

**DATED JUNE 16, 2021**

**NEW ISSUE**  
**Electronic Bidding via Parity®**  
**NOT 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 imposed on individuals and corporations, 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).*

**\$16,415,000\***  
**LEWIS COUNTY SCHOOL DISTRICT FINANCE CORPORATION**  
**SCHOOL BUILDING REVENUE BONDS,**  
**SERIES 2021B**

**Dated with Delivery: July 15, 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		Interest	Reoffering	Maturing		Interest	Reoffering
1-Aug	Amount	Rate	Yield	1-Aug	Amount	Rate	Yield
				CUSIP			CUSIP
2022	\$555,000	%	%	2032	\$815,000	%	%
2023	\$620,000	%	%	2033	\$835,000	%	%
2024	\$640,000	%	%	2034	\$855,000	%	%
2025	\$655,000	%	%	2035	\$880,000	%	%
2026	\$675,000	%	%	2036	\$905,000	%	%
2027	\$690,000	%	%	2037	\$925,000	%	%
2028	\$705,000	%	%	2038	\$955,000	%	%
2029	\$730,000	%	%	2039	\$975,000	%	%
2030	\$745,000	%	%	2040	\$1,005,000	%	%
2031	\$765,000	%	%	2041	\$1,485,000	%	%

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

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

The Bonds constitute a limited indebtedness of the Lewis County School District Finance Corporation and are payable from and secured by a pledge of the gross income and revenues derived by leasing the Project on an annually renewable basis to the Lewis County School District Board of Education.

The Secretary of the Lewis County School District Finance Corporation will until June 24, 2021, at 1:00 P.M., E.T., receive sealed bids for the Bonds at the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Road, Carriage House, Frankfort, Kentucky 40601.

**\*As set forth in the "Official Terms and Conditions of Bond Sale," the principal amount of Bonds sold to the successful bidder is subject to a Permitted Adjustment by increasing or decreasing the amount awarded by up to \$1,640,000.**

**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.

**LEWIS COUNTY  
BOARD OF EDUCATION**

Sara Gibbs, Chairman  
Amber Kielman, Member  
Michelle Skidmore, Member  
Cindy Applegate, Member  
Todd Sartin, Member

Jamie Weddington, Superintendent/Secretary

**LEWIS COUNTY SCHOOL DISTRICT  
FINANCE CORPORATION**

Sara Gibbs, President  
Amber Kielman, Member  
Michelle Skidmore, Member  
Cindy Applegate, Member  
Todd Sartin, Member

Jamie Weddington, Superintendent  
Joe Kennedy, Secretary

**BOND COUNSEL**

Dinsmore & Shohl LLP  
Covington, Kentucky

**FINANCIAL ADVISOR**

RSA Advisors, LLC  
Lexington, Kentucky

**PAYING AGENT AND REGISTRAR**

U.S. Bank National Association  
Louisville, Kentucky

**BOOK-ENTRY-ONLY-SYSTEM**

## REGARDING USE OF THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Lewis County School District Finance Corporation School Building Revenue Bonds, Series 2021B, 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**

**\$16,415,000\***

**LEWIS COUNTY SCHOOL DISTRICT FINANCE CORPORATION  
SCHOOL BUILDING REVENUE BONDS,  
SERIES 2021B**

*\* 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 Lewis County School District Finance Corporation (the "Corporation") School Building Revenue Bonds, Series 2021B (the "Bonds").

The Bonds are being issued to finance construction of the new Garrison Elementary School (the "Project" herein).

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

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

Copies of the Bond Resolution authorizing the issuance of the Bonds, the Participation Agreement and the Contract, Lease and Option, dated February 23, 2021, may be obtained at the office of Dinsmore & Shohl LLP, 50 East Rivercenter Boulevard, Suite 1150, Covington, KY 41011.

**BOOK-ENTRY-ONLY-SYSTEM**

The Bonds initially will be issued solely in Book-Entry form to be held in the Book-Entry-Only-System maintained by The Depository Trust Company ("DTC"), New York, New York. So long as such Book-Entry system is used, only DTC will receive or have the right to receive physical delivery of Bonds and, except as otherwise provided herein with respect to tenders by Beneficial Owners of Beneficial Ownership Interests, Beneficial owners will not be or be considered to be, and will not have any rights as, owners or holders of the Bonds under the Ordinance.

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. One fully-registered Bond certificate will be issued for in the aggregate principal amount of the Bonds and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent and Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation or the Paying Agent and Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary

practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC or its nominee, the Paying Agent and Registrar or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation or the Paying Agent and Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

## **THE CORPORATION**

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

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

## **KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION**

The Kentucky School Facilities Construction Commission (the "Commission") is an independent corporate agency and instrumentality of the Commonwealth of Kentucky established pursuant to the provisions of Sections 157.611 through 157.640 of the Kentucky Revised Statutes as repealed, amended, and reenacted by the 1990 Regular Session of said General Assembly (the "Act") for the purpose of assisting local school districts in meeting their capital construction needs. The Commission is the successor agency to the Kentucky School Building Authority.

The Kentucky School Facilities Construction Commission (the "Commission") is an independent corporate agency and instrumentality of the Commonwealth of Kentucky established pursuant to the provisions of §§ 157.611 through 157.640 of the Kentucky Revised Statutes, as repealed, amended, and reenacted (the "Act") for the purpose of assisting local school districts in meeting the school construction needs of the Commonwealth in a manner which will ensure an equitable distribution of funds based upon unmet need. Pursuant to the provisions of the Act, the Regulations of the State Board of Education and of the Commission, the Commission has determined that the Board is eligible for participation from the Commission in meeting the costs of the Projects and has entered into the Participation Agreement with the Board whereunder the Commission agrees to pay an Agreed Participation equal to approximately 81% of the debt service requirements each year to be applied only to the payment of the principal and interest requirements on the Bonds; provided, however, that the contractual commitment of the Commission to pay the annual Agreed Participation is limited to the biennial budget period of the Commonwealth, with the first such biennial period terminating on June 30, 2022. The right is reserved in the Commission to terminate the commitment to pay the Agreed Participation every two years thereafter. The obligation of the Commission to make payments of the Agreed Participation shall be automatically renewed each two years for a period of two years unless the Commission shall give notice of its intention not to participate not less than sixty days prior to the end of the biennium; however, by execution of the Participation Agreement, the Commission has expressed its present intention to continue to pay the Agreed Participation in each successive biennial budget period until the retirement of all of the Bonds, but such execution does not obligate the Commission to do so.

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

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

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

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

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

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

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

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

### **OUTSTANDING BONDS**

The following table shows the outstanding Bonds of the Board by the original principal amount of each issue, the current principal outstanding, the amount of the original principal scheduled to be paid with the



corresponding interest thereon by the Board or the School Facilities Construction Commission, the approximate interest range; and, the final maturity date of the Bonds:

<b>Bond Series</b>	<b>Original Principal</b>	<b>Current Principal Outstanding</b>	<b>Principal Assigned to Board</b>	<b>Principal Assigned to Commission</b>	<b>Interest Rate Range</b>	<b>Final Maturity</b>
2012-REF	\$2,070,000	\$575,000	\$1,667,729	\$402,271	2.000% - 2.250%	2023
2012B	\$1,110,000	\$685,000	\$0	\$1,110,000	2.250% - 3.375%	2032
2015-REF	\$1,480,000	\$775,000	\$848,736	\$631,264	2.000% - 2.500%	2025
2016-REF	\$1,095,000	\$750,000	\$564,833	\$530,167	2.000% - 2.500%	2026
2016B-REF	\$2,225,000	\$1,810,000	\$1,837,265	\$387,735	2.000% - 2.500%	2028
2017A	\$920,000	\$795,000	\$920,000	\$0	2.000% - 3.700%	2037
2017B	\$15,430,000	\$14,265,000	\$8,918,520	\$6,511,480	2.000% - 3.250%	2037
2021	\$14,875,000	\$14,875,000	\$14,875,000	\$0	2.000%	2041
<b>TOTALS:</b>	<b>\$39,205,000</b>	<b>\$34,530,000</b>	<b>\$29,632,083</b>	<b>\$9,572,917</b>		

### **AUTHORITY**

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

- i) the issuance of approximately \$16,415,000 of Bonds subject to a permitted adjustment by increasing or decreasing the amount awarded by up to \$1,640,000;
- 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 15, 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). U.S. Bank National Association, Louisville, Kentucky, the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date (February 1 and August 1) to each Registered Owner of record as of the 15th day of the month preceding the due date (January 15 and July 15) which shall be Cede & Co., as the nominee of The Depository Trust Company. Please see Book-Entry-Only-System.

## Redemption

The Bonds scheduled to mature on and after August 1, 2029, are subject to redemption at the option of the Corporation prior to their stated maturities 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, expressed in percentages of the principal amount with respect to each redeemed Bond as set forth below, plus accrued interest to the date of redemption:

<b>Redemption Dates (inclusive)</b>	<b>Redemption Price</b>
August 1, 2028 and thereafter	100%

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.

## 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 acquired and constructed from the Bond proceeds from the Corporation to the Board.

### Mortgage Lien

The Bonds are secured by a statutory mortgage lien and a pledge of revenues on and from the site of the Project.

### The Lease

The Board has leased the school Project securing the Bonds for an initial period from July 15, 2021 through June 30, 2021 with the option in the Board to renew said Lease from year to year for one year at a time, at annual rentals, sufficient in each year to enable the Corporation to pay, solely from the rental due under the Lease, the principal and interest on all of the Bonds as same become due. The Lease provides further that so long as the Board exercises its annual renewal options, its rentals will be payable according to the terms and provisions of the Lease until February 1, 2041, the final maturity date of the Bonds.

## THE PROJECT

After payment of the Bond issuance costs, the Board plans to deposit the net Bond proceeds to finance construction of the new Garrison 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.

## **STATE INTERCEPT**

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

## **COMMISSION'S PARTICIPATION**

The Commission has determined that the Board is eligible for an average annual participation equal to approximately \$873,842 from the Commission's appropriation by the Kentucky General Assembly which will be used to meet a portion of the debt service of the Bonds. The plan for financing the Project will require the Commission to pay approximately eighty percent (80%) of the debt service of the Bonds.

The Participation Agreement to be entered into with the Board will be limited to the biennial budget period of the Commonwealth of Kentucky, with the first such biennial period terminating on June 30, 2022. The right is reserved in the Commission to terminate the commitment to pay the agreed participation every two years thereafter. The obligation of the Commission to make payments of the agreed participation shall be automatically renewed each two years thereafter unless the Commission gives notice to the Board of its intention not to participate not less than sixty days prior to the end of the biennium. However, the Commission has expressed its intention to continue to pay the agreed participation in successive biennial budget periods until the Bonds are retired, but the Commission is not required to do so.

## **ADDITIONAL PARITY BONDS FOR COMPLETION OF PROJECT**

The Corporation has reserved the right and privilege of issuing additional bonds from time to time payable from the income and revenues of said land and school building Project and secured by the same statutory mortgage lien and pledge of revenues, but only if and to the extent the issuance of such additional parity bonds may be necessary to pay the costs, for which funds are not otherwise available, of completing the construction of said school building Project in accordance with the plans and specifications of the architect in charge of said Project, which plans have been completed, approved by the Board, Kentucky Department of Education, and filed in the office of the Secretary of the Corporation.

**ESTIMATED BOND DEBT SERVICE**

The following table shows by fiscal year the current bond payments of the Board. The plan of financing provides for the Board to pay approximately 20% of the debt service of the bonds.

Fiscal Year Ending June 30	Current Local Bond Payments	----- 2021B School Building Revenue Bonds -----					Total Local Bond Payments
		Principal	Interest	Total	Local Portion	SFCC Portion	
2022	\$1,699,815		\$236,832	\$236,832	\$44,998	\$191,834	\$1,744,813
2023	\$1,700,835	\$555,000	\$427,644	\$982,644	\$186,702	\$795,941	\$1,887,537
2024	\$1,697,175	\$620,000	\$412,075	\$1,032,075	\$196,094	\$835,981	\$1,893,269
2025	\$1,698,233	\$640,000	\$395,380	\$1,035,380	\$196,722	\$838,658	\$1,894,956
2026	\$1,699,396	\$655,000	\$378,221	\$1,033,221	\$196,312	\$836,909	\$1,895,708
2027	\$1,697,003	\$675,000	\$360,599	\$1,035,599	\$196,764	\$838,835	\$1,893,767
2028	\$1,701,337	\$690,000	\$342,513	\$1,032,513	\$196,177	\$836,335	\$1,897,514
2029	\$1,701,686	\$705,000	\$324,029	\$1,029,029	\$195,515	\$833,513	\$1,897,202
2030	\$1,698,741	\$730,000	\$305,015	\$1,035,015	\$196,653	\$838,362	\$1,895,394
2031	\$1,700,816	\$745,000	\$285,471	\$1,030,471	\$195,790	\$834,682	\$1,896,606
2032	\$1,700,513	\$765,000	\$265,464	\$1,030,464	\$195,788	\$834,676	\$1,896,301
2033	\$1,699,222	\$815,000	\$244,529	\$1,059,529	\$201,310	\$858,218	\$1,900,533
2034	\$1,698,960	\$835,000	\$222,666	\$1,057,666	\$200,957	\$856,710	\$1,899,917
2035	\$1,700,703	\$855,000	\$200,274	\$1,055,274	\$200,502	\$854,772	\$1,901,205
2036	\$1,700,279	\$880,000	\$177,285	\$1,057,285	\$200,884	\$856,401	\$1,901,163
2037	\$1,698,063	\$905,000	\$153,634	\$1,058,634	\$201,140	\$857,493	\$1,899,203
2038	\$1,700,763	\$925,000	\$129,386	\$1,054,386	\$200,333	\$854,053	\$1,901,096
2039	\$1,698,000	\$955,000	\$104,476	\$1,059,476	\$201,300	\$858,176	\$1,899,300
2040	\$1,701,000	\$975,000	\$78,904	\$1,053,904	\$200,242	\$853,662	\$1,901,242
2041	\$1,698,300	\$1,005,000	\$52,669	\$1,057,669	\$200,957	\$856,712	\$1,899,257
2042		\$1,485,000	\$19,676	\$1,504,676	\$285,888	\$1,218,788	\$285,888
<b>TOTALS:</b>	<b>\$33,990,841</b>	<b>\$16,415,000</b>	<b>\$5,116,741</b>	<b>\$21,531,741</b>	<b>\$4,091,031</b>	<b>\$17,440,710</b>	<b>\$38,081,872</b>

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

**ESTIMATED USE OF BOND PROCEEDS**

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

<b>Sources:</b>	
Par Amount of Bonds	<u>\$16,415,000.00</u>
Total Sources	\$16,415,000.00
<b>Uses:</b>	
Deposit to Construction Fund	\$15,976,190.00
Underwriter's Discount (2%)	328,300.00
Cost of Issuance	<u>110,510.00</u>
Total Uses	\$16,415,000.00

## DISTRICT STUDENT POPULATION

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

<u>Year</u>	<u>Average Daily Attendance</u>	<u>Year</u>	<u>Average Daily Attendance</u>
2000-01	2,228.7	2010-11	2,094.7
2001-02	2,189.5	2011-12	2,102.8
2002-03	2,165.8	2012-13	2,142.9
2003-04	2,195.6	2013-14	2,127.0
2004-05	2,197.9	2014-15	2,100.7
2005-06	2,165.8	2015-16	2,045.8
2006-07	2,217.3	2016-17	2,025.1
2007-08	2,212.4	2017-18	2,014.9
2008-09	2,200.2	2018-19	1,960.4
2009-10	2,137.9	2019-20	1,946.8

*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 \$3,827 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 Lewis County School District for certain preceding school years.

<b>Year</b>	<b>Capital Outlay Allotment</b>	<b>Year</b>	<b>Capital Outlay Allotment</b>
2000-01	222,870.0	2010-11	209,472.0
2001-02	218,950.0	2011-12	210,281.0
2002-03	216,580.0	2012-13	214,288.0
2003-04	219,560.0	2013-14	212,700.0
2004-05	219,790.0	2014-15	210,070.0
2005-06	216,580.0	2015-16	204,577.0
2006-07	221,730.0	2016-17	202,513.6
2007-08	221,240.0	2017-18	201,490.0
2008-09	220,018.0	2018-19	196,042.3
2009-10	213,792.0	2019-20	194,680.0

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

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

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

## **LOCAL SUPPORT**

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

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

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

Under KRS 160.470(12)(a) for fiscal years beginning July 1, 1990 school districts are required to levy a "minimum equivalent tax rate" of thirty cents (\$.30) for general school purposes. The equivalent tax rate is

defined as the rate which results when the income collected during the prior year from all taxes (including occupational or utilities) levied by the district for school purposes divided by the total assessed value of property plus the assessment for motor vehicles certified by the State Revenue Cabinet. Failure to levy the minimum equivalent rate subjects the board of the district to removal.

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

**Local Thirty Cents Minimum.** Effective for school years beginning after June 30, 1990, the board of education of each school district shall levy a minimum equivalent tax rate of thirty cents (\$0.30) for general school purposes. If a board fails to comply, its members shall be subject to removal from office for willful neglect of duty.

