DATED JUNE 16, 2021

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

RATING
Moody's: " "

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

$280,000*
MIDDLESBORO INDEPENDENT SCHOOL DISTRICT FINANCE CORPORATION
SCHOOL BUILDING REVENUE BONDS,
SERIES OF 2021

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 $1,000 and integral multiples thereof.

Maturing August 1	Amount	Interest Rate	Reoffering Yield	CUSIP	Maturing August 1	Amount	Interest Rate	Reoffering Yield	CUSIP
2022	$10,000	%	%		2032	$14,000	%	%	
2023	$11,000	%	%		2033	$14,000	%	%	
2024	$11,000	%	%		2034	$15,000	%	%	
2025	$11,000	%	%		2035	$15,000	%	%	
2026	$12,000	%	%		2036	$16,000	%	%	
2027	$12,000	%	%		2037	$16,000	%	%	
2028	$13,000	%	%		2038	$17,000	%	%	
2029	$13,000	%	%		2039	$17,000	%	%	
2030	$13,000	%	%		2040	$18,000	%	%	
2031	$14,000	%	%		2041	$18,000	%	%	

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

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

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

The Middlesboro Independent (Kentucky) School District Finance Corporation will until June 24, 2021, at 11:00 A.M., E.D.S.T., receive competitive bids for the Bonds at the office of the Executive Director of the Kentucky School Facilities Construction Commission, 229 West Main Street, Suite 102, Frankfort, Kentucky 40601.

***As set forth in the "Official Terms and Conditions of Bond Sale," the principal amount of Bonds sold to the successful bidder is subject to a Permitted Adjustment by increasing or decreasing the amount not to exceed $28,000.**

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.

RSA advisors

MIDDLESBORO INDEPENDENT
BOARD OF EDUCATION

Charla Costanzo, Chairman
Bill Johnson, Member
Joyce Hoskins, Member
Teresa Brown, Member
Sheila Smith, Member

Waylon Allen, Superintendent/Secretary

MIDDLESBORO INDEPENDENT SCHOOL DISTRICT
FINANCE CORPORATION

Charla Costanzo, President
Bill Johnson, Member
Joyce Hoskins, Member
Teresa Brown, Member
Sheila Smith, Member

Waylon Allen, Secretary
Ava Wilder, Treasurer

BOND COUNSEL

Steptoe & Johnson PLLC
Louisville, Kentucky

FINANCIAL ADVISOR

RSA Advisors, LLC
Lexington, Kentucky

PAYING AGENT AND REGISTRAR

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

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

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

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

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OFFICIAL STATEMENT
Relating to the Issuance of

$280,000*

MIDDLESBORO INDEPENDENT SCHOOL DISTRICT FINANCE CORPORATION
SCHOOL BUILDING REVENUE BONDS,
SERIES OF 2021

**Subject to Permitted Adjustment*

INTRODUCTION

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

The Bonds are being issued to finance improvements at Middlesboro Middle and High Schools (the "Project").

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

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

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

BOOK-ENTRY-ONLY-SYSTEM

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

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

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

THE CORPORATION

The Corporation has been formed in accordance with the provisions of Sections 162.120 through 162.290 and Section 162.385 of the Kentucky Revised Statutes ("KRS"), and KRS Chapter 273 and KRS 58.180, as a non-profit, non-stock corporation for the purpose of financing necessary school building facilities for and on behalf of the Board. Under the provisions of existing Kentucky law, the Corporation is permitted to act as an agency and instrumentality of the Board for financing purposes and the legality of the financing plan to be implemented by the Board herein referred to has been upheld by the Kentucky Court of Appeals (Supreme Court) in the case of White v. City of Middlesboro, Ky. 414 S.W.2d 569.

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

KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION

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

Pursuant to the provisions of the Act, the Regulations of the Kentucky Board of Education and the Commission, the Commission has determined that the Board is eligible for participation from the Commission in meeting the costs of construction of the Projects and has entered into a Participation Agreement with the Board whereunder the Commission agrees to pay an annual Agreed Participation equal to approximately $18,749 to be applied to the annual debt service requirements for the Bonds herein identified each year until their retirement; provided, however, that the contractual commitment of the Commission to pay the annual Agreed Participation is limited to the biennial budget period of the Commonwealth, with the first such biennial period terminating on June 30, 2022; the right is reserved in the Commission to terminate its commitment to pay the Agreed Participation after the initial biennial period and every two years thereafter. The obligation of the Commission to make payments of the Agreed Participation shall be automatically renewed each two years for a period of two years unless the Commission shall give notice of its intention not to participate not less than sixty days prior to the end of the biennium; however, by the execution of the Participation Agreement, the Commission has expressed its present intention to continue to pay the Agreed Participation in each successive biennial budget period until the retirement of all of the Bonds, but such execution does not obligate the Commission to do so.

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

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

Biennium	Appropriation
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	2,946,900
Total	$183,861,200

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

BIENNIAL BUDGET FOR PERIOD ENDING JUNE 30, 2022

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

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

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

OUTSTANDING BONDS

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

Bond Series	Original Principal	Current Principal Outstanding	Principal Assigned to Board	Principal Assigned to Commission	Approximate Interest Rate Range	Final Maturity
2006-QZAB	$500,000	$500,000	$500,000	$0	0.000%	2021
2015-REF	$1,825,000	$1,025,000	$1,243,968	$581,032	1.700% - 2.300%	2026
2015-Energy	$1,425,000	$1,240,000	$1,425,000	$0	1.900% - 3.300%	2035
2015	$5,690,000	$4,690,000	$4,483,504	$1,206,496	2.000% - 3.500%	2035
2017	$4,635,000	$4,155,000	$3,718,934	$916,066	2.000% - 3.375%	2037
2019	$395,000	$380,000	$0	$395,000	3.250% - 3.400%	2039
TOTALS:	$14,470,000	$11,990,000	$11,371,406	$3,098,594		

AUTHORITY

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

i) the issuance of approximately $280,000 of Bonds subject to a permitted adjustment of $28,000;

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). First State Bank of the Southeast, Inc., Middlesboro, Kentucky, has been designated as the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date to Cede & Co. Principal and interest will be payable through the Book-Entry-Only-System administered by The Depository Trust Company: Please see "BOOK-ENTRY-ONLY-SYSTEM" below. Interest on the Bonds will be paid at rates to be established upon the basis of competitive bidding as hereinafter set forth, such interest to be payable on February 1 and August 1 of each year, beginning February 1, 2022 (Record Date is the 15th day of month preceding interest due date).

Redemption

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

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

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

SECURITY

General

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

The Lease; Pledge of Rental Revenues

The Board has leased the school Project securing the Bonds for an initial period from July 15, 2021, through June 30, 2022 with the option in the Board to renew said Lease from year to year for one year at a time, at annual rentals, sufficient in each year to enable the Corporation to pay, solely from the rental due under the Lease, the principal and interest on all of the Bonds as same become due. The Lease provides further that so long as the Board exercises its annual renewal options, its rentals will be payable according to the terms and provisions of the Lease until August 1, 2041, the final maturity date of the Bonds. Under the lease, the Corporation has pledged the rental revenue to the payment of the Bonds.

STATE INTERCEPT

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

COMMISSION'S PARTICIPATION

The Commission has determined that the Board is eligible for an average annual participation equal to approximately $18,749 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. <u>The plan for financing the Project will require the Commission to pay one hundred percent (100%) of the debt service of the Bonds.</u>

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.

THE PROJECT

After payment of the Bond issuance costs, the Board plans to deposit the net Bond proceeds to finance improvements at Middlesboro Middle and High Schools (the "Project").

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

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

ESTIMATED BOND DEBT SERVICE

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

Fiscal Year Ending June 30	Current Local Bond Payments	----- Series 2021 Revenue Bonds (100% SFCC) -----			Total Local Bond Payments
		Principal Portion	Interest Portion	Total Payment	
2022	$629,987		$4,480	$4,480	$629,987
2023	$629,202	$10,000	$8,083	$18,083	$629,202
2024	$632,937	$11,000	$7,775	$18,775	$632,937
2025	$631,730	$11,000	$7,453	$18,453	$631,730
2026	$630,945	$11,000	$7,130	$18,130	$630,945
2027	$629,476	$12,000	$6,794	$18,794	$629,476
2028	$631,765	$12,000	$6,442	$18,442	$631,765
2029	$629,591	$13,000	$6,076	$19,076	$629,591
2030	$631,966	$13,000	$5,695	$18,695	$631,966
2031	$633,665	$13,000	$5,314	$18,314	$633,665
2032	$629,403	$14,000	$4,918	$18,918	$629,403
2033	$628,992	$14,000	$4,508	$18,508	$628,992
2034	$632,806	$14,000	$4,098	$18,098	$632,806
2035	$629,712	$15,000	$3,673	$18,673	$629,712
2036	$427,129	$15,000	$3,234	$18,234	$427,129
2037	$422,055	$16,000	$2,779	$18,779	$422,055
2038	$424,033	$16,000	$2,311	$18,311	$424,033
2039		$17,000	$1,827	$18,827	
2040		$17,000	$1,329	$18,329	
2041		$18,000	$810	$18,810	
2042		$18,000	$270	$18,270	
TOTALS:	$10,105,395	$280,000	$94,998	$374,998	$10,105,395

Notes: Numbers are Rounded to the nearest $1.00.

ESTIMATED USE OF BOND PROCEEDS

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

Sources:	
Par Amount of Bonds	$280,000.00
Total Sources	$280,000.00
Uses:	
Deposit to Escrow Fund	$257,550.00
Underwriter's Discount (2%)	5,600.00
Cost of Issuance	16,850.00
Total Uses	$280,000.00

DISTRICT STUDENT POPULATION

Selected school census and average daily attendance for the Middlesboro Independent School District is as follows:

Year	Average Daily Attendance	Year	Average Daily Attendance
1990-91	1,813.3	2004-05	1,475.3
1991-92	1,746.2	2005-06	1,433.0
1992-93	1,746.2	2006-07	1,416.3
1993-94	1,703.8	2007-08	1,396.7
1994-95	1,639.5	2008-09	1,360.0
1995-96	1,622.9	2009-10	1,300.8
1996-97	1,562.0	2010-11	1,281.1
1997-98	1,524.8	2011-12	1,249.0
1998-99	1,524.8	2012-13	1,204.1
1999-00	1,523.0	2013-14	1,172.6
2000-01	1,535.2	2014-15	1,141.2
2001-02	1,483.6	2015-16	1,104.5
2002-03	1,511.2	2016-17	1,078.5
2003-04	1,468.6	2017-18	1,046.1
		2018-19	990.0

Source: Kentucky State Department of Education.

STATE SUPPORT

Support Education Excellence in Kentucky (SEEK). In determining the cost of the program to Support Education Excellence in Kentucky (SEEK), the statewide guaranteed base funding level is computed by dividing the amount appropriated by the prior year's statewide average daily attendance. The SEEK fund is a guaranteed amount of money per pupil in each school district of Kentucky. The current SEEK allotment is $3,866 per pupil. The $100 capital outlay allotment per each average daily attendance is included within the guaranteed amounts. Each district's base funding from the SEEK program is adjusted for the number of at-risk students, the number and types of exceptional children in the district, and cost of transporting students from and to school in the district.

Capital Outlay Allotment. The per pupil capital outlay allotment for each district from the public school fund and from local sources shall be kept in a separate account and may be used by the district only for capital outlay projects approved by the State Department of Education. These funds shall be used for the following capital outlay purposes:

a. For direct payment of construction costs.
b. For debt service on voted and funding bonds.
c. For payment or lease-rental agreements under which the board will eventually acquire ownership of the school plant.
d. For retirement of any deficit resulting from over-expenditure for capital construction, if such deficit resulted from certain declared emergencies.
e. As a reserve fund for the above named purposes, to be carried forward in ensuing budgets.

The allotment for each school board of education in the Commonwealth for fiscal year 1978-79 was $1,800 per classroom unit. The 1979 Session of the Kentucky General Assembly approved increases in this allotment in 1979-80 to $1,900 per classroom unit. This rate remained unchanged in 1980-81. The 1981 Session of the Kentucky General Assembly decreased the allotment per classroom to $1,800 and this allotment rate did not change from the 1981-82 rate, until the 1990-91 school year. Beginning with 1990-91, the Capital Outlay allotment for each district is based on $100 per average daily attendance.

The following table shows the computation of the capital outlay allotment for the Middlesboro Independent School District for certain preceding school years. Beginning 1990-91, the allotment is based on average daily attendance as required by law.

Year	Capital Outlay Allotment	Year	Capital Outlay Allotment
1990-91	181,330.0	2004-05	147,530.0
1991-92	174,620.0	2005-06	143,300.0
1992-93	174,620.0	2006-07	141,630.0
1993-94	170,380.0	2007-08	139,670.0
1994-95	163,950.0	2008-09	136,000.0
1995-96	162,290.0	2009-10	130,080.0
1996-97	156,200.0	2010-11	128,107.0
1997-98	152,480.0	2011-12	124,898.0
1998-99	152,480.0	2012-13	120,408.0
1999-00	152,300.0	2013-14	117,264.0
2000-01	153,520.0	2014-15	114,123.0
2001-02	148,360.0	2015-16	110,445.0
2002-03	151,120.0	2016-17	107,850.0
2003-04	146,860.0	2017-18	104,610.0
		2018-19	98,997.0

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

Tax Year	Combined Equivalent Rate	Total Property Assessment	Property Revenue Collections
1991-92	55.4	238,399,580	1,320,734
1992-93	57.3	236,404,330	1,354,597
1993-94	59.2	256,877,519	1,520,715
1994-95	57.6	271,834,797	1,565,768
1995-96	59.9	277,512,428	1,662,299
1996-97	63.5	292,978,797	1,860,415
1997-98	62.9	296,630,216	1,865,804
1998-99	62.9	308,158,268	1,938,316
1999-00	60	363,144,198	2,178,865
2000-01	57	366,771,880	2,090,600
2001-02	60	366,080,575	2,196,483
2002-03	58.1	370,539,143	2,152,832
2003-04	58.1	366,027,853	2,126,622
2004-05	60.7	372,900,360	2,263,505
2005-06	59.9	384,737,263	2,304,576
2006-07	60	386,240,441	2,317,443
2007-08	59.9	429,403,965	2,572,130
2008-09	63.3	434,658,333	2,751,387
2009-10	63.3	428,151,041	2,710,196
2010-11	63.3	432,761,365	2,739,379
2011-12	62.3	436,615,624	2,720,115
2012-13	60.6	445,787,979	2,701,475
2013-14	67.3	443,259,921	2,983,139
2014-15	67.6	452,082,864	3,056,080
2015-16	67.3	450,549,099	3,032,195
2016-17	67.7	454,604,000	3,077,669
2017-18	64.5	457,536,406	2,951,110
2018-19	65.6	463,566,281	3,040,995

Overlapping Bond Indebtedness

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

Issuer	Original Principal Amount	Amount of Bonds Redeemed	Current Principal Outstanding
County of Bell			
General Obligation	$14,930,900	$4,777,500	$10,153,400
Real Property Renewable	$135,000	$105,157	$29,843
Sewer Renewable	$360,000	$300,000	$60,000
Building	$360,000	$300,000	$60,000
Court Facility Project Refunding Revenue	$4,470,000	$1,440,000	$3,030,000
City of Middlesboro			
General Obligation	$255,000	$195,000	$60,000
Municipal Improvement Public Corp.	$551,000	$361,000	$190,000

City of Pineville			
Golf Course Acquisition Renewable	$1,535,000	$1,230,000	$305,000
Refinancing Refunding Revenue	$3,900,000	$785,000	$3,115,000
Water & Sewer Revenue	$745,000	$75,000	$670,000
Special Districts			
Bell County Public Library District	$2,904,715	$881,262	$2,023,453
Totals:	$30,146,615	$10,449,919	$19,696,696

Source: 2020 Kentucky Local Debt Report.

