

DATED AUGUST 9, 2021

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

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

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

**\$26,415,000\***  
**MASON COUNTY SCHOOL DISTRICT FINANCE CORPORATION**  
**SCHOOL BUILDING REVENUE BONDS,**  
**SERIES 2021**

**Dated with Delivery: September 7, 2021**

**Due: as shown below**

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

Maturing		Interest Rate	Reoffering Yield	CUSIP	Maturing		Interest Rate	Reoffering Yield	CUSIP
1-Sep	Amount				1-Sep	Amount			
2022	\$970,000	%	%		2032	\$1,200,000	%	%	
2023	\$995,000	%	%		2033	\$1,225,000	%	%	
2024	\$1,010,000	%	%		2034	\$1,250,000	%	%	
2025	\$1,035,000	%	%		2035	\$1,405,000	%	%	
2026	\$1,060,000	%	%		2036	\$1,435,000	%	%	
2027	\$1,080,000	%	%		2037	\$1,465,000	%	%	
2028	\$1,105,000	%	%		2038	\$1,185,000	%	%	
2029	\$1,125,000	%	%		2039	\$1,215,000	%	%	
2030	\$1,150,000	%	%		2040	\$2,735,000	%	%	
2031	\$1,175,000	%	%		2041	\$2,595,000	%	%	

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

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

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

The Secretary of the Mason County School District Finance Corporation will until August 17, 2021, at 11:00 A.M., E.T., receive sealed bids for the Bonds at the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Road, Carriage House, Frankfort, Kentucky 40601.

**\*As set forth in the "Official Terms and Conditions of Bond Sale," the principal amount of Bonds sold to the successful bidder is subject to a Permitted Adjustment by increasing or decreasing the amount awarded by up to \$2,645,000.**

**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.

**MASON COUNTY  
BOARD OF EDUCATION**

Stephanie Gardner, Chairperson  
Vicky Lowe, Member  
Karen Osborne, Member  
Melissa Simmons, Member  
Ron Rosel, Member

Rick Ross, Superintendent/Secretary

**MASON COUNTY SCHOOL DISTRICT  
FINANCE CORPORATION**

Stephanie Gardner, President  
Vicky Lowe, Member  
Karen Osborne, Member  
Melissa Simmons, Member  
Ron Rosel, Member

Rick Ross, Secretary  
Justin Moore, Treasurer

**BOND COUNSEL**

Dinsmore & Shohl LLP  
Covington, Kentucky

**FINANCIAL ADVISOR**

RSA Advisors, LLC  
Lexington, Kentucky

**PAYING AGENT AND REGISTRAR**

U.S. Bank National Association  
Louisville, Kentucky

**BOOK-ENTRY-ONLY-SYSTEM**

## REGARDING USE OF THIS OFFICIAL STATEMENT

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

**\$26,415,000\***

**MASON COUNTY SCHOOL DISTRICT FINANCE CORPORATION  
SCHOOL BUILDING REVENUE BONDS,  
SERIES 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 Mason County School District Finance Corporation (the "Corporation") School Building Revenue Bonds, Series 2021 (the "Bonds").

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

The Bonds are revenue bonds and constitute a limited indebtedness of the Corporation. The Bonds will be secured by a statutory mortgage lien and a pledge of the rental income derived by the Corporation from leasing the Project to the Mason County School District Board of Education (the "Board") on a year to year basis (see "Security" herein).

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

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

Copies of the Bond Resolution authorizing the issuance of the Bonds, the Participation Agreement and the Contract, Lease and Option, dated September 7, 2021, may be obtained at the office of Dinsmore & Shohl LLP, 50 East Rivercenter Boulevard, Suite 1150, Covington, KY 41011.

**BOOK-ENTRY-ONLY-SYSTEM**

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

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

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

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

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

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

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

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

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

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

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

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

## **THE CORPORATION**

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

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

## **KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION**

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

The Kentucky School Facilities Construction Commission (the "Commission") is an independent corporate agency and instrumentality of the Commonwealth of Kentucky established pursuant to the provisions of §§ 157.611 through 157.640 of the Kentucky Revised Statutes, as repealed, amended, and reenacted (the "Act") for the purpose of assisting local school districts in meeting the school construction needs of the Commonwealth in a manner which will ensure an equitable distribution of funds based upon unmet need. Pursuant to the provisions of the Act, the Regulations of the State Board of Education and of the Commission, the Commission has determined that the Board is eligible for participation from the Commission in meeting the costs of the Projects and has entered into the Participation Agreement with the Board whereunder the Commission agrees to pay an Agreed Participation equal to approximately 72% of the debt service requirements each year to be applied only to the payment of the principal and interest requirements on the Bonds; provided, however, that the contractual commitment of the Commission to pay the annual Agreed Participation is limited to the biennial budget period of the Commonwealth, with the first such biennial period terminating on June 30, 2022. The right is reserved in the Commission to terminate the commitment to pay the Agreed Participation every two years thereafter. The obligation of the Commission to make payments of the Agreed Participation shall be automatically renewed each two years for a period of two years unless the Commission shall give notice of its intention not to participate not less than sixty days prior to the end of the biennium; however, by execution of the Participation Agreement, the Commission has expressed its present intention to continue to pay the Agreed Participation in each successive biennial budget period until the retirement of all of the Bonds, but such execution does not obligate the Commission to do so.

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

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

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

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

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

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

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

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

### **OUTSTANDING BONDS**

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



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

<b>Bond Series</b>	<b>Original Principal</b>	<b>Current Principal Outstanding</b>	<b>Principal Assigned to Board</b>	<b>Principal Assigned to Commission</b>	<b>Interest Rate Range</b>	<b>Final Maturity</b>
2012-REF	\$9,235,000	\$3,515,000	\$5,667,282	\$3,567,718	2.375% - 2.625%	2024
2013	\$2,315,000	\$1,520,000	\$0	\$2,315,000	1.950% - 4.000%	2033
2014	\$4,540,000	\$4,170,000	\$3,163,020	\$1,376,980	2.000% - 3.125%	2034
2016	\$1,465,000	\$1,415,000	\$1,465,000	\$0	2.000% - 3.000%	2036
2018	\$4,575,000	\$4,505,000	\$4,575,000	\$0	3.000% - 3.875%	2038
2019	\$8,765,000	\$8,500,000	\$7,733,102	\$1,031,898	2.000% - 3.000%	2039
2020	\$4,280,000	\$4,170,000	\$4,280,000	\$0	2.000% - 2.500%	2040
<b>TOTALS:</b>	<b>\$35,175,000</b>	<b>\$27,795,000</b>	<b>\$26,883,404</b>	<b>\$8,291,596</b>		

### **AUTHORITY**

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

- i) the issuance of approximately \$26,415,000 of Bonds subject to a permitted adjustment by increasing or decreasing the amount awarded by up to \$2,645,000;
- 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 September 7, 2021, will bear interest from that date as described herein, payable semi-annually on March 1 and September 1 of each year, commencing March 1, 2022, and will mature as to principal on September 1, 2022 and thereafter in the years and in the principal amounts as set forth on the cover page of this Official Statement.

