644	50,658,814
2019-20	27,497,448	23,389,332	50,886,780
2020-21	26,155,807	23,602,731	49,758,538

- (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 \$0.736 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 and Corporation have been timely in making required disclosure filings under the terms of the Continuing Disclosure Agreement for the past five (5) years.

Financial information regarding the Board may be obtained from Superintendent, Henderson County School District Board of Education, 1805 Second Street, Henderson, Kentucky 42420, Telephone (270) 831-5000.

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

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

Demographic and Economic Data

HENDERSON COUNTY, KENTUCKY

Henderson, the county seat of Henderson County, is located in northwestern Kentucky along the banks of the Ohio River. The City had a 2020 population of 28,274. Henderson is located ten miles south of Evansville, Indiana; 122 miles west of Louisville, Kentucky; 140 miles northwest of Nashville, Tennessee; and 178 miles southeast of St. Louis, Missouri.

Henderson County covers a land area of 440 square miles in the Western Coal Field Region of Kentucky. The Ohio River forms the northern boundary of the county. Henderson County had a population of 45,425 in 2020.

The Economic Framework

Henderson County has a labor force of 20,991 people, with a current unemployment rate of 5.1%. The Top 5 jobs by occupation are as follows: office and administrative support - 2,565 (13.05%); executive, managers and administrators - 2,479 (12.62%); sales - 2,020 (10.28%); productions workers - 1,723 (8.77%); and educations, training/library - 1,221 (6.21%).

Transportation

Henderson is serviced directly by U.S. Highways 41, 41A, and 60, and the Pennyrile and Audubon Parkways. In addition, Interstate 64 is accessible 25 miles northeast of Henderson via Interstate 164. Thirty-five trucking companies serve Henderson. CSX Transportation provides mail line rail service, while the Indiana Hi-Rail Corporation provides branch line rail service to Henderson. The nearest commercial airport, Evansville Regional Airport, is located 13 miles north of Henderson. The Henderson City-County Airport, three miles southwest of Henderson, maintains a 4,800-foot paved runway. The Henderson County Riverport Authority offers public facilities at mile 808 on the Ohio River in Henderson.

Power and Fuel

Municipal Power and Light, a municipally-owned generating company, provides electric power to Henderson and part of Henderson County. Kentucky Utilities Company and the Henderson-Union Rural Electric Cooperative Corporation also serve Henderson County. Henderson Municipal Gas System provides natural gas service to the community.

LOCAL GOVERNMENT

Structure

The City of Henderson is governed by a mayor, four commissioners, and a full-time city manager. The mayor is elected to a four-year term, while the commissioners each serve two-year terms. Henderson County is governed by a county judge/executive and five magistrates. Each county official is elected to a four-year term.

Planning and Zoning

- Joint agency - Henderson City-County Planning Commission
- Participating cities - Henderson and Corydon
- Zoning enforced - All areas
- Subdivision regulations enforced - All areas
- Local codes enforced - Building and housing in all areas
- Mandatory state codes enforced - Kentucky Plumbing Code, National Electric Code, Kentucky Boiler regulations and Standards, Kentucky Building Code (modeled after BOCA code)

LABOR MARKET STATISTICS

The Henderson Labor Market Area includes Henderson County and the adjoining Kentucky counties of Daviess, Hopkins, McLean, Union and Webster. In addition, the Labor Market Area is supplemented by Gibson and Warrick Counties in Indiana.

Population

<u>Area</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Henderson County	45,877	45,720	45,425
Henderson	28,579	28,501	28,274
Robards	518	508	509

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

Population Projections

<u>Area</u>	<u>2025</u>	<u>2030</u>	<u>2035</u>
Henderson County	46,057	45,516	44,844

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

EDUCATION

Public Schools

	<u>Henderson County</u>
Total Enrollment (2019-2020)	6,857
Pupil-Teacher Ratio	16.0 - 1

Technical-Vocational Education

<u>Vocational School</u>	<u>Location</u>	<u>Enrollment (2019-2020)</u>
Webster County ATC	Dixon, KY	405
Ohio County ATC	Hartford, KY	533
Caldwell County ATC	Princeton, KY	434

Colleges and Universities

<u>Institution</u>	<u>Location</u>	<u>Enrollment (Fall 2020)</u>
Kentucky Wesleyan College	Owensboro, KY	840
Brescia University	Owensboro, KY	1,015
University of Kentucky	Lexington, KY	29,402
University of Louisville	Louisville, KY	21,670
Western KY University	Bowling Green, KY	18,171

EXISTING INDUSTRY

<u>Firm</u>	<u>Product</u>	<u>Total Employed</u>
<i>Henderson</i>		
Accuride Corporation	Truck wheels & rims	150
Allstate Tower Inc.	Full service tower maintenance & manufacturing company	110
Audubon Metals LLC	Heavy-metal separator and secondary specification aluminum alloy producer	250
Azteca Milling LP	Milled Mexican corn flour	124
Brenntag Mid-South, Inc.	Chemical blending	302
Cresline Plastic Pipe Company, Inc.	Plastic Pipe	70
Dana Corporation	Truck axles & brake components	275
Gibbs Die Casting Corporation	Aluminum & magnesium die castings	875
Hercules Manufacturing Co.	Insulated & dry freight truck bodies & trailers	60
International Paper	Recycled linerboard	92
Pittsburg Tank & Tower Co. Inc.	Manufacture above ground storage tanks	125
Service Tool & Plastics	Injection molded plastics	105
Shamrock Technologies Inc.	Teflon recycling	98
Sitex Corporation	Headquarters and uniform supply service	126
Sonoco	Aluminum & steel can ends	105
Taubensee Steel & Wire Co.	Steel wire	58
<i>Robards</i>		
Century Aluminum Sebree LLC	Aluminum extrusion billets & ingots	526
Columbia Sportswear Company	Distribution facility	90
Tyson Foods Inc.	Chicken slaughtering, processing & packaging	1,416

Source: Kentucky Cabinet for Economic Development (03/10/2020).

APPENDIX B

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

Audited Financial Statement ending June 30, 2020

HENDERSON COUNTY SCHOOL DISTRICT

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2020

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Independent Auditor's Report

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditors' 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 Henderson County School District as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10, budgetary comparison information on pages 57 and 58, and schedules of the District's proportionate share of the collective net retirement plan contributions and OPEB liabilities and contributions to the retirement and OPEB plans on pages 59 through 71 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management regarding the methods of preparation of the supplemental information, and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Henderson County School District's basic financial statements. The combining and activity fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and activity fund financial statements on pages 72 through 75 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 activity fund financial statements 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 12, 2020 on our consideration of Henderson 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 Henderson County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Alexander Thompson Arnold PLLC

Henderson, Kentucky
November 12, 2020

Henderson County Schools

1805 Second Street, Henderson, Kentucky 42420
(270) 831-5000 Fax: (270) 831-5009
<http://www.hendersonschools.net>



HENDERSON COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

As management of the Henderson County School 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 our readers to consider information presented here in conjunction with additional information located within the body of the audit report.

Financial Highlights:

- The beginning Governmental Fund balance for the District was \$28,330,466. The ending fund balance was \$47,184,535, which was an increase of \$18,854,069. This is primarily due to bond proceeds to the Construction Fund for the Jefferson Elementary school project.
- The District is in good financial condition as it has been able to withstand the financial pressures of a very tight state education budget over the past several years without impairing the educational programs or facilities maintenance requirements for the District.
- The District's current assets increased by \$22,407,765 during the year, while current liabilities increased by \$2,138,993 resulting in a current ratio of 6.57, which is indicative of the District's solid financial position and operating efficiency. Capital assets increased by \$6,580,714.
- The District continues to make significant investments in the facilities of the District. Construction continued during fiscal year 2020. Projects completed included chiller replacement at Henderson County High School, LED lighting at several schools, and safety upgrades, secure entrances at several schools. Projects in progress at year end include North Middle School roofing, South Middle School site improvements, and classroom trailer relocation to North Middle School. Design work and site work continued for the new Jefferson Elementary School and for renovation of the HVAC system at South Heights Elementary School.

Overview of the Financial Statements

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

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

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

**HENDERSON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

Both of these District wide statements are divided into two types of activities:

- *Governmental Activities* - The government wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation, and operation of non-instructional services. The capital assets and related debt that are also supported by taxes and intergovernmental revenues are reported in this section.
- *Business-Type Activities* - These services are provided on a charge for goods and services basis to recover all of the expenses of the goods or services provided. The types of activities reported in this category are the food service operations, child care centers, and adult education courses. These activities are funded through fees charged and supported by federal grants and federal commodities used in the food service operations.

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

- *Governmental Funds* - Most of the School District's activities are reported in the governmental funds that include: general fund, special revenue (grants), capital outlay, building fund (FSPK), construction fund, and debt service fund. These funds are reported using an accounting method referred to as modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The government fund statements provide a detailed short-term view of the School District's general government operations and 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 Statement of Activities) and governmental funds is reconciled in the financial statements provided.
- *Proprietary Funds* - The proprietary funds include the food service, child care centers, and adult education programs found in the business type activity funds. These funds utilize the same basis of accounting as business type activities, therefore, the statements for the proprietary fund will correspond to the statement of net assets.
- *Fiduciary Funds* - The fiduciary funds are trust funds established by benefactors to aid in student education, welfare, and teacher support. The District's fiduciary funds, referred to as "activity funds" are maintained at the school level.

**HENDERSON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

- *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 financial statements. These notes may better explain data found in the financial statements, or provide additional information not found in the financial statements provided.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The largest portion of the District's net position reflects its investment in capital assets (e.g. land and improvements, buildings and improvements, vehicles, furniture and equipment) less any related debt used to acquire those assets, which is outstanding at year end.

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 those capital assets.

Net Financial Position For the Fiscal Year Ended June 30, 2020

	June 30, 2020	June 30, 2019	Change
Current assets	\$ 55,913,606	\$ 33,505,841	\$ 22,407,765
Capital or non-current assets	55,618,371	49,037,657	6,580,714
Deferred outflows	9,640,510	8,453,047	1,187,463
Total Assets and Deferred Outflows	121,172,487	90,996,545	30,175,942
Current liabilities	\$ 8,515,308	\$ 6,376,315	\$ 2,138,993
Non-current liabilities	99,860,147	80,350,748	19,509,399
Deferred Inflows	5,179,495	4,179,501	999,994
Total Liabilities and Deferred Inflows	113,554,950	90,906,564	22,648,386
Net investment in capital assets	2,750,849	15,067,643	(12,316,794)
Restricted	22,445,967	2,960,656	19,485,311
Unassigned	(17,579,279)	(17,938,318)	359,039
Total Net Financial Position	\$ 7,617,537	\$ 89,981	\$ 7,527,556

Total net assets and deferred outflows exceeded liabilities and deferred inflows by \$7,617,537 an increase of \$7,527,556 primarily due to construction.

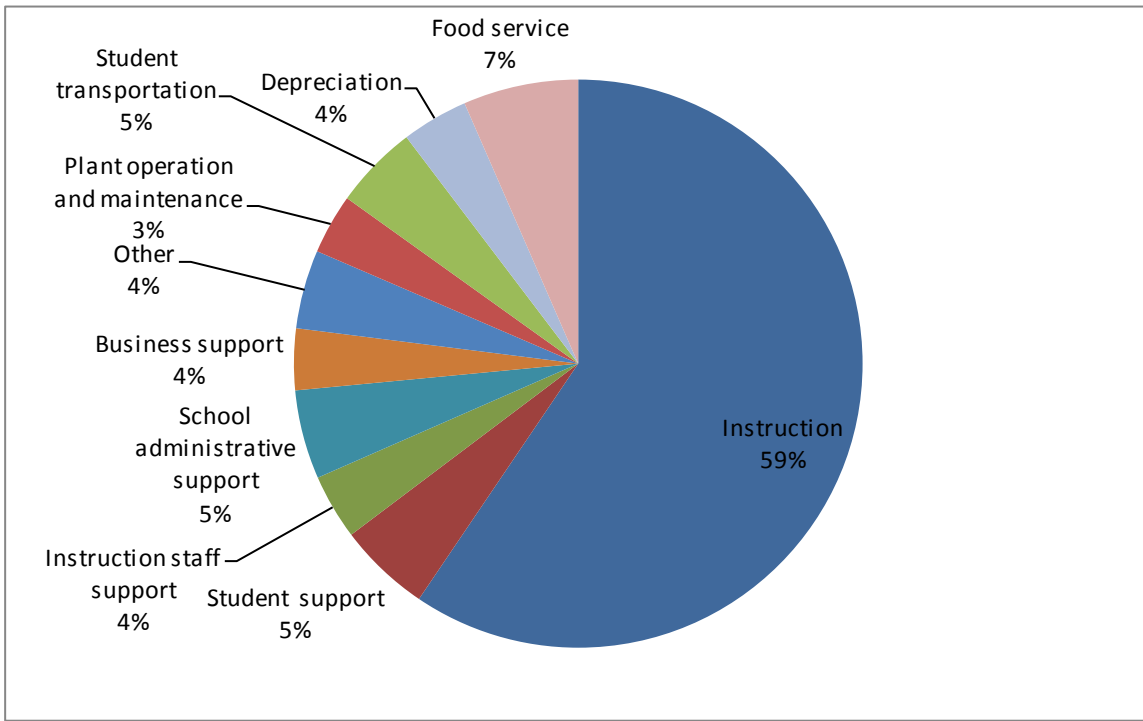
Current assets increased by \$22,407,765 during the fiscal year and capital assets increased by \$6,580,714. Total expenditures for capital assets during the year were \$9.7 million, while depreciation of assets totaled \$2.7 million. All of these factors resulted in a increase in net position of \$7.5 million for the year ended June 30, 2020.

The District's total revenues were \$91,265,290 and the total expenditures were \$83,737,734, which resulted in an increase in net position of \$7,527,556.