SEEK Allotment

The Board has reported the following information as to the SEEK allotment to the District, and as provided by the State Department of Education. These receipts are compared to the 1989-90 fiscal year funding prior to enactment of the Kentucky Education Reform Act:

SEEK	Base Funding	Local Tax Effort	Total State & Local Funding
1991-92	5,096,568	1,320,734	6,417,301
1992-93	5,180,867	1,354,597	6,535,463
1993-94	5,064,168	1,520,715	6,584,883
1994-95	4,993,525	1,565,768	6,559,293
1995-96	5,142,640	1,662,299	6,804,939
1996-97	5,179,498	1,860,415	7,039,913
1997-98	5,255,505	1,865,804	7,121,309
1998-99	5,054,006	1,938,316	6,992,322
1999-00	5,386,642	2,178,865	7,565,507
2000-01	5,624,078	2,090,600	7,714,678
2001-02	5,370,684	2,196,483	7,567,167
2002-03	5,951,288	2,152,832	8,104,120
2003-04	6,357,200	2,126,622	8,483,822
2004-05	6,394,739	2,263,505	8,658,244
2005-06	6,678,106	2,304,576	8,982,682
2006-07	6,753,057	2,317,443	9,070,500
2007-08	7,117,760	2,572,130	9,689,890
2008-09	7,182,382	2,751,387	9,933,769
2009-10	6,117,196	2,710,196	8,827,392
2010-11	5,862,837	2,739,379	8,602,216
2011-12	6,030,734	2,720,115	8,750,849
2012-13	5,741,582	2,701,475	8,443,057
2013-14	5,498,752	2,983,139	8,481,891
2014-15	5,574,418	3,056,080	8,630,498
2015-16	5,490,834	3,032,195	8,523,029
2016-17	5,317,499	3,077,669	8,395,168
2017-18	5,160,338	2,951,110	8,111,448
2018-19	4,865,433	3,040,995	7,906,428

(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 $0.656 for FY 2018-19. The equivalent tax rate" is defined as the rate which results when the income from all taxes levied by the district for school purposes is divided by the total assessed value of property plus the assessment for motor vehicles certified by the Commonwealth of Kentucky Revenue Cabinet.

State Budgeting Process

i) Each district board of education is required to prepare a general school budget on forms prescribed and furnished by the Kentucky Board of Education, showing the amount of money needed for current expenses, debt service, capital outlay, and other necessary expenses of the school during the succeeding fiscal year and the estimated amount that will be received from all sources.

ii) By September 15 of each year, after the district receives its tax assessment data from the Department of Revenue and the State Department of Education, 3 copies of the budget are forwarded to the State Department for approval or disapproval.

iii) The State Department of Education has adopted a policy of disapproving a school budget if it is financially unsound or fails to provide for:

a) payment of maturing principal and interest on any outstanding voted school improvement bonds of the district or payment of rental in connection with any outstanding school building revenue bonds issued for the benefit of the school district; or

b) fails to comply with the law.

POTENTIAL LEGISLATION

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

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

CONTINUING DISCLOSURE

As a result of the principal amount of Bonds being offered not exceeding $1,000,000 Bond Counsel has advised the Corporation and the Board that they are exempt from application of the Rule 15c2-12c2-12(b)(5) of the Securities and Exchange Commission with respect to the Bonds.

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

Financial information regarding the Board may be obtained from Superintendent, Middlesboro Independent Board of Education, 220 N. 20th, Middlesboro, Kentucky 40965 (606-242-8800).

TAX EXEMPTION; BANK QUALIFIED

Bond Counsel is of the opinion that:

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

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

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

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

Original Issue Premium

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

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

Original Issue Discount

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

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

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

COVID-19

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

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

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

ABSENCE OF MATERIAL LITIGATION

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

APPROVAL OF LEGALITY

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

NO LEGAL OPINION EXPRESSED AS TO CERTAIN MATTERS

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

BOND RATING

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

FINANCIAL ADVISOR

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

APPROVAL OF OFFICIAL STATEMENT

The Corporation has approved and caused this "Official Statement" to be executed and delivered by its President. In making this "Official Statement" the Corporation relied upon information furnished to it by the Board of Education of the Middlesboro Independent 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 Middlesboro Independent 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 Middlesboro Independent School District and is believed to be reliable; however, such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the Financial Advisor or by Counsel. The delivery of this Official Statement at any time does not imply that information herein is correct as of any time subsequent to the date hereof.

This Official Statement does not, as of its date, contain any untrue statement of a material fact or omit to state a material fact which should be included herein for the purpose for which the Official Statement is to be used or which is necessary in order to make the statements contained herein, in the light of the circumstances under which they were made, not misleading in any material respect.

By /s/______________________
President

By /s/______________________
Secretary

APPENDIX A

Middlesboro Independent School District Finance Corporation
School Building Revenue Bonds
Series of 2021

Demographic and Economic Data

MIDDLESBORO INDEPENDENT, KENTUCKY

Middlesboro, Bell County's largest city had an estimated 2020 population of 9,122. Located in the southeastern corner of the state, Middlesboro is only a few miles from the Tennessee and Virginia state lines. Middlesboro is located 66 miles north of Knoxville, Tennessee; 134 miles southeast of Lexington, Kentucky; 210 miles south of Cincinnati, Ohio; and 271 miles north of Atlanta, Georgia.

Pineville is the county seat of Bell County and is located 12 miles north of Middlesboro. Pineville had an estimated population of 1,752 in 2020.

Bell County covers a land area of 361 square miles and had an estimated 2020 population of 26,162 persons. Both the Cumberland Gap National Historic Park and Pine Mountain State Resort Park are within Bell County's boundaries, making it the only county in Kentucky to contain both a national park and a state park.

The Economic Framework

Bell County firms employed 9,109 people in 2020. The top occupations in the county were office and administrative support - 1,067 (11.71%); sales - 1,014 (11.13%); production workers - 899 (9.87%); food preparation, serving - 688 (7.55%); and, executive, managers and administrators - 643 (7.06%).

Transportation

Middlesboro is served by U.S. Highways 25E and 58, and Kentucky Highway 74. Pineville is served by U.S. Highways 25E and 119, and Kentucky Highways 221 and 66. Interstate 75 is accessible 48 miles northwest of Middlesboro and 35 miles northwest of Pineville via U.S. 25E. Interstate 81 is accessible 54 miles southeast of Middlesboro and 67 miles southeast of Pineville via U.S. 25E. Seventeen trucking companies provide interstate and/or intrastate service to Middlesboro while thirteen trucking companies serve Pineville. The Middlesboro-Bell County Airport is equipped with a 3,650-foot paved runway. The nearest scheduled commercial airline service is available in Knoxville, Tennessee, at the McGhee Tyson Airport, 75 miles south of Middlesboro. Rail service is provided to Middlesboro and Pineville by CSX Transportation. Middlesboro is also served by the Norfolk Southern Corporation.

Power and Fuel

Kentucky Power Company provides electric power to Middlesboro, Pineville and Bell County. A small portion of southwestern Bell County is served by Cumberland Valley Electric. Natural gas service is provided to both Middlesboro and Pineville by Delta Natural Gas Company, Inc.

Education

Three public school systems operate in Bell County; the Middlesboro Independent School System, and Pineville Independent School System, and the Bell County School System. Three non-public schools are available in Bell County.

LOCAL GOVERNMENT

Structure

The City of Middlesboro is governed by a mayor and nine council members. The mayor is elected to a four-year term while the council members serve two-year terms. The City of Pineville is governed by a mayor and six council members. The mayor is elected to a four-year term while the council members serve two-yearn terms. Bell County is governed by a county judge/executive and five magistrates. Each county official serves four-year terms.

Planning and Zoning

City agency - Middlesboro Planning Commission
Zoning enforced - Within city only
Subdivision regulations enforced - Within city only
City agency - Pineville Planning Commission
Local codes enforced - Building and housing
Mandatory state codes enforced - Kentucky Plumbing Code, National Electric code, Kentucky Boiler Regulations and Standards, Kentucky Building Code (modeled after BOCA code)

Local Fees and Licenses

The City of Middlesboro levies a two percent occupational license tax on gross wages, salaries, and commissions of individuals and on net profits of businesses. The City of Middlesboro also levies an annual business license fee ranging from $250 to $750 based upon the number of employees.

The City of Pineville levies a one and one-half percent occupational license tax on gross wages, salaries, and commissions of individuals and on net profits of businesses. The City of Pineville also levies an annual business license fee ranging from $35 to $500 based upon gross receipts.

Property Taxes

The Kentucky Constitution requires the state to tax all classes of taxable property, and state statutes allow local jurisdictions to tax only a few classes. All locally taxed property is subject to county taxes and school district taxes (either a county school district or an independent school district). Property located inside of city limits may also be subject to city property taxes. Property assesments in Kentucky are at 100% fair cash value. Accounts receivable are taxed at 85% of face value. Special local taxing jurisdictions (fire protection districts, watershed districts, and sanitation districts) levy taxes within their operating areas (usually a small portion of community or county).

LABOR MARKET STATISTICS

The Bell County Labor Market Area includes Bell County and the adjoining Kentucky counties of Clay; Harlan; Knox; Leslie; Whitley; Claiborne and Grainger Counties, TN; and Lee County, VA.

Population

Area	2018	2019	2020
Bell County	26,641	26,441	26,162
Middlesboro	9,694	9,626	9,460
Pineville	1,769	1,756	1,734

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

Population Projections

Area	2025	2030	2035
Bell County	25,291	24,024	22,678

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

EDUCATION

Public Schools

	Bell County	Middlesboro Independent	Pineville Independent
Total Enrollment (2019-2020)	2,435	1,082	577
Pupil-Teacher Ratio (2019-2020)	15-1	15.4-1	14.9-1

Vocational Training

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

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

Bluegrass State Skills Corporation

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

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

Technical School	Location	Enrollment 2019-2020
Bell County ATC	Pineville, KY	679
Knox County ATC	Barbourville, KY	449
Corbin ATC	Corbin, KY	441
Clay County ATC	Manchester, KY	357
Leslie County ATC	Hyden, KY	335
Jackson County ATC	McKee, KY	277
Pulaski County ATC	Somerset, KY	423

Colleges and Universities

Name	Location	Enrollment (Fall 2020)
University of the Cumberlands	Williamsburg, KY	16,966
Southeast Community & Tech College	Cumberland, KY	3,503 (F19)
Hazard Community & Tech College	Hazard, KY	3,246 (F19)
Somerset Community College	Somerset, KY	5,657 (F19)

FINANCIAL INSTITUTIONS

Institution	Assets	Deposits
First State Bank of the Southeast, Inc.	$350,916,000	$299,727,000
Home Federal Bank Corporation	$381,494,000	$308,577,000

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

EXISTING INDUSTRY

Firm	Product	Total Employed
Middlesboro:		
Bell Concrete Industries Inc	Precast concrete & dry cement	18
Blue Diamond Industries LLC	Innerduct pipe	60
Hinkle Contracting Company LLC	Crushed stone, limestone & asphalt	13
Ideal Print Shop	Commercial offset printing, computer typesetting, plastic & saddle stitch binding, textile & flat surface screen printing, novelty hems/embroidery, process colorwork.	6
J R Hoe & Sons Inc	Machine shop: drilling, boring, cutting, honing, arc & gas welding, structural steel fabricating, gray iron castings & coal preparation equipment	61
Middlesboro Coca-Cola Bottling	Carbonated soft drinks & bottling	225
Mountain Tarp & Awning Inc	Tarps and tarp systems	55
Smithfield Packing Company	Smoked ham & sausage processing	475
Solid Steel Solutions	After-market parts for heavy equipment	13
Three States Printing Co.	Offset printing & computer typesetting	2
Pineville		
Southeastern Kentucky Rehabilitation, Inc.	Apparel and tent manufacturing	100
Stoney Fork		
E&E Hardwoods Inc.	Hardwood lumber	9

Source: Kentucky Directory of Manufacturers (2020).

APPENDIX B

Middlesboro Independent School District Finance Corporation
School Building Revenue Bonds
Series of 2021

Audited Financial Statement ending June 30, 2020

MIDDLESBORO INDEPENDENT SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2020
with
REPORT OF INDEPENDENT AUDITORS

TABLE OF CONTENTS

Cloyd & Associates, PSC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)*;* and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Auditor's Contract-General Audit Requirements* and *Appendix II to the Independent Auditor's Contract-State Audit 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.

Cloyd & Associates, PSC
Certified Public Accountants

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 Middlesboro Independent School District, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information and the Schedules of District's Proportionate Share of the Net Pension Liability and Schedule of Pension Contributions per the table of contents 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 Middlesboro Independent School District's basic financial statements. The combining and individual nonmajor 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.

