

**DATED MAY 28, 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).*

**\$6,030,000\***  
**UNION COUNTY SCHOOL DISTRICT FINANCE CORPORATION**  
**SCHOOL BUILDING REVENUE BONDS,**  
**SERIES OF 2021**

**Dated with Delivery: JUNE 29, 2021**

**Due: as shown below**

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

Maturing		Interest Reoffering		Maturing		Interest Reoffering		CUSIP
1-Jun	Amount*	Rate	Yield	1-Jun	Amount*	Rate	Yield	
2022	\$200,000	%	%	2032	\$310,000	%	%	
2023	\$205,000	%	%	2033	\$320,000	%	%	
2024	\$210,000	%	%	2034	\$325,000	%	%	
2025	\$215,000	%	%	2035	\$335,000	%	%	
2026	\$220,000	%	%	2036	\$345,000	%	%	
2027	\$275,000	%	%	2037	\$355,000	%	%	
2028	\$285,000	%	%	2038	\$365,000	%	%	
2029	\$290,000	%	%	2039	\$380,000	%	%	
2030	\$295,000	%	%	2040	\$390,000	%	%	
2031	\$305,000	%	%	2041	\$405,000	%	%	

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

The Union County (Kentucky) School District Finance Corporation will until June 8, 2021, at 1:00 P.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 \$605,000.**

**PURCHASER'S OPTION:** The Purchaser of the Bonds, within 24 hours of the sale, may specify to the Financial Advisor that any Bonds may be combined immediately succeeding sequential maturities into a Term Bond(s), bearing a single rate of interest, with the maturities set forth above (or as may be adjusted as provided herein) being subject to mandatory redemption in such maturities for such Term Bond(s).

The Bonds will be delivered utilizing the BOOK-ENTRY-ONLY-SYSTEM administered by The Depository Trust Company.

The Corporation deems this preliminary Official Statement to be final for purposes of the Securities and Exchange Commission Rule 15c2-12(b)(1), except for certain information on the cover page hereof which has been omitted in accordance with such Rule and which will be supplied with the final Official Statement.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sales of these Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the laws of any such jurisdiction.

**UNION COUNTY, KENTUCKY  
BOARD OF EDUCATION**

Jennifer Buckman, Chairperson  
Evelyn Meacham, Vice Chair  
Drennan Cowan, Member  
Donnie Gatten, Member  
Launyai Martin, Member

Patricia Sheffer, Superintendent/Secretary

**UNION COUNTY SCHOOL DISTRICT  
FINANCE CORPORATION**

Jennifer Buckman, President  
Evelyn Meacham, Vice President  
Drennan Cowan, Member  
Donnie Gatten, Member  
Launyai Martin, Member

Patricia Sheffer, Secretary  
Amy Morris, Treasurer

**BOND COUNSEL**

Step toe & Johnson PLLC  
Louisville, Kentucky

**FINANCIAL ADVISOR**

RSA Advisors, LLC  
Lexington, Kentucky

**PAYING AGENT AND REGISTRAR**

Old National Wealth Management  
Evansville, Indiana

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

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

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

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

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**OFFICIAL STATEMENT  
Relating to the Issuance of**

**\$6,030,000\***

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

*\*Subject to Permitted Adjustment*

**INTRODUCTION**

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

The Bonds are being issued to finance renovations to Union County Middle School, Morganfield Elementary School, Sturgis Elementary School, and the Vocational School (the "Projects").

The Bonds are revenue bonds and constitute a limited indebtedness of the Corporation. The Bonds will be secured by a lien and a pledge of the rental income derived by the Corporation from leasing the Projects (as hereinafter defined) to the Union County Board of Education (the "Board") on a year to year basis (see "Security" herein).

All financial and other information presented in this Official Statement has been provided by the Union County Board of Education from its records, except for information expressly attributed to other sources. The presentation of financial and other information is not intended, unless specifically stated, to indicate future or continuing trends in the financial position or other affairs of the Board. No representation is made that past experience, as is shown by financial and other information, will necessarily continue or be repeated in the future.

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

Copies of the Bond Resolution authorizing the issuance of the Bonds, the Participation Agreement and the Lease Agreement, dated June 29, 2021, may be obtained at the office of Steptoe & Johnson PLLC, Bond Counsel, 700 N. Hurstbourne Parkway, Suite 115, Louisville, Kentucky 40222.

**BOOK-ENTRY-ONLY-SYSTEM**

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

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

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

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

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

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

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

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

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

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

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

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

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

## **THE CORPORATION**

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

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

## **KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION**

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

Pursuant to the provisions of the Act, the Regulations of the Kentucky Board of Education and the Commission, the Commission has determined that the Board is eligible for participation from the Commission in meeting the costs of construction of the Projects and has entered into a Participation Agreement with the Board whereunder the Commission agrees to pay an annual Agreed Participation equal to approximately \$125,037 to be applied to the annual debt service requirements for the Bonds herein identified each year until their retirement; provided, however, that the contractual commitment of the Commission to pay the annual Agreed Participation is limited to the biennial budget period of the Commonwealth, with the first such biennial period terminating on June 30, 2022; the right is reserved in the Commission to terminate its commitment to pay the Agreed Participation after the initial biennial period and every two years thereafter. The obligation of the Commission to make payments of the Agreed Participation shall be automatically renewed each two years for a period of two years unless the Commission shall give notice of its intention not to participate not less than sixty days prior to the end of the biennium; however, by the execution of the Participation Agreement, the Commission has expressed its present intention to continue to pay the Agreed Participation in each successive biennial budget period until the retirement of all of the Bonds, but such execution does not obligate the Commission to do so.

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

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

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

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

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

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

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

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

### **OUTSTANDING BONDS**

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



<b>Bond Series</b>	<b>Original Principal</b>	<b>Current Principal Outstanding</b>	<b>Principal Assigned to Board</b>	<b>Principal Assigned to Commission</b>	<b>Approximate Interest Rate Range</b>	<b>Final Maturity</b>
2011-REF	\$3,480,000	\$350,000	\$3,480,000	\$0	3.000%	2022
2013-REF	\$2,440,000	\$1,235,000	\$1,884,627	\$555,373	2.000% - 2.150%	2026
2014	\$355,000	\$255,000	\$0	\$355,000	3.700%	2034
2016	\$1,045,000	\$820,000	\$0	\$1,045,000	1.800% - 3.125%	2036
2020	\$305,000	\$293,000	\$0	\$305,000	2.750% - 3.250%	2040
<b>TOTALS:</b>	<b>\$7,625,000</b>	<b>\$2,953,000</b>	<b>\$5,364,627</b>	<b>\$2,260,373</b>		

### **AUTHORITY**

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

- i) the issuance of approximately \$6,030,000 of Bonds subject to a permitted adjustment of \$605,000;
- ii) the advertisement for the public sale of the Bonds;
- iii) the Official Terms and Conditions for the sale of the Bonds to the successful bidder; and,
- iv) the President and Secretary of the Corporation to execute certain documents relative to the sale and delivery of the Bonds.

### **THE BONDS**

#### **General**

The Bonds will be dated June 29, 2021, will bear interest from that date as described herein, payable semi-annually on December 1 and June 1 of each year, commencing December 1, 2021, and will mature as to principal on June 1, 2022 and thereafter in the years and in the principal amounts as set forth on the cover page of this Official Statement.

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

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

#### **Redemption**

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

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

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

## SECURITY

### General

The Bonds are revenue bonds and constitute a limited indebtedness of the Corporation. The Bonds are payable as to both principal and interest solely from the income and revenues derived from the leasing of the school building Projects financed from the Bond proceeds from the Corporation to the Board. The Bonds are secured by a pledge of revenue on and from the Projects; 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(s) which constitute the Projects.

### The Lease; Pledge of Rental Revenues

The Board has leased the school Project securing the Bonds for an initial period from June 29, 2021, through June 30, 2021 with the option in the Board to renew said Lease from year to year for one year at a time, at annual rentals, sufficient in each year to enable the Corporation to pay, solely from the rental due under the Lease, the principal and interest on all of the Bonds as same become due. The Lease provides further that so long as the Board exercises its annual renewal options, its rentals will be payable according to the terms and provisions of the Lease until June 1, 2041, the final maturity date of the Bonds. Under the lease, the Corporation has pledged the rental revenue to the payment of the Bonds.

## STATE INTERCEPT

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

## COMMISSION'S PARTICIPATION

The Commission has determined that the Board is eligible for an average annual participation equal to approximately \$125,037 from the Commission's appropriation by the Kentucky General Assembly which will be used to meet a portion of the debt service of the Bonds. The plan for financing the Project will require the Commission to pay approximately thirty-one percent (31%) of the debt service of the Bonds.

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

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

### THE PROJECTS

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

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

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

### ESTIMATED BOND DEBT SERVICE

The following table shows by fiscal year the current bond payments of the Board. The plan of financing provides for the Board to meet 69% of the debt service of the Bonds.

Fiscal Year Ending June 30	Current Local Bond Payments	-----Series 2021 Revenue Bonds-----					Total Local Bond Payments
		Principal Portion	Interest Portion	Total Payment	SFCC Portion	Local Portion	
2021	\$566,817						\$566,817
2022	\$561,916	\$200,000	\$147,085	\$347,085	\$127,378	\$219,707	\$781,624
2023	\$201,717	\$205,000	\$156,090	\$361,090	\$129,074	\$232,016	\$433,733
2024	\$201,917	\$210,000	\$152,400	\$362,400	\$130,861	\$231,539	\$433,456
2025	\$202,016	\$215,000	\$148,410	\$363,410	\$121,711	\$241,699	\$443,715
2026	\$212,016	\$220,000	\$144,110	\$364,110	\$123,935	\$240,175	\$452,191
2027	\$0	\$275,000	\$139,490	\$414,490	\$126,208	\$288,282	\$288,282
2028	\$0	\$285,000	\$133,578	\$418,578	\$127,805	\$290,772	\$290,772
2029	\$0	\$290,000	\$127,308	\$417,308	\$125,430	\$291,877	\$291,877
2030	\$0	\$295,000	\$120,638	\$415,638	\$127,206	\$288,432	\$288,432
2031	\$0	\$305,000	\$113,558	\$418,558	\$120,008	\$298,549	\$298,549
2032	\$0	\$310,000	\$105,933	\$415,933	\$122,220	\$293,712	\$293,712
2033	\$0	\$320,000	\$97,563	\$417,563	\$125,466	\$292,096	\$292,096
2034	\$0	\$325,000	\$88,923	\$413,923	\$124,832	\$289,090	\$289,090
2035	\$0	\$335,000	\$79,823	\$414,823	\$122,606	\$292,217	\$292,217
2036	\$0	\$345,000	\$70,108	\$415,108	\$124,742	\$290,365	\$290,365
2037	\$0	\$355,000	\$59,930	\$414,930	\$123,173	\$291,757	\$291,757
2038	\$0	\$365,000	\$49,280	\$414,280	\$122,688	\$291,592	\$291,592
2039	\$0	\$380,000	\$37,600	\$417,600	\$124,379	\$293,221	\$293,221
2040	\$0	\$390,000	\$25,440	\$415,440	\$125,135	\$290,305	\$290,305
2041	\$0	\$405,000	\$12,960	\$417,960	\$125,882	\$292,078	\$292,078
<b>TOTALS:</b>	<b>\$1,946,399</b>	<b>\$6,030,000</b>	<b>\$2,010,223</b>	<b>\$8,040,223</b>	<b>\$2,500,741</b>	<b>\$5,539,482</b>	<b>\$7,485,881</b>

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

**ESTIMATED USE OF BOND PROCEEDS**

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

<b>Sources:</b>	
Par Amount of Bonds	<u>\$6,030,000.00</u>
Total Sources	\$6,030,000.00
<b>Uses:</b>	
Deposit to Escrow Fund	\$5,854,930.00
Underwriter's Discount (2%)	120,600.00
Cost of Issuance	<u>54,470.00</u>
Total Uses	\$6,030,000.00

**DISTRICT STUDENT POPULATION**

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

<u>Year</u>	<u>Average Daily Attendance</u>	<u>Year</u>	<u>Average Daily Attendance</u>
2000-01	2,242.0	2010-11	2,094.6
2001-02	2,167.3	2011-12	2,067.6
2002-03	2,161.0	2012-13	2,099.2
2003-04	2,148.5	2013-14	2,073.3
2004-05	2,149.1	2014-15	2,081.4
2005-06	2,136.3	2015-16	2,058.0
2006-07	2,147.3	2016-17	2,008.5
2007-08	2,126.3	2017-18	1,948.7
2008-09	2,088.7	2018-19	1,943.6
2009-10	2,064.5	2019-20	1,942.0
		2020-21	1,942.0

*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 Union County School District for certain preceding school years.

<u>Year</u>	<u>Capital Outlay Allotment</u>	<u>Year</u>	<u>Capital Outlay Allotment</u>
2000-01	224,200.0	2010-11	209,457.0
2001-02	216,730.0	2011-12	206,762.0
2002-03	216,100.0	2012-13	209,923.0
2003-04	214,850.0	2013-14	207,325.0
2004-05	214,910.0	2014-15	208,136.0
2005-06	213,630.0	2015-16	205,804.0
2006-07	214,730.0	2016-17	200,850.0
2007-08	212,630.0	2017-18	194,870.0
2008-09	208,867.0	2018-19	194,360.0
2009-10	206,448.0	2019-20	194,200.0
		2020-21	194,203.5

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

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

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

## LOCAL SUPPORT

**Homestead Exemption.** Section 170 of the Kentucky Constitution was amended at the General Election held November 2, 1971, to exempt from property taxes \$6,500 of value of single unit residential property of taxpayers 65 years of age or older. The 1972 General Assembly amended KRS Chapter 132 to permit counties and school districts to adjust their local tax revenues lost through the application of this Homestead Exemption. The "Single Unit" qualification has been enlarged to subsequent sessions of the General Assembly to provide that such exemption shall apply to such property maintained as the permanent resident of the owner and the dollar amount has been construed to mean \$6,500 in terms of the purchasing power of the dollar in 1972. Every two years thereafter, if the cost of living index of the U.S. Department of Labor has changed as much as 1%, the maximum exemption shall be adjusted accordingly. Under the cost of living formula, the maximum was increased to \$40,500 effective January 1, 2021.

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

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

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

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

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

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

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

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

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

<u>Tax Year</u>	<u>Combined Equivalent Rate</u>	<u>Total Property Assessment</u>	<u>Property Revenue Collections</u>
2000-01	54.2	615,336,197	3,335,122
2001-02	53	633,886,887	3,359,601
2002-03	55	655,272,544	3,603,999
2003-04	55	676,302,499	3,719,664
2004-05	57.4	696,314,928	3,996,848
2005-06	59.2	711,147,735	4,209,995
2006-07	65.1	666,644,136	4,339,853
2007-08	59.2	701,214,110	4,151,188
2008-09	67.8	727,868,199	4,934,946
2009-10	67.8	762,527,810	5,169,939
2010-11	66.5	854,071,431	5,679,575
2011-12	66.1	924,818,524	6,113,050
2012-13	66.9	994,148,636	6,650,854
2013-14	67.5	1,029,704,464	6,950,505
2014-15	67	1,049,776,414	7,033,502
2015-16	67.4	1,081,623,122	7,290,140
2016-17	66.4	1,097,342,765	7,286,356
2017-18	71.1	984,171,166	6,997,457
2018-19	80	988,776,248	7,910,210
2019-20	79.6	1,017,522,916	8,099,482
2020-21	81.4	1,086,336,271	8,842,777

**OVERLAPPING BOND INDEBTEDNESS**

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

<u>Issuer</u>	<u>Original Principal Amount</u>	<u>Amount of Bonds Redeemed</u>	<u>Current Principal Outstanding</u>
County of Union			
General Obligation	7,825,000	1,572,314	6,252,686
Health Care Facility Revenue	3,124,000	1,223,566	1,900,434
Refunding Revenue	6,863,333	0	6,863,333
City of Morganfield			
Improvement Project Revenue	2,634,000	0	2,634,000
City of Sturgis			
Refunding Revenue	800,000	640,000	160,000
City of Uniontown			
Water & Sewer Revenue	245,000	193,000	52,000
City of Waverly			
Sewer Revenue	153,000	113,500	39,500
Special Districts			
Union County Public Library	500,000	125,000	375,000
Union County Water District	2,019,000	655,000	1,364,000
<b>Totals:</b>	<b>24,163,333</b>	<b>4,522,380</b>	<b>19,640,953</b>

Source: 2021 Kentucky Local Debt Report

## SEEK ALLOTMENT

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

	<u>Base Funding</u>	<u>Local Tax Effort</u>	<u>Total State &amp; Local Funding</u>
2020-21 SEEK	7,652,532	8,842,777	16,495,309
2019-20 SEEK	8,249,378	8,099,482	16,348,860
2018-19 SEEK	8,548,636	7,910,210	16,458,846
2017-18 SEEK	8,451,812	6,997,457	15,449,269
2016-17 SEEK	8,368,770	7,286,356	15,655,126
2015-16 SEEK	8,622,182	7,290,140	15,912,322
2014-15 SEEK	8,597,888	7,033,502	15,631,390
2013-14 SEEK	8,483,973	6,950,505	15,434,478
2012-13 SEEK	8,550,552	6,650,854	15,201,406
2011-12 SEEK	8,901,226	6,113,050	15,014,276
2010-11 SEEK	8,688,640	5,679,575	14,368,215
2009-10 SEEK	9,018,149	5,169,939	14,188,088
2008-09 SEEK	10,458,315	4,934,946	15,393,261
2007-08 SEEK	10,631,528	4,151,188	14,782,716
2006-07 SEEK	9,898,819	4,339,853	14,238,672
2005-06 SEEK	9,583,256	4,209,995	13,793,251
2004-05 SEEK	9,130,155	3,996,848	13,127,003
2003-04 SEEK	9,087,428	3,719,664	12,807,092
2002-03 SEEK	8,800,268	3,603,999	12,404,267
2001-02 SEEK	8,555,238	3,359,601	11,914,839
2000-01 SEEK	8,932,393	3,335,122	12,267,515

- (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 \$0.814 for FY 2020-21. The equivalent tax rate" is defined as the rate which results when the income from all taxes levied by the district for school purposes is divided by the total assessed value of property plus the assessment for motor vehicles certified by the Commonwealth of Kentucky Revenue Cabinet.

### State Budgeting Process

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



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

### **POTENTIAL LEGISLATION**

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

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

### **CONTINUING DISCLOSURE**

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

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

Financial information regarding the Board may be obtained from Superintendent, Union County School District Board of Education, 510 Mart Street, Morganfield, KY 42437, Telephone 270-389-1694.

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

Bond Counsel is of the opinion that:

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

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

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

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

### **Original Issue Premium**

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

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

### **Original Issue Discount**

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

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

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

## **COVID-19**

The recent outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, which was first detected in China and has since spread to other countries, including the United States and the Commonwealth of Kentucky, has been declared a Pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to affect economic

growth worldwide. On March 13, 2020, President Donald Trump declared a national emergency to unlock federal funds to help states and local governments fight the pandemic.

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

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

#### **ABSENCE OF MATERIAL LITIGATION**

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

#### **APPROVAL OF LEGALITY**

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

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

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

#### **BOND RATING**

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



**APPENDIX A**

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

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**Demographic and Economic Data**

## UNION COUNTY, KENTUCKY

Union County, with a 2020 estimated population of 14,668, is located in the westernmost part of Western Kentucky. The Ohio River flows along the northern and western boundary of the county while the Tradewater River forms the southern boundary. The county covers a total land area of 345 square miles. The topography varies from broad, flat-flood plains to island-like hill masses

Morganfield, the county seat of Union county, is located 33 miles southwest of Evansville, Indiana; 145 miles southwest of Louisville, Kentucky; 158 miles northwest of Nashville, Tennessee; and 175 miles southeast of St. Louis, Missouri. Sturgis is located 11 miles southwest of Morganfield and Uniontown is six miles north of Morganfield. Morganfield had an estimated 2020 population of 3,452.