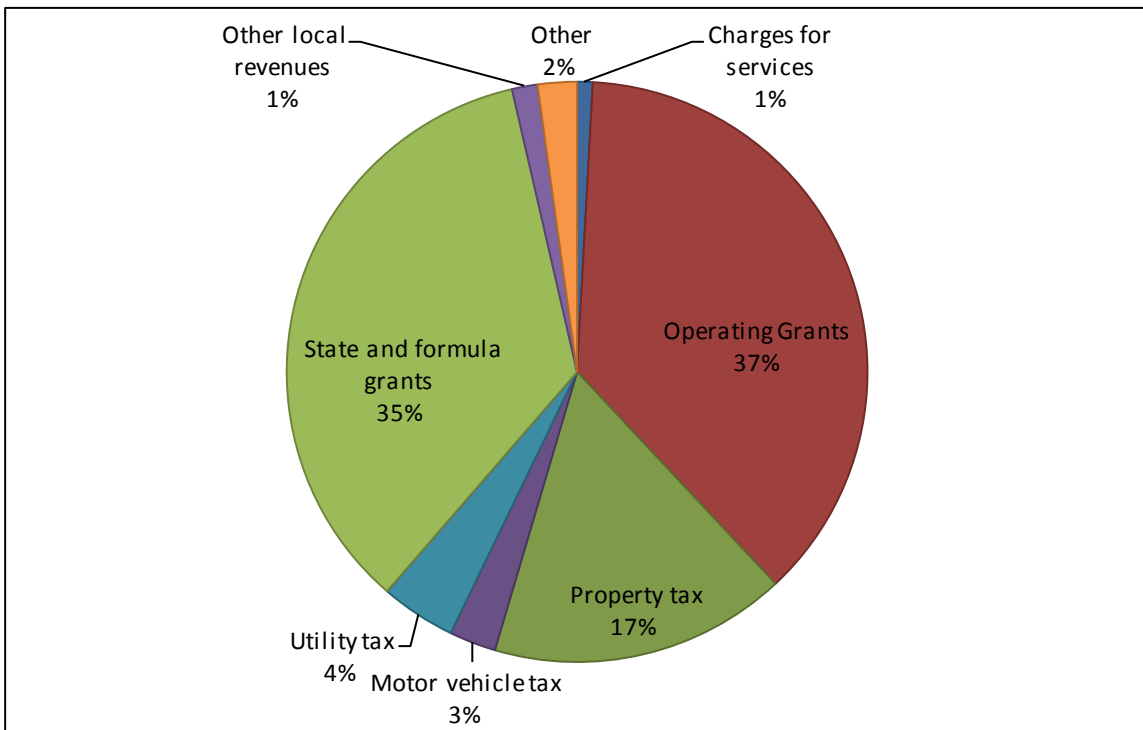
- State revenues and formula grants accounted for 35% of the total revenues while local taxes accounted for 24.6%.
- Expenditures totaled \$83,737,734, with \$57,298,455 or 68.4% of the total being expended towards student instruction and support.

**HENDERSON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Expenses:



Revenues:



**HENDERSON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Governmental Fund Highlights

- Total General Fund revenues for the year were \$67.2 million, with \$45.5 million coming from state revenues, \$0.3 million from federal and the remaining \$21.4 million from local sources.
- Total General Fund Expenditures were \$68.9 million, with instruction costs being the largest area at \$43.0 million.
- The net excess of revenues over expenditures was (\$1.6) million and other financing sources were minimal, resulting in a decrease in the general fund balance of \$631,244 million for the 2020 fiscal year.
- Special Revenue fund expenditures for the year were \$8.9 million. Two major sources of revenues for this fund were state grants totaling \$3.8 million and federal grants totaling \$5 million.
- Construction Fund expenditures included \$4.3 million for facilities acquisition and construction and Other Governmental Funds included debt service payments of \$3.2 million.
- Total ending fund balances as of June 30, 2020 were \$24.7 million in the General Fund and \$22.4 million in the other governmental funds for a total of \$47.1 million.

21st Century Learning Environments

The condition of physical infrastructure is integral to the core mission of the District. With the passing of the Nickel tax, the District will have the resources available to expand, improve, and maintain its properties. This tax created a healthy bonding capacity for the district, which has allowed us to begin construction on a new facility for Jefferson Elementary School and a new HVAC total system at South Heights Elementary School. In addition to the increased bonding potential, the Nickel tax brought in additional revenue that will allow us to have cash available for upgrades to facilities. The District moved forward with several facility projects utilizing the cash generated from the Nickel tax. The District has upgraded lighting, safety and communication, roofing, paving and other projects geared toward energy savings. The District also continues to work on their plan to upgrade and renovate extracurricular facilities.

General Fund Budget to Actual

The General Fund had budgeted \$63.7 million in revenues, while actual revenues were \$67.2 due to taxes collected being more than budgeted, assistance provided by the local sources were more than budgeted, and earnings on investments had a greater rate of return.

Expenditures were budgeted at \$87.2 million while actual expenditures were \$68.8 million, \$18.4 million less than budget. The source of the expense budget variances is partly related to the amounts budgeted for contingencies. The net decrease in the General Fund balance is \$631,244.

**HENDERSON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Capital Assets:

The following is a summary of the District's capital asset activity for the fiscal year ended June 30, 2020:

	Balance June 30, 2019	Additions	Deductions	Balance June 30, 2020
<u>GOVERNMENTAL ACTIVITIES:</u>				
Land	\$ 989,487	\$ -	\$ -	\$ 989,487
Land improvements	3,630,310	-	-	3,630,310
Building and improvements	91,608,152	9,937,545	-	101,545,697
Technology	5,305,783	56,735	(93,312)	5,269,206
Machinery and equipment	7,862,525	694,173	-	8,556,698
General equipment	2,275,096	89,882	-	2,364,978
Construction in progress	2,656,408	1,644,797	(2,656,408)	1,644,797
Totals at historical cost	114,327,761	12,423,132	(2,749,720)	124,001,173
Land improvements	(3,004,317)	(94,788)	-	(3,099,105)
Building and improvements	(50,099,448)	(2,423,406)	-	(52,522,854)
Technology	(4,920,916)	(101,133)	93,312	(4,928,737)
Machinery and equipment	(5,742,290)	(475,953)	-	(6,218,243)
General equipment	(1,785,824)	(66,774)	-	(1,852,598)
Less: accumulated depreciation	(65,552,795)	(3,162,054)	93,312	(68,621,537)
Governmental activities, net	\$ 48,774,966	\$ 9,261,078	\$ (2,656,408)	\$ 55,379,636
<u>BUSINESS TYPE ACTIVITIES:</u>				
Buildings and improvements	\$ 47,516	\$ -	\$ -	\$ 47,516
Food service equipment	1,531,160	15,235	-	1,546,395
Technology equipment	115,079	-	-	115,079
Totals at historical cost	1,693,755	15,235	-	1,708,990
Buildings and improvements	(28,509)	(1,901)	-	(30,410)
Food service equipment	(1,287,505)	(37,290)	-	(1,324,795)
Technology equipment	(115,050)	-	-	(115,050)
Less: accumulated depreciation	(1,431,064)	(39,191)	-	(1,470,255)
Business type activities, net	\$ 262,691	\$ (23,956)	\$ -	\$ 238,735

Construction commenced on the new Jefferson School facility during the latter portion of the fiscal year ended June 30, 2020.

**HENDERSON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Long-Term Debt:

The following is a summary of the District's long-term debt activity for the fiscal year ended June 30, 2020:

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Due Within</u> <u>One Year</u>
School Building					
Revenue Bonds	\$ 34,055,027	\$ 21,595,000	\$(2,335,000)	\$ 53,315,027	\$ 2,987,865
<u>Deferred amounts:</u>					
Issuance premiums and discounts	<u>(85,013)</u>	<u>(367,155)</u>	<u>4,663</u>	<u>(447,505)</u>	<u>-</u>
Total governmental bonds payable	<u>\$ 33,970,014</u>	<u>\$ 21,227,845</u>	<u>\$(2,330,337)</u>	<u>\$ 52,867,522</u>	<u>\$ 2,987,865</u>

During the fiscal year ended June 30, 2020, the District issued \$21,595,000 in general obligation bonds to finance the construction of the new Jefferson School facility.

District Challenges for the Future

Henderson County School District's overall financial status remains in a safe financial position. The District is financially stable, but at risk due to continued, inadequate state funding. As with the current year, transportation costs for students is a significant financial concern now and in the future. State provided funds are being reduced while most components are increasing. The costs of bus purchases will continue to increase due to changes in EPA requirements and the need to continue to replace an aging fleet.

The Commonwealth of Kentucky's financial condition, due to a stagnant economy, will have a significant impact on the availability of funds allocated to public education. The school districts have already experienced reductions in funding and allocation of some expenses that were traditionally paid by the state. Since a large percentage of the District's funding is provided by the State sources, the financial outlook for public schools is dependent upon the State's financial condition and budgetary funds. The outlook for the future years is a major concern for the Board and management. The district maintains a short-term contingency plan to deal with state funding shortfalls. However, the state must have the legislature enact a plan to ensure adequate funding for Kentucky's public schools for the long-term.

The financial instability in the state pension fund and the rising retirement/pension costs is a financial risk that is facing Henderson County Schools. No additional state funding has been appropriated to offset this rising cost. There is a need for the District to increase local funding to provide additional revenue to offset this mandated expense increase.

**HENDERSON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Several new programs have been initiated in the past few years that will continue to impact test scores in a positive manner. However, many of the programs, such as full day kindergarten, expanded pre-school programs, and instructional coaches are not funded by the State budget. The District will again be challenged to fund these important educational programs.

Technology continues to be a major focus as we continue towards our 1:1 initiative and the need to keep pace with an ever-changing technological society. The District Technology Plan will help guide the District's technology decisions. We currently have devices for all instructional staff as well as our second through twelfth grades. The plan objectives, expectations, indicators, targets, and action plans are reviewed and modified in order to accommodate technology changes and/or future funding challenges. This articulates our common vision and identifies strategies for the use of technology in developing critical thinking skills that are essential for academic and workplace success.

Report Purpose and Contact Information

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

Cindy Cloutier, Director of Finance
Henderson County Schools
1805 Second Street
Henderson, Kentucky 42420
Telephone: 270.831.5000 or Electronic Mail: cindy.cloutier@henderson.kyschools.us

Henderson County School District
Government-Wide Financial Statements – Statement of Net Position
As of June 30, 2020

	Governmental Activities	Business Type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 50,631,850	\$ 2,497,650	\$ 53,129,500
Inventory	-	118,310	118,310
Accounts receivable:			
Taxes - current	278,341	-	278,341
Accounts receivable	113,741	1,192,674	1,306,415
Intergovernmental - indirect	1,081,040	-	1,081,040
Total Current Assets	52,104,972	3,808,634	55,913,606
Noncurrent Assets:			
Capital assets, net	55,379,636	238,735	55,618,371
Total Noncurrent Assets	55,379,636	238,735	55,618,371
Total Assets	107,484,608	4,047,369	111,531,977
Deferred Outflows of Resources:			
Deferred outflows related to retirement plans	9,279,755	360,755	9,640,510
Total Deferred Outflows of Resources	9,279,755	360,755.00	9,640,510
Total Assets and Deferred Outflows of Resources	\$ 116,764,363	\$ 4,408,124	\$ 121,172,487
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 3,266,539	\$ 69,687	\$ 3,336,226
Accrued payroll and related expenses	474,709	108,807	583,516
Unearned revenue	1,107,842	-	1,107,842
Current portion of bond obligations	2,987,865	-	2,987,865
Current portion of accrued sick leave	71,347	-	71,347
Interest payable	428,512	-	428,512
Total Current Liabilities	8,336,814	178,494	8,515,308
Noncurrent Liabilities:			
Noncurrent portion of bond obligations	49,879,657	-	49,879,657
Net pension liability	25,894,405	1,652,835	27,547,240
Other postemployment benefits liability	21,364,469	349,814	21,714,283
Noncurrent portion of accrued sick leave	718,967	-	718,967
Total Noncurrent Liabilities	97,857,498	2,002,649	99,860,147
Total Liabilities	106,194,312	2,181,143	108,375,455
Deferred Inflows of Resources:			
Deferred inflows related to retirement plans	4,961,354	218,141	5,179,495
Total Deferred Inflows of Resources	4,961,354	218,141	5,179,495
Total Liabilities and Deferred Inflows of Resources	111,155,666	2,399,284	113,554,950
NET POSITION			
Net invested in capital assets	\$ 2,512,114	\$ 238,735	\$ 2,750,849
Restricted	22,445,967	-	22,445,967
Unrestricted	(19,349,384)	1,770,105	(17,579,279)
Total Net Position	\$ 5,608,697	\$ 2,008,840	\$ 7,617,537