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

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

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

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

<b>Tax Year</b>	<b>Combined Equivalent Rate</b>	<b>Total Property Assessment</b>	<b>Property Revenue Collections</b>
2000-01	48.5	352,593,021	1,710,076
2001-02	44.3	365,537,815	1,619,333
2002-03	48.8	388,380,481	1,895,297
2003-04	48.8	410,230,094	2,001,923
2004-05	51.5	428,779,523	2,208,215
2005-06	48.8	445,888,480	2,175,936
2006-07	46.5	460,696,122	2,142,237
2007-08	48.8	478,193,020	2,333,582
2008-09	47.4	494,365,917	2,343,294
2009-10	47.4	508,157,412	2,408,666
2010-11	49.5	507,764,072	2,513,432
2011-12	46.9	521,492,001	2,445,797
2012-13	48.1	528,208,526	2,540,683
2013-14	47.5	551,808,837	2,621,092
2014-15	47.7	560,043,381	2,671,407
2015-16	49.1	580,904,401	2,852,241
2016-17	44.3	587,097,867	2,600,844
2017-18	54.1	592,137,204	3,203,462
2018-19	51.5	591,396,691	3,045,693
2019-20	51.7	590,140,823	3,051,028

***Overlapping Bond Indebtedness***

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

<b>Issuer</b>	<b>Original Principal Amount</b>	<b>Amount of Bonds Redeemed</b>	<b>Current Principal Outstanding</b>
County of Lewis			
General Obligation	\$98,894	\$0	\$98,894
Vehicles Revenue	\$560,534	\$0	\$560,534
City of Vanceburg			
General Obligation	\$7,295,000	\$2,692,833	\$4,602,167
Water & Sewer Revenue	\$5,094,300	\$1,543,400	\$3,550,900
Special Districts			
Black Oak FPD	\$580,000	\$515,000	\$65,000
Garrison Volunteer FD	\$4,900,000	\$0	\$4,900,000
Garrison-Quincy-KY-O-Heights Water Dist.	\$1,749,000	\$495,900	\$1,253,100
Lewis County Public Health Dist.	\$250,000	\$81,200	\$168,800
Lewis County Public Library District	\$1,100,000	\$132,000	\$968,000
Sanitation District No. 1 of Lewis Co.	\$963,000	\$51,500	\$911,500
Western Lewis-Rectorville Water Dist.	\$3,046,000	\$937,500	\$2,108,500
<b>Totals:</b>	<b>\$25,636,728</b>	<b>\$6,449,333</b>	<b>\$19,187,395</b>

*Source: 2020 Kentucky Local Debt Report.*

**SEEK ALLOTMENT**

The Board has reported the following information as to the SEEK allotment to the District, and as provided by the State Department of Education.

<b>SEEK</b>	<b>Base Funding</b>	<b>Local Tax Effort</b>	<b>Total State &amp; Local Funding</b>
2000-01	8,801,770	1,710,076	10,511,846
2001-02	8,813,726	1,619,333	10,433,059
2002-03	9,222,018	1,895,297	11,117,315
2003-04	9,674,469	2,001,923	11,676,392
2004-05	9,853,455	2,208,215	12,061,670
2005-06	10,174,694	2,175,936	12,350,630
2006-07	10,596,791	2,142,237	12,739,028
2007-08	11,663,430	2,333,582	13,997,012
2008-09	11,766,091	2,343,294	14,109,385
2009-10	10,082,624	2,408,666	12,491,290
2010-11	9,732,808	2,513,432	12,246,240
2011-12	10,660,575	2,445,797	13,106,372
2012-13	10,816,634	2,540,683	13,357,317
2013-14	10,785,965	2,621,092	13,407,057
2014-15	10,828,198	2,671,407	13,499,605
2015-16	10,623,796	2,852,241	13,476,037
2016-17	10,470,339	2,600,844	13,071,183
2017-18	10,728,523	3,203,462	13,931,985
2018-19	10,630,640	3,045,693	13,676,333
2019-20	10,582,571	3,051,028	13,633,599



- (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 \$0.517 for FY 2019-20. The equivalent tax rate" is defined as the rate which results when the income from all taxes levied by the district for school purposes is divided by the total assessed value of property plus the assessment for motor vehicles certified by the Commonwealth of Kentucky Revenue Cabinet.

### **State Budgeting Process**

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

### **CONTINUING DISCLOSURE**

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

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

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

### **TAX EXEMPTION; NOT BANK QUALIFIED**

Bond Counsel is of the opinion that:

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

(B) Interest payable on the Bonds is excludable from gross income under the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, interest on the Bonds will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Code, in computing the alternative minimum tax. The Corporation has

covenanted to comply with the applicable provisions of the Code, and such compliance by the corporation is necessary to maintain the federal income tax status described above. No opinion is expressed regarding other federal tax consequences arising with respect to the Bonds.

(C) The Corporation has NOT designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265 of the Code.

The Corporation has covenanted to comply with the applicable provisions of the Code, and such compliance by the Corporation is necessary to maintain the federal income tax status described above. No opinion is expressed regarding other federal tax consequences arising with respect to Bonds.

## **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>.

According to the United States Centers for Disease Control and Prevention, as of June 10, 2021, nearly 64% of the total United States population had received at least one dose of a vaccine, and 42.5% of the population is considered fully vaccinated. For the United States population over the age of 65, the percentages are approximately 86.5% and 75.7%, respectively.

As of April 5, 2021, all Kentuckians age 12 and older are eligible to receive a vaccine. As of June 11, 2021, over two million Kentuckians have been immunized.

## **LITIGATION**

There is no litigation presently pending against the Corporation or the District, nor to the knowledge of the officials of the Corporation or the District is there any litigation threatened, which questions or affects the validity of the Bonds or any proceedings or transactions relating to the issue, sale and delivery thereof.

## **APPROVAL OF LEGALITY**

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving legal opinion of Dinsmore & Shohl LLP, Covington, Kentucky, Bond Counsel. The form of the approving legal opinion of Bond Counsel will appear on each printed Bond.

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

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

## **BOND RATING**

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

## **FINANCIAL ADVISOR**

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

## **APPROVAL OF OFFICIAL STATEMENT**

The Corporation has approved and caused this "Official Statement" to be executed and delivered by its President. In making this "Official Statement" the Corporation relied upon information furnished to it by the Board of Education of the Lewis County School District and does not assume any responsibility as to the accuracy or completeness of any of the information in this Official Statement except as to copies of documents denominated "Official Terms and Conditions" and "Bid Form." The financial information supplied by the Board of Education is represented by the Board of Education to be correct. The Corporation deems this preliminary Official Statement to be final for purposes of Securities Exchange Commission Rule 15c2-12(b)(1) as qualified by the cover hereof.

No dealer, broker, salesman, or other person has been authorized by the Corporation, the Lewis County School District Board of Education or the Financial Advisor to give any information or representations, other than those contained in this Official Statement, and if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Except when otherwise indicated, the information set forth herein has been obtained from the Kentucky Department of Education and the Lewis County School District and is believed to be reliable. However, such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Financial Advisor or by Counsel. The delivery of this Official Statement at any time does not imply that information herein is correct as of any time subsequent to the date hereof.



## **APPENDIX A**

**Lewis County School District Finance Corporation  
School Building Revenue Bonds  
Series 2021B**

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### **Demographic and Economic Data**

## LEWIS COUNTY, KENTUCKY

Vanceburg, the county seat of Lewis County, is located in the north central portion of Lewis County. Vanceburg celebrated its bicentennial in 1997. With an estimated 2020 population of 1,354, Vanceburg is located 72 miles north of Huntington, West Virginia; 89 miles northeast of Lexington, Kentucky; 89 miles southeast of Cincinnati, Ohio; and 169 miles east of Louisville, Kentucky.

Lewis County, with a land area of 485 square miles, is located in northeastern Kentucky. The Ohio River forms the northern boundary of the county and the Licking River forms the southern boundary. Lewis County had an estimated 2020 population of 13,139 persons.

### **The Economic Framework**

Lewis County has a labor force of 4,808 people with an unemployment rate of 8.6%. The total number of people employed in 2019 averaged 1,757. The top 5 jobs by occupation are as follows: office and administrative support - 294 (16.73%); executives, managers and administrators - 267 (15.2%); sales - 229 (13.03%); education, training/library - 114 (6.49%); and construction and extraction - 112 (6.37%).

### **Transportation**

“AAA”-rated trucking highways serving Vanceburg include Kentucky Routes 9 and 10 (John Y. Brown AA Highway), extending from Interstate 275 in northern Kentucky through Vanceburg. Kentucky Routes 8 and 59, both “AA”-rated trucking highways, also serve Vanceburg. Access to Interstate 64 is 28 miles south of Vanceburg via Kentucky Highway 59. Twelve trucking companies provide interstate and/or intrastate service to the area. CSX Transportation provides main line rail service to Vanceburg. The nearest scheduled commercial airline service is available at Tri-State Airport near Huntington, West Virginia, 72 miles southeast of Vanceburg. The Fleming-Mason Airport, 32 miles southwest of Vanceburg, maintains a 5,000-foot runway designed to accommodate small aircraft.

### **Power and Fuel**

The Electric Plant Board of the City of Vanceburg provides electric power to Vanceburg and parts of Lewis County. Lewis County is also provided electric power by the Fleming-Mason Rural Electric Cooperative Corporation. Natural gas service is provided to Vanceburg by the Electric Plant Board of the City of Vanceburg.

### **Education**

Primary and secondary education is provided to Vanceburg and Lewis County by the Lewis County School System. Eight colleges and universities are located within 60 miles of Vanceburg. The nearest area technology centers (ATC) providing secondary technical training are Mason County ATC in Maysville; Greenup County ATC in Greenup; Morgan County ATC in West Liberty; and Russell ATC in Russell. The nearest technical colleges providing postsecondary technical training are Rowan County Technical College in Morehead; and Ashland Technical College in Ashland.

## LOCAL GOVERNMENT

### Structure

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

### Planning and Zoning

There is no planning and zoning commission in Lewis County at the present time.

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

### Local Fees and Licenses

The City of Vanceburg levies a one percent occupational license tax on all wages, salaries and commissions of individuals employed within the city and on net profits of businesses located within the city. An annual business license fee of \$22.50 is also required to operate a business in Vanceburg.

## LABOR MARKET STATISTICS

The Vanceburg labor market area includes Lewis County and the following additional counties: Carter, Fleming, Greenup, Mason, Rowan in Kentucky and Scioto in Ohio.

### Population

<u>Area</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Vanceburg	1,383	1,404	1,354
Lewis County	13,270	13,197	13,139

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

### Population Projections

<u>Area</u>	<u>2025</u>	<u>2030</u>	<u>2035</u>
Lewis County	13,103	12,690	12,210

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

## EDUCATION

### Public Schools

	<u>Lewis County</u>
Total Enrollment (2019-2020)	2,122
Pupil-Teacher Ratio	16.0 - 1

### Vocational Training

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

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

### **Bluegrass State Skills Corporation**

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

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

<b><u>Technical Institution</u></b>	<b><u>Location</u></b>	<b><u>Enrollment (2018-2019)</u></b>
Greenup County ATC	Greenup, KY	430
Russell ATC	Russell, KY	462
Morgan County ATC	West Liberty, KY	514
Montgomery County ATC	Mt. Sterling, KY	496
Harrison County ATC	Cynthiana, KY	556

### **Colleges and Universities**

<b><u>Institution</u></b>	<b><u>Location</u></b>	<b><u>Enrollment (Fall 2019)</u></b>
Morehead State University	Morehead, KY	9,660
Maysville Community & Tech College	Maysville, KY	3,890
Ashland Community & Tech College	Ashland, KY	2,598

### **FINANCIAL INSTITUTIONS**

<b><u>Institution</u></b>	<b><u>Total Assets</u></b>	<b><u>Total Deposits</u></b>
Citizens Deposit Bank & Trust	\$470,018,000	\$409,275,000
Pinnacle Bank, Inc.	\$50,200,000	\$38,667,000

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



**EXISTING INDUSTRY**

<u>Firm</u>	<u>Product</u>	<u>Total Employed</u>
<u>Quincy</u>		
Nelson Brothers LLC	Blasting agents	41
<u>Tollesboro</u>		
JSB Industrial Solutions	Metal can, box, pail production	7
<u>Vanceburg</u>		
Coroplast, Inc.	Corrugated plastic sheet products	63
Goodwin Lumber Company, Inc.	Millwork; hardwood, softwood, dimension & grade lumber	18
Graf & Thomas Lumber LLC	Millwork	10
Northern Contours of Kentucky, Inc.	Components for kitchen cabinet industry	39
Superior Composites Company	Fiberglass automobile door panels	130

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

**APPENDIX B**

**Lewis County School District Finance Corporation  
School Building Revenue Bonds  
Series 2021B**

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**Audited Financial Statement for FY Ending June 30, 2020**

**LEWIS COUNTY  
SCHOOL DISTRICT**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2020**

**TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS**

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## INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Lewis County School District  
Vanceburg, Kentucky

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lewis County School District (the "District") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### 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 *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

## **Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information on pages 6 through 9 and the Schedule of District's Proportionate Share of the Net Pension Liability, Schedule of Pension Contributions, Schedule of District's Proportionate Share of the Net OPEB Liability, Schedule of OPEB Contributions on pages 50 through 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic

financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2020, on our consideration of Lewis County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Kelley Dalloway Smith Hooley, PSC*

Ashland, Kentucky  
November 5, 2020



**LEWIS COUNTY SCHOOL DISTRICT  
VANCEBURG, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)  
FOR THE YEAR ENDED JUNE 30, 2020**

As management of the Lewis County School District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements.

**FINANCIAL HIGHLIGHTS**

- The beginning fund balance for the General Fund was \$1,831,011 and the ending balance was approximately \$1,306,786 , a decrease of approximately \$524,225 for the year.
- The General Fund had \$19,065,942 in revenue, which consisted primarily of the State program (SEEK), and property, utilities, and motor vehicle taxes. Excluding interfund transfers, there was \$19,952,552 in General Fund expenditures. General fund on-behalf payments totaled \$5,415,700.
- Bonds are issued as the District renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. The District's total debt, net of discounts, decreased by \$1,420,504 during the current fiscal year.
- Net pension liabilities required to be recorded under GASB No. 68 increased during the year. Non-professional staff members are covered by the Kentucky County Employee Retirement System. Under this system, the District's share of the pension liability was \$7,701,817 as of June 30, 2019, which represents an increase of \$1,192,986 from the June 30, 2018 balance of \$6,508,831. The Kentucky Teachers Retirement System covers the District's professional staff members. The District's allocated pension liability as of June 30, 2019 was \$36,878,943, which represents an increase of \$2,157,322 from the June 30, 2018 balance of \$34,721,621 due to a change in the discount rate. However, this pension liability is the responsibility of the Commonwealth of Kentucky.
- There are two sources of OPEB liabilities with which the District has to contend. The Kentucky Teachers Retirement System (KTRS) Medical Insurance Plan and Life Insurance Plan covers the District's professional staff members. The District's allocated OPEB liability as of June 30, 2019 for KTRS Medical Insurance Plan was \$7,677,000 with the District's responsibility being \$4,247,000 and the Commonwealth of Kentucky's responsibility being \$3,430,000. The liability for the KTRS Life Insurance Plan is the responsibility of the Commonwealth of Kentucky and the District's allocated amount as of June 30, 2019 was \$80,000. Non-professional staff members are covered by the County Employee Retirement System Insurance Fund. Under this fund the District's share of OPEB liability was \$1,841,421 as of June 30, 2019.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

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

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

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (government activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues. The government-wide financial statements can be found on pages 10 and 11 of this report.

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

The basic fund financial statements can be found on pages 12 through 21 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 - 49 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows exceeded assets and deferred outflows by approximately \$3.3 million as of June 30, 2020.

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

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

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

	<u>2020</u>	<u>2019</u>
Current Assets	\$ 4,403,603	\$ 7,541,049
Noncurrent Assets	<u>30,686,067</u>	<u>28,482,641</u>
Total Assets	<u>35,089,670</u>	<u>36,023,690</u>
Deferred Outflows	3,146,702	2,353,920
Current Liabilities	3,608,559	3,916,497
Noncurrent Liabilities	<u>35,667,199</u>	<u>36,660,464</u>
Total Liabilities	<u>39,275,758</u>	<u>40,576,961</u>
Deferred Inflows	2,215,361	1,415,593
Net Position		
Net investment in capital assets	7,772,827	6,780,117
Restricted	(444,627)	(605,818)
Unrestricted Fund Balance	<u>(10,582,947)</u>	<u>(9,789,243)</u>
Total Net Position	<u>\$ (3,254,747)</u>	<u>\$ (3,614,944)</u>

**Comments on Budget Comparisons**

- The District's total governmental funds revenues for the fiscal year ended June 30, 2020, net of interfund transfers, bond proceeds, and gain on sale of assets were \$24,763,505, compared with \$25,118,634 in 2019.
- The General fund budget compared to actual expenditures varied from line item to line item with the ending actual balance being \$319,403 less than budget or approximately 1.61%. Revenues were \$1,660,518 more than budget or 9.54%. These are primarily due to greater than expected KTRS on-behalf payments.
- The total cost of all programs and services for governmental funds for the fiscal year ending June 30, 2020 was \$28,390,367, compared with \$33,531,252 in 2019. This is primarily due to greater than expected KTRS on-behalf payments. The district also had significant construction ongoing.

The following table presents a summary of all governmental activities and business-type activities revenues and expenses for the fiscal year ended June 30, 2020, with comparison to 2019.

	<u>2020</u>	<u>2019</u>
<b>Revenues:</b>		
Local Revenue Sources	\$ 3,785,115	\$ 4,099,528
State and Federal Revenue Sources	<u>16,415,149</u>	<u>16,336,292</u>
Total Revenues	<u>20,200,264</u>	<u>20,435,820</u>
<b>Expenses:</b>		
Instruction	7,638,910	7,503,111
Student Support Services	1,507,792	1,489,476
Instructional Support	444,899	568,686
District Administration	708,508	583,636
School Administration	1,327,770	1,423,698
Business and Other Support Services	830,343	773,355
Plant Operations	2,050,043	2,003,381
Student Transportation	2,770,538	2,653,283
Community Services	226,443	225,425

Food services	12,581	444
Interest Expense	669,074	840,793
Food Service	<u>1,653,166</u>	<u>1,720,760</u>
Total Expenses	<u>19,840,067</u>	<u>19,786,048</u>
Revenues Over (Under) Expenses	\$ <u>360,197</u>	\$ <u>649,772</u>

**Governmental Funds Revenue**

The majority of revenue was derived from state and federal funding making up 81% of total revenue. Local revenues make up 19% of total revenue (20% in 2018).

**District-Wide Support Allocation**

District-wide support services expenses were Transportation 14%, Maintenance & Operations 10%, and Business Functions 4% (as compared to 13%, 10%, and 4% in 2019, respectively).

**Capital Assets**

At the end of June 30, 2020, the District’s investment in capital assets for its governmental and business-type activities was \$30,686,067, representing an increase of \$2,203,426, net of depreciation, from the prior year.

**Debt Service**

At year-end, the District had approximately \$23.7 million in outstanding debt, net of discounts, compared to \$25.1 million last year. The District continues to maintain favorable debt ratings from Moody’s and Standard & Poor’s.

**Budgetary Implications**

In Kentucky the public school fiscal year is July 1 - June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the District overall budget. By law the budget must have a minimum 2% contingency. The general fund cash balance for beginning the next fiscal year is \$1,593,661.