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Certified Public Accountants

The combining and individual nonmajor 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 nonmajor fund financial statements, and the schedule of expenditures of federal awards, as required by the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated January 15, 2021, on our consideration of Middlesboro Independent 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 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 internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Middlesboro Independent School District's internal control over financial reporting and compliance.

Cloyd & Associates, PSC

Cloyd & Associates, PSC
London, Kentucky
January 15, 2021

The management of Middlesboro Independent School District offers readers this narrative overview and analysis of the financial activities and educational programs of the District for the fiscal year ended June 30, 2020. We encourage readers to review the information presented here in conjunction with additional information found within the body of this audit.

This Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, issued June 1999; GASB Statement No. 37, Basic Financial Statement - and Management Discussion and Analysis - for State and Local Governments: Omnibus, an amendment to GASB Statements No. 21 and No. 34, issued in June 2001; and in GASB Statement No. 38, Certain Financial Statement Note Disclosures, issued in 2001. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

- The General Fund had $10,471,063 in revenue, excluding interfund transfers, proceeds from sale of assets and capital lease proceeds, which primarily consisted of the SEEK program, property, utilities, and motor vehicle taxes. Excluding interfund transfers, there were $10,835,188 in General Fund expenditures.

- Governmental Capital Assets had a net increase of $491,088 during FY 2020. Business-type Capital Assets had a net increase of $185,745 during the current fiscal year.

- The District renovates and constructs facilities consistent with a long-range facilities plan that is established with the community input and keeping with the Department of Education stringent compliance regulations. The total amount expended for construction was $657,410.

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 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 primarily supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation, and operation of non-instructional services. Fixed asset acquisitions and related debt are also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on the table of contents of this report.

Fund financial statement. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. There is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary, and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The proprietary funds are our food service and day care operations. All other activities of the District are included in the governmental funds. The basic governmental fund financial statements can be found on the table of contents 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 financial statements can be found on pages 8 to 17 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that are still outstanding. The District used 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 period ending June 30, 2020

Fiscal year 2020 government-wide net position compared to 2019 is as follows:

	2020	2019
Current and other assets	$ 3,797,560	$ 4,005,303
Capital assets	18,491,745	17,814,912
Total assets	$ 22,289,305	$ 21,820,215
Deferred outflow of resources	$ 1,568,390	$ 1,353,838
Current liabilities	$ 1,342,837	$ 1,254,581
Noncurrent liabilities	19,822,534	19,790,641
Total liabilities	$ 21,165,371	$ 21,045,222
Deferred inflow of resources	$ 1,157,152	$ 682,742
Net investment in capital assets, net	$ 6,044,465	$ 5,281,208
Restricted net position	(106,502)	(183,354)
Unrestricted net position	(4,402,791)	(3,651,765)
Total net position	$ 1,535,172	$ 1,446,089

Net Position may serve over time as a useful indicator of a government's financial position. In the case of the District, governmental assets exceeded liabilities by approximately $1,413,287; proprietary liabilities exceeded assets by $121,885 and total assets exceeded liabilities by $1,535,172 at June 30, 2020.

The District had an overall decrease in unrestricted net position of $751,026 comprised of an decrease in governmental activities unrestricted net position of $751,026.

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

	2020	2019
Revenues and other financing sources		
Local revenue sources	$ 3,200,617	$ 3,475,252
State revenue sources	8,473,673	8,545,569
Federal revenue	2,198,526	2,444,000
Total revenue	$ 13,872,816	$ 14,464,821
Expenditures and other financing uses		
Instruction	$ 7,785,753	$ 8,046,095
Student support services	1,202,107	1,034,512
Instructional support	849,073	944,285
District administration	673,485	697,583
School administration	808,573	771,160
Business operations	287,261	225,323
Plant operations and maintenance	1,181,618	1,245,699
Student transportation	529,845	571,941
Community services	171,680	290,108
Debt service	976,483	962,447
Building Improvements	657,410	713,952
Site improvement	-	26,926
Total expenditures	$ 15,123,288	$ 15,530,031
Excess revenues (expenditures)	$ (1,250,472)	$ (1,065,210)
Other financing sources (uses)		
Bond proceeds	$ 395,000	$ -
Capital lease proceeds	129,332	97,737
Sale of assets	-	1,129
Transfers in	962,664	807,183
Transfers out	(915,563)	(748,341)
Total other financing sources (uses)	$ 571,433	$ 157,708
Net change in fund balance	$ (679,039)	$ (907,502)

On-behalf payments are included in the above amounts. On-behalf, as defined by the KDE, are payments the state makes on behalf of employees to the various agencies for health and life insurance, retirement, and administration fees. The on-behalf payments are allocated to expense as mandated by the KDE and are credited to revenues; therefore, have no effect on the District's fund balance.

BUDGETARY IMPLICATION

In Kentucky the public-school fiscal year is July 1 through June 30; other programs, such as, some federal programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a working budget with $609,260 in contingency. Significant variations in the actual results of operations and the final budget are primarily due to on-behalf payments that are included in the financial statements but are not budgeted by the District.

Comments on Budget Comparisons

- The District's total general fund revenues for the fiscal year ended June 30, 2020 were $10,471,063 excluding transfers and capital lease proceeds.
- General fund budgeted revenue compared to actual revenue varied from line item to line item with the ending actual balance being $3,051,613 more than budget or 41% more than budget. This is due primarily to recording on-behalf payments made by the State of Kentucky of $2,876,935 that were not budgeted. When these are eliminated, revenues compared to budget were $174,678 or 2.3% more than anticipated.
- The total cost of all general fund programs and services for the fiscal year ended June 30, 2020 was $10,835,188.
- General fund budgeted expenditures compared to actual expenditures varied from line item to line item with the ending actual balance being $1,342,816 more than budget or 14% more than budget.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives.

Questions regarding this report should be directed to the Superintendent or the Director of Financial Services at 606-242-8800, or by mail at 220 North Twentieth Street, Middlesboro, Kentucky 40965.

MIDDLESBORO INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION
June 30, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 1,625,930	$ 699,263	$ 2,325,193
Accounts receivable:			
Taxes	25,129	-	25,129
Local	40,000	-	40,000
Intergovernmental - State	-	-	-
Intergovernmental - Federal	1,276,103	106,497	1,382,600
Inventory	-	24,638	24,638
Capital Assets, net			
Nondepreciable	6,150,729	-	6,150,729
Depreciable	12,001,530	339,486	12,341,016
Total assets	21,119,421	1,169,884	22,289,305
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflows from bond refundings	84,336	-	84,336
Deferred outflows from pensions	751,738	217,683	969,421
Deferred outflows from OPEB - KTRS	122,000	-	122,000
Deferred outflows from OPEB	304,467	88,166	392,633
	1,262,541	305,849	1,568,390
LIABILITIES			
Accounts payable	227,440	27,709	255,149
Accrued expense	4,393	19,887	24,280
Unearned revenue	281,968	-	281,968
Current portion of KSBIT assessment payable	22,233	-	22,233
Current portion of capital lease obligations	64,808	-	64,808
Current maturities of bond obligations	605,000	-	605,000
Interest payable	89,399	-	89,399
Net pension liability - noncurrent	3,300,625	955,774	4,256,399
Net OPEB - CERS liability - noncurrent	789,137	228,513	1,017,650
Net OPEB - KTRS liability - noncurrent	2,474,000	-	2,474,000
Noncurrent portion of KSBIT assessment payable	-	-	-
Noncurrent portion of capital lease obligations	371,808	-	371,808
Noncurrent maturities of bond obligations	11,490,000	-	11,490,000
Noncurrent portion of accumulated sick leave	212,677	-	212,677
Total liabilities	19,933,488	1,231,883	21,165,371
DEFERRED INFLOW OF RESOURCES			
Deferred inflows from pension	139,946	40,525	180,471
Deferred inflows from OPEB - CERS	281,241	81,440	362,681
Deferred inflows from OPEB - KTRS	614,000	-	614,000
	1,035,187	121,965	1,157,152
NET POSITION			
Net investment in capital assets	5,704,979	339,486	6,044,465
Restricted for:			
Capital expenditures	57,930	-	57,930
Other	53,169	(217,601)	(164,432)
Unrestricted	(4,402,791)	-	(4,402,791)
Total net position	$ 1,413,287	$ 121,885	$ 1,535,172

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

MIDDLESBORO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year ended June 30, 2020

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental activities							
Instruction	$ 8,329,171	$ 21,735	$ 3,513,310	$ -	$ (4,794,126)	$ -	$ (4,794,126)
Student	1,223,857	-	467,998	-	(755,859)	-	(755,859)
Instructional support	849,073	-	425,611	-	(423,462)	-	(423,462)
District administration	676,756	-	181,657	-	(495,099)	-	(495,099)
School administration	809,058	-	209,863	-	(599,195)	-	(599,195)
Business support	287,261	-	125,108	-	(162,153)	-	(162,153)
Plant operations and maintenance	1,178,654	-	343,080	-	(835,574)	-	(835,574)
Student transportation	462,450	-	140,119	-	(322,331)	-	(322,331)
Community services	173,701	-	168,794	-	(4,907)	-	(4,907)
Interest on long-term debt	354,837	-	-	212,909	(141,928)	-	(141,928)
Total governmental activities	14,344,818	21,735	5,575,540	212,909	(8,534,634)	-	(8,534,634)
Business-type activities							
Food service	1,275,544	64,757	1,764,307	-	-	553,520	553,520
Total business-type activities	1,275,544	64,757	1,764,307	-	-	553,520	553,520
Total primary government	$ 15,620,362	$ 86,492	$ 7,339,847	$ 212,909	(8,534,634)	553,520	(7,981,114)
			General revenues				
			Taxes:				
			Property		2,118,034	-	2,118,034
			Motor vehicle		213,116	-	213,116
			Utility		586,959	-	586,959
			Other		21,467	-	21,467
			Earnings on investments		81,586	7,565	89,151
			State grants		4,883,750	-	4,883,750
			Other local amounts		157,720	-	157,720
			Gain/(loss) on disposal of assets		-	-	-
			Transfers		47,101	(47,101)	-
			Total general revenues		8,109,733	(39,536)	8,070,197
			Change in net position		(424,901)	513,984	89,083
			Net position as of June 30, 2019		1,838,188	(392,099)	1,446,089
			Net position as of June 30, 2020		$ 1,413,287	$ 121,885	$ 1,535,172

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

MIDDLESBORO INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2020

	General Fund	Special Revenue Funds	Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 1,568,000	$ -	$ 31,508	$ 26,422	$ 1,625,930
Accounts receivable:					
Taxes	25,129	-	-	-	25,129
Local	-	40,000	-	-	40,000
Intergovernmental - State	-	-	-	-	-
Intergovernmental - Federal	-	1,276,103	-	-	1,276,103
Interfund receivable	891,397	-	-	-	891,397
Total assets	$ 2,484,526	$ 1,316,103	$ 31,508	$ 26,422	$ 3,858,559
LIABILITIES AND FUND BALANCES					
Liabilities					
Interfund payable	$ -	$ 891,397	$ -	$ -	$ 891,397
Accounts payable	88,745	138,695	-	-	227,440
Accrued expense	350	4,043	-	-	4,393
Unearned Revenue	-	281,968	-	-	281,968
Total liabilities	89,095	1,316,103	-	-	1,405,198
Fund balances					
Restricted	53,169	-	31,508	26,422	111,099
Assigned	1,072,439	-	-	-	1,072,439
Unassigned	1,269,822	-	-	-	1,269,822
Total fund balances	2,395,430	-	31,508	26,422	2,453,360
Total liabilities and fund balances	$ 2,484,525	$ 1,316,103	$ 31,508	$ 26,422	$ 3,858,558

MIDDLESBORO INDEPENDENT SCHOOL DISTRICT

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

June 30, 2020

Total fund balances - governmental funds	$ 2,453,360
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	18,152,260
Deferred outflows of resources are not recorded in the government fund financials because they do not affect current resources but are recorded in the Statement of Net Position	1,262,541
Bonds payable are not reported in the governmental fund balance sheet because they are not due and payable in the current period, but they are presented in the Statement of Net Position.	(12,095,000)
Capital leases payable are not reported in the governmental fund balance sheet because they are not due and payable in the current period, but they are presented in the Statement of Net Position.	(436,616)
The long term portion of accumulated sick leave is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the Statement of Net Position.	(212,677)
KSBIT assessment payable is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the Statement of Net Position	(22,233)
Net pension obligation is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the Statement of Net Position	(6,563,762)
Deferred inflows of resources are not recorded in the government fund financials because they do not affect current resources but are recorded in the Statement of Net Position.	(1,035,187)
Interest payable is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the Statement of Net Position.	(89,399)
Total net position - governmental activities	$ 1,413,287

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

MIDDLESBORO INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year ended June 30, 2020

	General Fund	Special Revenue Funds	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
From local sources:					
Taxes					
Property	$ 1,885,852	$ -	$ -	$ 232,182	$ 2,118,034
Motor vehicle	213,116	-	-		213,116
Utility	586,959	-	-	-	586,959
Other	21,467	-	-	-	21,467
Earnings on investments	79,287	1,494	805	-	81,586
Other local	139,946	39,509	-		179,455
Intergovernmental - State	7,519,186	478,522	-	475,965	8,473,673
Intergovernmental - Federal	25,250	2,173,276	-	-	2,198,526
Total revenues	10,471,063	2,692,801	805	708,147	13,872,816
Expenditures					
Current:					
Instruction	5,825,323	1,960,430	-	-	7,785,753
Student	996,072	206,035	-	-	1,202,107
Instructional support	580,147	268,926	-	-	849,073
District administration	662,610	10,875	-	-	673,485
School administration	806,202	2,371	-	-	808,573
Business support	220,795	66,466	-	-	287,261
Plant operations and maintenance	1,130,907	50,711	-	-	1,181,618
Student transportation	524,917	4,928	-	-	529,845
Community services	29,505	142,175	-	-	171,680
Building acquisition and construction	-	-	-	-	-
Site improvement	-	-	-	-	-
Building improvements	-	-	657,410	-	657,410
Debt service	58,710	-	-	917,773	976,483
Total expenditures	10,835,188	2,712,917	657,410	917,773	15,123,288
Excess (deficit) of revenues over (under) expenditures	(364,125)	(20,116)	(656,605)	(209,626)	(1,250,472)
Other financing sources (uses)					
Proceeds from sale of fixed assets	-	-	-	-	-
Capital lease proceeds	129,332	-	395,000	-	524,332
Transfers in	47,101	20,116	190,583	704,864	962,664
Transfers out	(229,742)	-	(162,099)	(523,722)	(915,563)
Total other financing sources (uses)	(53,309)	20,116	423,484	181,142	571,433
Net change in fund balance	(417,434)	-	(233,121)	(28,484)	(679,039)
Fund balance as of June 30, 2019	2,812,864	-	264,629	54,906	3,132,399
Fund balance as of June 30, 2020	$ 2,395,430	$ -	$ 31,508	$ 26,422	$ 2,453,360