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

**Henderson County School District
Government-Wide Financial Statements – Statement of Activities
For the fiscal year ended June 30, 2020**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business Type Activities	Total
Governmental Activities:							
Instruction	\$ 49,791,176	\$ 56,473	\$ 22,712,850	\$ -	\$ (27,021,853)	\$ -	\$ (27,021,853)
Support services:							
Student	4,397,755	-	1,181,126	-	(3,216,629)	-	(3,216,629)
Instruction staff	3,109,524	-	178,184	-	(2,931,340)	-	(2,931,340)
District administrative	953,146	-	67,724	-	(885,422)	-	(885,422)
School administrative	4,243,745	-	1,073,781	-	(3,169,964)	-	(3,169,964)
Business	2,928,594	-	314,491	-	(2,614,103)	-	(2,614,103)
Plant operation and maintenance	2,863,307	-	422,469	-	(2,440,838)	-	(2,440,838)
Student transportation	4,004,725	-	404,299	-	(3,600,426)	-	(3,600,426)
Community service activities	1,125,017	-	-	-	(1,125,017)	-	(1,125,017)
Interest on long-term debt	1,057,821	-	-	-	(1,057,821)	-	(1,057,821)
Depreciation	3,162,054	-	-	-	(3,162,054)	-	(3,162,054)
Total Governmental Services	<u>77,636,864</u>	<u>56,473</u>	<u>26,354,924</u>	<u>-</u>	<u>(51,225,467)</u>	<u>-</u>	<u>(51,225,467)</u>
Business Type Activities:							
Food service	5,484,330	217,979	7,483,024	-	-	2,216,673	2,216,673
Daycare operations	616,070	515,830	79,152	-	-	(21,088)	(21,088)
Adult education	470	-	-	-	-	(470)	(470)
Total Business Activities	<u>6,100,870</u>	<u>733,809</u>	<u>7,562,176</u>	<u>-</u>	<u>-</u>	<u>2,195,115</u>	<u>2,195,115</u>
Total Activities	<u>\$ 83,737,734</u>	<u>\$ 790,282</u>	<u>\$ 33,917,100</u>	<u>\$ -</u>			<u>\$ (49,030,352)</u>
General Revenues:							
Taxes:							
Property tax				\$ 15,096,000	\$ -	\$ 15,096,000	
Motor vehicle tax				2,374,471	-	2,374,471	
Utility tax				3,819,052	-	3,819,052	
Unmined minerals				207,631	-	207,631	
Franchise tax				938,241	-	938,241	
Investment earnings				776,758	13,249	790,007	
State and formula grants				31,980,561	-	31,980,561	
Other local revenues				1,298,858	-	1,298,858	
Disposal of assets				53,087	-	53,087	
Transfers				320,340	(320,340)	-	
Total General Revenues and Transfers				<u>56,864,999</u>	<u>(307,091)</u>	<u>56,557,908</u>	
Change in Net Position				5,639,532	1,888,024	7,527,556	
Net Position - Beginning , as restated				(30,835)	120,816	89,981	
Net Position - Ending				<u>\$ 5,608,697</u>	<u>\$ 2,008,840</u>	<u>\$ 7,617,537</u>	

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

**Henderson County School District
Balance Sheet – Governmental Funds
As of June 30, 2020**

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS AND RESOURCES:</u>					
Cash and cash equivalents	\$ 27,203,762	\$ 186,451	\$ 21,081,121	\$ 2,160,516	\$ 50,631,850
Accounts receivable:					
Taxes - current	278,341	-	-	-	278,341
Accounts receivable	113,741	-	-	-	113,741
Intergovernmental - State	-	1,081,040	-	-	1,081,040
Total Assets and Resources	<u>\$ 27,595,844</u>	<u>\$ 1,267,491</u>	<u>\$ 21,081,121</u>	<u>\$ 2,160,516</u>	<u>\$ 52,104,972</u>
<u>LIABILITIES AND FUND BALANCES:</u>					
<u>LIABILITIES:</u>					
Accounts payable	\$ 2,311,220	\$ 159,649	\$ 795,609	\$ 61	\$ 3,266,539
Accrued payroll and related expenses	474,709	-	-	-	474,709
Current portion of accumulated sick leave	71,347	-	-	-	71,347
Unearned revenue	-	1,107,842	-	-	1,107,842
Total Liabilities	<u>2,857,276</u>	<u>1,267,491</u>	<u>795,609</u>	<u>61</u>	<u>4,920,437</u>
<u>FUND BALANCES:</u>					
Restricted	-	-	20,285,512	2,160,455	22,445,967
Committed	718,968	-	-	-	718,968
Assigned	3,076,281	-	-	-	3,076,281
Unassigned	20,943,319	-	-	-	20,943,319
Total Fund Balances	<u>24,738,568</u>	<u>-</u>	<u>20,285,512</u>	<u>2,160,455</u>	<u>47,184,535</u>
Total Liabilities and Fund Balances	<u>\$ 27,595,844</u>	<u>\$ 1,267,491</u>	<u>\$ 21,081,121</u>	<u>\$ 2,160,516</u>	<u>\$ 52,104,972</u>

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

Henderson County School District
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position
As of June 30, 2020

Total fund balance per fund financial statements \$ 47,184,535

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.

Gross capital assets	\$ 124,001,173	
Accumulated depreciation	<u>(68,621,537)</u>	55,379,636

Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position, as follows:

Net pension liability	\$ (25,894,405)	
Other postemployment benefits liability	(21,364,469)	
Deferred outflows of resources	9,279,755	
Deferred inflows of resources	(4,961,354)	
Long-term debt	(52,867,522)	
Long-term portion sick leave accrual	(718,967)	
Accrued interest expense	<u>(428,512)</u>	<u>(96,955,474)</u>

Net position for governmental activities \$ 5,608,697

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

Henderson County School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the fiscal year ended June 30, 2020

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
From local sources:					
Taxes:					
Property	\$ 11,952,272	\$ -	\$ -	\$ 3,143,728	\$ 15,096,000
Motor vehicle and watercraft	2,374,471	-	-	-	2,374,471
Utilities	3,819,052	-	-	-	3,819,052
Unmined minerals	207,631	-	-	-	207,631
Franchise	938,241	-	-	-	938,241
Tuition and fees	56,473	-	-	-	56,473
Earnings on investments	735,257	-	-	41,501	776,758
Other local revenues	1,171,233	53,990	-	73,635	1,298,858
Intergovernmental - intermediate	140,718	31,677	-	-	172,395
Intergovernmental - state	45,512,639	3,822,968	-	3,566,865	52,902,472
Intergovernmental - indirect federal	-	4,934,076	-	-	4,934,076
Intergovernmental - direct federal	326,542	-	-	-	326,542
Total Revenues	<u>67,234,529</u>	<u>8,842,711</u>	<u>-</u>	<u>6,825,729</u>	<u>82,902,969</u>
EXPENDITURES:					
Current:					
Instruction	43,136,111	6,603,666	-	55,439	49,795,216
Support services:					
Student	4,221,315	176,440	-	-	4,397,755
Instruction staff	2,195,619	905,044	-	8,861	3,109,524
District administrative	1,015,451	-	-	-	1,015,451
School administrative	4,288,180	157,869	-	-	4,446,049
Business	2,928,593	-	-	-	2,928,593
Plant operation and maintenance	7,009,181	-	-	2,321	7,011,502
Student transportation	4,038,704	-	-	-	4,038,704
Day Care operations	-	8,169	-	-	8,169
Facilities acquisition and construction	-	-	4,355,793	-	4,355,793
Community service activities	375	1,124,327	-	-	1,124,702
Debt service	62,145	-	-	3,226,689	3,288,834
Total Expenditures	<u>68,895,674</u>	<u>8,975,515</u>	<u>4,355,793</u>	<u>3,293,310</u>	<u>85,520,292</u>
Excess of Revenues Over (Under)Expenditures before other sources (uses)	<u>(1,661,145)</u>	<u>(132,804)</u>	<u>(4,355,793)</u>	<u>3,532,419</u>	<u>(2,617,323)</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	1,186,018	132,804	777,434	2,422,413	4,518,669
Operating transfers out	(209,204)	-	-	(3,989,125)	(4,198,329)
Bond principal proceeds	-	-	21,097,965	-	21,097,965
Disposal of assets	53,087	-	-	-	53,087
Total Other Financing Sources (Uses)	<u>1,029,901</u>	<u>132,804</u>	<u>21,875,399</u>	<u>(1,566,712)</u>	<u>21,471,392</u>
Change in fund balance	(631,244)	-	17,519,606	1,965,707	18,854,069
Fund Balance, Beginning of Year	25,369,812	-	2,765,906	194,748	28,330,466
Fund Balance, End of Year	<u>\$ 24,738,568</u>	<u>\$ -</u>	<u>\$ 20,285,512</u>	<u>\$ 2,160,455</u>	<u>\$ 47,184,535</u>

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

Henderson County School District
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities
For the fiscal year ended June 30, 2020

Net change in total fund balances per fund financial statements \$ 18,854,069

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources but they are presented as assets in the statement of financial position and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceed depreciation expense for the year.

Depreciation expense	\$ (3,162,054)	
Capital outlay	<u>9,766,724</u>	6,604,670

Gains and losses on the disposal of property and equipment are not recorded in the governmental fund financial statements, only the cash proceeds received from the sale or disposal are recorded in the governmental fund financial statements. -

Bond issue proceeds, which are reported as other sources of funds in the fund financial statements, are reflected as a liability on the statement of net position.

Bond issue proceeds	\$ (21,595,000)	
Bond discount	<u>367,155</u>	(21,227,845)

Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.

Bond principal payments	\$ 2,335,000	
Amortization of bond premiums and discounts	<u>(4,663)</u>	2,330,337

Change in noncurrent portion of accrued sick leave (129,249)

Change in interest payable 23,085

Difference between actuarially determined pension and OPEB expenses and actual contributions to the pension and OPEB plans.

Actuarially determined pension expense	\$ (2,365,044)	
Actuarially determined OPEB expense	(1,888,183)	
Actual pension and OPEB contributions	<u>3,437,692</u>	<u>(815,535)</u>

Change in net position \$ 5,639,532

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

**Henderson County School District
Statement of Net Position – Proprietary Funds
As of June 30, 2020**

	Food Service Fund	Child Care Fund	Adult Education Fund	Total
<u>ASSETS</u>				
Current Assets:				
Cash and cash equivalents	\$ 1,676,426	\$ 821,224	\$ -	\$ 2,497,650
Inventory	118,310	-	-	118,310
Accounts receivable	1,192,674	-	-	1,192,674
Total Current Assets	2,987,410	821,224	-	3,808,634
Noncurrent Assets:				
Capital assets	1,661,475	47,516	-	1,708,991
Less: accumulated depreciation	(1,439,846)	(30,410)	-	(1,470,256)
Total Noncurrent Assets	221,629	17,106	-	238,735
<u>Deferred Outflows of Resources:</u>				
Deferred outflows of resources-Net Pension Liability and OPEB	300,629	60,126	-	360,755
Total Assets and Deferred Outflows of Resources	\$ 3,509,668	\$ 898,456	\$ -	\$ 4,408,124
<u>LIABILITIES</u>				
Current Liabilities:				
Accounts payable	\$ 58,446	\$ 11,241	\$ -	\$ 69,687
Accrued payroll and related expenses	77,850	30,957	-	108,807
Total Current Liabilities	136,296	42,198	-	178,494
<u>Long-Term Liabilities:</u>				
Net pension liability	1,377,362	275,473	-	1,652,835
Other posted employment benefits liability	291,512	58,302	-	349,814
Total Long-term Liabilities	1,668,874	333,775	-	2,002,649
<u>Deferred Inflows of Resources:</u>				
Deferred inflows of resources-Net Pension Liability and OPEB	181,784	36,357	-	218,141
<u>NET POSITION:</u>				
Invested in capital assets	221,629	17,106	-	238,735
Unrestricted	1,301,085	469,020	-	1,770,105
Net Position	1,522,714	486,126	-	2,008,840
Total Liabilities and Net Position	\$ 3,509,668	\$ 898,456	\$ -	\$ 4,408,124

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

Henderson County School District
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds
For the fiscal year ended June 30, 2020

	<u>Food Service Fund</u>	<u>Child Care Fund</u>	<u>Adult Education Fund</u>	<u>Total</u>
<u>OPERATING REVENUES:</u>				
Lunchroom sales	\$ 190,194	\$ -	\$ -	\$ 190,194
Other operating revenues	27,785	515,830	-	543,615
Total Operating Revenues	<u>217,979</u>	<u>515,830</u>	<u>-</u>	<u>733,809</u>
<u>OPERATING EXPENSES:</u>				
Salaries and wages	1,672,539	362,045	-	2,034,584
Materials and supplies	2,684,879	32,531	470	2,717,880
Depreciation	37,291	1,900	-	39,191
Other operating expenses	1,089,621	219,594	-	1,309,215
Total Operating Expenses	<u>5,484,330</u>	<u>616,070</u>	<u>470</u>	<u>6,100,870</u>
Operating Profit (Loss)	<u>(5,266,351)</u>	<u>(100,240)</u>	<u>(470)</u>	<u>(5,367,061)</u>
<u>NON-OPERATING REVENUES:</u>				
Federal grants	6,803,543	-	-	6,803,543
Donated commodities	293,384	-	-	293,384
Other federal grants	47,332	-	-	47,332
Other state	338,765	79,152	-	417,917
Interest income	13,249	-	-	13,249
Total Non-Operating Revenues	<u>7,496,273</u>	<u>79,152</u>	<u>-</u>	<u>7,575,425</u>
Income (Loss) Before Other Financing Sources/Uses	<u>2,229,922</u>	<u>(21,088)</u>	<u>(470)</u>	<u>2,208,364</u>
<u>Non-operating income (expense)</u>				
Transfers out	<u>(320,340)</u>	<u>-</u>	<u>-</u>	<u>(320,340)</u>
Total Other Financing Uses	<u>(320,340)</u>	<u>-</u>	<u>-</u>	<u>(320,340)</u>
Change in net position	1,909,582	(21,088)	(470)	1,888,024
Net position, beginning of year, as restated	<u>(386,868)</u>	<u>507,214</u>	<u>470</u>	<u>120,816</u>
Net position, end of year	<u>\$ 1,522,714</u>	<u>\$ 486,126</u>	<u>\$ -</u>	<u>\$ 2,008,840</u>

