

DATED JULY 2, 2021

**NEW ISSUE**  
**Electronic Bidding via Parity®**  
**NOT Bank Interest Deduction Eligible**  
**BOOK-ENTRY-ONLY SYSTEM**

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

*In the opinion of Bond Counsel, under existing law (i) interest on the Bonds will be excludable from gross income of the holders thereof for purposes of federal taxation and (ii) interest on the Bonds will not be a specific item of tax preference for purposes of the federal alternative minimum tax, 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).*

**\$1,070,000\***  
**BREATHITT COUNTY SCHOOL DISTRICT FINANCE CORPORATION**  
**SCHOOL BUILDING REVENUE BONDS,**  
**SECOND SERIES OF 2021**

**Dated with Delivery: AUGUST 3, 2021**

**Due: as shown below**

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

Maturing August 1	Amount*	Interest Rate	Reoffering Yield	CUSIP	Maturing August 1	Amount*	Interest Rate	Reoffering Yield	CUSIP
2022	\$45,000	%	%		2032	\$55,000	%	%	
2023	\$45,000	%	%		2033	\$55,000	%	%	
2024	\$45,000	%	%		2034	\$55,000	%	%	
2025	\$45,000	%	%		2035	\$55,000	%	%	
2026	\$50,000	%	%		2036	\$60,000	%	%	
2027	\$50,000	%	%		2037	\$60,000	%	%	
2028	\$50,000	%	%		2038	\$60,000	%	%	
2029	\$50,000	%	%		2039	\$60,000	%	%	
2030	\$50,000	%	%		2040	\$65,000	%	%	
2031	\$50,000	%	%		2041	\$65,000	%	%	

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 Breathitt 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 Breathitt County Board of Education.

The Breathitt County (Kentucky) School District Finance Corporation will until July 13, 2021, at 11:00 A.M., E.S.T., receive competitive bids for the Bonds at the office of the Executive Director of the Kentucky School Facilities Construction Commission, 229 West Main Street, Suite 102, Frankfort, Kentucky 40601.

**\*As set forth in the "Official Terms and Conditions of Bond Sale," the principal amount of Bonds sold to the successful bidder is subject to a Permitted Adjustment by increasing or decreasing the amount not to exceed \$105,000.**

**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.



**BREATHITT COUNTY  
BOARD OF EDUCATION**

Ruschelle Hamilton, Chairperson  
John Hollan, Member  
Albert Little, Member  
Anna Morris, Member  
Becky Holbrook, Member

Phillip Watts, Superintendent  
Sheretta Haddix, Secretary

**BREATHITT COUNTY (KENTUCKY) SCHOOL DISTRICT  
FINANCE CORPORATION**

Ruschelle Hamilton, President  
John Hollan, Member  
Albert Little, Member  
Anna Morris, Member  
Becky Holbrook, Member

Sheretta Haddix, Secretary  
Stacy McKnight, Treasurer

**BOND COUNSEL**

Step toe & Johnson PLLC  
Louisville, Kentucky

**FINANCIAL ADVISOR**

RSA Advisors, LLC  
Lexington, Kentucky

**PAYING AGENT AND REGISTRAR**

Citizens Bank & Trust Company of Jackson  
Jackson, Kentucky

**BOOK-ENTRY-ONLY-SYSTEM**

## REGARDING USE OF THIS OFFICIAL STATEMENT

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

**\$1,070,000\***

**BREATHITT COUNTY SCHOOL DISTRICT FINANCE CORPORATION  
SCHOOL BUILDING REVENUE BONDS,  
SECOND 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 Breathitt County School District Finance Corporation (the "Corporation") School Building Revenue Bonds, Second Series of 2021 (the "Bonds").

The Bonds are being issued to finance a roof replacement at Sebastian Elementary School (the "Project").

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

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

Copies of the Bond Resolution authorizing the issuance of the Bonds and the Lease Agreement, dated August 3, 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; NO PARTICIPATION IN THIS ISSUE**

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.

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>
2007-REF	\$2,690,000	\$30,000	\$2,690,000	\$0	4.300%	2024
2012-REF	\$765,000	\$440,000	\$346,497	\$418,503	2.250% - 2.375%	2024
2013-REF	\$750,000	\$645,000	\$750,000	\$0	2.150%	2025
2014-KISTA	\$279,368	\$80,633	\$279,368	\$0	2.500% - 3.000%	2024
2014	\$295,000	\$105,000	\$295,000	\$0	3.000%	2024
2015	\$530,000	\$410,000	\$530,000	\$0	3.100%	2030
2015 Energy	\$7,990,000	\$6,760,000	\$4,952,519	\$1,807,481	2.000% - 3.250%	2035
2016-REF	\$2,350,000	\$1,985,000	\$1,340,046	\$1,009,954	2.000% - 3.000%	2028
2019	\$1,235,000	\$1,145,000	\$223,900	\$1,011,100	2.000% - 2.850%	2039
2021	\$14,570,000	\$14,570,000	\$13,791,780	\$778,220	2.000% - 2.250%	2041
<b>TOTALS:</b>	<b>\$31,454,368</b>	<b>\$26,170,633</b>	<b>\$25,199,110</b>	<b>\$5,025,258</b>		

### AUTHORITY

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

- i) the issuance of approximately \$1,070,000 of Bonds subject to a permitted adjustment of \$105,000;
- 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 August 3, 2021, will bear interest from that date as described herein, payable semi-annually on February 1 and August 1 of each year, commencing February 1, 2022, and will mature as to principal on August 1, 2022 and thereafter in the years and in the principal amounts as set forth on the cover page of this Official Statement.

### Registration, Payment and Transfer

The Bonds are to be issued in fully-registered form (both principal and interest). Citizens Bank & Trust Company of Jackson, Kentucky, the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date to Cede & Co., as the nominee of The Depository Trust Company. Please see Book-Entry-Only-System. Interest on the Bonds will be paid at rates to be established upon the basis of competitive bidding as hereinafter set forth, such interest to be payable on February 1 and August 1 of each year, beginning February 1, 2022 (Record Date is 15th day of month preceding interest due date).

### Redemption

The Bonds maturing on or after August 1, 2030 are subject to redemption at the option of the Corporation prior to their stated maturity on any date falling on or after August 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
August 1, 2029 and thereafter	100%

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

## SECURITY

### General

The Bonds are revenue bonds and constitute a limited indebtedness of the Corporation. The Bonds are payable as to both principal and interest solely from the income and revenues derived from the leasing of the Project financed from the Bond proceeds from the Corporation to the Board. The Bonds are secured by a pledge of revenue on and from the Project; provided, however, said lien and pledge are on parity with a similar lien and pledge securing the Corporation's School Building Revenue Bonds previously issued to improve the school building(s) constituting the Project (the "Parity Bonds").

### The Lease; Pledge of Rental Revenues

The Board has leased the school Project securing the Bonds for an initial period from August 3, 2021, through June 30, 2022 with the option in the Board to renew said Lease from year to year for one year at a time, at annual rentals, sufficient in each year to enable the Corporation to pay, solely from the rental due under the Lease, the principal and interest on all of the Bonds as same become due. The Lease provides further that so long as the Board exercises its annual renewal options, its rentals will be payable according to the terms and provisions of the Lease until August 1, 2041, the final maturity date of the Bonds. Under the lease, the Corporation has pledged the rental revenue to the payment of the Bonds.

## STATE INTERCEPT

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

## THE PROJECT

After payment of the Bond issuance costs, the Board plans to deposit the net Bond proceeds to finance a roof replacement at Sebastian Elementary School (the "Project").

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

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

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## ESTIMATED BOND DEBT SERVICE

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

Fiscal Year Ending June 30	Series 2021 School Building Revenue Bonds (100% Local)					Total Local Bond Payments
	Current Local Bond Payments	Principal Portion	Interest Portion	Total Payment	Local Portion	
2022	\$1,131,607		\$10,816	\$10,816	\$10,816	\$1,142,423
2023	\$1,128,968	\$45,000	\$21,425	\$66,425	\$66,425	\$1,195,393
2024	\$1,130,603	\$45,000	\$20,525	\$65,525	\$65,525	\$1,196,128
2025	\$1,130,941	\$45,000	\$19,625	\$64,625	\$64,625	\$1,195,566
2026	\$1,130,576	\$45,000	\$18,725	\$63,725	\$63,725	\$1,194,301
2027	\$1,132,593	\$50,000	\$17,775	\$67,775	\$67,775	\$1,200,368
2028	\$1,131,770	\$50,000	\$16,775	\$66,775	\$66,775	\$1,198,545
2029	\$1,133,836	\$50,000	\$15,775	\$65,775	\$65,775	\$1,199,611
2030	\$1,128,949	\$50,000	\$14,775	\$64,775	\$64,775	\$1,193,724
2031	\$1,131,764	\$50,000	\$13,775	\$63,775	\$63,775	\$1,195,539
2032	\$1,132,720	\$50,000	\$12,775	\$62,775	\$62,775	\$1,195,495
2033	\$1,130,389	\$55,000	\$11,725	\$66,725	\$66,725	\$1,197,114
2034	\$1,130,081	\$55,000	\$10,625	\$65,625	\$65,625	\$1,195,706
2035	\$1,169,687	\$55,000	\$9,525	\$64,525	\$64,525	\$1,234,212
2036	\$1,092,948	\$55,000	\$8,425	\$63,425	\$63,425	\$1,156,373
2037	\$1,130,644	\$60,000	\$7,275	\$67,275	\$67,275	\$1,197,919
2038	\$1,132,020	\$60,000	\$6,075	\$66,075	\$66,075	\$1,198,095
2039	\$611,471	\$60,000	\$4,838	\$64,838	\$64,838	\$676,309
2040	\$612,001	\$60,000	\$3,563	\$63,563	\$63,563	\$675,563
2041	\$611,574	\$65,000	\$2,194	\$67,194	\$67,194	\$678,767
2042	\$0	\$65,000	\$731	\$65,731	\$65,731	\$65,731
<b>TOTALS:</b>	<b>\$21,065,140</b>	<b>\$1,070,000</b>	<b>\$247,741</b>	<b>\$1,317,741</b>	<b>\$1,317,741</b>	<b>\$22,382,881</b>

Notes: Numbers are Rounded to the nearest \$1.00.

## ESTIMATED USE OF BOND PROCEEDS

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

<b>Sources:</b>	
Par Amount of Bonds	<u>\$1,070,000.00</u>
Total Sources	\$1,070,000.00
<b>Uses:</b>	
Deposit to Construction Fund	\$1,017,250.00
Underwriter's Discount (2%)	21,400.00
Cost of Issuance	<u>31,350.00</u>
Total Uses	\$1,070,000.00

## DISTRICT STUDENT POPULATION

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

Year	Average Daily Attendance	Year	Average Daily Attendance
2000-01	2,168.7	2010-11	1,890.5
2001-02	1,980.6	2011-12	1,894.2
2002-03	1,939.2	2012-13	1,833.5
2003-04	1,944.8	2013-14	1,827.2
2004-05	1,961.2	2014-15	1,820.3
2005-06	1,956.2	2015-16	1,775.3
2006-07	1,955.6	2016-17	1,735.5
2007-08	1,973.7	2017-18	1,710.6
2008-09	1,936.3	2018-19	1,628.0
2009-10	1,939.6	2019-20	1,610.2
		2020-21	1,603.0

*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 Breathitt 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	216,870.0	2010-11	189,049.0
2001-02	198,060.0	2011-12	189,419.0
2002-03	193,920.0	2012-13	183,350.0
2003-04	194,480.0	2013-14	182,723.0
2004-05	196,120.0	2014-15	182,027.0
2005-06	195,620.0	2015-16	177,526.0
2006-07	195,560.0	2016-17	173,550.0
2007-08	197,370.0	2017-18	171,060.0
2008-09	193,629.0	2018-19	162,798.2
2009-10	193,957.0	2019-20	161,020.0
		2020-21	160,302.4

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

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

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

## LOCAL SUPPORT

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

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

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

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

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

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

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

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

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

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

<b>Tax Year</b>	<b>Combined Equivalent Rate</b>	<b>Total Property Assessment</b>	<b>Property Revenue Collections</b>
2000-01	51.7	312,945,147	1,617,926
2001-02	51.6	318,913,322	1,645,593
2002-03	50.9	319,976,153	1,628,679
2003-04	50.9	352,233,065	1,792,866
2004-05	51.8	353,047,778	1,828,787
2005-06	52.2	369,219,598	1,927,326
2006-07	52.1	404,724,119	2,108,613
2007-08	52.2	456,165,820	2,381,186
2008-09	54.7	468,555,188	2,562,997
2009-10	54.7	487,944,455	2,669,056
2010-11	51	471,047,325	2,402,341
2011-12	55.3	471,109,063	2,605,233
2012-13	53.8	459,864,889	2,474,073
2013-14	50.8	520,308,293	2,643,166
2014-15	54.5	512,897,024	2,795,289
2015-16	55.9	503,225,734	2,813,032
2016-17	53.1	476,709,336	2,531,327
2017-18	62.5	415,072,977	2,594,206
2018-19	70.7	420,710,017	2,974,420
2019-20	75.9	419,556,452	3,184,433
2020-21	71.7	425,241,988	3,048,985

**OVERLAPPING BOND INDEBTEDNESS**

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

<b>Issuer</b>	<b>Original Principal Amount</b>	<b>Amount of Bonds Redeemed</b>	<b>Current Principal Outstanding</b>
<b>County of Breathitt</b>			
General Obligation	1,986,000	767,000	1,219,000
Improvement Project Revenue	350,000	54,000	296,000
Refunding Revenue	4,975,000	2,295,000	2,680,000
Fire Vehicles Revenue	283,844	0	283,844
<b>City of Jackson</b>			
General Obligation	6,215,000	3,019,037	3,195,963
Water & Sewer Revenue	4,367,000	1,354,800	3,012,200
City Hall Revenue	830,000	512,509	317,491
<b>Totals:</b>	<b>19,006,844</b>	<b>8,002,346</b>	<b>11,004,498</b>

Source: 2020 Kentucky Local Debt Report.

## SEEK ALLOTMENT

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

SEEK	Base Funding	Local Tax Effort	Total State & Local Funding
2000-01	10,010,155	1,617,926	11,628,081
2001-02	9,373,706	1,645,593	11,019,299
2002-03	9,241,000	1,628,679	10,869,679
2003-04	9,473,567	1,792,866	11,266,433
2004-05	9,979,209	1,828,787	11,807,996
2005-06	10,270,461	1,927,326	12,197,787
2006-07	10,329,081	2,108,613	12,437,694
2007-08	11,232,216	2,381,186	13,613,402
2008-09	11,139,264	2,562,997	13,702,261
2009-10	9,812,107	2,669,056	12,481,163
2010-11	9,828,102	2,402,341	12,230,443
2011-12	10,790,379	2,605,233	13,395,612
2012-13	10,358,322	2,474,073	12,832,395
2013-14	10,069,802	2,643,166	12,712,968
2014-15	10,020,793	2,795,289	12,816,082
2015-16	10,009,501	2,813,032	12,822,533
2016-17	9,869,856	2,531,327	12,401,183
2017-18	10,061,270	2,594,206	12,655,476
2018-19	9,846,595	2,974,420	12,821,015
2019-20	9,749,989	3,184,433	12,934,422
2020-21	9,085,591	3,048,985	12,134,576

- (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 \$0.717 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, Breathitt County Board of Education, 420 Court Street, Jackson, Kentucky 41339, Telephone (606) 666-2491.