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

MIDDLESBORO INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2020

Net change in total fund balances - governmental funds	$	(679,039)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported as expenditures in the governmental fund financial statements because they use current financial resources, but they are treated as assets in the Statement of Net Position and depreciated over their estimated economic lives. The difference is the amount by which capital outlay exceeds depreciation expense for the year.		491,089
Amortization of deferred outflows or resources is not recognized in the governmental fund financial statements but is a component of interest in the Statement of Activities.		(14,056)
Bond and capital lease payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are reductions of liabilities in the Statement of Net Position.		647,045
Bond, capital lease proceeds, and net refundings are recognized as revenue in the governmental fund financial statements but are increases to liabilities in the Statement of Net Position		(524,332)
Interest payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are expensed as incurred in the Statement of Activities.		(3,167)
Calculated pension expense is not recognized on the governmental fund financial statements but is recognized as an expense on the Statement of Activities, and current year contributions are deferred.		(301,567)
Accumulated sick leave is recognized by the amount earned in the Statement of Activities, but the governmental fund financial statements only recognize the obligations anticipated to be retired from existing financial resources.		(40,874)
Change in net position - governmental activities	$	(424,901)

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

MIDDLESBORO INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2020

	Food Service Fund
ASSETS	
Current assets	
Cash and cash equivalents	$ 699,263
Accounts receivable	106,497
Inventory	24,638
Total current assets	830,398
Noncurrent assets	
Capital assets	663,832
Less accumulated depreciation	(324,346)
Total noncurrent assets	339,486
Total assets	1,169,884
Deferred outflow of resources	
Deferred outflows from pensions	217,683
Deferred outflows from OPEB - CERS	88,166
	305,849
LIABILITIES	
Current liabilities	
Accounts payable	27,709
Accrued expenses	19,887
Total current liabilities	47,596
Noncurrent liabilities	
Net pension liability	955,774
Net OPEB liability	228,513
Total noncurrent liabilities	1,184,287
Total liabilities	1,231,883
Deferred inflow of resources	
Deferred inflows related to pension	40,525
Deferred inflows related to OPEB	81,440
	121,965
NET POSITION	
Net investment in capital assets	339,486
Restricted for:	
Other	(217,601)
Unrestricted	-
Total net position	$ 121,885

MIDDLESBORO INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS

Year ended June 30, 2020

	Food Service Fund
Operating revenues	
Lunchroom sales	$ 64,757
Total operating revenues	64,757
Operating expenses	
Salaries and wages	428,415
Employee benefits	111,294
Pension expense	102,963
Materials and supplies	596,553
Depreciation	36,319
Total operating expenses	1,275,544
Operating income/(loss)	(1,210,787)
Nonoperating revenues	
Federal grants	1,596,981
State grants	110,697
Donated commodities	56,629
Interest income	7,565
Total nonoperating revenues/(expenses)	1,771,872
Income before contributions	
Transfers and special items	561,085
Transfers out	(47,101)
Change in net position	513,984
Net position as of June 30, 2019	(392,099)
Net position as of June 30, 2020	$ 121,885

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

MIDDLESBORO INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
Year ended June 30, 2020

	Food Service Fund
Cash flows from operating activities	
Cash received from:	
Lunchroom sales	$ 26,337
Cash paid to/for:	
Employees	(525,416)
Supplies	(512,500)
Net cash used in operating activities	(1,011,579)
Cash flows from non-capital financing activities	
Grants received	1,707,678
Purchase of capital assets	(222,064)
Transfers to general fund	(47,101)
Net cash used in non-capital financing activities	1,438,513
Cash flows from investing activities	
Interest received on investments	7,565
Net cash used in capital and related activities	7,565
Net increase in cash and cash equivalents	434,499
Cash and cash equivalents as of June 30, 2019	264,764
Cash and cash equivalents as of June 30, 2020	$ 699,263
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income/ (loss)	$ (1,210,787)
Adjustments to reconcile change in net position to net cash used in operating activities:	
(Increase)/decrease in accounts receivable	(38,420)
Increase/(decrease) in accounts payable	27,424
Increase/(decrease) in accrued expenses	14,293
Net change in pension expense	102,963
Donated commodities	56,629
Depreciation	36,319
Net cash used in operating activities	$ (1,011,579)
Schedule of non-cash transactions:	
Depreciation	$ 36,319
Donated commodities	56,629
Total non-cash transactions	$ 92,948

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

MIDDLESBORO INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
June 30, 2020

	Agency Funds	Total Fiduciary Funds
ASSETS		
Cash	$ 132,287	$ 132,287
Total assets	132,287	132,287
LIABILITIES		
Accounts payable	-	-
Due to student groups	132,287	132,287
Total liabilities	132,287	132,287
Total net position	$ -	$ -

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

1. REPORTING ENTITY

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

The District, for financial purposes, includes all of the funds and activities relevant to the operation of the Middlesboro Independent Board of Education. The basic financial statements presented herein do not include funds of groups and organizations, which, although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc. Such funds or groups have been considered as prospective component units under GASB Statement Number 39, *Determining Whether Certain Organizations Are Component Units*, and have been determined to have insignificant assets, liabilities, equity, revenue and expenditures to be considered component units. In addition, the Board has the ability to exert little control over the fiscal activities of the funds or groups.

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

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

> Middlesboro Independent School District Finance Corporation – In a prior year, the Middlesboro Independent Board of Education resolved to authorize the establishment of the Middlesboro Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation pursuant to Section 162.385 of the School Bond Act and Chapter 273 and Section 58.180 of the Kentucky Revised Statutes (the "Corporation") to act as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The District has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 to its proprietary funds, unless those pronouncements conflict or contradict GASB pronouncements.

The following is a summary of the basis of presentation:

Government-wide Financial Statements - The statement of net position and the statement of revenues, expenses, and changes in net position 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, which normally are supported by tax revenues, and those that are considered business-type activities, which rely significantly on fees and charges for support.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

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

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

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

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities; and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in total fund balances. 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.

Accounting principles generally accepted in the United States of America require that the General Fund be reported as a major fund. All other governmental and proprietary funds whose assets, liabilities, revenues, or expenditures comprise at least 10% of the total for the relevant fund category and at least 5% of the corresponding total for all governmental and proprietary funds combined must also be reported as major funds.

The District has the following funds:

I. <u>Government Fund Types</u>

The General Fund is the main operating fund of the District. It 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. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. This is a budgeted fund, and any fund balances are considered as resources available for use. This is always a major fund of the District.

The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

I. Government Fund Types - continued

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds). The Capital Projects Funds account for revenue and expenditures from three sources:

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

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

3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction and/or remodeling. This is a major fund of the District.

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.

The Permanent Fund reports resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs.

II. Proprietary Fund Types (Enterprise Funds)

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 commodities from the USDA. The Food Service Fund is a major fund.

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

III. Fiduciary Fund Type (Agency Funds)

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

Basis of Accounting

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

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Revenues, Exchange and Non-exchange Transactions - Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end. Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

Unearned Revenue - Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue. The District reports unearned revenue on its statement of net position and governmental funds balance sheet. In both the government-wide and governmental fund statements, grants that are intended to finance future periods are reported as unearned revenue. In subsequent periods, the liability for unearned revenue is removed from the statement of net position and governmental funds balance sheet and revenue is recognized.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave, which are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position – proprietary funds as an expense with a like amount reported as donated commodities revenue.

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

Property Taxes

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

The property tax rates (including exonerations) assessed for the year ended June 30, 2020, to finance the General Fund operations were $.513 per $100 valuation for real property, $.513 per $100 valuation for business personal property and $.560 per $100 valuation for motor vehicles.

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

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Prepaid Assets

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

Capital Assets

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

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

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

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

Interfund Receivables and Payables

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

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

The entire compensated absence liability includes the remaining 70% plus any accrued sick leave for people not eligible and is reported on the government-wide financial statements. For governmental fund financial statements, the amount of accumulated vacation and sick leave of employees has been recorded as an assigned portion of fund balance. The balance of the liability is not recorded.

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

Bonds and Related Premiums, Discounts, and Issuance Costs

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premiums or discounts. Bond issuance costs are expensed when bonds are issued.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Discounts related to debt issuance are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Budgetary Process

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

- Revenues are recorded on the modified accrual basis of accounting (budgetary) as opposed to when susceptible to accrual (GAAP).
- Expenditures are recorded on the modified accrual basis of accounting (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved by the Board, it can be amended. Amendments are presented to the Board at their regular meetings. 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. Budgetary receipts represent original estimates modified for adjustments, if any, during the fiscal year. Budgetary disbursements represent original appropriations adjusted for budget transfers and additional appropriations, if any, approved during the fiscal year.

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

Cash and Cash Equivalents

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

Receivables

The District recognizes revenues as receivables when they are measurable and receipt is probable. Concentration of credit risk with respect to the receivables from federal and state governments is limited due to the historical stability of those institutions. Federal and state grants to be used or expended as specified by the grantor are recognized as revenue and recorded as receivables as qualifying expenditures are made.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Inventories

On government-wide and governmental fund financial statements inventories of supplies and materials are stated at cost and are expensed when used.

The school Food Service Fund inventory consists of food, supplies and U.S. Government commodities.

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

Accrued Liabilities and Long-Term Obligations

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

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

Fund Balances

Fund balances are separated into five categories, as required by GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as follows:

Nonspendable fund balance is permanently nonspendable by decree of donor. Examples would be an endowment or that which may not be used for another purpose such as amounts used to prepay future expenses or already purchased inventory on hand.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment.

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

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

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board, or managerial obligations, using restricted funds first, followed by committed funds, assigned funds, then unassigned funds.

Encumbrances

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end, and outstanding encumbrances at year-end are appropriated in the next year. Encumbrances are considered a managerial assignment of fund balance at June 30, 2020, in the governmental funds balance sheet.

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 and Non-Operating Revenues and Expenses

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

Non-operating revenues are not generated directly from the primary activity of the proprietary funds. For the School District those revenues come in the form of grants (federal and state), donated commodities, and earnings from investments.

Contributions of Capital

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

Interfund Activity

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

Estimates

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

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Deferred Inflows and Deferred Outflows of Resources

Deferred inflows and deferred outflows are recorded on the government-wide and proprietary financial statements. The deferred outflows of resources presented were primarily created by the differences in pension expectations, the prior refunding of revenue bonds, and deferral of pension contributions. Deferred inflows were primarily created by actuarial determinations of net pension liability changes.

Pensions

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

Postemployment Benefits Other Than OPEBs (OPEB)

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Teachers' Retirement System of the State of Kentucky (TRS) and the County Employees Retirement System Non-Hazardous (CERS) and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the pension 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 investments contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Impact of Recently Issued Accounting Principles

In April 2018, the GASB issued Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement is effective for periods beginning after June 15, 2018. The statement was adopted during the fiscal year and did not have an effect on the District's financial statements.

3. CUSTODIAL CREDIT RISK - DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2020, none of the District's bank balances were exposed to custodial credit risk because of coverage by Federal Depository insurance, collateral agreements, and collateral held by the pledging banks' trust departments in the District's name.

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

	Bank Balance	Book Balance
First State Bank	$ 3,254,770	$ 2,457,480
	$ 3,254,770	$ 2,457,480

3. CUSTODIAL CREDIT RISK – DEPOSITS – CONTINUED

Breakdown per financial statements is as follows:

Governmental funds	$	1,625,930
Proprietary funds		699,263
Agency funds		132,287
	$	2,457,480

Cash is commingled in various bank accounts and short-term certificates of deposit. Due to the nature of the accounts and limitations imposed by bond issue requirements, construction projects, and Federal financial assistance programs, each cash account within the following funds is considered to be restricted:

Special Revenue Funds
SEEK Capital Outlay Fund
Facility Support Program (FSPK) Fund
School Construction Fund
School Food Service Fund
Agency Funds

4. INVESTMENTS

Funds of the District are public funds and, therefore, their investment is limited by statute to certain obligations of the United States or similar government agencies, cash instruments, and certain pooled investment funds as provided by KRS 66.480. At June 30, 2020, the District holds only demand deposits and certificates of deposit considered to be cash equivalents. Consequently, the District does not have investment related credit risk or interest risk.