The Lewis County School District’s current and estimated grant notifications are not anticipated to make a year-to-year material impact upon the remaining funds. Award notifications and estimates are fairly in line with budgeted amounts.

Questions regarding this report should be directed to Joe Kennedy, Director of Finance/Treasurer at (606) 796-2811 or by mail at PO. Box 159, Vanceburg, Kentucky 41179.

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

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,694,412	\$ 605,966	\$ 3,300,378
Receivables (net of allowances for uncollectibles):			
Taxes	61,524	-	61,524
Other	123,837	-	123,837
Intergovernmental	465,836	-	465,836
Prepaid expenditures	408,973	-	408,973
Inventories	-	43,055	43,055
Capital assets, not being depreciated	558,794	-	558,794
Capital assets, being depreciated, net	29,758,278	368,995	30,127,273
Total assets	34,071,654	1,018,016	35,089,670
<b>Deferred Outflows of Resources</b>			
Deferred savings from refunding bonds	177,378	-	177,378
Deferred outflows - pension related	1,380,558	274,548	1,655,106
Deferred outflows - OPEB related	1,204,834	109,384	1,314,218
Total deferred outflows of resources	2,762,770	383,932	3,146,702
<b>Liabilities</b>			
Accounts payable	1,414,760	10,645	1,425,405
Unearned revenue	99,392	-	99,392
Interest payable	136,127	-	136,127
Portion due or payable within one year:			
Debt obligations	1,475,000	-	1,475,000
Capital leases	448,290	-	448,290
Accrued sick leave	24,345	-	24,345
Noncurrent liabilities:			
Portion due or payable after one year:			
Debt obligations, net of discount	19,491,502	-	19,491,502
Accrued sick leave	76,359	-	76,359
Capital leases	2,309,100	-	2,309,100
Net pension liability	6,410,294	1,291,523	7,701,817
Net OPEB liability	5,768,387	320,034	6,088,421
Total liabilities	37,653,556	1,622,202	39,275,758
<b>Deferred Inflows of Resources</b>			
Deferred inflows - pension related	247,816	49,284	297,100
Deferred inflows - OPEB related	1,811,797	106,464	1,918,261
Total deferred inflows of resources	2,059,613	155,748	2,215,361
<b>Net Position</b>			
Net investment in capital assets	7,403,832	368,995	7,772,827
Restricted for:			
Capital projects	300,000	-	300,000
Other purposes	370	(744,997)	(744,627)
Unrestricted	(10,582,947)	-	(10,582,947)
Total net position	\$ (2,878,745)	\$ (376,002)	\$ (3,254,747)

The accompanying notes to financial statements are an integral part of this statement.

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
Instruction	\$ 7,638,910	\$ 42,647	\$ 2,287,605	\$ -	\$ (5,308,658)	\$ -	\$ (5,308,658)
Support services:							
Students	1,507,792	-	232,225	-	(1,275,567)	-	(1,275,567)
Instructional staff	444,899	-	235,192	-	(209,707)	-	(209,707)
District administration	708,508	-	116,423	-	(592,085)	-	(592,085)
School administration	1,327,770	-	-	-	(1,327,770)	-	(1,327,770)
Business and other support services	830,343	-	38,241	-	(792,102)	-	(792,102)
Operation and maintenance of plant	2,050,043	-	12,744	-	(2,037,299)	-	(2,037,299)
Student transportation	2,770,538	30,672	-	-	(2,739,866)	-	(2,739,866)
Food services	12,581	-	-	-	(12,581)	-	(12,581)
Community services	226,443	-	210,661	-	(15,782)	-	(15,782)
Interest expense	669,074	-	-	1,955,855	1,286,781	-	1,286,781
Total governmental activities	<u>18,186,901</u>	<u>73,319</u>	<u>3,133,091</u>	<u>1,955,855</u>	<u>(13,024,636)</u>	<u>-</u>	<u>(13,024,636)</u>
Business-type activities:							
Food service	1,653,166	92,125	2,069,445	-	-	508,404	508,404
Total business-type activities	<u>1,653,166</u>	<u>92,125</u>	<u>2,069,445</u>	<u>-</u>	<u>-</u>	<u>508,404</u>	<u>508,404</u>
Total primary government	<u>\$ 19,840,067</u>	<u>\$ 165,444</u>	<u>\$ 5,202,536</u>	<u>\$ 1,955,855</u>	<u>\$ (13,024,636)</u>	<u>\$ 508,404</u>	<u>\$ (12,516,232)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					\$ 2,476,498	\$ -	\$ 2,476,498
Motor vehicle					368,101	-	368,101
Utilities					560,094	-	560,094
Intergovernmental revenues:							
State					9,256,758	-	9,256,758
Investment earnings					47,213	2,003	49,216
Loss on disposal of assets					(9,009)	(594)	(9,603)
Other local revenues					175,365	-	175,365
Transfers					62,295	(62,295)	-
Total general revenues and transfers					<u>12,937,315</u>	<u>(60,886)</u>	<u>12,876,429</u>
Change in net position					(87,321)	447,518	360,197
Net position June 30, 2019					<u>(2,791,424)</u>	<u>(823,520)</u>	<u>(3,614,944)</u>
Net position, June 30, 2020					<u>\$ (2,878,745)</u>	<u>\$ (376,002)</u>	<u>\$ (3,254,747)</u>

The accompanying notes to financial statements are an integral part of this statement.

LEWIS COUNTY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2020

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 1,593,661	\$ -	\$ 800,381	\$ 300,370	\$ 2,694,412
Receivables (net of allowances for uncollectibles):					
Property taxes	61,524	-	-	-	61,524
Other	123,837	-	-	-	123,837
Intergovernmental - state	-	-	-	-	-
Intergovernmental - federal	-	465,836	-	-	465,836
Interfund receivable	363,559	-	-	-	363,559
Prepaid expenditures	408,973	-	-	-	408,973
Total assets	<u>\$ 2,551,554</u>	<u>\$ 465,836</u>	<u>\$ 800,381</u>	<u>\$ 300,370</u>	<u>\$ 4,118,141</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 1,244,768	\$ 2,885	\$ 167,107	\$ -	\$ 1,414,760
Interfund payable	-	363,559	-	-	363,559
Unearned revenue	-	99,392	-	-	99,392
Total liabilities	<u>1,244,768</u>	<u>465,836</u>	<u>167,107</u>	<u>-</u>	<u>1,877,711</u>
Fund balances:					
Non-spendable	408,973	-	-	-	408,973
Restricted	-	-	633,274	300,370	933,644
Committed	16,098	-	-	-	16,098
Assigned	41,004	-	-	-	41,004
Unassigned	840,711	-	-	-	840,711
Total fund balances	<u>1,306,786</u>	<u>-</u>	<u>633,274</u>	<u>300,370</u>	<u>2,240,430</u>
Total liabilities and fund balances	<u>\$ 2,551,554</u>	<u>\$ 465,836</u>	<u>\$ 800,381</u>	<u>\$ 300,370</u>	<u>\$ 4,118,141</u>

The accompanying notes to financial statements are an integral part of this statement.

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

Fund balances—total governmental funds \$ 2,240,430

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 30,317,072

Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the governmental funds  
Deferred savings from refunding bonds 177,378

Deferred outflows and (inflows) of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:  
Deferred outflows - pension related 1,380,558  
Deferred inflows - pension related (247,816) 1,132,742

Deferred outflows and (inflows) of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds:  
Deferred outflows - OPEB related 1,204,834  
Deferred inflows - OPEB related (1,811,797) (606,963)

Some liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the governmental funds financial statements.  
Net pension liability (6,410,294)  
Net OPEB liability (5,768,387)  
Bonds payable (20,966,502)  
Capital leases payable (2,757,390)  
Accrued interest payable (136,127)  
Accrued sick leave (100,704) (36,139,404)

Net position of governmental activities \$ (2,878,745)

The accompanying notes to financial statements are an integral part of this statement.



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

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Taxes -					
Property	\$ 1,886,358	\$ -	\$ -	\$ 590,140	\$ 2,476,498
Motor vehicles	368,101	-	-	-	368,101
Utility	560,094	-	-	-	560,094
Tuition	42,647	-	-	-	42,647
Transportation fees	30,672	-	-	-	30,672
Interest income	16,257	-	30,956	-	47,213
Other local revenues	146,961	-	28,039	365	175,365
Intergovernmental - State	15,878,308	817,819	-	1,955,855	18,651,982
Intergovernmental - Indirect federal	-	2,274,389	-	-	2,274,389
Intergovernmental - Direct federal	136,544	-	-	-	136,544
Total revenues	<u>19,065,942</u>	<u>3,092,208</u>	<u>58,995</u>	<u>2,546,360</u>	<u>24,763,505</u>
Expenditures:					
Current:					
Instruction	10,870,061	2,287,605	-	-	13,157,666
Support services:					
Students	1,270,258	232,225	-	-	1,502,483
Instructional staff	209,667	235,192	-	-	444,859
District administration	578,639	116,423	-	-	695,062
School administration	1,281,413	-	-	-	1,281,413
Business and other support services	745,332	38,241	-	-	783,573
Operation and maintenance of plant	1,903,615	12,744	-	-	1,916,359
Student transportation	2,562,229	-	-	-	2,562,229
Food service operations	12,581	-	-	-	12,581
Community services	11,936	210,661	-	-	222,597
Facilities acquisition and construction	-	-	3,272,379	-	3,272,379
Debt service	506,821	-	-	2,032,345	2,539,166
Total expenditures	<u>19,952,552</u>	<u>3,133,091</u>	<u>3,272,379</u>	<u>2,032,345</u>	<u>28,390,367</u>
Excess (deficiency) of revenues over expenditures	<u>(886,610)</u>	<u>(40,883)</u>	<u>(3,213,384)</u>	<u>514,015</u>	<u>(3,626,862)</u>
Other financing sources (uses):					
Proceeds from issuance of debt	451,400	-	-	-	451,400
Loss on disposal of assets	-	-	-	-	-
Transfers in	575,945	40,883	624,077	1,304,658	2,545,563
Transfers out	(664,960)	-	-	(1,818,308)	(2,483,268)
Total other financing sources and uses	<u>362,385</u>	<u>40,883</u>	<u>624,077</u>	<u>(513,650)</u>	<u>513,695</u>
Net change in fund balances	(524,225)	-	(2,589,307)	365	(3,113,167)
Fund balances, June 30, 2019	<u>1,831,011</u>	<u>-</u>	<u>3,222,581</u>	<u>300,005</u>	<u>5,353,597</u>
Fund balances, June 30, 2020	<u>\$ 1,306,786</u>	<u>\$ -</u>	<u>\$ 633,274</u>	<u>\$ 300,370</u>	<u>\$ 2,240,430</u>

The accompanying notes to financial statements are an integral part of this statement.

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

Net change in fund balances—total governmental funds \$ (3,113,167)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Loss on disposal of assets	(9,009)	
Capital outlay	3,669,434	
Depreciation expense	<u>(1,743,691)</u>	1,916,734

Bond and capital lease proceeds, including related premiums and discounts, are recognized as revenues in the fund financial statement, but are increases in liabilities in the statement of net position.

Capital lease proceeds	(451,400)
------------------------	-----------

Generally, expenditures recognized in the fund financial statements are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred for the following:

Long-term portion of accrued sick leave	138,554
Amortization of deferred savings from refunding bonds	(41,913)
Amortization of discount	(9,928)
Accrued interest payable	40,101

Governmental funds report CERS contributions as expenditures when paid. However, in the Statement of Activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions, and investment experience.

KTRS on-behalf revenue	(6,717,211)	
KTRS on-behalf pension	6,843,211	
CERS pension and OPEB contributions	73,975	
Pension and OPEB expense	<u>(648,109)</u>	(448,134)

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

	<u>1,881,832</u>
Change in net position of governmental activities	<u><u>\$ (87,321)</u></u>

LEWIS COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2020

	<u>Food Service Fund</u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 605,966
Inventories	<u>43,055</u>
Total current assets	<u>649,021</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>368,995</u>
Total noncurrent assets	<u>368,995</u>
Total assets	<u>1,018,016</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows - pension related	274,548
Deferred outflows - OPEB related	<u>109,384</u>
Total deferred outflows of resources	<u>383,932</u>
Total assets and deferred outflows	<u><u>\$ 1,401,948</u></u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	\$ 10,645
Total current liabilities	<u>10,645</u>
Long-term liabilities:	
Net pension liability	1,291,523
Net OPEB liability	<u>320,034</u>
Total liabilities	<u>1,622,202</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pension related	49,284
Deferred inflows - OPEB related	<u>106,464</u>
Total deferred inflows of resources	<u>155,748</u>
<b>Net Position</b>	
Net investment in capital assets	368,995
Restricted	<u>(744,997)</u>
Total net position	<u>(376,002)</u>
Total liabilities, deferred inflows, and net position	<u><u>\$ 1,401,948</u></u>

The accompanying notes to financial statements are an integral part of this statement.

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

	<u>Food Service Fund</u>
Operating revenues:	
Lunchroom sales	\$ 92,125
Revenue from state sources (on-behalf)	129,643
Total operating revenues	<u>221,768</u>
Operating expenses:	
Salaries and wages	547,805
Employee benefits	399,463
Materials and supplies	618,652
Depreciation	43,913
Other operating expenses	43,333
Total operating expenses	<u>1,653,166</u>
Operating income (loss)	<u>(1,431,398)</u>
Nonoperating revenues (expenses):	
Federal grants	1,855,042
Investment income	2,003
Donated commodities	66,582
Loss on disposal of assets	(594)
Transfers out	(62,295)
State grants	18,178
Total nonoperating revenues (expenses)	<u>1,878,916</u>
Increase in net position	447,518
Net position, June 30, 2019	<u>(823,520)</u>
Net position, June 30, 2020	<u><u>\$ (376,002)</u></u>

The accompanying notes to financial statements are an integral part of this statement.

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

	<u>Food Service Fund</u>
Cash flows from operating activities:	
Cash received from:	
Lunchroom sales	\$ 92,125
Cash paid to/for:	
Payments to suppliers and providers of goods and services	(563,030)
Payments to employees	(700,699)
Other payments	(43,333)
Net cash used for operating activities	<u>(1,214,937)</u>
 Cash flows from noncapital financing activities:	
Government grants	1,873,220
Transfers out	(62,295)
Net cash provided by noncapital and related financing activities	<u>1,810,925</u>
 Cash flows from capital and related financing activities:	
Purchases of capital assets	(331,199)
Net cash used for capital and related financing activities	<u>(331,199)</u>
 Cash flows from investing activities:	
Interest received on investments	2,003
Net cash provided by investing activities	<u>2,003</u>
 Net increase in cash and cash equivalents	266,792
 Cash and cash equivalents, June 30, 2019	<u>339,174</u>
 Cash and cash equivalents, June 30, 2020	<u>\$ 605,966</u>
 Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (1,431,398)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	43,913
Donated commodities	66,582
Net pension adjustment	110,682
Net OPEB adjustment	6,244
Change in assets and liabilities:	
Inventory	(20,664)
Accounts receivable	-
Accounts payable	9,704
Net cash provided by (used for) operating activities	<u>\$ (1,214,937)</u>
 Non-cash items:	
Donated commodities	\$ 66,582
On-behalf payments	129,643

The accompanying notes to financial statements are an integral part of this statement.

**LEWIS COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2020**

	<u>Activity Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 240,041
Accounts receivable	-
Total assets	<u>240,041</u>
<b>Liabilities</b>	
Accounts payable	15,190
Due to students	<u>224,851</u>
Total liabilities	<u>240,041</u>
<b>Net position held in trust</b>	<u><u>\$ -</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**LEWIS COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes -				
Property	\$ 1,880,300	\$ 1,830,300	\$ 1,886,358	\$ 56,058
Motor vehicles	400,000	400,000	368,101	(31,899)
Utilities	550,000	550,000	560,094	10,094
Tuition fees	19,000	19,000	42,647	23,647
Transportation fees	45,000	45,000	30,672	(14,328)
Interest income	25,000	25,000	16,257	(8,743)
Other local revenues	103,209	114,286	146,961	32,675
Intergovernmental - State	14,069,185	14,279,370	15,878,308	1,598,938
Intergovernmental - Direct federal	141,639	142,468	136,544	(5,924)
Total revenues	<u>17,233,333</u>	<u>17,405,424</u>	<u>19,065,942</u>	<u>1,660,518</u>
Expenditures:				
Current:				
Instruction	9,972,316	9,867,217	10,870,061	(1,002,844)
Support services:				
Students	1,173,186	1,206,864	1,270,258	(63,394)
Instructional staff	280,991	240,103	209,667	30,436
District administration	539,916	556,299	578,639	(22,340)
School administration	1,381,588	1,311,407	1,281,413	29,994
Business and other support services	597,835	564,007	745,332	(181,325)
Operation and maintenance of plant	1,908,472	1,918,845	1,903,615	15,230
Student transportation	2,086,123	2,143,813	2,110,829	32,984
Food service operations	-	-	12,581	(12,581)
Community services	7,803	10,916	11,936	(1,020)
Debt service	506,821	506,821	506,821	-
Contingency	898,355	1,494,263	-	1,494,263
Total expenditures	<u>19,353,406</u>	<u>19,820,555</u>	<u>19,501,152</u>	<u>319,403</u>
Excess (deficiency) of revenues over expenditures	<u>(2,120,073)</u>	<u>(2,415,131)</u>	<u>(435,210)</u>	<u>1,979,921</u>
Other financing sources (uses):				
Loss on disposal of assets	20,000	20,000	-	(20,000)
Transfers in	600,073	580,218	575,945	(4,273)
Transfers out	-	-	(664,960)	(664,960)
Total other financing sources and uses	<u>620,073</u>	<u>600,218</u>	<u>(89,015)</u>	<u>(689,233)</u>
Net change in fund balances	(1,500,000)	(1,814,913)	(524,225)	1,290,688
Fund balances, June 30, 2019	<u>1,500,000</u>	<u>1,814,913</u>	<u>1,831,011</u>	<u>16,098</u>
Fund balances, June 30, 2020	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,306,786</u>	<u>\$ 1,306,786</u>
Adjustments to Generally Accepted Accounting Principles -				
Proceeds from issuance of debt			451,400	
Student Transportation			<u>(451,400)</u>	
Fund balance, end of year (GAAP basis)			<u>\$ 1,306,786</u>	

The accompanying notes to financial statements are an integral part of this statement.