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

The Bonds are to be issued in fully-registered form (both principal and interest). U.S. Bank National Association, Louisville, Kentucky, the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date (March 1 and September 1) to each Registered Owner of record as of the 15th day of the month preceding the due date (February 15 and August 15) which shall be Cede & Co., as the nominee of The Depository Trust Company. Please see Book-Entry-Only-System.

## Redemption

The Bonds scheduled to mature on and after September 1, 2029, are subject to redemption at the option of the Corporation prior to their stated maturities on any date falling on or after September 1, 2028, in any order of maturities (less than all of a single maturity to be selected by lot), in whole or in part, expressed in percentages of the principal amount with respect to each redeemed Bond as set forth below, plus accrued interest to the date of redemption:

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

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

## SECURITY

### General

The Bonds are revenue bonds and constitute a limited indebtedness of the Corporation. The Bonds are payable as to both principal and interest solely from the income and revenues derived from the leasing of the Project acquired and constructed from the Bond proceeds from the Corporation to the Board.

### Mortgage Lien

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

### The Lease

The Board has leased the school Project securing the Bonds for an initial period from September 7, 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 September 1, 2041, the final maturity date of the Bonds.

## THE PROJECT

After payment of the Bond issuance costs, the Board plans to deposit the net Bond proceeds to finance construction of a new Middle School (the "Project").

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

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

## **STATE INTERCEPT**

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

## **COMMISSION'S PARTICIPATION**

The Commission has determined that the Board is eligible for an average annual participation equal to approximately \$487,582 from the Commission's appropriation by the Kentucky General Assembly which will be used to meet a portion of the debt service of the Bonds. The plan for financing the Project will require the Commission to pay approximately seventy-two percent (72%) of the debt service of the Bonds.

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

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

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

### ESTIMATED BOND DEBT SERVICE

The following table shows by fiscal year the current bond payments of the Board. The plan of financing provides for the Board to pay approximately 28% of the debt service of the bonds.

Fiscal Year Ending June 30	Current Local Bond Payments	----- Series 2021 School Building Revenue Bonds -----					Total Local Bond Payments
		Principal	Interest	Total	Local Portion	SFCC Portion	
2022	\$1,600,412		\$328,192	\$328,192	\$91,894	\$236,298	\$1,692,306
2023	\$1,603,334	\$970,000	\$649,380	\$1,619,380	\$453,426	\$1,165,954	\$2,056,760
2024	\$1,603,560	\$995,000	\$627,765	\$1,622,765	\$454,374	\$1,168,391	\$2,057,934
2025	\$1,606,493	\$1,010,000	\$605,710	\$1,615,710	\$452,399	\$1,163,311	\$2,058,892
2026	\$1,604,030	\$1,035,000	\$583,215	\$1,618,215	\$453,100	\$1,165,115	\$2,057,130
2027	\$1,605,331	\$1,060,000	\$560,170	\$1,620,170	\$453,648	\$1,166,522	\$2,058,979
2028	\$1,608,337	\$1,080,000	\$536,630	\$1,616,630	\$452,656	\$1,163,974	\$2,060,993
2029	\$1,607,931	\$1,105,000	\$512,595	\$1,617,595	\$452,927	\$1,164,668	\$2,060,858
2030	\$1,610,929	\$1,125,000	\$488,065	\$1,613,065	\$451,658	\$1,161,407	\$2,062,587
2031	\$1,611,738	\$1,150,000	\$463,040	\$1,613,040	\$451,651	\$1,161,389	\$2,063,389
2032	\$1,610,636	\$1,175,000	\$437,465	\$1,612,465	\$451,490	\$1,160,975	\$2,062,126
2033	\$1,613,194	\$1,200,000	\$411,340	\$1,611,340	\$451,175	\$1,160,165	\$2,064,369
2034	\$1,616,089	\$1,225,000	\$384,665	\$1,609,665	\$450,706	\$1,158,959	\$2,066,795
2035	\$1,615,807	\$1,250,000	\$357,440	\$1,607,440	\$450,083	\$1,157,357	\$2,065,890
2036	\$1,489,596	\$1,405,000	\$328,235	\$1,733,235	\$485,306	\$1,247,929	\$1,974,902
2037	\$1,493,871	\$1,435,000	\$296,995	\$1,731,995	\$484,959	\$1,247,036	\$1,978,830
2038	\$1,498,465	\$1,465,000	\$260,700	\$1,725,700	\$483,196	\$1,242,504	\$1,981,661
2039	\$1,450,386	\$1,185,000	\$223,600	\$1,408,600	\$394,408	\$1,014,192	\$1,844,794
2040	\$1,454,430	\$1,215,000	\$188,785	\$1,403,785	\$393,060	\$1,010,725	\$1,847,490
2041	\$1,454,430	\$2,735,000	\$126,800	\$2,861,800	\$801,304	\$2,060,496	\$2,255,734
2042		\$2,595,000	\$41,520	\$2,636,520	\$738,226	\$1,898,294	\$738,226
<b>TOTALS:</b>	<b>\$31,358,999</b>	<b>\$26,415,000</b>	<b>\$8,412,307</b>	<b>\$34,827,307</b>	<b>\$9,751,646</b>	<b>\$25,075,661</b>	<b>\$41,110,644</b>

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

### ESTIMATED USE OF BOND PROCEEDS

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

<b>Sources:</b>	
Par Amount of Bonds	<u>\$26,415,000.00</u>
Total Sources	\$26,415,000.00
<b>Uses:</b>	
Deposit to Construction Fund	\$25,727,190.00
Underwriter's Discount (2%)	528,300.00
Cost of Issuance	<u>159,510.00</u>
Total Uses	\$26,415,000.00

## DISTRICT STUDENT POPULATION

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

<u>Year</u>	<u>Average Daily Attendance</u>	<u>Year</u>	<u>Average Daily Attendance</u>
2000-01	2,408.6	2010-11	2,465.4
2001-02	2,411.7	2011-12	2,436.0
2002-03	2,425.9	2012-13	2,515.9
2003-04	2,426.7	2013-14	2,499.5
2004-05	2,446.1	2014-15	2,501.4
2005-06	2,417.4	2015-16	2,452.9
2006-07	2,533.2	2016-17	2,461.8
2007-08	2,497.4	2017-18	2,442.5
2008-09	2,472.0	2018-19	2,391.1
2009-10	2,454.7	2019-20	2,332.7

*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 \$3,911 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 Mason County School District for certain preceding school years. Beginning 1990-91, the allotment is based on average daily attendance as required by law.