5. CAPITAL ASSETS

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

See table on next page

5. CAPITAL ASSETS - CONTINUED

	June 30, 2019 Balance	Additions	Retirements	June 30, 2020 Balance
Governmental Activities				
Land & land improvements	$ 832,843	$ -	$ -	$ 832,843
Buildings	20,258,141	-	-	20,258,141
Technology equipment	1,893,181	26,210	-	1,919,391
Vehicles	1,551,948	129,332	-	1,681,280
General equipment	753,375	10,735	-	764,110
Construction work in progress	5,315,713	657,410	-	5,973,123
Total historical cost	30,605,201	823,687	-	31,428,888
Less accumulated depreciation	12,944,030	332,599	-	13,276,629
Governmental capital assets, net	$ 17,661,171	$ 491,088	$ -	$ 18,152,259
Business-type Activities				
Technology equipment	$ 27,058	$ -	$ -	$ 27,058
Vehicles	24,450	21,540	-	45,990
Food service and equipment	390,260	200,524	-	590,784
Total historical cost	441,768	222,064	-	663,832
Less accumulated depreciation	288,027	36,319	-	324,346
Business-type capital assets, net	$ 153,741	$ 185,745	$ -	$ 339,486

Depreciation expense for business-type activities was entirely incurred in the operation of the School Food Services. Depreciation for governmental activities was charged to governmental functions as follows:

Instruction	$ 223,866
Student	21,750
Instruction staff	-
District administrative	3,271
School administrative	485
Plant operation and maintenance	19,269
Student transportation	61,937
Community services	2,021
	$ 332,599

6. CAPITAL LEASE PAYABLE

The District has entered into a capital lease agreement for buses which will become the property of the District when all the terms of the lease agreement are met. The following schedule presents the capital lease activity for the year ended June 30, 2020:

See table on next page

6. CAPITAL LEASE PAYABLE - CONTINUED

Description	Maturity	Interest Rates	Original Issue	Balance June 30, 2019	Debt Issued	Debt Paid	Balance June 30, 2020	Due Within One Year
KISTA:								
2013	March, 2023	2.0%	$ 104,420	$ 40,449	$ -	$ 10,742	$ 29,707	$ 11,001
2016	March, 2026	2.00-2.625%	172,963	118,813	-	16,747	102,066	17,117
2017	March, 2027	2.00-2.625%	113,844	99,897	-	11,912	87,985	12,212
2019	March, 2029	3.0%	97,937	97,937	-	10,411	87,526	10,647
2020	March, 2030	2.0%	129,332	-	129,332	-	129,332	13,831
			$ 618,496	$ 357,096	$ 129,332	$ 49,812	$ 436,616	$ 64,808

The following table presents a schedule by years of the future minimum lease payments under capital lease as of June 30, 2020:

Year	Principal	Interest	Total
2020-21	64,808	10,287	75,095
2021-22	62,652	8,889	71,541
2022-23	62,135	7,474	69,609
2023-24	53,981	6,019	60,000
2024-25	52,148	4,722	56,870
2025-26	51,335	3,425	54,760
2026-27	36,277	2,130	38,407
2027-28	21,802	1,230	23,032
2028-29	19,784	713	20,497
2029-30	11,694	234	11,928
Totals	$ 436,616	$ 45,123	$ 481,739
	Less: amounts representing interest		(45,123)
	Net capital lease liability		$ 436,616

7. LONG-TERM OBLIGATIONS

The amounts shown in the accompanying basic financial statements as bond obligations represent the District's future obligations to make lease payments relating to the bonds issued by the Middlesboro Independent School District Finance Corporation. The original amount of each issue, the issue date, and interest rates of bonded debt and lease obligations are summarized below:

Issue Date	Proceeds	Rates
2015R	$ 1,825,000	1.00% - 2.30%
2015 School Energy	$ 1,425,000	1.90% - 3.30%
2015	$ 3,690,000	2.00% - 3.50%
2017	$ 4,635,000	1.17%-3.45%
2019	$ 395,000	3.250-3.400%

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

7. LONG-TERM OBLIGATIONS-CONTINUED

The District entered into "participation agreements" with the Kentucky School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The participation agreements generally provide for the Commission to assist the District in meeting bond obligations and are renewable, at the Commission's option, bi-annually. In 2008, the District also entered into an agreement with the Urgent Needs Trust Fund. The Urgent Needs Trust Fund was established by the 2003 Kentucky General Assembly for the purpose of assisting school districts that have urgent and critical construction needs. The Urgent Needs Trust Fund is administered by the School Facility Construction Commission. Should the Kentucky General Assembly choose to not fund the Commission in the future, the District would be responsible for meeting the full requirements of the bond issues. The following table sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

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

	Middlesboro Independent School District		Kentucky School Facility Construction Commission		Total	Total
Year	Principal	Interest	Principal	Interest	Principal	Interest
2020-21	$ 438,466	$ 270,736	$ 166,534	$ 68,489	$ 605,000	$ 339,225
2021-22	450,628	262,339	169,372	65,166	620,000	327,505
2022-23	462,678	253,649	173,322	61,710	636,000	315,359
2023-24	479,574	244,538	176,426	58,085	656,000	302,623
2024-25	491,944	234,916	145,056	54,676	637,000	289,592
2025-26	505,735	224,200	146,265	51,310	652,000	275,510
2026-27	524,931	211,390	143,069	47,709	668,000	259,099
2027-28	543,380	197,755	124,620	43,751	668,000	241,506
2028-29	565,162	181,159	128,838	39,931	694,000	221,090
2029-30	586,846	163,880	132,154	35,997	719,000	199,877
2030-31	613,429	145,861	136,571	31,947	750,000	177,808
2031-32	634,825	126,738	140,175	27,693	775,000	154,431
2032-33	661,023	106,334	144,977	23,208	806,000	129,542
2033-34	692,064	84,982	149,936	18,520	842,000	103,502
2034-35	717,760	61,737	155,240	13,451	873,000	75,188
2035-36	393,126	34,003	79,874	8,183	473,000	42,186
2036-37	401,211	20,844	82,789	5,468	484,000	26,312
2037-38	416,996	7,037	73,004	2,833	490,000	9,870
2037-39	-	-	26,000	1,156	26,000	1,156
2037-40	-	-	21,000	358	21,000	358
	$ 9,579,778	$ 2,832,099	$ 2,515,222	$ 659,641	$12,095,000	$ 3,491,740

7. LONG-TERM OBLIGATIONS-CONTINUED

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

School Building Revenue Bonds	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
2015R	$ 1,370,000	$ -	$ 170,000	$ 1,200,000
2015 School Energy	1,315,000	-	35,000	1,280,000
2015	5,110,000	-	210,000	4,900,000
2017	4,480,000	-	160,000	4,320,000
2019	-	395,000	-	395,000
Net Pension Liability	3,644,803	611,596	-	4,256,399
Net OPEB - CERS Liability	1,062,518	-	44,868	1,017,650
Net OPEB - KTRS Liability	2,882,000	-	408,000	2,474,000
KSBIT Novation	44,466	-	22,233	22,233
Accrued Sick Leave	171,803	40,874	-	212,677
	$ 20,080,590	$ 1,047,470	$ 1,050,101	$ 20,077,959

8. RETIREMENT PLANS

The District's employees are provided with two pension plans, based on each position's college degree requirement as described below. The two pension plans are County Employees Retirement System (CERS) and the Kentucky Teachers Retirement System (KTRS).

General information about the County Employees Retirement System Non-Hazardous (CERS)

Plan description—Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (KRS) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from http://kyret.ky.gov/.

Benefits provided—CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old
		At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old
		Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old
		Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

8. RETIREMENT PLANS - CONTINUED

Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement.

Contributions—Required contributions by the employee are based on the tier:

	Required contribution
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

Funding Policy - Funding for the plan is provided through payroll withholdings and matching District contributions. The District contributes 24.06% of the employee's total compensation subject to contribution.

General information about the Teachers' Retirement System of the State of Kentucky (KTRS)

Plan description—Teaching certified employees of the District and other employees whose positions require at least a college degree 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 Commonwealth. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the 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.

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

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

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees 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 employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees 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, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees 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. Employees 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 employees at the rate of sixty (60) percent of the final average salary. A life insurance

8. RETIREMENT PLANS - CONTINUED

benefit payable upon the death of a member, is $2,000 for active contributing employees and $5,000 for retired or disabled employees.

Contributions—Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.855% of their salaries to the System.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate 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. For local school district and regional cooperative employees 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 Pensions

At June 30, 2020, the District reported a liability of $4,256,399 for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for KTRS 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 Commonwealth 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 CERS net pension liability	$	4,256,399
Commonwealth's proportionate share of the KTRS net pension liability associated with the District		21,587,009
	$	25,843,408

The net pension liability for each plan was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2019, the District's proportion was 0.060520%.

For the year ended June 30, 2020, the District recognized pension expense of $339,254 related to CERS and $1,624,540 related to KTRS. The District also recognized revenue of $1,624,540 for KTRS support provided by the Commonwealth. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

8. RETIREMENT PLANS - CONTINUED

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 108,679	$ 17,984
Changes of assumptions	430,796	-
Net difference between projected and actual earnings on pension plan investments	81,706	150,321
Changes in proportion and differences between District contributions and proportionate share of contrbutions	46,211	12,166
District contributions subsequent to the measurement date	302,029	-
Total	$ 969,421	$ 180,471

The $302,029 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	$ 308,533
2021	$ 124,980
2022	$ 48,539
2023	$ 4,869
	$ 486,921

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

	CERS	KTRS
Inflation	2.30%	3.00%
Projected salary increases	3.3-10.3%	3.50-7.30%
Investment rate of return, net of investment expense & inflation	6.25%	7.50%
Municipal bond index rate		3.56%
Siongle equalivant interest rate		4.49%

8. RETIREMENT PLANS - CONTINUED

For KTRS, 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.

Discount rate—For CERS, 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 employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.5%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For KTRS, the discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. 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 employees until the 2040 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2039 and a municipal bond index rate of 3.56% was applied to all periods of projected benefit payments after 2039. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

Sensitivity of CERS and KTRS proportionate share of net pension liability to changes in the discount rate—The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	$ 5,323,547	$ 4,256,399	$ 3,366,940
KTRS	6.50%	7.50%	8.50%
District's proportionate share of net pension liability	-	-	-

Pension plan fiduciary net position—Detailed information about the CERS and the KTRS pension plans' fiduciary net position, projected benefits, and projected funding status is available in separately issued financial reports at http://kyret.ky.gov/ and https://gov.state.ky.us, respectively.

The District's contribution (statutorily required) to KTRS for the years ended June 30, 2020, 2019, and 2018 was $1,062,584, $1,138,274, and $784,064, respectively. The District's contributions CERS (both withholding and match) for the years ended June 30, 2020, 2019, and 2018 were $457,023, $409,423, and $364,233, respectively. The District met their contribution requirements.

9. OTHER POSTEMPLOYMENT BENEFITS PLAN

General Information about the Kentucky Teachers' Retirement System of the State of Kentucky (TRS)

Plan description-Teaching-certified employees of the Kentucky School District are provided OPEBs through the Teachers' Retirement System of the State of Kentucky (TRS) – a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained 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 pension benefits described above, KRS 161.675 requires KTRS to provide post-employment healthcare benefits to eligible employees and dependents. The KTRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance.

Funding policy—In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three and three quarters percent (3.75%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and three percent (3.00%) from the employer.

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

At June 30, 2020, the District reported a liability of $2,474,000 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, and the total OPEB liability used to calculate the collective net OPEB liability was based on 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 ..084541 percent.

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:

9. OTHER POSTEMPLOYMENT BENEFITS PLAN – CONTINUED

District's proportionate share of the KTRS net OPEB liability	$	2,474,000
Commonwealth's proportionate share of the KTRS net OPEB liability associated with the District		1,998,000
	$	4,472,000

For the year ended June 30, 2020, the District recognized OPEB expense of $54,000 and revenue of $120,845for 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	$ -	$ 599,000
Changes of assumptions	66,000	-
Net difference between projected and actual earnings on pension plan investments	11,000	-
Changes in proportion and differences between District contributions and proportionate share of contrbutions	45,000	15,000
District contributions subsequent to the measurement date	-	-
Total	$ 122,000	$ 614,000

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 ended June 30:		
2020	$	(92,000)
2021		(92,000)
2022		(87,000)
2023		(88,000)
2024		(81,000)
Thereafter		(52,000)
	$	(492,000)

Actuarial 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:

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%

9. OTHER POSTEMPLOYMENT BENEFITS PLAN-CONTINUED

Wage Inflation	3.50%
Healthcare cost trend rates	
Under 65	7.75% for FY 2017 decreasing to an ultimate rate of 5% by FY 2023
Ages 65 and Older	5.75% for FY 2017 decreasing to an ultimate rate of 5% by FY 2020
Medicare Part B	1.02% for FY 2017 with an ultimate rate of 5% by 2029
Municipal Bond Index Rate	3.50%
Discount Rate	8.00%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distributions 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.

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:

	1% Decrease	Current Discount Rate	1% Increase
KTRS	7.00%	8.00%	9.00%
District's proportionate share of net OPEB liability	$ 2,931,000	$ 2,474,000	$ 2,092,000

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:

	1% Decrease	Current Trend Rate	1% Increase
KTRS	7.00%	8.00%	9.00%
District's proportionate share of net OPEB liability	$ 2,014,000	$ 2,474,000	$ 3,040,000

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

9. OTHER POSTEMPLOYMENT BENEFITS PLAN-CONTINUED

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.

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

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 that was associated with the District were as follows:

District's proportionate share of the KTRS net OPEB Life Insurance Plan liablity	$	-
Commonwealth's proportionate share of the KTRS net OPEB Life Insurance liability associated with the District		46,000
	$	46,000

For the year ended June 30, 2020, the District recognized OPEB expense of $2,034 and revenue of $2,034 for support provided by the State.

Actuarial 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:

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	8.00%
Single Equivalent Interest Rate	7.50%, net of OPEB plan investment expense, including inflation

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

9. OTHER POSTEMPLOYMENT BENEFITS PLAN-CONTINUED

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

Discount rate – The Discount rate used to measure the total OPEB liability for life insurance was 8%. 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 District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 8%, 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%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
KTRS	7.00%	8.00%	9.00%
State's proportionate share of net OPEB liability - Life Insurance	$ 52,250	$ 46,000	$ 34,550

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

General information about the County Employees Retirement System Non-Hazardous (CERS)

Plan description—Employees whose positions do not require a degree beyond a high school diploma are provided OPEBs through the County Employees Retirement System Non-Hazardous (CERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (KRS) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from http://kyret.ky.gov/.

Benefits provided—CERS provides hospital and medical insurance for eligible members receiving benefits from the pension plan. Employees are vested in the plan after five years' service. For plan purposes, employees are grouped into two groups, based on hire date. Members who reach a minimum vesting period of 10 years, and began participating on, or after, July 1, 2003, earn $10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. For members participating prior to July 1, 2003, are paid up to a maximum of $13.18 per month for every year of earned service. The percentage of the maximum monthly benefit paid is based on years of service as follows:

9. OTHER POSTEMPLOYMENT BENEFITS PLAN-CONTINUED

Years of Service	Paid by Insurance Fund (%)
20+ years	100.00%
15-19 years	75.00%
10-14 years	50.00%
4-9 years	25.00%
Less than 4 years	0.00%

Contributions—Required contributions by the employee are based on the tier:

Tier 1	Participation date	Before September 1, 2008
	Contribution percentage	0.00%
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Contribution percentage	1%
Tier 3	Participation date	After December 31, 2013
	Contribution percentage	1%

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

At June 30, 2020, the District reported a liability of $1,017,650 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, and the total OPEB liability used to calculate the collective net OPEB liability was based on 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 .060504 percent.