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

**Henderson County School District
Statement of Cash Flows – Proprietary Funds
For the fiscal year ended June 30, 2020**

	<u>Food Service Fund</u>	<u>Child Care Fund</u>	<u>Adult Education Fund</u>	<u>Total</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Cash receipts from:				
Lunchroom sales	\$ 190,194	\$ -	\$ -	\$ 190,194
Other activities	27,785	515,830	-	543,615
Cash payments for:				
Employees	(1,621,211)	(349,629)	-	(1,970,840)
Supplies	(2,245,415)	(32,531)	-	(2,277,946)
Other operating expenses	(1,089,621)	(215,745)	(470)	(1,305,836)
Net Cash Provided (Used) In Operating Activities	<u>(4,738,268)</u>	<u>(82,075)</u>	<u>(470)</u>	<u>(4,820,813)</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</u>				
Receipt of interest income	13,249	-	-	13,249
Transfers out	(320,340)	-	-	(320,340)
Cash received for operating grants	6,064,823	79,152	-	6,143,975
Net Cash Provided By Non-Capital Financing Activities	<u>5,757,732</u>	<u>79,152</u>	<u>-</u>	<u>5,836,884</u>
<u>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</u>				
Purchase of equipment	(15,235)	-	-	(15,235)
Net Cash Used In Capital Financing Activities	<u>(15,235)</u>	<u>-</u>	<u>-</u>	<u>(15,235)</u>
Net Increase (Decrease) In Cash And Cash Equivalents	1,004,229	(2,923)	(470)	1,000,836
Cash and Cash Equivalents, Beginning of Year	672,197	824,147	470	1,496,814
Cash and Cash Equivalents, End of Year	<u>\$ 1,676,426</u>	<u>\$ 821,224</u>	<u>\$ -</u>	<u>\$ 2,497,650</u>

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

Henderson County School District
Statement of Cash Flows – Proprietary Funds, Continued
For the fiscal year ended June 30, 2020

	Food Service Fund	Child Care Fund	Adult Education Fund	Total
<u>RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH USED IN OPERATING ACTIVITIES:</u>				
Operating income (loss)	\$ (5,266,351)	\$ (100,240)	\$ (470)	\$ (5,367,061)
<u>ADJUSTMENTS TO RECONCILE OPERATING INCOME/(LOSS) TO NET CASH PROVIDED/(USED) IN OPERATING ACTIVITIES:</u>				
Depreciation	37,291	1,900	-	39,191
Donated commodities received	293,284	-	-	293,284
Changes in operating assets and liabilities				
Inventory	(21,620)	-	-	(21,620)
Deferred outflows of resources	39,386	7,877	-	47,263
Accounts payable	45,182	3,849	-	49,031
Accrued expenses	24,578	(17,458)	-	7,120
Net pension liability	179,813	35,963	-	215,776
Other post employment benefits	(131,140)	(26,228)	-	(157,368)
Deferred inflows of resources	61,309	12,262	-	73,571
Net Cash Provided (Used) In Operating Activities	<u>\$ (4,738,268)</u>	<u>\$ (82,075)</u>	<u>\$ (470)</u>	<u>\$ (4,820,813)</u>
<u>SCHEDULE OF NON-CASH FINANCING ACTIVITIES:</u>				
Donated commodities received from federal government	<u>\$ 293,384</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 293,384</u>

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

**Henderson County School District
Statement of Fiduciary Net Position – Fiduciary Funds
As of June 30, 2020**

	Agency Fund
<u>ASSETS</u>	
Cash and cash equivalents	\$ 883,651
Accounts receivable	-
Total Assets	\$ 883,651
 <u>LIABILITIES</u>	
Accounts payable	\$ -
Due to student groups	883,651
Total Liabilities	883,651
Net Position	\$ -

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

Henderson County School District
Notes to the Basic Financial Statements
June 30, 2020

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

The District, for financial purposes, includes all the funds and account groups relevant to the operation of the Henderson County Board of Education. The financial statements presented herein do not include funds of groups or organizations, which although associated with the school system, have not originated with the Board itself such as band boosters, parent-teacher associations, etc.

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

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

Henderson County Board of Education Finance Corporation – In March, 1989, the Board of Education resolved to authorize the establishment of the Henderson County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation’s Board of Directors.

BASIS OF PRESENTATION

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

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of 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

Henderson County School District
Notes to the Basic Financial Statements
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (CONTINUED)

services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

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

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I) Government Fund Types

- A) The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- B) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as 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 which is reported separately. This is a major fund of the District.
- C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
 - 1) The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
 - 2) The Facility Support Program of Kentucky (KSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.

Henderson County School District
Notes to the Basic Financial Statements
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (CONTINUED)

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

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

 - E) The District 21 Revenue Fund is used to hold monies transferred from school activity funds to be spent for the purpose of allowable student activities.
- II) Proprietary Fund Types (Enterprise Funds)
- A) 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.

 - B) The Day Care Center Fund is used to account for all day care centers.

 - C) The Adult Education Fund is used for adult education.

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

III) Fiduciary Fund Types (Agency and Private Purpose Trust Funds)

- A) The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with *Accounting Procedures for Kentucky School Activity Funds*.

BASIS OF ACCOUNTING

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

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

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF ACCOUNTING (CONTINUED)

Non-exchange transaction, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the 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 expenditures requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before they can be recognized.

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.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue.

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

PROPERTY TAXES

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2020, to finance the General Fund operations were \$.530 per \$100 valuation for real property, \$.532 per \$100 valuation for business personal property and \$.548 per \$100 valuation for motor vehicles.

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

CAPITAL ASSETS

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

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS (CONTINUED)

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

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

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

INTER-FUND BALANCES

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

ACCUMULATED UNPAID SICK LEAVE BENEFITS

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

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

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

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCUMULATED UNPAID SICK LEAVE BENEFITS (CONTINUED)

For governmental fund financial statements the current portion of unpaid sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “accumulated sick leave payable” in the general fund.

BUDGETARY PROCESS

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

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

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

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

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

CASH AND CASH EQUIVALENTS

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

INVENTORIES

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

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

The Food Service Fund uses the specific identification method.

PREPAID ASSETS

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

ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

Henderson County School District
Notes to the Basic Financial Statements
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (CONTINUED)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources.

In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

FUND BALANCES

In accordance with Governmental Accounting Standards No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", the District classifies fund balances as follows:

Non-spendable - Includes fund balance amounts which are not in spendable form or because of legal or contractual requirements.

Restricted - Includes fund balance amounts that are constrained for a specific purpose which are externally imposed by providers, such as creditors, or due to constitutional provisions or enabling legislation.

Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District through formal action of the highest level of decision making authority.

Assigned - Includes fund balance amounts that are to be used for a specific purpose that are neither considered to be restricted or committed, but rather assigned by the Deputy Superintendent of Finance or the Superintendent.

Unassigned - Includes positive fund balances within the General Fund which have not been classified in any of the above mentioned categories.

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.

STATEMENT OF NET POSITION

Net position represents the difference between assets and liabilities. The District classifies its net position into the following three categories:

- Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets
- Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Henderson County School District
Notes to the Basic Financial Statements
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

STATEMENT OF NET POSITION (CONTINUED)

- Unrestricted net position is the net amount of 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 components of net position.

OPERATING REVENUES AND EXPENSES

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

INTER-FUND ACTIVITIES

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 inter-fund activities. Inter-fund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

USE OF ESTIMATES

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

PENSION BENEFITS

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 positions of the Teachers' Retirement System of the Commonwealth of Kentucky (KTRS) and the County Employees' Retirement System (CERS), and additions to/deductions from KTRS and CERS' fiduciary net positions have been determined on the same basis as they are reported by KTRS and CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2020**

NOTE 2 – CASH AND CASH EQUIVALENTS

At year-end, the carrying amount of the District's cash and cash equivalents was \$54,013,151. Of the total cash balance, \$250,000 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Cash and cash equivalents consisted of the following as of June 30, 2020:

<u>Financial Institution:</u>	
Independence Bank	\$ 53,129,500
Independence Bank-Activity Funds	883,651
Totals	\$ 54,013,151
 <u>Allocation per Financial Statements:</u>	
Governmental Funds	\$ 50,631,850
Business Type Funds	2,497,650
Agency Funds	883,651
Totals	\$ 54,013,151

NOTE 3 – CAPITAL ASSETS

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

Governmental Assets:

<u>GOVERNMENTAL ACTIVITIES:</u>	Balance June 30, 2019	Additions	Deductions	Balance June 30, 2020
Land	\$ 989,487	\$ -	\$ -	\$ 989,487
Land improvements	3,630,310	-	-	3,630,310
Building and improvements	91,608,152	9,937,545	-	101,545,697
Technology	5,305,783	56,735	(93,312)	5,269,206
Machinery and equipment	7,862,525	694,173	-	8,556,698
General equipment	2,275,096	89,882	-	2,364,978
Construction in progress	2,656,408	1,644,797	(2,656,408)	1,644,797
Totals at historical cost	114,327,761	12,423,132	(2,749,720)	124,001,173
Land improvements	(3,004,317)	(94,788)	-	(3,099,105)
Building and improvements	(50,099,448)	(2,423,406)	-	(52,522,854)
Technology	(4,920,916)	(101,133)	93,312	(4,928,737)
Machinery and equipment	(5,742,290)	(475,953)	-	(6,218,243)
General equipment	(1,785,824)	(66,774)	-	(1,852,598)
Less: accumulated depreciation	(65,552,795)	(3,162,054)	93,312	(68,621,537)
Governmental activities, net	\$ 48,774,966	\$ 9,261,078	\$ (2,656,408)	\$ 55,379,636

Depreciation expenses were not allocated to governmental functions. It appears on the statement of activities as "unallocated."

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2020**

NOTE 3 – CAPITAL ASSETS, CONTINUED

Business Type Activity Assets:

	Balance June 30, 2019	Additions	Deductions	Balance June 30, 2020
<u>BUSINESS TYPE ACTIVITIES:</u>				
Buildings and improvements	\$ 47,516	\$ -	\$ -	\$ 47,516
Food service equipment	1,531,160	15,235	-	1,546,395
Technology equipment	115,079	-	-	115,079
Totals at historical cost	1,693,755	15,235	-	1,708,990
Buildings and improvements	(28,509)	(1,901)	-	(30,410)
Food service equipment	(1,287,505)	(37,290)	-	(1,324,795)
Technology equipment	(115,050)	-	-	(115,050)
Less: accumulated depreciation	(1,431,064)	(39,191)	-	(1,470,255)
Business type activities, net	\$ 262,691	\$ (23,956)	\$ -	\$ 238,735

NOTE 4 – BONDED DEBT AND LEASE OBLIGATIONS

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

Issue Date	Issue Name	Original Amount	Interest Rate	Maturity Date
2011	School Building Revenue Refunding Bonds 2011	\$ 3,675,000	1.00% - 3.00%	2021
2011	School Building Revenue Bonds Series 2011	\$ 1,810,000	1.00% - 5.00%	2021
2009	School Building Revenue Refunding Bonds 2009	\$ 4,505,000	2.00% - 3.60%	2024
2012	School Building Revenue Refunding Bonds 2012	\$ 2,225,000	0.70% - 2.00%	2024
2013	School Building Revenue Bonds Series 2013	\$ 1,200,000	0.60% - 3.35%	2034
2014	School Building Revenue Refunding Bonds 2014	\$ 7,865,000	0.90% - 3.00%	2030
2015	School Building Revenue Bonds Series 2015	\$ 3,790,000	3.00% - 3.375%	2033
2016	School Building Revenue Bonds Series 2016	\$ 17,845,000	2.00% - 3.125%	2036
2018	Energy Conservation Revenue Bonds Series 2018	\$ 1,275,000	3.00% - 3.70%	2038
2020	School Building Revenue Bonds Series 2020	\$ 21,595,000	1.10% - 2.60%	2040

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Henderson County Board of Education 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.

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2020**

NOTE 4 – BONDED DEBT AND LEASE OBLIGATIONS, CONTINUED

In connection with the school revenue bonds the District entered into “participation agreements” with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table on the follow page 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 they 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:

Fiscal Year	Henderson County School District		Kentucky School Facility Construction Commission		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2020-21	\$2,329,702	\$1,165,197	\$665,323	\$195,164	2,995,025	1,360,361
2021-22	2,222,476	1,124,982	492,524	179,910	2,715,000	1,304,892
2022-23	2,267,866	1,084,399	502,134	170,267	2,770,000	1,254,666
2023-24	2,318,026	1,041,841	511,974	160,404	2,830,000	1,202,245
2024-25	2,372,371	988,785	392,631	149,848	2,765,002	1,138,633
2025-26	2,437,867	927,927	407,133	138,363	2,845,000	1,066,290
2026-27	2,500,081	862,788	414,919	126,552	2,915,000	989,340
2027-28	2,571,403	794,554	428,597	114,377	3,000,000	908,931
2028-29	2,647,339	724,867	437,661	101,819	3,085,000	826,686
2029-30	2,722,265	652,646	452,735	88,928	3,175,000	741,574
2030-31	2,798,067	575,950	436,933	76,016	3,235,000	651,966
2031-32	2,501,939	508,589	348,061	64,702	2,850,000	573,291
2032-33	2,461,702	441,034	358,298	54,465	2,820,000	495,499
2033-34	2,536,161	371,978	368,839	43,924	2,905,000	415,902
2034-35	2,625,310	302,104	379,690	33,072	3,005,000	335,176
2035-36	2,178,855	226,536	391,145	21,084	2,570,000	247,620
2036-37	2,249,721	164,008	345,279	5,803	2,595,000	169,811
2037-38	1,412,283	112,777	52,717	4,442	1,465,000	117,219
2038-39	1,315,860	73,294	54,140	3,019	1,370,000	76,313
2039-40	1,349,371	37,108	55,629	1,530	1,405,000	38,638
Totals	\$ 45,818,665	\$ 12,181,364	\$ 7,496,362	\$ 1,733,689	\$ 53,315,027	\$ 13,915,053

A summary of changes in long-term debt during the fiscal year ended June 30, 2020 is as follows:

	Balance June 30, 2019	Additions	Deductions	Balance June 30, 2020	Due Within One Year
School Building Revenue Bonds	\$ 34,055,027	\$ 21,595,000	\$(2,335,000)	\$ 53,315,027	\$ 2,987,865
<u>Deferred amounts:</u>					
Issuance premiums and discounts	(85,013)	(367,155)	4,663	(447,505)	-
Total governmental bonds payable	<u>\$ 33,970,014</u>	<u>\$ 21,227,845</u>	<u>\$(2,330,337)</u>	<u>\$ 52,867,522</u>	<u>\$ 2,987,865</u>

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2020**

NOTE 5 – ACCRUED SICK LEAVE

In accordance with generally accepted governmental accounting principles, the District has recorded accrued sick leave as a liability in the District-wide statement of net position since the majority of these liabilities are not expected to be liquidated with expendable available financial resources. Accrued sick leave, which has no maximum accumulation, is payable upon retirement at 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments. Compensated absences are generally liquidated by the General Fund.