<u>Year</u>	<u>Capital Outlay Allotment</u>	<u>Year</u>	<u>Capital Outlay Allotment</u>
2000-01	240,860.0	2010-11	246,537.0
2001-02	241,170.0	2011-12	243,599.0
2002-03	242,590.0	2012-13	251,586.0
2003-04	242,670.0	2013-14	249,945.0
2004-05	244,610.0	2014-15	250,140.0
2005-06	241,740.0	2015-16	245,290.0
2006-07	253,320.0	2016-17	246,180.0
2007-08	249,740.0	2017-18	244,250.0
2008-09	247,203.0	2018-19	239,112.5
2009-10	245,470.0	2019-20	233,270.0

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

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

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

### LOCAL SUPPORT

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

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

The 1990 Regular Session of the Kentucky General Assembly in enacting the "School Reform" legislative package amended the provisions of KRS 160.470 which prohibited school districts from levying ad valorem property taxes which would generate revenues in excess of 4% of the previous year's revenues without said levy

subject to recall to permit exceptions to the referendum under (1) KRS 160.470(12) [a new section of the statute] and (2) an amended KRS 157.440.

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

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

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

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

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

<b>Tax Year</b>	<b>Combined Equivalent Rate</b>	<b>Total Property Assessment</b>	<b>Property Revenue Collections</b>
2000-01	52.7	866,394,638	4,565,900
2001-02	52.4	867,218,668	4,544,226
2002-03	54.9	869,501,365	4,773,562
2003-04	54.9	875,029,919	4,803,914
2004-05	56.4	916,681,079	5,170,081
2005-06	56.9	988,119,343	5,622,399
2006-07	55.1	998,832,455	5,503,567
2007-08	56.9	1,050,193,067	5,975,599
2008-09	56.6	1,224,919,093	6,933,042
2009-10	56.6	1,217,052,790	6,888,519
2010-11	54.9	1,227,556,010	6,739,282
2011-12	53.9	1,224,268,319	6,598,806
2012-13	54.9	1,237,665,935	6,794,786
2013-14	62.2	1,340,230,324	8,336,233
2014-15	57.7	1,361,665,401	7,856,809
2015-16	60	1,376,016,478	8,256,099
2016-17	56.8	1,383,047,613	7,855,710
2017-18	57.1	1,386,029,932	7,914,231
2018-19	66.5	1,398,976,896	9,303,196
2019-20	61.5	1,438,042,022	8,843,958

## OVERLAPPING BOND INDEBTEDNESS

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

Issuer	Original Principal Amount	Amount of Bonds Redeemed	Current Principal Outstanding
County of Mason			
Refinancing Revenue	\$4,910,000	\$2,915,000	\$1,995,000
Court Facility Public Corp.	\$1,094,430	\$375,948	\$718,482
Land Acquisition	\$1,300,000	\$913,747	\$386,253
City of Maysville			
Solid Waste/Sewer Revenue	\$51,815,000	\$0	\$51,815,000
Special Districts			
Mason County Health District	\$3,500,000	\$2,615,000	\$885,000
Southern Mason Water District	\$535,000	\$255,000	\$280,000
Williamsburg Tourist and Convention Comm.	\$2,910,000	\$630,500	\$2,279,500
Totals:	\$66,064,430	\$7,705,195	\$58,359,235

*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	7,683,688	4,565,900	12,249,588
2001-02	7,793,153	4,544,226	12,337,379
2002-03	8,139,390	4,773,562	12,912,952
2003-04	8,535,607	4,803,914	13,339,521
2004-05	8,895,093	5,170,081	14,065,174
2005-06	9,287,865	5,622,399	14,910,264
2006-07	10,134,650	5,503,567	15,638,217
2007-08	10,790,809	5,975,599	16,766,408
2008-09	10,057,038	6,933,042	16,990,080
2009-10	9,413,180	6,888,519	16,301,699
2010-11	9,429,876	6,739,282	16,169,158
2011-12	10,008,309	6,598,806	16,607,115
2012-13	10,156,865	6,794,786	16,951,651
2013-14	9,516,356	8,336,233	17,852,589
2014-15	9,677,397	7,856,809	17,534,206
2015-16	9,822,686	8,256,099	18,078,785
2016-17	10,148,566	7,855,710	18,004,276
2017-18	10,144,269	7,914,231	18,058,500
2018-19	10,107,329	9,303,196	19,410,525
2019-20	9,534,237	8,843,958	18,378,195

- (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 \$0.615 for FY 2019-20. The "equivalent tax rate" is defined as the rate which results when the income from all taxes levied by the district for school purposes is divided by the total assessed value of property plus the assessment for motor vehicles certified by the Commonwealth of Kentucky Revenue Cabinet.

### **State Budgeting Process**

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

### **CONTINUING DISCLOSURE**

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

(i) to the Municipal Securities Rulemaking Board ("MSRB") or any successor thereto for purposes of the Rule, through the continuing disclosure service portal provided by the MSRB's Electronic Municipal Market Access ("EMMA") system as described in 1934 Act Release No. 59062, or any similar system that is acceptable to the Securities and Exchange Commission, certain annual financial information and operating data, including audited financial statements, generally consistent with the information contained under the headings "BOND DEBT SERVICE," "DISTRICT STUDENT POPULATION," "LOCAL SUPPORT," and "SEEK ALLOTMENT" and in Appendix B of this Official Statement (the "Annual Financial Information"); such information shall include, at a minimum, that financial information and operating data which is customarily prepared by the Obligated Persons and is publicly available. The annual financial information shall be provided on or before the 270th day following the fiscal year ending on the preceding June 30th;

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

- (a) Principal and interest payment delinquencies;
- (b) Non-payment related defaults, if material;
- (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) Substitution of credit or liquidity providers, or their failure to perform;

(f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security;

(g) Modifications to rights of security holders, if material;

(h) Bond calls, if material, and tender offers (except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event);

(i) Defeasances;

(j) Release, substitution or sale of property securing repayment of the securities, if material;

(k) Rating changes;

(l) Bankruptcy, insolvency, receivership or similar event of the obligated person (Note: For the purposes of this event, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bank National Association Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person);

(m) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(n) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

(o) Incurrence of a financial obligation of the Corporation or Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or Obligated Person, any of which affect security holders, if material;

(p) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the issuer or Obligated Person, any of which reflect financial difficulties; and

(q) The cure, in the manner provided under the Bond Resolution, of any payment or nonpayment related default under the Bond Resolution.