### **The Economic Framework**

Union County has a labor force of 6,691 people, with a current unemployment rate of 5.8%. The top 5 jobs by occupation are as follows: sales - 568 (13.15%); office and administrative support - 556 (12.87%); education, training/library - 432 (10%); production workers - 396 (9.16%); and executive, managers, and administrators - 386 (8.93%).

### **Transportation**

Major highways serving Union county include U.S. 60, Kentucky 56 and Kentucky 109, all “AAA”-rated trucking highways. The Pennyrile and Audubon Parkways, multi-lane highways, are both located 23 miles east of Morganfield. The Western Kentucky Parkway, another multi-lane highway, is accessible 54 miles south of Morganfield. Twenty common carrier trucking companies provide interstate and/or intrastate service to Union County. The Western Kentucky Parkway Company provides short line rail service to adjacent counties, where connections with main line rail are operated by CSX Transportation. The nearest commercial airline service is available at Evansville Regional Airport, 36 miles northeast of Morganfield. The Morganfield Airport, four miles east of Morganfield, maintains a 2,700-foot paved runway and the Sturgis Airport, one mile southeast of Sturgis, provides three 5,000-foot paved runways.

### **Power and Fuel**

Kentucky Utilities Company provides electric power to Morganfield, Sturgis, Uniontown, and portions of Union County. Big Rivers Electric Corporation also provides electric power to Union County. Natural gas is provided to Morganfield and Uniontown by the City of Morganfield Municipal Gas System and to Sturgis by the Sturgis Municipal Gas System.

## LOCAL GOVERNMENT

### **Structure**

The cities of Morganfield, Sturgis, and Uniontown are each governed by a mayor and six council members. The mayors are each elected to a four-year term, while the council members each serve two-year terms. Union County is governed by a county judge/executive and six magistrates. Each county official serves a four-year term.

### **Planning and Zoning**

Joint agency - Union County Planning Commission  
Participating cities - Morganfield, Sturgis and Waverly  
Zoning enforced - Within corporate limits of Morganfield, Sturgis and Waverly  
Subdivision regulations enforced - All areas  
Local codes enforced - Building (all areas)  
Mandatory state codes enforced - Kentucky Plumbing Code, National Electric Code, Kentucky Boiler Regulations and Standards, Kentucky Building Code (modeled after BOCA code)

## LABOR MARKET STATISTICS

The Union County Labor Market Area includes union County and the adjoining Kentucky counties of Crittenden, Henderson, and Webster. In addition, the labor market area is supplemented by Gallatin County, Illinois, which forms the western boundary of Union County.

### Population

<u>Area</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Union County	14,582	14,501	14,352
Morganfield	3,501	3,374	3,452
Sturgis	1,826	1,742	1,731

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

### Population Projections

<u>Area</u>	<u>2025</u>	<u>2030</u>	<u>2035</u>
Union County	14,654	14,290	13,811

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

## EDUCATION

### Public Schools

	<u>Union County</u>
Total Enrollment (2019-20)	2,004
Pupil-Teacher Ratio	14.0 - 1

### Vocational - Technical Education

<u>Institution</u>	<u>Location</u>	<u>Enrollment (2019-2020)</u>
Webster County ATC	Dixon, KY	405
Caldwell County ATC	Princeton, KY	434
Ohio County ATC	Hartford, KY	533
Paducah ATC	Paducah, KY	560

### Colleges and Universities

<u>Institution</u>	<u>Location</u>	<u>Enrollment (Fall 2020)</u>
University of Evansville	Evansville, IN	2,124
University of Southern Indiana	Evansville, IN	7,094
Kentucky Wesleyan College	Owensboro, KY	804
Brescia College	Owensboro, KY	1,015

## FINANCIAL INSTITUTIONS

<u>Institution</u>	<u>Total Assets</u>	<u>Total Deposits</u>
United Community Bank of West Kentucky, Inc.	\$263,656,000	\$207,466,000

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

## EXISTING INDUSTRY

<u>Firm</u>	<u>Product</u>	<u>Employment</u>
<b>Morganfield:</b>		
Carroll Engineering	Mining safety, communications, network design, motor, power & electrical needs	7
Custom Feed Mill LLC	Livestock feed	9
EZ-Access	Manufactures portable wheelchair ramps for van conversions and modular wheelchair ramps for home use	42
Huff Technologies, Inc.	Custom industrial assembly	13
Rayloc	Remanufacture starters, alternators, brakes, caliper, wiper motors	43
Security Seed and Chemical LLC	Wholesale farm supplies, seed chemical treatment, repackage bulk chemical	8
Sonoco	Spiral paper tubing	43
The Union County Advocate	Newspaper publishing & typesetting	3
Trelleborg Vibracoustic Adhesive Plant	Metal prep for automotive industry	90
Trelleborg Vibracoustic, Inc.	Automotive ball joint seals, rubber bumpers, electrical connectors & miscellaneous molded rubber products	215
<b>Pride:</b>		
Pride Industries, Inc.	Steel & aluminum standing seam roofing, performed metal shingles	27
<b>Sturgis:</b>		
Ervin Cable Construction, LLC	Construction company doing cable tv design, Engineering, aerial & underground construction	94
Liberty Tire Recycling LLC	Rubber tire recycling facility producing rubber mulch and tire-derived fuel	40
Mine-Safe Electronics, Inc.	Methane monitoring equipment, fire sensing & voice communication equipment	12
Saturn Machine & Welding Company	Speciality machinery, structural jam cleaners & pollution control equipment; steel fabricating	33
<b>Uniontown:</b>		
Jim David Meats	Ham & deer processing - wholesale, retail	88
The Little Kentucky Smokehouse	Process hams and meat products	160
Mid South Sales	Production of five salads, including chicken salad and pimento cheese	40
<b>Waverly:</b>		
River View Coal LLC	Coal production	865

*Source: Kentucky Cabinet for Economic Development (01/07/2020).*



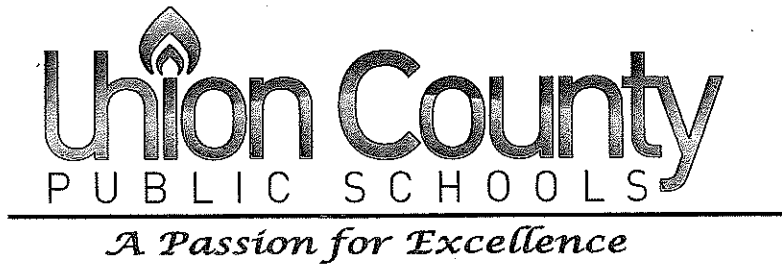
**APPENDIX B**

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

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



**REPORT ON AUDIT OF FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

for the year ended June 30, 2020

**UNION COUNTY SCHOOL DISTRICT  
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# Alford Nance Jones & Oakley, llp

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### INDEPENDENT AUDITOR'S REPORT

State Committee for School District Audits  
Members of the Board of Education  
Union County School District  
Morganfield, Kentucky

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

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

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

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits' Fiscal Year 2019-2020 Financial Audit Contract. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### ***Opinions***

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

**Other Matters**

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules, and OPEB schedules on pages 3 through 9 and pages 52 through 65 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 Union County School District's basic financial statements. The combining and individual nonmajor fund financial statements/schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements/schedules 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 are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2020, on our consideration of the Union County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Union County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Union County School District's internal control over financial reporting and compliance.



Alford, Nance, Jones, & Oakley LLP  
Madisonville, Kentucky  
November 9, 2020

**UNION COUNTY SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

As management of the Union County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to review the District's financial performance as a whole. We encourage readers to consider the information presented here in conjunction with the additional information found within the audit report.

**Financial Highlights**

- The District continues to maintain a solvent financial condition and has been able to withstand the financial pressures of both the current Covid-19 crisis as well as numerous unfunded State mandates. Through budget reductions, cost containment, community partnerships and effective utilization of grant funding, the district continues to diligently monitor all staffing, instructional and support programs.

On March 16, 2020, in response to the Covid-19 pandemic and at the recommendation of the Governor, all Kentucky school districts closed schools and transitioned to virtual instruction to finish the 2020 school year. As a result of the closure, the District experienced significant cost savings as well as delayed spending across most schools and departments. District departments experiencing significant cost savings primarily included the areas of transportation and facility operations. School level spending was delayed in 2020, but has been spent with the resumption of the 2021 school year.

However, throughout the closure, our District's business-type programs were negatively impacted by the pandemic-related closure. At the recommendation of the Governor, the District's food service department continued to operate under the USDA Summer Feed program to serve breakfast and lunch to any person age 18 or under. The food service program absorbed the tremendous costs of reduced meal participation coupled with increased food and packaging costs.

In total, net position of the District increased \$1,426,749. Net position of governmental activities increased by \$1,427,433 and the net position of business-type activities decreased by \$684.

- During fiscal year 2020 the District received \$8,055,174 in general fund state SEEK funding. The guaranteed per pupil base for 2020 was \$4,000. Transportation was not fully funded through the SEEK calculation during the fiscal year 2020. Transportation funding received in the amount of \$825,822 was prorated at 54.77% of the total cost of \$1,507,672 leaving a balance of unfunded costs of \$681,850 to be funded at the local level.
- Local taxes continue to provide approximately 38% of the annual general fund budget and are critical to the General Fund. For the 2020 tax year, both property and motor vehicle assessed values experienced a combined increase of 2.9% or \$28,746,668.

Assessment of property subject to taxation on January 1, 2019, which was certified to the District Board of Education by the Commissioner, reported total real and personal property valuation of \$887,426,376 and motor vehicle valuation of \$130,096,540. The real estate and personal property rate assessed was 72.3 cents per \$100 of assessed property. The total property tax collected was \$6,293,716. The motor vehicle property tax rate was 55.7 cents per \$100 of assessed property, and the total collected was \$748,558.

- Utility receipts increased \$95,506 or 7.65% from the prior year. The total collection for the year was \$1,247,988. During any given year the change can be attributed to a combination of usage, fluctuating prices and rate of collection. The Department of Revenue collects the utilities tax on behalf of the school districts in Kentucky for a fee not to exceed one percent.

**Financial Highlights, continued**

- The Annual Financial Report and 2020 Audit report include the on behalf payments in revenue due to GASB 34 regulation. The revenue amount was \$6,187,295 of that amount \$5,907,922 was expensed to the General Fund, \$111,012 Food Service, \$14,871 Day Care and \$153,490 was expensed to the Debt Service Fund.
- Total capital assets of governmental activities decreased in the net amount of \$655,403. A net increase in total assets of \$40,446 consisted of depreciable asset additions of \$261,145 and a net increase in construction in progress of \$233,116 offset by disposals of \$453,815. The net change in accumulated depreciation was \$695,849 which consisted of \$1,149,664 of depreciation expense offset by a \$453,815 reduction in accumulated depreciation for asset disposals.

**UNION COUNTY SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

Total assets of business type activities increased in the net amount of \$74,919. The net increase in total assets of \$63,475 consisted of asset additions of \$93,632 less asset disposals of \$30,157. The net decrease in accumulated depreciation of \$11,444 consisted of \$18,713 of depreciation expense offset by a \$30,157 reduction in accumulated depreciation for asset disposals.

- During the fiscal year the District began a project to upgrade district-wide phone and intercom systems. The total projected cost is \$305,000 and was funded by the use of offers of assistance from the School Facility Construction Commission (SFCC). At the end of the fiscal year, installation of equipment was partially complete, therefore an amount of \$107,380 was recorded as construction in progress as of June 30, 2020. The project is expected to be completed in the Fall of 2020.

During the year, the District also began a project to complete roofing projects at UCMS, UCHS, MES, SES and the UCHS vocational school. As of June 30, 2020 the project was in the initial planning stage as architect schematics were still being prepared. The total initial estimated cost of this project is \$5,380,000 and will be funded through a combination of offers of assistance from the School Facility Construction Commission (SFCC), use of restricted cash and the issuance of local bonds. The project is expected to be bid in Fall of 2020 with the roofing construction to begin in Spring of 2021. Professional fees of \$125,736 incurred during the 2020 fiscal year were recorded as construction in progress.

- As with most school districts our unmet needs exceed our current bonding potential. The District will continue to monitor facilities and refer to its long-range facility plan established with community input as stipulated by the Kentucky Department of Education's regulations. The current District Facility Plan was completed in 2019 by the District's Local Planning Committee and will be reevaluated in 2023.

#### **Using the Basic 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 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

#### **Using the Basic Financial Statements, continued**

- 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 the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of these district-wide statements are divided into two district kinds of activities:

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



**UNION COUNTY SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software system. The

District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary, and fiduciary funds.

- **Governmental Funds** - Most of the School District's activities are reported in the governmental funds that include: general fund, special revenue (grants), capital outlay, building fund (FSPK), construction fund, and debt service fund. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed *short-term* view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements provided.
- **Proprietary Funds** - The proprietary fund includes the food service and childcare centers that are also found in the business type activities fund. These funds use the same basis of accounting as business type activities; therefore, the statements for the proprietary fund will essentially match.
- **Fiduciary Funds** - The fiduciary funds are trust funds established by benefactors to aid in student education and student welfare. The District's fiduciary funds are the school activity funds maintained at the school level. Fund Balance for schools' activity amount due to student groups increased during fiscal year by \$82,102 ending the year with a total Fund Balance of \$459,018.
- **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.

#### **Government-wide Financial Analysis**

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

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of those capital assets. In fiscal year 2018, the District implemented GASB Statement No. 75, Accounting and Reporting for Postemployment Benefits Other than Pensions and included the District's liability for the net pension obligation and the liability for other postemployment benefits.

The following table is a summary of the District's net position.

**UNION COUNTY SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

	Governmental Activities		Business Type Activities		District Total	
	2020	2019	2020	2019	2020	2019
Current Assets	\$ 11,069,882	\$ 8,578,412	\$ 774,961	\$ 581,608	\$ 11,844,843	\$ 9,160,020
Capital or Non-current Assets	12,480,575	13,135,978	177,047	102,128	12,657,622	13,238,106
<b>Total Assets</b>	<b>23,550,457</b>	<b>21,714,390</b>	<b>952,008</b>	<b>683,736</b>	<b>24,502,465</b>	<b>22,398,126</b>
					-	-
<b>Deferred Outflows of Resources</b>	<b>3,299,437</b>	<b>2,948,208</b>	<b>463,882</b>	<b>411,680</b>	<b>3,763,319</b>	<b>3,359,888</b>
					-	-
Current Liabilities	1,248,624	1,048,829	220	2,261	1,248,844	1,051,090
Non-current Liabilities	17,792,874	18,133,619	1,928,080	1,644,012	19,720,954	19,777,631
<b>Total Liabilities</b>	<b>19,041,498</b>	<b>19,182,448</b>	<b>1,928,300</b>	<b>1,646,273</b>	<b>20,969,798</b>	<b>20,828,721</b>
					-	-
<b>Deferred Inflows of Resources</b>	<b>2,718,071</b>	<b>1,817,258</b>	<b>224,916</b>	<b>185,785</b>	<b>2,942,987</b>	<b>2,003,043</b>
					-	-
Net investment in capital assets	8,813,411	9,347,741	177,047	102,128	8,990,458	9,449,869
Restricted for Capital Outlay	955,934	455,826	-	-	955,934	455,826
Unrestricted	(4,679,020)	(6,140,675)	(914,373)	(838,770)	(5,593,393)	(6,979,445)
<b>Total Net Position</b>	<b>\$ 5,090,325</b>	<b>\$ 3,662,892</b>	<b>\$ (737,326)</b>	<b>\$ (736,642)</b>	<b>\$ 4,352,999</b>	<b>\$ 2,926,250</b>

**Government-wide Financial Analysis, continued**

The following is a summary of the District's changes in net position.

	Governmental Activities		Business-Type Activities		District Total	
	2020	2019	2020	2019	2020	2019
<b>Program Revenues</b>						
Charges for services	\$ 359,849	\$ 326,563	\$ 150,709	\$ 265,072	\$ 510,558	\$ 591,635
Operating grants and contributions	2,145,609	2,266,556	1,654,648	1,509,063	3,800,257	3,775,619
Capital grants and contributions	648,761	762,037	-	-	648,761	762,037
<b>Total Program Revenue</b>	<b>3,154,219</b>	<b>3,355,156</b>	<b>1,805,357</b>	<b>1,774,135</b>	<b>4,959,576</b>	<b>5,129,291</b>
					-	-
<b>General Revenues</b>						
Taxes	8,650,899	7,827,684	-	-	8,650,899	7,827,684
Intergovernmental	14,005,873	14,110,607	-	-	14,005,873	14,110,607
Earnings on investments	189,595	160,363	10,892	7,386	200,487	167,749
Miscellaneous	117,125	131,420	-	-	117,125	131,420
<b>Total General Revenue</b>	<b>22,963,492</b>	<b>22,230,074</b>	<b>10,892</b>	<b>7,386</b>	<b>22,974,384</b>	<b>22,237,460</b>
					-	-
<b>Total Revenues and Transfers</b>	<b>26,117,711</b>	<b>25,585,230</b>	<b>1,816,249</b>	<b>1,781,521</b>	<b>27,933,960</b>	<b>27,366,751</b>
					-	-
<b>Program Expenses</b>						
Instruction	14,493,209	14,625,624	-	-	14,493,209	14,625,624
Support services	9,806,288	9,779,664	-	-	9,806,288	9,779,664
Facilities acquisition and construction	27,202	-	-	-	27,202	-
Interest on long-term debt	112,736	134,086	-	-	112,736	134,086
Food services	-	-	1,816,933	1,732,587	1,816,933	1,732,587
Community Service	250,843	242,190	-	-	250,843	242,190
<b>Total Program Expenses</b>	<b>24,690,278</b>	<b>24,781,564</b>	<b>1,816,933</b>	<b>1,732,587</b>	<b>26,507,211</b>	<b>26,514,151</b>
					-	-
<b>Transfers</b>						
Increase (Decrease) in Net Position	1,427,433	803,666	(684)	48,934	1,426,749	852,600
<b>Net Position- Beginning</b>	<b>3,662,892</b>	<b>2,859,226</b>	<b>(736,642)</b>	<b>(785,576)</b>	<b>2,926,250</b>	<b>2,073,650</b>
<b>Net Position- Ending</b>	<b>\$ 5,090,325</b>	<b>\$ 3,662,892</b>	<b>\$ (737,326)</b>	<b>\$ (736,642)</b>	<b>\$ 4,352,999</b>	<b>\$ 2,926,250</b>

**UNION COUNTY SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

**Governmental Activities**

- The beginning fund balance in the Governmental funds at July 1, 2019 was \$8,178,622. The ending fund balance as of June 30, 2020 was \$10,496,893. This is a net increase of \$2,318,271 and was due to increases in the General fund balance of \$1,819,531, Construction fund of \$47,509 and other restricted Non-major Governmental funds of \$451,231.
- The Special Revenue fund expenditures for the year were \$2,185,688. The primary sources of revenues for these grants were federal grants totaling \$1,187,331 and state grants totaling \$938,282.
- The Governmental Fund expenditures for Debt Service payments were a total of \$718,981 which included \$620,000 for principal payments and \$98,981 for interest payments.
- The Governmental Fund expenditures for Construction were a total of \$260,318 which was expended for the purpose of a district-wide phone and intercom upgrade project and for the preliminary professional fees incurred in the planning stages of a major roofing project.

Total revenue for the governmental funds was \$26,114,642. The following schedule provides a comparison of the District-wide revenues for governmental activities for the current and previous years.

	2020	2019	Change
<b>Revenues</b>			
Local Sources:			
Taxes:			
Property	\$ 6,293,716	\$ 5,608,621	\$ 685,095
Motor Vehicle	748,558	758,864	(10,306)
Utility	1,247,988	1,152,482	95,506
Unmined mineral	360,637	307,717	52,920
Earnings on investments	189,595	160,363	29,232
Other local revenues	143,353	155,145	(11,792)
Intergovernmental-Local	75,970	82,146	(6,176)
Intergovernmental-State	15,592,917	15,935,941	(343,024)
Intergovernmental-Indirect Federal	1,187,331	1,137,070	50,261
Intergovernmental-Direct Federal	274,577	276,748	(2,171)
<b>Total revenues</b>	<b>\$ 26,114,642</b>	<b>\$ 25,575,097</b>	<b>\$ 539,545</b>

**Governmental Activities, continued**

Instruction costs comprise 58% of governmental program expenses. Support services comprise 40% of governmental expenses. Non-instructional expense for facilities, community services, interest and other items account for 2% of governmental expenses. The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The table below shows the total cost of services and the net cost of services for government activities. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. The total cost of services includes state on-behalf payments in the amounts of \$5,907,922 for fiscal year 2020.