A summary of the changes in accumulated sick leave benefits during the fiscal year ended June 30, 2020 is as follows:

	<u>Balance June 30, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2020</u>	<u>Due Within One Year</u>
Accrued Sick Leave	\$ 686,719	\$ 129,249	\$ (25,655)	\$ 790,313	\$ 71,347

NOTE 6 – FUND BALANCES

The following is a summary of fund balances as of June 30, 2020:

	<u>General Fund</u>	<u>Construction Fund</u>	<u>FSPK Fund</u>	<u>SEEK Capital Outlay Fund</u>	<u>District 21 Activity Fund</u>	<u>Totals</u>
<u>RESTRICTED:</u>						
Construction	\$ -	\$ 20,285,512	\$ 1,368,582	\$ 774,861	\$ -	\$ 22,428,955
Student activities	-	-	-	-	17,012	17,012
Total Restricted	-	20,285,512	1,368,582	774,861	17,012	22,445,967
<u>COMMITTED:</u>						
Sick leave	718,969	-	-	-	-	718,969
<u>ASSIGNED:</u>						
State revenue shortfall	749,000	-	-	-	-	749,000
Future repairs	1,179,000	-	-	-	-	1,179,000
Future technology	429,000	-	-	-	-	429,000
Future bus purchases	643,000	-	-	-	-	643,000
Purchase obligations	76,281	-	-	-	-	76,281
Total Assigned	3,076,281	-	-	-	-	3,076,281
<u>UNASSIGNED:</u>	20,943,318	-	-	-	-	20,943,318
Total Fund Balances	\$ 24,738,568	\$ 20,285,512	\$ 1,368,582	\$ 774,861	\$ 17,012	\$ 47,184,535

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2020**

NOTE 7 – RETIREMENT PLANS

Teachers' Retirement System of the Commonwealth of Kentucky

General Information about the Pension Plan

Plan description: Teaching-certified employees of the District are provided pensions through the Teachers' Retirement System of the Commonwealth of Kentucky (TRS), 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 state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://ktrs.ky.gov>.

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

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

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

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

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

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2020**

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System of the Commonwealth of Kentucky (continued)

Pension Plan (continued)

Contributions: Contribution rates are established by Kentucky Revised Statutes (KRS). Members are required to contribute 12.855 percent of their salaries to TRS. The Commonwealth of Kentucky, as a non-employer contributing entity, contributes 13.105 percent of salary for those who joined before July 1, 2008 and 14.105 percent for those who joined thereafter. For employees whose salaries are federally funded, the employer contributes 16.105 percent of salary. If an employee leaves covered employment before accumulating five years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

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

At June 30, 2020, the District did not report a liability for the District's proportionate share of the collective net pension liability because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District.

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

District's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with the District		<u>133,072,905</u>
Total		<u>\$ 133,072,905</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 and rolled-forward using standard actuarial techniques. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2019, the District's proportion was 0.00 percent, which was unchanged from its proportion measured at June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$13,911,814 and revenue of \$13,911,814 for support provided by the State.

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2020**

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System of the Commonwealth of Kentucky (continued)

Pension Plan (continued)

Actuarial assumptions: The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.00 percent
Salary increases, including inflation	3.50 – 7.30 percent
Long-Term Investment Rate of Return, net of pension plan investment expense, including inflation	7.50 percent
Municipal Bond Index Rate:	
Prior Measurement Date	3.89 percent
Measurement Date	3.50 percent
Year FNP is projected to be depleted	n/a
Single Equivalent Interest Rate, net of pension plan investment expense, including inflation:	
Prior Measurement Date	4.50 percent
Measurement Date	7.50 percent
Post-Retirement Benefit Increases	1.50 percent annually

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

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 rate of return by the target asset allocation percentage and by adding expected inflation.

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

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2020**

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System of the Commonwealth of Kentucky (continued)

Pension Plan (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	40.0%	4.2%
International Equity	22.0%	5.2%
Fixed Income	15.0%	1.2%
Additional Categories*	8.0%	3.3%
Real Estate	6.0%	3.8%
Private Equity	7.0%	6.3%
Cash	2.0%	0.9%
Total	100%	

**Includes High Yield, Non-US Developed Bonds and Private Credit Strategies*

Discount rate: The discount rate used to measure the total pension liability as of the measurement date was 7.50%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67 and assumed that member contributions will be made at the current contribution rates and that employer contributions will be made at the actuarially determined contribution rates, adjusted by 95%, for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued Teachers' Retirement System of the Commonwealth of Kentucky financial report.

General Information about the OPEB Plans

Plan description: Teaching-certified employees of the District are provided other postemployment benefits (OPEB) through the Teachers' Retirement System of the Commonwealth of Kentucky (TRS), 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 state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://ktrs.ky.gov>.

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

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2020**

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System of the Commonwealth of Kentucky (continued)

Medical Insurance Plan

Plan description: In addition to the pension benefits describe above, Kentucky Revised Statute 161.175 requires TRS to provide postemployment healthcare benefits to eligible members and dependents. The TRS Medical Insurance Plan is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes 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 administered by the Kentucky Department of Employee Insurance. TRS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member's supplement is based on a contribution supplement table approved by the TRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

Contributions: In order to fund the post-retirement healthcare benefit, 7.50 percent of the gross annual payroll of members is contributed. Three and three quarters percent (3.75%) is paid by member contributions and 0.75 percent from State appropriation and 3.00 percent 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, premiums collected from retirees as described in the plan description and investment interest help to meet the medical expenses of the plan. The District's contributions to TRS for the year ended June 30, 2020 were \$918,521.

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 \$15,128,000 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 and rolled-forward using standard actuarial techniques. The District's proportion of the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the District's proportion was 0.516889 percent, which was an increase of 0.0213779 percent from its proportion measured as of June 30, 2018.

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2020**

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System of the Commonwealth of Kentucky (continued)

Medical Insurance Plan (continued)

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	\$ 15,128,000
State's proportionate share of the net OPEB liability associated with the District	<u>12,217,000</u>
Total	<u><u>\$ 27,345,000</u></u>

For the year ended June 30, 2020, the District recognized negative OPEB expense of \$688,247. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,026,000
Changes of assumptions	222,000	-
Net difference between projected and actual investment earnings on pension plan investments	35,000	-
Changes in proportion and differences between District contributions and proportional share of contributions	364,000	90,000
District contributions subsequent to the measurement date	<u>918,521</u>	<u>-</u>
Total	<u><u>\$ 1,539,521</u></u>	<u><u>\$ 2,116,000</u></u>

Of the total amount reported as deferred outflows of resources related to OPEB, 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:

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2020**

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System of the Commonwealth of Kentucky (continued)

Medical Insurance Plan (continued)

<u>Year ended June 30:</u>	<u>Amount</u>
2021	\$ (285,000)
2022	(285,000)
2023	(267,000)
2024	(271,000)
2025	(235,000)
Thereafter	(152,000)

Actuarial assumptions: The total OPEB liability in the June 30, 2019 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%
Salary increases	3.50% - 7.20%, including wage inflation
Long-term Investment Rate of Return	8.00%, net of investment expense, including inflation
Health Care Trend Rates	
Pre-65	7.50% for FY 2020 decreasing to an ultimate rate of 5.00% by FY 2024
Post-65	5.50% for FY 2020 decreasing to an ultimate rate of 5.00% by FY 2021
Medicare Part B Premiums	2.63% for FY 2020 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 remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2015 valuation.

The long-term expected rate of return on OPEB plan investments was determined based on the allocation of assets by asset class and by the mean and variance of real returns.

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2020**

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System of the Commonwealth of Kentucky (continued)

Medical Insurance Plan (continued)

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	58.0%	5.1%
Fixed Income	9.0%	1.2%
Real Estate	6.5%	3.8%
Private Equity	8.5%	6.3%
Other Additional Categories	17.0%	3.2%
Cash (LIBOR)	1.0%	0.9%
Total	100%	

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

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the discount rate: The following presents the District's proportionate share of the collective net OPEB liability calculated using the discount rate of 8.00 percent, 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 one percentage point lower (7.00 percent) or one percentage point higher (9.00 percent) than the current rate:

	1.00% Decrease (7.00%)	Current Discount Rate (8.00%)	1.00% Increase (9.00)
District's proportionate share of the collective net OPEB liability as of June 30, 2019	<u>\$ 17,921,000</u>	<u>\$ 15,128,000</u>	<u>\$ 12,789,000</u>

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2020**

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System of the Commonwealth of Kentucky (continued)

Medical Insurance Plan (continued)

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

	1.00% Decrease	Current Healthcare Cost Trend Rate	1.00% Increase
District's proportionate share of the collective net OPEB liability as of June 30, 2019	\$ 12,315,000	\$ 15,128,000	\$ 18,587,000

OPEB plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Teachers' Retirement System of the Commonwealth of Kentucky financial report.

Life Insurance Plan

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

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

Contributions: In order to fund the post-retirement life insurance benefit, three hundredths of one percent (0.03%) of the gross annual payroll of members is contributed by the State.

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

At June 30, 2020, the District did not report a liability for the District's proportionate share of the collective net OPEB liability because the Commonwealth of Kentucky provides the OPEB support directly to TRS on behalf of the District.

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2020**

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System of the Commonwealth of Kentucky (continued)

Life Insurance Plan (continued)

The amount recognized by the District as its proportionate share of the net 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	\$	-
State's proportionate share of the net OPEB liability associated with the District		284,000
Total	\$	284,000

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 and rolled-forward using standard roll actuarial techniques. The District's proportion of the net OPEB liability was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2019, the District's proportion was 0.00 percent, which was unchanged from its proportion measured as of June 30, 2018.

Actuarial assumptions: The total OPEB liability in the June 30, 2019 valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%	
Real wage growth	0.50%	
Wage inflation	3.50%	
Salary increases	3.50% - 7.20%, including wage inflation	
Long-term Investment Rate of Return	7.50%, net of investment expense, including inflation	

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

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2020**

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System of the Commonwealth of Kentucky (continued)

Life Insurance Plan (continued)

Table set forward two years for males and seven years for females is used for the period after disability retirement.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2015 valuation.

The long-term expected rate of return on OPEB plan investments was determined based on the allocation of assets by asset class and by the mean and variance of real returns.

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity	40.0%	4.3%
International Equity	23.0%	5.2%
Fixed Income	18.0%	1.2%
Real Estate	6.0%	3.8%
Private Equity	5.0%	6.3%
Other Additional Categories	6.0%	3.3%
Cash (LIBOR)	2.0%	0.9%
Total	100%	

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

OPEB plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Teachers' Retirement System of the Commonwealth of Kentucky financial report.

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2020**

NOTE 7 – RETIREMENT PLANS (CONTINUED)

County Employees' Retirement System

General Information about the Pension Plan

Plan description: Substantially all other employees (classified personnel) participate in the County Employees' Retirement System (CERS), a cost-sharing, multiple-employer defined benefit plan administered by the Board of Trustees of Kentucky Retirement Systems. CERS consists of two plans – Non-Hazardous and Hazardous. District employees participate in the Non-Hazardous plan only. Kentucky Retirement Systems issues a publicly available financial report that includes financial statements and supplementary information for CERS. That report can be obtained at <https://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. Cost-of-living adjustments (COLA) are provided at the discretion of the State legislature. Kentucky Revised Statute 61.645 assigns the authority to establish and amend benefit provisions to the Kentucky Retirement Systems Board of Trustees.

Contributions: Tier 1 plan members, who began participating prior to September 1, 2008, are required to contribute 5 percent 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 percent. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest.

Tier 2 plan members, who began participating on, or after, September 1, 2008, and before January 1, 2014, are required to contribute 6 percent of their annual creditable compensation, while 1 percent of these contributions are deposited to an account created for the payment of health insurance benefits under 25 USC Section 401(h) in the Pension Fund. These members are classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.5 percent. 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 percent contribution to the 401(h) account is non-refundable and is forfeited.

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. Members contribute 5 percent of their annual creditable compensation, and an additional 1 percent 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 Kentucky Retirement System 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. A member's account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2020**

NOTE 7 – RETIREMENT PLANS (CONTINUED)

County Employees' Retirement System (continued)

Pension Plan (continued)

Interest is paid into the Tier 3 member's account. The account currently earns 4 percent interest credit on the member's account balance as of June 30 of the previous year. The member's account may be credited with additional interest if the system's five-year Geometric Average Net Investment Return (GANIR) exceeded 4 percent. If the member was actively employed and participating in the fiscal year, and if the system's GANIR for the previous five years exceeds 4 percent, then the member's account will be credited with 75 percent of the amount of the returns over 4 percent on the account balance as of June 30 of the previous year (Upside Sharing Interest). The Upside Sharing Interest is credited to both the member contribution balance and Employer Pay Credit Balance.