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

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

For purposes of this transaction:

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

The Board has filed Material Event Notices indicating its failure to file on a timely basis notices of its incurrence of two financial obligations. The financial obligations were incurred on July 1, 2019 and December 1, 2019 and the notices were filed late on August 1, 2019 and January 1, 2020, respectively.

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

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

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

Bond Counsel is of the opinion that:

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

(B) Interest payable on the Bonds is excludable from gross income under the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, interest on the Bonds will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Code, in computing the alternative minimum tax. The Corporation has covenanted to comply with the applicable provisions of the Code, and such compliance by the corporation is necessary to maintain the federal income tax status described above. No opinion is expressed regarding other federal tax consequences arising with respect to the Bonds.

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

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

### **COVID-19**

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

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

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

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

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

## **LITIGATION**

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

## **APPROVAL OF LEGALITY**

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

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

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

## **BOND RATING**

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

## **FINANCIAL ADVISOR**

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



# **APPENDIX A**

## **Mason County School District Finance Corporation School Building Revenue Bonds Series 2021**

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### **Demographic and Economic Data**

## **MASON COUNTY, KENTUCKY**

Maysville, the county seat of Mason County, is situated on the south bank of the Ohio River in the northeastern portion of Kentucky. Maysville is located 51 miles southeast of Cincinnati, Ohio; 135 miles northeast of Louisville, Kentucky; and 154 miles west of Charleston, West Virginia. The city had a 2020 population of 8,697.

Mason County, covering a land area of 241 square miles, is in the Outer Blue Grass Region. Mason County had population of 17,097 in 2020.

### **The Economic Framework**

The total number of Mason County residents employed in 2020 averaged 9,820. The top occupations were sales - 1,150 (14.19%); office and administrative support - 1,095 (13.52%); executive, managers and administrators - 672 (8.29%); production workers - 591 (7.29%); and, food preparation and serving - 545 (6.73%).

### **Transportation**

Highways serving Maysville include U.S. Highway 62-68, Kentucky Routes 8, 10, 11 and Kentucky 9 (AA Highway). All are “AAA”-rated trucking highways. Twenty-five trucking companies provide interstate and/or intrastate service to Maysville. The Fleming-Mason Airport, a local airport located six miles south of the city, maintains a 5,000-foot paved runway. Scheduled commercial airline service is available at the Blue Grass Airport, 71 miles southwest near Lexington; and at the Cincinnati/Northern Kentucky International Airport in Boone County, Kentucky, 60 miles northeast of Maysville. Maysville is located on the Ohio River, where a nine-foot navigation channel is maintained. Private port facilities are located in Maysville. CSX Transportation, the Trans-Kentucky Transportation Railroad, and Amtrack provide rail service to Maysville.

### **Power and Fuel**

Electric power is provided to Maysville and portions of Mason County by the Kentucky Utilities Company. The remainder of Mason County is served by the Fleming-Mason Rural Electric Cooperative Corporation. Natural gas service is provided by Columbia Gas of Kentucky, Inc.

## **LOCAL GOVERNMENT**

### **Structure**

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

### **Planning and Zoning**

Joint agency - Mason County Joint Planning Commission  
Participating cities - Maysville  
Zoning enforced - Within city limits of Maysville  
Subdivision regulations enforced - All areas of Mason County  
Local codes enforced - Building and housing codes, within city limits of Maysville  
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 Maysville Labor Market Area includes Mason County and the adjoining Kentucky counties of Bracken, Fleming, Lewis, and Robertson; and the Ohio counties of Adams and Brown.

### Population

<u>Area</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Maysville	8,737	8,705	8,697
Mason County	17,125	17,052	17,068

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

### Population Projections

<u>Area</u>	<u>2025</u>	<u>2030</u>	<u>2035</u>
Mason County	17,074	16,941	16,725

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

## EDUCATION

### Public Schools

	<u>Mason County</u>
Total Enrollment (2019-20)	2,573
Pupil-Teacher Ratio	16 - 1

### Technical - Vocational Education

<u>Institution</u>	<u>Location</u>	<u>Enrollment (2019-2020)</u>
Mason County ATC	Maysville, KY	219
Foster Mead Career & Technical Center	Vanceburg, KY	N/A
Harrison County ATC	Cynthiana	478
C.E. McCormick ATC	Alexandria, KY	N/A
Montgomery County ATC	Mt. Sterling, KY	563
Clark County ATC	Winchester, KY	664
Kenton County Academies of Innovation and Technology	Fort Mitchell, KY	508
Elkhorn Crossing School	Georgetown, KY	838
Greenup County ATC	Greenup, KY	477
Eastside Technical Center	Lexington, KY	N/A
Morgan County ATC	West Liberty, KY	479
Boone County ATC	Hebron, KY	215
Russell ATC	Russell, KY	462
Carter County Career & Technical Education Center	Olive Hill, KY	N/A
Southside Technical Center	Lexington, KY	N/A



## Colleges and Universities

<u>Institution</u>	<u>Location</u>	<u>Enrollment (Fall 2019)</u>
Maysville Community & Tech College	Maysville, KY	3,890
Morehead State University	Morehead, KY	9,660
Northern Kentucky University	Highland Heights, KY	15,678
Georgetown College	Georgetown, KY	983
Thomas More College	Crestview Hills, KY	2,238
University of Kentucky	Lexington, KY	29,402
Transylvania University	Lexington, KY	949
Midway University	Midway, KY	1,481
Gateway Community & Tech College	Florence, KY	4,764
Bluegrass Community & Tech College	Lexington, KY	10,144

## FINANCIAL INSTITUTIONS

<u>Institution</u>	<u>Total Assets</u>	<u>Total Deposits</u>
Bank of Maysville	\$127,298,000	\$100,303,000
Security Bank & Trust Company	\$54,775,000	\$43,968,000