### **TAX EXEMPTION; NOT 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 more than \$10,000,000 of tax-exempt obligations during the calendar year ending December 31, 2021, the Bonds are not "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.

## FINANCIAL ADVISOR

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

## APPROVAL OF OFFICIAL STATEMENT

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

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

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

By /s/ \_\_\_\_\_  
President

By /s/ \_\_\_\_\_  
Secretary

## **APPENDIX A**

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

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**Demographic and Economic Data**

## **BREATHITT COUNTY, KENTUCKY**

Jackson, the county seat of Breathitt County, is located in the Eastern Kentucky Coal Field. Jackson is located 85 miles southeast of Lexington, Kentucky; 156 miles southeast of Louisville, Kentucky; 161 miles southeast of Cincinnati, Ohio; and 186 miles north of Knoxville, Tennessee. Jackson had an estimated population of 1,934 in 2020.

Breathitt County covers a total land area of 495 square miles. The topography of Breathitt County is characterized by irregular ridges and deep, v-shaped valleys. Breathitt County had an estimated 2020 population of 12,512.

### **The Economic Framework**

The total number of people employed in Breathitt County in 2020 averaged 3,203. Breathitt County has a labor force of 4,242 people. The top 5 jobs by occupation are as follows: office and administrative support - 452 (14.11%); sales - 351 (10.96%); executive, managers and administrators - 285 (8.9%); education, training/library - 279 (8.71%); and, production workers - 211 (6.59%).

### **Transportation**

Jackson is served directly by Kentucky Highways 15, 30, and 52, all AAA-rated trucking highways. The Mountain Parkway, a multi-lane highway, is accessible 28 miles southeast. Interstate and/or intrastate trucking service is provided by twelve firms. Main line rail service is provided to Jackson by CSX Transportation. The nearest scheduled commercial airline service is available at Blue Grass Airport near Lexington, 90 miles northwest of Jackson. Local airport facilities include the Julian Carroll Airport, five miles east of Jackson, and the Wendell H. Ford Regional Airport, 17 miles southeast of Jackson.

### **Power and Fuel**

Electric power is provided to Jackson and portions of Breathitt County by American Electric Power. Breathitt County is also served by East Kentucky Power Cooperative. Natural gas service is provided by Public Gas Company.

## **LOCAL GOVERNMENT**

### **Structure**

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

### **Planning and Zoning**

City agency - Jackson Planning and Zoning Commission

Zoning enforced - Within city limits

Subdivision regulations enforced - Within city limits

Local codes enforced - Building and Housing

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

## LABOR MARKET STATISTICS

The Jackson Labor Market Area includes Breathitt County and the adjoining Kentucky counties of Knott, Lee, Magoffin, Owsley, Perry, and Wolfe.

### Population

<u>Area</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Jackson	2,005	2,002	1,934
Breathitt County	12,820	12,721	12,512

*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>
Breathitt County	12,078	11,244	10,352

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

## EDUCATION

### Public Schools

	<u>Breathitt County</u>	<u>Jackson Ind.</u>
Total Enrollment (2018-2019)	1,768	381
Pupil to Teacher Ratio	16 - 1	16 - 1

### Vocational - Technical Schools

<u>Institution</u>	<u>Location</u>	<u>Enrollment (2018-2019)</u>
Breathitt County ATC	Jackson, KY	528
Lee County ATC	Beattyville, KY	312
Morgan County ATC	West Liberty, KY	514
Knott County ATC	Hindman, KY	305
Leslie County ATC	Hyden, KY	405
Floyd County ATC (GARTH)	Martin, KY	255
Clay County ATC	Manchester, KY	367
Jackson County ATC	McKee, KY	329
Letcher County ATC	Whitesburg, KY	547
Montgomery County ATC	Mount Sterling, KY	496
Martin County ATC	Inez, KY	408
Madison County ATC	Richmond, KY	770
Millard ATC	Millard, KY	285
Carter County Career & Technical Center	Olive Hill, KY	N/A
Clark County ATC	Winchester, KY	680
Knox County ATC	Barbourville, KY	470
Rockcastle County ATC	Mount Vernon, KY	438
Bell County ATC	Pineville, KY	822
Corbin ATC	Corbin, KY	418

**Colleges and Universities**

<u>Institution</u>	<u>Location</u>	<u>Enrollment (2019-2020)</u>
Frontier School of Midwifery & Family Nursing	Hyden, KY	2,004
Alice Lloyd College	Pippa Passes, KY	592
Morehead State University	Morehead, KY	9,660
University of Pikeville	Pikeville, KY	2,318
Berea College	Berea, KY	1,688
Eastern Kentucky University	Richmond, KY	14,980
Union College	Barbourville, KY	N/A

**FINANCIAL INSTITUTIONS**

<u>Institution</u>	<u>Total Assets</u>	<u>Total Deposits</u>
Citizens Bank & Trust Co. of Jackson	\$141,281,000	\$126,166,000
The First National Bank of Jackson	\$103,572,000	\$87,483,000

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

**EXISTING INDUSTRY**

<u>Firm</u>	<u>Product</u>	<u>Total Employed</u>
Dotweld	Metal manufacturing and fabrication	3
Wells Group, LLC	Ready-mixed concrete	5

*Source: 2020 Kentucky Directory of Manufacturers.*



**APPENDIX B**

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

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

**BREATHITT COUNTY SCHOOL DISTRICT**  
**Jackson, Kentucky**

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**FINANCIAL STATEMENTS**  
**June 30, 2020**

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## INDEPENDENT AUDITORS' REPORT

To the State Committee for School District Audits and  
Members of the Board of Education  
Breathitt County School District

### 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 Breathitt 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 Breathitt 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.

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract, including Appendix II – Instructions for Submissions of the Audit Report*. 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 Breathitt 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, and pension and OPEB schedules on pages 3-7 and 50-62 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 Breathitt County School District's basic financial statements. The combining nonmajor fund financial statements, the combining student group fiduciary fund financial statements, and the high school fiduciary financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* 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 nonmajor fund financial statements, the combining student group fiduciary fund financial statements, the high school fiduciary financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, the combining student group fiduciary fund financial statements, the high school fiduciary 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 January 11, 2021, on our consideration of the Breathitt 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 Breathitt County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Breathitt County School District's internal control over financial reporting and compliance.

**RFH**

RFH, PLLC  
Lexington, Kentucky  
January 11, 2021

BREATHITT COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED June 30, 2020

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

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

### **FINANCIAL HIGHLIGHTS**

- The ending cash balance for the District was \$3,075,460 in 2020 and \$2,718,148 in 2019.
- The General Fund had \$16,729,269 in revenue, excluding interfund transfers and proceeds from the sale of assets, which primarily consisted of the state program (SEEK) and property, utilities, and motor vehicle taxes. Excluding interfund transfers, there was \$16,479,907 in General Fund expenditures.
- Governmental Capital Assets had a net decrease of \$207,739 during the current fiscal year. Business-Type Activities Capital Assets had a net increase of \$64,379 during the current fiscal year.
- The District experienced a significant fire to one of its buildings on May 3, 2020, at the Breathitt High School Coliseum, which is the high school gymnasium. The fire was caused by contractor error and is not the fault of the District. Insurance proceeds were realized during 2020, and are being used to repair the Coliseum. A new roof will be part of this repair and will be complete in spring 2021. The total cost of this repair/replacement project will exceed \$2,500,000.
- The District faced significant challenges during the FY20 school year due to the Covid-19 Pandemic. The District continues to provide virtual instruction for students when in person classes are not recommended by the local Health Department or the Kentucky Department for Public Health. Meals are continuing to be provided to students who learn virtually by providing weekly meal boxes. The National School Lunch Program has been flexible in allowing Districts to follow Summer Feed Program guidelines for providing meals to students during the school year.
- Due to the Covid-19 Pandemic the District was awarded CARES Act funds which will allow the district to provide supplies necessary for reducing and/or preventing the spread of the virus, including, but not limited to cleaning supplies, PPE, technology to assist with remote learning, and delivery of meals and/or curriculum when necessary.
- The addition of classrooms to Sebastian Elementary School was 95% complete at the end of FY20, and will provide the largest elementary school in the district with much needed space. Plans are being finalized to construct a new elementary school beginning in the FY21 school year which will house Grades PK-2. Once that building is complete, Sebastian will be designated as a school for grades 3-6; with the new elementary housing the primary grades. This will be the first new school in the district since the early 90's. The District and the Board are excited to provide students with a new, up to date school building to include state of the art technology and safety features. The District hopes to include an auditorium in the new school which will service all schools in the district, as well as serve the community as needed.

## OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The financial statements can be found on pages 8 to 15 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that are still outstanding. The District used these capital assets to provide services to its students; consequently, these assets are not available for future spending.

Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

BREATHITT COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - CONTINUED  
YEAR ENDED June 30, 2020

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

	<b>2020</b>	<b>2019</b>
Current assets	\$ 6,063,020	\$ 3,766,081
Noncurrent assets	<u>16,923,289</u>	<u>17,066,649</u>
Total assets	<u>22,986,309</u>	<u>20,832,730</u>
Total deferred outflows	<u>2,516,935</u>	<u>2,337,751</u>
Current liabilities	2,514,531	1,972,442
Noncurrent liabilities	<u>25,028,604</u>	<u>25,983,450</u>
Total liabilities	<u>27,543,135</u>	<u>27,955,892</u>
Total deferred inflows	<u>2,737,194</u>	<u>1,466,669</u>
Net position		
Net investment in capital assets	3,491,909	3,641,189
Restricted	935,144	(575,373)
Unrestricted	<u>(9,204,138)</u>	<u>(9,317,896)</u>
Total net position	<u>\$ (4,777,085)</u>	<u>\$ (6,252,080)</u>

Net Position may serve over time as a useful indicator of a government's financial position. In the case of the District, governmental liabilities and deferred inflows exceeded assets and deferred outflows by approximately \$3,982,006; proprietary liabilities and deferred inflows exceeded assets and deferred outflows by \$795,079 and total liabilities and deferred inflows exceeded assets and deferred outflows by \$4,777,085 at June 30, 2020.

The District had an overall increase in net position of \$1,474,995, comprised of a increase in governmental activities net position of \$1,760,507 and a decrease in business-type activities net position of 285,512.

The following table presents an accounting comparison and summary of revenue and expense for the fiscal years 2020 and 2019.



BREATHITT COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - CONTINUED  
YEAR ENDED June 30, 2020

	2020	2019
<b>Revenues</b>		
<b>Program revenues</b>		
Charges for services	\$ 47,580	\$ 22,970
Operating grants	5,777,216	6,517,146
Capital grants	71,793	302,733
	<hr/>	<hr/>
Total program revenues	5,896,589	6,842,849
	<hr/>	<hr/>
<b>General revenues</b>		
Taxes	\$ 3,017,881	\$ 3,199,796
State aid-formula grants	14,973,713	15,040,524
Investment earnings	13,916	15,642
Miscellaneous	104,634	83,593
	<hr/>	<hr/>
Total general revenues	18,110,144	18,339,555
	<hr/>	<hr/>
Total revenues	24,006,733	25,182,404
	<hr/>	<hr/>
<b>Expenses</b>		
Instruction	\$ 11,519,528	\$ 12,059,762
Student support services	1,131,823	1,086,407
Instructional support	1,665,334	1,784,569
District administration	868,197	763,640
School administration	1,192,437	1,207,165
Business operations	408,630	415,963
Plant operation and maintenance	3,509,518	2,647,417
Student transportation	1,874,068	2,027,493
Food service operation	1,823,851	1,735,375
Community services	244,559	273,809
Interest on long-term debt	406,769	422,082
Bond issuance cost	51,146	-
	<hr/>	<hr/>
Total expenses	24,695,860	24,423,682
	<hr/>	<hr/>
Extraordinary item - insurance reimbursement	2,154,196	-
Gain on sale of assets	9,926	1,210
	<hr/>	<hr/>
Change in net position	\$ 1,474,995	\$ 759,932
	<hr/> <hr/>	<hr/> <hr/>

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

## BUDGETARY IMPLICATION

In Kentucky the public school fiscal year is July 1 through June 30; other programs, such as, some federal programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a working budget with \$1,305,250 in contingency. Significant variations in the actual results of operations and the final budget are primarily due to on-behalf payments that are included in the financial statements, but are not budgeted by the District. The District is conservative in budgeting for its General Fund; therefore, in an effort to address potential shortfalls in revenue, or other extraordinary events that might occur during the budget cycle, variances between budget and actual amounts are common.

## CAPITAL ASSETS AND LONG-TERM DEBT

	Beginning	Additions	Deductions	Ending
<b>Governmental:</b>				
Capital Assets	\$ 47,165,966	\$ 1,440,380	\$ 54,900	\$ 48,551,446
Accumulated Depreciation	\$ 30,331,152	\$ 1,593,717	\$ 495	\$ 31,924,374
<b>Business-type:</b>				
Capital Assets	\$ 617,005	\$ 99,590	\$ -	\$ 716,595
Accumulated Depreciation	\$ 385,166	\$ 35,212	\$ -	\$ 420,378
<b>Governmental:</b>				
Bonds Payable	\$ 12,540,000	\$ 1,235,000	\$ 1,045,000	\$ 12,730,000
Capital Lease Payable	\$ 1,088,683	\$ -	\$ 222,441	\$ 866,242
Compensated Absences	\$ 192,577	\$ -	\$ 10,124	\$ 182,453
KSBIT	\$ 445,661	\$ -	\$ 69,025	\$ 376,636

## Comments on Budget Comparisons

- The District's total general fund revenues, excluding transfers and proceeds from the sale of assets, for the fiscal year ended June 30, 2020 were \$16,729,269.
- General fund budgeted revenue compared to actual revenue varied from line item to line item with the ending actual balance being \$1,461,795 more than budget or 9.57% more than budget.
- The total cost of all general fund programs and services for the fiscal year ended June 30, 2020 was \$16,479,907, excluding transfers.
- General fund budgeted expenditures compared to actual expenditures varied from line item to line item with the ending actual balance being \$958,524 less than budget or 5.50% less than budget.

## Contacting the District's Financial Management

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

Questions regarding this report should be directed to the Superintendent at 606-666-2491, Director of Financial Services at 606-666-2491, or by mail at 420 Court Street, PO Box 750 Jackson, Kentucky 41339.