The District is required to contribute at an actuarially determined rate. As of June 30, 2020, the District's required contribution rate was 19.30 percent of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by the Kentucky Retirement Systems Board of Trustees. Contributions to CERS from the District were \$2,020,781 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$27,547,240 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of June 30, 2019 and rolled-forward using generally accepted actuarial principles. The District's proportion of the collective net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the District's proportion was 0.391683 percent, which was a decrease of 0.001581 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the District recognized pension expense of \$4,502,067. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2020**

NOTE 7 – RETIREMENT PLANS (CONTINUED)

County Employees' Retirement System (continued)

Pension Plan (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 703,364	\$ 116,394
Changes of assumptions	2,788,093	-
Net difference between projected and actual investment earnings on pension plan investments	-	444,073
Changes in proportion and differences between District contributions and proportional share of contributions	-	118,343
District contributions subsequent to the measurement date	<u>2,020,781</u>	<u>-</u>
Total	<u><u>\$ 5,512,238</u></u>	<u><u>\$ 678,810</u></u>

Of the total amount reported as deferred outflows of resources related to pensions, 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 pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the District's pension expense as follows:

<u>Year ended June 30:</u>	<u>Amount</u>
2021	\$ 1,825,131
2022	680,034
2023	275,976
2024	31,506
2025	-
Thereafter	-

Actuarial assumptions: The Kentucky Retirement Systems Board of Trustees adopted new actuarial assumptions since June 30, 2019. These assumptions are documented in the report titled "Kentucky Retirement Systems 2019 Actuarial Experience Study for the Period Ending June 30, 2019". The total OPEB liability as of June 30, 2020, was determined using the following updated assumptions:

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

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2020**

NOTE 7 – RETIREMENT PLANS (CONTINUED)

County Employees' Retirement System (continued)

Pension Plan (continued)

The mortality table used for active members was a PUB-2010 General Mortality table, for the Non-Hazardous System, and PUB-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 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 2013-2019, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2020. The mortality table used for the disabled members was PUB-2010 Disable Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rates 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. The current long-term inflation assumption is 2.30 percent per annum.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	62.50%	
U.S. Equity	18.75%	4.30%
Non-U.S. Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Liquidity	14.50%	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies	23.00%	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Total	100.00%	3.89%

Discount rate: The projection of cash flows used to determine the discount rate of 6.25 percent 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 2019). The discount rate determination does not use a municipal bond rate.

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2020**

NOTE 7 – RETIREMENT PLANS (CONTINUED)

County Employees' Retirement System (continued)

Sensitivity of the District's proportionate share of the collective net pension liability to changes in the discount rate: The following presents the District's proportionate share of the collective net pension liability calculated using the discount rate of 6.25 percent, as well as what the District's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.25 percent) or one percentage point higher (7.25 percent) than the current rate:

	1.00% Decrease (5.25%)	Current Discount Rate (6.25%)	1.00% Increase (7.25%)
District's proportionate share of the collective net pension liability as of June 30, 2019	\$ 34,453,784	\$ 27,547,240	\$ 21,790,703

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems financial report.

The District also offers employees the option to participate in a defined contribution plan under Section 403(b) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amounts allowable by law. The District does not contribute to these plans.

General Information about the OPEB Plan

Plan description: In addition to the pension benefits described above, Kentucky Retirement Systems provides postemployment healthcare benefits through the Kentucky Retirement Systems Insurance Fund (Insurance Fund), a cost-sharing, multiple-employer defined benefit plan administered by the Board of Trustees of Kentucky Retirement Systems. The Insurance Fund was established to provide hospital and medical insurance for those receiving benefits from the Kentucky Employees' Retirement System (KERS), the County Employees' Retirement System (CERS), and the State Police Retirement System (SPRS). Eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. Kentucky Retirement Systems submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to eligible Medicare retirees through a Medicare Advantage Plan.

Benefits Provided: The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. For the fiscal year ended June 30, 2020 (the date of the latest available information), insurance premiums withheld from benefit payments for members of CERS were \$24.3 million and \$2.8 million for non-hazardous and hazardous employees, respectively. For the fiscal year ended June 30, 2019, insurance premiums withheld from benefit payments for members of CERS were \$23.8 million and \$2.8 million for non-hazardous and hazardous employees, respectively. The Insurance Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous employees killed in the line of duty.

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2020**

NOTE 7 – RETIREMENT PLANS (CONTINUED)

County Employees' Retirement System (continued)

OPEB Plan (continued)

The amount of contributions paid by the Insurance Fund is based on years of service. For employees participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are shown below:

<u>Years of Service</u>	<u>% Paid by Insurance Fund</u>
20 or more	100%
15 - 19	75%
10 - 14	50%
4 - 9	25%
Less than 4	0%

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for those who began participating on or after July 1, 2003. Once employees reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003 earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on or after July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. This benefit is not protected under the inviolable contract provisions of Kentucky Revised Statute 16.652, 61.692, and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

Contributions: The District is required to contribute at an actuarially determined rate. As of June 30, 2020, the District's required contribution rate was 4.76 percent of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by the Kentucky Retirement Systems Board of Trustees. Contributions to the Insurance Fund from the District were \$498,390 for the year ended June 30, 2020, which does not include implicit subsidies reported in the amount of \$141,419. As described above, Tier 2 and Tier 3 employees contribute 1 percent of their annual creditable compensation to the Insurance Fund; Tier 1 employees are not required to contribute.

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 \$6,586,283 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of June 30, 2019 and rolled-forward using generally accepted actuarial principles. The District's proportion of the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the District's proportion was 0.391585 percent, which was a decrease of 0.001663 percent from its proportion measured as of June 30, 2019.

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2020**

NOTE 7 – RETIREMENT PLANS (CONTINUED)

County Employees' Retirement System (continued)

OPEB Plan (continued)

For the year ended June 30, 2020, the District recognized OPEB expense of \$570,910. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,987,234
Changes of assumptions	1,948,942	13,033
Net difference between projected and actual investment earnings on pension plan investments	-	292,534
Changes in proportion and differences between District contributions and proportional share of contributions	-	91,884
Implicit subsidy	141,419	-
District contributions subsequent to the measurement date	<u>498,390</u>	<u>-</u>
Total	<u><u>\$ 2,588,751</u></u>	<u><u>\$ 2,384,685</u></u>

Of the total amount reported as deferred outflows of resources related to OPEB, the implicit subsidy and 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>	<u>Amount</u>
2021	\$ (69,175)
2022	(69,175)
2023	23,834
2024	(154,293)
2025	(141,664)
Thereafter	(25,270)

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2020**

NOTE 7 – RETIREMENT PLANS (CONTINUED)
County Employees' Retirement System (continued)
OPEB Plan (continued)

Actuarial assumptions: The Kentucky Retirement Systems Board of Trustees adopted new actuarial assumptions since June 30, 2019. These assumptions are documented in the report titled "Kentucky Retirement Systems 2019 Actuarial Experience Study for the Period Ending June 30, 2019". The total OPEB liability as of June 30, 2020, was determined using the following updated assumptions:

Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increases	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post-65	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

The mortality table used for active members was a PUB-2010 General Mortality table, for the Non-Hazardous System, and PUB-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 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 2013-2019, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2020. The mortality table used for the disabled members was PUB-2010 Disable Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates or arithmetic real rate of return for each major asset class are summarized in the table below. The long-term inflation assumption is 2.30 percent per annum.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	62.50%	
U.S. Equity	18.75%	4.30%
Non-U.S. Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Liquidity	14.50%	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies	23.00%	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Total	100.00%	3.89%

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2020**

NOTE 7 – RETIREMENT PLANS (CONTINUED)

County Employees' Retirement System (continued)

OPEB Plan (continued)

The fully-insured premiums Kentucky Retirement Systems pays for the CERS Health Insurance Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. GASB 75 requires that the liability associated with this implicit subsidy be included in the calculation of the total OPEB liability.

Discount rate: The projection of cash flows used to determine the discount rate of 5.68% assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25 percent, and a municipal bond rate of 3.13 percent, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 28, 2020. Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. However, the cost associated with the implicit employer subsidy was not included in the calculation of the system's actuarially determined contributions, and any cost associated with the implicit subsidy will not be paid out of the system's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the 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 calculated using the discount rate of 5.68 percent, 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 one percentage point lower (4.68 percent) or one percentage point higher (6.68 percent) than the current rate:

	1.00% Decrease (4.68%)	Current Discount Rate (5.68%)	1.00% Increase (6.68%)
District's proportionate share of the collective net OPEB liability as of June 30, 2019	\$ 8,822,910	\$ 6,586,283	\$ 4,743,452

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 one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	1.00% Decrease	Current Healthcare Cost Trend Rate	1.00% Increase
District's proportionate share of the collective net OPEB liability as of June 30, 2019	\$ 4,898,252	\$ 6,586,283	\$ 8,633,221

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2020**

NOTE 7 – RETIREMENT PLANS (CONTINUED)

County Employees' Retirement System (continued)

OPEB Plan (continued)

OPEB plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems financial report.

NOTE 8 – CONTINGENCIES

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

In addition, the District operates in a heavily regulated environment. The operations of the District are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U. S. Department of Education and the Kentucky Department of Education. Such administrative directives, rules and regulations are subject to change by an act of Congress or the Kentucky Legislature or an administrative change mandated by the Kentucky Department of Education. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

NOTE 9 – RISK MANAGEMENT

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

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. The public entity risk pools operate as common risk management and insurance programs for all school district and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the members on a pro-rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Funds; 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.

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2020**

NOTE 10 – COBRA

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

NOTE 11 – TRANSFER OF FUNDS

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

<u>From:</u>	<u>To:</u>	<u>Amount</u>
General Fund	Special Revenue	\$ 132,804
Child Nutrition	General Fund	320,341
FSPK	Construction	777,434
FSPK	Debt Service	2,422,413
FSPK	General Fund	865,677
Total prior to elimination		<u>\$ 4,518,669</u>
Eliminations		<u>(4,178,669)</u>
Balance per Statement of Activities		<u><u>\$ 340,000</u></u>

NOTE 12 – ON-BEHALF PAYMENTS

The District receives on-behalf payments for fringe benefits, technology, and bond debt from the Commonwealth of Kentucky. The following amounts are included as revenues and expenses/expenditures on the statement of activities, and the statement of revenues, expenditures, and changes in fund balances - governmental funds, and the statement of revenues, expenses, and changes in net position - proprietary funds:

Retirement Contributions to the Teachers' Retirement System of Kentucky	\$ 10,753,323
Health Insurance	7,874,648
Life Insurance	13,120
Health Reimbursement Account - HRA/Dental/Vision	525,700
Administrative Fee	108,414
Less: Federal Reimbursements of Health Benefits	<u>(366,931)</u>
Total On-Behalf Payments for Fringe Benefits	18,908,274
Technology On-Behalf Payments	157,235
School Facilities Construction Commission (SFCC) Debt Service	<u>803,969</u>
Total On-Behalf Payments	<u><u>\$ 19,869,478</u></u>

NOTE 13 – LITIGATION

The District is subject to various legal actions in various states 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 cases currently in progress.

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2020**

NOTE 14 – RESTATEMENT OF BEGINNING NET POSITION:

Management of the District elected to reclassify portions of the net pension liability and other post-employment benefit liability from the governmental funds to the enterprise/proprietary fund types. The effect of this restatement of the June 30, 2019 net position is illustrated below:

	Governmental Activities	Enterprise Funds	
		Food Service Fund	Child Care Fund
Beginning net position as previously reported	\$ (1,711,628)	\$ 1,013,793	\$ 787,346
Restatement to allocate net pension liability and other post employment benefit liability to enterprise fund types	<u>1,680,793</u>	<u>(1,400,661)</u>	<u>(280,132)</u>
Beginning net position as restated	<u><u>\$ (30,835)</u></u>	<u><u>\$ (386,868)</u></u>	<u><u>\$ 507,214</u></u>

NOTE 15 – SUBSEQUENT EVENTS

In accordance with ASC 855, subsequent events were evaluated through November 12, 2020, the date these financial statements were available to be issued. The following were noted:

COVID-19 Crisis

On March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. Management cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact the District's in fiscal 2020-2021.

CARES Act:

During fiscal year 2020, the District was awarded two separate COVID-19 grants through the CARES Act Education Stabilization Fund of the U.S. Department of Education, passed through the Kentucky Department of Education. These awards consisted of the Elementary and Secondary School Emergency Relief Fund Award (ESSER) in the amount of \$1,530,946 and the Governor's Emergency Education Relief Fund Award (GEER) in the amount of \$262,620. Both grants were not used until after July 1, 2020.

**Henderson County Board of Education
Statement of Budgetary Comparison – General Fund
For the fiscal year ended June 30, 2020**

	<u>BUDGETED AMOUNTS</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>REVENUES:</u>				
From local sources				
Taxes:				
Property	\$ 11,400,000	\$ 11,400,000	\$ 11,952,272	\$ 552,272
Motor vehicle and watercraft	1,980,088	1,980,088	2,374,471	394,383
Utilities	3,700,000	3,700,000	3,819,052	119,052
Unmined minerals	75,000	75,000	207,631	132,631
Franchise	800,000	800,000	938,241	138,241
Tuition and fees	50,000	50,000	56,473	6,473
Earnings on investments	400,000	400,000	735,257	335,257
Other local revenues	57,900	57,900	1,171,233	1,113,333
Intergovernmental - intermediate	-	-	140,718	140,718
Intergovernmental - state	45,034,684	45,034,684	45,512,639	477,955
Intergovernmental - direct federal	275,000	275,000	326,542	51,542
Total Revenues	<u>63,772,672</u>	<u>63,772,672</u>	<u>67,234,529</u>	<u>3,461,857</u>
<u>EXPENDITURES:</u>				
Instruction	47,709,678	47,709,678	43,136,111	4,573,567
Support services:				
Student	4,413,943	4,413,943	4,221,315	192,628
Instruction staff	2,197,947	2,197,947	2,195,619	2,328
District administrative	1,323,553	1,323,553	1,015,451	308,102
School administrative	4,826,271	4,826,271	4,288,180	538,091
Business	3,446,592	3,446,592	2,928,593	517,999
Plant operation & maintenance	8,542,387	8,542,387	7,009,181	1,533,206
Student transportation	5,665,761	5,665,761	4,038,704	1,627,057
Community services	8,723	8,723	375	8,348
Food Service	58	58	-	58
Debt Service	100,000	100,000	62,145	37,855
Contingency	9,060,456	9,060,456	-	9,060,456
Total Expenditures	<u>87,295,369</u>	<u>87,295,369</u>	<u>68,895,674</u>	<u>18,399,695</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(23,522,697)</u>	<u>(23,522,697)</u>	<u>(1,661,145)</u>	<u>21,861,552</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers in	1,466,104	1,466,104	1,186,018	(280,086)
Transfers out	(160,000)	(160,000)	(209,204)	(49,204)
Capital Asset Disposal	-	-	53,087	53,087
Total Other Financing Sources (Uses)	<u>1,306,104</u>	<u>1,306,104</u>	<u>1,029,901</u>	<u>(276,203)</u>
Change in fund balance	(22,216,593)	(22,216,593)	(631,244)	21,585,349
Fund Balance, Beginning of Year	<u>23,862,258</u>	<u>23,862,258</u>	<u>25,369,812</u>	<u>1,507,554</u>
Fund Balance, End of Year	<u><u>\$ 1,645,665</u></u>	<u><u>\$ 1,645,665</u></u>	<u><u>\$ 24,738,568</u></u>	<u><u>\$ 23,092,903</u></u>

See Independent Auditor's Report.