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

## EXISTING INDUSTRY

<u>Firm</u>	<u>Product</u>	<u>Total Employed</u>
Carmeuse Lime & Stone	Lime and calcinating plant fines	125
Glenro Inc.	Industrial ovens, infrared ovens	25
Green Tokai Co. Ltd.	Plastic weather stripping, auto trim	292
International Paper	Manufacture recycled liner board & medium	113
The Ledger-Independent	Newspaper publishing; offset and Letterpress printing	24
Maysville Materials Co.	Asphalt and sell aggregate	14
Mitsubishi Electric Automotive America	Automotive electronics including vehicle Entertainment system, ignition coils	552
Old Pogue Distillery LLC	Craft distillery, small batch bourbon	2
Precision Pulley & Idler, Inc.	High performance conveyor products	60
Ranger Steel Inc.	Industrial maintenance & steel fabrication	45
Standard Supply Co. Inc.	Concrete blocks & precast concrete products	17
Stober Drives Inc.	Manufacture and assemble gearbox	128
Superior Windings LLC	Custom AC motor manufacturer	10
Wald LLC	Conveyor system components	37

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

**APPENDIX B**

**Mason County School District Finance Corporation  
School Building Revenue Bonds  
Series 2021**

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

MASON COUNTY BOARD OF EDUCATION

FINANCIAL STATEMENTS  
SUPPLEMENTARY INFORMATION  
And  
INDEPENDENT AUDITOR'S REPORTS

Year Ended June 30, 2020

Denise M. Keene  
Certified Public Accountant  
P.O. Box 1444  
Georgetown, Kentucky 40324  
859-421-5062

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**DENISE M. KEENE  
CERTIFIED PUBLIC ACCOUNTANT  
P.O. BOX 1444  
GEORGETOWN, KENTUCKY 40324  
859-421-5062**

INDEPENDENT AUDITOR'S REPORT

State Committee For School District Audits  
Members of the Board of Education  
Mason County Board of Education  
Maysville, Kentucky

**Report on the Financial Statements**

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

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

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; *Audits of States and Local Governments*, and *Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Board 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 on pages 7 through 12 and budgetary comparison information on pages 58 and 59 and the Schedules of Proportionate Share of the Net Pension Liability and Schedule of Contributions on pages 60 and 61 the Schedule of Proportionate Share of the Net OPEB Liability and Schedule of OPEB Contributions on pages 62 and 63 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 Board's basic financial statements. The combining statements for nonmajor governmental funds and fiduciary funds, the statement of receipts, disbursements, and due to student groups-Mason County High School are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200. Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining statements for nonmajor funds and fiduciary funds, the statement of receipts, disbursements, and due to student groups-Mason County High School, and the schedule of expenditures of federal awards is the responsibility of management and was 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 statements for nonmajor funds and fiduciary funds, the statement of receipts, disbursements, and due to student groups-Mason County High School, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2020, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

*Denise M. Keene*

Denise M. Keene, CPA  
Georgetown, Kentucky  
December 23, 2020



**MASON COUNTY BOARD OF EDUCATION  
MAYSVILLE, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

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

**FINANCIAL HIGHLIGHTS**

The beginning cash balance, including activity funds, for the District was \$6,442,489.  
The ending cash balance, including activity funds, for the District was \$10,999,196.

The General Fund had \$23,930,801 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Excluding inter-fund transfer, there were \$24,896,122 in General Fund expenditures. This includes on-behalf payments.

The District participated in the Community Eligibility Provision (CEP) program.  
CEP allows the District to serve breakfast and lunch at no cost to all enrolled students.

The District issued \$13,045,000 in revenue bonds during the year for construction projects.

The District had Capital Funds Request approved for \$532,925. The funds were used for a bus purchase, \$104,500, KISTA bus payment, \$91,000, and repairs, maintenance, and capital assets \$337,425.

Lots of construction was done during the year.

- Renovation of new ATC
- Athletic building roof replacement
- Straub Elementary major renovation
- Mason County High School renovations
- Mason County Middle School renovations
- Mason County Intermediate School renovations

A cleaning service was hired to clean Straub and MCMS, which will be a savings on benefits.

The indoor track was replaced at the STEAM Academy.

We reroofed the commons area at MCMS and blocked up the wall in the commons area.

We also added glass doors between office and commons area at MCMS for security.

We replaced the scoreboards at the practice field and the poles.

The auditorium was finished and looks great as well as the repair of the front steps.

We purchased a used truck w/ flatbed and a snow plow for snow removal

The carpet was replaced in the library at MCIS

We purchased one new school bus

We completed the Bus garage substation and had an open house for the community.

The district was able to greatly improve “NTI” from when the pandemic began in Spring of 2020 to Fall of 2020.

We also provided over 250 Wi-Fi hot spots to close the technology gap as well as resources for teachers. The Career Magnet School opened in August of 2020. Replacing an antiquated facility not updated since the 1960s.

Resources were provided for students and teachers.

While our Chromebook order was not received in time to begin the 2020-2021 school-year (still not received), since our district has valued 1:1 devices for students, we were still able to provide this resource for students.

The schools were able to leverage Title I funds to provide an abundance of instructional resources for the schools. Examples include: new chromebooks, digital resources to assist with virtual learning, foundational reading resources, and social emotional learning supports.

## **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) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The district-wide financial statements can be found on pages 13 and 14 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The proprietary fund is 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 pages 15-23 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 district-wide and fund financial statements. The notes to the financial statements can be found on pages 24-56 of this report.

**DISTRICT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$2.2 million as of June 30, 2020.

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

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

**Net position for the period ending June 30, 2020 and 2019**

2019 District-wide net position compared to 2020 are as follows:

	<b>Net Position (in thousands)</b>					
	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Assets	\$49,165	\$37,853	\$526	\$473	\$49,691	\$38,326
Deferred Outflows of Resources	\$3,249	\$2,839	\$410	\$401	\$3,659	\$3,240
Liabilities	\$47,648	\$35,416	\$1,571	\$1,523	\$49,219	\$36,939
Deferred Inflows of Resources	\$2,492	\$1,336	\$157	\$152	\$2,649	\$1,488
Investment in capital assets (net of debt)	\$8,146	\$12,813	\$86	\$101	\$8,232	\$12,914
Restricted	5,902	1,957	(878)	(902)	\$5,024	1,055
Unrestricted	<u>(11,774)</u>	<u>(10,830)</u>	<u>0</u>	<u>0</u>	<u>(\$11,774)</u>	<u>(10,830)</u>
<b>Total Net Position</b>	<b>\$2,274</b>	<b>\$3,940</b>	<b>(\$792)</b>	<b>(\$801)</b>	<b>\$1,482</b>	<b>\$3,139</b>

## Budgetary Implications

In Kentucky the public school fiscal year is July 1 - June 30; other programs, i.e. some federal operate on a different fiscal year, but are reflected in the district overall budget. By law the budget must have a minimum 2 percent contingency. The district adopted a budget with \$3,246,837 in contingency, which is 17.55 percent.