**BREATHITT 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>			
Current assets			
Cash and cash equivalents	\$ 2,827,456	\$ 248,004	\$ 3,075,460
Accounts receivable	2,925,312	34,470	2,959,782
Inventory	-	27,778	27,778
Total current assets	<u>5,752,768</u>	<u>310,252</u>	<u>6,063,020</u>
Noncurrent assets			
Land	491,402	-	491,402
Other capital assets, net of depreciation	16,135,670	296,217	16,431,887
Total noncurrent assets	<u>16,627,072</u>	<u>296,217</u>	<u>16,923,289</u>
Total assets	<u>22,379,840</u>	<u>606,469</u>	<u>22,986,309</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows - pension - CERS	1,123,531	233,377	1,356,908
Deferred outflows - OPEB - CERS	533,767	110,878	644,645
Deferred outflows - OPEB - KTRS	327,758	-	327,758
Defeasance on refunding	187,624	-	187,624
Total deferred outflows of resources	<u>2,172,680</u>	<u>344,255</u>	<u>2,516,935</u>
Total assets and deferred outflows of resources	<u>\$ 24,552,520</u>	<u>\$ 950,724</u>	<u>\$ 25,503,244</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 647,212	\$ 3,908	\$ 651,120
Unearned revenues	375,173	-	375,173
Interest payable	85,327	-	85,327
KSBIT assessment - current	70,829	-	70,829
KISTA lease - current	202,082	-	202,082
Bond obligations - current	1,130,000	-	1,130,000
Total current liabilities	<u>2,510,623</u>	<u>3,908</u>	<u>2,514,531</u>
Noncurrent liabilities			
Compensated absences	182,453	-	182,453
KSBIT assessment - noncurrent	305,807	-	305,807
KISTA lease - noncurrent	664,160	-	664,160
Bond obligations - noncurrent	11,622,762	-	11,622,762
Net pension liability - CERS	5,751,927	1,194,822	6,946,749
Net OPEB liability - CERS	1,375,223	285,674	1,660,897
Net OPEB liability - KTRS	3,645,776	-	3,645,776
Total noncurrent liabilities	<u>23,548,108</u>	<u>1,480,496</u>	<u>25,028,604</u>
Total liabilities	<u>26,058,731</u>	<u>1,484,404</u>	<u>27,543,135</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows - pension - CERS	572,152	118,853	691,005
Deferred inflows - OPEB - CERS	686,213	142,546	828,759
Deferred inflows - OPEB - KTRS	1,217,430	-	1,217,430
Total deferred inflows of resources	<u>2,475,795</u>	<u>261,399</u>	<u>2,737,194</u>
<b>NET POSITION</b>			
Net investment in capital assets	3,195,692	296,217	3,491,909
Restricted for			
Food service	-	(1,091,296)	(1,091,296)
SFCC escrow	119,944	-	119,944
Other	1,906,496	-	1,906,496
Unrestricted	(9,204,138)	-	(9,204,138)
Total net position	<u>(3,982,006)</u>	<u>(795,079)</u>	<u>(4,777,085)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 24,552,520</u>	<u>\$ 950,724</u>	<u>\$ 25,503,244</u>

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

**BREATHITT COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
for the year ended June 30, 2020**

<b>Functions/Programs</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Changes in Net Position</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Primary government</b>							
<b>Governmental activities</b>							
Instruction	\$ 11,519,528	\$ -	\$ 2,839,190	\$ 5,985	\$ (8,674,353)	\$ -	\$ (8,674,353)
Support Services:							
Student	1,131,823	31,269	30,621	-	(1,069,933)	-	(1,069,933)
Instruction staff	1,665,334	-	729,981	-	(935,353)	-	(935,353)
District administrative	868,197	-	72	-	(868,125)	-	(868,125)
School administrative	1,192,437	-	-	-	(1,192,437)	-	(1,192,437)
Business	408,630	-	6,738	-	(401,892)	-	(401,892)
Plant operation and maintenance	3,509,518	-	82,329	-	(3,427,189)	-	(3,427,189)
Student transportation	1,874,068	-	277,972	-	(1,596,096)	-	(1,596,096)
Community service activities	244,559	-	244,686	-	127	-	127
Interest on long-term debt	406,769	-	-	65,808	(340,961)	-	(340,961)
Bond issuance cost	51,146	-	-	-	(51,146)	-	(51,146)
Total governmental activities	<u>22,872,009</u>	<u>31,269</u>	<u>4,211,589</u>	<u>71,793</u>	<u>(18,557,358)</u>	<u>-</u>	<u>(18,557,358)</u>
<b>Business-type activities</b>							
Food service	<u>1,823,851</u>	<u>16,311</u>	<u>1,565,627</u>	<u>-</u>	<u>-</u>	<u>(241,913)</u>	<u>(241,913)</u>
Total business-type activities	<u>1,823,851</u>	<u>16,311</u>	<u>1,565,627</u>	<u>-</u>	<u>-</u>	<u>(241,913)</u>	<u>(241,913)</u>
<b>Total school district</b>	<u>\$ 24,695,860</u>	<u>\$ 47,580</u>	<u>\$ 5,777,216</u>	<u>\$ 71,793</u>	<u>(18,557,358)</u>	<u>(241,913)</u>	<u>(18,799,271)</u>
<b>General revenues</b>							
Taxes:							
Property taxes					2,103,504	-	2,103,504
Motor vehicle taxes					306,320	-	306,320
Utility taxes					608,057	-	608,057
State aid-formula grants					14,973,713	-	14,973,713
Investment earnings					12,626	1,290	13,916
Miscellaneous					104,634	-	104,634
Total general revenues					<u>18,108,854</u>	<u>1,290</u>	<u>18,110,144</u>
Extraordinary item - insurance reimbursement					2,154,196	-	2,154,196
Operating transfers in (out)					44,889	(44,889)	-
Gain on sale of assets					9,926	-	9,926
<b>Change in Net Position</b>					<u>1,760,507</u>	<u>(285,512)</u>	<u>1,474,995</u>
Net position-beginning					<u>(5,742,513)</u>	<u>(509,567)</u>	<u>(6,252,080)</u>
<b>NET POSITION-ENDING</b>					<u>\$ (3,982,006)</u>	<u>\$ (795,079)</u>	<u>\$ (4,777,085)</u>

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

**BREATHITT COUNTY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2020**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,159,934	\$ -	\$ 337,300	\$ 330,222	\$ 2,827,456
Accounts receivable	63,565	907,551	1,954,196	-	2,925,312
Due from other funds	529,744	-	-	-	529,744
Total assets	<u>\$ 2,753,243</u>	<u>\$ 907,551</u>	<u>\$ 2,291,496</u>	<u>\$ 330,222</u>	<u>\$ 6,282,512</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 49,300	\$ 2,634	595,278	\$ -	\$ 647,212
Due to other funds	-	529,744	-	-	529,744
Unearned revenues	-	375,173	-	-	375,173
Total liabilities	<u>49,300</u>	<u>907,551</u>	<u>595,278</u>	<u>-</u>	<u>1,552,129</u>
<b>FUND BALANCES</b>					
Restricted					
SFCC escrow	-	-	-	119,944	119,944
Other	-	-	1,696,218	210,278	1,906,496
Committed	-	-	-	-	-
Compensated absences	91,226	-	-	-	91,226
Assigned	-	-	-	-	-
Purchase orders	6,410	-	-	-	6,410
Unassigned	2,606,307	-	-	-	2,606,307
Total fund balances	<u>2,703,943</u>	<u>-</u>	<u>1,696,218</u>	<u>330,222</u>	<u>4,730,383</u>
Total liabilities and fund balances	<u>\$ 2,753,243</u>	<u>\$ 907,551</u>	<u>\$ 2,291,496</u>	<u>\$ 330,222</u>	<u>\$ 6,282,512</u>

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

Fund balances reported above	\$ 4,730,383
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	16,627,072
Interest accrued on general long term debt is not a current expenditure and is not reported in the funds.	(85,327)
Net deferred inflows/outflows related to the long-term net pension and OPEB liabilities are not reported in the funds.	(303,115)
Long-term liabilities, including bond obligations, KSBIT assessment, net pension liability, net OPEB liability, capital leases and compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(24,951,019)
Net position of governmental activities	<u>\$ (3,982,006)</u>

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

**BREATHITT COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**for the year ended June 30, 2020**

	<u>General</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
From local sources					
Property taxes	\$ 1,683,948	\$ -	\$ -	\$ 419,556	\$ 2,103,504
Motor vehicle taxes	306,320	-	-	-	306,320
Utility taxes	608,057	-	-	-	608,057
Earnings on investments	12,626	-	-	-	12,626
Other local revenues	103,287	126,595	1,347	-	231,229
Intergovernmental - State	13,926,976	1,169,433	-	1,024,490	16,120,899
Intergovernmental - Federal	88,055	2,952,815	-	-	3,040,870
	<u>16,729,269</u>	<u>4,248,843</u>	<u>1,347</u>	<u>1,444,046</u>	<u>22,423,505</u>
<b>Total revenues</b>					
<b>EXPENDITURES</b>					
Instruction	8,176,986	2,859,711	-	-	11,036,697
Support services					
Student	1,049,954	62,338	-	-	1,112,292
Instructional staff	944,086	735,268	-	-	1,679,354
District administration	865,269	72	-	-	865,341
School administration	1,180,200	-	-	-	1,180,200
Business	392,301	6,787	-	-	399,088
Plant operation and maintenance	1,961,841	82,924	716,118	-	2,760,883
Student transportation	1,186,091	279,981	-	-	1,466,072
Community service activities	-	246,456	-	-	246,456
Capital outlay	406,346	5,985	973,149	-	1,385,480
Debt service	316,833	-	-	1,393,583	1,710,416
Bond issuance costs	-	-	51,146	-	51,146
	<u>16,479,907</u>	<u>4,279,522</u>	<u>1,740,413</u>	<u>1,393,583</u>	<u>23,893,425</u>
<b>Total expenditures</b>					
Excess (deficiency) of revenues over expenditures	249,362	(30,679)	(1,739,066)	50,463	(1,469,920)
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from sale of assets	9,926	-	-	-	9,926
Proceeds from bonds	-	-	1,235,000	-	1,235,000
Operating transfers in	214,160	33,663	-	1,107,215	1,355,038
Operating transfers out	(359,765)	(2,984)	-	(947,400)	(1,310,149)
	<u>(135,679)</u>	<u>30,679</u>	<u>1,235,000</u>	<u>159,815</u>	<u>1,289,815</u>
<b>Total other financing sources and uses</b>					
<b>EXTRAORDINARY ITEM - INSURANCE</b>	-	-	2,154,196	-	2,154,196
<b>Net change in fund balances</b>	113,683	-	1,650,130	210,278	1,974,091
Fund balances-beginning	2,590,260	-	46,088	119,944	2,756,292
<b>Fund balances-ending</b>	<u>\$ 2,703,943</u>	<u>\$ -</u>	<u>\$ 1,696,218</u>	<u>\$ 330,222</u>	<u>\$ 4,730,383</u>
Reconciliation to government-wide change in net position:					
Net change in fund balances					\$ 1,974,091
add: capital outlay expenditures capitalized					1,385,480
add: debt service expenditures					1,710,416
add: gain on disposal of capital assets					9,926
add: change in long term compensated absences					9,725
less: proceeds from bonds					(1,235,000)
less: proceeds from sale of capital assets					(9,926)
less: change in net pension liability					(283,953)
less: change in net OPEB liability					200,234
less: depreciation on governmental activities assets					(1,593,717)
less: interest on long term debt					(406,769)
<b>Change in net position governmental activities</b>					<u>\$ 1,760,507</u>

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

**BREATHITT COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2020**

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	<u>Food Service Fund</u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 248,004
Accounts receivable	34,470
Inventory	<u>27,778</u>
Total current assets	<u>310,252</u>
Noncurrent assets	
Capital assets, net of depreciation	<u>296,217</u>
Total assets	<u>606,469</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows - pension - CERS	233,377
Deferred outflows - OPEB - CERS	<u>110,878</u>
Total deferred outflows of resources	<u>344,255</u>
Total assets and deferred outflows of resources	<u>\$ 950,724</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	<u>\$ 3,908</u>
Noncurrent liabilities	
Net pension liability - CERS	1,194,822
Net OPEB liability - CERS	<u>285,674</u>
Total noncurrent liabilities	<u>1,480,496</u>
Total liabilities	<u>1,484,404</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows - pension - CERS	118,853
Deferred inflows - OPEB - CERS	<u>142,546</u>
Total deferred inflows of resources	<u>261,399</u>
<b>NET POSITION</b>	
Net investment in capital assets	296,217
Restricted net position	<u>(1,091,296)</u>
Total net position	<u>(795,079)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 950,724</u>

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

**BREATHITT COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
for the year ended June 30, 2020**

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	<b>Food Service Fund</b>
<b>Operating revenues</b>	
Lunchroom sales	\$ 16,311
Other revenues	-
	16,311
Total operating revenues	16,311
<b>Operating expenses</b>	
Salaries and wages	945,061
Contract services	83,955
Materials and supplies	754,223
Other expenses	5,400
Depreciation	35,212
	1,823,851
Total operating expenses	1,823,851
Operating (loss)	(1,807,540)
<b>Nonoperating revenues</b>	
Federal grants	1,369,573
Commodities received	65,239
State grants	15,400
State on-behalf payments	115,415
Interest income	1,290
	1,566,917
Total nonoperating revenue	1,566,917
Income (loss) before transfers	(240,623)
Transfers in	5,266
Transfers (out)	(50,155)
	(285,512)
<b>Change in net position</b>	(285,512)
Total net position-beginning of year	(509,567)
<b>TOTAL NET POSITION-ENDING</b>	\$ (795,079)

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



**BREATHITT COUNTY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
for the year ended June 30, 2020**

	<u><b>Food Service Fund</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 16,311
Cash paid to employees, including benefits	(638,093)
Cash paid to suppliers	<u>(788,169)</u>
Net cash (used) by operating activities	<u>(1,409,951)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers (to) other funds	(44,889)
Cash received from government funding	<u>1,365,984</u>
Net cash provided by noncapital financing activities	<u>1,321,095</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of capital assets	<u>(99,590)</u>
Net cash (used) by capital and related financing activities	<u>(99,590)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	<u>1,290</u>
Net cash provided by investing activities	<u>1,290</u>
Net increase (decrease) in cash and cash equivalents	(187,156)
Balances-beginning of the year	<u>435,160</u>
<b>BALANCES-END OF THE YEAR</b>	<u><b>\$ 248,004</b></u>
<b>Reconciliation of operating (loss) to net cash provided (used) by operating activities:</b>	
Operating (loss)	\$ (1,807,540)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:	
Depreciation expense	35,212
Net change in pension liability	166,591
Net change in OPEB liability	24,962
Commodities received	65,239
State on-behalf payments	115,415
Change in assets and liabilities	
(Increase) decrease in inventory	(11,815)
Increase (decrease) in accounts payable	<u>1,985</u>
Net cash (used) by operating activities	<u><b>\$ (1,409,951)</b></u>
<b>Schedule of non-cash activities</b>	
Donated commodities received from federal government	<u>\$ 65,239</u>
On-behalf payments received from the state government	<u><b>\$ 115,415</b></u>

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

**BREATHITT COUNTY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
June 30, 2020**

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	<u>SCHOOL ACTIVITY FUNDS</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ <u>107,560</u>
Total assets	\$ <u><u>107,560</u></u>
<b>LIABILITIES</b>	
Due to student groups	\$ <u>107,560</u>
<b>NET POSITION</b>	
Restricted	<u>-</u>
Total liabilities and net position	\$ <u><u>107,560</u></u>

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

**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Breathitt 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 Breathitt County School District (“District”). The District is currently under the management of the Kentucky Department of Education (KDE) and will be until KDE determines that the five-member board can resume governing the District. The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

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

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

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

Breathitt County School District Finance Corporation - The Breathitt County Board of Education resolved to authorize the establishment of the Breathitt County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation pursuant to Section 162.385 of the School Bond Act and Chapter 273 and Section 58.180 of the Kentucky Revised Statutes) (the “Corporation”) to act as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation’s Board of Directors.