	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
Instruction	14,493,209	14,625,624	12,781,399	12,604,333
Support services	10,057,131	10,021,854	8,605,686	8,194,124
Facilities acquisition and construction	27,202	-	468,069	510,460
Interest on long-term debt	112,736	134,086	40,754	117,491
<b>Total Program Expenses</b>	<b>24,690,278</b>	<b>24,781,564</b>	<b>21,895,908</b>	<b>21,426,408</b>

**UNION COUNTY SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

**Capital Assets and Debt Administration**

As of June 30, 2020 the district held \$12,480,573 in capital assets (net of accumulated depreciation). This included land, construction in progress, school buildings, athletic facilities, maintenance facilities, transportation facilities, administrative facilities and other equipment. The cumulative total depreciable assets were \$52.7 million with accumulated depreciation of \$40.8 million.

**Summary of Capital Assets (net of accumulated depreciation)**

	Governmental		Business-Type		Total District	
	2020	2019	2020	2019	2020	2019
Land	\$ 323,153	\$ 323,153	\$ -	\$ -	\$ 323,153	\$ 323,153
Land Improvements	809,053	833,687	-	-	\$ 809,053	\$ 833,687
Buildings & Improvements	9,569,371	10,338,244	-	-	\$ 9,569,371	\$ 10,338,244
Technology Equipment	64,335	113,584	-	-	\$ 64,335	\$ 113,584
Vehicles	998,422	1,015,251	-	-	\$ 998,422	\$ 1,015,251
General	483,125	512,059	177,047	102,128	\$ 660,172	\$ 614,187
Construction in Progress	233,116	-	-	-	\$ 233,116	\$ -
<b>Total Capital Assets</b>	<b>\$ 12,480,575</b>	<b>\$ 13,135,978</b>	<b>\$ 177,047</b>	<b>\$ 102,128</b>	<b>\$ 12,657,622</b>	<b>\$ 13,238,106</b>

**Summary of Long-Term Debt**

At the fiscal year-end the district had \$20,446,146 in long-term debt with \$9,766,297 in pension liability (effect of GASB 68 implementation), \$6,862,960 in postemployment benefits other than pensions (effect of GASB 75 implementation), \$3,600,000 bonds outstanding offset by \$3,621 of bond discount, compensated absences of \$173,070, and capital lease obligations of \$47,440.

**Comments on General Fund Budget Comparisons**

**General Fund Revenues**

The total General fund operating revenues budgeted for fiscal year 2020 in the original budget was \$22,058,705. The final operating revenue budget for the General fund was \$22,491,770. The actual operating revenue received was \$22,757,061. That is an increase of \$265,291 under the final General fund revenue budget which is primarily attributed to variances in the amount of motor vehicle taxes and state on behalf payments received.

**General Fund Expenses**

The original general fund budget for expenditures was \$22,736,937. The original contingency amount budgeted in that total was \$1,458,098. The final general fund budget for expenditures was \$22,729,251. The final budgeted amount for contingencies was \$1,458,098. Actual expenditures for the general fund for fiscal year 2020 were \$20,900,521. The district's general fund had favorable variance for actual expenditures resulting from the preservation of the amount budgeted for contingency offset by an unfavorable variance of on-behalf expenditures.

**General Fund Budgetary Implications and District Challenges for the Future**

The most obvious challenge currently facing our District is the looming education cuts arising from the economic impact of the COVID-19 pandemic. For the current 2021 school year, the District has been able to stabilize the budget through the use of normalized SEEK funding and the utilization of CARES funds. Real budget concerns will begin to arise with 2021 budget as the infusion of new funds and stopgap measures cease and large reductions to education budgets emerge.

As also mentioned in the introduction of this report, the legislative body of the State has historically not fully funded many of the mandates passed on to local school districts. This has presented a significant financial challenge as the District has worked to fund an assortment of mandates with inadequate state funding. This practice, over time, has placed a significant strain on the District's resources. The District maintains a contingency plan to deal with inadequacies in state funding, but the contingency plan would only address funding shortfalls for a short-term time period. A long-term solution at the state level must be developed and enacted

**UNION COUNTY SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

by the state legislature to ensure adequate funding for Kentucky's public school districts. To balance inadequate state funding, local boards have been forced to increase taxes, placing a burden on local taxpayers and local school districts.

As the level of funding provided by the State declines, local districts are forced to rely upon local tax revenue. Contributing 38% to the annual general fund revenue, local tax revenue is a critical component in the operating budget. *The growth and stability of the real estate market as well as industry activity remains critical in sustaining local tax revenues and reasonable tax rates for taxpayers.*

The financial impact of declining enrollment has also been a difficult challenge for the school district over the past few years. The district's student enrollment, which drives the majority of our funding, has experienced a downward trend over the past few years. Decreased funding has resulted in reduced instructional resources and positions, professional development opportunities and the inability to fund cost of living salary adjustments.

Another challenge facing the District is the ability to recruit and retain quality teachers and to continue to deliver a quality and ever improving education for our students with limited revenue resources. Due to budget constraints many benefits have been ceased or reduced and teacher salaries are no longer competitive.

**General Fund Budgetary Implications and District Challenges for the Future, continued**

In the upcoming budget cycle for fiscal year 2021 the management team in cooperation with the Board of Education must continue to implement plans to stabilize the General Fund to provide a quality education for our students and secure a positive financial future for the District.

**Report purpose and contact information**

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

Amy Morris, Director of Finance  
Union County Schools at 4500 US Hwy 60W, Morganfield, Kentucky  
Phone: 270-389-1694 or Email: amy.morris@union.kyschools.us

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

	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash	\$ 9,027,041	\$ 636,010	\$ 9,663,051
Accounts receivable:			
Taxes	368,600	-	368,600
Accounts, net	148,424	-	148,424
Intergovernmental - state	20,453	-	20,453
Intergovernmental - federal	238,312	71,785	310,097
Inventory	-	67,166	67,166
Prepaid insurance	76,064	-	76,064
Restricted cash	1,190,988	-	1,190,988
<b>Total Current Assets</b>	<b>11,069,882</b>	<b>774,961</b>	<b>11,844,843</b>
<b>Noncurrent Assets</b>			
Capital assets, net of accumulated depreciation	12,480,575	177,047	12,657,622
<b>Total Noncurrent Assets</b>	<b>12,480,575</b>	<b>177,047</b>	<b>12,657,622</b>
<b>Total Assets</b>	<b>23,550,457</b>	<b>952,008</b>	<b>24,502,465</b>
<b>Deferred Outflows of Resources</b>			
Deferred outflows from pension contributions	1,711,145	331,748	2,042,893
Deferred outflows from OPEB contributions	1,436,437	132,134	1,568,571
Deferred savings from refunding bonds	151,855	-	151,855
<b>Total Deferred Outflows</b>	<b>3,299,437</b>	<b>463,882</b>	<b>3,763,319</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	52,814	-	52,814
Payable from restricted assets	167,688	-	167,688
Accrued liabilities	43,286	-	43,286
Unearned revenue	231,941	-	231,941
Accrued interest	27,923	-	27,923
Current portion of:			
Bond obligations	647,000	-	647,000
Accrued sick leave	56,850	220	57,070
Capital lease obligations	21,122	-	21,122
-	-	-	-
<b>Total Current Liabilities</b>	<b>1,248,624</b>	<b>220</b>	<b>1,248,844</b>
<b>Noncurrent Liabilities</b>			
Noncurrent portion of:			
Outstanding bonds	2,949,379	-	2,949,379
Accrued sick leave	99,200	16,800	116,000
Capital lease obligations	26,318	-	26,318
Net OPEB liability	6,523,412	339,548	6,862,960
Net pension liability	8,194,565	1,571,732	9,766,297
<b>Total Noncurrent Liabilities</b>	<b>17,792,874</b>	<b>1,928,080</b>	<b>19,720,954</b>
<b>Total Liabilities</b>	<b>19,041,498</b>	<b>1,928,300</b>	<b>20,969,798</b>
<b>Deferred Inflows of Resources</b>			
Deferred inflows from OPEB contributions	2,242,441	133,690	2,376,131
Deferred inflows from pension contribution	475,630	91,226	566,856
<b>Total Deferred Inflows</b>	<b>2,718,071</b>	<b>224,916</b>	<b>2,942,987</b>
<b>Net Position</b>			
Net investment in capital assets	8,813,411	177,047	8,990,458
Restricted for:			
Capital outlay	955,934	-	955,934
Unrestricted	(4,679,020)	(914,373)	(5,593,393)
<b>Total Net Position</b>	<b>\$ 5,090,325</b>	<b>\$ (737,326)</b>	<b>\$ 4,352,999</b>

The accompanying notes are an integral part of the financial statements

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

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>FUNCTIONS/PROGRAMS</b>							
<b>Governmental Activities:</b>							
Instruction	\$ 14,493,209	\$ 274,577	\$ 1,711,810	\$ (12,506,822)		\$ (12,506,822)	
Support Services:							
Student	1,507,698		12,505	(1,495,193)		(1,495,193)	
Instructional staff	651,931		117,599	(534,332)		(534,332)	
District administration	806,511			(806,511)		(806,511)	
School administration	1,615,624	5,666	-	(1,609,958)		(1,609,958)	
Business	859,438		-	(859,438)		(859,438)	
Plant operations and maintenance	2,499,580	3,636		(2,495,944)		(2,495,944)	
Student transportation	1,865,506	75,970	78,126	(1,711,410)		(1,711,410)	
Community service	250,843		225,569	(25,274)		(25,274)	
Facilities acquisition and construction	27,202		\$ 495,271	468,069		468,069	
Interest on long-term debt	112,736			153,490		40,754	
Total Governmental Activities	24,690,278	359,849	2,145,609	648,761	(21,536,059)	-	
<b>Business-Type Activities</b>							
Food services	1,695,697	80,031	1,578,942		(36,724)	(36,724)	
Daycare services	121,236	70,678	75,706		25,148	25,148	
Total Business-Type Activities	1,816,933	150,709	1,654,648	-	(11,576)	(11,576)	
Total Primary Government	\$ 26,507,211	\$ 510,558	\$ 3,800,257	\$ 648,761	(21,536,059)	(11,576)	(21,547,635)
<b>General Revenues:</b>							
<b>Taxes:</b>							
Property taxes				6,293,716		6,293,716	
Motor vehicle taxes				748,558		748,558	
Utility taxes				1,247,988		1,247,988	
Unmined minerals				360,637		360,637	
Other local revenue				114,055		114,055	
Earnings on investments				189,595	10,892	200,487	
Gain ( Loss) on disposal fixed assets				3,070		3,070	
State and formula grants				14,005,873		14,005,873	
Total general revenues				22,963,492	10,892	22,974,384	
<b>Transfers</b>							
Change in net position				1,427,433	(684)	1,426,749	
Net position - beginning				3,662,892	(736,642)	2,926,250	
Net position - ending				\$ 5,090,325	\$ (737,326)	\$ 4,352,999	

The accompanying notes are an integral part of the financial statements

**UNION COUNTY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2020**

	General Fund	Special Revenue Grant Fund	Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 9,027,041				\$ 9,027,041
Receivables:					
Taxes	368,600				368,600
Miscellaneous	148,424				148,424
Intergovernmental - State		\$ 42			42
Intergovernmental - Federal		238,312			238,312
Due from other funds	46,413				46,413
Prepaid assets	71,064		\$ 5,000		76,064
Restricted cash			283,515	\$ 907,473	1,190,988
<b>Total assets</b>	<b>\$ 9,661,542</b>	<b>\$ 238,354</b>	<b>\$ 288,515</b>	<b>\$ 907,473</b>	<b>\$ 11,095,884</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 52,814			\$ -	\$ 52,814
Accrued payroll and related expenses	43,286				43,286
Due to other funds		46,413			46,413
Current portion of accrued sick leave	56,850				56,850
Unearned revenue	40,000	191,941			231,941
Payable from restricted assets			167,688		167,688
Current portion of KSBIT Assessment					-
<b>Total liabilities</b>	<b>192,950</b>	<b>238,354</b>	<b>167,688</b>	<b>-</b>	<b>598,992</b>
<b>Fund Balances</b>					
Nonspendable, Prepaid assets	71,064				71,064
Restricted for:					
Capital Projects			120,827	835,107	955,934
Committed for:					
Sick Leave	156,050				156,050
Site based CFWD	57,183				57,183
Middle School roof	2,000,000				2,000,000
Transportation Buses	1,200,000				1,200,000
Phone system	300,000				300,000
Technology equipment	700,000				700,000
Debt Service					-
Assigned to:					
Encumbrances	233,466			72,366	305,832
Unassigned					
General fund	4,750,829				4,750,829
<b>Total fund balances</b>	<b>9,468,592</b>	<b>-</b>	<b>120,827</b>	<b>907,473</b>	<b>10,496,892</b>
<b>Total liabilities and fund balances</b>	<b>\$ 9,661,542</b>	<b>\$ 238,354</b>	<b>\$ 288,515</b>	<b>\$ 907,473</b>	<b>\$ 11,095,884</b>

The accompanying notes are an integral part of the financial statements



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

Total governmental fund balance per fund financial statements. \$ 10,496,892

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

Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position. 12,480,575

Certain assets are not reported in this fund financial statement because they are not available to pay current-period expenditures, but they are reported in the statement of net position. (Deferred savings from refunding bonds \$151,855, Intergovernmental - state receivable for KSFCC portion of accrued interest \$20,411) 172,266

Certain amounts related to the net pension and OPEB liabilities are not reported in the governmental funds but are deferred in the statement on net position

Pension deferred outflows	1,711,145
OPEB deferred outflows	1,436,437
Pension deferred inflows	(475,630)
OPEB deferred inflows	(2,242,441)

Certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position. Long-term liabilities at year end consist of:

Bond obligations	(3,596,379)
Net pension liability	(8,194,565)
Net TRS OPEB liability	(4,526,000)
Net CERS OPEB liability	(1,997,412)
Capital lease obligations	(47,440)
Accrued interest	(27,923)
Compensated absences	(99,200)

Net position of governmental activities	\$ 5,090,325
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**UNION COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

	General Fund	Special Revenue Grant Fund	Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
From local sources:					
Taxes:					
Property	\$ 5,784,955			\$ 508,761	\$ 6,293,716
Motor vehicle	748,558				748,558
Utility	1,247,988				1,247,988
Unmined mineral	360,637				360,637
Earnings on investments	172,711		\$ 2,827	14,057	189,595
Other local revenues	85,791	\$ 19,996		37,566	143,353
Intergovernmental - Local	75,970				75,970
Intergovernmental - State	14,005,874	938,282		648,761	15,592,917
Intergovernmental - Indirect federal		1,187,331			1,187,331
Intergovernmental - Direct federal	274,577				274,577
<b>Total revenues</b>	<u>22,757,061</u>	<u>2,145,609</u>	<u>2,827</u>	<u>1,209,145</u>	<u>26,114,642</u>
<b>Expenditures:</b>					
Current:					
Instruction	12,117,550	1,751,889		33,908	13,903,347
Support services:					
Student	1,416,470	12,505			1,428,975
Instruction staff	526,207	117,599		4,975	648,781
District administrative	807,681				807,681
School administrative	1,549,099				1,549,099
Business	794,289				794,289
Plant operation and maintenance	2,045,759				2,045,759
Student transportation	1,624,143	78,126			1,702,269
Community service activities	19,323	225,569		50	244,942
Capital outlay:					
Facilities acquisition and construction			260,318	-	260,318
Debt service:					
Principal				620,000	620,000
Interest				98,981	98,981
<b>Total expenditures</b>	<u>20,900,521</u>	<u>2,185,688</u>	<u>260,318</u>	<u>757,914</u>	<u>24,104,441</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>1,856,540</u>	<u>(40,079)</u>	<u>(257,491)</u>	<u>451,231</u>	<u>2,010,201</u>
<b>Other Financing Sources (Uses)</b>					
Proceeds from bond issues	-	-	305,000	-	305,000
Proceeds from sale of assets	3,070			-	3,070
Transfers in		40,079		565,491	605,570
Transfers out	(40,079)			(565,491)	(605,570)
<b>Total other financing sources (uses)</b>	<u>(37,009)</u>	<u>40,079</u>	<u>305,000</u>	<u>-</u>	<u>308,070</u>
<b>Net change in fund balance</b>	1,819,531	-	47,509	451,231	2,318,271
<b>Fund balance, July 1, 2019</b>	7,649,063	-	73,318	456,241	8,178,622
<b>Fund balance, June 30, 2020</b>	<u>\$ 9,468,594</u>	<u>\$ -</u>	<u>\$ 120,827</u>	<u>\$ 907,472</u>	<u>\$ 10,496,893</u>

The accompanying notes are an integral part of the financial statements

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

Net change in fund balance - total governmental funds	\$	2,318,271
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which depreciation expense exceeds capital outlays for the year.</p>		(655,403)
<p>Certain accruals do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund statements. (Change in accrued sick leave and change in KSBIT assessment payable)</p>		18,408
<p>Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statements, but are reductions of liabilities in the statement of net position.</p>		639,875
<p>Net effect on pension expense of the allocation of pension expense per GASB 68</p>		(657,750)
<p>Net effect on employee benefits of the allocation of OPEB expense per GASB 75</p>		114,196
<p>Proceeds for the issuance of bonds provide current financial resources and are reported in this fund financial statement, but they are presented as liabilities in the statement of net position.</p>		(305,000)
<p>Accruals of interest payments on long-term debt do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund statements. (Net of receivable for KSFCC for their share of accrued interest)</p>		(45,164)
<p>Change in net position of governmental activities</p>	<u>\$</u>	<u>1,427,433</u>

The accompanying notes are an integral part of the financial statements

**UNION COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2020**

	<b>SCHOOL FOOD SERVICES</b>	<b>CHILD CARE PROGRAM</b>	<b>TOTAL ENTERPRISE FUNDS</b>
<b>Assets:</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 470,974	\$ 165,036	\$ 636,010
Accounts receivable			
Accounts, net	-		-
Intergovernmental - Indirect Federal	71,785		71,785
Inventories	67,166		67,166
<b>Total Current Assets</b>	<b>609,925</b>	<b>165,036</b>	<b>774,961</b>
<b>Noncurrent Assets:</b>			
Capital assets	603,451		603,451
Less: accumulated depreciation	(426,404)		(426,404)
<b>Total Noncurrent Assets</b>	<b>177,047</b>	<b>-</b>	<b>177,047</b>
<b>Total Assets</b>	<b>786,972</b>	<b>165,036</b>	<b>952,008</b>
<b>Deferred Outflows of Resources:</b>			
Deferred Outflows from OPEB	118,720	13,414	132,134
Deferred Outflows from CERS Contribution	298,767	32,981	331,748
<b>Total Deferred Outflows</b>	<b>417,487</b>	<b>46,395</b>	<b>463,882</b>
<b>Total Assets and Deferred Outflows</b>	<b>\$ 1,204,459</b>	<b>\$ 211,431</b>	<b>\$ 1,415,890</b>
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Accounts payable	\$ -	\$ -	\$ -
Current portion of accrued sick leave	220		220
<b>Total Current Liabilities</b>	<b>220</b>	<b>-</b>	<b>220</b>
<b>Noncurrent Liabilities:</b>			
Accrued sick leave	16,800	-	16,800
Net OPEB liability	305,077	34,471	339,548
Net pension liability	1,419,171	152,561	1,571,732
<b>Total noncurrent liabilities</b>	<b>1,741,048</b>	<b>187,032</b>	<b>1,928,080</b>
<b>Total Liabilities</b>	<b>1,741,268</b>	<b>187,032</b>	<b>1,928,300</b>
<b>Deferred Inflows of Resources:</b>			
Deferred Inflows from OPEB Contribution	120,118	13,572	133,690
Deferred Inflows from CERS Contribution	82,372	8,854	91,226
<b>Total Deferred Inflows</b>	<b>202,490</b>	<b>22,426</b>	<b>224,916</b>
<b>Net Position:</b>			
Net investment in capital assets	177,047	-	177,047
Restricted			
Unrestricted	(916,346)	1,973	(914,373)
<b>Total Net Position</b>	<b>(739,299)</b>	<b>1,973</b>	<b>(737,326)</b>
<b>Total Liabilities, Deferred Inflows, and Net Position</b>	<b>\$ 1,204,459</b>	<b>\$ 211,431</b>	<b>\$ 1,415,890</b>