## Comments on Budget Comparisons

The original budget was amended to reflect changes in the site based allocations and anticipated revenues. The changes made were based on more accurate data being available after the first couple of months of the fiscal year.

	Changes in Net Position (in thousands)					
	Governmental		Business-type		Total	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>Revenues</b>						
Local Revenue Sources	\$9,426	\$9,136	\$112	\$96	\$9,538	\$9,232
State Revenue Sources	18,206	18,750	301	305	\$18,507	19,055
Federal Revenue Sources	2,110	1,998	1,576	1,575	\$3,686	3,573
Investments	<u>3</u>	<u>6</u>	<u>0</u>	<u>0</u>	<u>\$3</u>	<u>6</u>
<b>Total Revenues</b>	29,745	29,890	1,989	1,976	31,734	31,866
<b>Expenses</b>						
Instruction	20,748	18,381	0	0	20,748	18,381
Student Support Services	1,115	1,118	0	0	1,115	1,118
Instructional Support	775	924	0	0	775	924
District Administration	835	780	0	0	835	780
School Administration	1,423	1,519	0	0	1,423	1,519
Business Support	797	824	0	0	797	824
Plant Operations	2,465	2,737	0	0	2,465	2,737
Student Transportation	2,390	1,551	0	0	2,390	1,551
Other Instruction	89	65	0	0	89	65
Community Support	296	269	0	0	296	269
Food Service	0	0	1,980	2,065	1,980	2,065
Debt Service	<u>478</u>	<u>458</u>	<u>0</u>	<u>0</u>	<u>478</u>	<u>458</u>
<b>Total Expenses</b>	31,411	28,626	1,980	2,065	33,391	30,691
<b>Change in Net Position</b>	(1,666)	1,264	9	(89)	(1,657)	1,175
<b>Beginning Net Position</b>	<u>3,940</u>	<u>2,676</u>	<u>(801)</u>	<u>(712)</u>	<u>3,139</u>	<u>1,964</u>
<b>Ending Net Position</b>	\$2,274	\$3,940	(\$792)	(801)	1,482	\$3,139

The government's overall financial position and results of operations decrease as a result of the year's operations as reflected in the decrease in net position for the year.

## INFRASTRUCTURE

The District has not reported any infrastructure in the current financial statements.

**Analysis of balances and transactions of individual funds (in thousands)**

Fund	Beginning	Revenues	Expenses	Transfer	Ending
General Fund	\$4,586	\$24,333	\$24,896	\$480	\$4,503
Special Revenue	\$131	\$3,072	\$3,164	\$53	\$92
Capital Outlay	\$0	\$233	\$0	(\$233)	\$0
Building	\$13	\$1,755	\$0	(\$1,768)	\$0
Construction	\$1,138	\$0	\$9,030	\$13,117	\$5,225
Debt Service	\$0	\$13,775	\$2,126	(\$11,649)	\$0

**Capital Assets and Long-Term Debt Activity (in thousands)**

	Beginning	Additions	Deductions	Ending
<b>Governmental</b>				
Capital Assets	\$56,623	\$8,198	\$134	\$64,687
Accumulated Depreciation	\$25,303	\$1,071	\$134	\$26,240
<b>Business-Type</b>				
Capital Assets	\$457	\$0	\$0	\$457
Accumulated Depreciation	\$356	\$15	\$0	\$371
Bonds Payable	\$17,865	\$13,045	\$1,305	\$29,605
Capital Lease Payable	\$534	\$379	\$425	\$488
Sick Leave Payable	\$512	\$143	\$108	\$547
KSBIT Judgment	\$39	\$0	\$20	\$19

**CURRENT ISSUES**

The District is concerned about the future of pensions for employees.

The District is concerned about future budget demands. There continue to be unfunded mandates from the state.

The District is concerned with the additional financial burden placed on them due to COVID-19. Operational expenses have significantly increased in order to provide a healthy and clean learning environment.

The increase of CERS to 26.95% is a major concern.

The cost of overhauling bus engines at \$15,000 is a concern.

We must provide additional resources to address learning gaps from nearly a full year of interrupted instruction. The cost is unknown.

FEMA reneged on their promise to make districts "whole" in regards to COVID expenses. State funding is uncertain.

### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Board's finances and to reflect the Board's accountability for the monies it receives. Questions about this report or additional financial information should be directed to the Superintendent, Rick Ross, or to the Finance Officer, Lisa Moreland, or by mail at P.O. Box 130 Maysville, KY 41056 .

MASON COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
DISTRICT WIDE  
As of June 30, 2020

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and equivalents - Note C	\$10,321,851	\$391,958	\$10,713,809
Accounts receivable	395,975		395,975
Inventory		47,655	47,655
Capital assets			
Land and construction in progress	13,855,554		13,855,554
Other capital assets, net of depreciation	<u>24,591,919</u>	<u>86,117</u>	<u>24,678,036</u>
Total capital assets	<u>38,447,473</u>	<u>86,117</u>	<u>38,533,590</u>
<b>TOTAL ASSETS</b>	<b>\$49,165,299</b>	<b>\$525,730</b>	<b>\$49,691,029</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows from pensions	\$1,847,310	\$291,783	\$2,139,093
Deferred outflows from OPEB	<u>1,401,236</u>	<u>118,486</u>	<u>1,519,722</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$3,248,546</b>	<b>\$410,269</b>	<b>\$3,658,815</b>
<b>LIABILITIES</b>			
Accounts payable	\$695,318	\$5,769	\$701,087
Judgments payable	19,319		19,319
Accrued salaries and benefits	31,675		31,675
Unearned revenue	127,909		127,909
Interest payable	207,935		207,935
Long-term Liabilities			
Due within 1 year	1,873,444		1,873,444
Due in more than 1 year	28,767,241		28,767,241
OPEB liability	7,805,402	301,956	8,107,358
Pension liability	<u>8,120,045</u>	<u>1,262,951</u>	<u>9,382,996</u>
<b>TOTAL LIABILITIES</b>	<b>\$47,648,288</b>	<b>\$1,570,676</b>	<b>\$49,218,964</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows from pension	321,082	49,939	371,021
Deferred inflows from OPEB	<u>2,170,866</u>	<u>107,609</u>	<u>2,278,475</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,491,948</b>	<b>157,548</b>	<b>2,649,496</b>
<b>NET POSITION</b>			
Net investment in capital assets	\$8,145,778	\$86,117	\$8,231,895
Restricted			
Accrued sick leave	156,731		156,731
Food Service		433,844	433,844
Other	520,721	(1,312,186)	(791,465)
Future Construction Projects	5,224,853		5,224,853
Unrestricted	<u>(11,774,474)</u>	<u>                    </u>	<u>(11,774,474)</u>
<b>TOTAL NET POSITION</b>	<b>\$2,273,609</b>	<b>(\$792,225)</b>	<b>\$1,481,384</b>