**B. Basis of Presentation**

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

**BREATHITT COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Presentation, continued**

The following is a summary of the 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, which normally are supported by tax revenues, and those that are considered business-type activities, which rely significantly on fees and charges for support.

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

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

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

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

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

**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Presentation, continued**

The District has the following funds:

**Governmental Fund Types:**

The General Fund is the main operating fund of the District. It accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. This is a budgeted fund, and any fund balances are considered as resources available for use. This is always a major fund of the District.

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

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). The Capital Project Funds account for revenue and expenditures from three sources:

- A. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
- B. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
- C. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction and/or remodeling. This is a major fund of the District.

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

**Proprietary Fund Types (Enterprise Funds):**

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

**BREATHITT COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Presentation, continued**

Fiduciary Fund Type (Agency Funds):

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

**C. Basis of Accounting**

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

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

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

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

**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basis of Accounting, continued**

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

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

Property Taxes

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

The property tax rates (including exonerations) assessed for the year ended June 30, 2020, to finance the General Fund operations were \$.627 per \$100 valuation for real property, \$.627 per \$100 valuation for business personal property and \$.492 per \$100 valuation for motor vehicles.

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

**D. Prepaid Assets**

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

**E. Capital Assets**

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

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

All reported capital assets, except land and construction-in-progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

**BREATHITT COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Capital Assets, continued**

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
School buses	10 years
Other vehicles	5 years
Audio-visual equipment	15 years
Food service equipment	12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other general equipment	10 years

**F. Interfund Receivables and Payables**

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

**G. Accumulated Unpaid Sick Leave Benefits**

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

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

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

**H. Bonds and Related Premiums, Discounts, and Issuance Costs**

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



**BREATHITT COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. Bonds and Related Premiums, Discounts, and Issuance Costs, continued**

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

**I. Budgetary Process**

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

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

Once the budget is approved by the Board, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law. Budgetary receipts represent original estimates modified for adjustments, if any, during the fiscal year. Budgetary disbursements represent original appropriations adjusted for budget transfers and additional appropriations, if any, approved during the fiscal year.

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

**J. Cash and Cash Equivalents**

The District considers demand deposits, certificates of deposit, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents. As of June 30, 2020, the District did not have any cash equivalents.

**K. Receivables**

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

**BREATHITT COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**L. Inventories**

The School Food Service fund inventory consists of food, supplies and U.S. Government commodities.

The Food Service Fund inventory is stated at cost and uses the specific identification method.

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

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources.

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

**N. Fund Balances**

Fund balances are separated into five categories, as follows:

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

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

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

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

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

**BREATHITT COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**N. Fund Balances, continued**

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

**O. Encumbrances**

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

**P. Net Position**

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

**Q. Operating and Non-Operating Revenues and Expenses**

Proprietary fund operating revenues are those revenues that are generated directly from the respective primary activity. For the School District, those revenues are primarily charges for meals provided by the various schools. Non-operating revenues are not generated directly from the primary activity of the proprietary funds. For the School District those revenues come in the form of grants (federal and state), donated commodities, and earnings from investments.

**R. Contributions of Capital**

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

**S. Interfund Activity**

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

**BREATHITT COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**T. Estimates**

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

**U. Deferred Inflows and Deferred Outflows of Resources**

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

**V. Pensions**

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

**W. Postemployment Benefits Other Than OPEBs (OPEB)**

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

**X. Management's Review of Subsequent Events**

The District has evaluated and considered the need to recognize or disclose subsequent events through January 11, 2021 which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2020, have not been evaluated by the District.

**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020**

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**2. CASH AND INVESTMENTS**

Interest rate risk – In accordance with the District’s investment policy, interest rate risk is limited by investing in public funds with the highest rate of return with the maximum security of principal. Investments are undertaken in a manner that seeks to ensure preservation of the capital in its portfolio.

Credit risk – The District’s investment policy limits the types of authorized investment instruments to obligations of the United States, its agencies, and instrumentalities. In addition, certificates of deposit or bonds of a bank or the Commonwealth of Kentucky, securities issued by a state or local government or shares of mutual funds are acceptable investments.

Concentration of credit risk – The District may invest, at any one time, funds in any one of the above listed categories with no limitation of the total amount of funds invested on behalf of the District.

Custodial credit risk – For deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned. The District maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times.

At year end, the bank balances of the District’s total cash and investments was \$4,207,020. Of the total cash balance, \$250,000 was covered by Federal Depository insurance and the remainder was covered by collateral agreements and collateral held by the pledging banks’ trust department in the District’s name. At June 30, 2020 a letter of credit totaling \$4,200,000 was pledged to secure the deposits.

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

	<u>Bank Balance</u>	<u>Book Balance</u>
General checking account		
General Fund		\$ 2,159,934
Special Revenue Fund		-
SEEK Capital Outlay Fund		-
FSPK Building Fund		330,222
Construction Fund		337,300
Food Service Fund		<u>248,004</u>
Total general checking account	\$ 4,095,991	3,075,460
Fiduciary Fund – School activity funds	<u>111,029</u>	<u>107,560</u>
Total	<u>\$ 4,207,020</u>	<u>\$ 3,183,020</u>

Cash and investments by fund type are as follows:

Governmental funds	\$ 2,827,456
Proprietary funds	248,004
Fiduciary funds	<u>107,560</u>
Total	<u>\$ 3,183,020</u>

**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020**

**3. CAPITAL ASSETS**

	June 30, 2019		June 30, 2020	
	Balance	Additions	Retirements	Balance
<b>Governmental Activities</b>				
Land	\$ 491,402	\$ -	\$ -	\$ 491,402
Land improvements	1,140,103	-	-	1,140,103
Buildings	34,854,881	1,088,549	-	35,943,430
Technology equipment	4,170,400	5,985	-	4,176,385
Vehicles	4,591,775	213,774	-	4,805,549
General equipment	1,862,506	132,071	-	1,994,577
Construction work in progress	54,900	-	54,900	-
Total historical cost	<u>47,165,967</u>	<u>1,440,379</u>	<u>54,900</u>	<u>48,551,446</u>
Less accumulated				
depreciation	<u>30,331,156</u>	<u>1,593,717</u>	<u>499</u>	<u>31,924,374</u>
Governmental capital assets, net	<u>\$ 16,834,811</u>	<u>\$ (153,338)</u>	<u>\$ 54,401</u>	<u>\$ 16,627,072</u>
<b>Business-type Activities</b>				
Buildings	\$ 67,500	\$ -	\$ -	\$ 67,500
Technology equipment	15,873	-	-	15,873
General equipment	533,634	53,130	-	586,764
Vehicles	-	46,460	-	46,460
Total historical cost	<u>617,007</u>	<u>99,590</u>	<u>-</u>	<u>716,597</u>
Less accumulated				
depreciation	<u>385,168</u>	<u>35,212</u>	<u>-</u>	<u>420,380</u>
Business-type capital assets, net	<u>\$ 231,839</u>	<u>\$ 64,378</u>	<u>\$ -</u>	<u>\$ 296,217</u>

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

Instruction	\$ 546,486
Student support	11,458
District administrative	464
School administrative	188
Plant operation and maintenance	703,290
Student transportation	331,831
	<u>\$ 1,593,717</u>

**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020**

**4. CAPITAL LEASE PAYABLE**

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

Description	Maturity	Interest Rates	Original Issue	Balance June 30, 2019	Debt Issued	Debt Paid	Balance June 30, 2020	Due Within One Year
KISTA:								
2010A	March, 2020	1.00 - 3.30%	\$ 161,709	\$ 15,556	\$ -	\$ 15,556	\$ -	\$ -
2010	March, 2020	2.0% - 3.9%	240,039	44,046	-	21,654	22,392	22,392
2012	March, 2022	2.00% - 2.6%	559,152	160,095	-	58,451	101,644	50,070
2013	March, 2023	2.00% - 3.00%	258,815	100,258	-	26,625	73,633	27,268
2014	March, 2024	2.00% - 3.00%	279,368	137,342	-	28,100	109,242	28,609
2014	June, 2034	3.00% - 3.50%	213,648	175,030	-	9,312	165,718	9,590
2015	March, 2025	1.00% - 2.625%	201,361	119,895	-	19,905	99,990	20,290
2016	March, 2026	2.00% - 2.625%	182,336	125,251	-	17,654	107,597	18,044
2017	March, 2027	2.00% - 2.625%	268,845	211,210	-	25,184	186,026	25,819
			<u>\$ 2,365,273</u>	<u>\$ 1,088,683</u>	<u>\$ -</u>	<u>\$ 222,441</u>	<u>\$ 866,242</u>	<u>\$ 202,082</u>

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

Year	Principal	Interest	Total
2021	\$ 202,082	\$ 22,701	\$ 224,783
2022	179,232	17,688	196,920
2023	125,899	13,364	139,263
2024	102,836	10,306	113,142
2025	74,416	7,634	82,050
2026-2030	126,389	18,352	144,741
2031-2034	55,388	4,930	60,318
Totals	<u>\$ 866,242</u>	<u>\$ 94,975</u>	<u>\$ 961,217</u>
Less: amounts representing interest			<u>(94,975)</u>
Net capital lease liability			<u>\$ 866,242</u>

**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020**

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**5. LONG-TERM OBLIGATIONS**

KSBIT

During a prior fiscal year, the District was notified that the Kentucky School Board Insurance Trust (KSBIT) would be dissolving as the self-insurance provider for school districts in Kentucky. On June 4, 2014, the Franklin Circuit Court issued an order informing the former members of the Kentucky School Board Insurance Trust Workers' Compensation Fund that they would be assessed a portion of the fund's unfunded liability. The court approved assessment requires the District to pay the following future amount that is included in long term debt:

FY 2021	\$ 70,829
FY 2022	72,987
FY 2023	75,209
FY 2024	77,549
FY 2025	<u>80,062</u>
Total	<u>\$ 376,636</u>

Bond Obligations

The amounts shown in the accompanying basic financial statements as bond obligations represent the District's future obligations to make debt payments relating to the bonds issued by the Breathitt County School District Finance Corporation.

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

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
2007R	\$ 2,690,000	3.5% - 4.3%
2012	\$ 765,000	1.5% - 2.375%
2013R	\$ 750,000	2.15%
2014	\$ 295,000	2.00% - 3.00%
2015R	\$ 2,150,000	1.00% - 2.00%
2015	\$ 7,990,000	2.00% - 3.25%
2015WW	\$ 530,000	3.10%
2016R	\$ 2,350,000	2.00% - 3.00%
2019R	\$ 1,235,000	2.00% - 2.85%

During 2020, the District issued \$1,235,000 of School Building Revenue Bonds, Series 2019. The proceeds were used to finance the renovations at Sebastian Middle School to convert it to Sebastian Elementary School. The bonds are to be repaid over 20 years and bear interest at 2.00% - 2.85%.

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



**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020**

**5. LONG-TERM OBLIGATIONS (CONTINUED)**

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

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

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

Year	Breathitt County School District		Kentucky School Facility Construction Commission		Total Principal	Total Interest
	Principal	Interest	Principal	Interest		
2021	\$ 874,666	\$ 244,343	\$ 255,334	\$ 85,318	\$ 1,130,000	\$ 329,661
2022	644,446	231,965	260,554	80,100	905,000	312,065
2023	669,068	217,381	265,932	74,721	935,000	292,102
2024	698,578	202,394	271,422	69,230	970,000	271,624
2025	653,606	186,490	231,394	63,519	885,000	250,009
2026	618,753	172,205	236,247	58,665	855,000	230,870
2027	648,575	156,812	241,425	53,485	890,000	210,297
2028	696,756	138,486	248,244	46,667	945,000	185,153
2029	450,204	117,540	144,796	39,593	595,000	157,133
2030	486,180	103,989	148,820	35,569	635,000	139,558
2031	511,977	89,433	153,023	31,367	665,000	120,800
2032	487,624	74,726	157,376	27,014	645,000	101,740
2033	548,015	59,584	161,985	22,405	710,000	81,989
2034	593,269	42,548	166,731	17,660	760,000	60,208
2035	643,207	23,227	171,793	12,596	815,000	35,823
2036	12,430	2,525	57,570	7,345	70,000	9,870
2037	15,898	2,153	59,102	5,813	75,000	7,966
2038	19,257	1,670	60,743	4,172	80,000	5,842
2039	17,501	1,147	62,499	2,416	80,000	3,563
2040	31,478	449	53,522	764	85,000	1,213
	<u>\$ 9,321,488</u>	<u>\$ 2,069,067</u>	<u>\$ 3,408,512</u>	<u>\$ 738,419</u>	<u>\$ 12,730,000</u>	<u>\$ 2,807,486</u>

**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020**

**5. LONG-TERM OBLIGATIONS (CONTINUED)**

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

Long-term debt	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
2007R	\$ 40,000	\$ -	\$ 5,000	\$ 35,000
2012	530,000	-	45,000	485,000
2013R	675,000	-	15,000	660,000
2014	205,000	-	30,000	175,000
2015R	1,205,000	-	595,000	610,000
2015	7,265,000	-	245,000	7,020,000
2015WW	430,000	-	10,000	420,000
2016R	2,190,000	-	100,000	2,090,000
2019R	-	1,235,000	-	1,235,000
Premium on bonds	25,607	-	2,845	22,762
KISTA leases	1,088,683	-	222,441	866,242
Net pension liability	6,662,184	284,565	-	6,946,749
Net OPEB - CERS	1,942,127	-	281,230	1,660,897
Net OPEB - KTRS	4,423,076	-	777,300	3,645,776
KSBIT bonded debt	445,661	-	69,025	376,636
Accrued sick leave	236,779	-	54,326	182,453
	<u>\$ 27,364,117</u>	<u>\$ 1,519,565</u>	<u>\$ 2,452,167</u>	<u>\$ 26,431,515</u>

**6. RETIREMENT PLANS**

The School District is a participating employer of the County Employees' Retirement System (CERS) and the Kentucky Teachers' Retirement System (KTRS). KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by the Kentucky Department of Education (KDE). Job classifications that permit experience to substitute for either of these requirements do not participate in KTRS. CERS covers employees whose position does not require a college degree or teaching certificate.

**KTRS**

*Plan description* – Teaching-certified employees of the Kentucky 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>.

**BREATHITT COUNTY SCHOOL DISTRICT**  
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**6. RETIREMENT PLANS (CONTINUED)**

KTRS, continued

*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.

Non-university members 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. Non-university members who became members on or after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than 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.

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. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service.

*Benefits provided* - For members who have established an account in a retirement system by the Commonwealth on or after July 1, 2008:

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

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

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

**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**6. RETIREMENT PLANS (CONTINUED)**

KTRS, continued

*Other benefits* – 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, and TRS also provides post-employment healthcare benefits to eligible members and dependents.

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.

CERS

The District is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Retirement Systems website.

*Plan Description* – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments (COLA) are provided at the discretion of state legislature.