**Henderson County Board of Education
Statement of Budgetary Comparison – Special Revenue Fund
For the fiscal year ended June 30, 2020**

	<u>BUDGETED AMOUNTS</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>REVENUES:</u>				
Other local revenues	\$ 54,900	\$ 54,900	\$ 53,990	\$ (910)
Intergovernmental - state	3,381,127	3,381,127	3,822,968	441,841
Intergovernmental - federal	6,418,872	6,418,872	4,965,753	(1,453,119)
	<u>9,854,899</u>	<u>9,854,899</u>	<u>8,842,711</u>	<u>(1,012,188)</u>
<u>EXPENDITURES:</u>				
Instruction	5,934,652	5,934,652	6,603,666	(669,014)
Support services:				
Student	340,931	340,931	176,440	164,491
Instruction staff	860,809	860,809	905,044	(44,235)
School administrative	98,215	98,215	157,869	(59,654)
Student transportation	0	-	-	-
Day care operations	135,450	135,450	8,169	127,281
Community services	2,644,842	2,644,842	1,124,327	1,520,515
	<u>10,014,899</u>	<u>10,014,899</u>	<u>8,975,515</u>	<u>1,039,384</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(160,000)</u>	<u>(160,000)</u>	<u>(132,804)</u>	<u>27,196</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating transfers in	160,000	160,000	132,804	(27,196)
Operating transfers out	-	-	-	-
	<u>160,000</u>	<u>160,000</u>	<u>132,804</u>	<u>(27,196)</u>
Change in fund balance	-	-	-	-
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Independent Auditor's Report.

Henderson County Board of Education
Schedule of the District's Proportionate Share of the Collective Net Pension Liability
Kentucky Teachers' Retirement System Pension Plan
As of the measurement date for the last ten years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the collective net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
District's proportionate share of the collective net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportion of the collective net pension liability associated with the District	0.9753%	0.9654%	0.9555%	1.0231%	1.1368%	1.0832%
State's proportionate share of the collective net pension liability associated with the District	<u>133,072,905</u>	<u>126,415,356</u>	<u>257,816,883</u>	<u>301,816,489</u>	<u>264,542,143</u>	<u>222,594,552</u>
Total	<u>\$ 133,072,905</u>	<u>\$ 126,415,356</u>	<u>\$ 257,816,883</u>	<u>\$ 301,816,489</u>	<u>\$ 264,542,143</u>	<u>\$ 222,594,552</u>
District's covered-employee payroll	\$ 32,708,490	\$ 31,468,916	\$ 36,502,212	\$ 35,630,694	\$ 35,915,858	\$ 33,946,994
District's proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	58.80%	59.30%	39.80%	35.20%	42.50%	45.59%

*This table will present ten years of information as it becomes available.

See Independent Auditor's Report and Notes to the Required Supplementary Information.

**Henderson County Board of Education
Schedule of the District's Pension Contributions
Kentucky Teachers' Retirement System Pension Plan
For the last ten fiscal years***

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statorily required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the statorily required contribution	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 33,470,210	\$ 32,708,490	\$ 31,468,916	\$ 36,502,212	\$ 35,630,694	\$ 35,915,858
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

*This table will present ten years of information as it becomes available.

See Independent Auditor's Report and Notes to the Required Supplementary Information.

Henderson County Board of Education
Schedule of the District's Proportionate Share of the Collective Net OPEB Liability
Kentucky Teachers' Retirement System Medical Insurance Plan
As of the measurement date for the last ten years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the collective net OPEB liability	0.516889%	0.495510%	0.502088%
District's proportionate share of the collective net OPEB liability	\$ 15,128,000	\$ 17,193,000	\$ 17,903,000
State's proportion of the collective net OPEB liability associated with the District	0.417423%	0.427026%	0.410134%
State's proportionate share of the collective net OPEB liability associated with the District	<u>12,217,000</u>	<u>14,817,000</u>	<u>14,624,000</u>
Total	<u>\$ 27,345,000</u>	<u>\$ 32,010,000</u>	<u>\$ 32,527,000</u>
District's covered-employee payroll	\$ 32,708,490	\$ 31,468,916	\$ 36,502,212
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	46.25%	54.63%	49.05%
Plan fiduciary net position as a percentage of the total OPEB liability	32.58%	25.50%	21.20%

*This table will present ten years of information as it becomes available.

See Independent Auditor's Report and Notes to the Required Supplementary Information.

**Henderson County Board of Education
Schedule of the District's OPEB Contributions
Kentucky Teachers' Retirement System Medical Insurance Plan
For the last ten fiscal years***

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 918,521	\$ 899,753	\$ 882,688
Contributions in relation to the statutorily required contribution	<u>(918,521)</u>	<u>(899,753)</u>	<u>(882,688)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 33,470,210	\$ 32,708,490	\$ 31,468,916
Contributions as a percentage of covered-employee payroll	2.75%	2.75%	2.80%

*This table will present ten years of information as it becomes available.

See Independent Auditor's Report and Notes to the Required Supplementary Information.

Henderson County Board of Education
Schedule of the District's Proportionate Share of the Collective Net OPEB Liability
Kentucky Teachers' Retirement System Life Insurance Plan
As of the measurement date for the last ten years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the collective net OPEB liability	0.00%	0.00%	0.00%
District's proportionate share of the collective net OPEB liability	\$ -	\$ -	\$ -
State's proportion of the collective net OPEB liability associated with the District	0.913454%	0.901553%	0.891477%
State's proportionate share of the collective net OPEB liability associated with the District	<u>284,000</u>	<u>254,000</u>	<u>196,000</u>
Total	<u>\$ 284,000</u>	<u>\$ 254,000</u>	<u>\$ 196,000</u>
District's covered-employee payroll	\$ 32,708,490	\$ 31,468,916	\$ 36,502,212
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	73.40%	75.00%	80.00%

*This table will present ten years of information as it becomes available.

See Independent Auditor's Report and Notes to the Required Supplementary Information.

**Henderson County Board of Education
Schedule of the District's OPEB Contributions
Kentucky Teachers' Retirement System Life Insurance Plan
For the last ten fiscal years***

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ -	\$ -	\$ -
Contributions in relation to the statutorily required contribution	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 33,470,210	\$ 32,708,490	\$ 31,468,916
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%

*This table will present ten years of information as it becomes available.

See Independent Auditor's Report and Notes to the Required Supplementary Information.

**Henderson County Board of Education
Schedule of the District's Proportionate Share of the Collective Net Pension Liability
County Employees' Retirement System Pension Plan
As of the measurement date for the last ten years***

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the collective net pension liability	0.391683%	0.393264%	0.394236%	0.408610%	0.436502%	0.437600%
District's proportionate share of the collective net pension liability	\$ 27,547,240	\$ 23,950,976	\$ 23,075,845	\$ 20,118,396	\$ 18,767,532	\$ 14,197,000
District's covered-employee payroll	\$ 10,108,570	\$ 10,036,954	\$ 9,888,703	\$ 9,939,050	\$ 10,338,682	\$ 10,200,575
District's proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	272.51%	238.63%	233.36%	202.42%	181.53%	139.18%
Plan fiduciary net position as a percentage of the total pension liability	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%

*This table will present ten years of information as it becomes available.

See Independent Auditor's Report and Notes to the Required Supplementary Information.

**Henderson County Board of Education
Schedule of the District's Pension Contributions
County Employees' Retirement System Pension Plan
For the last ten fiscal years***

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 2,020,781	\$ 1,639,610	\$ 1,453,351	\$ 1,379,474	\$ 1,234,430	\$ 1,318,182
Contributions in relation to the statutorily required contribution	<u>(2,020,781)</u>	<u>(1,639,610)</u>	<u>(1,453,351)</u>	<u>(1,379,474)</u>	<u>(1,234,430)</u>	<u>(1,318,182)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 10,470,368	\$ 10,108,570	\$ 10,036,954	\$ 9,888,703	\$ 9,939,050	\$ 10,338,682
Contributions as a percentage of covered-employee payroll	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%

*This table will present ten years of information as it becomes available.

See Independent Auditor's Report and Notes to the Required Supplementary Information.

Henderson County Board of Education
Schedule of the District's Proportionate Share of the Collective Net OPEB Liability
County Employees' Retirement System OPEB Plan
As of the measurement date for the last ten years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the collective net OPEB liability	0.391585%	0.393248%	0.394236%
District's proportionate share of the collective net OPEB liability	\$ 6,586,283	\$ 6,982,040	\$ 7,925,492
District's covered-employee payroll	\$ 10,108,570	\$ 10,036,954	\$ 9,888,703
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	65.16%	69.56%	80.15%
Plan fiduciary net position as a percentage of the total OPEB liability	60.44%	57.62%	52.39%

*This table will present ten years of information as it becomes available.

See Independent Auditor's Report and Notes to the Required Supplementary Information.

**Henderson County Board of Education
Schedule of the District's OPEB Contributions
County Employees' Retirement System OPEB Plan
For the last ten fiscal years***

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 498,390	\$ 531,711	\$ 471,737
Contributions in relation to the statutorily required contribution	<u>(498,390)</u>	<u>(531,711)</u>	<u>(471,737)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 10,470,368	\$ 10,108,570	\$ 10,036,954
Contributions as a percentage of covered-employee payroll	4.76%	5.26%	4.70%

*This table will present ten years of information as it becomes available.

See Independent Auditor's Report and Notes to the Required Supplementary Information.

**Henderson County Board of Education
Notes to the Required Supplementary Information
June 30, 2020**

Kentucky Teachers' Retirement System

Pension Plan

Changes of benefit terms: None.

Changes of assumptions:

- In 2014, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.16% to 5.23%.
- In 2015, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.23% to 4.88%.
- In the 2016 valuation, rates of withdrawal, retirement, disability, and mortality were adjusted to more closely reflect actual experience and the assumed salary scale, price inflation, and wage inflation were adjusted to reflect a decrease. In addition, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.88% to 4.20%.
- In 2017, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.20% to 4.49%.
- In 2019, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.49% to 7.50%.

Medical Insurance Plan

Changes of benefit terms: The following changes were made by the General Assembly and reflected in the valuation performed as of June 30, 2016:

House Bill 471 restored the eligibility of non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010, 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: None.

Life Insurance Plan

Changes of benefit terms: None.

Changes of assumptions: None.

**Henderson County Board of Education
Notes to the Required Supplementary Information
June 30, 2020**

County Employees' Retirement System

Pension Plan

Changes of benefit terms: During the 2019 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 pay rate 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 member's final pay to 50% of average pay for one child, 65% over average pay for two children, of 75% of average pay for three children. The Total Pension Liability beginning June 30, 2019 is determined using these updated benefit provisions.

Changes of assumptions: In the June 30, 2020, 2017 and 2015 actuarial valuations, the following changes in actuarial assumptions were made:

	<u>June 30, 2020</u>	<u>June 30, 2017</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Inflation	2.30%	2.30%	3.25%	3.50%
Payroll Growth	2.00%	0.75%	0.75%	1.00%
Salary Increases	3.30% to 10.30%	3.05%	4.00%	4.50%
Investment Rate of Return	6.25%	6.25%	7.50%	7.75%

In the June 30, 2020 actuarial valuation, the mortality table used for active members was a PUB-2010 General Mortality table, for the Non-Hazardous System, and PUB-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 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 2013-2019, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2020. The mortality table used for the disabled members was PUB-2010 Disable 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.

Beginning with the June 30, 2015 actuarial valuation, 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 one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

For periods prior to the June 30, 2015 actuarial valuation, the rates of mortality for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward five years was used for the period after disability retirement.

**Henderson County Board of Education
Notes to the Required Supplementary Information
June 30, 2020**

County Employees' Retirement System

Other Postemployment Benefits Plan

Changes of benefit terms: During the 2019 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The Total OPEB Liability beginning June 30, 2019 is determined using these updated benefit provision.

Changes of assumptions: In the June 30, 2020 actuarial valuation, the following changes in actuarial assumptions were made:

	<u>June 30, 2020</u>	<u>June 30, 2017</u>
Inflation	2.30%	2.30%
Payroll Growth	2.00%	0.75%
Salary Increases	3.30% to 10.30%	3.05%
Investment Rate of Return	6.25%	6.25%

In the June 30, 2020 actuarial valuation, the mortality table used for active members was a PUB-2010 General Mortality table, for the Non-Hazardous System, and PUB-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 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 2013-2019, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2020. The mortality table used for the disabled members was PUB-2010 Disable 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.