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest income	\$ -	\$ -	\$ -	\$ -
Other local revenues	-	-	-	-
Intergovernmental - State	906,391	891,301	817,819	(73,482)
Intergovernmental - Indirect federal	2,097,809	2,324,514	2,274,389	(50,125)
Total revenues	<u>3,004,200</u>	<u>3,215,815</u>	<u>3,092,208</u>	<u>(123,607)</u>
Expenditures:				
Current:				
Instruction	2,120,946	2,333,242	2,287,605	45,637
Support services:				
Students	200,768	164,388	232,225	(67,837)
Instructional staff	314,661	299,215	235,192	64,023
District administration	114,239	148,428	116,423	32,005
School administration	4,000	5,000	-	5,000
Business	33,696	33,696	38,241	(4,545)
Operation and maintenance of plant	2,000	212,145	12,744	199,401
Community services	213,890	216,801	210,661	6,140
Total expenditures	<u>3,004,200</u>	<u>3,412,915</u>	<u>3,133,091</u>	<u>279,824</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(197,100)</u>	<u>(40,883)</u>	<u>156,217</u>
Other financing sources (uses):				
Transfers in	-	-	40,883	40,883
Transfers out	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>40,883</u>	<u>40,883</u>
Net change in fund balances	-	(197,100)	-	197,100
Fund balances, June 30, 2019	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, June 30, 2020	<u>\$ -</u>	<u>\$ (197,100)</u>	<u>\$ -</u>	<u>\$ 197,100</u>

The accompanying notes to financial statements are an integral part of this statement.



**LEWIS COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**(1) REPORTING ENTITY**

The Lewis County School District (District) is the basic level of government, which has financial accountability and control over all activities related to the public school education within the jurisdiction of the Lewis County School District. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. Board members are elected by the public and have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and have primary financial accountability for fiscal matters. The District is not included in any other governmental "reporting entity" as defined by GASB pronouncements. In accordance with GASB Standard 14, financial transactions of the following component unit are incorporated in the accompanying financial statements.

Lewis County School District Finance Corporation - The Lewis County School District resolved to authorize the establishment of the Lewis 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 58.180) as an agency of the District for financing the costs of school building facilities. The Board Members of the Lewis County Board of Education also comprise the Corporation's Board of Directors.

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Lewis County School District substantially comply with accounting principles generally accepted in the United States and the rules prescribed by the Kentucky Department of Education for local school districts.

**Basis of Presentation**

*District-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 District-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular 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. Fiduciary funds are reported by fund type.

**Fund Accounting**

The accounts of the District are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate

set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues and expenditures or expenses as appropriate. The various funds are summarized by type in the financial statements. The District uses the following funds:

#### *Governmental Fund Types:*

**General Fund** - The General Fund is the primary operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. This is a major fund of the District.

**Special Revenue Funds** - Special Revenue Funds are used to account for the proceeds of grants from local, state and federal revenue sources that are legally restricted to expenditures for specified purposes. Project accounting is employed to maintain integrity for the various sources of funds. Federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

**Construction Fund** - The Construction Fund is used to account for all resources including proceeds from bond sales for the authorized acquisition and construction of capital facilities. This is a major fund of the District.

**Capital Outlay Fund** - The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives \$100 per the District's adjusted average daily attendance restricted for use in financing projects as identified in the District's facility plan.

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

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

**District Activity Fund** – The District Activity Funds is a special revenue fund used to account for funds collected at individual schools for operational cost of the school or school district that allows for more flexibility in the expenditure of those funds.

#### *Proprietary Fund Type*

The District utilizes the proprietary fund type to account for the major fund: Food Service. The Food Service Fund is used to account for school food service activities, including the National School Lunch Program and the National School Breakfast Program, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of USDA commodities on the financial statements.

#### *Fiduciary Fund Type*

The School Activity Funds are fiduciary funds used to account for student activity organizations in accordance with the Accounting Procedures for Kentucky School Activity Funds. Financial statements of groups and organizations associated with the school system but not originated within the District (e.g., Band Boosters, Parent-Teacher Associations, etc.) are not included within school activity funds.

#### *Measurement Focus*

The accounting and reporting treatment applied to a fund is determined by its measurement focus. 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. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds include 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.

### *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 that are presented in the fund financial statements use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.

Exchange and Non-exchange transactions - There are two types of transactions: exchange and non-exchange. The method of determining revenue recognition (i.e., accrual v. modified accrual) depends upon the type of exchange as well as source of revenue. Exchange transactions occur when each party receives essentially equal value. Non-exchange transactions occur when one party receives value without directly giving equal value in return.

Modified Accrual - Revenue from non-exchange transactions (e.g., grants, entitlements and donations) must be available to be recognized. These sources of revenue are recognized in the fiscal year in which all eligibility requirements have been satisfied. Under the modified accrual basis of accounting, revenues from exchange transactions are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For the District, "available" means within sixty days of June 30. Property tax revenue is recognized in the fiscal year for which the taxes are levied. Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. Under the modified accrual basis of accounting, 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.

Accrual - Under the accrual basis of accounting, revenues are recorded when an exchange takes place. Expenses are recognized at the time they are incurred.

### *Encumbrance Accounting*

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Kentucky Law, appropriations lapse at fiscal year-end. Encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

### *In-Kind*

The District receives commodities from the USDA. The amounts of such commodities are recorded in the accompanying financial statements at their estimated fair market values.

### *Cash and Cash Equivalents*

For the purposes of the statement of cash flows, the proprietary fund type considers highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

### *Inventories*

Supplies and materials are charged to expenditures when purchased with the exception of the Proprietary Funds, which records inventory using the accrual basis of accounting. Inventories are stated at the lower of cost or market, on the first-in, first-out basis.

### *Interfund Balances*

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the governmental and business-type activities columns of the statements of net position.

### *Budgetary Process*

The District is required by state law to adopt annual budgets. Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy, only amendments that aggregate greater than \$50,000 require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

**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 difference between the budgetary basis and the GAAP basis is that the direct financing capital lease obligation was not budgeted in the General Fund.

### *Fund Balances*

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance-amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance-amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance-amounts constrained to specific purposes by the District itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint;
- Assigned fund balance-amounts the District intends to use for a specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority;
- Unassigned fund balance-amounts that are available for any purpose; unassigned amounts are reported only in the General Fund.

### *Bond Issuance Costs*

Debt issuance costs are expensed in the period they are incurred.

### *Net Position*

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt 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 School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

### *Operating Revenues and Expenses*

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, those revenues are primarily charges for meals provided by the various schools. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

### *Interfund Activity*

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

### *Deferred Inflows and Outflows of Resources*

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

### *Pension*

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

### *Postemployment Benefits Other Than Pensions (OPEB)*

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

### *Use of Estimates*

The preparation of financial statements in conformity with Generally Accepted Accounting Principles, (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### *Recent Accounting Pronouncements*

In February 2018, the GASB issued Statement No. 84, *Fiduciary Activities* (“GASB 84”). GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. Generally, the focus of the criteria relates to (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and post-employment benefit arrangements that are fiduciary activities. Additionally, GASB 84 describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust, or an equivalent arrangement, that meets specific criteria. Finally, it provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. GASB 84 will be effective for the District beginning with its year ending June 30, 2021. Management is currently evaluating the impact of this Statement on its financial statements.

In June 2018, the GASB issued Statement No. 87, *Leases* (“GASB 87”), which establishes standards of accounting and financial reporting for leases by lessees and lessors. GASB 87 (1) increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract; and (2) establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Additionally, under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB 87 will be effective for the District beginning with its year ending June 30, 2022 and will be applied retroactively by restating financial statements. Management is currently evaluating the impact of this Statement on its financial statements.

In June 2019, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (“GASB 89”), which seeks to (1) enhance the relevance and comparability of information concerning capital assets and the cost of borrowing for a reporting period, and (2) simplify accounting for interest cost incurred during the period of construction. In particular, GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus, and, thus, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB 89 will be effective for the District beginning with its year ending June 30, 2022. Management is currently evaluating the impact of this Statement on its financial statements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020* (“GASB 92”). GASB 92 establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. Provisions related to insurance-related activities of public entity risk pools and derivative instruments were effective upon issuance. All other provisions will be effective for the District beginning with its year ending June 30, 2022. Adoption of the provisions required upon issuance did not have a material effect on the District's financial statements. Management is currently evaluating the impact of the remaining provisions of this Statement on its financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (“GASB 96”). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. The Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other

than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. GASB 96 will be effective for the District beginning with its year ending June 30, 2023. Management is currently evaluating the impact of this Statement on its financial statements.

### **(3) CASH AND CASH EQUIVALENTS**

The District's cash and cash equivalents consist of amounts deposited in interest bearing accounts. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

At June 30, 2020, the carrying amount of the District's combined deposits (cash and cash equivalents) was \$3,540,419 and the combined bank balances totaled \$4,296,991. The bank balances were covered by the combination of FDIC insurance and collateral held by the District's agent in the District's name at June 30, 2020.

Custodial credit risk is the risk that in the event of a depository institution failure, the county's deposits may not be returned. The District does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). All deposits meet current guidelines.

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

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

Based on these three levels of risk, all of the District's cash deposits are classified as Category 2.

Due to the nature of the accounts and certain limitations imposed on the use of funds, each bank account within the following funds is considered to be restricted: SEEK Capital Outlay Fund, Facility Support Program (FSPK) Fund, Education Building Fund, Special Revenue (Grant) Funds, Bond and Interest Redemption Fund, School Food Service Funds, and School Activity Funds.

### **(4) PROPERTY TAXES**

Revenues and other governmental fund financial resource increments (.i.e. bond issue proceeds) are recognized in the accounting period in which they become susceptible to accrual; that is, when they become measurable and available to finance expenditures of the fiscal periods. Property taxes collected are recorded as revenues in the fund for which they were levied. The assessment date of the property taxes is January 1 of each year. The levy is normally set during the September board meeting. Assuming property tax bills are timely mailed, collection date is the period from November 1 through December 31. Collections from the period November 1 through November 30 receive a two percent discount. The due date is the period from December 1 through December 31 in which no discount is allowed. Property taxes received subsequent to December 31 are considered to be delinquent and subject to a lien filed by the County Attorney.

The property tax rates assessed for the year ended June 30, 2020, to finance the General Fund operations were \$.469 per \$100 valuation for real property, \$.469 per \$100 valuation for business personal property

and \$.49 per \$100 valuation for motor vehicles. In addition, the District assessed a nickel levy in the amount of \$.065 per \$100 valuation for construction purposes, only.

**(5) CAPITAL ASSETS**

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

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

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

<u>Description</u>	<u>Estimated Life in Years</u>
Buildings and Improvements	40
Land Improvements	20
Technology Equipment	5
Vehicles	5-14
Food Service Equipment	7
Furniture and Fixtures	7
Other	10

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



Governmental Activities	Balance at June 30, 2019	Additions	Deductions	Balance at June 30, 2020
Non-depreciable:				
Land	\$ 272,556	\$ -	\$ -	\$ 272,556
Construction in progress	13,088,851	2,753,526	15,556,139	286,238
Depreciable:				
Land improvements	2,060,814	-	-	2,060,814
Buildings and improvements	25,988,780	15,578,614	-	41,567,394
Technology equipment	1,944,169	373,560	215,117	2,102,612
General equipment	436,103	14,175	41,398	408,880
Vehicles	4,963,659	505,698	-	5,469,357
Totals	<u>48,754,932</u>	<u>19,225,573</u>	<u>15,812,654</u>	<u>52,167,851</u>
Less: accumulated depreciation				
Land improvements	1,496,097	72,979	-	1,569,076
Buildings and improvements	14,305,542	1,046,163	-	15,351,705
Technology equipment	1,531,714	222,627	209,468	1,544,873
General equipment	360,742	17,621	38,038	340,325
Vehicles	2,660,499	384,301	-	3,044,800
Total accumulated depreciation	<u>20,354,594</u>	<u>1,743,691</u>	<u>247,506</u>	<u>21,850,779</u>
Governmental Activities				
Capital Assets - Net	<u>\$ 28,400,338</u>	<u>\$ 17,481,882</u>	<u>\$ 15,565,148</u>	<u>\$ 30,317,072</u>
Business-Type Activities				
Food service and equipment	\$ 371,859	\$ 331,199	\$ 45,532	\$ 657,526
Technology equipment	16,144	-	-	16,144
	<u>388,003</u>	<u>331,199</u>	<u>45,532</u>	<u>673,670</u>
Less: accumulated depreciation				
Food service equipment	302,095	41,705	44,938	298,862
Technology equipment	3,605	2,208	-	5,813
	<u>305,700</u>	<u>43,913</u>	<u>44,938</u>	<u>304,675</u>
Business-Type Activities				
Capital Assets - Net	<u>\$ 82,303</u>	<u>\$ 287,286</u>	<u>\$ 594</u>	<u>\$ 368,995</u>

Depreciation expense was allocated to governmental functions as follows:

Instruction	\$ 1,293,936
Instructional staff support services	40
District administration	6,633
School administration	780
Business support services	234
Plant operation & maintenance	36,120
Student transportation	405,948
	<u>\$ 1,743,691</u>

## (6) LIABILITY FOR COMPENSATED ABSENCES

Certified employees are awarded a maximum of 10 days of sick leave annually, based upon employment contract terms and District policy. Sick leave is accrued without limitation. Upon retirement from the school system, a certified and classified employee receives from the District an amount equal to 30% of the value of accumulated sick leave at the current daily rate of pay. At June 30, 2020, the estimate for those employees over the age of 55 with 5 or more years of service is \$100,704, of which \$24,345 is estimated to be short term and \$76,359 is long-term, both recorded on the District-wide financial statements.

## (7) LONG-TERM DEBT

The District is required to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Lewis County School District Finance Corporation to construct school facilities. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund in accordance with state law.

The maturity date, original amounts of the issue and interest rates are summarized below:

<u>Bond Issue</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>
2008R Series Bond	\$ 2,250,000	12/1/2019	2.75-3.25%
2008C Series Bond	2,690,000	9/1/2028	3.5-4.75%
2010 Series Revenue Refunding Bond	2,195,000	4/1/2021	2.00-2.625%
2012 Series Bond	1,110,000	6/1/2032	1.0-3.375%
2012R Series Bond	2,070,000	8/1/2023	1.10-2.25%
2015R Series Bond	1,480,000	8/1/2025	2.0-2.5%
2016 Series Refunding Revenue Bond	1,095,000	10/1/2020	1.15-2.5%
2016 2nd Series Refunding Revenue Bond	2,225,000	9/1/2028	2.0-2.5%
2017 Series Bond	920,000	4/1/2037	2.0-3.7%
2017B Series Bond	15,430,000	9/1/2037	1.0-3.45%

The District has entered into “participation agreements” with the School Facilities Construction Commission (the “Commission”). The Kentucky General Assembly created the Commission for the purposes of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bonds issued. The liability for the total bond amount remains with the District and, as such, the total principal outstanding. The District is liable for all issues; however, School Facilities Construction Commission participates by contributing those portions of debt that are appropriated in the State’s biennial budget.

A summary of activity in bond obligations and other debts is as follows:

<u>Description</u>	<u>Balance at July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2020</u>
General obligation bonds- \$31,465,000 originally issued with interest rates ranging from 1.0% to 4.75%	\$22,580,000	\$ -	\$ 1,450,000	\$21,130,000
Discount on bonds	(173,426)	-	(9,928)	(163,498)
KISTA Loans	2,737,822	451,400	431,832	2,757,390
Accumulated unpaid sick leave benefits	239,258	-	138,554	100,704
	<u>\$25,383,654</u>	<u>\$ 451,400</u>	<u>\$ 2,010,458</u>	<u>\$23,824,596</u>

Bondholders are protected against default by a mechanism whereby the Commonwealth of Kentucky would withhold state SEEK payments and remit required debt service payments directly to the debt service paying agent.

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

YEAR	LEWIS COUNTY SCHOOL DISTRICT		SCHOOL FACILITIES CONSTRUCTION		TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2021	\$ 967,487	\$ 341,458	\$ 507,513	\$ 209,201	\$ 2,025,659
2022	987,159	318,336	517,841	198,873	2,022,209
2023	926,531	299,104	528,469	188,246	1,942,350
2024	945,483	309,986	529,517	177,323	1,962,309
2025	833,296	261,937	506,704	166,559	1,768,496
2026-2030	3,701,288	1,011,475	2,183,712	659,452	7,555,927
2031-2035	2,861,546	555,668	2,003,454	347,710	5,768,378
2036-2038	1,949,125	99,180	1,180,875	55,482	3,284,662
	<u>\$ 13,171,915</u>	<u>\$ 3,197,144</u>	<u>\$ 7,958,085</u>	<u>\$ 2,002,846</u>	<u>\$ 26,329,990</u>

Future minimum debt service on notes payable to KISTA, at June 30, 2020, is as follows:

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2021	\$ 448,290	\$ 73,262	\$ 521,552
2022	402,562	61,568	464,130
2023	400,726	51,146	451,872
2024	368,196	40,480	408,676
2025	343,462	30,203	373,665
2026-2030	794,154	49,303	843,457
	<u>\$ 2,757,390</u>	<u>\$ 305,962</u>	<u>\$ 3,063,352</u>

## **(8) RETIREMENT PLANS**

### Kentucky Teachers Retirement System

*Plan description:* Teaching-certified employees of the Kentucky School District are provided pensions through the Teachers' Retirement System of the State of Kentucky (KTRS), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS issues a publicly available financial report that can be obtained at [http://www.ktrs.ky.gov/05\\_publications/index.htm](http://www.ktrs.ky.gov/05_publications/index.htm).

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

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

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New members (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than ten years. New members after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, members who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the KTRS 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 (5) highest annual salaries for those with less than 27 years of service. Members at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. KTRS also provides disability benefits for vested members at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing members and \$5,000 for retired or disabled members.