*Contributions* – For the year ended June 30, 2020, plan members were required to contribute 5.00% of wages for non-hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contributions rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2020, participating employers contributed 24.06% of each employee's wages, for non-hazardous job classifications. The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described in Note 7. Plan members contributed 19.33% to the pension trust for non-hazardous job classifications. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**6. RETIREMENT PLANS (CONTINUED)**

CERS, continued

Plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5.00% of wages to their own account and 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

The District contributed \$593,954 for the year ended June 30, 2020, or 100% of the required contribution. The contribution was allocated \$476,447 to the CERS pension fund and \$117,507 to the CERS insurance fund.

*Benefits* – CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service.

For retirement purposes, employees are grouped into three tiers based on hire date:

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

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020**

**6. RETIREMENT PLANS (CONTINUED)**

CERS and KTRS:

*Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources* - At June 30, 2020, the District reported a liability of \$6,946,749 for its proportionate share of the net pension liability for CERS. 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 June 30, 2018, and rolled forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2019, the District's proportion was .10 percent. The District's proportion at June 30, 2018 was .11 percent, a decrease of .01 percent.

The District did not report a liability for the District's proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The Commonwealth of Kentucky recognized \$31,564,055 as its proportionate share of the net pension liability for KTRS. 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 June 30, 2018, and rolled forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2019, the State's proportion was .2313 percent.

For the year ended June 30, 2020, the District recognized pension expense of \$928,533 related to CERS and \$2,375,369 related to KTRS. The District also recognized revenue of \$2,375,369 for KTRS support provided by the Commonwealth of Kentucky. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ 177,371	\$ 29,352
Changes of assumptions	703,090	-
Net difference between projected and actual earnings on plan investments	-	111,985
Changes in proportion and differences between District contributions and proportionate share of contributions	-	549,668
District contributions subsequent to the measurement date	476,447	-
 Total	 \$ 1,356,908	 \$ 691,005

The \$476,447 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2020 will be recognized in pension expense as follows:

**Year ending June 30,**

2021	\$	212,744
2022	\$	(35,207)
2023	\$	3,973
2024	\$	7,946

**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020**

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**6. RETIREMENT PLANS (CONTINUED)**

CERS and KTRS, continued:

*Actuarial Assumptions* – The total pension liability reported at June 30, 2019, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

CERS:

Inflation	2.30%
Salary increases	3.30% to 10.30%, varies by service, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation

Mortality rates were based on the Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2010. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2019. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2018, actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013. The total pension liability was rolled-forward from the valuation date (June 30, 2018) to the plan's fiscal year ending June 30, 2019.

KTRS:

Valuation date	6/30/18
Actuarial cost method	Entry age
Investment rate of return	7.50%, net of plan investment expense, including inflation
Projected salary increases	3.50 – 7.30%, including inflation
Inflation rate	3.00%
Municipal Bond Index Rate	3.50%
Single Equivalent Interest Rate	7.50%

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025, set forward two years for males and one year for females. The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2010 – June 30, 2015.

**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**6. RETIREMENT PLANS (CONTINUED)**

*Target Allocations*

CERS

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 nominal real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<b>Growth</b>	<b>62.50%</b>	
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Special credit/high yield	15.00%	2.60%
<b>Liquidity</b>	<b>14.50%</b>	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
<b>Diversifying Strategies</b>	<b>23.00%</b>	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
<b>Total</b>	<b>100.00%</b>	<b>6.25%</b>

KTRS

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

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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>
U.S. Equity	40%	4.20%
International Equity	22%	5.20%
Fixed Income	15%	1.20%
Additional Categories	7%	3.20%
Real Estate	7%	3.80%
Private Equity	7%	6.30%
Cash	2%	0.90%
<b>Total</b>	<b>100%</b>	



**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**6. RETIREMENT PLANS (CONTINUED)**

*Discount Rate*

CERS

The discount rate used to measure the total pension liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

KTRS

For 2019, the discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at the Actuarially Determined Contribution rates for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* – The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	<b>CERS Discount rate</b>	<b>CERS District's proportionate share of net pension liability</b>
1% decrease	5.25%	\$ 8,688,413
Current discount rate	6.25%	\$ 6,946,749
1% increase	7.25%	\$ 5,495,089

**7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - CERS**

*Plan Description* – As more fully described in Note 6, the District participates in the County Employees' Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – CERS (CONTINUED)**

*Contributions* – As more fully described in Note 6, plan members contribute to CERS for non-hazardous job classifications. For the year ending June 30, 2020, the employer's contribution was 4.76% to the insurance trust for non-hazardous job classifications. Employees hired after September 1, 2008 were required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

For the year ended June 30, 2020, the District contributed \$117,507 or 100% of the required contribution for non-hazardous job classifications.

*Benefits* – CERS provides health insurance benefits to Plan employees and beneficiaries.

For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date Insurance eligibility Benefit	Before July 1, 2003 10 years of service credit required Set percentage of single coverage health insurance based on service credit accrued at retirement
Tier 1	Participation date Insurance eligibility Benefit	Before September 1, 2008 but after July 1, 2003 10 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 2	Participation date Insurance eligibility Benefit	After September 1, 2008 and before December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 3	Participation date Insurance eligibility Benefit	After December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually

*OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources* – At June 30, 2020, the District reported a liability for its proportionate share of the net OPEB liability of \$1,660,897.

The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018 and rolled forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The District's proportionate share at June 30, 2019 and June 30, 2018 was .10%.

**BREATHITT COUNTY SCHOOL DISTRICT  
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**7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – CERS (CONTINUED)**

For the year ended June 30, 2020, the District recognized OPEB expense of \$130,609. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ -	\$ 501,131
Changes of assumptions	491,476	3,286
Net difference between projected and actual earnings on Plan investments	-	73,770
Changes in proportion and differences between District contributions and proportionate share of contributions	-	250,572
District contributions subsequent to the measurement date	<u>153,169</u>	<u>-</u>
 Total	 <u>\$ 644,645</u>	 <u>\$ 828,759</u>

The \$153,169 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. This includes an adjustment of \$35,662 related to the implicit subsidy, which is required to be recognized as a deferred outflow of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

**Year ending June 30,**

2021	\$ (63,915)
2022	\$ (63,915)
2023	\$ (40,460)
2024	\$ (85,273)
2025	\$ (69,633)
2026	\$ (14,087)

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

**Non-hazardous**

Inflation	2.30%
Salary increases	3.30% to 10.30%, varies by service, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation
Healthcare trend	
Pre – 65:	Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post – 65:	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

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**7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – CERS (CONTINUED)**

Mortality rates were based on the Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2010. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2019. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2010.

The actuarial assumption used in the June 30, 2018, valuation was based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total OPEB liability was rolled-forward from the valuation date (June 30, 2018) to the plan's fiscal year ending June 30, 2019.

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 nominal real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<b>Growth</b>	<b>62.50%</b>	
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Special credit/high yield	15.00%	2.60%
<b>Liquidity</b>	<b>14.50%</b>	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
<b>Diversifying Strategies</b>	<b>23.00%</b>	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
<b>Total</b>	<b>100.00%</b>	<b>6.25%</b>

*Discount Rate* – The discount rate used to measure the total OPEB liability was 5.68% for non-hazardous classifications. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.56%, as reported in Fidelity Index's "20 –Year Municipal GO AA Index" as of June 28, 2019. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

**BREATHITT COUNTY SCHOOL DISTRICT  
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**7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – CERS (CONTINUED)**

*Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate* – The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<b>Discount rate</b>		<b>District's proportionate share of net OPEB liability</b>
1% decrease	4.68%	\$	2,224,919
Current discount rate	5.68%	\$	1,660,897
1% increase	6.68%	\$	1,196,181

*Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate* – The following presents the District's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

		<b>District's proportionate share of net OPEB liability</b>
1% decrease		\$ 1,235,217
Current trend rate		\$ 1,660,897
1% increase		\$ 2,177,084

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

**8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – KTRS**

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

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**8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – KTRS (CONTINUED)**

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

Medical Insurance Plan

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

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

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

*OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs* – At June 30, 2020, the District reported a liability of \$3,645,776 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2019 and rolled forward using generally accepted actuarial procedures. The District’s proportion of the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019 and June 30, 2018, the District’s proportion was .13 percent.

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

District’s proportionate share of the net OPEB liability	\$ 3,645,776
State’s proportionate share of the net OPEB liability associated with the District	<u>2,944,000</u>
 Total	 <u>\$ 6,589,776</u>

**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020**

**8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – KTRS (CONTINUED)**

For the year ended June 30, 2020, the District recognized OPEB expense of \$60,000 and revenue of \$175,162 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ -	\$ 882,430
Changes of assumptions	96,937	-
Net difference between projected and actual earnings on Plan investments	15,490	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	335,000
District contributions subsequent to the measurement date	<u>215,331</u>	<u>-</u>
 Total	 <u>\$ 327,758</u>	 <u>\$ 1,217,430</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$215,331 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

**Year ending June 30,**

2021	\$ (214,000)
2022	\$ (214,000)
2023	\$ (206,000)
2024	\$ (208,000)
2025	\$ (168,000)
2026	\$ (95,003)

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

Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 – 7.20%, including wage inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Healthcare cost trend rates	
KEHP Group	7.5% for FY 2019 decreasing to an ultimate rate of 5.00% by FY 2024
MEHP Group	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	3.5%
Discount Rate	8.00%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation.

**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020**

**8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – KTRS (CONTINUED)**

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB, and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2018 valuation were based on the results of the most recent actuarial experience studies for the System, which covered the five-year period ending June 30, 2015. The remaining actuarial assumptions used in the June 30, 2018 valuation of the MIF were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation. The health care cost trend rate assumption was updated for the June 30, 2018 valuation and was shown as an assumption change in the TOL roll forward while the change in initial per capita claims costs were included with experience in the TOL roll forward.

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Expected Geometric Real Rate of Return</b>
Global Equity	58.0%	5.1%
Fixed Income	9.0%	1.2%
Real Estate	6.5%	3.8%
Private Equity	8.5%	6.3%
Other Additional Categories	17.0%	3.2%
Cash	1.0%	.9%
Total	100%	

*Discount rate* - The discount rate used to measure the total OPEB liability was 8.0%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74.

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

	<b>1% Decrease (7.00%)</b>	<b>Current Discount Rate (8.00%)</b>	<b>1% Increase (9.00%)</b>
District's net OPEB liability	\$ 4,318,828	\$ 3,645,776	\$ 3,081,995



**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020**

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**8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – KTRS (CONTINUED)**

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

	1% Decrease	Current Trend Rate	1% Increase
District's net OPEB liability	\$ 2,967,844	\$ 3,645,776	\$ 4,479,409

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

Life Insurance Plan

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

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

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

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

District's proportionate share of the net OPEB liability	\$	-
State's proportionate share of the net OPEB liability associated with the District		<u>68,000</u>
<b>Total</b>		<b><u>\$ 68,000</u></b>

For the year ended June 30, 2020, the District recognized revenue of \$2,892 for support provided by the State.

**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020**

**8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – KTRS (CONTINUED)**

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

Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 – 7.45%, including wage inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Municipal Bond Index Rate	3.50%
Discount Rate	7.50%
Single Equivalent Interest Rate	7.50%, net of OPEB plan investment expense, including inflation.

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB, and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2018 valuation were based on the results of the most recent actuarial experience studies for the System, which covered the five-year period ending June 30, 2015.

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

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Year Expected Geometric Real Rate of Return</b>
U.S. Equity	40.0%	4.2%
International Equity	23.0%	5.2%
Fixed Income	18.0%	1.2%
Real Estate	6.0%	3.8%
Private Equity	5.0%	6.3%
Additional Categories	6.0%	3.3%
Cash	2.0%	.9%
Total	100%	

*Discount rate* - The discount rate used to measure the total OPEB liability for life insurance was 7.50 percent. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74.

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

**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020**

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**9. DEFERRED COMPENSATION**

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

**10. CONTINGENCIES**

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

**11. LITIGATION**

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

**12. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District purchases various insurance policies.

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

**13. COBRA**

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

**14. TRANSFER OF FUNDS**

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Operating	Food Service	General	Indirect Costs	\$ 50,155
Operating	Special Revenue	General	Indirect Costs	\$ 2,984
Matching	General	Special Revenue	KETS Match	\$ 33,663
Operating	General	Debt Service	Bond Payments	\$ 320,835
Operating	Capital Outlay	General	COFT	\$ 161,021
Operating	Building	Debt Service	Bond Payments	\$ 786,379
Operating	General	Food Service	Uncollected debt	\$ 5,267

**BREATHITT COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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**15. ON-BEHALF PAYMENTS**

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

The following payments for fringe benefits are included as revenues and expenses on the statement of activities:

Retirement contributions to the Teachers' Retirement System of Kentucky	\$ 2,375,369
Medical insurance contributions to KTRS	178,054
Health and Life insurance	1,881,929
Other	(103,347)
Technology	95,884
Debt Service	<u>286,368</u>
	<u>\$ 4,714,257</u>

**16. INTERFUND RECEIVABLES AND PAYABLES**

The general fund presented an interfund receivable from the special revenue fund of \$529,744 and there was a corresponding presentation of an interfund payable in the special revenue fund.

**17. COVID-19 PANDEMIC**

In early 2020, various restrictions were placed on school districts across the United States in response to the COVID-19 pandemic. The duration and pervasiveness of these restrictions are uncertain as of the date of these financial statements. The District is evaluating the impact of COVID-19 and related responses on the operations and finances of the District. Restrictions placed on the District, including restrictions on in-person instruction could negatively impact the District's revenue and expenses for an unknown period of time. At this time, a specific estimate of the impact could not reasonably be determined due to a number of unknown factors regarding the severity and duration of the event.

**18. SUBSEQUENT EVENT**

Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement was effective for periods beginning after December 15, 2018, but was delayed by one year with the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The District has elected not to early implement GASB 84 and at the date of these financial statements is anticipating implementing GASB 84 during fiscal year 2021.

**19. EXTRAORDINARY ITEM**

In early May 2020, the Coliseum at Breathitt County High School experienced significant fire damage. As of the date of these financial statements the District has recovered over \$2 million from the insurance company, proceeds of which are being used for necessary repairs. On the financial statements, the insurance proceeds are reported on a separate line item "Extraordinary item – insurance reimbursement".