Beginning with the June 30, 2017 actuarial valuation, 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 one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

**Henderson County Board of Education
Combining Balance Sheet – Non-Major Governmental Funds
As of June 30, 2020**

	<u>FSPK Fund</u>	<u>SEEK Capital Outlay Fund</u>	<u>Debt Service Fund</u>	<u>District 21 Activity Fund</u>	<u>Total Non-Major Governmental Funds</u>
<u>ASSETS AND RESOURCES:</u>					
Cash and cash equivalents	\$ 1,368,582	\$ 774,861	\$ -	\$ 17,073	\$ 2,160,516
Total Assets and Resources	<u>\$ 1,368,582</u>	<u>\$ 774,861</u>	<u>-</u>	<u>\$ 17,073</u>	<u>\$ 2,160,516</u>
<u>LIABILITIES:</u>					
Accounts payable	\$ -	\$ -	\$ -	\$ 61	\$ 61
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61</u>	<u>\$ 61</u>
<u>FUND BALANCES:</u>					
Restricted	1,368,582	774,861	-	17,012	2,160,455
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>1,368,582</u>	<u>774,861</u>	<u>-</u>	<u>17,012</u>	<u>2,160,455</u>
Total Liabilities and Fund Balances	<u>\$ 1,368,582</u>	<u>\$ 774,861</u>	<u>\$ -</u>	<u>\$ 17,073</u>	<u>\$ 2,160,516</u>

See Independent Auditor's Report.

**Henderson County Board of Education
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –
Non-Major Governmental Funds
For the fiscal year ended June 30, 2020**

	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Fund	District 21 Activity Fund	Total Non-major Governmental Funds
REVENUES:					
From local sources:					
Taxes:					
Property	\$ 3,143,728	\$ -	\$ -	\$ -	\$ 3,143,728
Other	-	-	-	73,635	73,635
Earnings on investments	31,349	9,844	308	-	41,501
Intergovernmental - State	<u>2,130,496</u>	<u>632,401</u>	<u>803,968</u>	<u>-</u>	<u>3,566,865</u>
Total Revenues	<u>5,305,573</u>	<u>642,245</u>	<u>804,276</u>	<u>73,635</u>	<u>6,825,729</u>
EXPENDITURES:					
Instruction	-	-	-	55,439	55,439
Instruction staff	-	-	-	8,861	8,861
Plant operation and maintenance	-	-	-	2,321	2,321
Debt service	-	-	3,226,689	-	3,226,689
Total Expenditures	<u>-</u>	<u>-</u>	<u>3,226,689</u>	<u>66,621</u>	<u>3,293,310</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>5,305,573</u>	<u>642,245</u>	<u>(2,422,413)</u>	<u>7,014</u>	<u>3,532,419</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	2,422,413	-	2,422,413
Transfers out	<u>(3,989,125)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,989,125)</u>
Total Other Financing Sources (Uses)	<u>(3,989,125)</u>	<u>-</u>	<u>2,422,413</u>	<u>-</u>	<u>(1,566,712)</u>
Change in fund balance	1,316,448	642,245	-	7,014	1,965,707
Fund balance, beginning of year	<u>52,134</u>	<u>132,616</u>	<u>-</u>	<u>9,998</u>	<u>194,748</u>
Fund balance, end of year	<u>\$ 1,368,582</u>	<u>\$ 774,861</u>	<u>\$ -</u>	<u>\$ 17,012</u>	<u>\$ 2,160,455</u>

See Independent Auditor's Report.

**Henderson County Board of Education
Statement of Receipts, Disbursements, and Fund Balance
Elementary and Middle Schools – Activity Funds
For the fiscal year ended June 30, 2020**

	<u>Cash Balance July 1, 2019</u>	<u>Receipts For Year</u>	<u>Disbursements For Year</u>	<u>Cash Balance June 30, 2020</u>	<u>Accounts Receivable</u>	<u>Accounts Payable</u>	<u>Fund Balance June 30, 2020</u>
<u>SCHOOL ACTIVITY FUNDS:</u>							
Bend Gate Elementary	\$ 4,868	\$ 26,411	\$ 26,216	\$ 5,063	\$ -	\$ -	\$ 5,063
Cairo Elementary	10,543	32,931	33,839	9,635	-	-	9,635
Central Learning Center	4,692	2,391	2,127	4,956	-	-	4,956
Chandler Elementary	6,758	33,784	29,053	11,489	-	-	11,489
East Heights Elementary	34,368	27,456	25,856	35,968	-	-	35,968
Jefferson Elementary	9,701	23,928	19,883	13,746	-	-	13,746
Niagara Elementary	17,744	25,715	29,705	13,754	-	-	13,754
South Heights Elementary	4,554	12,276	15,211	1,619	-	-	1,619
Spottsville Elementary	19,275	43,100	41,906	20,469	-	-	20,469
Thelma B. Johnson ELC	10,830	8,896	8,288	11,438	-	-	11,438
North Middle School	64,377	263,555	284,457	43,475	-	-	43,475
South Middle School	93,648	181,278	237,547	37,379	-	-	37,379
Totals	\$ 281,358	\$ 681,721	\$ 754,088	\$ 208,991	\$ -	\$ -	\$ 208,991

See Independent Auditor's Report.

**Henderson County Board of Education
Statement of Receipts, Disbursements, and Fund Balance
Henderson County High School – Activity Funds
For the fiscal year ended June 30, 2020**

<u>Accounts</u>	Balance July 1, 2019	Receipts For Year	Disbursements For Year	Cash Balance June 30, 2019	Accounts Receivable	Accounts Payable	Fund Balance June 30, 2020
Henderson County High School:							
Athletic	\$ 89,643	\$ 288,465	\$ 306,961	\$ 71,147	\$ -	\$ -	\$ 71,147
Band	52,790	106,848	127,171	32,467	-	-	32,467
Bookstore	25,705	10,288	26,426	9,567	-	-	9,567
Clubs	170,537	392,154	391,032	171,659	-	-	171,659
General Fund	180,289	239,579	188,866	231,002	-	-	231,002
Industrial Technology	436	-	-	436	-	-	436
Media	103,349	14,953	7,140	111,162	-	-	111,162
Memorial Funds	1,636	600	1,210	1,026	-	-	1,026
School concessions	4,784	19,359	13,977	10,166	-	-	10,166
Supplies	1,236	-	-	1,236	-	-	1,236
Speech and drama	10,800	2,221	2,545	10,476	-	-	10,476
Student council	5,909	6,107	5,937	6,079	-	-	6,079
Textbooks	3,576	46,313	46,971	2,918	-	-	2,918
Scholarship Funds	19,061	26,352	30,094	15,319	-	-	15,319
Totals	\$ 669,751	\$ 1,153,239	\$ 1,148,330	\$ 674,660	\$ -	\$ -	\$ 674,660

See Independent Auditor's Report.

APPENDIX C

**Henderson 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 21st day of July, 2021, by and between the Board of Education of Henderson County, Kentucky School District ("Board"); the Henderson 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 \$4,710,000 of the Corporation's School Building Revenue Bonds, Series of 2021, dated as of July 21, 2021 ("Bonds"), which Bonds were offered for sale under the terms and conditions of a Final Official Statement ("FOS") prepared by RSA Advisors, LLC, Lexington, Kentucky ("Financial Advisor") and approved by the authorized representatives of the Board and the Corporation, and

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

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

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

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

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

1. ANNUAL FINANCIAL INFORMATION

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

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

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

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

2. MATERIAL EVENTS NOTICES

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

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

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

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

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

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

3. SPECIAL REQUESTS FOR INFORMATION

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

4. DISCLAIMER OF LIABILITY

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

5. FINAL OFFICIAL STATEMENT

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

6. DURATION OF THE AGREEMENT

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

7. AMENDMENT; WAIVER

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

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

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

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

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

8. DEFAULT

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

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

**BOARD OF EDUCATION OF HENDERSON COUNTY,
KENTUCKY SCHOOL DISTRICT**

Attest:

Chairman

Secretary

**HENDERSON COUNTY SCHOOL
DISTRICT FINANCE CORPORATION**

Attest:

President

Secretary

APPENDIX D

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

Official Terms and Conditions of Bond Sale

OFFICIAL TERMS AND CONDITIONS OF BOND SALE

\$4,710,000*

**Henderson County School District Finance Corporation
School Building Revenue Bonds, Series of 2021
Dated as of July 21, 2021**

SALE: June 30, 2021 AT 11:00 A.M., E.D.S.T.

As published on PARITY®, a nationally recognized electronic bidding system, the Henderson County School District Finance Corporation ("Corporation") will until June 30, 2021, at the hour of 11:00 A.M., E.D.S.T., in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Rd, Carriage House, Frankfort, KY 40601, receive competitive bids for the revenue bonds herein described. To be considered, bids must be submitted on an Official Bid Form and must be delivered to the Corporation at the address indicated on the date of sale no later than the hour indicated. Bids may be submitted manually or by facsimile or electronically via PARITY. Bids will be considered by the Corporation and may be accepted without further action by the Corporation's Board of Directors.

Subject to a Permitted Adjustment* increasing or decreasing the issue by up to \$470,000.

**HENDERSON 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 Henderson 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 HVAC upgrades to South Heights Elementary School (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, 2022; 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 the school building(s) which constitutes the Project.

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 school building Project but foreclosure and sale are not available as remedies.

The rental of the Project from the Corporation to the Board is to be effected under a certain Lease Agreement by and between the Corporation and the Board (the "Lease"), whereunder the school building Project is leased to the Board for the initial period ending June 30, 2022, with an option in the Board to renew the Lease each year at rentals sufficient to provide for the principal and interest requirements on the Bonds as they become due, plus the costs of insurance, maintenance, depreciation, and bond issuance and administration expenses; the Board being legally obligated only for the initial rental period and for one year at a time thereafter each time the Lease is renewed.

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

ADDITIONAL PARITY BONDS

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

BOND MATURITIES, PRIOR REDEMPTION PROVISIONS AND PAYING AGENT

All such Bonds shall be in denominations in multiples of \$5,000 within the same maturity, bear interest from July 21, 2021, payable on February 1, 2022, and semi annually thereafter and shall mature as to principal on August 1 in each of the years as follows:

<u>Year</u>	<u>Amount*</u>
2022	\$445,000
2023	450,000
2024	455,000
2025	460,000
2026	465,000
2027	475,000
2028	480,000
2029	485,000
2030	495,000
2031	500,000

*Subject to a Permitted Adjustment of the amount of Bonds awarded of up to \$470,000 which may be applied in any or all maturities.

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

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). Independence Bank of Kentucky, Owensboro, 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 February 1 and August 1 of each year, beginning February 1, 2022 (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 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 \$4,662,900 (99% of par) plus accrued interest. Interest rates shall be in multiples of 1/8 or 1/20 of 1% or both. Only one interest rate shall be permitted per Bond, and all Bonds of the same maturity shall bear the same rate. Interest rates must be on an ascending scale, in that the interest rate stipulated in any year may not be less than that stipulated for any preceding maturity. There is no limit on the number of different interest rates.

(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 \$4,710,000 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 \$470,000 (the "Permitted Adjustment") which may be awarded to such best bidder may be a minimum of \$4,240,000 or a maximum of \$5,180,000. 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 \$4,710,000 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 June 30, 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 August 1 in accordance with the maturity schedule setting the actual size of the issue.

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

(I) The Corporation 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 100% of fair cash value.

BIENNIAL BUDGET FOR PERIOD ENDING JUNE 30, 2022

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

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

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

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 (the "Rule") by filing annual financial statements and material events notices with the Electronic Municipal Market Access ("EMMA") System maintained by the Municipal Securities Rule Making Board.

Financial information regarding the Board may be obtained from Superintendent, Henderson County School District Board of Education, 1805 Second Street, Henderson, Kentucky 42420, Telephone 270-831-5000.

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.

**HENDERSON COUNTY SCHOOL DISTRICT
FINANCE CORPORATION**

By /s/ Bob Lawson
Secretary

APPENDIX E

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

Official Bid Form

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

The Henderson County School District Finance Corporation ("Corporation" or "Issuer"), will until 11:00 A.M., E.D.S.T., on June 30, 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 \$4,710,000 School Building Revenue Bonds, Series of 2021, dated July 21, 2021; maturing August 1, 2022 through 2031 ("Bonds").

We hereby bid for said \$4,710,000* principal amount of Bonds, the total sum of \$ _____ (not less than \$4,662,900) plus accrued interest from July 21, 2021 payable February 1, 2022 and semiannually thereafter at the following annual rates, (rates on ascending scale in multiples of 1/8 or 1/20 of 1%; number of interest rates unlimited) and maturing as to principal on August 1 in the years as follows:

<u>Year</u>	<u>Amount*</u>	<u>Rate</u>	<u>%</u>
2022	\$445,000	_____	%
2023	450,000	_____	%
2024	455,000	_____	%
2025	460,000	_____	%
2026	465,000	_____	%
2027	475,000	_____	%
2028	480,000	_____	%
2029	485,000	_____	%
2030	495,000	_____	%
2031	500,000	_____	%

* Subject to Permitted Adjustment

We understand this bid may be accepted for as much as \$5,180,000 of Bonds or as little as \$4,240,000 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 June 30, 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 August 1 in accordance with the maturity schedule setting the actual size of the issue.

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

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

No certified or bank cashier's check will be required to accompany a bid, but the successful bidder shall be required to wire transfer an amount equal to 2% of the principal amount of Bonds awarded by the close of business on the date following the award. Said good faith amount will be applied (without interest) to the purchase price on delivery. Wire transfer procedures should be arranged through Independence Bank of Kentucky Owensboro, Kentucky, Attn: Ms. Connie Thomas (270-686-1776).

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 July 21, 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 July 21, 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 Municipal Advisor and Agent for the Henderson County School District Finance Corporation for \$ _____ amount of Bonds at a price of \$ _____ as follows:

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

Dated: June 30, 2021

 RSA Advisors, LLC,
 Financial Advisor and Agent for Henderson County
 School District Finance Corporation