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 CERS net pension liability net OPEB liability	$	1,017,650
Commonwealth's proportionate share of the CERS net OPEB liability associated with the District		-
	$	1,017,650

For the year ended June 30, 2020, the District recognized OPEB expense of $16,313. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

See table on next page

9. OTHER POSTEMPLOYMENT BENEFITS PLAN-CONTINUED

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 307,049
Changes of assumptions	301,132	2,014
Net difference between projected and actual earnings on pension plan investments	6,703	51,903
Changes in proportion and differences between District contributions and proportionate share of contrbutions	10,307	1,715
District contributions subsequent to the measurement date	74,491	-
Total	$ 392,633	$ 362,681

Of the total amount reported as deferred outflows of resources related to OPEB, $74,491 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, 2019. 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 ended June 30:		
2020	$	(5,963)
2021	$	(5,963)
2022	$	8,408
2023	$	(19,126)
2024	$	(18,680)
2025	$	(3,215)
	$	(44,539)

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distributions 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.

Discount rate – The Discount rate used to measure the total OPEB liability was 5.68%. 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.

9. OTHER POSTEMPLOYMENT BENEFITS PLAN-CONTINUED

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	Current Discount Rate	1% Increase
CERS	4.68%	5.68%	6.68%
District's proportionate share of net OPEB liability	$ 1,363,232	$ 1,017,650	$ 732,913

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
CERS			
District's proportionate share of net OPEB liability	$ 756,832	$ 1,017,650	$ 1,333,923

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

10. DEFERRED COMPENSATION

The District offers its employees participation in a deferred compensation program administered by the Kentucky Public Employees' Deferred Compensation Authority. This program offers a plan authorized by Section 457(b) of the Internal Revenue Code and a plan authorized by Section 401(k) of the Internal Revenue Code. Both plans are available to all employees and permit them to defer up to 25% of their compensation (subject to limits) until future years. The District makes no contributions to these plans.

11. OPERATING LEASES

As of June 30, 2020, the District had not entered into any material operating lease agreements.

12. CONTINGENCIES

Grants - The District receives funding from Federal, State, and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review the funds are considered not to have been used for the intended purpose, the grantor may request a refund of funds advanced, or refuse to reimburse the District for its disbursements, and the collectability of any related receivables as of June 30, 2020 may be impaired. 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.

13. LITIGATION

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

14. RISK MANAGEMENT

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. Settled claims resulting from these risks have created a potential liability as discussed in the *Contingencies* disclosure above.

Contributions for Workers' Compensation coverage are based on premium rates established in conjunction with the insurance carrier, subject to claims experience modifications and discounts.

15. DEFICIT FUND BALANCES

No funds had deficit balances, however, there may be funds with deficit operating balances.

16. COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss. There were no instances of noncompliance noted.

17. TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	KETS	$ 20,116
Operating	General	Debt Service	Debt Service	$ 209,626
Operating	Capital Outlay	Debt Service	Debt Service	$ 95,791
Operating	Building	Construction	Construction	$ 28,484
Operating	Building	Debt Service	Debt Service	$ 399,447
Operating	Construction	Construction	Construction	$ 162,099
Operating	Food Service	General	Indirect Cost	$ 47,101

18. INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2020, the Special Revenue owes the General Fund an amount of $891,397.

19. ON-BEHALF PAYMENTS

The Commonwealth of Kentucky pays certain expenses on behalf of the District. These expenses include employee health insurance, the employer match of Kentucky Teachers' Retirement System, certain other employee benefits, specific technology expense and debt service. These amounts are included in the fund financial statements; however, the revenues and related expenditures are not budgeted amounts.

The following payments for fringe benefits are included as revenues and expenses on the statement of revenues, expenses, and changes in net position:

Retirement contributions to the Teachers' Retirement System of Kentucky	$	1,624,540
OPEB contributions to the Teachers' Retirement System of Kentucky	$	120,845
Health and Life insurance		1,260,298
Other Less Federal		(93,354)
Technology		68,593
Debt Service		212,909
	$	3,193,831

20. FUND BALANCE DESIGNATIONS

The following funds had restricted fund balances:

Fund		Amount	Purpose
General	$	53,169	Restricted Sick Leave Retirement Benefit
Construction	$	31,508	Future Construction/Grants
Food Service	$	(217,601)	Food Service Operations
FSPK	$	26,422	Future Construction/Grants

The following funds had assigned fund balances:

Fund		Amount	Purpose
General	$	1,072,439	Purchase obligations

21. IMPACT OF COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. The District moved to nontraditional instruction from March 16, 2020, through the end of the school year. In response to COVID-19, governmental assistance received included the following:

1. Federal CARES Act funds totaling $1,127,538 were awarded to the District through the Kentucky Department of Education, of which $87,310 was expended and recognized as grant revenue in fiscal year 2020. The remainder of the awards totaling $1,040,228 is available to draw in fiscal year 2021 for eligible expenditures. These funds are required to be used to support remote learning and district food service (losses).

2. Federal CARES Act funds totaling $193,419 were awarded to the District through the Kentucky Cabinet for Health and Family Services, of which $1,670 was expended and recognized as grant revenue in fiscal year 2020. The remainder of the awards totaling $191,749 is available to draw in fiscal year 2021 for eligible expenditures. These funds were for the sustainment of childcare programs operating at the District's elementary schools.

22. SUBSEQUENT EVENTS

Management of the District has evaluated subsequent events through January 15, 2021, which was the date the audit report was available for release. No events that have occurred subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

MIDDLESBORO INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
Year ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
Revenues				
From local sources				
Taxes:				
Property	$ 1,855,000	$ 1,855,000	$ 1,885,852	$ 30,852
Motor vehicle	210,000	210,000	213,116	3,116
Utility	606,000	606,000	586,959	(19,041)
Other	3,000	3,000	21,467	18,467
Earnings on investments	90,000	90,000	79,287	(10,713)
Other local	100,450	100,450	139,946	39,496
Intergovernmental - State	4,515,000	4,515,000	7,519,186	3,004,186
Intergovernmental - Federal	40,000	40,000	25,250	(14,750)
Total revenues	7,419,450	7,419,450	10,471,063	3,051,613
Expenditures				
Current:				
Instruction	4,049,871	4,049,871	5,825,323	(1,775,452)
Student	676,014	676,014	996,072	(320,058)
Instructional support	407,910	407,910	580,147	(172,237)
District administration	750,831	750,831	662,610	88,221
School administration	611,908	611,908	806,202	(194,294)
Business support	132,803	132,803	220,795	(87,992)
Plant operations and maintenance	1,676,261	1,676,261	1,130,907	545,354
Student transportation	491,091	491,091	524,917	(33,826)
Community services	27,713	27,713	29,505	(1,792)
Contingency	609,260	609,260	-	609,260
Debt service	58,710	58,710	58,710	-
Total expenditures	9,492,372	9,492,372	10,835,188	(1,342,816)
Excess (deficit) of revenues over (under) expenditures	(2,072,922)	(2,072,922)	(364,125)	1,708,797
Other financing sources (uses)				
Proceeds from sale of equipment	-	-	-	-
Capital lease proceeds	-	-	129,332	129,332
Transfers in	45,000	45,000	47,101	2,101
Transfers out	(243,714)	(243,714)	(229,742)	13,972
Total other financing sources (uses)	(198,714)	(198,714)	(53,309)	145,405
Net change in fund balance	(2,271,636)	(2,271,636)	(417,434)	1,854,202
Fund balance as of June 30, 2019	2,271,636	2,271,636	2,812,864	541,228
Fund balance as of June 30, 2020	$ -	$ -	$ 2,395,430	$ 2,395,430

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

MIDDLESBORO INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND
Year ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
Revenues				
From local sources:				
Other local	$ 60,682	$ 60,682	$ 39,509	$ (21,173)
Earnings on investments	500	500	1,494	994
Intergovernmental - State	458,830	458,830	478,522	19,692
Intergovernmental - Federal	3,681,058	3,681,058	2,173,276	(1,507,782)
Total revenues	4,201,070	4,201,070	2,692,801	(1,508,269)
Expenditures				
Current:				
Instruction	2,204,945	2,204,945	1,960,430	244,515
Student	341,956	341,956	206,035	135,921
Instructional support	354,963	354,963	268,926	86,037
District administration	29,984	29,984	10,875	19,109
School administration	6,900	6,900	2,371	4,529
Business support	69,046	69,046	66,466	2,580
Plant operations and maintenance	58,440	58,440	50,711	7,729
Student transportation	9,000	9,000	4,928	4,072
Community services	251,742	251,742	142,175	109,567
Total expenditures	3,326,976	3,326,976	2,712,917	614,059
Deficit of revenues under expenditures	874,094	874,094	(20,116)	(894,210)
Other financing sources				
Operating transfers in	30,000	30,000	20,116	(9,884)
Total other financing sources	30,000	30,000	20,116	(9,884)
Net change in fund balance	904,094	904,094	-	-
Fund balance as of June 30, 2019	-	-	-	-
Fund balance as of June 30, 2020	$ 904,094	$ 904,094	$ -	$ -

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

MIDDLESBORO INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGET AND ACTUAL - GENERAL FUND AND SPECIAL REVENUE FUND

Year ended June 30, 2020

The District's budgetary process accounts for transactions on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America. In accordance with state law, the District prepares a general school budget based upon the amount of revenue to be raised by local taxation, including the rate of levy, and from estimates of other Local, State, and Federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay, and other necessary expenses. The budget must be approved by the Board. The District must formally and publicly examine estimated revenues and expenses for the subsequent fiscal year by January 31 of each calendar year. Additionally, the District must submit a certified budget to the Kentucky Department of Education by March 15 of each calendar year, which includes the amount for certified and classified staff, based on the District's staffing policy, and the amount for the instructional supplies, materials, travel and equipment. Additionally, the District must adopt a tentative working budget for the subsequent fiscal year by May 30 of each calendar year. The budget must contain a 2% reserve but not greater than 10%. Finally, the District must adopt a final working budget and submit it to the Kentucky Department of Education by September 30 of each calendar year. The Board amended the budget during the year.

MIDDLESBORO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
Year ended June 30, 2020

	District's proportion of net pension liability (asset)	District's proportionate share of the net pension liability (asset)	District's covered-employee payroll	District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2020	0.06%	$ 4,256,399	$ 1,570,234	271.07%	50.45%
2019	0.06%	$ 3,644,803	$ 1,526,551	238.76%	53.54%
2018	0.06%	$ 3,464,807	$ 1,483,275	233.59%	53.30%
2017	0.07%	$ 3,019,089	$ 1,441,224	209.48%	55.50%
2016	0.06%	$ 2,609,115	$ 1,462,758	178.37%	59.97%
2015	0.06%	$ 1,958,000	$ 1,436,154	136.34%	66.80%

* The amounts presented for each fiscal year were determined as of 6/30.

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

MIDDLESBORO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM
Year ended June 30, 2020

	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	District's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2020	$ 303,055	$ 303,055	$ -	$ 1,570,234	19.30%
2019	$ 247,607	$ 247,607	$ -	$ 1,526,551	16.22%
2018	$ 214,778	$ 214,778	$ -	$ 1,483,275	14.48%
2017	$ 269,221	$ 269,221	$ -	$ 1,441,224	18.68%
2016	$ 249,547	$ 249,547	$ -	$ 1,462,758	17.06%
2015	$ 250,236	$ 250,236	$ -	$ 1,436,154	17.42%

* The amounts presented for each fiscal year were determined as of 6/30.

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
COUNTY EMPLOYEES RETIREMENT SYSTEM - PENSION FUND
Year ended June 30, 2020

Changes of Benefit Terms

None.

Changes of Assumptions

The Salary Increase Assumption was changed from 3.05% to 3.30% - 10.30%.

MIDDLESBORO INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - MEDICAL INSURANCE PLAN
County Employees Retirement System
June 30, 2020

	District's proportion of net OPEB liability (asset)	District's proportionate share of the net OPEB liability (asset)	District's covered-employee payroll	District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2020	0.06%	$ 1,017,650	$ 1,570,234	64.81%	60.44%
2019	0.06%	$ 1,062,518	$ 1,526,551	69.60%	57.62%
2018	0.06%	$ 1,190,002	$ 1,483,275	80.23%	52.39%

* The amounts presented for each fiscal year were determined as of 6/30.

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

MIDDLESBORO INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS - MEDICAL INSURANCE PLAN
County Employees Retirement System
June 30, 2020

	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	District's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2020	$ 74,743	$ 74,743	$ -	$ 1,570,234	4.76%
2019	$ 80,297	$ 80,297	$ -	$ 1,526,551	5.26%
2018	$ 69,714	$ 69,714	$ -	$ 1,483,275	4.70%

* The amounts presented for each fiscal year were determined as of 6/30.

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
COUNTY EMPLOYEES RETIREMENT SYSTEM - MEDICAL INSURANCE PLAN
Year ended June 30, 2020

Changes of Benefit Terms

None.

Changes of Assumptions

The Single Discount Rate changed from 5.85% to 5.68%.

MIDDLESBORO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
KENTUCKY TEACHERS' RETIREMENT SYSTEM
Year ended June 30, 2020

	State's proportion of net pension liability (asset)	State's proportionate share of the net pension liability (asset)	Plan fiduciary net position as a percentage of the total pension liability
2020	100%	$ 21,587,009	58.80%
2019	100%	$ 21,016,893	59.30%
2018	100%	$ 42,792,204	39.83%
2017	100%	$ 47,651,524	35.22%
2016	100%	$ 38,299,426	42.49%
2015	100%	$ 37,951,853	45.59%

* The amounts presented for each fiscal year were determined as of 6/30.