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

*Contributions:* Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university members are required to contribute 12.855% of their salaries to the System. University members are required to contribute 10.400% of their salaries. KRS 161.580 allows each university to reduce the contribution of its members by 2.215%; therefore, university members contribute 8.185% of their salary to KTRS.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions in the amount of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. University employers contribute 15.865% of salaries of members. For local school district and regional cooperative members whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

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

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

District's proportionate share of the net Pension liability	\$ -
Commonwealth's proportionate share of the Net Pension liability associated with the District	<u>36,878,943</u>
	<u>\$ 36,878,943</u>

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2018. An expected total pension liability as of June 30, 2019 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the Commonwealth as determined by the actuary. At June 30, 2019, the District's proportion was 0.2703%.

For the year ended June 30, 2020, the District recognized pension expense of (\$6,630,769) and revenue of (\$6,630,769) for support provided by the State.

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

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Single Equivalent Interest Rate	7.50%
Municipal Bond Index Rate	3.50%
Inflation	3.0%
Salary Increase	3.5-7.3%, including inflation

Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation
Post-retirement Benefit Increases	1.50% annually

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

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

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

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

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

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

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

The following table presents the net pension liability of the Commonwealth associated with the District, calculated using the discount rate of 7.50%, as well as what the Commonwealth’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current discount rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Commonwealth’s proportionate share of the Net Pension liability associated with the District	\$ 47,090,000	\$ 36,878,943	\$28,287,000

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

County Employees Retirement System

*Plan description:* Substantially all full-time classified employees of the District participate in the County Employees Retirement System ("CERS"). CERS is a cost-sharing, multiple-employer, defined benefit pension plan administered by the Kentucky General Assembly. The plan covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at <https://kyret.ky.gov>.

*Benefits provided:* Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents.

*Contributions:* Funding for CERS is provided by members, who contribute 5.00% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions, and by employers of members. For the year ending June 30, 2020, employers were required to contribute 24.06% (19.30% - pension, 4.76% insurance) of the member's salary. During the year ending June 30, 2020, the District contributed \$565,214 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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

At June 30, 2020, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2018. An expected total pension liability as of June 30, 2019 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2019. At June 30, 2019, the District's proportion was 0.109509%.

For the year ended June 30, 2020, the District recognized pension expense of approximately \$1,212,000. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 196,650	\$ 32,542
Changes of assumptions	779,511	-
Net difference between projected and actual earnings on investments	-	124,156
Changes in proportion and differences between District contributions and proportionate share of contributions	113,731	140,402
District contributions subsequent to the measurement date	565,214	-
	\$ 1,655,106	\$ 297,100

The \$565,214 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the average service life of all members. These will be recognized in pension expense as follows:

<u>Year</u>	
2021	\$ 473,182
2022	213,870
2023	96,932
2024	8,808
	<u>\$ 792,792</u>

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

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	24 years, closed
Payroll growth	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation

As a result of the 2018 experience study, the salary increase assumptions, retirement rate assumptions, mortality assumptions, withdrawal rates, and rates of disablement were updated for the 2019 actuarial valuation. These assumptions are fully documented in the report titled “Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018.”

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

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

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



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

*Discount Rate:* The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>1% Decrease (5.25%)</u>	<u>Current discount rate (6.25%)</u>	<u>1% Increase (7.25%)</u>
District's proportionate share of the net pension liability	\$ 9,632,788	\$ 7,701,817	\$ 6,092,371

*Pension plan fiduciary net position:* Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report which is publicly available at <https://kyret.ky.gov>.

*Payables to the pension plan:* At June 30, 2020, there were no payables to CERS.

## **(9) OTHER POSTEMPLOYMENT BENEFIT (“OPEB”) PLANS**

### Kentucky Teachers Retirement System OPEB Plans

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

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

**Medical Insurance Plan**

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

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

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

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

At June 30, 2020, the District reported a liability of \$4,247,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2018. An expected total OPEB liability as of June 30, 2019 was determined using standard roll-forward techniques. The total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the District’s proportion was 0.262322%.

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

District’s proportionate share of the net OPEB liability	\$ 4,247,000
Commonwealth’s proportionate share of the Net OPEB liability associated with the District	3,430,000
	<u>\$ 7,677,000</u>

For the year ended June 30, 2020, the District recognized OPEB expense of \$153,000 and revenue of \$204,000 for support provided by the State. 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	\$ -	\$ 1,028,000
Changes of assumptions	18,000	-
Net difference between projected and actual earnings on investments	113,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	223,000	195,000
District contributions subsequent to the measurement date	245,886	-
	<u>\$ 599,886</u>	<u>\$ 1,223,000</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$245,886 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year	
2021	\$ (172,000)
2022	(172,000)
2023	(162,000)
2024	(164,000)
2025	(127,000)
Thereafter	(72,000)
	<u>\$ (869,000)</u>

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

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 - 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Healthcare cost trend rates	
Under 65	7.50% for FY 2019 decreasing to an ultimate rate of 5.00% by FY 2024
Ages 65 and Older	5.50% for FY 2019 decreasing to an ultimate rate of 5.00% by FY 2021
Medicare Part B Premiums	2.63% for FY 2019 with an ultimate rate of 5.00% by 2031
Municipal Bond Index Rate	3.50%
Discount Rate	8.00%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation.

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
Global Equity	58.0%	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	<u>100.0%</u>	

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

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

	<u>1% Decrease (7.00%)</u>	<u>Current discount rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
District's proportionate share of the net OPEB liability	\$ 5,032,000	\$ 4,247,000	\$ 3,591,000

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

	<u>1% Decrease</u>	<u>Current trend rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ 3,458,000	\$ 4,247,000	\$ 5,219,000

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

**Life Insurance Plan**

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

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

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

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

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

District’s proportionate share of the net OPEB liability	\$ -
Commonwealth’s proportionate share of the Net OPEB liability associated with the District	80,000
	<u>\$ 80,000</u>

The net OPEB liability was measured as of June 30, 2019, and the total pension liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. An expected total OPEB liability as of June 30, 2019 was determined using standard roll-forward techniques. The District’s proportion of the net OPEB liability was based on the actual liability of the employees and former employees relative to the total liability of the Commonwealth as determined by the actuary. At June 30, 2019, the District’s proportion was 0.256431%.

For the year ended June 30, 2020, the District recognized OPEB expense of \$-0- and revenue of \$3,369 for support provided by the State.

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

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 - 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%

Municipal Bond Index Rate	3.50%
Discount Rate	7.50%
Single Equivalent Interest Rate	7.50%, net of OPEB plan investment expense, including inflation.

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

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

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

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

	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	<u>100.0%</u>	

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

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

The following table presents the Commonwealth's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 7.50%, as well as what the Commonwealth's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
Commonwealth's proportionate share of the net OPEB liability associated with the District	\$ 118,000	\$ 80,000	\$ 48,000

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

### County Employees Retirement System Insurance Fund

*Plan description:* The County Employees Retirement System (“CERS”) Insurance Fund was established to provide post-employment healthcare benefits to eligible members and dependents. The CERS Insurance Fund is a cost-sharing, multiple employer defined benefit plan administered by the Kentucky Retirement Systems’ (KRS) board of trustees.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at <https://kyret.ky.gov>.

*Benefits provided:* CERS health insurance benefits are subject to various participation dates to determine eligibility and health insurance contribution rates. For employees who initiated participation in the CERS system prior to July 1, 2003, KRS pays a percentage of the monthly contribution rate for insurance coverage based on the retired member’s years of service and type of service. Non-hazardous members receive a contribution subsidy for only the member’s health insurance premium.

Percentage of contribution ranges from 0% for less than 4 years of service to 100% for 20 years or more of service. For members who initiated participation in the CERS system after July 1, 2003 until August 31, 2008, members must have 120 months of service in a state-administered retirement system to qualify for participation in the KRS health plans. Members who began participating with KRS on or after September 1, 2008, must have 180 months of service upon retirement to participate in the KRS health plans. Non-hazardous retirees receive \$10 toward the monthly premium for each full year of service.

*Contributions:* CERS allocates a portion of the employer contributions to the health insurance benefit plans. For the year ending June 30, 2020, CERS allocated 4.76% of the 24.06% actuarially required contribution rate paid by employers for funding the healthcare benefit. In addition, 1.00% of the contributions by employees hired after September 1, 2008 are allocated to the health insurance plan. During the year ending June 30, 2020, the District contributed \$137,301 to the CERS Insurance Fund. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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

### **OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CERS Insurance Fund**

At June 30, 2020, the District reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2018. An expected total pension liability as of June 30, 2019 was determined using standard roll-forward techniques. The District’s proportion of the net OPEB liability was based on contributions to CERS during the fiscal year ended June 30, 2019. At June 30 2019, the District’s proportion was 0.109481%.

For the year ended June 30, 2020, the District recognized OPEB expense of \$191,395, including an implicit subsidy of \$39,538. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 555,599
Changes of assumptions	544,894	-
Net difference between projected and actual earnings on investments	-	81,788
Changes in proportion and differences between District contributions and proportionate share of contributions	32,138	57,874
District contributions subsequent to the measurement date	137,301	-
	<u>\$ 714,333</u>	<u>\$ 695,261</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$137,301 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2021.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB are amortized over the average service life of all members. These will be recognized in OPEB expense as follows:

<u>Year</u>	
2021	\$ (21,296)
2022	(21,296)
2023	4,708
2024	(45,088)
2025	(34,164)
Thereafter	(1,094)
	<u>\$ (118,229)</u>

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

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	24 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 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.



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

As a result of the 2018 experience study, the salary increase assumptions, retirement rate assumptions, mortality assumptions, withdrawal rates, and rates of disablement were updated for the 2019 actuarial valuation. These assumptions are fully documented in the report titled “Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018.”

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Growth		
US Equity	18.75%	4.30%
Non US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Liquidity		
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies		
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 discount rate used to measure the total OPEB liability was 5.68%. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.13%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 28, 2019. However, the cost associated with the implicit employer subsidy was not included in the calculation of the KRS’ actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KRS’ trusts.

Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.68%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.68%) or 1-percentage-point higher (6.68%) than the current rate:

	1% Decrease (4.68%)	Current discount rate (5.68%)	1% Increase (6.68%)
District's proportionate share of the net OPEB liability	\$ 2,466,747	\$ 1,841,421	\$ 1,326,194

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

	1% Decrease	Current trend rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 1,369,474	\$ 1,841,421	\$ 2,413,713

*OPEB plan fiduciary net position:* Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CERS financial report which is publicly available at <https://kyret.ky.gov>.

*Payables to the OPEB plan:* At June 30, 2020, there were no payables to CERS.

**(10) INSURANCE AND RELATED ACTIVITIES**

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

**(11) COMMITMENTS AND CONTINGENCIES**

The District receives funding from Federal and State government agencies. These funds are to be used for designated purposes only. For Government agency grants, if based on the grantor's review the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements.

The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

**(12) RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky Employer's Mutual Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates

established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

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

**(13) COBRA**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. It is management’s opinion that the District is in compliance with the COBRA requirements.

**(14) TRANSFER OF FUNDS**

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	Building (FSPK)	General Fund	Debt & Miscellaneous	\$ 318,970
Operating	Food Service	General Fund	Indirect Cost	62,295
Debt Service	Building (FSPK)	Debt Service	Bond Payments	1,304,658
Debt Service	Capital Outlay	General Fund	Lease Payments	194,680
Operating	General Fund	Special Revenue	Technology Match	40,883
Operating	General Fund	Construction	Construction	624,077

**(15) ON-BEHALF PAYMENTS**

For the year ended June 30, 2020, total payments of \$6,273,029 were made by the Commonwealth of Kentucky on behalf of the District for life insurance, health insurance, and KTRS matching and administrative fees, and SFCC debt service. These payments were recognized as on-behalf payments and are recorded in the appropriate revenue and expense accounts on the Statement of Activities and the Government Funds Statement of Revenue, Expenditures, and Changes in Fund Balance.

On-behalf payments at June 30, 2020 consisted of the following:

Teacher Retirement	\$ 2,775,341
Teacher Retirement – Health & Life	207,442
Health Insurance	2,471,443
Life Insurance	4,079
Administrative Fee	33,729
HRA/Dental/Vision	101,412
Federal Reimbursement	(145,184)
Technology	97,080
SFCC Debt Service	727,687
<b>Total on-behalf</b>	<u>\$ 6,273,029</u>

**(16) FUND DEFICIT**

As of June 30, 2020, the Food Service Fund had a negative net position of \$376,002. This deficit resulted from the fund’s proportionate share of the net pension and OPEB liabilities recorded in accordance with

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**(17) SUBSEQUENT EVENTS**

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the District’s financial condition. Management is actively monitoring the global situation on its financial condition. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the District is not able to estimate the effects of the COVID-19 outbreak on its future financial condition.

**REQUIRED SUPPLEMENTARY INFORMATION**

**LEWIS COUNTY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2020**

	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)	Reporting Fiscal Year (Measurement Date) 2017 (2016)	Reporting Fiscal Year (Measurement Date) 2016 (2015)	Reporting Fiscal Year (Measurement Date) 2015 (2014)
<b>COUNTY EMPLOYEES RETIREMENT SYSTEM:</b>						
District's proportion of the net pension liability	0.10951%	0.10687%	0.11113%	0.12029%	0.12124%	0.12100%
District's proportionate share of the net pension liability	\$ 7,701,817	\$ 6,508,831	\$ 6,505,015	\$ 5,922,830	\$ 5,212,702	\$ 3,925,000
District's covered payroll	\$ 2,869,587	\$ 2,649,178	\$ 2,705,837	\$ 2,869,639	\$ 2,878,981	\$ 2,775,199
District's proportionate share of the net pension liability as a percentage of its covered payroll	268.395%	245.692%	240.407%	206.396%	181.061%	141.431%
Plan fiduciary net position as a percentage of the total pension liability	50.450%	53.540%	53.324%	55.500%	59.970%	66.800%
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM:</b>						
District's proportion of the net pension liability	0.2703%	0.2652%	0.2742%	0.2983%	0.2890%	0.3130%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	\$ 36,878,943	\$ 34,721,621	\$ 73,991,272	\$ 88,012,097	\$ 67,250,939	\$ 64,327,679
Total	<u>\$ 36,878,943</u>	<u>\$ 34,721,621</u>	<u>\$ 73,991,272</u>	<u>\$ 88,012,097</u>	<u>\$ 67,250,939</u>	<u>\$ 64,327,679</u>
District's covered payroll	\$ 9,656,733	\$ 9,421,756	\$ 9,595,150	\$ 9,990,966	\$ 9,698,343	\$ 9,810,348
District's proportionate share of the net pension liability as a percentage of its covered payroll	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Plan fiduciary net position as a percentage of the total pension liability	58.800%	59.300%	39.830%	35.220%	42.490%	45.590%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**LEWIS COUNTY SCHOOL DISTRICT  
SCHEDULE OF PENSION CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2020**

	2020	2019	2018	2017	2016	2015	2014
<b>COUNTY EMPLOYEES RETIREMENT SYSTEM:</b>							
Contractually required contribution	\$ 565,214	\$ 465,447	\$ 383,624	\$ 377,470	\$ 356,400	\$ 367,070	\$ 381,329
Contributions in relation to the contractually required contribution	<u>565,214</u>	<u>465,447</u>	<u>383,624</u>	<u>377,470</u>	<u>356,400</u>	<u>367,070</u>	<u>381,329</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-
District's covered payroll	\$ 2,928,570	\$ 2,869,587	\$ 2,649,178	\$ 2,705,837	\$ 2,869,639	\$ 2,878,981	\$ 2,775,199
District's contributions as a percentage of its covered payroll	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%
 <b>KENTUCKY TEACHER'S RETIREMENT SYSTEM:</b>							
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-
District's covered payroll	\$ 9,624,955	\$ 9,656,733	\$ 9,421,756	\$ 9,595,150	\$ 9,990,966	\$ 9,698,343	\$ 9,810,348
District's contributions as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

**Note:** Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**LEWIS COUNTY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S PROPORTIONATE  
SHARE OF THE NET OPEB LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2020**

	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
<b>COUNTY EMPLOYEES RETIREMENT SYSTEM INSURANCE FUND:</b>			
District's proportion of the net OPEB liability	0.10948%	0.10687%	0.11113%
District's proportionate share of the net OPEB liability	\$ 1,841,421	\$ 1,897,420	\$ 2,234,174
District's covered payroll	\$ 2,869,587	\$ 2,649,178	\$ 2,705,837
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	64.170%	71.623%	82.569%
Plan fiduciary net position as a percentage of the total OPEB liability	60.4%	57.6%	52.4%
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM - MEDICAL INSURANCE PLAN:</b>			
District's proportion of the net OPEB liability	0.26232%	0.25668%	0.26480%
District's proportionate share of the net OPEB liability	\$ 4,247,000	\$ 4,784,000	\$ 5,197,000
State's proportionate share of the net OPEB liability associated with the District	3,430,000	4,123,000	4,245,000
Total	<u>\$ 7,677,000</u>	<u>\$ 8,907,000</u>	<u>\$ 9,442,000</u>
District's covered payroll	\$ 7,496,200	\$ 8,184,725	\$ 8,323,551
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	56.655%	58.450%	62.437%
Plan fiduciary net position as a percentage of the total OPEB liability	32.60%	25.50%	21.18%

**Note:** Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.



**LEWIS COUNTY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S PROPORTIONATE  
SHARE OF THE NET OPEB LIABILITY (CONCLUDED)  
FOR THE YEAR ENDED JUNE 30, 2020**

	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM - LIFE INSURANCE PLAN:</b>			
District's proportion of the net OPEB liability	0.25643%	0.25085%	0.25878%
District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the District	80,000	71,000	57,000
Total	<u>\$ 80,000</u>	<u>\$ 71,000</u>	<u>\$ 57,000</u>
District's covered payroll	\$ 7,496,200	\$ 8,184,725	\$ 8,323,551
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.000%	0.000%	0.000%
Plan fiduciary net position as a percentage of the total OPEB liability	73.40%	75.00%	79.99%

**Note:** Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**LEWIS COUNTY SCHOOL DISTRICT  
SCHEDULE OF OPEB CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>COUNTY EMPLOYEES RETIREMENT SYSTEM</b>				
<b>INSURANCE FUND:</b>				
Contractually required contribution	\$ 137,301	\$ 150,957	\$ 124,487	\$ 127,980
Contributions in relation to the contractually required contribution	<u>137,301</u>	<u>150,957</u>	<u>124,487</u>	<u>127,980</u>
Contribution deficiency (excess)	-	-	-	-
District's covered payroll	\$2,884,475	\$2,869,587	\$ 2,649,178	\$ 2,705,837
District's contributions as a percentage of its covered payroll	4.76%	5.26%	4.70%	4.73%
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM</b>				
<b>MEDICAL INSURANCE PLAN:</b>				
Contractually required contribution	\$ 245,886	\$ 224,886	\$ 245,542	\$ 249,708
Contributions in relation to the contractually required contribution	<u>245,886</u>	<u>224,886</u>	<u>245,542</u>	<u>249,708</u>
Contribution deficiency (excess)	-	-	-	-
District's covered payroll	\$8,196,200	\$7,496,200	\$ 8,184,725	\$ 8,323,551
District's contributions as a percentage of its covered payroll	3.00%	3.00%	3.00%	3.00%

**Note:** Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**LEWIS COUNTY SCHOOL DISTRICT  
SCHEDULE OF OPEB CONTRIBUTIONS (CONCLUDED)  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM - LIFE INSURANCE PLAN:</b>				
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	-	-	-	-
District's covered payroll	\$8,196,200	\$7,496,200	\$ 8,184,725	\$ 8,323,551
District's contributions as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%

**Note:** Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**LEWIS COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS  
FOR THE YEAR ENDED JUNE 30, 2020**

**(1) CHANGES OF ASSUMPTIONS**

KTRS

In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the Board adopted an interest smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions.