See accompanying notes

MASON COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
DISTRICT WIDE

For the year ended June 30, 2020

FUNCTIONS/PROGRAMS

**Governmental Activities**

	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Net (Expense) Revenue and Changes in Net Position Business-type Activities	Total
Instruction	\$20,747,765	\$12,720	\$2,427,036		(\$18,308,009)	\$	(\$18,308,009)
Support services:							
Student	1,115,485		1,563		(1,113,922)		(1,113,922)
Instruction staff	774,960		237,278		(537,682)		(537,682)
District administrative	835,371				(835,371)		(835,371)
School administrative	1,422,754				(1,422,754)		(1,422,754)
Business	796,860		4,112		(792,748)		(792,748)
Plant operation and maintenance	2,465,158		25,879		(2,439,279)		(2,439,279)
Student transportation	2,389,475		150		(2,389,325)		(2,389,325)
Other instruction	88,918		88,918		0		0
Community service activities	296,123		287,541		(8,582)		(8,582)
Interest on long-term debt	477,922			155,619	(322,303)		(322,303)
Total governmental activities	31,410,791	12,720	3,072,477	155,619	(28,169,975)		(28,169,975)

**Business-type Activities**

Food service	1,979,743	111,439	1,877,394			9,090	9,090
Total business-type activities	1,979,743	111,439	1,877,394			9,090	9,090
Total school district	\$33,390,534	\$124,159	\$4,949,871	\$155,619	(\$28,169,975)	\$9,090	(\$28,160,885)

**General Revenues**

Property taxes	\$7,199,660						\$7,199,660
Motor Vehicle taxes	646,898						646,898
Utility taxes	1,318,650						1,318,650
Other local revenues	107,828						107,828
State aid-formula grants	17,062,939						17,062,939
Federal revenues	164,874						164,874
Investment earnings	2,726					54	2,780
Total general & special	26,503,575					54	26,503,629
Change in net positions	(1,666,400)					9,144	(1,657,256)
Net position - beginning	3,940,009					(801,369)	3,138,640
Net position - ending	\$2,273,609					(\$792,225)	\$1,481,384

See accompanying notes



MASON COUNTY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of June 30, 2020

	General Fund	Special Revenue	Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$4,374,529	\$98,521	\$5,848,801	\$0	\$0	\$10,321,851
Interfund receivable	19,749					19,749
Other receivables	<u>229,747</u>	<u>166,228</u>				<u>395,975</u>
<b>TOTAL ASSETS</b>	<b>\$4,624,025</b>	<b>\$264,749</b>	<b>\$5,848,801</b>	<b>\$0</b>	<b>\$0</b>	<b>\$10,737,575</b>
<b>LIABILITIES</b>						
Accounts payable	\$46,007	\$25,363	\$623,948			\$695,318
Interfund payable		19,749				19,749
Accrued salaries and benefits	31,675					31,675
Judgments payable	19,319					19,319
Sick Leave Payable	24,000					24,000
Unearned revenue		<u>127,909</u>				<u>127,909</u>
<b>TOTAL LIABILITIES</b>	<b>121,001</b>	<b>173,021</b>	<b>623,948</b>			<b>917,970</b>
<b>Fund Balances</b>						
Restricted						
Other		91,569				91,569
Future Construction Projects BG-1			5,224,853			5,224,853
Committed						
Sick Leave Payable	156,731					156,731
Assigned						
Purchase Obligations	28,993	159				29,152
Other	400,000					400,000
Unassigned	<u>3,917,300</u>					<u>3,917,300</u>
<b>Total fund balances</b>	<b>4,503,024</b>	<b>91,728</b>	<b>5,224,853</b>	<b>0</b>	<b>0</b>	<b>9,819,605</b>
<b>TOTAL LIABILITIES, AND FUND BALANCE</b>	<b>\$4,624,025</b>	<b>\$264,749</b>	<b>\$5,848,801</b>	<b>\$0</b>	<b>\$0</b>	<b>\$10,737,575</b>

See accompanying notes

MASON COUNTY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO  
 THE STATEMENT OF NET POSITION  
 As of June 30, 2020

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

<b>Total Fund Balance - Governmental Funds</b>		<b>\$9,819,605</b>
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position		38,447,473
Deferred outflow of resources		3,248,546
Deferred inflow of resources		(2,491,948)
Certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position		
	Bonds Payable	(29,605,000)
	Capital Leases	(488,760)
	OPEB Liability	(7,805,402)
	Pension Liability	(8,120,045)
	Accrued Interest on Bonds	(207,935)
	Accumulated Sick Leave	<u>(522,925)</u>
<b>Total Net Position - Governmental Activities</b>		<b>\$2,273,609</b>

See accompanying notes

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

	General Fund	Special Revenue	Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
From local sources						
Property taxes	\$5,761,618	\$			\$1,438,042	\$7,199,660
Motor vehicle taxes	646,898					646,898
Utility taxes	1,318,650					1,318,650
Earnings on investments	2,726	8				2,734
Other local revenues	98,200	140,012				238,212
Intergovernmental - State	15,937,835	987,159		730,322	550,401	18,205,717
Intergovernmental - Federal	<u>164,874</u>	<u>1,945,298</u>				<u>2,110,172</u>
Total revenues	23,930,801	3,072,477		<u>730,322</u>	<u>1,988,443</u>	29,722,043
<b>Expenditures</b>						
Instruction	15,592,737	2,517,139				18,109,876
Support services						
Student	1,101,189	1,563				1,102,752
Instruction staff	537,682	237,278				774,960
District administration	828,859					828,859
School administration	1,421,571					1,421,571
Business	791,725	4,112				795,837
Plant operation and maintenance	2,403,544	25,879				2,429,423
Student transportation	2,210,233	150				2,210,383
Other Instructional		88,918				88,918
Community service activities	8,582	287,541				296,123
Capital Outlay		1,459	9,030,082			9,031,541
Debt service				<u>2,126,441</u>		<u>2,126,441</u>
Total expenditures	<u>24,896,122</u>	<u>3,164,039</u>	<u>9,030,082</u>	<u>2,126,441</u>		39,216,684
Excess(deficit)of revenues over expenditures	(965,321)	(91,562)	(9,030,082)	(1,396,119)	1,988,443	(9,494,641)
<b>Other Financing Sources (Uses)</b>						
Sale of equipment	22,348					22,348
Capital Lease Proceeds	379,310					379,310
Bond Proceeds				13,045,000		13,045,000
Operating transfers in	532,925	53,030	13,117,345	1,209,031		14,912,331
Operating transfers out	<u>(52,670)</u>	<u>(360)</u>		<u>(12,857,912)</u>	<u>(2,001,389)</u>	<u>(14,912,331)</u>
Total other financing sources (uses)	881,913	52,670	13,117,345	1,396,119	(2,001,389)	13,446,658
Change in Fund Balance on Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds	(83,408)	(38,892)	4,087,263	0	(12,946)	3,952,017
Fund balance, July 1, 2019	<u>4,586,432</u>	<u>130,620</u>	<u>1,137,590</u>	0	<u>12,946</u>	<u>5,867,588</u>
Fund balance, June 30, 2020	\$4,503,024	\$91,728	\$5,224,853	\$0	\$0	\$9,819,605