## SUPPLEMENTARY INFORMATION

**BREATHITT COUNTY SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
for the year ended June 30, 2020**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 2,227,500	\$ 2,226,392	\$ 2,598,325	\$ 371,933
Other local sources	26,500	26,500	115,913	89,413
State sources	12,952,906	12,939,582	13,926,976	987,394
Federal sources	75,000	75,000	88,055	13,055
<b>TOTAL REVENUES</b>	<u>15,281,906</u>	<u>15,267,474</u>	<u>16,729,269</u>	<u>1,461,795</u>
<b>EXPENDITURES</b>				
Instruction	8,312,052	8,180,070	8,176,986	3,084
Support services				
Student	914,248	936,879	1,049,954	(113,075)
Instructional staff	728,416	787,170	944,086	(156,916)
District administration	903,753	949,459	865,269	84,190
School administration	1,006,393	1,011,713	1,180,200	(168,487)
Business	337,135	335,113	392,301	(57,188)
Plant operation and maintenance	1,534,844	1,913,992	1,961,841	(47,849)
Student transportation	1,345,241	1,256,153	1,186,091	70,062
Contingency	1,000,000	1,305,249	-	1,305,249
Capital outlay	445,800	445,800	406,346	39,454
Debt service	316,833	316,833	316,833	-
<b>TOTAL EXPENDITURES</b>	<u>16,844,715</u>	<u>17,438,431</u>	<u>16,479,907</u>	<u>958,524</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(1,562,809)</u>	<u>(2,170,957)</u>	<u>249,362</u>	<u>2,420,319</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of assets	2,500	2,500	9,926	7,426
Operating transfers in	60,014	61,122	214,160	153,038
Operating transfers out	(355,835)	(355,835)	(359,765)	(3,930)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(293,321)</u>	<u>(292,213)</u>	<u>(135,679)</u>	<u>156,534</u>
<b>NET CHANGE IN FUND BALANCE</b>	(1,856,130)	(2,463,170)	113,683	2,576,853
Fund balances-beginning	<u>1,856,130</u>	<u>2,463,170</u>	<u>2,590,260</u>	<u>127,090</u>
<b>Fund balances-ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,703,943</u>	<u>\$ 2,703,943</u>

**BREATHITT COUNTY SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND  
for the year ended June 30, 2020**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>				
Local sources	\$ 154,549	181,549	\$ 126,595	\$ (54,954)
State sources	1,323,332	1,214,952	1,169,433	(45,519)
Federal sources	<u>2,757,097</u>	<u>4,023,868</u>	<u>2,952,815</u>	<u>(1,071,053)</u>
<b>TOTAL REVENUES</b>	<u>4,234,978</u>	<u>5,420,369</u>	<u>4,248,843</u>	<u>(1,171,526)</u>
<b>EXPENDITURES</b>				
Instruction	2,792,097	3,341,865	2,859,711	482,154
Support services				
Student	93,960	401,040	62,338	338,702
Instructional staff	899,119	1,016,636	735,268	281,368
District administration	-	-	72	(72)
Business	-	-	6,787	(6,787)
Plant operation and maintenance	119,958	103,321	82,924	20,397
Student transportation	84,010	309,111	279,981	29,130
Food Service Operation	-	4,500	-	4,500
Community services activities	270,819	270,823	246,456	24,367
Capital outlay (Note 1)	<u>-</u>	<u>-</u>	<u>5,985</u>	<u>(5,985)</u>
<b>TOTAL EXPENDITURES</b>	<u>4,259,963</u>	<u>5,447,296</u>	<u>4,279,522</u>	<u>1,167,774</u>
Excess (Deficit) of Revenues Over Expenditures	(24,985)	(26,927)	(30,679)	(3,752)
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	35,000	35,000	33,663	(1,337)
Operating transfers out	<u>(10,015)</u>	<u>(8,073)</u>	<u>(2,984)</u>	<u>5,089</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>24,985</u>	<u>26,927</u>	<u>30,679</u>	<u>3,752</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-	-
Fund balances-beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances-ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note 1: Capital outlay expenditures were budgeted with their respective function.

**BREATHITT COUNTY SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - CONSTRUCTION FUND  
for the year ended June 30, 2020**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Other local revenues	\$ -	\$ -	\$ 1,347	\$ 1,347
<b>TOTAL REVENUES</b>	<u>-</u>	<u>-</u>	<u>1,347</u>	<u>1,347</u>
<b>EXPENDITURES</b>				
Plant operation and maintenance	-	1,166,554	716,118	450,436
Contingency	-	50,350	-	50,350
Capital outlay (Note 1)	-	-	973,149	(973,149)
Bond issuance costs (Note 2)	-	13,096	51,146	(38,050)
<b>TOTAL EXPENDITURES (Note 3)</b>	<u>-</u>	<u>1,230,000</u>	<u>1,740,413</u>	<u>(510,413)</u>
Excess (Deficit) of Revenues Over Expenditures	-	(1,230,000)	(1,739,066)	(509,066)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from bonds	-	1,230,000	1,235,000	5,000
Capital lease proceeds	-	155,041	-	(155,041)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>1,385,041</u>	<u>1,235,000</u>	<u>(150,041)</u>
<b>EXTRAORDINARY ITEM - INSURANCE</b>	-	594,383	2,154,196	1,559,813
<b>NET CHANGE IN FUND BALANCE</b>	-	749,424	1,650,130	900,706
Fund balances-beginning	-	-	46,088	46,088
<b>Fund balances-ending</b>	<u>\$ -</u>	<u>\$ 749,424</u>	<u>\$ 1,696,218</u>	<u>\$ 946,794</u>

Note 1: Capital outlay expenditures were budgeted with their respective function.

Note 2: Bond issuance costs were budgeted with their respective function.

Note 3: Expenditures exceeded the District's budget because of a fire that caused extension damage toward the end of the fiscal year. Repairs for the fire damage at the end of the fiscal year exceeded \$700,000. When the District received the invoices for the necessary repairs there was not sufficient time to amend the budget.



**BREATHITT COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY SCHEDULE OF  
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
COUNTY EMPLOYEES' RETIREMENT SYSTEM  
Last Six Fiscal Years**

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<b>Reporting Fiscal Year (Measurement Date)</b>	<b>2015 (2014)</b>	<b>2016 (2015)</b>	<b>2017 (2016)</b>	<b>2018 (2017)</b>	<b>2019 (2018)</b>	<b>2020 (2019)</b>
District's proportion of the net pension liability	0.13%	0.12%	0.12%	0.12%	0.11%	0.10%
District's proportionate share of the net pension liability (asset)	\$ 4,111,000	\$ 5,006,264	\$ 5,827,679	\$ 6,805,114	\$ 6,662,184	\$ 6,946,749
District's covered employee payroll	\$ 2,960,407	\$ 2,960,407	\$ 2,845,655	\$ 2,873,687	\$ 2,711,255	\$ 2,463,291
District's share of the net pension liability (asset) as a percentage of its covered employee payroll	138.87%	169.11%	204.79%	236.81%	245.72%	282.01%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	59.97%	55.50%	53.32%	53.54%	50.45%

The above schedule will present 10 years of historical data, once available.

**BREATHITT COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY SCHEDULE OF  
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
KENTUCKY TEACHERS' RETIREMENT SYSTEM  
Last Five Fiscal Years**

<b>Reporting Fiscal Year (Measurement Date)</b>	<b>2016 (2015)</b>	<b>2017 (2016)</b>	<b>2018 (2017)</b>	<b>2019 (2018)</b>	<b>2020 (2019)</b>
District's proportion of the net pension liability	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
District's proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset)	<u>61,724,475</u>	<u>78,611,888</u>	<u>69,382,889</u>	<u>31,940,686</u>	<u>31,564,055</u>
<b>Total</b>	<b><u>\$ 61,724,475</u></b>	<b><u>\$ 78,611,888</u></b>	<b><u>\$ 69,382,889</u></b>	<b><u>\$ 31,940,686</u></b>	<b><u>\$ 31,564,055</u></b>
District's covered employee payroll	unavailable	unavailable	unavailable	\$ 8,883,972	\$ 7,247,745
District's share of the net pension liability (asset) as a percentage of its covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	42.49%	35.22%	39.83%	59.30%	58.80%

The above schedule will present 10 years of historical data, once available.

**BREATHITT COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY SCHEDULE OF  
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
COUNTY EMPLOYEES' RETIREMENT SYSTEM  
Last Four Fiscal Years**

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<b>Reporting Fiscal Year (Measurement Date)</b>	<b>2017 (2016)</b>	<b>2018 (2017)</b>	<b>2019 (2018)</b>	<b>2020 (2019)</b>
District's proportion of the net OPEB liability	0.10%	0.10%	0.10%	0.10%
District's proportionate share of the net OPEB liability (asset)	\$ 5,968,055	\$ 2,337,244	\$ 1,942,127	\$ 1,660,897
District's covered employee payroll	\$ 2,845,655	\$ 2,873,687	\$ 2,711,255	\$ 2,463,291
District's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	209.73%	81.33%	71.63%	67.43%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	52.39%	57.62%	60.44%

The above schedule will present 10 years of historical data, once available.

**BREATHITT COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY SCHEDULE OF  
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - MEDICAL INSURANCE PLAN  
KENTUCKY TEACHERS' RETIREMENT SYSTEM  
Last Four Fiscal Years**

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<b>Reporting Fiscal Year (Measurement Date)</b>	<b>2017 (2016)</b>	<b>2018 (2017)</b>	<b>2019 (2018)</b>	<b>2020 (2019)</b>
District's proportion of the collective net OPEB liability	0.14%	0.14%	0.13%	0.13%
District's proportionate share of the collective net OPEB liability (asset)	\$ 4,850,000	\$ 4,899,000	\$ 4,423,076	\$ 3,645,776
State's proportionate share of the collective net OPEB liability (asset) associated with the District	<u>3,962,000</u>	<u>4,002,000</u>	<u>3,811,727</u>	<u>2,944,000</u>
<b>Total</b>	<b><u>\$ 8,812,000</u></b>	<b><u>\$ 8,901,000</u></b>	<b><u>\$ 8,234,803</u></b>	<b><u>\$ 6,589,776</u></b>
District's covered employee payroll	unavailable	unavailable	\$ 8,883,972	\$ 7,247,745
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered employee payroll	unavailable	unavailable	49.79%	50.30%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	21.20%	25.50%	32.60%

The above schedule will present 10 years of historical data, once available.

**BREATHITT COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY SCHEDULE OF  
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - LIFE INSURANCE PLAN  
KENTUCKY TEACHERS' RETIREMENT SYSTEM  
Last Four Fiscal Years**

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<b>Reporting Fiscal Year (Measurement Date)</b>	<b>2017 (2016)</b>	<b>2018 (2017)</b>	<b>2019 (2018)</b>	<b>2020 (2019)</b>
District's proportion of the collective net OPEB liability	0.0000%	0.0000%	0.0000%	0.0000%
District's proportionate share of the collective net OPEB liability (asset)	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the collective net OPEB liability (asset) associated with the District	<u>37,000</u>	<u>54,000</u>	<u>65,000</u>	<u>68,000</u>
Total	<u>\$ 37,000</u>	<u>\$ 54,000</u>	<u>\$ 65,000</u>	<u>\$ 68,000</u>
District's covered employee payroll	unavailable	unavailable	\$ 8,883,972	\$ 7,247,745
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered employee payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	80.00%	74.97%	73.40%

The above schedule will present 10 years of historical data, once available.

**BREATHITT COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY  
SCHEDULE OF PENSION CONTRIBUTIONS  
COUNTY EMPLOYEES' RETIREMENT SYSTEM  
Last Six Fiscal Years**

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	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Contractually required employer contribution	\$ 349,012	\$ 353,281	\$ 395,269	\$ 394,918	\$ 403,475	\$ 476,447
Contributions relative to contractually required employer contribution	<u>349,012</u>	<u>353,281</u>	<u>395,269</u>	<u>394,918</u>	<u>403,475</u>	<u>476,447</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 2,960,407	\$ 2,845,655	\$ 2,873,687	\$ 2,711,255	\$ 2,463,291	\$ 2,468,639
Employer contributions as a percentage of covered-employee payroll	11.79%	12.41%	13.75%	14.57%	16.38%	19.30%

The above schedule will present 10 years of historical data, once available.

**BREATHITT COUNTY SCHOOL DISTRICT  
 REQUIRED SUPPLEMENTARY  
 SCHEDULE OF PENSION CONTRIBUTIONS  
 KENTUCKY TEACHERS' RETIREMENT SYSTEM  
 Last Six Fiscal Years**

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	2015	2016	2017	2018	2019	2020
Contractually required employer contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions relative to contractually required employer contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
District's covered employee payroll	unavailable	unavailable	unavailable	\$ 8,883,972	\$ 7,247,745	\$ 7,179,467
Employer contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

The above schedule will present 10 years of historical data, once available.

**BREATHITT COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY  
SCHEDULE OF OPEB CONTRIBUTIONS  
COUNTY EMPLOYEES' RETIREMENT SYSTEM  
Last Six Fiscal Years**

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	2015	2016	2017	2018	2019	2020
Contractually required employer contribution	\$ 134,677	\$ 131,983	\$ 134,023	\$ 128,185	\$ 130,843	\$ 117,507
Contributions relative to contractually required employer contribution	<u>134,677</u>	<u>131,983</u>	<u>134,023</u>	<u>128,185</u>	<u>130,843</u>	<u>117,507</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District's covered employee payroll	 \$ 2,960,407	 \$ 2,845,655	 \$ 2,873,687	 \$ 2,711,255	 \$ 2,463,291	 \$ 2,468,639
Employer contributions as a percentage of covered-employee payroll	4.55%	4.64%	4.66%	4.73%	5.31%	4.76%

The above schedule will present 10 years of historical data, once available.



**BREATHITT COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY  
SCHEDULE OF OPEB CONTRIBUTIONS - MEDICAL INSURANCE PLAN  
KENTUCKY TEACHERS' RETIREMENT SYSTEM  
Last Five Fiscal Years**

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	2016	2017	2018	2019	2020
Contractually required employer contribution	unavailable	unavailable	\$ 227,076	\$ 217,437	\$ 215,331
Contributions relative to contractually required employer contribution	<u>unavailable</u>	<u>unavailable</u>	<u>227,076</u>	<u>217,437</u>	<u>215,331</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District's covered employee payroll	 unavailable	 unavailable	 \$ 8,883,972	 \$ 7,247,745	 \$ 7,179,467
Employer contributions as a percentage of covered-employee payroll	unavailable	unavailable	2.56%	3.00%	3.00%

The above schedule will present 10 years of historical data, once available.

**BREATHITT COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY  
SCHEDULE OF OPEB CONTRIBUTIONS - LIFE INSURANCE PLAN  
KENTUCKY TEACHERS' RETIREMENT SYSTEM  
Last Six Fiscal Years**

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	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Contractually required employer contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions relative to contractually required employer contribution	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	unavailable	unavailable	unavailable	\$ 8,883,972	\$ 8,825,670	\$ 8,578,491
Employer contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

The above schedule will present 10 years of historical data, once available.

**BREATHITT COUNTY SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2020**

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**1. GENERAL INFORMATION**

**Contributions**

Contractually required employer contributions reported on the Schedule of Pension Contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The insurance contributions are reported on the Schedule of OPEB Contributions.

**Payroll**

The District's covered payroll reported on the Proportionate Share of the Net Pension Liability - CERS and the Proportionate Share of the Net OPEB Liability - CERS Schedules is one year prior to the District's fiscal year payroll as reported on the Schedule of Contributions for CERS Pension and CERS OPEB.

The District's covered payroll reported on the Proportionate Share of the Net Pension Liability - KTRS and the Proportionate Share of the Net OPEB Liability - KTRS Schedules is one year prior to the District's fiscal year payroll as reported on the Schedule of Contributions for KTRS Pension and KTRS OPEB.

**2. CHANGES OF ASSUMPTIONS**

**June 30, 2019 – CERS Pension and CERS OPEB Nonhazardous**

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for both CERS pension and CERS OPEB:

- The assumed rate of salary increases was increased from 3.05% to 3.3% to 10.3% on average.

**June 30, 2019 – KTRS Pension and KTRS OPEB**

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for KTRS pension:

- The assumed municipal bond index rate was decreased from 3.89% to 3.5%.