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

MIDDLESBORO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATE CONTRIBUTIONS
KENTUCKY TEACHERS' RETIREMENT SYSTEM
Year ended June 30, 2020

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)
2020	$ 1,062,584	$ 1,062,584	$ -
2019	$ 1,138,274	$ 1,138,274	$ -
2018	$ 1,130,717	$ 1,130,717	$ -
2017	$ 784,064	$ 784,064	$ -
2016	$ 894,348	$ 894,348	$ -
2015	$ 792,086	$ 792,086	$ -

* The amounts presented for each fiscal year were determined as of 6/30.

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
KENTUCKY TEACHERS RETIREMENT SYSTEM
Year ended June 30, 2020

Changes of Benefit Terms

None.

Changes of Assumptions

The Municipal Bond Index Rate decreased from 3.89% to 3.50%.

MIDDLESBORO INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - MEDICAL INSURANCE PLAN
Kentucky Teachers' Retirement System
June 30, 2020

	District's proportion of net OPEB liability (asset)	District's proportionate share of the net OPEB liability (asset)	State's proportionate share of the net OPEB liability (asset)	District's covered-employee payroll	District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2020	0.08%	$ 2,474,000	$ 1,998,000	$ 6,412,184	38.58%	32.58%
2019	0.08%	$ 2,882,000	$ 2,483,000	$ 6,137,300	46.96%	25.50%
2018	0.08%	$ 2,983,000	$ 2,437,000	$ 6,196,047	48.14%	21.18%

* The amounts presented for each fiscal year were determined as of 6/30.

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

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

MIDDLESBORO INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS - MEDICAL INSURANCE PLAN
Kentucky Teachers' Retirement System
June 30, 2020

	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	District's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2020	$ 192,366	$ 192,366	$ -	$ 6,412,184	3.00%
2019	$ 184,119	$ 184,119	$ -	$ 6,137,300	3.00%
2018	$ 185,881	$ 185,881	$ -	$ 6,196,047	3.00%

* The amounts presented for each fiscal year were determined as of 6/30.

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Kentucky Teachers' Retirement System - Medical Insurance Plan
Year ended June 30, 2020

Changes of Benefit Terms

None.

Changes of Assumptions

The Municipal Bond Index decreased from 3.89% to 3.50%.
Health Care Cost Trends for Under 65 decreased from 7.75% to 7.50%.
Health Care Cost Trends for Ages 65 and Older decreased from 5.75% to 5.50%.
Health Care Cost Trends for Medicare Part B Premiums increased from 0.00% to 2.63%.

MIDDLESBORO INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF STATE'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - LIFE INSURANCE PLAN
Kentucky Teachers' Retirement System
Year ended June 30, 2020

	State's proportion of net OPEB liability (asset)	State's proportionate share of the net OPEB liability (asset)	Plan fiduciary net position as a percentage of the total OBEP liability
2020	100%	$ 46,000	73.40%
2019	100%	$ 43,000	75.00%
2018	100%	$ 33,000	79.99%

* The amounts presented for each fiscal year were determined as of 6/30.

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

MIDDLESBORO INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF STATE CONTRIBUTIONS - LIFE INSURANCE PLAN
Kentucky Teachers' Retirement System
June 30, 2020

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)
2020	$ 2,034	$ 2,034	$ -
2019	$ 2,034	$ 2,034	$ -
2018	$ 1,750	$ 1,750	$ -

* The amounts presented for each fiscal year were determined as of 6/30.

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
KENTUCKY TEACHERS' RETIREMENT SYSTEM - LIFE INSURANCE PLAN
Year ended June 30, 2020

Changes of Benefit Terms

None.

Changes of Assumptions

The Municipal Bond Index decreased from 3.89% to 3.50%.

MIDDLESBORO INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2020

	SEEK Capital Outlay Fund	Facility Support Building Fund (FSPK)	Debt Service Fund	Total Non-major Governmental Funds
ASSETS				
Cash and cash equivalents	$ -	$ 26,422	$ -	$ 26,422
Total assets	$ -	$ 26,422	$ -	$ 26,422
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	$ -	$ -	$ -	$ -
Fund Balances:				
Restricted	-	26,422	-	26,422
Unassigned	-	-	-	-
Total liabilities fund balances	$ -	$ 26,422	$ -	$ 26,422

MIDDLESBORO INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS

Year ended June 30, 2020

	SEEK Capital Outlay Fund	Facility Support Building Fund (FSPK)	Debt Service Fund	Total Non-major Governmental Funds
Revenues				
From local sources:				
Property tax	$ -	$ 232,182	$ -	$ 232,182
Intergovernmental - State	95,791	167,265	212,909	475,965
Total revenues	95,791	399,447	212,909	708,147
Expenditures				
Debt service	-	-	917,773	917,773
Total expenditures	-	-	917,773	917,773
Other financing sources (uses)				
Transfers In	-	-	704,864	704,864
Transfers out	(95,791)	(427,931)	-	(523,722)
Total other financing sources (uses)	(95,791)	(427,931)	704,864	181,142
Net change in fund balance	-	(28,484)	-	(28,484)
Fund balance as of June 30, 2019	-	54,906	-	54,906
Fund balance as of June 30, 2020	$ -	$ 26,422	$ -	$ 26,422

Middlesboro Independent Schools
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - ELEMENTARY AND MIDDLE SCHOOL ACTIVITY FUNDS
Year Ended June 30, 2020

School Activity Fund	Cash and Equivalents June 30, 2019	Receipts	Disbursements	Cash and Cash Equivalents June 30, 2020	Accounts Receivable June 30, 2020	Accounts Payable June 30, 2020	Balances June 30, 2020
Middlesboro Elementary	$ 20,413	$ 38,178	$ 33,395	$ 25,196	$ -	$ -	$ 25,196
Middlesboro Middle School	44,119	127,019	129,960	$ 41,178	-	-	$ 41,178
Totals	$ 64,532	$ 165,197	$ 163,355	$ 66,374	$ -	$ -	$ 66,374

Middlesboro Independent Schools
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES - SOUTH LAUREL HIGH SCHOOL ACTIVITY FUND
Year ended June 30, 2020

	Balances June 30, 2019	Receipts	Disbursements	Transfers in/(out)	Cash and cash equivalents June 30, 2020	Accounts Receivable June 30, 2020	Accounts Payable June 30, 2020	Balances June 30, 2020
Activity Allotment	$ 454	$ -	$ -	$ -	$ 454	$ -	$ -	$ 454
Athletics	29,848	187,449	194,116	-	23,181	-	-	23,181
Band	1,353	6,642	3,302	-	4,693	-	-	4,693
Beta Club	449	-	-	-	449	-	-	449
Choir	235	450	-	-	685	-	-	685
Drama	459	-	-	-	459	-	-	459
FBLA	537	-	369		168	-	-	168
General	23,498	63,402	63,602	-	23,298	-	-	23,298
JROTC	1,883	2,119	3,602	-	400	-	-	400
Journalism	2,127	5,985	5,073	-	3,039	-	-	3,039
Library	87	-	-	-	87	-	-	87
Parking	235	230	313	-	152	-	-	152
Prom	3,251	5,769	2,465	-	6,555	-	-	6,555
Student Council	872	-	-	-	872	-	-	872
Teachers	1,392	1,778	2,252	-	918	-	-	918
Technology	24	-	-	-	24	-	-	24
AP/PSAT	-	545	221	-	324	-	-	324
JAG Club/Car Asso	-	450	295	-	155	-	-	155
Total accounts	$ 66,704	$ 274,819	$ 275,610	$ -	$ 65,913	$ -	$ -	$ 65,913

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

MIDDLESBORO INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2020

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
US Department of Agriculture			
Passed Through State Department of Education:			
Fresh Fruit and Vegetable Program	10.582		
Fiscal Year 20		7720012-20	$ 26,056
State Administrative Expenses for Child Nutrition	10.560		
Fiscal Year 20		7721032-20	3,349
Child & Adult Care Food Program	10.558		
Fiscal Year 20		7721012-20	47,320
Child Nutrition Discretionary Grants Limited Availability	10.579		
Fiscal Year 20		7722012-20	50,000
			126,725
Child Nutrition Cluster			
School Breakfast Program	10.553		
Fiscal Year 19		7760005-19	79,550
Fiscal Year 20		7760005-20	183,469
National School Lunch Program	10.555		
Fiscal Year 19		7750002-19	127,360
Fiscal Year 20		7750002-20	304,376
Summer Food Service Program for Children	10.559		
Fiscal Year 20		7760005-20	775,502
Passed Through State Department of Agriculture:			
National School Lunch Program	10.555		
Fiscal Year 20		77500002-20	56,629
Child Nutrition Cluster Total			1,526,886
Total US Department of Agriculture			1,653,611
US Department of Education			
Passed Through State Department of Education			
Title I Grants to Local Educational Agencies	84.010		
Fiscal Year 19		3100002-19	443,222
Fiscal Year 20		3100002-20	843,628
			1,286,850
Special Education Cluster			
Special Education_Grants to States	84.027		
Fiscal Year 20		3810002-20	245,776
Special Education_Preschool Grants	84.173		
Fiscal Year 20		3800002-20	17,452
Special Education Cluster Total			263,228
Supporting Effective Instruction State Grant	84.367		
Fiscal Year 20		3230002-20	123,499
			123,499

See notes to schedule of expenditures of federal awards

MIDDLESBORO INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year ended June 30, 2020

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
Innovative Approaches to Literacy	84.215		
Fiscal Year 20		2-610C	4,923
			4,923
Education Stabilization Fund Under the Coronavirus Aid Relief, and Economic Security Act	84.425		
Fiscal Year 20		613F	-
Fiscal Year 20		633F	88,990
			88,990
Career & Technical Education - Basic Grants to States	84.048		
Fiscal Year 20		3401002-20	6,314
			6,314
Striving Readers Comprehensive Literacy Program	84.371		
Fiscal Year 20		3402002-20	100,786
			100,786
Student Support and Academic Enrichment Program	84.424		
Fiscal Year 20		552F	81,773
			81,773
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		
Fiscal Year 20		3160002-20	143,721
			143,721
Total US Department of Education			2,100,084
U.S. Department of Defense			
Direct Program			
ROTC	12.000		
Fiscal Year 20		504F	73,192
			73,192
Total U.S. Department of Defense			73,192
Total Expenditure of Federal Awards			$ 3,826,887

See notes to schedule of expenditures of federal awards

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Middlesboro Independent School District and is presented on the accrual basis of accounting. 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. IN-KIND COMMODITIES

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. The District no longer maintains a separate commodities inventory due to changes in program regulations. Commodities are included under the Child Nutrition Cluster. The valued amount of commodities received for June 30, 2020 is $56,629.

3. CLUSTER PROGRAMS

The following CFDA numbers are considered cluster programs:

Special Education Cluster	
Special Education Grants to States	84.027
Special Education – Preschool Grants	84.173
Child Nutrition Cluster	
National School Lunch Program	10.555
National School Breakfast Program	10.553
Special Milk Program for Children	10.556
Summer Food Services for Children	10.559

4. INDIRECT COST RATES

The District has elected not to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

Cloyd & Associates, PSC
Certified Public Accountants

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

Independent Auditor's Report

Kentucky State Committee for
School District Audits
Members of the Board of Education
Middlesboro Independent School District
Middlesboro, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Appendix I to the Independent Auditor's Contract-General Audit Requirements* and *Appendix II to the Independent Auditor's Contract-State Audit Requirements*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Middlesboro Independent School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Middlesboro Independent School District's basic financial statements, and have issued our report thereon dated January 15, 2021.

Internal Control over Financial Reporting

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

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

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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 Middlesboro Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our test disclosed no instances of material noncompliance of specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract-State Audit Requirements*.

We noted other matters involving the internal control over financial reporting that we have reported to the management of Middlesboro Independent School District in a separate letter dated January 15, 2021.

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.

Cloyd & Associates, PSC

Cloyd & Associates, PSC
London, Kentucky
January 15, 2021

Cloyd & Associates, PSC
Certified Public Accountants

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Independent Auditor's Report

Kentucky State Committee for
School District Audits
Members of the Board of Education
Middlesboro Independent School District
Middlesboro, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Middlesboro Independent School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Middlesboro Independent School District's major federal programs for the year ended June 30, 2020. The Middlesboro Independent 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Middlesboro Independent 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; 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 *Appendix I to the Independent Auditor's Contract-General Audit Requirements,* and *Appendix II to the Independent Auditor's Contract-State Audit 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 Middlesboro Independent 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 Middlesboro Independent School District's compliance.

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Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of Middlesboro Independent 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 Middlesboro Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Middlesboro Independent School District's internal control over compliance.

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

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

Purpose of this Report

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.

Cloyd & Associates, PSC

Cloyd & Associates, PSC
London, Kentucky
January 15, 2021

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MIDDLESBORO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2020

Section I – Summary of Auditor's Results

Financial Statements

Type of auditors' report issued	Unmodified			
Internal control over financial reporting:				
Material weakness identified	____	Yes	✔	No
Significant deficiencies identified that are not considered to be material weaknesses	____	Yes	✔	None reported
Noncompliance material to financial statement noted	____	Yes	✔	No

Federal Awards

Internal control over major programs:				
Material weaknesses identified	____	Yes	✔	No
Significant deficiencies identified that are not considered to be material weaknesses	____	Yes	✔	None reported
Type of auditors' report issued on compliance for major programs	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section of 200.516(a)?	____	Yes	✔	No

Identification of major programs:

Name of Federal Program or Cluster	CFDA Number
Child Nutrition Cluster	
National School Lunch Program	10.555
National School Breakfast Program	10.553
Special Milk Program for Children	10.556
Summer Food Services for Children	10.559

Dollar threshold used to distinguish between Type A and Type B program	$750,000			
Auditee qualified as low risk	✔	Yes	____	No

(continued)

Section II – Financial Statement Findings

None

Section III – Federal Award Findings

None

Status of Prior Year Findings

There were no prior year findings

MANAGEMENT LETTER COMMENTS

Cloyd & Associates, PSC
Certified Public Accountants

Members of the Board of Education
Middlesboro Independent School District
Middlesboro, Kentucky

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

During our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report thereon dated January 15, 2021 on the basic financial statements of Middlesboro Independent School District.