The accompanying notes are an integral part of the financial statements

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

	<b>SCHOOL FOOD SERVICES</b>	<b>CHILD CARE PROGRAM</b>	<b>TOTAL ENTERPRISE FUNDS</b>
<b>Operating Revenues:</b>			
Lunchroom sales	\$ 80,031		\$ 80,031
Community service activities		\$ 70,678	70,678
Other operating revenues	-		-
<b>Total Operating Revenues</b>	<u>80,031</u>	<u>70,678</u>	<u>150,709</u>
<b>Operating Expenses:</b>			
Salaries and wages	474,885	63,611	538,496
Employee benefits	517,112	55,195	572,307
Professional and contract services	20,946	871	21,817
Materials and supplies	660,806	1,559	662,365
Depreciation	18,713		18,713
Other operating expenses	3,235		3,235
<b>Total Operating Expenses</b>	<u>1,695,697</u>	<u>121,236</u>	<u>1,816,933</u>
<b>Operating loss</b>	<u>(1,615,666)</u>	<u>(50,558)</u>	<u>(1,666,224)</u>
<b>Non-Operating Revenues:</b>			
Federal grants	1,360,506		1,360,506
Donated commodities	94,172		94,172
State grants	124,264	75,706	199,970
Interest income	7,095	3,797	10,892
<b>Total Non-Operating Revenues</b>	<u>1,586,037</u>	<u>79,503</u>	<u>1,665,540</u>
<b>Operating transfers in</b>	<u>-</u>		<u>-</u>
<b>Change in Net Position</b>	(29,629)	28,945	(684)
<b>Total Net Position - Beginning</b>	(709,670)	(26,972)	(736,642)
<b>Total Net Position - Ending</b>	<u>\$ (739,299)</u>	<u>\$ 1,973</u>	<u>\$ (737,326)</u>

The accompanying notes are an integral part of the financial statements

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

	<b>SCHOOL FOOD SERVICES</b>	<b>CHILD CARE PROGRAM</b>	<b>TOTAL ENTERPRISE FUNDS</b>
<b>Cash Flows from Operating Activities:</b>			
Cash received from lunchroom sales	\$ 80,248		\$ 80,248
Cash received from user charges and other	-	\$ 70,678	70,678
Cash payments to employees for services	(631,896)	(82,907)	(714,803)
Cash payments to suppliers for goods and services	(611,373)	(2,430)	(613,803)
Cash payments for other operating activities	(3,235)	-	(3,235)
<b>Net cash provided Provided (Used) for operating activities</b>	<b>(1,166,256)</b>	<b>(14,659)</b>	<b>(1,180,915)</b>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Non-operating grants received	1,323,786	60,835	1,384,621
Operating transfers in(out)			-
Decrease in due to other fund			-
<b>Net cash provided for noncapital financing activities</b>	<b>1,323,786</b>	<b>60,835</b>	<b>1,384,621</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition of capital assets	(93,632)	-	(93,632)
<b>Cash Flows from Investing Activities:</b>			
Interest on investments	7,095	3,797	10,892
<b>Net increase(decrease) in cash and cash equivalents</b>	<b>70,993</b>	<b>49,973</b>	<b>120,966</b>
<b>Cash and cash equivalents - Beginning of the year</b>	<b>399,981</b>	<b>115,063</b>	<b>515,044</b>
<b>Cash and cash equivalents - End of the year</b>	<b>\$ 470,974</b>	<b>\$ 165,036</b>	<b>\$ 636,010</b>
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities:</b>			
Operating loss	\$ (1,615,666)	\$ (50,558)	\$ (1,666,224)
<b>Adjustments to Reconcile Operating Loss to Net Cash Provided(Used) in Operating Activities:</b>			
Depreciation	18,713		18,713
Commodities used	94,172		94,172
On behalf payments recorded	111,012	14,871	125,883
Changes in assets and liabilities:			
Receivables	217		217
Inventory	(22,632)		(22,632)
Accounts payable	(1,161)	-	(1,161)
Accrued liabilities			-
Accrued sick leave	1,220		1,220
Net pension liability and deferrals	247,869	21,028	268,897
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (1,166,256)</b>	<b>\$ (14,659)</b>	<b>\$ (1,180,915)</b>
<b>Schedule of noncash transactions:</b>			
Benefits paid by state of Kentucky on behalf of District	\$ 111,012	\$ 14,871	\$ 125,883
Donated commodities received from Federal Government	94,172	-	94,172
	<b>\$ 205,184</b>	<b>\$ 14,871</b>	<b>\$ 220,055</b>

The accompanying notes are an integral part of the financial statements

UNION COUNTY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2020

	<b>AGENCY FUNDS</b>
<b>Assets:</b>	
Cash and cash equivalents	\$ 385,490
Certificates of deposit	83,406
Accounts receivable	300
<b>Total Assets</b>	<b>\$ 469,196</b>
 <b>Liabilities:</b>	
Accounts payable	\$ 10,178
Due to student groups	459,018
<b>Total Liabilities</b>	<b>\$ 469,196</b>

The accompanying notes are an integral part of the financial statements

**UNION COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2020**

**Note 1. Summary of Significant Accounting Policies**

**a. Reporting Entity**

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

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Union County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc.

These financial statements present the District and its component units, entities for which the District entity is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the governmental entity's operations and so data from these units would be combined with data of the primary governmental entity. The Union County School District has one blended component unit.

**Blended Component Unit:**

**Union County School District Finance Corporation** - On April 20, 1989, the Union County, Kentucky, Board of Education resolved to authorize the establishment of the Union County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the District for financing the costs of school building facilities. The Board Members of the Union County Board of Education also comprise the Corporation's Board of Directors.

**b. Basis of Presentation**

**Government-wide Financial Statements**-The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The effect of interfund activity has been substantially removed from these statements.

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of 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 with a specific function or segment. 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.



**UNION COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2020**

**Note 1. Summary of Significant Accounting Policies, continued**

**b. Basis of Presentation, continued**

Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expense with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

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

The financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for by using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the fund balance.

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in retained earnings. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, those revenues are primarily charges for meals provided by the various schools. All revenues not meeting this definition are reported as nonoperating revenues. The District applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The District has the following funds:

**Governmental Fund Types**

- 1) The **General Fund** is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unreserved fund balances are considered as resources available for use. This is a major fund of the District.
- 2) **Special Revenue 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.
  - a) The **Special Revenue (Grant) Fund** accounts for proceeds of federal, state and local grants that are legally restricted to disbursements for specified purposes. Unused balances are returned to the grantor at the close of specified project periods. 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.
  - b) The **District Activity Fund** is used to account for funds to support co-curricular and extra-curricular activities not raised or expended by student groups.

UNION COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2020

**Note 1. Summary of Significant Accounting Policies, continued**

**b. Basis of Presentation, continued**

- 3) *Capital Project Funds* are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
  - a) The *Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund* receives those funds designated by the state as Capital Outlay Funds and is generally restricted for use in financing projects identified in the District's facility plan and corresponding debt service.
  - b) The *Facility Support Program (FSPK) Fund* accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan and corresponding debt service.
  - c) The *Construction Fund* accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
  
- 4) The *Debt Service Fund* is used to account for the accumulation of resources for, and payment of, general long-term debt, principal and interest and related costs; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

**Proprietary Fund Types**

*Enterprise Funds* are used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The District has two enterprise funds: the School Food Services Fund, and the Child Care Program Fund.

- 1) The *School Food Services Fund* is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U. S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The School Food Services Fund is a major fund.
  
- 2) The *Child Care Program Fund* is used to account for after school programs established to provide supervised activities for children in the afternoon. The Child Care Program Fund is a major fund.

**Fiduciary Fund Types**

Fiduciary Funds account for assets held by the District in a trustee capacity (trust funds) or as an agent on behalf of others (agency funds). The District has no trust funds.

The Agency Fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the board holds for others in an agency capacity. The Agency Fund consists of Activity funds and accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with "*Uniform Program of Accounting for School Activity Funds*."

**UNION COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2020**

**Note 1. Summary of Significant Accounting Policies, continued**

**c. Basis of Accounting**

The government-wide financial statements, as well as the proprietary fund and fiduciary fund financial statements, are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the modified accrual basis of accounting, whereby revenues are recognized when they become both measurable and available. Revenues are considered to be "available" when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Expenditures are generally recognized when the related liability is incurred.

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

**d. Estimates**

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

**e. Cash and Cash Equivalents/Restricted Cash/Investments**

The Board considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents. Cash is restricted in the special revenue funds per grant and other agreements, in the capital projects funds per state requirements and in debt service funds per debt agreements. (See Note 2)

Cash balances of the District's funds are pooled and invested. Interest earned from investments purchased with pooled cash is allocated to the various funds based on the fund's average cash balance. Funds with negative cash balances are not charged interest.

As security for deposits of the District, any bank doing such business is required to pledge securities in an amount to exceed funds on deposit by the District. In addition, the District's accounts are insured, subject to FDIC coverage terms and limitations. (See Note 2)

State statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. Agencies, certain federal instruments, commercial bank's certificates of deposit, savings and loan deposits, repurchase agreements, and the Commonwealth of Kentucky Investment Pool.

**UNION COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2020**

**Note 1. Summary of Significant Accounting Policies, continued**

**e. Cash and Cash Equivalents/Restricted Cash/Investments, continued**

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments, which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The district does not have any investments that are measured using Level 2 or Level 3 inputs.

The District has the following recurring fair value measurement as of June 30, 2020:

- Certificates of Deposit of \$83,406 are valued using quoted market prices (Level 1 inputs), the carrying amount approximated fair value due to the short-term highly liquid nature.

**f. Allowance for Doubtful Accounts**

Student accounts receivable are stated net of an allowance for doubtful accounts. The District estimated the allowance based on its historical experience of the uncollected accounts at June 30. The allowance for doubtful accounts was \$3,190 at June 30, 2020.

**g. Inventories/Commodities**

Supplies and materials are charged to expenditures when purchased with the exception of the proprietary funds which record inventory using the accrual basis of accounting. Inventories are valued at cost or at the estimated fair value at the date of donation, using the first-in, first-out method. For the purposes of the statement of cash flows, federal grants received does not include non-cash commodities received in the amount of \$94,172.

**h. 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 capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the assets or materially extend an asset's life are not.

**UNION COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2020**

**Note 1. Summary of Significant Accounting Policies, continued**

**h. Capital Assets, continued**

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

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

**i. 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.

**j. Accrued Sick Leave**

The Union County School District allows employees to accumulate and carry over sick days from year to year. The amount of total days that may be carried over from year to year is unlimited. Upon retirement from the school system, employees will receive an amount up to thirty percent (30%) of the value of accumulated sick leave. Separation of employment for any reason other than retirement results in the employee forfeiting accumulated days. Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. It is deemed probable that benefits will be paid to employees with more than twenty years of experience and any employee age 55 or older with at least five years experience.

The entire accrued sick leave liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "Current Portion of Accrued Sick Leave" in the general fund. The non-current portion of the liability is not reported.

**k. Accrued Liabilities/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 statement. Bond discounts and premiums are recorded as deferred outflows of resources (deferred savings from refunding bonds) in the government-wide financial statements and amortized on a straight line basis over the life of the bonds.

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, the non-current portion of capital leases, accumulated sick leave, contractually

**UNION COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2020**

**Note 1. Summary of Significant Accounting Policies, continued**

**k. Accrued Liabilities/Long-Term Obligations, continued**

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.

**l. Net Position and Fund Balance**

District-Wide Financial Statements

When the District incurs an expense for which it may use either restricted or unrestricted net position, it uses restricted net position first unless unrestricted net position will have to be returned because they were not used. Net position on the Statement of Net Position include the following:

Net Investment in Capital Assets – The component of restricted net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted for Capital Outlay – The component of net position that reports the financial resources restricted to pay for construction activities.

Restricted for Debt Service – The component of net position that reports the financial resources restricted to pay for debt service on capital related debt less current accrual of interest.

Unrestricted – The difference between the assets and liabilities that is not reported in Net Position Invested in Capital Assets, Net of Related Debt, Net Position Restricted for Capital Outlay, or Net Position Restricted for Debt Service.

Governmental Fund Financial Statements

In July 2010, the District adopted Statement of Governmental Accounting standards No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Accordingly, in the fund financial statements, governmental funds report fund balances as nonspendable, restricted, committed, assigned, or unassigned fund balance. Also, the District has established the order of assigned, committed and restricted when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Nonspendable fund balances are those amounts that cannot be spent because they are either: (1) generally, amounts that are not expected to be converted to cash, such as inventories or prepaid amounts or (2) amounts that are required to be maintained intact, such as the principal of a permanent fund. At June 30, 2020, the District had \$71,064 of prepaid insurance recorded as nonspendable fund balance.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2020, the District had the following amounts restricted for capital outlay: FSPK \$439,357, SEEK \$395,749 and Construction \$120,827.

**UNION COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2020**

**Note 1. Summary of Significant Accounting Policies, continued**

**I. Net Position and Fund Balance, continued**

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had the following commitments at June 30, 2020: Sick leave \$156,050, Union County Middle School roof \$2,000,000, Buses \$1,200,000, Telephone system \$300,000 and Technology equipment \$700,000.

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 results 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. At June 30, 2020, the District had \$233,466 assigned related to encumbrances.

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.

**m. Property Taxes**

Property taxes are levied annually by ordinance, usually in October on the assessed value listed as of the property January 1, for all real and personal property in the District. 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.

The property tax rates assessed for the year ended June 30, 2020 were 72.3 cents per \$100 valuation for real and personal property and 55.7 cents per \$100 valuation for motor vehicles, of which 6.0 cents is for participation in Facility Support Program.

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

**n. Interfund Activity**

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

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**UNION COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2020**

**Note 1. Summary of Significant Accounting Policies, continued**

**r. Deferred Outflows of Resources and Deferred Inflows of Resources, continued**

**Deferred Inflows of Resources**

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred inflows related to pensions and OPEB are reported in the statement of net position. A deferred inflow from pension's and OPEB's results from net differences between expected and actual earnings on pension and OPEB plan investments and the changes in proportions in differences between employer contributions and proportionate share of contributions. This amount is deferred and will be recognized as a reduction of pension and OPEB expense over the next several years.

**s. Encumbrance Accounting**

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are re-appropriated in the next year. An assignment of fund balance equal to outstanding encumbrances at year-end is provided for at June 30, 2020. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

**t. Prepaid Expenses**

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

**u. Recently Issued Accounting Standards**

The following recently issued accounting standards are expected to impact the financial statements of the District in future periods:

**GASBS No. 84 *Fiduciary Activities***

In January of 2017, the GASB issued Statement No. 84 to improve guidance regarding the identification, accounting and financial reporting for fiduciary activities. This Statement establishes criteria for identifying fiduciary activities for all state and local governments and requires that activities meeting such criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement is effective for reporting periods beginning after December 15, 2019. This District is currently evaluating the impact the standard will have on its financial statements.

**GASBS No. 87 *Leases***

In June of 2017, the GASB issued Statement No. 87 to improve accounting and financial reporting for leases by governments, by establishing standards for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of



**UNION COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2020**

**u. Recently Issued Accounting Standards, continued**

*GASBS No. 87 Leases, continued*

the right to use an underlying asset, thus requiring lessees to recognize a lease liability and an intangible right-to-use lease asset, and lessors to recognize a lease receivable and a deferred inflow of resources. The Statement is effective for reporting periods beginning after June 15, 2021. The District is currently evaluating the impact that the standard will have on its financial statements.

**Note 2. Cash and Deposits**

At June 30, 2020, the carrying amounts of the District's deposits were \$11,322,195(excluding cash on hand \$590) and the bank balances were \$11,939,665. Of the bank balances, \$331,350 was insured by federal depository insurance, \$11,608,315 was covered by collateral held by the pledging bank's escrow agent in District's name.

The District's cash and cash equivalents at June 30, 2020 consisted of the following:

	<b>Bank Balance</b>	<b>Book Balance</b>
Fifth Third Bank Checking	\$ 20,667	\$ 20,667
Fifth Third Bank Certificates of Deposit	41,174	41,174
Old National Bank Certificate of Deposit	2,232	2,232
Old National Bank Checking	176	176
United Community Bank Checking	11,835,416	11,217,946
United Community Bank Certificate of Deposit	40,000	40,000
	<b>\$ 11,939,665</b>	<b>11,322,195</b>
Restricted cash		(1,190,988)
Unrestricted cash and cash equivalents		<b>\$ 10,131,207</b>
Reported in the financial statement:		
Governmental funds		\$ 9,027,041
Proprietary funds		635,420
Fiduciary funds		468,746
		<b>\$ 10,131,207</b>

Restricted cash at June 30, 2020 consists of the following:

District Activity Fund	\$ 72,366
FSPK	439,358
SEEK Fund	395,749
Construction Fund	283,515
	<b>\$ 1,190,988</b>

**UNION COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2020**

**Note 3. Capital Assets**

During the year ended June 30, 2020, the following changes occurred in capital assets:

<b>Governmental Activities:</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Capital assets that are not depreciated:				
Land	\$ 323,153	\$ -	\$ -	\$ 323,153
Construction in progress	-	233,116	-	233,116
Total Non-depreciable Historical Cost	<u>323,153</u>	<u>233,116</u>	<u>-</u>	<u>556,269</u>
Capital assets that are depreciated:				
Land improvements	1,906,810	29,900	-	1,936,710
Buildings and improvements	42,479,516	-	-	42,479,516
Technology equipment	2,627,497	-	9,995	2,617,502
Vehicles	4,395,540	196,412	443,820	4,148,132
General	1,520,148	34,833	-	1,554,981
Total Depreciable Historical Cost	<u>52,929,511</u>	<u>261,145</u>	<u>453,815</u>	<u>52,736,841</u>
Less accumulated depreciation for:				
Land improvements	1,073,123	54,534	-	1,127,657
Buildings and improvements	32,141,271	768,874	-	32,910,145
Technology equipment	2,513,914	49,248	9,995	2,553,167
Vehicles	3,380,290	213,240	443,820	3,149,710
General	1,008,088	63,768	-	1,071,856
Total Accumulated Depreciation	<u>40,116,686</u>	<u>1,149,664</u>	<u>453,815</u>	<u>40,812,535</u>
Total Depreciable Historical Cost, Net	<u>12,812,825</u>	<u>(888,519)</u>	<u>-</u>	<u>11,924,306</u>
 Governmental Activities: Capital Assets, Net	 <u>\$ 13,135,978</u>	 <u>\$ (655,403)</u>	 <u>\$ -</u>	 <u>\$ 12,480,575</u>

<b>Business-Type Activities:</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Capital assets that are depreciated:				
Technology equipment	\$ 55,678	\$ -	\$ -	\$ 55,678
General	484,298	93,632	30,157	547,773
Total Depreciable Historical Cost	<u>539,976</u>	<u>93,632</u>	<u>30,157</u>	<u>603,451</u>
Less accumulated depreciation for:				
Technology equipment	55,678	-	-	55,678
General	382,170	18,713	30,157	370,726
Total Accumulated Depreciation	<u>437,848</u>	<u>18,713</u>	<u>30,157</u>	<u>426,404</u>
Total Depreciable Historical Cost, Net	<u>\$ 102,128</u>	<u>\$ 74,919</u>	<u>\$ -</u>	<u>\$ 177,047</u>

**UNION COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2020**

**Note 3. Capital Assets, continued**

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 547,551
Support services:	
Student support services	35,188
Instruction staff	636
District administration	1,264
School administration	12,436
Business support	2,650
Plant operations and maintenance	355,889
Student transportation	194,050
Total Depreciation Expense	<u>\$ 1,149,664</u>

**Note 4. Long-Term Debt**

**Bonded Debt Obligations**

On certain bond issues, the District has entered into "participation agreements" with the Kentucky School Facility Construction Commission (KSFCC). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs.