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for KTRS OPEB – Medical Insurance Plan:

- The assumed projected salary decreased from 4.0% -8.10%, including wage inflation, to 3.50% - 7.20%, including wage inflation.
- The assumed wage inflation dropped from 4.0% to 3.5%.
- The assumed municipal bond index rate was decreased from 3.89% to 3.5%.

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for KTRS OPEB – Life Insurance Plan:

- The assumed net investment rate of return decreased from 8.0% to 7.5%.
- The assumed municipal bond index rate was decreased from 3.89% to 3.5%.

**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2020**

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**2. CHANGES OF ASSUMPTIONS (CONTINUED)**

**June 30, 2018 – CERS Pension and CERS OPEB – Nonhazardous**

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2018 for either CERS pension or CERS OPEB.

**June 30, 2018 – KTRS Pension and KTRS OPEB**

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2018, for KTRS pension and KTRS OPEB:

- For KTRS Pension the assumed discount rate was increased from 4.49% to 7.50%.
- For KTRS OPEB – Medical Insurance Plan health care trend rates were updated.

**June 30, 2017 – CERS Pension – Nonhazardous**

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2017:

- The assumed rate of return was decreased from 7.5% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.3%.
- Payroll growth assumption was reduced from 4% to 2%

**June 30, 2017 – KTRS Pension**

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2017:

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

**June 30, 2016 – CERS Pension and CERS OPEB – Nonhazardous**

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016 for either CERS pension or CERS OPEB.

**June 30, 2016 – KTRS Pension**

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016, for KTRS pension:

- The assumed municipal bond index rate decreased from 3.82% to 3.01%, resulting in a change in the Single Equivalent Interest Rate from 4.88% to 4.20%.

**BREATHITT COUNTY SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2020**

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**2. CHANGES OF ASSUMPTIONS (CONTINUED)**

**June 30, 2015 – CERS Pension – Nonhazardous**

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

- The assumed rate of return was decreased from 7.75% to 7.5%.
- The assumed rate of inflation was reduced from 3.5% to 3.25%.
- The assumed rate of wage inflation was reduced from 1% to .75%.
- Payroll growth assumption was reduced from 4.5% to 4%.
- Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females).
- For Disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- The assumed rates of retirement, withdrawal, and disability were updated to reflect experience more accurately.

**June 30, 2015 – KTRS Pension**

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015 for KTRS pension.

**June 30, 2014 – CERS Pension –Nonhazardous and KTRS Pension**

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2014.

**June 30, 2013 – CERS Pension – Nonhazardous**

The following assumptions were made by the Kentucky Legislature and reflected in the initial valuation performed as of June 30, 2013:

- The assumed rate of return was 7.75%.
- The assumed rate of inflation was 3.5%.
- The assumed rate of wage inflation was 1%.
- Payroll growth assumption was 4.5%.
- Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006. The 1994 Group Annuity Mortality Table was used for all other members.

**BREATHITT COUNTY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 for the year ended June 30, 2020**

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	<b>SEEK Capital Outlay Fund</b>	<b>FSPK Fund</b>	<b>Debt Service Fund</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 330,222	\$ -	\$ 330,222
Accounts receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>\$ -</u>	 <u>\$ 330,222</u>	 <u>\$ -</u>	 <u>\$ 330,222</u>
 <b>LIABILITIES</b>				
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Total liabilities	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
 <b>FUND BALANCE</b>				
Restricted				
Other	-	210,278	-	210,278
SFCC escrow	-	119,944	-	119,944
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total fund balance	 <u>-</u>	 <u>330,222</u>	 <u>-</u>	 <u>330,222</u>
 Total liabilities and fund balance	 <u>\$ -</u>	 <u>\$ 330,222</u>	 <u>\$ -</u>	 <u>\$ 330,222</u>

**BREATHITT COUNTY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BLANACES  
 NONMAJOR GOVERNMENTAL FUNDS  
 for the year ended June 30, 2020**

	<b>SEEK Capital Outlay Fund</b>	<b>FSPK Fund</b>	<b>Debt Service Fund</b>	<b>Total</b>
<b>REVENUES</b>				
Taxes	\$ -	\$ 419,556	\$ -	\$ 419,556
Other local sources	-	-	-	-
Intergovernmental-State	<u>161,021</u>	<u>577,101</u>	<u>286,368</u>	<u>1,024,490</u>
 Total revenues	 <u>161,021</u>	 <u>996,657</u>	 <u>286,368</u>	 <u>1,444,046</u>
 <b>EXPENDITURES</b>				
Instruction	-	-	-	-
Instructional staff support services	-	-	-	-
Plant operation and maintenance	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	<u>1,393,583</u>	<u>1,393,583</u>
 Total expenditures	 <u>-</u>	 <u>-</u>	 <u>1,393,583</u>	 <u>1,393,583</u>
 Excess (deficit) revenues over expenditures	 <u>161,021</u>	 <u>996,657</u>	 <u>(1,107,215)</u>	 <u>50,463</u>
 <b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	-	-	1,107,215	1,107,215
Operating transfers out	<u>(161,021)</u>	<u>(786,379)</u>	<u>-</u>	<u>(947,400)</u>
 Total other financing sources (uses)	 <u>(161,021)</u>	 <u>(786,379)</u>	 <u>1,107,215</u>	 <u>159,815</u>
 Excess (deficit) revenues and other financing sources over expenditures and other financing uses	  -	  210,278	  -	  210,278
 Fund balances-beginning	 <u>-</u>	 <u>119,944</u>	 <u>-</u>	 <u>119,944</u>
 <b>Fund balances-ending</b>	 <u>\$ -</u>	 <u>\$ 330,222</u>	 <u>\$ -</u>	 <u>\$ 330,222</u>

**BREATHITT COUNTY SCHOOL DISTRICT  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 SCHOOL ACTIVITY FUNDS  
 for the year ended June 30, 2020**

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	<b>Breathitt County High School</b>	<b>Highland- Turner Elementary School</b>	<b>Sebastian Elementary School</b>	<b>Marie Roberts- Caney Elementary</b>	<b>Total</b>
<b>ASSETS</b>					
Cash and equivalents	<u>\$ 60,554</u>	<u>\$ 29,685</u>	<u>\$ 7,717</u>	<u>\$ 9,604</u>	<u>\$ 107,560</u>
Total assets	<u>\$ 60,554</u>	<u>\$ 29,685</u>	<u>\$ 7,717</u>	<u>\$ 9,604</u>	<u>\$ 107,560</u>
<b>LIABILITIES</b>					
Due to student groups	<u>\$ 60,554</u>	<u>\$ 29,685</u>	<u>\$ 7,717</u>	<u>\$ 9,604</u>	<u>\$ 107,560</u>
Total liabilities	<u>\$ 60,554</u>	<u>\$ 29,685</u>	<u>\$ 7,717</u>	<u>\$ 9,604</u>	<u>\$ 107,560</u>



**BREATHITT COUNTY SCHOOL DISTRICT**  
**COMBINING STATEMENT OF FIDUCIARY RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS**  
**SCHOOL ACTIVITY FUNDS**  
**for the year ended June 30, 2020**

	<b>Cash Balances</b>			<b>Cash Balances</b>	<b>Accounts</b>	<b>Accounts</b>	<b>Fund Balances</b>
	<b>July 01, 2019</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>June 30, 2020</b>	<b>Receivable</b>	<b>Payable</b>	<b>June 30, 2020</b>
Breathitt County High School	\$ 54,975	\$ 385,641	\$ (380,062)	\$ 60,554	\$ -	\$ -	\$ 60,554
Highland-Turner Elementary	22,850	23,567	(16,732)	29,685	-	-	29,685
Sebastian Elementary School	6,359	20,536	(19,178)	7,717	-	-	7,717
Marie Roberts-Caney Elementary	<u>6,207</u>	<u>26,934</u>	<u>(23,537)</u>	<u>9,604</u>	<u>-</u>	<u>-</u>	<u>9,604</u>
<b>TOTAL ACTIVITY FUNDS</b>	<b><u>\$ 90,391</u></b>	<b><u>\$ 456,678</u></b>	<b><u>\$ (439,509)</u></b>	<b><u>\$ 107,560</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 107,560</u></b>

**BREATHITT COUNTY SCHOOL DISTRICT**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS**  
**BREATHITT COUNTY HIGH SCHOOL**  
**for the year ended June 30, 2020**

	<b>Cash Balances</b>				<b>Cash Balances</b>	<b>Accounts</b>	<b>Accounts</b>	<b>Fund Balances</b>
	<b>July 01, 2019</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Transfers</b>	<b>Year End</b>	<b>Receivable</b>	<b>Payable</b>	<b>June 30, 2020</b>
						<b>Year End</b>	<b>Year End</b>	
ACADEMIC TEAM	\$ 103	\$ 661	\$ (522)	\$ (242)	\$ -	\$ -	\$ -	\$ -
ALL A BOYS BASKETBALL	-	5,604	(4,235)	(1,369)	-	-	-	-
ALL A GIRLS BASKETBALL	-	4,254	(3,127)	(1,127)	-	-	-	-
AP/PSAT EXAM	1,271	250	(898)	-	623	-	-	623
ART	86	-	-	-	86	-	-	86
BAND/CHORUS	-	15,620	(16,635)	3,318	2,303	-	-	2,303
BASEBALL	1,014	850	(1,137)	-	727	-	-	727
BASS FISHING CLUB	250	-	(50)	-	200	-	-	200
BETA	119	-	-	-	119	-	-	119
BHS CHEERLEADERS	56	1,193	(840)	-	409	-	-	409
BOBCATS 55TH DIST TOURN	3,122	17,849	(11,080)	(9,891)	-	-	-	-
BOYS BASKETBALL	(855)	24,296	(23,717)	636	360	-	-	360
CLASS OF 2019	113	-	-	(113)	-	-	-	-
CLASS OF 2020	4,013	44,113	(43,619)	(4,307)	200	-	-	200
CONCESSIONS	238	38,061	(31,960)	(1,449)	4,890	-	-	4,890
DISTRICT SWEEP	-	3,222	(4,407)	1,185	-	-	-	-
DRAMA	1,737	978	(1,467)	-	1,248	-	-	1,248
FACULTY	803	3,254	(4,220)	232	69	-	-	69
FFA	3,277	13,421	(11,275)	(2,520)	2,903	-	-	2,903
FFA GRANT	4,864	-	-	-	4,864	-	-	4,864
FOOTBALL	7,201	31,290	(32,309)	2,739	8,921	-	-	8,921
GENERAL FUND	(158)	74,798	(72,190)	2,860	5,310	-	-	5,310
GOLF	156	750	(744)	-	162	-	-	162
GRADUATION	-	598	-	(577)	21	-	-	21
GREENHOUSE	2,679	3,668	(1,885)	-	4,462	-	-	4,462
GUIDANCE	330	282	(583)	-	29	-	-	29
HOME IMPROVEMENT/WOOD SHP	2,764	-	(230)	-	2,534	-	-	2,534
Subtotal	<u>\$ 33,183</u>	<u>\$ 285,012</u>	<u>\$ (267,130)</u>	<u>\$ (10,625)</u>	<u>\$ 40,440</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,440</u>

**BREATHITT COUNTY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS  
BREATHITT COUNTY HIGH SCHOOL  
for the year ended June 30, 2020**

	<b>Cash Balances</b>				<b>Cash Balances</b>	<b>Accounts</b>	<b>Accounts</b>	<b>Fund Balances</b>
	<b>July 01, 2019</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Transfers</b>	<b>Year End</b>	<b>Receivable</b>	<b>Payable</b>	<b>June 30, 2020</b>
						<b>Year End</b>	<b>Year End</b>	
JROTC	\$ 547	\$ 1,439	\$ (1,361)	\$ -	\$ 625	\$ -	\$ -	\$ 625
KY ADVANCE	1,828	-	-	-	1,828	-	-	1,828
LADYCAT SOFTBALL	811	1,355	(239)	485	2,412	-	-	2,412
LADYCATS BASKETBALL	919	24,388	(26,731)	3,245	1,821	-	-	1,821
MIDDLE SCHOOL ACADEMICS	-	90	(155)	65	-	-	-	-
MIDDLE SCHOOL CHEERLEADING	12	-	100	-	112	-	-	112
MIDDLE SCHOOL FOOTBALL	1,144	3,501	(4,307)	-	338	-	-	338
MIDDLE SCHOOL SOFTBALL	1	1,339	(517)	-	823	-	-	823
MS ACADEMIC	-	2,477	(1,215)	585	1,847	-	-	1,847
MS BOYS BASKETBALL	-	19,534	(22,537)	3,003	-	-	-	-
PROM	4,593	3,279	(5,400)	-	2,472	-	-	2,472
SCIENCE ACTIVITY	72	-	-	-	72	-	-	72
SOCCER	148	898	(974)	-	72	-	-	72
STUDENT ACTIVITIES FUND	11	5,405	(5,366)	-	50	-	-	50
TEENS FOR CHRIST	120	-	-	-	120	-	-	120
TOURNAMENT	919	1,826	(4,788)	2,637	594	-	-	594
TRACK	1	3,546	(3,071)	-	476	-	-	476
TSA	-	-	-	-	-	-	-	-
VOLLEYCATS	2,985	22,802	(24,822)	-	965	-	-	965
Y CLUB	2,381	3,645	(6,631)	605	-	-	-	-
YEARBOOK	4,723	2,440	(4,178)	-	2,985	-	-	2,985
YSC CATCHING DREAMS	31	-	-	-	31	-	-	31
YSC/FRYSC	546	2,665	(740)	-	2,471	-	-	2,471
Total	<u>\$ 54,975</u>	<u>\$385,641</u>	<u>\$ (380,062)</u>	<u>\$ -</u>	<u>\$ 60,554</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,554</u>



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

To the State Committee for School District Audits and  
Members of the Board of Education  
Breathitt County School District

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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Breathitt 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 Breathitt County School District's basic financial statements, and have issued our report thereon dated January 11, 2021.

**Internal Control over Financial Reporting**

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

We noted certain matters that we reported to management of the Breathitt County School District, in a separate letter dated January 11, 2021.

**Purpose of this Report**

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

**RFH**

RFH, PLLC  
Lexington, Kentucky  
January 11, 2021



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

To the State Committee for School District Audits and  
Members of the Board of Education  
Breathitt County School District

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

We have audited the Breathitt County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Breathitt County School District's major federal programs for the year ended June 30, 2020. Breathitt 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.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Breathitt 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 the Breathitt 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 the Breathitt County School District's compliance.