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

Respectfully,

Cloyd & Associates, PSC

Cloyd & Associates, PSC
London, Kentucky
January 15, 2021

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Prior Year Comments – School Activity Funds

No prior year comments

Current Year Comments –School Activity Funds

No current year comments

APPENDIX C

Middlesboro Independent School District Finance Corporation
School Building Revenue Bonds
Series of 2021

Official Terms and Conditions of Sale

OFFICIAL
TERMS AND CONDITIONS OF BOND SALE

$280,000*
Middlesboro Independent School District Finance Corporation
School Building Revenue Bonds, Series of 2021
Dated July 15, 2021

SALE: June 24, 2021 AT 11:00 A.M., E.D.S.T.

As published on PARITY®, a nationally recognized electronic bidding system, the Middlesboro Independent School District Finance Corporation ("Corporation") will until June 24, 2021, at the hour of 11:00 A.M., E.D.S.T., in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Rd, Carriage House, Frankfort, KY 40601, receive competitive bids for the revenue bonds herein described. To be considered, bids must be submitted on an Official Bid Form and must be delivered to the Corporation at the address indicated on the date of sale no later than the hour indicated. Bids may be submitted manually or by facsimile or electronically via PARITY. Bids will be considered by the Corporation and may be accepted without further action by the Corporation's Board of Directors.

Subject to a Permitted Adjustment* increasing or decreasing the issue by up to $28,000.

MIDDLESBORO INDEPENDENT SCHOOL
DISTRICT FINANCE CORPORATION

The Corporation has been formed in accordance with the provisions of Sections 162.120 through 162.290 and Section 162.385 of the Kentucky Revised Statutes ("KRS"), and KRS Chapter 273 and KRS 58.180, as a non profit, non stock corporation for the purpose of financing necessary school building facilities for and on behalf of the Board of Education of the Middlesboro, Kentucky Independent School District (the "Board"). Under the provisions of existing Kentucky law, the Corporation is permitted to act as an agency and instrumentality of the Board for financing purposes and the legality of the financing plan to be implemented by the Bonds herein referred to has been upheld by the Kentucky Court of Appeals (Supreme Court) in the case of White v. City of Middlesboro, Ky. 414 S.W.2d 569.

STATUTORY AUTHORITY, PURPOSE OF ISSUE AND SECURITY

These Bonds are authorized pursuant to KRS 162.120 through 162.290, 162.385, and KRS 58.180 and are issued in accordance with a Resolution of the Corporation's Board of Directors. Said Bonds are revenue bonds and constitute a limited indebtedness of the Corporation payable from rental revenues derived by the Corporation from the Board under the Lease identified below. Said Bonds are being issued to finance Middlesboro Middle School and Middlesboro High School roof improvements (collectively, the "Project") and are secured by a lien upon and a pledge of the revenues from the rental of the school building Project to the Board under the Lease on a year to year basis; the first rental period ending June 30, 2022; provided, however, said lien and pledge are on parity with a similar lien and pledge securing the Corporation's School Building Revenue Bonds previously issued to finance or refinance the property constituting the school building(s) Project (the "Parity Bonds").

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

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

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

Although the Board is obligated to pay the Corporation annual rentals in the full amount of the principal and interest requirements for the Bonds for each year in which the Lease is renewed, the Board has entered into the Lease in reliance upon a certain Participation Agreement by and between the Board and the Kentucky School Facilities Construction Commission (the "Commission"). Under the terms of the Participation Agreement, the Commission has agreed to pay annually directly to the Paying Agent for the Bonds a stated Agreed Participation equal to approximately $18,749 to be applied to the annual debt service requirements for the Bonds herein identified until their retirement, subject to the constitutional restrictions limiting the commitment to the biennium; said annual amount is to be applied only to the principal and interest requirements of the Bonds so long as the Board renews the Lease. Under the Lease, the Board has pledged and assigned its rights under the Participation Agreement in and to the Agreed Participation to the Corporation in order to secure the Bonds and has agreed to pay that portion of the rentals in excess of said Agreed Participation for each year in which the Lease is renewed.

KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION

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

Pursuant to the provisions of the Act, the Regulations of the Kentucky Board of Education and the Commission, the Commission has determined that the Board is eligible for participation from the Commission in meeting the costs of construction of the Projects and has entered into a Participation Agreement with the Board whereunder the Commission agrees to pay an annual Agreed Participation equal to approximately $18,749 to be applied to the annual debt service requirements for the Bonds herein identified each year until their retirement; provided, however, that the contractual commitment of the Commission to pay the annual Agreed Participation is limited to the biennial budget period of the Commonwealth, with the first such biennial period terminating on June 30, 2022; the right is reserved in the Commission to terminate its commitment to pay the Agreed Participation after the initial biennial period and every two years thereafter. The obligation of the Commission to make payments of the Agreed Participation shall be automatically renewed each two years for a period of two years unless the Commission shall give notice of its intention not to participate not less than sixty days prior to the end of the biennium; however, by the execution of the Participation Agreement, the Commission has expressed its present intention to continue to pay the Agreed Participation in each successive biennial budget period until the retirement of all of the Bonds, but such execution does not obligate the Commission to do so.

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

ADDITIONAL PARITY BONDS

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

BOND MATURITIES, PRIOR REDEMPTION PROVISIONS AND PAYING AGENT

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

Year	Amount*	Year	Amount*
2022	$10,000	2032	$14,000
2023	11,000	2033	14,000
2024	11,000	2034	15,000
2025	11,000	2035	15,000
2026	12,000	2036	16,000
2027	12,000	2037	16,000
2028	13,000	2038	17,000
2029	13,000	2039	17,000
2030	13,000	2040	18,000
2031	14,000	2041	18,000

*Subject to a Permitted Adjustment of the amount of Bonds awarded of up to $28,000 which may be applied in any or all maturities.

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

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

The Bonds are to be issued in fully registered form (both principal and interest). First State Bank of the Southeast, Inc., Middlesboro, Kentucky, has been designated as the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date to Cede & Co. Principal and interest will be payable through the Book-Entry-Only-System administered by The Depository Trust Company: Please see "BOOK-ENTRY-ONLY-SYSTEM" below. Interest on the Bonds will be paid at rates to be established upon the basis of competitive bidding as hereinafter set forth, such interest to be payable on February 1 and August 1 of each year, beginning February 1, 2022 (Record Date is the 15th day of month preceding interest due date).

BIDDING CONDITIONS AND RESTRICTIONS

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

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

Conditions of Bond Sale, this Official Terms and Conditions of Sale of Bonds shall prevail. Electronic bids made through the facilities of PARITY® shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to the Corporation. The Corporation shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by PARITY®. The use of PARITY® facilities are at the sole risk of the prospective bidders. For further information regarding PARITY®, potential bidders may contact PARITY®, telephone (212) 404-8102. Notwithstanding the foregoing, non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form.

(C) The minimum bid shall be not less than $274,400 (98% of par) plus accrued interest. Interest rates shall be in multiples of 1/8 or 1/20 of 1% or both. Only one interest rate shall be permitted per Bond, and all Bonds of the same maturity shall bear the same rate. Interest rates must be on an ascending scale, in that the interest rate stipulated in any year may not be less than that stipulated for any preceding maturity. There is no limit on the number of different interest rates.

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

(E) The determination of the best purchase bid for said Refunding Bonds shall be made on the basis of all bids submitted for exactly $280,000 principal amount of Refunding Bonds offered for sale under the terms and conditions herein specified, but the Corporation may adjust the principal amount of Bonds upward or downward by $28,000 (the "Permitted Adjustment") which may be awarded to such best bidder may be a minimum of $252,000 or a maximum of $308,000. In the event of such Permitted Adjustment, no rebidding or recalculation of a submitted bid will be required or permitted and the Underwriter's Discount on the Bonds as submitted by the successful bidder shall be held constant. The Underwriter's Discount shall be defined as the difference between the purchase price of the Bonds submitted by the bidder and the price at which the Bonds will be issued to the public, calculated from information provided by the bidder, divided by the par amount of the Bonds bid. The price of which such adjusted principal amount of Bonds will be sold will be the same price per $1,000 of Bonds as the price per $1,000 for the $280,000 of Bonds bid.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

STATE SUPPORT OF EDUCATION

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

KERA became fully effective on July 13, 1990. Elementary and Secondary Education in the Commonwealth is supervised by the Commissioner of Education as the Chief Executive Officer of the State Department of Education ("DOE"), an appointee of the reconstituted State Board for Elementary and Secondary Education (the "State Board"). Some salient features of KERA are as follows:

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

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

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

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

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

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

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

BIENNIAL BUDGET FOR PERIOD ENDING JUNE 30, 2022

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

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

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

POTENTIAL LEGISLATION

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

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

CONTINUING DISCLOSURE

As a result of the principal amount of Bonds being offered not exceeding $1,000,000 Bond Counsel has advised the Corporation and the Board that they are exempt from application of the Rule 15c2-12c2-12(b)(5) of the Securities and Exchange Commission with respect to the Bonds.

Financial information regarding the Board may be obtained from Superintendent, Middlesboro Independent Board of Education, 220 N. 20th, Middlesboro, Kentucky 40965 (606-242-8800).

TAX EXEMPTION; BANK QUALIFIED

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

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

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

(C) As a result of certifications by the Board and the Corporation, indicating the issuance of less than $10,000,000 of tax-exempt obligations during the calendar year ending December 31, 2021, the Bonds may be treated by financial institutions as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code.

BOOK-ENTRY-ONLY-SYSTEM

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

DTC will act as securities depository for the Bonds. The Bonds initially will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond Certificate will be issued, in the aggregate principal amount of the Bonds, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. "Direct Participants" include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its participants are on file with the Securities and Exchange Commission.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

Principal and interest payments of the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' account on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Issuer, or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer or the Trustee, disbursements of such payments to Direct Participants shall be the responsibility of DTC, and disbursements of such payment to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Beneficial Ownership Interests purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Beneficial Ownership Interests by causing the Direct Participant to transfer the Participant's interest in the Beneficial Ownership Interests, on DTC's records, to the purchaser or the Trustee, as appropriate. The requirements for physical delivery of Bonds in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Bond Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered by the Bond Registrar.

NEITHER THE ISSUER, THE BOARD NOR THE BOND REGISTRAR/PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE BOND REGISTRAR/PAYING AGENT AS BEING AN OWNER WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PURCHASE PRICE OF TENDERED BONDS OR THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE BOND RESOLUTION TO BE GIVEN TO HOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

MIDDLESBORO INDEPENDENT SCHOOL DISTRICT FINANCE CORPORATION

By /s/ Kirby Smith
Secretary

APPENDIX D

Middlesboro Independent School District Finance Corporation
School Building Revenue Bonds
Series of 2021

Official Bid Form

OFFICIAL BID FORM
(Bond Purchase Agreement)

The Middlesboro Independent School District Finance Corporation ("Corporation" or "Issuer"), will until 11:00 A.M., E.D.S.T., on June 24, 2021, receive in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Rd, Carriage House, Frankfort, KY 40601, (telephone 502-564-5582; fax 888-979-6152) competitive bids for its $280,000 School Building Revenue Bonds, Series of 2021, dated July 15, 2021; maturing August 1, 2022 through 2041 ("Bonds").

We hereby bid for said $280,000* principal amount of Bonds, the total sum of $_______________ (not less than $274,400) plus accrued interest from July 15, 2021 payable February 1, 2022 and semiannually thereafter at the following annual rates, (rates on ascending scale in multiples of 1/8 or 1/20 of 1%; number of interest rates unlimited) and maturing as to principal on August 1 in the years as follows:

Year	Amount*	Rate	Year	Amount*	Rate
2022	$10,000	_________%	2032	$14,000	_________%
2023	11,000	_________%	2033	14,000	_________%
2024	11,000	_________%	2034	15,000	_________%
2025	11,000	_________%	2035	15,000	_________%
2026	12,000	_________%	2036	16,000	_________%
2027	12,000	_________%	2037	16,000	_________%
2028	13,000	_________%	2038	17,000	_________%
2029	13,000	_________%	2039	17,000	_________%
2030	13,000	_________%	2040	18,000	_________%
2031	14,000	_________%	2041	18,000	_________%

* Subject to Permitted Adjustment

We understand this bid may be accepted for as much as $308,000 of Bonds or as little as $252,000 of Bonds, at the same price per $1,000 Bond, with the variation in such amount occurring in any maturity or all maturities, which will be determined at the time of acceptance of the best bid.

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

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

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

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

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

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

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

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

(d)*Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is June 15, 2021.

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

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

PARITY®. The use of PARITY® facilities are at the sole risk of the prospective bidders. For further information regarding PARITY®, potential bidders may contact PARITY®, telephone (212) 404-8102. Notwithstanding the foregoing, non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form.

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

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

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

No certified or bank cashier's check will be required to accompany a bid, but the successful bidder shall be required to wire transfer an amount equal to 2% of the principal amount of Bonds awarded by the close of business on the date following the award. Said good faith amount will be applied (without interest) to the purchase price on delivery. Wire transfer procedures should be arranged through First State Bank of the Southeast, Inc., Middlesboro, Kentucky, Attn: Ms. Patricia Fulton, Vice President (606-248-5950).

Bids must be submitted only on this form and must be fully executed.

If we are the successful bidder, we agree to accept and make payment for the Bonds in Federal Funds on or about July 15, 2021 and upon acceptance by the Issuer's Municipal Advisor this Official Bid Form shall become the Bond Purchase Agreement.

Respectfully submitted,

____
Bidder

By ______________________________
Authorized Officer

____
Address

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

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

Accepted by RSA Advisors, LLC, as Agent for the Middlesboro Independent School District Finance Corporation for $_________________ amount of Bonds at a price of $______________ as follows:

Year	Amount	Rate	Year	Amount	Rate
2022	_______,000	________%	2032	_______,000	________%
2023	_______,000	________%	2033	_______,000	________%
2024	_______,000	________%	2034	_______,000	________%
2025	_______,000	________%	2035	_______,000	________%
2026	_______,000	________%	2036	_______,000	________%
2027	_______,000	________%	2037	_______,000	________%
2028	_______,000	________%	2038	_______,000	________%
2029	_______,000	________%	2039	_______,000	________%
2030	_______,000	________%	2040	_______,000	________%
2031	_______,000	________%	2041	_______,000	________%

Dated: June 24, 2021

____
RSA Advisors, LLC,
Financial Advisor and Agent for Middlesboro Independent School District Finance Corporation