The original amount of the issues, the issue dates and interest rates of outstanding bonds at June 30, 2020 are summarized below:

<u>Issue</u>	<u>Original Amount</u>	<u>Interest Rates</u>
Issue of 2011, Refunding	3,480,000	1.50% - 3.00%
Issue of 2013, Refunding	2,440,000	1.00% - 2.15%
Issue of 2014	355,000	1.00% - 2.15%
Issue of 2016	1,045,000	1.00% - 3.00%
Issue of 2020	305,000	2.75% - 3.25%

The bonds may be called prior to maturity dates 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:

**UNION COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2020**

**Note 4. Long-Term Debt, continued**

**Bonded Debt Obligations, continued**

	District		School Facility Construction Commission		Total		Total
	Interest	Principal	Interest	Principal	Interest	Principal	
2020-21	43,847	522,970	49,363	124,030	93,210	647,000	740,210
2021-22	29,988	531,929	37,891	125,071	67,879	657,000	724,879
2022-23	15,849	185,868	35,465	126,132	51,314	312,000	363,314
2023-24	12,132	189,786	32,927	127,214	45,059	317,000	362,059
2024-25	8,336	193,680	30,300	134,320	38,636	328,000	366,636
2025-26	4,462	207,554	27,494	140,446	31,956	348,000	379,956
2026-27			24,344	83,000	24,344	83,000	107,344
2027-28			22,104	84,000	22,104	84,000	106,104
2028-29			19,864	89,000	19,864	89,000	108,864
2029-30			17,474	90,000	17,474	90,000	107,474
2030-31			15,084	95,000	15,084	95,000	110,084
2031-32			12,544	101,000	12,544	101,000	113,544
2032-33			9,819	101,000	9,819	101,000	110,819
2033-34			7,019	107,000	7,019	107,000	114,019
2034-35			4,063	82,000	4,063	82,000	86,063
2035-36			2,031	83,000	2,031	83,000	85,031
2036-37			2,470	18,000	2,470	18,000	20,470
2037-38			1,885	19,000	1,885	19,000	20,885
2308-39			1,268	19,000	1,268	19,000	20,268
2039-40			650	20,000	650	20,000	20,650
	<u>\$ 114,614</u>	<u>\$ 1,831,787</u>	<u>\$ 354,059</u>	<u>\$ 1,768,213</u>	<u>\$ 468,673</u>	<u>\$ 3,600,000</u>	<u>\$ 4,048,023</u>

During the year ended June 30, 2020, the following changes occurred in long-term liabilities:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due within one year
<b>Governmental Activities:</b>					
Bonds	\$ 3,915,000	\$ 305,000	\$ 620,000	\$ 3,600,000	\$ 647,000
Premium (Discounts)	(7,381)	-	(3,760)	(3,621)	-
	<u>3,907,619</u>	<u>305,000</u>	<u>616,240</u>	<u>3,596,379</u>	<u>647,000</u>
KSBIT assessment	31,408	-	31,408	-	-
Capital lease obligation	67,315	-	19,875	47,440	21,122
Net pension liability	7,433,596	760,969	-	8,194,565	-
Net OPEB liability	7,247,356	-	723,944	6,523,412	-
Accrued sick leave	140,400	45,799	30,149	156,050	56,850
	<u>\$ 18,827,694</u>	<u>\$ 806,768</u>	<u>\$ 1,421,616</u>	<u>\$ 18,517,846</u>	<u>\$ 724,972</u>
<b>Business-Type Activities:</b>					
Net pension liability	\$ 1,261,045	\$ 310,687	\$ -	\$ 1,571,732	-
Net OPEB liability	368,267	-	28,720	339,547	-
Accrued sick leave	15,800	1,220 (A)	-	17,020	\$ 220
	<u>\$ 1,645,112</u>	<u>\$ 311,907</u>	<u>\$ 28,720</u>	<u>\$ 1,928,299</u>	<u>\$ 220</u>

(A) This amount represents the net addition in compensated absences, ie, days earned less days taken.

**UNION COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2020**

**Note 4. Long-Term Debt, continued**

**Bonded Debt Obligations, continued**

Union County School District Finance Corporation School Building Refunding Revenue Bonds, Series 2011, dated March 1, 2011, in the amount of \$3,480,000, were issued for the purpose of refunding the outstanding Union County School District Finance Corporation School Building Refunding Revenue Bonds, Series 2002, dated June 1, 2002, scheduled to mature on and after June 1, 2012. This refunding was undertaken to reduce total debt service payments over the next ten years by \$200,692 and resulted in an economic gain of \$167,947. In February 2013, the in-substance defeased debt was paid in full.

Union County School District Finance Corporation School Building Refunding Revenue Bonds, Series 2013, dated April 1, 2013, in the amount of \$2,440,000, were issued for the purpose of refunding the outstanding Union County School District Finance Corporation School Building Refunding Revenue Bonds, Series 2006, dated April 1, 2006, maturing April 1, 2017 and thereafter. The 2006 Bonds maturing April 1, 2014 through April 1, 2016 will not be defeased and remain payable under the original terms. This refunding was undertaken to reduce total debt service payments over the next twelve years by \$147,948 and resulted in an economic gain of \$129,437. In April 2016, the in-substance debt was paid in full.

During 2014, Union County School District Finance Corporation School Building Revenue Bond, Series 2014, dated January 16, 2014 in the amount of \$355,000, was issued to finance construction of improvements at Uniontown Elementary School. The KSFCC is participating at 100% of the debt service of the bonds.

During 2016, Union County School District Finance Corporation School Building Revenue Bond, Series 2016 dated February 1, 2016 in the amount of \$1,045,000, was issued to finance HVAC improvements at Union County High, Union County Middle, Sturgis Elementary and Morganfield Elementary schools. The KSFCC is participating 100% of the debt service of the bonds.

During 2020, Union County School District Finance Corporation School Building Revenue Bonds Series 2020, dated January 16, 2020, in the amount of 305,000 was issued to finance equipment and technology improvements to various schools. The KSFCC is participating at 100% of the debt service of the bonds.

**Other Long-Term Debt**

The Kentucky School Boards Insurance Trust (KSBIT) notified all past and present members that they will be assessed to make up for a growing deficit in the Workers' Compensation Self-Insurance and/or Property and Liability pools. In 2014, the District recorded a liability of \$326,275 (\$251,278 for Workers' Compensation liability and \$74,997 for Property and Liability coverage). The Property and Liability was paid in full in September of 2014 and the District financed the Workers' Compensation liability portion through an interest free loan from KSBIT over six years after a 25% down payment. Annual payments are \$31,410.

**Note 5. Capital Lease Obligations**

The District has entered into various lease agreements with RICOH for financing the acquisitions of copiers. The RICOH lease payments are paid by the General Fund and reported as instructional. The capital lease obligations are included in depreciation expense and allocated to the instructional, business support, and school administrative functions. The following is an analysis of leased property under capital leases by class:

**UNION COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2020**

**Note 5. Capital Lease Obligations, continued**

<u>RICOH Leases</u>	<u>Class of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>
2017	Technology (9 Copiers)	\$100,760	\$58,777

The following is a schedule by years of the future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2020:

<u>Year Ending June 30,</u>	<u>Capital Lease Obligations</u>
2021	23,426
2022	23,426
2023	3,906
Total minimum lease payments	50,758
Less: Amount representing interest	(3,318)
Present Value of Net Minimum Lease Payments	<u>\$ 47,440</u>

**Note 6. Defined Contribution Plans**

The District makes available various 401(k) and 403(b) defined contribution pension plans for all regular full-time and part-time employees. These Plans are administered by independent third party administrators. Employees are allowed to contribute any amount to the Plans up to the Internal Revenue Code maximum allowable amount. The District can but is not required to contribute to the Plans. In addition, the District retains authority to amend or terminate these plans. During the year ended June 30, 2020, employees of the District contributed \$165,220 to 401(k) plans and \$1,800 to 403(b) plans.

**Note 7. Deferred Compensation**

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, allows entities with little or no administrating involvement and who do not perform the investing functions for these plans to omit plan assets and related liabilities from their financial statements. The District therefore does not show these assets and liabilities on its financial statements. The District does not contribute to these plans, and employees of the District contributed \$6,575 to these plans during the year ended June 30, 2020.

**UNION COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2020**

**Note 8. Pension Benefits- Teachers' Retirement System of the State of Kentucky**

Plan description - Teaching-certified employees of the Union County School District are provided pensions through the Teachers' Retirement System of the State of Kentucky (TRS)—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. 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/>.

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

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

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

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Members at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. TRS also provides disability benefits for vested members at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing members and \$5,000 for retired or disabled members.

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

Contributions- Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university members are required to contribute 12.855% of their salaries to the System. The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions of the amount 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 members whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

**UNION COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2020**

**Note 8. Pension Benefits- Teachers' Retirement System of the State of Kentucky, continued**

The Union County School District's total payroll for the year was \$13,309,514. The payroll for employees covered under TRS was \$9,762,288. For the year ended June 30, 2020, the Commonwealth contributed \$3,000,538 to TRS for the pension benefit of our participating employees. The District's contributions to TRS for the years ending June 30, 2020, 2019 and 2018 were \$400,801, \$386,125, and \$282,104, respectively, which represent 100% of the required contributions for those employees covered by federal programs.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Because the State, as a non-employer contributing entity, is required by Kentucky Revised Statutes to contribute 100% of the District's contractually required contributions, the District reports no pension liabilities, pension expenses, deferred outflows of resources, or deferred inflows of resources related to TRS.

The portion of the TRS net pension liability that was associated with the District recognized at June 30, 2020, was as follows:

District's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with the District		39,871,348
Total	\$	39,871,348

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The net pension liability associated with the District was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2019, the measurement date, the State's proportion of the TRS net pension liability associated with the District was 0.2922% percent which was a decrease of .0215% from its proportion measured as of June 30, 2018 of 0.2862%

For the year ended June 30, 2020, the District recognized on-behalf pension expense and revenue of \$3,000,538 for contributions provided by the State.



**UNION COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2020**

**Note 8. Pension Benefits- Teachers' Retirement System of the State of Kentucky, continued**

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

Inflation	3.00%
Salary increases, including inflation	3.50% to 7.30%
Long-term Investment rate of return, net of pension plan investment expense & inflation	7.50%
Municipal Bond Index Rate:	
Prior Measurement Date	3.89%
Measurement Date	3.50%
Year FNP is projected to be depleted	N/A
Single Equivalent Interest Rate, net of pension plan investment expense & inflation:	
Prior Measurement Date	7.50%
Measurement Date	7.50%
Post-Retirement Benefit Increases	1.50% annually

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	40.0%	4.2%
International Equity	22.0%	5.2%
Fixed Income	15.0%	1.2%
Additional Categories	7.0%	3.2%
Real Estate	7.0%	3.8%
Private Equity	7.0%	6.3%
Cash	2.0%	0.9%
Total	<u>100.0%</u>	

**UNION COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2020**

**Note 8. Pension Benefits- Teachers' Retirement System of the State of Kentucky, continued**

Discount Rate- The discount rate used to measure the total pension liability (TPL) as of the Measurement Date was 7.5%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. TRS assumed that Plan member contributions will be made at the current contribution rates and that employer contributions will be made at Actuarially Determined Contribution rates, adjusted by 95%, for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The change in the discount rate from 4.49% used in 2018 disclosure report is considered a change in actuarial assumptions or other under inputs under GASB 68.

Sensitivity of the District's Proportionate Share of Net Pension Liability to Changes in the Discount Rate—The following presents the State's proportionate share of the net pension liability associated with the District calculated using the discount rate of 7.5% as well as what the State's proportionate share of the net pension liability associated with the District would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
State's proportionate share of net pension liability associated with the District	50,909,469	39,871,348	30,581,707

Plan Fiduciary Net Position- Detailed information about the TRS fiduciary net position is available in the publically available financial report.

Payable to the Pension Plan- Because the State is required by statute to contribute 100% of the District's contractually required pension contributions, the District reports no payable for such pension contributions at June 30, 2020.

**Note 9. Other Postemployment Benefits – Teachers' Retirement System of the State of Kentucky**

Other Postemployment Benefits (OPEB)

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

**UNION COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2020**

**Note 9. Other Postemployment Benefits – Teachers’ Retirement System of the State of Kentucky, continued**

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 (MIP)

*Plan description* – In addition to the pension benefits described in Note 6, Kentucky Revised Statute 161.675 requires TRS to provide post-employment healthcare benefits to eligible members and dependents. The MIP is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

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

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

At June 30, 2020, the District reported a liability for its proportionate share of the collective net OPEB MIP liability and the related deferred outflows or deferred inflows.

Life Insurance Plan (LIP)

*Plan description* – TRS also administers a life insurance plan as provided by Kentucky Revised Statute 161.655 to eligible active and retired members. The LIP 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 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. Employers do not contribute to the LIP.

**UNION COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2020**

**Note 9. Other Postemployment Benefits – Teachers’ Retirement System of the State of Kentucky, continued**

At June 30, 2020, the District did not report a liability for a proportionate share of the collective net OPEB LIP liability, nor any related deferred outflows or deferred inflows, because the State of Kentucky provides the OPEB LIP support directly to TRS on behalf of the District, and the District does not contribute to the LIP.

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 \$4,526,000 for its proportionate share of the collective net MIP OPEB liability that reflected a reduction for state MIP OPEB support provided to the District. The collective net MIP OPEB liability was measured as of June 30, 2018, and the total MIP OPEB liability used to calculate the collective net MIP OPEB liability was based on a projection of the District’s long-term share of contributions to the MIP OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the District’s proportion was 0.154625%, a increase of .00819% from its proportion measured as of June 30, 2018 of 0.146435%.

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

	MIP	LIP
District's proportionate share of the net OPEB liability	\$ 4,526,000	\$ -
State's proportionate share of the net OPEB liability associated with the District	3,655,000	85,000
Total	\$ 8,181,000	\$ 85,000

For the year ended June 30, 2020, the District recognized MIP OPEB expense of \$217,434 and on-behalf MIP revenue of \$217,434 for support provided by the State. For the year ended June 30, 2020, the District recognized on-behalf LIP OPEB expense of \$3,590 and revenue of \$3,590 for support provided by the State. At June 30, 2020 the District reported deferred outflows of resources and deferred inflows of resources related to the MIP OPEB from the following sources:

	MIP	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 1,095,000
Assumption changes	19,000	-
Net difference between projected and actual investment earnings on OPEB plan investments	120,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	252,000	361,000
District contributions subsequent to the measurement date	268,152	-
Total	\$ 659,152	\$ 1,456,000

**UNION COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2020**

**Note 9. Other Postemployment Benefits – Teachers’ Retirement System of the State of Kentucky, continued**

Of the total amount reported as deferred outflows of resources related to the MIP OPEB, \$268,152 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 MIP OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to MIP OPEB will be recognized in the District’s MIP OPEB expense as follows:

<u>Year ended June 30:</u>	
2021	\$ (214,000)
2022	\$ (214,000)
2023	\$ (205,000)
2024	\$ (207,000)
2025	\$ (150,000)
Thereafter	<u>\$ (75,000)</u>
Total	<u>\$ (1,065,000)</u>

Actuarial assumptions – The total MIP and LIP OPEB liabilities in the June 30, 2018 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return, net of	
OPEB plan investment expense & inflation:	
MIP	8.00%
LIP	7.50%
Projected salary increases	3.50% to 7.30%, including inflation
Inflation Rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Healthcare cost trend rates,	
MIP only:	
Under 65	7.50% for FY 2019 decreasing to an ultimate rate of 5.00% by FY 2024
Ages 65 and Older	5.50% for FY 2019 decreasing to an ultimate rate of 5.00% by FY 2021
Medicare Part B Premiums	2.63% for FY 2019 with an ultimate rate of 5.00% by 2031
Municipal Bond Index Rate	3.50%
Discount Rate:	
MIP	8.00%
LIP	7.50%
Single Equivalent Interest Rate,	
at prior measurement date and measurement date	
MIP	8.00%
LIP	7.50%

**UNION COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2020**

**Note 9. Other Postemployment Benefits – Teachers’ Retirement System of the State of Kentucky, continued**

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

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

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

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

Asset Class	Target Allocation		30 Year Expected Geometric Real Rate of Return	
	MIP	LIP	MIP	LIP
Global Equity	58.0%	0.0%	5.1%	0.0%
U.S. Equity	0.0%	40.0%	0.0%	4.3%
International Equity	0.0%	23.0%	0.0%	5.2%
Fixed Income	9.0%	18.0%	1.2%	1.2%
Real Estate	6.5%	6.0%	3.8%	3.8%
Private Equity	8.5%	5.0%	6.3%	6.3%
Other Additional Categories	17.0%	6.0%	3.2%	3.2%
Cash (LIBOR)	1.0%	2.0%	0.9%	0.9%
Total	100.0%	100.0%		

Discount rate- The discount rates used to measure the total MIP and LIP OPEB liabilities were 8.00% and 7.50%, respectively. 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 MIP 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 liabilities.

**UNION COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2020**

**Note 9. Other Postemployment Benefits – Teachers’ Retirement System of the State of Kentucky, continued**

Sensitivity of the District’s proportionate share of the collective net MIP OPEB liability to changes in the discount rate- The following table presents the District’s proportionate share of the collective net MIP OPEB liability, calculated using the discount rate of 8.00%, as well as what the District’s proportionate share of the collective net MIP 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:

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
	7.00%	8.00%	9.00%
Net MIP OPEB liability	5,361,000	4,526,000	3,826,000

Sensitivity of the District’s proportionate share of the collective net MIP OPEB liability to changes in the healthcare cost trends rates - The following presents the District’s proportionate share of the collective net MIP OPEB liability, as well as what the District’s proportionate share of the collective net MIP 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:

	<b>1% Decrease</b>	<b>Current Trend Rate</b>	<b>1% Increase</b>
Net MIP OPEB liability	3,684,000	4,526,000	5,560,000

OPEB plans’ fiduciary net position - Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued TRS financial reports.

Payable to the OPEB Plans – The District reported payables of \$0 for the outstanding amount of MIP and LIP OPEB contributions due to the Plans at June 30, 2020.

**Note 10. Pension and Other Postemployment Benefits- County Employees Retirement System**

Plan Description - Substantially, all other employees (classified personnel) are covered under the County Employees Retirement System (CERS), a cost-sharing, multiple-employer defined benefit pension / OPEB plan administered by Kentucky Retirement Systems (KRS). CERS covers members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in CERS. Kentucky Revised Statute Section 61.645 assigns the authority to establish and amend benefit provisions to the Board of Trustees of Kentucky Retirement Systems (Board). KRS issues a publically available financial report that can be obtained at [www.kyret.ky.gov](http://www.kyret.ky.gov) or by writing to Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601 or by calling 1-502-696-8000.

Benefits Provided - CERS provides for retirement, disability, and death benefits to system members through its Pension Fund, as well as other postemployment benefits (OPEB) for hospital and medical insurance through its Insurance Fund.

Retirement benefits may be extended to beneficiaries of members under certain circumstances. Retirement benefits are determined using a formula which considers the member’s final compensation; benefit factors set by statute which vary depending upon the type / amount of service, participation date, and retirement date; and years of service. Plan members with a participation date prior to September 1, 2008 are eligible to retire with full benefits at any time with 27 or more years of service credit, or at age 65 with at least 4 years of service credit.

**UNION COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2020**

**Note 10. Pension and Other Postemployment Benefits- County Employees Retirement System, continued**

Plan members with a participation date on or after September 1, 2008, are eligible to retire with full benefits at age 57 if the member's age and years of service equal 87, or at age 65 with at least 5 years of service credit.