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

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

**RFH**

RFH, PLLC  
Lexington, Kentucky  
January 11, 2021

**BREATHITT COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
for the year ended June 30, 2020**

GRANTOR/PROGRAM TITLE	Federal CFDA Number	Pass Through Grantor's Number	Expenditures
U.S. Department of Agriculture (USDA)			
Child Nutrition Cluster			
Passed through Kentucky Department of Education			
National School Lunch Program	10.555	7750002	\$ 657,454
National School Breakfast Program	10.553	7760005 7690024/ 7740023	319,143
Summer Food Service Program for Children	10.559		345,455
Passed through Kentucky Department of Agriculture			
Commodities (Note 2)	10.555	Note 5	65,239
Passed through Kentucky Department of Education			
Fresh Fruit and Vegetable Program	10.582	7720012	43,662
State Administrative Expenses for Child Nutrition	10.560	7700001	<u>3,859</u>
<b>Total U.S. Department of Agriculture</b>			<b><u>1,434,812</u></b>
U.S. Department of Education			
Passed through Kentucky Department of Education			
		3100002/3	
Title I, Part A Cluster	84.010	220002	<u>1,198,966</u>
Title I, Neglected and Delinquent Children and Youth	84.013	Note 5	<u>24,000</u>
Special Education Cluster (IDEA)			
Special Education - Grants to States (IDEA, Part B)	84.027	3810002	629,542
Special Education - Preschool Grants (IDEA, Preschool)	84.173	3800002	<u>42,589</u>
Total Special Education Cluster (IDEA)			<u>672,131</u>
Vocational Education	84.048A	3710002	<u>8,868</u>
Twenty-First Century Community Learning Centers	84.287	3400002	<u>77,141</u>
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	Note 5	<u>347,198</u>
Rural Education	84.358	3140002	<u>23,217</u>
Striving Readers/Comprehensive Literacy Development	84.371C	Note 5	<u>101,149</u>
ROTC	12.000	Note 5	<u>44,546</u>
Race to the Top - Early Learning Challenge	84.416A	Note 5	<u>13,969</u>
Student Support and Academic Enrichment Grant	84.424	3420002	<u>72,657</u>
Improving Teacher Quality State Grants	84.367	3230002	<u>105,123</u>
COVID -19 - Education Stabilization Fund	84.425D	Note 5	<u>208,955</u>
<b>Total U.S. Department of Education</b>			<b><u>2,897,920</u></b>
U.S. Department of Homeland Security			
Passed through Kentucky Department of Education			
COVID - 19 - Disaster Grants - Public Assistance	97.036	Note 5	<u>6,787</u>
<b>Total U.S. Department of Homeland Security</b>			<b><u>6,787</u></b>
U.S. Department of Health and Human Services			
Passed through Kentucky Department of Education			
Every Student Succeeds Act/Preschool Development Grants	93.434	Note 5	<u>48,108</u>
<b>Total U.S. Department of Health and Human Services</b>			<b><u>48,108</u></b>
<b>Total expenditures of federal awards</b>			<b><u>\$ 4,387,627</u></b>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Breathitt County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in, or used, in the preparation of, the basic financial statements may differ from those numbers.

Note 2 - Nonmonetary assistance is reported in the schedule at the fair market value of the commodities disbursed.

Note 3 - The District did not pass through any funds to subrecipients.

Note 4 - Indirect Cost Rates

The District did not elect to use the 10 percent de minimis cost rate as allowed under the Uniform Guidance.

Note 5 - Passthrough entity numbers are presented when available. Pass through grantor's number not available.



**BREATHITT COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
for the year ended June 30, 2020**

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**I. SUMMARY OF AUDITORS' RESULTS**

Financial Statements:

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified \_\_Yes XNo  
 Significant deficiencies identified that are not  
 considered to be material weaknesses \_\_Yes XNone reported

Non-compliance material to financial statements noted \_\_Yes XNo

Federal Awards:

Internal control over major programs:

Material weaknesses identified \_\_Yes XNo  
 Significant deficiencies identified that are not  
 considered to be material weaknesses \_\_Yes XNone reported

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

Unmodified for all major programs.

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

**Major Programs:**

<b>CFDA Number</b>	<b>Name of Federal Program or Cluster</b>
10.553, 10.555 and 10.559	Child Nutrition Cluster
84.425D	COVID-19 - Education Stabilization Fund

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

Auditee qualified as a low-risk auditee? XYes   No

**II. FINDINGS RELATED TO FINANCIAL STATEMENTS**

NONE

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

NONE

**III. PRIOR AUDIT FINDINGS**

NONE



Members of the Board of Education  
Breathitt County School District  
Jackson, Kentucky

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

However, during our audit, we became aware of some matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated January 11, 2021 on the financial statements of the Breathitt County Board of Education. We will review the status of these comments during our next audit engagement. 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.

Respectfully,

A stylized, handwritten signature of "RFH" in black ink.

RFH, PLLC  
January 11, 2021

**Breathitt County School District  
Management Letter Comments  
June 30, 2020**

**DISTRICT**

**Current Year Comments**

None.

**Status of Prior Year Comments**

There were no management letter comments at the District level in the prior year.

**Breathitt County School District  
Management Letter Comments  
June 30, 2020**

**SCHOOL ACTIVITY FUNDS**

**BREATHITT COUNTY HIGH SCHOOL**

2020-01:      Purchase Orders

Condition:

During testing, multiple instances of purchases approved after being obligated were noted. Purchase orders should be completed prior to all purchases.

Response:

Training continues to be offered to staff virtually, along with monthly meetings with school staff to review appropriate protocols. This particular issue occurred due to a failure to print out the PO when it was entered. The PO's were printed once the invoice was received, and the print date was the date listed on the PO. This error was discovered during an internal audit which took place in November 2019. After that internal audit, the process was corrected so that PO's were printed prior to receiving the invoice. This will continue to be a focus for improvement moving forward.

**Status of Prior Year Comments**

Comment 2020-01 is a repeat comment from the previous year. All other comments from the prior year were corrected.

**Sebastian Elementary School**

No comments in the current year.

**Status of Prior Year Comments**

All comments from the prior year have been corrected.

**MARIE ROBERTS-CANEY ELEMENTARY**

2020-01:      Purchase Orders

Condition:

During testing, multiple instances of purchases approved after being obligated were noted. Additionally, we noted one purchase that did not have a completed purchase order. Purchase orders should be completed prior to all purchases.

Response:

Training continues to be offered virtually for all school staff. This school had a new school secretary who was hired in the position January 16, 2020. She has participated in training and is very conscientious in her work; however, there is a steep learning curve in this position. She is being given additional assistance in completing required reports/processes, so this error should improve moving forward.

**Breathitt County School District  
Management Letter Comments  
June 30, 2020**

**MARIE ROBERTS-CANEY ELEMENTARY (CONTINUED)**

2020-02:     Gate Sales

Condition:

We noted an instance that a "School Activity Fund Requisition and Report of Ticket Sales Form" was not completed. This form should be completed in accordance with Redbook guidelines.

Response:

Continued training will be conducted at this school to ensure appropriate protocols are followed. This school had a new school secretary who was hired in the position January 16, 2020. She has participated in training and is very conscientious in her work; however, there is a steep learning curve in this position. She is being given additional assistance in completing required reports/processes, so this error should improve moving forward.

**Status of Prior Year Comments**

Comments 2020-01 and 2020-02 are repeat comments from the previous year. All other comments from the prior year were corrected.

**HIGHLAND-TURNER ELEMENTARY**

No comments in the current year.

**Status of Prior Year Comments**

All comments from the prior year have been corrected.

**APPENDIX C**

**Breathitt County School District Finance Corporation  
School Building Revenue Bonds  
Second 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 3rd day of August, 2021, by and between the Board of Education of Breathitt County, Kentucky School District ("Board"); the Breathitt 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 \$1,070,000 of the Corporation's School Building Revenue Bonds, Second Series of 2021, dated as of August 3, 2021 ("Bonds"), which Bonds were offered for sale under the terms and conditions of a Final Official Statement ("FOS") prepared by RSA Advisors, LLC, Lexington, Kentucky ("Financial Advisor") and approved by the authorized representatives of the Board and the Corporation, and

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

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

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

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

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

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

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

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

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

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

## **2. MATERIAL EVENTS NOTICES**

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

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

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



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

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

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

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

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

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

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

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

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

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

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

### **7. AMENDMENT; WAIVER**

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

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

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

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

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

## 8. DEFAULT

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

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

**BOARD OF EDUCATION OF  
BREATHITT COUNTY, KENTUCKY**

\_\_\_\_\_  
Chairman

Attest:

\_\_\_\_\_  
Secretary

**BREATHITT COUNTY SCHOOL  
DISTRICT FINANCE CORPORATION**

\_\_\_\_\_  
President

Attest:

\_\_\_\_\_  
Secretary

**APPENDIX D**

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

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**Official Terms and Conditions of Bond Sale**

**OFFICIAL TERMS AND CONDITIONS OF BOND SALE**

**\$1,070,000\***

**Breathitt County School District Finance Corporation  
School Building Revenue Bonds, Second Series of 2021  
Dated as of August 3, 2021**

**SALE: July 13, 2021 AT 11:00 A.M., E.D.S.T.**

As published on PARITY®, a nationally recognized electronic bidding system, the Breathitt County School District Finance Corporation ("Corporation") will until July 13, 2021, at the hour of 11:00 A.M., E.D.S.T., in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Rd, Carriage House, Frankfort, KY 40601, receive competitive bids for the revenue bonds herein described. To be considered, bids must be submitted on an Official Bid Form and must be delivered to the Corporation at the address indicated on the date of sale no later than the hour indicated. Bids may be submitted manually or by facsimile or electronically via PARITY. Bids will be considered by the Corporation and may be accepted without further action by the Corporation's Board of Directors.

Subject to a Permitted Adjustment\* increasing or decreasing the issue by up to \$105,000.

**BREATHITT 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 Breathitt 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 roof replacement at Sebastian Elementary School (the "Project") and are secured by a lien upon and a pledge of the revenues from the rental of the school building Project to the Board under the Lease on a year-to-year basis; the first rental period ending June 30, 2022; provided, however, said lien and pledge are on parity with a similar lien and pledge securing the Corporation's School Building Revenue Bonds previously issued to finance the school building(s) which constitutes the Project.

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

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

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

### **ADDITIONAL PARITY BONDS**

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

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

All such Bonds shall be in denominations in multiples of \$5,000 within the same maturity, bear interest from August 3, 2021, payable on February 1, 2022, and semi annually thereafter and shall mature as to principal on August 1 in each of the years as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2022	\$45,000	2032	\$55,000
2023	45,000	2033	55,000
2024	45,000	2034	55,000
2025	45,000	2035	55,000
2026	50,000	2036	60,000
2027	50,000	2037	60,000
2028	50,000	2038	60,000
2029	50,000	2039	60,000
2030	50,000	2040	65,000
2031	50,000	2041	65,000

\*Subject to a Permitted Adjustment of the amount of Bonds awarded of up to \$105,000 which may be applied in any or all maturities.

The Bonds maturing on or after August 1, 2030 are subject to redemption at the option of the Corporation prior to their stated maturity on any date falling on or after August 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). Citizens Bank & Trust Co. of Jackson, Jackson, Kentucky, has been designated as the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date to Cede & Co. Principal and interest will be payable through the Book-Entry-Only-System administered by The Depository Trust Company: Please see "BOOK-ENTRY-ONLY-SYSTEM" below. Interest on the Bonds will be paid at rates to be established upon the basis of competitive bidding as hereinafter set forth, such interest to be payable on February 1 and August 1 of each year, beginning February 1, 2022 (Record Date is the 15th day of month preceding interest due date).

## **BIDDING CONDITIONS AND RESTRICTIONS**

(A) Bids must be made on Official Bid Form, contained in Information for Bidders available from the undersigned or RSA Advisors, LLC, Lexington, Kentucky, by visiting [www.rsamuni.com](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 \$1,048,600 (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 \$1,070,000 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 \$105,000 (the "Permitted Adjustment") which may be awarded to such best bidder may be a minimum of \$965,000 or a maximum of \$1,175,000. 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 \$1,070,000 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 July 13, 2021.

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

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

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

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

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

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

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

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

### **STATE SUPPORT OF EDUCATION**

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

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

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

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

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

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

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

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



funds are appropriated separately from SEEK funds and are distributed to districts in accordance with a formula taking into account outstanding debt and funds available for payment from both local and state sources under KRS 157.440(1)(b).

KRS 160.460 provides that as of July 1, 1994 all real property located in the Commonwealth subject to local taxation shall be assessed at 100% of fair cash value.

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

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

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

Due to the unforeseen nature on the economy of the Commonwealth caused by the COVID-19 pandemic, in its 2020 regular session, the General Assembly adopted only a one-year budget for the biennial period ending June 30, 2022 which was approved and signed by the Governor. The biennial budget was reviewed and supplemented during the General Assembly's 2021 regular session. Such budget became effective beginning July 1, 2020. The Office of the State Budget Director makes available on its website monthly updates to the General Fund receipts and other Funds of the commonwealth. When published, the updates can be found at [www.osbd.ky.gov](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 (the "Rule") by filing annual financial statements and material events notices with the Electronic Municipal Market Access ("EMMA") System maintained by the Municipal Securities Rule Making Board.

Financial information regarding the Board may be obtained from Superintendent, Breathitt County School District Board of Education, PO Box 750, Jackson, Kentucky 41339, Telephone 606-666-2491.

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

Bond Counsel is of the opinion that the Bonds are not "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 more than \$10,000,000 of tax-exempt obligations during the calendar year ending December 31, 2021, the Bonds may NOT 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.

**BREATHITT COUNTY SCHOOL DISTRICT  
FINANCE CORPORATION**

By /s/ Sheretta Haddix  
Secretary

**APPENDIX E**

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

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**Official Bid Form**

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

The Breathitt County School District Finance Corporation ("Corporation" or "Issuer"), will until 11:00 A.M., E.D.S.T., on July 13, 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 \$1,070,000 School Building Revenue Bonds, Second Series of 2021, dated August 3, 2021; maturing August 1, 2022 through 2041 ("Bonds").

We hereby bid for said \$1,070,000\* principal amount of Bonds, the total sum of \$ \_\_\_\_\_ (not less than \$1,048,600) plus accrued interest from August 3, 2021 payable February 1, 2022 and semiannually thereafter at the following annual rates, (rates on ascending scale in multiples of 1/8 or 1/20 of 1%; number of interest rates unlimited) and maturing as to principal on August 1 in the years as follows:

<u>Year</u>	<u>Amount*</u>	<u>Rate</u>	<u>Year</u>	<u>Amount*</u>	<u>Rate</u>
2022	\$ 45,000	_____ %	2032	\$55,000	_____ %
2023	45,000	_____ %	2033	55,000	_____ %
2024	45,000	_____ %	2034	55,000	_____ %
2025	45,000	_____ %	2035	55,000	_____ %
2026	50,000	_____ %	2036	60,000	_____ %
2027	50,000	_____ %	2037	60,000	_____ %
2028	50,000	_____ %	2038	60,000	_____ %
2029	50,000	_____ %	2039	60,000	_____ %
2030	50,000	_____ %	2040	65,000	_____ %
2031	50,000	_____ %	2041	65,000	_____ %

\* Subject to Permitted Adjustment

We understand this bid may be accepted for as much as \$1,175,000 of Bonds or as little as \$965,000 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 July 13, 2021.
- (e) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

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

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

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

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

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

No certified or bank cashier's check will be required to accompany a bid, but the successful bidder shall be required to wire transfer an amount equal to 2% of the principal amount of Bonds awarded by the close of business on the date following the award. Said good faith amount will be applied (without interest) to the purchase price on delivery. Wire transfer procedures should be arranged through Citizens Bank & Trust Co. of Jackson, Jackson, Kentucky, Attn: Ms. Karen Taulbee (606-666-7575).

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 August 3, 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 August 3, 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 Breathitt 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: July 13, 2021

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