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

The following change of assumptions were adopted by the Board of Trustees and reflected in the liability measurement as of June 30, 2018:

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

CERS

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

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

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

- Decreased the price inflation assumption to 2.30%
- Decreased the assumed rate of return to 6.25%
- Decreased the payroll growth assumption to 2.00%.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2019:

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.30% (varies by service.)

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

**(2) METHODS AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS**

KTRS

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	28.1 years
Asset Valuation Method	5-year smoothed market
Inflation	3.5%
Salary Increase	3.5% to 7.3%, including inflation
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation

CERS

The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal year ended 2019, determined as of July 1, 2017. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates for the year ending June 30, 2019:

Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	26 years, closed
Payroll growth	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 11.55%, varies by service
Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation
Mortality	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)
Phase-In Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

**(3) CHANGES OF BENEFITS**

KTRS

There were no changes of benefit terms for KTRS.

CERS

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

**LEWIS COUNTY SCHOOL DISTRICT  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB PLANS  
 FOR THE YEAR ENDED JUNE 30, 2020**

**(1) CHANGES OF ASSUMPTIONS**

KTRS

*Medical Insurance Plan* - There were no changes of assumptions.

*Life Insurance Plan* - There were no changes of assumptions.

CERS Insurance Fund

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

- Decreased the price inflation assumption to 2.30%
- Decreased the assumed rate of return to 6.25%
- Decreased the payroll growth assumption to 2.00%.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2019:

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.30% (varies by service.)
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) is a system specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
- The mortality table used for post-retirement (disabled) is PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

**(2) METHODS AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS**

KTRS

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

Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	22 years, Closed
Asset valuation method	Five-year smoothed value
Inflation	3.00%
Real wage growth	0.50%
Wage inflation	3.50%

Salary increases, including wage inflation	3.50% - 7.20%
Discount rate	8.00%
Health care cost trends	
Under 65	7.50% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2024
Ages 65 and older	5.50% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2021
Medicare Part B premiums	0.00% for FY 2018 with an ultimate rate of 5.00% by 2030
Under age 65 claims	The current premium charged by KEHP is used as the base cost and is projected forward using only the health care trend assumption (no implicit rate subsidy is recognized).

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

Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	30 years, Open
Asset valuation method	Five-year smoothed value
Inflation	3.50%
Real wage growth	0.50%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.45%
Discount rate	7.50%

#### CERS Insurance Fund

The following actuarial methods and assumptions, for actuarially determined contributions effective for fiscal year ending June 30, 2019:

Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	26 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 11.55%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.25% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 5.10% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.
Mortality	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)
Phase-In Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.



**(3) CHANGES OF BENEFITS**

KTRS

*Medical Insurance Plan* – There were no changes of benefit terms.

*Life Insurance Plan* - There were no changes of benefit terms.

CERS

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2019, is determined using these updated benefit provisions.

**SUPPLEMENTARY INFORMATION**

**LEWIS COUNTY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2020**

	<u>Capital Outlay Fund</u>	<u>FSPK Fund</u>	<u>Debt Service Funds</u>	<u>District Activity Fund</u>	<u>Total Non-Major Governmental Funds</u>
<b>ASSETS:</b>					
Cash and cash equivalents	\$ -	\$ 300,000	\$ 5	\$ 365	\$ 300,370
Accounts receivable	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ 5</u>	<u>\$ 365</u>	<u>\$ 300,370</u>
<b>LIABILITIES AND FUND BALANCE:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>					
Assigned	-	-	-	-	-
Restricted	-	300,000	5	365	300,370
Total fund balance	<u>-</u>	<u>300,000</u>	<u>5</u>	<u>365</u>	<u>300,370</u>
 Total liabilities and fund balances	 <u>\$ -</u>	 <u>\$ 300,000</u>	 <u>\$ 5</u>	 <u>\$ 365</u>	 <u>\$ 300,370</u>

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

	Capital Outlay Fund	FSPK Fund	Debt Service Funds	District Activity Fund	Total Non-Major Governmental Funds
<b>REVENUES:</b>					
From local sources -					
Property taxes	\$ -	\$ 590,140	\$ -	\$ -	\$ 590,140
Earnings on investments	-	-	-	-	-
Fees	-	-	-	365	365
Intergovernmental - State	194,680	1,033,488	727,687	-	1,955,855
Insurance proceeds	-	-	-	-	-
Total revenues	<u>194,680</u>	<u>1,623,628</u>	<u>727,687</u>	<u>365</u>	<u>2,546,360</u>
<b>EXPENDITURES:</b>					
Current -					
Facilities acquisition and construction	-	-	-	-	-
Debt service	-	-	2,032,345	-	2,032,345
Total expenditures	<u>-</u>	<u>-</u>	<u>2,032,345</u>	<u>-</u>	<u>2,032,345</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>194,680</u>	<u>1,623,628</u>	<u>(1,304,658)</u>	<u>365</u>	<u>514,015</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating transfers in	-	-	1,304,658	-	1,304,658
Operating transfers out	(194,680)	(1,623,628)	-	-	(1,818,308)
Total other financing sources (uses)	<u>(194,680)</u>	<u>(1,623,628)</u>	<u>1,304,658</u>	<u>-</u>	<u>(513,650)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>365</u>	<u>365</u>
<b>FUND BALANCE JUNE 30, 2019</b>	<u>-</u>	<u>300,000</u>	<u>5</u>	<u>-</u>	<u>300,005</u>
<b>FUND BALANCE JUNE 30, 2020</b>	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ 5</u>	<u>\$ 365</u>	<u>\$ 300,370</u>

**LEWIS COUNTY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NON-MAJOR DEBT SERVICE FUNDS  
JUNE 30, 2020**

	2008R Bond Fund	2008C Bond Fund	2010R Bond Fund	2012 Bond Fund	2012R Bond Fund	2009R Bond Fund	2015R Bond Fund	2016R 2nd Bond Fund	2017 Bond Fund	2017B Bond Fund	Totals Debt Service Fund
<b>ASSETS:</b>											
Cash and cash equivalents	\$ 3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2	\$ -	\$ -	\$ -	\$ 5
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5</u>
<b>LIABILITIES AND FUND BALANCE:</b>											
<b>Liabilities:</b>											
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>											
Restricted	3	-	-	-	-	-	2	-	-	-	5
Total fund balance	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5</u>
Total liabilities and fund balances	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5</u>

**LEWIS COUNTY SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NON-MAJOR DEBT SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

	2008R Bond Fund	2008C Bond Fund	2010R Bond Fund	2012 Bond Fund	2012R Bond Fund	2015R Bond Fund	2016R Bond Fund	2016R 2nd Bond Fund	2017 Bond Fund	2017B Bond Fund	Totals Debt Service Fund
<b>REVENUES:</b>											
Intergovernmental - State	\$ 10,974	\$ -	\$ -	\$ 71,781	\$ 43,451	\$ 70,310	\$ 57,868	\$ 41,749	\$ -	\$ 431,554	\$ 727,687
Interest income	-	-	-	-	-	-	-	-	-	-	-
Total revenues	<u>10,974</u>	<u>-</u>	<u>-</u>	<u>71,781</u>	<u>43,451</u>	<u>70,310</u>	<u>57,868</u>	<u>41,749</u>	<u>-</u>	<u>431,554</u>	<u>727,687</u>
<b>EXPENDITURES:</b>											
Debt service	254,063	-	226,150	71,781	238,919	166,037	84,024	153,719	66,650	771,002	2,032,345
Total expenditures	<u>254,063</u>	<u>-</u>	<u>226,150</u>	<u>71,781</u>	<u>238,919</u>	<u>166,037</u>	<u>84,024</u>	<u>153,719</u>	<u>66,650</u>	<u>771,002</u>	<u>2,032,345</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<u>(243,089)</u>	<u>-</u>	<u>(226,150)</u>	<u>-</u>	<u>(195,468)</u>	<u>(95,727)</u>	<u>(26,156)</u>	<u>(111,970)</u>	<u>(66,650)</u>	<u>(339,448)</u>	<u>(1,304,658)</u>
<b>OTHER FINANCING SOURCES (USES):</b>											
Proceeds from issuance of debt	-	-	-	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-	-	-
Operating transfers in (out)	243,089	(2)	226,150	-	195,468	95,729	26,156	111,970	66,650	339,448	1,304,658
Total other financing sources (uses)	<u>243,089</u>	<u>(2)</u>	<u>226,150</u>	<u>-</u>	<u>195,468</u>	<u>95,729</u>	<u>26,156</u>	<u>111,970</u>	<u>66,650</u>	<u>339,448</u>	<u>1,304,658</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>-</u>	<u>(2)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE JUNE 30, 2019</b>	<u>3</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5</u>
<b>FUND BALANCE JUNE 30, 2020</b>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5</u>

**LEWIS COUNTY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

	Cash Balance June 30, 2019	Receipts	Disbursements	Cash Balance June 30, 2020	Accounts Receivable	Accounts Payable	Deposits Held in Custody for Students June 30, 2020
Lewis County High School	\$ 64,923	\$ 236,521	\$ 227,764	\$ 73,680	\$ -	\$ 15,190	\$ 58,490
Lewis County Central Elementary	54,404	68,580	79,211	43,773	-	-	43,773
Garrison Elementary	34,256	29,111	24,071	39,296	-	-	39,296
Tollesboro Elementary	23,026	48,901	42,310	29,617	-	-	29,617
Laurel Elementary	12,448	14,462	10,898	16,012	-	-	16,012
Lewis County Middle School	31,610	54,189	64,978	20,821	-	-	20,821
Foster Meade CTC	14,005	34,938	32,101	16,842	-	-	16,842
	<u>\$ 234,672</u>	<u>\$ 486,702</u>	<u>\$ 481,333</u>	<u>\$ 240,041</u>	<u>\$ -</u>	<u>\$ 15,190</u>	<u>\$ 224,851</u>

**LEWIS COUNTY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
SCHOOL ACTIVITY FUNDS  
LEWIS COUNTY HIGH SCHOOL  
FOR THE YEAR ENDED JUNE 30, 2020**

	Cash Balance June 30, 2019	Receipts	Disburse- ments	Cash Balance June 30, 2020	Accounts Receivable (Accounts Payable)	Deposits Held in Custody for Students June 30, 2020
Academic Team	\$ -	\$ 1,001	\$ 592	\$ 409	\$ -	\$ 409
Art	10	-	-	10	-	10
Autism Awareness	46	-	46	-	-	-
Band	2,356	8,496	10,295	557	-	557
Baseball	2,449	8,156	10,528	77	(692)	(615)
Basketball - Boys	4,508	23,683	23,531	4,660	-	4,660
Basketball - Girls	3,324	17,413	18,465	2,272	-	2,272
Beta Club	67	570	-	637	-	637
Boys Golf	3,689	655	2,876	1,468	-	1,468
Cheerleaders	2,929	4,895	3,514	4,310	-	4,310
Chorus	35	-	35	-	-	-
Seniors 2021	2,327	2,165	2,047	2,445	-	2,445
Juniors 2022	-	3,766	1,094	2,672	-	2,672
Sophomores 2023	702	538	1,240	-	-	-
Freshmen 2024	1,460	7,363	8,823	-	-	-
College Class	15,986	23,119	32,980	6,125	(6,125)	-
Drama	-	8,388	4,070	4,318	-	4,318
FCA	81	-	81	-	-	-
Football	1,191	19,925	21,116	-	(8,062)	(8,062)
Girls Golf	912	1,100	943	1,069	-	1,069
Girls Volleyball	300	5,712	6,012	-	-	-
Jazz Band	186	-	186	-	-	-
JFL	-	2,465	1,045	1,420	-	1,420
Keith Prater Scholarship	1,906	1,158	800	2,264	-	2,264
Library	246	75	313	8	-	8
Lions Locker (WBL)	30	-	30	-	-	-
Lions Lounge	-	755	725	30	-	30
Offices	292	3,609	3,651	250	-	250
Pep Club	7	227	89	145	-	145
ROTC	10,855	3,072	3,867	10,060	-	10,060
ROTC Senior Trip	-	13,444	4,167	9,277	-	9,277
Senior Trip	-	1,399	1,108	291	-	291
Softball	255	10,364	3,303	7,316	(311)	7,005
Sources of Strength	313	187	-	500	-	500
Spanish	337	709	315	731	-	731
Sport Gate	5,008	45,511	48,210	2,309	-	2,309
Student Enhancement	3	5,390	4,929	464	-	464
Sunshine Committee	-	580	294	286	-	286
Tennis	1	-	-	1	-	1
Track	-	2,516	1,625	891	-	891
Yearbook	1,242	7,427	4,246	4,423	-	4,423
Youth Service Center	1,870	688	573	1,985	-	1,985
	<u>\$ 64,923</u>	<u>\$ 236,521</u>	<u>\$ 227,764</u>	<u>\$ 73,680</u>	<u>\$ (15,190)</u>	<u>\$ 58,490</u>



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

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Expenditures
<u>U.S. Department of Education</u>				
Passed through Kentucky Department of Education:				
Title I Grants to Local Educational Agencies	84.010	3100002-19	-	\$ 1,038,352
Title I Grants to Local Educational Agencies	84.010	3100002-18	-	175,821
Title I Grants to Local Educational Agencies	84.010	3100002-17	-	<u>1,541</u>
				<u>1,215,714</u>
Special Education Cluster (IDEA):				
Special Education Grants to States - IDEA, Part B	84.027	3810002-19	-	478,217
Special Education Grants to States - IDEA, Part B	84.027	3810002-18	-	9,138
Special Education Grants to States - IDEA, Part B, Preschool	84.173	3800002-19	-	6,965
Special Education Grants to States - IDEA, Part B, Preschool	84.173	3800002-18	-	<u>1,246</u>
Total Special Education Cluster				<u>495,566</u>
Title VI - Rural & Low Income	84.358	3140002-19		11,061
Title VI - Rural & Low Income	84.358	3140002-18	-	32,745
Title VI - Rural & Low Income	84.358	3140002-17	-	<u>9,027</u>
				<u>52,833</u>
Improving Teacher Quality State Grants	84.367	3230002-19	-	60,893
Improving Teacher Quality State Grants	84.367	3230002-18	-	<u>29,828</u>
				<u>90,721</u>
Student Support and Academic Enrichment Grant	84.424	34200002-19	-	19,958
Student Support and Academic Enrichment Grant	84.424	34200002-18	-	6,234
Student Support and Academic Enrichment Grant	84.424	34200002-17	-	<u>14,269</u>
				<u>40,461</u>
Vocational Education Basic Grants to States	84.048	3710002-18	-	32,006
Vocational Education Basic Grants to States	84.048	3710002-17	-	<u>4,467</u>
				<u>36,473</u>
Passed through KEDC:				
Innovative Approaches to Literacy	84.215G	S215G160112	-	<u>320</u>
Total U.S. Department of Education				<u>1,932,088</u>
<u>U.S. Department of Defense</u>				
Direct:				
ROTC	12.630	504A	-	<u>75,761</u>
Total U.S. Department of Defense				<u>75,761</u>

**LEWIS COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)  
FOR THE YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Expenditures
<u>U.S. Department of Health and Human Services</u>				
Pass-through Kentucky Department of Education:				
Improving Student Health and Academic Achievement	93.981	2200001-19	-	5,515
Improving Student Health and Academic Achievement	93.981	2200001-18	-	7,884
Total U.S. Department of Health and Human Services				<u>13,399</u>
<u>U.S. Department of Labor</u>				
Pass-through Buffalo Trace Area Development District:				
Workforce Investment Act - Youth Activity	17.258	588FC	-	8,562
Workforce Investment Act - Youth Activity	17.258	588F	-	238,329
Workforce Investment Act - Youth Activity	17.258	588EC	-	80,829
Workforce Investment Act - Youth Activity	17.258	588E	-	1,179
Total U.S. Department of Labor				<u>328,899</u>
<u>U.S. Department of Agriculture</u>				
Pass-through Kentucky Department of Education:				
State Administrative Expenses for Child Nutrition	10.560	7700001-19	-	5,812
				<u>5,812</u>
Child Nutrition Cluster:				
National School Lunch Program	10.555	7750002-20	-	572,191 *
National School Lunch Program	10.555	7750002-19	-	156,373 *
School Breakfast Program	10.553	7760005-20	-	63,338 *
School Breakfast Program	10.553	7760005-19	-	240,643 *
Summer Food Service Program for Children	10.559	7690024-20	-	76,548 *
Summer Food Service Program for Children	10.559	7740023-20	-	745,950 *
Subtotal				<u>1,855,043</u>
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	10.555	011-0100	-	66,582 *
Total Child Nutrition Cluster				<u>1,921,625</u>
Total U.S. Department of Agriculture				<u>1,927,437</u>
Total Expenditures of Federal Awards				<u>\$ 4,277,584</u>

\* Denotes major program.

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

**NOTE A - BASIS OF PRESENTATION**

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

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance or OMB Circular A-87, *Cost Principles for State and Local Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

**NOTE C - FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2020, commodities on hand are included in the total inventory of \$43,055.