Other postemployment benefits provided by CERS consist of prescribed contributions for whole or partial payments of required premiums to purchase hospital and medical insurance.

Contributions – State statute requires active members to contribute 5% of creditable compensation. For members participating on or after September 1, 2008, an additional 1% of creditable compensation is required. This amount is credited to the Insurance Fund and is non-refundable to the member. Employers contribute at the rate determined by the KRS Board to be necessary for the actuarial soundness of the systems, as required by KRS 61.565 and KRS 61.752.

The District's actuarially determined contribution amounts, based on annual creditable compensation for the years ended June 30, 2020, 2019 and 2018 were \$617,596, \$623,634, and \$686,131, respectively, equal to the required contributions for each year.

The District's actuarially determined contribution rates and contribution amounts, based on annual creditable compensation for the years ended June 30, 2020, were as follows:

	<b>Contribution Rates</b>		<b>Contributions</b>
Pension	19.30%	\$	495,436
OPEB	4.76%		122,160
Total	24.06%	\$	617,596

Liabilities, Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions and OPEB – The net pension and OPEB liabilities reported as June 30, 2020, were measured as of June 30, 2019, and the total pension and OPEB liabilities used to calculate the net pension liability and net OPEB liability were determined by an actuarial valuation as of June 30, 2018. The District's proportion of the liabilities was based on a projection of the District's long-term share of contributions to the plan relative to the projected contributions of all participating entities, actuarially determined. At the June 30, 2019, measurement date, the District's pension and OPEB proportion was 0.138863%, a decrease of 0.003899% from its proportion measured as of June 30, 2018, of 0.142762%.

The District's pension and OPEB liabilities and expense as of and for the year ended June 30, 2020, were as follows:

	<b>Net Pension Liability</b>		<b>Net OPEB Liability</b>
Proportionate Share	\$ 9,766,297	\$	2,336,959
Pension/OPEB Expense	\$ 1,548,161	\$	237,558



**UNION COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2020**

**Note 10. Pension and Other Postemployment Benefits- County Employees Retirement System, continued**

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

	Pension		OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability experience	\$ 249,363	\$ 41,265	\$ -	\$ 705,115
Assumption changes	988,460	-	691,528	4,624
Investment experience	187,475	344,911	15,393	119,191
Changes in proportion and differences between District contributions and proportionate share of contributions	-	180,681		91,201
District contributions subsequent to the measurement date	617,596	-	152,319	-
Implicit subsidy	-	-	50,178	-
<b>Total</b>	<b><u>\$ 2,042,894</u></b>	<b><u>\$ 566,857</u></b>	<b><u>\$ 909,418</u></b>	<b><u>\$ 920,131</u></b>

The \$617,596 and \$152,319 of deferred outflows of resources resulting from the District's pension and OPEB contributions subsequent to the measurement date will be recognized as a reduction of the net pension and OPEB liabilities in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension and OPEB expense as follows:

Year ending June 30,	Pension	OPEB
221	\$ 589,445	\$ (36,146)
2022	181,423	(3,145)
2023	76,402	(66,322)
2024	11,171	(60,049)
Thereafter	-	(11,401)
	<b><u>\$ 858,441</u></b>	<b><u>\$ (177,063)</u></b>

Actuarial assumptions—The total pension / OPEB liabilities in the June 30, 2017 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases, average	3.30%
Investment rate of return, net of investment expense & inflation	6.25%
Healthcare cost trend rates (OPEB)	Initial trend starting at 7.25% for Pre-65, or 5.10% for Post-65, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 5 years for Pre-65, or 2 years for Post-65

**UNION COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2020**

**Note 10. Pension and Other Postemployment Benefits- County Employees Retirement System, continued**

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

Actuarial assumptions, continued

Mortality rates were based on the following assumptions and assume a margin for future mortality improvement:

Pre-retirement mortality: RP-2000 Combined Mortality Table projected with Scale BB to 2013. Male mortality rates are multiplied by 50% and female mortality rates are multiplied by 30%.

Post-retirement mortality (non-disabled): RP-2000 Combined Mortality Table projected with Scale BB to 2013. Female mortality rates are set back one year.

Post-retirement mortality (disabled): RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013. Male mortality rates are set back four years.

The actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the five year period ended June 30, 2013.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
<b>Growth</b>	<b>53.50%</b>	
US Equity	15.75%	-4.30%
Non-US Equity	15.75%	4.80%
Private Equity	7.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
<b>Liquidity</b>	<b>23.50%</b>	
Core Bonds	20.50%	1.35%
Cash	3.00%	0.20%
<b>Diversifying Strategies</b>	<b>23.00%</b>	
Real Estate	5.00%	4.85%
Opportunistic/Absolute Return	3.00%	2.97%
Real Return	15.00%	4.10%
<b>Total</b>	<b>100.00%</b>	<b>3.52%</b>

**UNION COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2020**

**Note 10. Pension and Other Postemployment Benefits- County Employees Retirement System, continued**

Discount Rate - The discount rates used to measure the total pension / OPEB liabilities at the measurement dates and changes since the prior year were as follows:

	<u>Pension</u>	<u>OPEB</u>
Discount rate, June 30, 2018	6.25%	5.85%
Increase(decrease)		(.17)%
Discount rate, June 30, 2019	6.25%	5.68%

The discount rate of 6.25% used to measure the total pension liability was based on the expected rate of return on pension plan investments. The discount rate of 5.68% used to measure the total OPEB liability was based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 3.13%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2019.

The projection of cash flows used to determine the discount rates is based on the assumption that each participating employer in CERS will contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability.

Sensitivity of the District's Proportionate Share of the Net Pension and OPEB Liabilities to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension / OPEB liabilities, as well as what the District's proportionate share of the net pension / OPEB liabilities would be if they were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	District's porportionate share		
	1% Decrease	Current Discount Rate	1% Increase
	5.25%	6.25%	7.25%
Net Pension Liability	12,214,867	9,766,927	7,725,437
	4.68%	5.68%	6.68%
Net OPEB Liability	3,130,563	2,336,959	1,683,081

**UNION COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2020**

**Note 10. Pension and Other Postemployment Benefits- County Employees Retirement System, continued**

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trends Rates - The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the 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:

	<b>1% Decrease</b>	<b>Current healthcare cost trend rate</b>	<b>1% Increase</b>
	6.25% Pre-65 or 5.10% Post-65 decreasing to 3.05%	7.25% Pre-65 or 5.10% Post-65 decreasing to 4.05%	8.25% Pre-65 or 5.10% Post-65 decreasing to 5.05%
District's Proportionate Share of Net OPEB Liability	1,738,008	2,336,959	3,063,257

Plan Fiduciary Net Position - Detailed information about the CERS fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report.

Payables to the Pension / OPEB Plans - The District reported the following payables for the outstanding amount of pension/OPEB contributions due to CERS for the year ended June 30, 2020:

<b>Pension</b>	<b>OPEB</b>
\$ -	\$ -

**Note 11. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District pays annual premiums for coverage to Liberty Mutual Insurance for their general liability and property insurance coverage. The District purchases unemployment insurance through the Kentucky Employers Mutual Insurance. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

**Note 12. COBRA**

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

**UNION COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2020**

**Note 13. Transfer of funds**

The interfund balances as of June 30, 2020 consisted of a receivable in the General fund from the Special revenue fund in the amount of \$46,413 for cash deficit in pooled cash account.

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<b>Nonmajor Governmental Funds:</b>			
FSPK	Debt Service	Debt Payments	\$ 565,491
Total Nonmajor governmental funds			<u>565,491</u>
General	Special Revenue	Technology	<u>40,079</u>
Total Major governmental funds			<u>40,079</u>
Total Transfers			<u><u>\$ 605,570</u></u>

**Note 14. Contingencies**

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

As shown in Note 4 above, the Kentucky School Facilities Construction Commission (KSFCC) is assisting the District with the repayment of the Bond Series 2009, 2013, 2014, 2016 and 2020. In the unlikely event the Commonwealth of Kentucky defaults on their portion of the bond series, the District is responsible to repay the amount in full. The KSFCC's portion as of June 30, 2020 was \$2,122,272.

**Note 15. Deficit Operating/Net Position**

There are funds of the District that currently have a deficit net position because of the implementation of GASB 68 and GASB 75 while other funds have operations that resulted in a current year deficit of revenues under expenditures and other financing uses resulting in a corresponding reduction of fund balance. The operating deficits were funded by available resources at the beginning of the year.

	<u>Operations</u>	<u>Net Position</u>
District Activity Fund	\$ 1,367	
School Food Service	\$ -	\$ 739,299

**UNION COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2020**

**Note 16. On-behalf Payments**

The Commonwealth of Kentucky made payments on behalf of the District as follows for the year ended June 30, 2020. The amounts are included in the General Fund, Debt Service, Food Service Fund and Child Care Fund as Intergovernmental-State revenues. In the General Fund, the retirement payments are recorded as additional instruction expense and the health insurance, flexible spending plan, and life insurance payments (net of administrative fees) are allocated to the various expense functions based on a ratio of employees and technology payments are recorded as District Administration expense. In the Debt Service Fund, the payments are recorded as principal and interest payments. In the Food Service and Day Care Funds, all of the payments are recorded as additional employee benefits.

Kentucky Teachers Retirement System	\$ 3,000,538
Health insurance, flexible spending plan, life insurance, net of administrative fees	2,948,842
Technology	84,425
Debt Service	153,490
	<u>\$ 6,187,295</u>
Amounts Reported in:	
General Fund	\$ 5,907,922
Food Service Fund	111,012
Day Care Fund	14,871
Debt Service Fund	153,490
	<u>\$ 6,187,295</u>

**Note 17. Commitments**

The District had the following outstanding construction projects, as evidenced by contracts, purchase orders or BG-1 forms, as applicable, as of June 30, 2020.

Project	Total Commitment	Incurred To Date	Commitment Remaining
District wide intercom and phone system upgrade	305,000	107,380	197,620
Roofing at UCHS, UCMS, MES, SES and UCHS Vocational School	5,380,000	125,736	5,254,264
	<u>\$ 5,685,000</u>	<u>\$ 233,116</u>	<u>\$ 5,451,884</u>
Total			

**Note 18. Subsequent Events**

Management has evaluated subsequent events through November 9, 2020 the date on which the financial statements were available to be issued.

**UNION COUNTY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL-GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>BUDGETED AMOUNTS</u>			VARIANCES WITH FINAL BUDGET
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	FAVORABLE (UNFAVORABLE)
<b>Revenues:</b>				
From local sources:				
Taxes:				
Property	\$ 5,035,774	\$ 5,733,174	\$ 5,784,955	\$ 51,781
Motor vehicle	730,000	738,000	748,558	10,558
Utilities	1,180,000	1,145,000	1,247,988	102,988
Unmined minerals	300,000	360,000	360,637	637
Earnings on investments	130,000	130,000	172,711	42,711
Other local revenues	10,000	10,000	85,791	75,791
Intergovernmental - Local	82,150	82,150	75,970	(6,180)
Intergovernmental - State	14,360,781	14,063,446	14,005,874	(57,572)
Intergovernmental - Federal	230,000	230,000	274,577	44,577
<b>Total Revenues</b>	<b>22,058,705</b>	<b>22,491,770</b>	<b>22,757,061</b>	<b>265,291</b>
<b>Expenditures:</b>				
Current:				
Instruction	13,021,776	12,992,395	12,117,550	874,845
Support services:				
Student	1,632,402	1,631,128	1,416,470	214,658
Instructional staff	541,934	545,827	526,207	19,620
District administration	917,844	887,888	807,681	80,207
School administration	1,483,156	1,489,132	1,549,099	(59,967)
Business	821,025	833,188	794,289	38,899
Plant operations and maintenance	2,274,036	2,305,128	2,045,759	259,369
Student transportation	2,017,705	2,017,506	1,624,143	393,363
Community service activities	27,059	27,059	19,323	7,736
<b>Total Expenditures</b>	<b>22,736,937</b>	<b>22,729,251</b>	<b>20,900,521</b>	<b>1,828,730</b>
<b>Excess(deficiency) of revenues over expenditures</b>	<b>(678,232)</b>	<b>(237,481)</b>	<b>1,856,540</b>	<b>2,094,021</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds from sale of fixed assets			3,070	3,070
Operating transfers in			-	-
Operating transfers out	(32,345)	(40,079)	(40,079)	-
Contingency	(1,458,098)	(1,458,098)		1,458,098
<b>Total Other Financing Sources (Uses)</b>	<b>(1,490,443)</b>	<b>(1,498,177)</b>	<b>(37,009)</b>	<b>1,461,168</b>
<b>Net Change in Fund Balance</b>	<b>(2,168,675)</b>	<b>(1,735,658)</b>	<b>1,819,531</b>	<b>3,555,189</b>
<b>Fund balance June 30, 2019</b>	<b>2,168,675</b>	<b>1,735,658</b>	<b>7,649,063</b>	<b>5,913,405</b>
<b>Fund balance June 30, 2020</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,468,594</b>	<b>9,468,594</b>

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

	<u>BUDGETED AMOUNTS</u>			VARIANCES WITH FINAL BUDGET
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FAVORABLE (UNFAVORABLE)</u>
<b>Revenues:</b>				
From local sources:				
Taxes:				
Property				
Motor vehicle				
Utilities				
Unmined minerals				
Earnings on investments				
Intergovernmental - State	\$ 953,541	\$ 1,037,143	\$ 938,282	\$ (98,861)
Intergovernmental - Federal	1,256,678	1,659,214	1,187,331	(471,883)
Revenue in lieu of taxes				
Other state revenue				
Other local revenues	3,099	22,168	19,996	(2,172)
<b>Total Revenues</b>	<u>2,213,318</u>	<u>2,718,525</u>	<u>2,145,609</u>	<u>(572,916)</u>
<b>Expenditures:</b>				
Current:				
Instruction	1,794,154	2,208,857	1,751,889	456,968
Support services:				
Student	17,404	17,404	12,505	4,899
Instructional staff	119,975	125,074	117,599	7,475
District administration			-	
School administration			-	
Business	1,700	300	-	300
Plant operations and maintenance			-	
Student transportation	97,527	79,343	78,126	1,217
Community services	214,903	306,555	225,569	80,986
<b>Total Expenditures</b>	<u>2,245,663</u>	<u>2,737,533</u>	<u>2,185,688</u>	<u>551,845</u>
<b>Excess(deficiency) of revenues over expenditures</b>	<u>(32,345)</u>	<u>(19,008)</u>	<u>(40,079)</u>	<u>(21,071)</u>
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	32,345	40,079	40,079	-
Operating transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>32,345</u>	<u>40,079</u>	<u>40,079</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>-</u>	<u>21,071</u>	<u>-</u>	<u>(21,071)</u>
<b>Fund balance July 1, 2019</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance June 30, 2020</b>	<u>\$ -</u>	<u>\$ 21,071</u>	<u>\$ -</u>	<u>\$ (21,071)</u>



**UNION COUNTY SCHOOL DISTRICT  
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
FOR BUDGETARY PROCESS  
FOR THE YEAR ENDED JUNE 30, 2020**

**Budgetary Process**

**Budgetary Basis of Accounting:** Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year-end.

As required by KRS 160.470, on or before January 31 of each year, the District commences budget preparation for the following fiscal year. Before May 30, a tentative working budget is presented to the Kentucky Department of Education. A final working budget must be prepared and adopted no later than September 30. The budget is periodically amended and adopted by the Board of Education during the fiscal year with a final budget adopted by the Board prior to June 30.

The appropriated budget is prepared by fund unit, function, program, level, object and project. The legal level of budgetary control is the fund level.

**Reconciliation between the Budgetary Basis of Accounting and GAAP**

There were no material variances between the GAAP prescribed basis of accounting for governmental funds and the budgetary basis used by the District.

**UNION COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**TEACHERS RETIREMENT SYSTEM OF THE STATE OF KENTUCKY**

Last 10 Fiscal Years\*

	2020	2019	2018	2017	2016	2015
District's proportion of the plan total net pension liability	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
District's proportionate share of the net pension liability associated with the District	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	39,871,348	37,473,487	83,029,951	92,975,785	73,805,718	65,341,991
<b>Total</b>	<b>\$ 39,871,348</b>	<b>\$ 37,473,487</b>	<b>\$ 83,029,951</b>	<b>\$ 92,975,785</b>	<b>\$ 73,805,718</b>	<b>\$ 65,341,991</b>
District's covered-employee payroll	\$ 9,762,288	\$ 9,696,483	\$ 9,403,467	\$ 10,086,380	\$ 10,203,588	\$ 10,040,188
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	58.80%	59.30%	39.83%	35.22%	42.49%	45.59%

\*The amounts presented for each fiscal year were determined as of June 30.  
Schedule is intended to show information for ten years.  
Additional years will be displayed as they become available.

**UNION COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
**TEACHERS RETIREMENT SYSTEM OF THE STATE OF KENTUCKY**

Last 10 Fiscal Years\*

	2020	2019	2018	2017	2016	2015
District's contractually required contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's contributions in relation to the contractually required contributions	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 9,762,288	\$ 9,696,483	\$ 9,403,467	\$ 10,086,380	\$ 10,203,588	\$ 10,040,188
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

\*The amounts presented for each fiscal year were determined as of June 30.  
Schedule is intended to show information for ten years.  
Additional years will be displayed as they become available.

**UNION COUNTY SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**NET PENSION LIABILITY**  
**TEACHERS RETIREMENT SYSTEM OF THE STATE OF KENTUCKY**  
**For the Year Ended June 30, 2020**

Changes of Benefit Terms

2020 None  
2019 None  
2018 None  
2017 None  
2016 None

Changes of Assumptions

2020 The municipal bond index rate decreased from 3.89% to 3.5%.  
The projected salary increases increased from 3.50% - 7.20% to 3.50% - 7.30%.

2019 The municipal bond index rate increased from 3.56% to 3.89%.  
The discount rate increased from 4.49% to 7.50%.

2018 The municipal bond index rate increased from 3.01% to 3.56%.  
The single equivalent interest rate, net of pension plan investment expense, including inflation increased from 4.20% to 4.49%.  
The inflation rate decreased from 3.50% to 3.00%.

2017 The municipal bond index rate decreased from 3.82% to 3.01%.  
The discount rate decreased from 4.88% to 4.20%.

2016 None

**UNION COUNTY SCHOOL DISTRICT**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITIES  
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF KENTUCKY**

Last 10 Fiscal Years\*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b><u>MEDICAL INSURANCE PLAN (MIP)</u></b>			
District's proportion of the plan total net MIP OPEB liability	0.15463%	0.14644%	0.16100%
District's proportionate share of the net MIP OPEB liability associated with the District	\$ 4,526,000	\$ 5,081,000	\$ 5,741,000
State's proportionate share of the net MIP OPEB liability associated with the District	<u>3,655,000</u>	<u>4,379,000</u>	<u>4,690,000</u>
<b>Total</b>	<b><u>\$ 8,181,000</u></b>	<b><u>\$ 9,460,000</u></b>	<b><u>\$ 10,431,000</u></b>
District's covered-employee payroll	\$ 9,762,288	\$ 9,696,483	\$ 9,403,467
District's proportionate share of the net MIP OPEB liability as a percentage of its covered-employee payroll	46.36%	52.40%	61.05%
Plan fiduciary net position as a percentage of the total MIP OPEB liability	32.60%	25.50%	21.18%
<b><u>LIFE INSURANCE PLAN (LIP)</u></b>			
District's proportion of the plan total net LIP OPEB liability	0.0000%	0.0000%	0.0000%
District's proportionate share of the net LIP OPEB liability associated with the District	\$ -	\$ -	\$ -
State's proportionate share of the net LIP OPEB liability associated with the District	<u>85,000</u>	<u>75,000</u>	<u>63,000</u>
<b>Total</b>	<b><u>\$ 85,000</u></b>	<b><u>\$ 75,000</u></b>	<b><u>\$ 63,000</u></b>
District's covered-employee payroll	\$ 9,762,288	\$ 9,696,483	\$ 9,403,467
District's proportionate share of the net LIP OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total LIP OPEB liability	73.40%	75.00%	79.99%

\*The amounts presented for each fiscal year were determined as of June 30.  
Schedule is intended to show information for ten years.  
Additional years will be displayed as they become available.