**NOTE D - INDIRECT COST RATE**

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



**K**elley **G**alloway  
**S**mith **G**oolsby, PSC

Certified Public Accountants and Advisors

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

Kentucky State Committee for  
School District Audits  
Members of the Board of Education  
Lewis County School District  
Vanceburg, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lewis County School District (the "District") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 5, 2020.

**Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

We noted certain matters that we reported to management of the District in a separate letter dated November 5, 2020.

## **Purpose of this Report**

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

*Kelley Galloway Smith Hooley, PSC*  
Ashland, Kentucky  
November 5, 2020





**K**elley **G**alloway  
**S**mith **G**oolsby, PSC

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

Kentucky State Committee for  
School District Audits  
Members of the Board of Education  
Lewis County School District  
Vanceburg, Kentucky

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

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

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

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

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

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

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

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

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

*Kelley Galloway Smith Hooley, PSC*

Ashland, Kentucky  
November 5, 2020

**LEWIS COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**(A) SUMMARY OF AUDIT RESULTS**

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

Unmodified

Internal Control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ yes   x   no

Significant deficiency(ies) identified?

\_\_\_\_\_ yes   x   none reported

Noncompliance material to the financial statements noted?

\_\_\_\_\_ yes   x   no

**Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified?

\_\_\_\_\_ yes   x   no

Significant deficiency(ies) identified?

\_\_\_\_\_ yes   x   none reported

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

Unmodified

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

\_\_\_\_\_ yes   x   no

Identification of major federal programs:

Child Nutrition Cluster (10.553, 10.555, 10.559)

Dollar threshold to distinguish between Type A and Type B Programs:

\$ 750,000

The District qualified as a low risk auditee

  x   yes \_\_\_\_\_ no

**(B) FINANCIAL STATEMENT FINDINGS**

None noted in the current year.

**(C) FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no findings in the current year.




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Members of the Board of Education  
Lewis County School District  
Vanceburg, Kentucky

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

However, during our audit, we became aware of matters that are an opportunity for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding this matter. This letter does not affect our report dated November 5, 2020, on the financial statements of the District.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

*Kelley Galloway Smith Goolsby, PSC*

Ashland, Kentucky  
November 5, 2020



**LEWIS COUNTY SCHOOL DISTRICT**  
**MANAGEMENT LETTER POINTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**2020-1 Dual Signatures – Lewis County High School**

Statement of Condition: During our disbursement testing, we noted one check that only contained one signature.

Criteria for Condition: The Redbook and Board policy requires that all checks contain dual signatures for proper authorization.

Cause of Condition: Oversight.

Effect of the Condition: Noncompliance with Redbook and Board policy.

Recommendation of the Condition: We recommend management follow Board policy by ensuring that all checks contain dual signatures as required.

Management Response: The check signers at Lewis County High School will be reminded that all checks must contain dual signatures.

**2020-2 Timely Activity Fund Deposits – Lewis County High and Middle School**

Statement of Condition: We noted two deposits at the High School and one deposit at the Middle School that were not deposited timely. All three deposits were gate receipts and they were not deposited the next business day.

Criteria for Condition: Per the Redbook money collected after school hours shall be deposited the next business day.

Cause of Condition: Oversight.

Effect of the Condition: Noncompliance with Redbook provisions.

Recommendation of the Condition: We recommend that all deposits be made the next business day.

Management Response: Bookkeepers will be reminded to make gate receipt deposits by the next business day.

**2020-3 Activity Fund Negative Account Balances**

Statement of Condition: During our testing of activity funds at the High School we noted two accounts payable items that resulted in a negative balance for two individual activity funds. A request for the general fund to cover these deficits could not be located.

Criteria for Condition: Per the Redbook “If the school activity fund bank account ends the year with a negative balance (after taking receivable and accounts payable into consideration), then the district’s general fund shall cover any deficit by June 30.”

Cause of Condition: Oversight.

Effect of the Condition: Noncompliance with Redbook provisions.

Recommendation of the Condition: We recommend that each school's bookkeeper look for accounts payable and accounts receivable items, so that they may have the general fund cover the deficit by following the prescribed procedures in the Redbook.

Management Response: The bookkeeper and principal of Lewis County High School will be reminded that accounts receivable and accounts payable are factored in when determining end of year activity account balances and that no activity account should end the fiscal year with a negative balance.

#### Status of Prior Year Management Points

All prior year conditions have been implemented and corrected, with the exception of 2019-1 which is repeated as 2020-1. The Superintendent is the person responsible for initiation of the corrective action plan for the above conditions which will be implemented immediately. The corrective action plan is the management response for each condition.

**APPENDIX C**

**Lewis County School District Finance Corporation  
School Building Revenue Bonds  
Series 2021B**

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**Continuing Disclosure Agreement**

CONTINUING DISCLOSURE CERTIFICATE

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Relating to:

\$16,415,000

LEWIS COUNTY SCHOOL DISTRICT FINANCE CORPORATION

SCHOOL BUILDING REVENUE BONDS, SERIES 2021B

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Dated as of: July 15, 2021

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This CONTINUING DISCLOSURE CERTIFICATE (the "Certificate") is executed and delivered as of the 15th day of July, 2021 by the Board of Education of the Lewis County School District (the "Board") and Lewis County School District Finance Corporation (the "Issuer") in connection with the issuance of its \$16,415,000 Lewis County School District Finance Corporation School Building Revenue Bonds, Series 2021B (the "Obligations"). The Obligations are being issued pursuant to a resolution adopted by the Board of Directors of the Issuer on May 26, 2021 (the "Authorizing Legislation"). The Issuer certifies, covenants and agrees as follows:

### **Section 1. Purpose of the Certificate.**

This Certificate is being executed and delivered by the Issuer to provide for the disclosure of certain information concerning the Obligations on an on-going basis as set forth herein for the benefit of Holders (as hereinafter defined) in accordance with the provisions of Securities and Exchange Commission Rule 15c2-12, as amended from time to time (the "Rule");

### **Section 2. Definitions; Scope of this Certificate.**

All terms capitalized but not otherwise defined herein shall have the meanings assigned to those terms in the Authorizing Legislation and the Obligations. Notwithstanding the foregoing, the term "Disclosure Agent" shall mean the Issuer, or any disclosure agent appointed or engaged by the Issuer; any successor disclosure agent shall automatically succeed to the rights and duties of the Disclosure Agent hereunder, without any amendment hereto. The following capitalized terms shall have the following meanings:

"Annual Financial Information" shall mean a copy of the annual audited financial information prepared for the Board which shall include, if prepared, a balance sheet, a statement of revenue and expenditure and a statement of changes in fund balances. All such financial information shall be prepared using generally accepted accounting principles as applied to governmental units, provided, however, that the Board may change the accounting principles used for preparation of such financial information so long as the Board includes as information provided to the public, a statement to the effect that different accounting principles are being used, stating the reason for such change and how to compare the financial information provided by the differing financial accounting principles. Any or all of the items listed above may be set forth in other documents, including Offering Documents of debt issues of the Board or related public entities, which have been transmitted to the MSRB, or may be included by specific reference to documents available to the public on the MSRB's Internet Website or filed with the SEC. The Board shall clearly identify each such other document so incorporated by reference.

"Beneficial Owner" shall mean any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Obligations (including personal holding Obligations through nominees, depositories or other intermediaries).

"Event" shall mean any of the following events with respect to the Obligations:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service 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 security, or other material events affecting the tax-exempt status of the security;
- (vii) Modifications to rights of security holders, if material;
- (viii) Bond calls, if material, and tender offers (except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event);
- (ix) Defeasances;
- (x) Release, substitution or sale of property securing repayment of the securities, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the obligated person (Note: For the purposes of this event, the event is considered to occur when any of the following occur: The

appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person);

- (xiii) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) Incurrence of a Financial Obligation of the Board, the Issuer, or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer or obligated person, any of which affect security holders, if material; and
- (xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Board, the Issuer, or obligated person, any of which reflect financial difficulties.

The SEC requires the listing of (i) through (xvi) although some of such events may not be applicable to the Obligations.

"Financial Obligation" shall mean (a) a debt obligation, (b) a 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) a guarantee of either (a) or (b). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Holders" shall mean any holder of the Obligations and any Beneficial Owner thereof.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Offering Document" shall mean the Official Statement, dated June 24, 2021.

"Operating Data" shall mean an update of the Operating Data contained in the Offering Document under the headings "BOND DEBT SERVICE," "DISTRICT STUDENT POPULATION," "LOCAL SUPPORT," and "SEEK ALLOTMENT".

"Participating Underwriter" shall mean any of the original underwriters of the Obligations required to comply with the Rule in connection with the offering of the Obligations.

"SEC" shall mean the Securities and Exchange Commission.

"State" shall mean the Commonwealth of Kentucky.

### **Section 3. Disclosure of Information.**

(A) Information Provided to the Public. Except to the extent this Certificate is modified or otherwise altered in accordance with Section 4 hereof, the Issuer shall make, or shall cause the Disclosure Agent to make, public the information set forth in subsections (1), (2), and (3) below:

(1) Annual Financial Information and Operating Data. Annual Financial Information and Operating Data at least annually not later than 270 days after the end of the fiscal year ending June 30, commencing with the fiscal year ending June 30, 2022, and continuing with each fiscal year thereafter. If the Disclosure

Agent is an entity or person other than the Board or the Issuer, then the Board shall provide the Annual Financial Information to the Disclosure Agent not later than fifteen Business Days prior to the disclosure date referenced above. The Annual Financial Information may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information; provided that the audited financial statements of the Board may be submitted separately from the balance of the Annual Financial Information.

(2) Events Notices. Notice of the occurrence of an Event, in a timely manner, not in excess of ten business days after the occurrence of the Event.

(3) Failure to Provide Annual Financial Information or Operating Data. Notice of the failure of Board or the Issuer to provide the Annual Financial Information or Operating Data by the date required herein.

(B) Information Provided to Public.

Annual Financial Information and, subject to the timing requirement set forth in subsection (A)(2) of this Section 3, notice of all Event occurrences shall be made public on the same day as notice thereof is given to the Holders of outstanding Obligations, if required pursuant to the Authorizing Legislation or the Obligations, and shall not be made public before the date of such notice.

(C) Means of Making Information Public.

(1) Information shall be deemed to be made public by the Board of the Issuer or the Disclosure Agent under this Certificate if it is transmitted as provided in subsection (C)(2) of this Section 3 by the following means:

- (a) to the Holders of outstanding Obligations, by first class mail, postage prepaid;
- (b) to the MSRB, in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB; and/or
- (c) to the SEC, by (i) electronic facsimile transmissions confirmed by first class mail, postage prepaid, or (ii) first class mail, postage prepaid; provided that the Board, the Issuer, or the Disclosure Agent is authorized to transmit information to the SEC by whatever means are mutually acceptable to the Disclosure Agent, the Board, or the Issuer, as applicable, and the SEC.

(2) Information shall be transmitted to the following:

- (a) all information to be provided to the public in accordance with subsection (A) of this Section 3 shall be transmitted to the MSRB;
- (b) all information described in clause (a) shall be made available to any Holder upon request, but need not be transmitted to the Holders who do not so request.
- (c) to the extent the Board or the Issuer is obligated to file any Annual Financial Information or Operating Data with the MSRB pursuant to this Agreement, such Annual Financial Information or Operating Data may be set forth in the document or set of documents transmitted to the MSRB, or may be included by specific reference to documents available to the public on the MSRB's Internet Website or filed with the SEC.

With respect to requests for periodic or occurrence information from Holders, the Board, the Issuer, or the Disclosure Agent may require payment by requesting holders of a reasonable charge for duplication and transmission of the information and for the Board, the Issuer's, or the Disclosure Agent's administrative expenses incurred in providing the information.



#### **Section 4. Amendment or Modification.**

Notwithstanding any other provision of this Certificate, the Issuer may amend this Certificate and any provision of this Certificate may be waived, if such amendment or waiver is supported by an opinion of nationally recognized bond counsel expert in federal securities laws to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule as well as any change in circumstance.

#### **Section 5. Miscellaneous.**

(A) Termination. The Board and the Issuer's obligations under this Certificate shall terminate when all of the Obligations are or are deemed to be no longer outstanding by reason of redemption or legal defeasance or at maturity.

(B) Additional Information. Nothing in this Certificate shall be deemed to prevent the Board and the Issuer from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Financial Statement or notice of occurrence of an Event, in addition to that which is required by this Certificate. If the Board or the Issuer chooses to include any information in any Annual Financial Statement or notice of occurrence of an Event in addition to that which is specifically required by this Certificate, the Board or the Issuer, as the case may be, shall have no obligation under this Certificate to update such information or include it in any future Annual Financial Statement or notice of occurrence of an Event.

(C) Defaults: Remedies. In the event of a failure of the Board, the Issuer, or the Disclosure Agent to comply with any provision of this Certificate any Holder may take such action as may be necessary and appropriate, including seeking an action in mandamus or specific performance to cause the Board, the Issuer, or the Disclosure Agent, as the case may be, to comply with its obligations under this Certificate. A default under this Certificate shall not constitute a default on the Obligations and the sole remedy available in any proceeding to enforce this Certificate shall be an action to compel specific performance.

(D) Beneficiaries. This Certificate shall inure solely to the benefit of the Board, the Issuer, the Disclosure Agent, the Participating Underwriter and Holders, or beneficial owners thereof, and shall create no rights in any other person or entity.

#### **Section 6. Additional Disclosure Obligations.**

The Issuer and the Board acknowledge and understand that other state and federal laws, including but not limited to the Securities Act of 1933, the Securities Exchange Act of 1934 and Rule 10b 5 promulgated thereunder, may apply to the Board and the Issuer, and that under some circumstances compliance with this Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of the Board and the Issuer under such laws.

#### **Section 7. Notices.**

Any notices or communications to the Board or the Issuer may be given as follows:

To the Issuer:	Lewis County School District Finance Corporation 65 Central Elementary Vanceburg, Kentucky 41179 Attention: Secretary Telephone: 606-796-2811 Fax: 606-796-3081
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To the Board: Board of Education of Lewis County School District  
65 Central Elementary  
Vanceburg, Kentucky 41179  
Attention: Superintendent  
Telephone: 606-796-2811  
Fax: 606-796-3081

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

LEWIS COUNTY SCHOOL  
DISTRICT FINANCE CORPORATION, Issuer

By: \_\_\_\_\_  
President

Attest:

\_\_\_\_\_  
Secretary

BOARD OF EDUCATION OF LEWIS  
COUNTY SCHOOL DISTRICT

By: \_\_\_\_\_  
Chairperson

Attest:

\_\_\_\_\_  
Secretary

**APPENDIX C**

**Lewis County School District Finance Corporation  
School Building Revenue Bonds  
Series 2021B**

---

**Official Terms and Conditions of Bond Sale**

## OFFICIAL TERMS AND CONDITIONS OF BOND SALE

**\$16,415,000\***

**Lewis County School District Finance Corporation  
School Building Revenue Bonds, Series 2021B  
Dated July 15, 2021**

**SALE: June 24, 2021 at 1:00 P.M., E.T.**

As advertised in conformity with Chapter 424 of the Kentucky Revised Statutes, the Secretary of the Lewis County School District Finance Corporation (the "Corporation") will until June 24, 2021, at the hour of 1:00 P.M., E.T., at the office of the Executive Director of the Kentucky School Facilities Construction, 700 Louisville Road, Frankfort, Kentucky 40601, receive sealed competitive bids for the revenue bonds (the "Bonds") herein described. To be considered, Bids must be submitted on an Official Bid Form and must be delivered to the Secretary at the address indicated on the date of sale no later than the hour indicated. Bids will be opened by the Secretary and may be accepted without further action by the Corporation's Board of Directors.

\*Subject to Permitted Adjustment increasing or decreasing the Bonds.

### STATUTORY AUTHORITY, PURPOSE OF ISSUE AND SECURITY

The 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. The 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.

The Bonds are being issued to finance the cost of the acquisition, construction, installation, and equipping of a new Garrison Elementary School (the "Project") and are secured by a statutory mortgage lien upon and a pledge of the revenues from the rental of the school buildings to the Board of Education of Lewis County School District (the "Board") under a Contract, Lease and Option (the "Lease") on a year to year basis; the first rental period ending June 30, 2022. The statutory mortgage lien securing the Bonds is limited in its application to the exact site of the Project constructed from the proceeds of the Bonds, real estate unoccupied by the Project is unencumbered. The Board has reserved the right to obtain the release of the statutory mortgage lien and revenue pledge on the site of the Project by effecting the redemption or defeasance of the proportionate part of the Bonds then outstanding as was expended on the site being released. Should the Board default in its obligations under the Lease or fail to renew the Lease, the Registered Owners of the Bonds have the right to have a receiver appointed to administer the Project under KRS 162.220; foreclosure and sale are not available as remedies.

The rental of the Project from the Corporation to the Board is to be effected under the Lease, whereunder the Project is leased to the Board for an 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 is legally obligated only for the initial rental period and for one year at a time thereafter each time the Lease is renewed.

Although the Board is obligated to pay the Corporation annual rentals in the full amount of the principal and interest requirements on the Bonds for each year in which the Lease is renewed, the Board has entered into the Lease in reliance upon a certain Participation Agreement by and between the Board and the Kentucky School Facilities Commission (the "Commission"). Under the terms of the Participation Agreement, the Commission has agreed to pay annually, until August 1, 2041 directly to the Paying Agent for the Bonds a stated agreed participation of approximately \_\_% of the debt service requirements for the Bonds herein identified until such date, subject to the constitutional restrictions limiting the commitment to the biennial; said annual amount is to be applied only to the principal and interest requirements of the Bonds so long as the Board renews the Lease. Under the Lease, the Board has pledged and assigned all of its rights under the Participation Agreement in and to the Agreed Participation to the Corporation in order to secure the Bonds and has agreed to pay that portion of the rentals in excess of the Agreed Participation for each year in which the Lease is renewed.

## KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION

The Commission is an independent corporate agency and instrumentality of the Commonwealth of Kentucky established pursuant to the provisions of §§ 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 Kentucky School Facilities Construction Commission (the "Commission") is an independent corporate agency and instrumentality of the Commonwealth of Kentucky established pursuant to the provisions of §§ 157.611 through 157.640 of the Kentucky Revised Statutes, as repealed, amended, and reenacted (the "Act") for the purpose of assisting local school districts in meeting the school construction needs of the Commonwealth in a manner which will ensure an equitable distribution of funds based upon unmet need. Pursuant to the provisions of the Act, the Regulations of the State Board of Education and of the Commission, the Commission has determined that the Board is eligible for participation from the Commission in meeting the costs of the Projects and has entered into the Participation Agreement with the Board whereunder the Commission agrees to pay an Agreed Participation equal to approximately \_\_\_% of the debt service requirements each year to be applied only to the payment of the principal and interest requirements on the Bonds; provided, however, that the contractual commitment of the Commission to pay the annual Agreed Participation is limited to the biennial budget period of the Commonwealth, with the first such biennial period terminating on June 30, 2022. The right is reserved in the Commission to terminate the commitment to pay the Agreed Participation every two years thereafter. The obligation of the Commission to make payments of the Agreed Participation shall be automatically renewed each two years for a period of two years unless the Commission shall give notice of its intention not to participate not less than sixty days prior to the end of the biennium; however, by execution of the Participation Agreement, the Commission has expressed its present intention to continue to pay the Agreed Participation in each successive biennial budget period until the retirement of all of the Bonds, but such execution does not obligate the Commission to do so.

### ADDITIONAL PARITY BONDS FOR COMPLETION OF PROJECT

The Corporation has reserved the right and privilege of issuing additional bonds from time to time payable from the income and revenues of the Project and secured by the same statutory mortgage lien and pledge of revenues, but only if and to the extent the issuance of such additional parity bonds may be necessary to pay the costs, for which funds are not otherwise available, of completing the construction of the Project in accordance with the plans and specifications of the architect in charge of the Project, which plans have been completed, approved by the Commissioner of the Department of Education and by the Board of Education, and filed in the office of the Secretary of the Corporation, and the issuance thereof shall be approved by the proper agents of the State Department of Education as required by law, and a Supplemental Contract, Lease and Option shall have been entered into, whereunder the annual rental payments during the life of such additional bonds.

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

The Bonds shall be in denominations in multiples of \$5,000 within the same maturity, bear interest from July 15, 2021, payable on February 1, 2022, and semiannually thereafter and shall mature as to principal on August 1 in each of the years as follows:

<u>MATURITY</u>	<u>AMOUNT*</u>	<u>MATURITY</u>	<u>AMOUNT*</u>
August 1, 2022	\$555,000	August 1, 2032	\$ 815,000
August 1, 2023	620,000	August 1, 2033	835,000
August 1, 2024	640,000	August 1, 2034	855,000
August 1, 2025	655,000	August 1, 2035	880,000
August 1, 2026	675,000	August 1, 2036	905,000
August 1, 2027	690,000	August 1, 2037	925,000
August 1, 2028	705,000	August 1, 2038	955,000
August 1, 2029	730,000	August 1, 2039	975,000
August 1, 2030	745,000	August 1, 2040	1,005,000
August 1, 2031	765,000	August 1, 2041	1,485,000

The Bonds maturing on or after August 1, 2029, are subject to redemption prior to their stated maturities on any date falling on or after August 1, 2028, in such order of maturities as the Corporation may determine (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 by regular United States Mail to the registered Owners of the Bonds so selected not less than thirty days prior to the date of redemption, upon terms of the face amount, plus accrued interest to the date of redemption.

The Bonds are further subject to extraordinary optional redemption prior to their stated maturities on any date, in such order of maturities as the Corporation may determine (less than all of a single maturity to be selected by lot), in whole or in part, from the proceeds of casualty insurance received upon the total destruction by fire, lightning, windstorm or other hazard of any of the buildings constituting the Project, upon notice of such prior redemption being given by the Paying Agent by regular United States Mail to the registered Owners of the Bonds so selected not less than thirty days prior to the date of redemption, upon terms of the face amount, plus accrued interest to the date of redemption.

The Bonds are to be issued in fully registered form (both principal and interest). U.S. Bank National Association, Louisville, Kentucky, the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date to each Registered Owner of records of the 15th day of each month preceding the due date by regular United States Mail postmarked as of the interest due date. Principal shall be paid upon submission of matured Bond Certificates to the Paying Agent. Subsequent to the initial delivery of the Bonds, upon the submission of proper authentication, the Bond Registrar shall transfer ownership of Bonds within three business days of receipt without expense to the Registered Owner.

#### **FINAL OFFICIAL STATEMENT**

The Corporation shall provide to the successful purchaser a Final Official Statement. Arrangements have been made with the printer of the Preliminary Official Statement, upon submission of completion text, to print a reasonable quantity of Final Official Statements in sufficient time to meet the delivery requirements of the successful bidder under SEC or Municipal Securities Rulemaking Board delivery requirements. The successful bidder shall be required to pay for the printing of the Final Official Statement.

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

The Bonds will mature, have interest payment dates, be subject to redemption, have a Paying Agent and Registrar, be subject to the issuance of additional bonds and have other conditions and restrictions as set forth in the Preliminary Official Statement describing the Bonds. Reference is made to the Preliminary Official Statement for such information and for information regarding the District and the Corporation.

#### **BIDDING CONDITIONS AND RESTRICTIONS**

(A) Bids must be made on Official Bid Form, contained in the Official Statement available from the undersigned or RSA Advisors, LLC 325 West Main Street, Suite 300, Lexington, Kentucky 40507, enclosed in sealed envelopes marked "Bid for School Building Revenue Bonds." Bids may alternatively be submitted electronically via BiDCOMP™/PARITY™ system. Electronic bids for the Bonds must be submitted through the BiDCOMP™/PARITY™ system and no other provider of electronic bidding services will be accepted. Subscription to the BiDCOMP™/PARITY™ 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 the BiDCOMP™/PARITY™ system 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 the BiDCOMP™/PARITY™ system 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 the BiDCOMP™/PARITY™ system 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 the BiDCOMP™/PARITY™ system. The use of the BiDCOMP™/PARITY™ system facilities are at the sole risk of the prospective bidders. For further information regarding the BiDCOMP™/PARITY™ system, potential

bidders may contact BiDCOMP™/PARITY™, 1359 Broadway - 2nd Floor, New York, NY 10018, Telephone: (800) 850-7422. Notwithstanding the foregoing non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form.

(B) Bidders are required to bid for the entire issue of Bonds at a minimum price of not less than \$16,086,700.00 (98% of par), PAYABLE IN IMMEDIATELY AVAILABLE FUNDS.

(C) Interest rates for the Bonds must be in multiples of one eighth of one percent (0.125%) and/or one one-hundredth of one percent (0.010%), 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 for any maturity shall not be less than the interest rate for any preceding maturity. There is no limit on the number of different interest rates.

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

(E) The determination of the best purchase bid for the Bonds shall be made on the basis of all bids submitted for exactly \$16,415,000 principal amount of Bonds offered for sale under the terms and conditions herein specified. The corporation will accept or reject such best bid, provided, however, a Permitted Adjustment is reserved hereunder and the Corporation reserves the right to increase the total amount of Bonds by 10% or decrease the total amount of Bonds by an amount determined by the Corporation to be in its best interest. In the event of any such Permitted Adjustment, no rebidding or recalculation of a submitted bid will be required or permitted.

The Corporation also has the right to adjust individual principal maturity amounts, even if the total amount of the Bonds does not change, in order to promote desired annual debt service levels. If the principal amount of any maturity of the Bonds is revised after the award, the interest rate and reoffering price for each maturity and the Underwriter's Discount on the Bonds as submitted by the successful bidder shall be held constant.

(F) If three 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 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 be required to 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, (ii) the initial offering price to the public as of the Sale Date of any Maturity of the Bonds, and (iii) that they neither offered nor sold any of the Bonds of any 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 winning bidder shall advise the Corporation on the Sale Date if any maturity of the Bonds satisfies the 10% test set forth in (i) above as of the date and time of the award of the Bonds.

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

(i) *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.

(ii) *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.

(iii) *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.

(iv) *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 24, 2021.

(v) *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) CUSIP identification numbers will be printed on the Bonds at the expense of the purchaser. The purchaser shall pay the CUSIP Service Bureau Charge and the cost of printing the Final Official Statement. 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 the Bonds in accordance with the terms of any accepted proposal for the purchase of the Bonds.

(H) The Corporation shall provide to the successful purchaser a Final Official Statement in accordance with SEC Rule 15c2-12, as amended. Arrangements have been made with the printer of the Preliminary Official Statement, upon submission of completion text, to print a reasonable quantity of Final Official Statements in sufficient time to meet the delivery requirements of the successful bidder under SEC or Municipal Securities Rulemaking Board Delivery Requirements. The successful bidder shall be required to pay for the printing of the Final Official Statement.

(I) 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 to the order of the Corporation an amount equal to 2% of the amount of the principal amount of Bonds awarded by the close of business on the day following the award. The good faith amount 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 the Bonds unless delivery is made within 45 days from the date the bid is accepted.

(J) The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. They 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 for each maturity of the Bonds of each series, each in the aggregate principal amount of such maturity, and will be deposited with DTC. Purchases of the Bonds under the DTC system must be made by or through securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations (the "Direct Participants"), which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (a "Beneficial Owner") is in turn to be recorded on the records of Direct Participants or securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant (the "Indirect Participants"). 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 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 the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.



(K) The purchaser shall be required to supply the Bond Registrar with the name, address, social security number, or taxpayer identification number, principal amount and principal maturities for each person or entity in whose name Bonds are to be registered. Failure of a purchaser to fully designate the Registered Owners of Bonds shall result in the issuance of Bond Certificates by the Registrar in the purchaser's "street name" (to the extent a purchaser fails to designate).

(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 Dinsmore & Shohl LLP, Covington, Kentucky, which Opinion will be qualified in accordance with the section hereof on TAX TREATMENT.

(M) The successful purchaser may require that a portion of the Bonds be term bonds maturing on one or more dates (the "Term Bonds"); provided, however, that the Term Bonds shall be subject to mandatory sinking fund redemption by lot at a redemption price of 100% of the principal amount thereof plus accrued interest to the date of redemption on August 1st of the years and in the principal amounts set forth in the final adjusted maturity schedule as seen on page 2 of the successful bid.

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

(O) As required by the Code, the purchaser of the Bonds will be required to certify to the Corporation as to certain of their activities regarding any reoffering to the public of the Bonds, including any reoffering prices.

#### **CONTINUING DISCLOSURE**

In accordance with Securities and Exchange Commission Rule 15c2-12, as amended (the "Rule") the Board and the Corporation (the "Obligated Persons") will agree pursuant to a Continuing Disclosure Certificate to be dated as of the date of initial issuance and delivery (the "Disclosure Certificate"), to be delivered on the date of delivery of the Bonds, to cause the following information to be provided:

(i) to the Municipal Securities Rulemaking Board ("MSRB") or any successor thereto for purposes of the 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, certain annual financial information and operating data, including audited financial statements, generally consistent with the information contained under the headings "Bond Debt Service", "Local Support"-Local Tax Rates, -Property Assessments and Revenue Collections, -Overlapping Bond Indebtedness", "SEEK Allotment" and in Appendix B of this Official Statement (the "Annual Financial Information"); such information shall include, at a minimum, that financial information and operating data which is customarily prepared by the Obligated Persons and is publicly available. The annual financial information shall be provided on or before the 270th day following the fiscal year ending on the preceding June 30th;

(ii) to the MSRB, in a timely manner, not in excess of ten business days after the occurrence of the event, notice of the occurrence of the following events with respect to the Bonds:

- (a) Principal and interest payment delinquencies;
- (b) Non-payment related defaults, if material;
- (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) Substitution of credit or liquidity providers, or their failure to perform;
- (f) Adverse tax opinions, the issuance by the Internal Revenue Service 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 security, or other material events affecting the tax-exempt status of the security;

- (g) Modifications to rights of security holders, if material;
- (h) Bond calls, if material, and tender offers (except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event);
- (i) Defeasances;
- (j) Release, substitution or sale of property securing repayment of the securities, if material;
- (k) Rating changes;
- (l) Bankruptcy, insolvency, receivership or similar event of the obligated person (Note: For the purposes of this event, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bank National Association Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person);
- (m) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (n) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (o) Incurrence of a financial obligation of the Corporation or Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or Obligated Person, any of which affect security holders, if material;
- (p) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the issuer or Obligated Person, any of which reflect financial difficulties; and
- (q) The cure, in the manner provided under the Bond Resolution, of any payment or nonpayment related default under the Bond Resolution.

(iii) to the MSRB, notice of a failure (of which the Obligated Persons or Disclosure Agent has knowledge) of an Obligated Person to provide the required Annual Financial Information on or before the date specified in the Disclosure Certificate.

The Disclosure Certificate provides bondholders, including beneficial owners of the respective series of Bonds, with certain enforcement rights in the event of a failure by the Obligated Persons to comply with the terms thereof; however, a default under the Disclosure Certificate does not constitute an event of default under the Bond Resolution. The Disclosure Certificate may also be amended or terminated under certain circumstances in accordance with the Rule as more fully described therein. Bondholders are advised that the Disclosure Certificate, the form of which is attached to the Official Statement as Appendix C, should be read in its entirety for more complete information regarding its contents.

For purposes of this transaction:

- (a) there are no debt service reserve funds applicable to the Bonds;
- (b) there are no credit enhancements applicable to the Bonds; and
- (c) there are no liquidity providers applicable to the Bonds.

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



**APPENDIX E**

**Lewis County School District Finance Corporation  
School Building Revenue Bonds  
Series 2021B**

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**Official Bid Form**

**OFFICIAL BID FORM**

Subject to the terms and conditions set forth in the Official Terms and Conditions of Bond Sale for \$16,415,000\* of School Building Revenue Bonds, Series 2021B, dated the date of initial issuance and delivery (the "Bonds") offered for sale by the Lewis County School District Finance Corporation (the "Corporation"), an agency and instrumentality acting on behalf of the Board of Education of the Lewis County School District and in accordance with the Notice of Bond Sale, as advertised in conformity with Chapter 424 of the Kentucky Revised Statutes, to all of which the undersigned agrees, the undersigned hereby submits the following offer to purchase the Bonds.

We hereby bid for the \$16,415,000\* principal amount of the Bonds, the total sum of \$\_\_\_\_\_ (not less than \$16,086,700) plus accrued interest from July 15, 2021, at the following annual rate(s), payable semiannually (rates on ascending scale, number of interest rates unlimited):

<u>MATURITY</u>	<u>AMOUNT*</u>	<u>RATE</u>	<u>MATURITY</u>	<u>AMOUNT*</u>	<u>RATE</u>
August 1, 2022	\$ 555,000	_____%	August 1, 2032	\$ 815,000	_____%
August 1, 2023	620,000	_____%	August 1, 2033	835,000	_____%
August 1, 2024	640,000	_____%	August 1, 2034	855,000	_____%
August 1, 2025	655,000	_____%	August 1, 2035	880,000	_____%
August 1, 2026	675,000	_____%	August 1, 2036	905,000	_____%
August 1, 2027	690,000	_____%	August 1, 2037	925,000	_____%
August 1, 2028	705,000	_____%	August 1, 2038	955,000	_____%
August 1, 2029	730,000	_____%	August 1, 2039	975,000	_____%
August 1, 2030	745,000	_____%	August 1, 2040	1,005,000	_____%
August 1, 2031	765,000	_____%	August 1, 2041	1,485,000	_____%

\*Subject to Permitted Adjustment.

We understand this bid may be accepted for as much as \$18,055,000 of the Bonds or as little as is deemed by the Issuer to be in the Issuer's best interest, at the same price per \$1,000 Bond, with the variation in such amount occurring in any maturity of all maturities, which will be determined by the Corporation at the time of acceptance of the best bid.

It is understood that the Corporation will furnish the final, approving Legal Opinion of Dinsmore & Shohl LLP, Bond Counsel, of Covington, Kentucky.

No certified or bank cashier's check will be required to accompany the 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 day following the award. The good faith amount will be applied (without interest) to the purchase price when the Bonds are tendered for delivery.

Electronic bids for the Bonds must be submitted through BiDCOMP™/PARITY™ and no other provider of electronic bidding services will be accepted. Subscription to the BiDCOMP™/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 BiDCOMP™/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 BiDCOMP™/PARITY™ conflict with the terms of the Official Terms and Conditions of Sale of Bonds, the Official Terms and Conditions of Sale of Bonds shall prevail. Electronic bids made through the facilities of BiDCOMP™/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 BiDCOMP™/PARITY™. The use of BiDCOMP™/PARITY™ facilities are at the sole risk of the prospective bidders. For further information regarding BiDCOMP™/PARITY™, potential bidders may contact BiDCOMP™/PARITY™, 1359 Broadway - 2nd Floor, New York, NY 10018, Telephone: (800) 850-7422. Notwithstanding the foregoing non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form.

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

If three 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 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 be required to 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 neither offered nor sold any of the Bonds of any 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 24, 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).

If we are the successful bidder, we agree to accept and make payment for the Bonds in Federal Funds within forty-five days from the date of sale in accordance with the terms of the sale.

Respectfully submitted,

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Bidder

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Address

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Signature

Total interest cost from July 15, 2021  
to final maturity \$ \_\_\_\_\_

Plus discount \$ \_\_\_\_\_

Net interest cost (Total interest cost  
plus discount) \$ \_\_\_\_\_

Average interest rate or cost \_\_\_\_\_ %

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 the Secretary of the Lewis County School District Finance Corporation for \$ \_\_\_\_\_ principal amount of Bonds at the price of \$ \_\_\_\_\_ as follows:

<u>MATURING</u> <u>AUGUST 1</u>	<u>AMOUNT</u>	<u>INTEREST</u> <u>RATE</u>	<u>MATURING</u> <u>AUGUST 1</u>	<u>AMOUNT</u>	<u>INTEREST</u> <u>RATE</u>
2022	\$ _____	_____ %	2032	\$ _____	_____ %
2023	_____	_____	2033	_____	_____
2024	_____	_____	2034	_____	_____
2025	_____	_____	2035	_____	_____
2026	_____	_____	2036	_____	_____
2027	_____	_____	2037	_____	_____
2028	_____	_____	2038	_____	_____
2029	_____	_____	2039	_____	_____
2030	_____	_____	2040	_____	_____
2031	_____	_____	2041	_____	_____

Dated: June 24, 2021

\_\_\_\_\_  
Secretary  
Lewis County School District  
Finance Corporation