**UNION COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF OPEB CONTRIBUTIONS**  
**TEACHERS' RETIREMENT SYSTEM OF THE STATE OF KENTUCKY**

Last 10 Fiscal Years\*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b><u>MEDICAL INSURANCE PLAN (MIP)</u></b>			
District's contractually required contributions	\$ 269,244	\$ 260,846	\$ 282,104
District's contributions in relation to the contractually required contributions	<u>(269,244)</u>	<u>(260,846)</u>	<u>(282,104)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 9,762,288	\$ 9,696,483	\$ 9,403,467
Contributions as a percentage of covered-employee payroll	3.00%	3.00%	3.00%
<b><u>LIFE INSURANCE PLAN (LIP)</u></b>			
District's contractually required contributions	\$ -	\$ -	\$ -
District's contributions in relation to the contractually required contributions	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 9,762,288	\$ 9,696,483	\$ 9,403,467
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%

\*The amounts presented for each fiscal year were determined as of June 30.  
Schedule is intended to show information for ten years.  
Additional years will be displayed as they become available.

**UNION COUNTY SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**NET OPEB LIABILITY**

**TEACHERS RETIREMENT SYSTEM OF THE STATE OF KENTUCKY**

**For the Year Ended June 30, 2020**

MEDICAL INSURANCE PLAN (MIP)

Changes of Benefit Terms

2020 None

2019 None

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

Changes of Assumptions

2020 The municipal bond index rate decreased from 3.89% to 3.50%.

The projected salary increases increased from 3.50% - 7.20% to 3.50% - 7.30%.

2019 The municipal bond index rate increased from 3.56% to 3.89%.

2018 None

LIFE INSURANCE PLAN (LIP)

Changes of Benefit Terms

2020 None

2019 None

2018 None

Changes of Assumptions

2020 The municipal bond index rate decreased from 3.89% to 3.50%.

2019 The municipal bond index rate increased from 3.56% to 3.89%.

2018 None

**UNION COUNTY SCHOOL DISTRICT**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
COUNTY EMPLOYEES RETIREMENT SYSTEM**

Last 10 Fiscal Years\*

	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.138863%	0.142757%	0.144050%	0.147620%	0.154510%	0.156407%
District's proportionate share of the net pension liability	\$ 9,766,297	\$ 8,694,641	\$ 8,431,689	\$ 7,268,002	\$ 6,643,304	\$ 5,074,432
District's covered-employee payroll	\$ 3,414,709	\$ 3,516,082	\$ 3,577,327	\$ 3,521,226	\$ 3,533,955	\$ 3,609,158
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	286.01%	247.28%	235.70%	206.41%	187.98%	140.59%
Plan fiduciary net position as a percentage of the total pension liability	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%

\*The amounts presented for each fiscal year were determined as of June 30.  
Schedule is intended to show information for ten years.  
Additional years will be displayed as they become available.



**UNION COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
**COUNTY EMPLOYEES RETIREMENT SYSTEM**

Last 10 Fiscal Years\*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 617,596	\$ 559,520	\$ 517,997	\$ 491,211	\$ 439,159	\$ 460,208
Contributions in relation to the contractually required contributions	<u>(617,596)</u>	<u>(559,520)</u>	<u>(517,997)</u>	<u>(491,211)</u>	<u>(439,159)</u>	<u>(460,208)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 3,414,709	\$ 3,516,082	\$ 3,577,327	\$ 3,521,226	\$ 3,533,955	\$ 3,609,158
Contributions as a percentage of covered-employee payroll	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%

\*The amounts presented for each fiscal year were determined as of June 30.  
Schedule is intended to show information for ten years.  
Additional years will be displayed as they become available.

**UNION COUNTY SCHOOL DISTRICT**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
COUNTY EMPLOYEES RETIREMENT SYSTEM**

Last 10 Fiscal Years\*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.138943%	0.142757%	0.144050%
District's proportionate share of the net OPEB liability	2,336,959	2,534,622	2,895,898
District's covered-employee payroll	\$ 3,414,709	\$ 3,516,082	\$ 3,577,327
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	68.44%	72.09%	80.95%
Plan fiduciary net position as a percentage of the total OPEB liability	60.44%	57.62%	52.40%

\*The amounts presented for each fiscal year were determined as of June 30.  
Schedule is intended to show information for ten years.  
Additional years will be displayed as they become available.

**UNION COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF OPEB CONTRIBUTIONS**  
**COUNTY EMPLOYEES RETIREMENT SYSTEM**

Last 10 Fiscal Years\*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 152,319	\$ 181,984	\$ 168,134
Contributions in relation to the contractually required contribution	<u>(152,319)</u>	<u>(181,984)</u>	<u>(168,134)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 3,414,709	\$ 3,516,082	\$ 3,577,327
Contributions as a percentage of covered-employee payroll	4.46%	5.26%	4.70%

\*The amounts presented for each fiscal year were determined as of June 30.  
Schedule is intended to show information for ten years.  
Additional years will be displayed as they become available.

**UNION COUNTY SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**COUNTY EMPLOYEES RETIREMENT SYSTEM**

**For the Year Ended June 30, 2020**

Changes of Benefit Terms

2020	None
2019	None
2018	None
2017	None
2016	None

Changes of Assumptions

Pension and OPEB:

2020 The salary increases assumption was changed from 3.05% to 3.30%.

2019 The salary increases assumption was changed from 2.00% to 3.05%.

2018 The inflation rate decreased from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service.

The investment rate of return, net of investment expense & inflation decreased from 7.50% to 6.25%.

The payroll growth assumption (applicable for the amortization of unfunded actuarial accrued liabilities) decreased from 4.00% to 2.00%.

OPEB:

2020 The single discount rate was changed from 5.85% to 5.68%.

2019 The single discount rate changed from 5.84% to 5.85%.

2018 The single discount rate changed from 6.89% to 5.84%.

2017 None

2016 Pension:

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

The assumed rate of inflation was reduced from 3.50% to 3.25%

The assumed rate of wage inflation was reduced from 1.00% to 0.75%.

Payroll growth assumption was reduced from 4.50% to 4.00%.

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

**UNION COUNTY SCHOOL DISTRICT  
COMBINING BALANCE SHEET- NONMAJOR GOVERNMENT FUNDS  
JUNE 30, 2020**

	District Activity Fund	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Fund	Total Nonmajor Governmental Funds
<b>Assets</b>					
Cash and cash equivalents					
Accounts receivable:					
Local					
Restricted cash	\$ 72,366	\$ 439,358	\$ 395,749	\$ -	\$ 907,473
<b>Total assets</b>	<u>\$ 72,366</u>	<u>\$ 439,358</u>	<u>\$ 395,749</u>	<u>\$ -</u>	<u>\$ 907,473</u>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities</b>					
Accounts payable					\$ -
Due to other funds					
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>					
Restricted for:					
Capital Projects		\$ 439,358	\$ 395,749		\$ 835,107
Debt Service				\$ -	-
Assigned for encumbrances	72,366				72,366
Unassigned					-
<b>Total fund balances</b>	<u>72,366</u>	<u>439,358</u>	<u>395,749</u>	<u>-</u>	<u>907,473</u>
<b>Total liabilities and fund balances</b>	<u>\$ 72,366</u>	<u>\$ 439,358</u>	<u>\$ 395,749</u>	<u>\$ -</u>	<u>\$ 907,473</u>

**UNION COUNTY SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCES- NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

	District Activity Fund	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Fund	Total Nonmajor Governmental Funds
<b>Revenues:</b>					
From local sources:					
Taxes:					
Property		\$ 508,761			\$ 508,761
Earnings on investments		8,673	\$ 5,384		14,057
Other local revenue	\$ 37,566				37,566
Donations					-
Intergovernmental - State		301,067	194,204	153,490	648,761
<b>Total revenues</b>	<u>37,566</u>	<u>818,501</u>	<u>199,588</u>	<u>153,490</u>	<u>1,209,145</u>
<b>Expenditures:</b>					
Instruction:	33,908				33,908
Instructional staff :	4,975				4,975
Community service:	50				50
Capital outlay:					
Facilities acquisition and construction					-
Debt Service:					
Principal				620,000	620,000
Interest				98,981	98,981
Bond issuance costs					-
<b>Total expenditures</b>	<u>38,933</u>	<u>-</u>	<u>-</u>	<u>718,981</u>	<u>757,914</u>
<b>Excess (deficit) of revenues over expenditures</b>	<u>(1,367)</u>	<u>818,501</u>	<u>199,588</u>	<u>(565,491)</u>	<u>451,231</u>
<b>Other Financing Sources (Uses)</b>					
Bond proceeds					-
Transfers in				565,491	565,491
Transfers out		(565,491)			(565,491)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>(565,491)</u>	<u>-</u>	<u>565,491</u>	<u>-</u>
<b>Excess (deficit) of revenues and other financing sources over expenditures and other financing uses</b>	<u>(1,367)</u>	<u>253,010</u>	<u>199,588</u>	<u>-</u>	<u>451,231</u>
<b>Fund balance, July 1, 2019</b>	<u>73,733</u>	<u>186,347</u>	<u>196,161</u>		<u>456,241</u>
<b>Fund balance, June 30, 2020</b>	<u>\$ 72,366</u>	<u>\$ 439,357</u>	<u>\$ 395,749</u>	<u>\$ -</u>	<u>\$ 907,472</u>

**UNION COUNTY SCHOOL DISTRICT  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS  
AND FUND BALANCES ALL AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

	Cash Balances July 1, 2019	Receipts	Disbursements	Cash Balances June 30, 2020	Accounts Receivable June 30, 2020	Accounts Payable June 30, 2020	Fund Balances June 30, 2020
<u>Activity Funds</u>							
Union County High School	\$ 239,079	\$ 452,894	\$ 407,603	\$ 284,370	\$ -	\$ 8,542	\$ 275,828
Union County Middle School	71,793	133,434	115,632	89,595			89,595
Sturgis Elementary School	38,049	58,137	45,993	50,193			50,193
Uniontown Elementary School	13,578	35,840	28,752	20,666	300	1,636	19,330
Morganfield Elementary School	16,808	62,310	55,046	24,072			24,072
	<u>\$ 379,307</u>	<u>\$ 742,615</u>	<u>\$ 653,026</u>	<u>\$ 468,896</u>	<u>\$ 300</u>	<u>\$ 10,178</u>	<u>\$ 459,018</u>

The Activity Funds cash balances at June 30, 2020 consisted of the following:

Cash and cash equivalents	\$ 385,490
Certificates of deposit	83,406
	<u>\$ 468,896</u>

**UNION COUNTY SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES  
HIGH SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

	Cash Balances July 1, 2019	Receipts	Disbursements	Transfers In	Transfers Out	Cash Balances June 30, 2020	Accounts Receivable June 30, 2020	Accounts Payable June 30, 2020	Fund Balances June 30, 2020
100 General Fund	\$ 3,841	\$ 5,790	\$ 3,338		\$ 2,945	\$ 3,348			\$ 3,348
101 Drink Machine	326	1,084	20	12		1,402			1,402
102 Student Reward Money/PBIS	1,765	251	815		218	983		100	883
103 Start Up Cash	-	6,500	6,500			-			-
200 Faculty/Staff Flower	509	533	908	4		138			138
201 Guidance	1,010	267	1,295	22		4			4
202 Guidance Testing	7,753	8,913	10,712	50		6,004		3,740	2,264
203 Staff/Preschool	4	126				130			130
301 Beta	1,448	6,457	6,581	20		1,344			1,344
302 Book Club	292			4		296			296
303 E A C	31	168				199		277	(78)
304 F.B.L.A.	857	8,945	8,929	6		879			879
305 F.E.A.	194	904	995	2		105			105
306 F.F.A.	1,372	41,181	24,216	93		18,430		415	18,015
307 Foreign Language	312			6		318			318
308 Gamers Guild	140			2		142			142
309 HOSA	7,248	4,996	4,164	90		8,170			8,170
310 Leadership	92					92			92
311 National Honor Society	97	60	94	5		68			68
312 NTHS	-	1,200	1,180	3		23			23
314 PEP	2,664	3,800	1,885	30		4,609			4,609
315 Science Club	23					23			23
316 VICA(Skills USA)	177			2		179			179
318 SOAP	386	467	456	6		403			403
319 Health Service	5,392	2,479	2,884	67		5,054			5,054
320 Performing Arts	2,631			36		2,667			2,667
321 Academic Team	-	237	157			80			80
322 Art Studio	2,960		164	40		2,836			2,836
323 Gifted & Talented	-	780	594			186			186
324 Links YSC	1,751	1,673	2,609	53		868			868
325 Project Graduation	1,913	7,915	9,911	108		25			25
326 Teenpower	67	38	69	2		38			38
327 FCCLA	39					39			39
328 FCA	48	255	247			56			56
400 MSD	1,067	3,099	2,800	12		1,378			1,378
401 2019 GRAD	81			9		90			90
402 2021 GRAD	-	11,011	5,260			5,751			5,751
404 2020 GRAD	3,148	100	769	21		2,500			2,500
500 Athletics General	39,601	51,941	12,607		34,300	44,635		408	44,227
504 Football Boosters	27,227	33,525	35,194		621	24,937			24,937
505 Boys Basketball Boosters	1,591	26,122	20,918	18		6,813			6,813
506 Girls Basketball Boosters	18,703	16,602	16,620	202		18,887			18,887
507 Cross Country Boosters	77	505	584	2		-			-
508 Baseball Boosters	9,803	43,162	34,387	257		18,835			18,835
509 Softball Boosters	13,003	10,957	6,569	141		17,532		3,272	14,260
510 Girls Soccer Boosters	7,923	9,758	6,793	116		11,004			11,004
511 Boys Soccer Boosters	2,846			38		2,884			2,884
512 Golf Boosters	2,056	3,788	4,265	23		1,602			1,602
513 Tennis Boosters	2,264	546	547	27		2,290		330	1,960
514 Volleyball Boosters	5,249	4,830	6,430	57		3,706			3,706
515 Cheer Boosters	8,593	61,261	63,859	1,042		7,037			7,037
516 Dance Boosters	1,775		137	23		1,661			1,661



**UNION COUNTY SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES  
HIGH SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

	Cash Balances July 1, 2019	Receipts	Disbursements	Transfers In	Transfers Out	Cash Balances June 30, 2020	Accounts Receivable June 30, 2020	Accounts Payable June 30, 2020	Fund Balances June 30, 2020
518 Archery Boosters	804	6,118	1,072	6		5,856			5,856
522 Golf Athletic	-		502	502		-			-
523 Softball Athletic	-		83	2,000		1,917			1,917
525 Volleyball Athletics	578		2,583	2,005		-			-
526 Football Athletic	2,117		14,905	12,788		-			-
527 Girls Soccer Athletic	-		2,000	2,000		-			-
528 Wrestling Athletic	10		2,010	2,000		-			-
529 Cheer Athletic	475		1,228	753		-			-
530 Boys Basketball Athletic	-		4,000	4,000		-			-
531 Girls Basketball Athletic	-		4,000	4,000		-			-
532 Cross Country Athletic	168		919	751		-			-
533 Tennis Athletic	686			759		1,445			1,445
535 Baseball Athletic	-			2,000		2,000			2,000
536 Track Athletic	-		48	752		704			704
538 Archery Athletics	40	360	507	250		143			143
551 Cheer Bus	-	230	230			-			-
552 Volleyball Bus	-	475	475			-			-
555 Girls Basketball Bus	-	475	475			-			-
557 Football Bus	-	125	125			-			-
558 Boys Basketball Bus	-	370	370			-			-
559 Baseball Bus	-	620	600			20			20
561 Track Bus	-	100				100			
565 Dance Bus	-	250		2		252			252
568 Archery Bus	36	650	576			110			110
600 Band Boosters	649	22,743	23,368	9		33			33
601 Chorus	-	1,280	1,280			-			-
602 Trim Fees	-	15,033	14,467			566			566
603 Tech Classes	20	20	40			-			-
604 Book Rental Transfer	48	48	96			-			-
608 Ag Science District Transfer	-	262	262			-			-
612 Health Science District Transfe	-	360				360			360
705 Yearbook	476	6,862	439	16		6,915			6,915
800 Anderson Farms Scholarship	3,004	4,000	7,000	34		38			38
802 Coleman & Hazel Brinkley	250	1,250	1,500	2		2			2
803 Dr. Douglas Hines Scholarship	10		300	300		10			10
804 Greenwell Scholarship	227	37		2		266			266
806 Payton Mcelroy Scholarship	4,009	8,000	10,000	61		2,070			2,070
807 Alumni Scholarship	362			5		367			367
808 Terry Goodwin Scholarship	4,067			55		4,122			4,122
809 Meg Gatten Scholarship	10,521		3,000	132		7,653			7,653
810 Alumni Scholarship CD	2,514			34		2,548			2,548
811 Douglas Hines Scholarship	2,232			30		2,262			2,262
812 Kyle Brantley CD (2 CDs)	4,013			54		4,067			4,067
813 Sam Greenwell CD	9,717			131		9,848			9,848
Gaming	1,697	1,000	2,681			16			16
<b>Totals</b>	<b>\$ 239,079</b>	<b>\$ 452,894</b>	<b>\$ 407,603</b>	<b>\$ 38,084</b>	<b>\$ 38,084</b>	<b>\$ 284,370</b>	<b>\$ -</b>	<b>\$ 8,542</b>	<b>\$ 275,828</b>

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

<u>Federal Grantor/ Pass Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Number</u>	<u>Federal Expenditures</u>
<b><u>U.S. Department of Education</u></b>			
Passed through Commonwealth of Kentucky Department of Education:			
Title I Grants to Local Education Agencies	84.010	3100002-18	\$ 63,936
Title I Grants to Local Education Agencies	84.010	3100002-19	341,982
Title I Grants to Local Education Agencies	84.010	3100002-17	<u>17,284</u>
Total Title I			<u>423,202</u>
Special Education Cluster:			
Special Education-Grants to States	84.027	3810002-18	41,706
Special Education-Grants to States	84.027	3810002-19	<u>496,577</u>
			<u>538,283</u>
Special Education-Preschool Grants	84.173	3800002-17	17,153
Special Education-Preschool Grants	84.173	3800002-18	61,358
Special Education-Preschool Grants	84.173	3800002-19	<u>2,276</u>
			<u>80,787</u>
Total Special Education Cluster			<u>619,070</u>
Improving Teacher Quality State Grants	84.367	3230002-18	61,196
Improving Teacher Quality State Grants	84.367	3230002-17	<u>16,549</u>
			<u>77,745</u>
Elementary and Secondary School Emergency Relief Fund	84.425D	613F	<u>15,000</u>
Race to the Top	84.424	3420002-19	7,451
Race to the Top	84.424	3420002-18	4,834
Race to the Top	84.424	3420002-17	<u>895</u>
			<u>13,180</u>
Vocational Education Basic Grants to State	84.048	3710002-18	791
Vocational Education Basic Grants to State	84.048	3710002-19	<u>24,351</u>
			<u>25,142</u>
CECC Preschool Development Grant School Readiness	93.434	644F	<u>13,992</u>
Total Kentucky Department of Education			<u>1,187,331</u>
Total US Department of Education			<u>1,187,331</u>

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

<u>Federal Grantor/ Pass Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Number</u>	<u>Federal Expenditures</u>
<b><u>U.S. Department of Agriculture</u></b>			
Passed through Kentucky Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	7760005 19	85,165
School Breakfast Program	10.553	7760005 20	221,239
			<u>306,404</u>
National School Lunch Program			
Cash Assistance	10.555	7750002 19	193,781
Cash Assistance	10.555	7750002 20	481,688
			<u>675,469</u>
Noncash Assistance - Commodities (Note C)	10.555	Fund 51	94,172
			<u>769,641</u>
Summer Food Service Program for Children			
Summer Food Service Program for Children	10.559	7690024 19	964
Summer Food Service Program for Children	10.559	7690024 20	29,360
Summer Food Service Program for Children	10.559	7740023 19	9,245
Summer Food Service Program for Children	10.559	7740023 20	286,090
			<u>325,659</u>
Total Child Nutrition Cluster			<u>1,401,704</u>
State Admin Child Nutrition -Warehouse	10.560	7700001-19	2,974
Child Nutrition Discretionary Grant- Equipment	10.579	7840027-18	50,000
Total U.S. Department of Agriculture			<u>1,454,678</u>
Total Federal Expenditures			<u>\$ 2,642,009</u>

**Note A: Basis of Presentation:**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Union County School District under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

Because this Schedule presents only a selected portion of the operations of the Union County School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Union County School District.

**Note B: Summary of Significant Accounting Policies:**

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

**Note C: Commodities:**

Noncash assistance is reported in the Schedule at the fair market value of the USDA food commodities received and disbursed.

**Note D: Medicaid Reimbursements:**

Although reported in the financial statements as direct federal revenue, medicaid reimbursements(\$236,748) are not considered expenditures of federal awards for the purposes of the schedule.

**Note E: Subrecipients:**

There were no awards passed through to subrecipients.

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

State Committee for School District Audits  
Members of the Board of Education  
Union County School District  
Morganfield, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the State Committee for School District Audits' Fiscal Year 2019-2020 Financial Audit Contract, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Union County School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 9, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Union County 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 the Union County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Union County School District's internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Union County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 tests disclosed no instances of material

noncompliance of specific state statutes or regulations identified in the State Committee for School District Audits' Fiscal Year 2019-2020 Financial Audit Contract.

We noted certain matters other than significant deficiencies and material weaknesses that we have reported to management of the Union County School District in a separate letter dated November 9, 2020.

**Purpose of this Report**

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



Alford, Nance, Jones, & Oakley LLP

Madisonville, Kentucky

November 9, 2020

# Alford Nance Jones & Oakley, llp

Certified Public Accountants

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Jacqueline L. Nance, CPA

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

State Committee for School District Audits  
Members of the Board of Education  
Union County School District  
Morganfield, Kentucky

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

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

### ***Management's Responsibility***

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

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

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

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

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

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

## Report on Internal Control Over Compliance

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

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

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

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



Alford, Nance, Jones, & Oakley LLP  
Madisonville, Kentucky  
November 9, 2020

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

**A. Summary of Audit Results**

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the Union County School District were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of Union County School District were disclosed during the audit.
4. There were no significant deficiencies in internal control disclosed during the audit of the major federal award programs as reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance. No material weaknesses are reported.
5. The auditor's report on compliance for the major federal award programs for the Union County School District expresses an unmodified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The programs tested as major programs included:  
  
Child Nutrition Cluster:  
- National School Lunch                      10.555  
- National School Breakfast                10.553  
- Summer Food Service                      10.559
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Union County Board of Education was determined to be a low risk auditee.

**B. Findings-Financial Statements Audit**

None reported.

**C. Findings and Questioned Costs - Major Federal Award Programs Audit**

None reported

**D. Schedule of Prior Audit Findings**

None reported relative to Financial Statements

None reported relative to Major Federal Awards



# Alford Nance Jones & Oakley, llp

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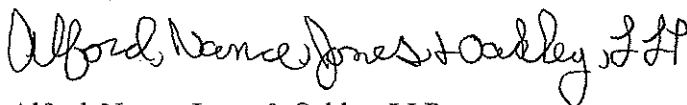
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Kentucky State Committee for School District Audits  
Members of the Board of Education  
Union county School District  
Morganfield, Kentucky

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

However, during our audit, we became aware of several 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. A separate report dated November 9, 2020 contains our report on significant deficiencies and material weaknesses, if any, in the District's internal controls. This letter does not affect our report dated November 9, 2019 on the financial statements of the Union County School District.

We appreciate the opportunity to bring these comments to your attention. We have already discussed many of 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.



Alford, Nance, Jones & Oakley, LLP  
Madisonville, KY  
November 9, 2020

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

**CURRENT YEAR MANAGEMENT LETTER POINTS**

**School Activity Funds:**

**Required Forms/Procedures**

*Finding:* We noted instances where it appeared that Red Book forms were either not completed, were completed improperly, and/or required procedures were not followed.

*Criteria:* The "Red Book" and KDE guidelines. KDE "Red Book" requires the use of specific forms (or reasonable facsimiles) for certain activities such as (1) Transform Forms.

*Cause and Effect:*

**FORMS**

- Multiple Receipt Form: Noticed instance where forms were not filled out properly (UCMS)

*Recommendation:* We recommend that the principal and secretary at each school review the "Red Book" and comply with its requirements regarding the use of these procedures.

*Response:* The school bookkeeper will work to ensure that all multiple receipt forms are signed by each individual remitting money to the sponsor.

**Receipts**

*Finding:* We noted instances where receipts that were collected from the students and remitted to the finance secretaries in excess of \$100 were being held overnight. (UCHS, UES)

*Criteria:* The "Redbook" and KDE guidelines.

*Cause and Effect:* Lack of another person trained to make deposits in the event of an unplanned absence by the bookkeeper.

*Recommendation:* We recommend adherence to the policies of Red Book

*Response:* Through conversation with the bookkeepers at both schools, it was determined that the instances of not depositing receipts in excess of \$100 occurred when there was an unplanned absence of the school bookkeeper. In response to this comment, each school has now designated and trained a second individual who will complete deposits when required in the event of the bookkeeper's absence. In the event of the absence of the second individual, the school will contact the central office finance department.

**Activity Fund Account Balance**

*Finding:* We noted instances where activity fund balances were negative after figuring in Accounts Payable. (UCHS)

*Criteria:* Redbook requires that each individual activity fund balances maintain a positive balance, specifically at the close of the fiscal year.

*Cause and Effect:* Lack of bookkeeping information, or lack of attention paid to fund balances.

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

**CURRENT YEAR MANAGEMENT LETTER POINTS, continued**

**School Activity Funds, continued:**

**Activity Fund Account Balance, continued**

*Recommendation:* We recommend that the school treasurer pay special attention to fund balances after factoring in accounts payable to ensure the balances remain positive.

*Response:* Following the suspension of in-person activities resulting from the COVID19 pandemic, the District also suspended all fundraising activities. The deficit balances occurred as a result of cancellation of fundraising activities. The District is aware of the Redbook requirement, and in a normal year the deficit balances would not have occurred.

**PRIOR YEAR MANAGEMENT LETTER POINTS**

**School Activity Funds:**

**Required Forms/Procedures**

*Finding:* We noted instances where it appeared that Red Book forms were either not completed, were completed improperly, and/or required procedures were not followed.

*Criteria:* The "Red Book" and KDE guidelines. KDE "Red Book" requires the use of specific forms (or reasonable facsimiles) for certain activities such as (1) Transform Forms.

*Cause and Effect:*

**FORMS**

- Transfers: Noticed instances where transfer forms were not filled out properly (SES)

*Recommendation:* We recommend that the principal and secretary at each school review the "Red Book" and comply with its requirements regarding the use of these procedures.

*Response:* The school bookkeeper will work to ensure that all transfers are accompanied by Form F-SA-10. The school bookkeeper also plans to attend Redbook training in November 2019.

*FYE 6/30/20:* Improvements have been made, see current year comment.

**Receipts**

*Finding:* We noted instances where receipts that were collected from the students and remitted to the finance secretaries in excess of \$100 were being held overnight. (UCHS, UCMS, MES)

*Criteria:* The "Redbook" and KDE guidelines.

*Cause and Effect:* Lack of another person trained to make deposits in the event of an unplanned absence by the bookkeeper.

*Recommendation:* We recommend adherence to the policies of Red Book

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

**PRIOR YEAR MANAGEMENT LETTER POINTS, continued**

**School Activity Funds, continued:**

**Receipts, continued**

*Response:* Through conversation with the bookkeepers at all three schools, it was determined that the instances of not depositing receipts in excess of \$100 occurred when there was an unplanned absence of the school bookkeeper. In response to this comment, each school has now designated and trained a second individual who will complete deposits when required in the event of the bookkeeper's absence.

*FYE 6/30/20:* See current year comment.

**APPENDIX C**

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

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**Continuing Disclosure Undertaking Agreement**

## CONTINUING DISCLOSURE UNDERTAKING AGREEMENT

This Continuing Disclosure Undertaking Agreement ("Agreement") made and entered into as of the 29th day of June, 2021 by and between the Board of Education of Union County, Kentucky School District ("Board"); the Union County School District Finance Corporation, an agency and instrumentality of the Board ("Corporation") and the Registered and Beneficial Owners of the Bonds hereinafter identified as third party beneficiaries to this Agreement. For the purposes of this Agreement "Beneficial Owner" means the person or entity treated as the owner of the Bonds for federal income tax purposes and "Registered Owner" means the person or entity named on the registration books of the bond registrar.

### WITNESSETH:

WHEREAS, the Corporation has acted as issuing agency for the Board pursuant to the provisions of Section 162.385 of the Kentucky Revised Statutes ("KRS") and the Corporation's Bond Resolution in connection with the authorization, sale and delivery of \$6,030,000 of the Corporation's School Building Revenue Bonds, Series of 2021, dated June 29, 2021 ("Bonds"), which Bonds were offered for sale under the terms and conditions of a Final Official Statement ("FOS") prepared by RSA Advisors, LLC, Lexington, Kentucky ("Municipal Advisor") and approved by the authorized representatives of the Board and the Corporation, and

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

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

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

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

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

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

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

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

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

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

## **2. MATERIAL EVENTS NOTICES**

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

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

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

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

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

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

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

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

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

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

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

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

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

### **6. DURATION OF THE AGREEMENT**

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



**7. AMENDMENT; WAIVER**

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

- (a) If the amendment or waiver relates to the provisions of Section 1, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;
- (b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) The amendment or waiver either (i) is approved by the holders of the Bonds in the same manner as provided in the Bond Resolution for amendments to the Bond Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Registered Owners or Beneficial Owners of the Bonds.

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

**8. DEFAULT**

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

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

**BOARD OF EDUCATION OF  
UNION COUNTY, KENTUCKY**

Attest:

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Secretary

**UNION COUNTY SCHOOL  
DISTRICT FINANCE CORPORATION**

Attest:

\_\_\_\_\_  
President

\_\_\_\_\_  
Secretary

**APPENDIX D**

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

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**Official Terms and Conditions of Bond Sale**

## **OFFICIAL TERMS AND CONDITIONS OF BOND SALE**

**\$6,030,000\***

**Union County School District Finance Corporation  
School Building Revenue Bonds, Series of 2021  
Dated as of June 29, 2021**

**SALE: June 8, 2021 AT 1:00 P.M., E.D.S.T.**

As published on PARITY®, a nationally recognized electronic bidding system, the Union County School District Finance Corporation ("Corporation") will until June 8, 2021, at the hour of 1:00 P.M., E.D.S.T., in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Rd, Carriage House, Frankfort, KY 40601, receive competitive bids for the revenue bonds herein described. To be considered, bids must be submitted on an Official Bid Form and must be delivered to the Corporation at the address indicated on the date of sale no later than the hour indicated. Bids may be submitted manually or by facsimile or electronically via PARITY. Bids will be considered by the Corporation and may be accepted without further action by the Corporation's Board of Directors.

Subject to a Permitted Adjustment\* increasing or decreasing the issue by up to \$605,000.

### **UNION COUNTY SCHOOL DISTRICT FINANCE CORPORATION**

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

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

These Bonds are authorized pursuant to KRS 162.120 through 162.300, 162.385, and KRS 58.180 and are issued in accordance with a Resolution of the Corporation's Board of Directors. Said Bonds are revenue bonds and constitute a limited indebtedness of the Corporation payable from rental revenues derived by the Corporation from the Board under the Lease identified below. Said Bonds are being issued to finance renovations to Union Morganfield Elementary School, Sturgis Elementary School, Union County Middle School and Vocational School (collectively, the "Project") and are secured by a lien upon and a pledge of the revenues from the rental of the school building Project to the Board under the Lease on a year to year basis; the first rental period ending June 30, 2021; provided, however, said lien and pledge are on parity with a similar lien and pledge securing the Corporation's School Building Revenue Bonds previously issued to finance construction or improvements to the building(s) constituting the Project (the "Parity Bonds").

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

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

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

Although the Board is obligated to pay the Corporation annual rentals in the full amount of the principal and interest requirements for the Bonds for each year in which the Lease is renewed, the Board has entered into the Lease in reliance upon a certain Participation Agreement by and between the Board and the Kentucky School Facilities Construction Commission (the "Commission"). Under the terms of the Participation Agreement, the Commission has agreed to pay annually directly to the Paying Agent for the Bonds a stated Agreed Participation equal to approximately 30.72% of the annual debt service requirements for the Bonds herein identified until their retirement, subject to the constitutional restrictions limiting the commitment to the biennium; said annual amount is to be applied only to the principal and interest requirements of the Bonds so long as the Board renews the Lease. Under the Lease, the Board has pledged and assigned all of its rights under the Participation Agreement in and to the Agreed Participation to the Corporation in order to secure the Bonds and has agreed to pay that portion of the rentals in excess of said Agreed Participation for each year in which the Lease is renewed.

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

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

Pursuant to the provisions of the Act, the Regulations of the Kentucky Board of Education and the Commission, the Commission has determined that the Board is eligible for participation from the Commission in meeting the costs of construction of the Project and has entered into a Participation Agreement with the Board whereunder the Commission agrees to pay an annual Agreed Participation equal to approximately 30.72% of the annual debt service requirements for the Bonds herein identified each year until their retirement; provided, however, that the contractual commitment of the Commission to pay the annual Agreed Participation is limited to the biennial budget period of the Commonwealth, with the first such biennial period terminating on June 30, 2022; the right is reserved in the Commission to terminate its commitment to pay the Agreed Participation after the initial biennial period and every two years thereafter. The obligation of the Commission to make payments of the Agreed Participation shall be automatically renewed each two years for a period of two years unless the Commission shall give notice of its intention not to participate not less than sixty days prior to the end of the biennium; however, by the execution of the Participation Agreement, the Commission has expressed its present intention to continue to pay the Agreed Participation in each successive biennial budget period until the retirement of all of the Bonds, but such execution does not obligate the Commission to do so.

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

## ADDITIONAL PARITY BONDS

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

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

All such Bonds shall be in denominations in multiples of \$5,000 within the same maturity, bear interest from June 29, 2021, payable on December 1, 2021, and semi annually thereafter and shall mature as to principal on June 1 in each of the years as follows:

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

\*Subject to a Permitted Adjustment of the amount of Bonds awarded of up to \$605,000 which may be applied in any or all maturities.

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

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

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

### BIDDING CONDITIONS AND RESTRICTIONS

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

(B) Electronic bids for the Bonds must be submitted through PARITY® and no other provider of electronic bidding services will be accepted. Subscription to the PARITY® Competitive Bidding System is required in order

to submit an electronic bid. The Corporation will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by PARITY® shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in PARITY® conflict with the terms of the Official Terms and Conditions of Bond Sale, this Official Terms and Conditions of Sale of Bonds shall prevail. Electronic bids made through the facilities of PARITY® shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to the Corporation. The Corporation shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by PARITY®. The use of PARITY® facilities are at the sole risk of the prospective bidders. For further information regarding PARITY®, potential bidders may contact PARITY®, telephone (212) 404-8102. Notwithstanding the foregoing, non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form.

(C) The minimum bid shall be not less than \$5,909,400 (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 \$6,030,000 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 \$605,000 (the "Permitted Adjustment") which may be awarded to such best bidder may be a minimum of \$5,425,000 or a maximum of \$6,635,000. In the event of such Permitted Adjustment, no rebidding or recalculation of a submitted bid will be required or permitted and the Underwriter's Discount on the Bonds as submitted by the successful bidder shall be held constant. The Underwriter's Discount shall be defined as the difference between the purchase price of the Bonds submitted by the bidder and the price at which the Bonds will be issued to the public, calculated from information provided by the bidder, divided by the par amount of the Bonds bid. The price of which such adjusted principal amount of Bonds will be sold will be the same price per \$5,000 of Bonds as the price per \$5,000 for the \$6,030,000 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 8, 2021.

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

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

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

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

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

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

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

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

## STATE SUPPORT OF EDUCATION

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

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

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

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

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

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

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

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



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

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

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

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

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

## **POTENTIAL LEGISLATION**

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

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

## **CONTINUING DISCLOSURE**

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

Financial information regarding the Board may be obtained from Superintendent, Union County Board of Education, 510 S. Mart Street, Morgantown, Kentucky 40422 (270-389-1694).

## **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.

**UNION COUNTY SCHOOL DISTRICT  
FINANCE CORPORATION**

By /s/ Patricia Sheffer  
Secretary

**APPENDIX E**

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

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**Official Bid Form**

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

The Union County School District Finance Corporation ("Corporation" or "Issuer"), will until 1:00 P.M., E.D.S.T., on June 8, 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 \$6,030,000 School Building Revenue Bonds, Series of 2021, dated June 29, 2021; maturing June 1, 2022 through 2041 ("Bonds").

We hereby bid for said \$6,030,000\* principal amount of Bonds, the total sum of \$\_\_\_\_\_ (not less than \$5,909,400) plus accrued interest from June 29, 2021 payable December 1, 2021 and semiannually thereafter at the following annual rates, (rates on ascending scale in multiples of 1/8 or 1/20 of 1%; number of interest rates unlimited) and maturing as to principal on June 1 in the years as follows:

<u>Year</u>	<u>Amount*</u>	<u>Rate</u>	<u>Year</u>	<u>Amount*</u>	<u>Rate</u>
2022	\$200,000	_____%	2032	\$310,000	_____%
2023	205,000	_____%	2033	320,000	_____%
2024	210,000	_____%	2034	325,000	_____%
2025	215,000	_____%	2035	335,000	_____%
2026	220,000	_____%	2036	345,000	_____%
2027	275,000	_____%	2037	355,000	_____%
2028	285,000	_____%	2038	365,000	_____%
2029	290,000	_____%	2039	380,000	_____%
2030	295,000	_____%	2040	390,000	_____%
2031	305,000	_____%	2041	405,000	_____%

\* Subject to Permitted Adjustment

We understand this bid may be accepted for as much as \$6,635,000 of Bonds or as little as \$5,425,000 of Bonds, at the same price per \$5,000 Bond, with the variation in such amount occurring in any maturity or all maturities, which will be determined at the time of acceptance of the best bid.

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

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

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

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

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

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

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

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

(d)  *Sale Date*  means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is June 8, 2021.

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

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

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

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

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

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

No certified or bank cashier's check will be required to accompany a bid, but the successful bidder shall be required to wire transfer an amount equal to 2% of the principal amount of Bonds awarded by the close of business on the date following the award. Said good faith amount will be applied (without interest) to the purchase price on delivery. Wire transfer procedures should be arranged through Old National Wealth Management, Evansville, Indiana, Attn: Ms. Shannon Marshall-Perry, Senior VP (812-461-9741).

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

If we are the successful bidder, we agree to accept and make payment for the Bonds in Federal Funds on or about June 29, 2021 and upon acceptance by the Issuer's Municipal Advisor this Official Bid Form shall become the Bond Purchase Agreement.

Respectfully submitted,

\_\_\_\_\_  
Bidder  
By \_\_\_\_\_  
Authorized Officer  
\_\_\_\_\_  
Address

Total interest cost from June 29, 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 Union County School District Finance Corporation for \$ \_\_\_\_\_ amount of Bonds at a price of \$ \_\_\_\_\_ as follows:

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>
2022	_____,000	_____%	2032	_____,000	_____%
2023	_____,000	_____%	2033	_____,000	_____%
2024	_____,000	_____%	2034	_____,000	_____%
2025	_____,000	_____%	2035	_____,000	_____%
2026	_____,000	_____%	2036	_____,000	_____%
2027	_____,000	_____%	2037	_____,000	_____%
2028	_____,000	_____%	2038	_____,000	_____%
2029	_____,000	_____%	2039	_____,000	_____%
2030	_____,000	_____%	2040	_____,000	_____%
2031	_____,000	_____%	2041	_____,000	_____%

Dated: June 8, 2021

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