See accompanying notes

MASON COUNTY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO  
 THE DISTRICT-WIDE STATEMENT OF ACTIVITIES  
 For The Year Ended June 30, 2020

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

**Total net change in fund balances - governmental funds** \$3,952,017

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

	Depreciation Expense	(1,070,561)	
	Capital Outlay	<u>8,198,051</u>	7,127,490

Deferred outflows from pension			409,257
Deferred inflows from pension			(1,156,161)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

	Repayment of Bond Principal		1,305,000
	Repayment of Capital Leases		425,016
	Proceeds from Bonds		(13,045,000)
	Proceeds from Capital Leases		(379,310)

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

	Change in Accrued Interest		(100,816)
	Change in Pension Liability		(1,232,463)
	Change in OPEB Liability		1,023,460
	KSBIT liability		19,319
	Change in Sick Leave		<u>(14,209)</u>

**Total Change in Net Position - Governmental Activities** (\$1,666,400)

See accompanying notes

MASON COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
As of June 30, 2020

	Business-Type Activities Enterprise Funds Food Service <u>Fund</u>
<b>ASSETS</b>	
Cash and Equivalents	\$391,958
Inventory	47,655
Capital Assets, net of depreciation	<u>86,117</u>
<b>TOTAL ASSETS</b>	<b>\$525,730</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows from pension	\$291,783
Deferred outflows from OPEB	<u>118,486</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$410,269</b>
<b>LIABILITIES</b>	
Accounts payable	\$5,769
Unfunded Pension Liability	1,262,951
Unfunded OPEB Liability	<u>301,956</u>
<b>TOTAL LIABILITIES</b>	<b>\$1,570,676</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows from pension	\$49,939
Deferred inflows from OPEB	<u>107,609</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>\$157,548</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	\$86,117
Restricted - Inventory	47,655
Restricted - Pension	(1,021,107)
Restricted - OPEB	(291,079)
Restricted Net Position	<u>386,189</u>
<b>TOTAL NET POSITION</b>	<b>(\$792,225)</b>

See accompanying notes

MASON COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
For The Year Ended June 30, 2020

	Business-Type Activities Enterprise Funds Food Service <u>Fund</u>
OPERATING REVENUES	
Lunchroom sales	\$111,439
Total Operating Revenues	111,439
OPERATING EXPENSES	
Salaries and wages	966,300
Contract services	19,321
Materials and supplies	979,157
Other expenses	291
Depreciation	<u>14,674</u>
Total Operating Expenses	1,979,743
Operating income (loss)	(1,868,304)
NON-OPERATING REVENUES (EXPENSES)	
Federal grants	1,501,932
Commodities received	74,245
State grants	13,836
State on-behalf payments	287,381
Interest income	<u>54</u>
Non-operating revenues (expenses)	1,877,448
Net income (loss) before Capital Contributions	9,144
Increase (decrease) in Net Position	9,144
Net Position, July 1, 2019	<u>(801,369)</u>
Net Position, June 30, 2020	(\$792,225)

See accompanying notes

MASON COUNTY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For The Year Ended June 30, 2020

Business-Type Activities  
Enterprise Funds  
Food Service  
Fund

CASH FLOW FROM OPERATING ACTIVITIES

Cash received from customers	\$111,439
Cash paid to employees, including benefits	(640,916)
Cash paid to suppliers	<u>(921,076)</u>
Net cash provided by operating activities	(1,450,553)

CASH FLOW FROM NONCAPITAL  
FINANCING ACTIVITIES

Cash received from government funding	1,515,768
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CASH FLOW FROM INVESTING ACTIVITIES

Interest income	54
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Net increase (decrease) in cash	65,269
---------------------------------	--------

Cash and equivalents, July 1, 2019	<u>326,689</u>
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Cash and equivalents, June 30, 2020	\$391,958
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Reconciliation of Operating income (loss) to Net Cash

Provided by Operating Activities	
Operating income (loss)	(\$1,868,304)

Adjustments to reconcile net income to cash  
provided by operating activities

Depreciation	14,674
On-behalf payments	287,381
Commodities used	74,245
Change in pension expense	38,003
(Increase) Decrease in inventory	(2,321)
Increase (Decrease) in accounts payable	<u>5,769</u>
Net cash provided by operating activities and increase in cash and equivalents	(1,450,553)

**Schedule of Non-Cash Financing Activities**

Donated commodities	\$74,245
On Behalf payments	\$287,381

See accompanying notes

MASON COUNTY SCHOOL DISTRICT  
 STATEMENT OF NET POSITION  
 FIDUCIARY FUNDS  
 As of June 30, 2020

	Special Purpose Trust Funds	Agency Fund
<b>ASSETS</b>		
Cash and equivalents	\$18,568	\$285,387
Accounts receivable		<u>0</u>
<b>TOTAL ASSETS</b>	<b>\$18,568</b>	<b>\$285,387</b>
<b>LIABILITIES</b>		
Accounts payable		\$9,736
Due to student groups		<u>275,651</u>
<b>TOTAL LIABILITIES</b>		<b>\$285,387</b>
<b>NET POSITION</b>		
Held in trust for special purpose	\$18,568	
<b>TOTAL NET POSITION</b>	<b>\$18,568</b>	

See accompanying notes



MASON COUNTY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS  
 For The Year Ended June 30, 2020

	Private Purpose Trust Fund
ADDITIONS	
Earnings on investments	\$4
TOTAL ADDITIONS	4
DEDUCTIONS	
Community Services	2,003
Change in Net Position	(1,999)
Net Position, July 1, 2019	20,567
Net Position, June 30, 2020	\$18,568

See accompanying notes

MASON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2020

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

REPORTING ENTITY

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

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

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

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

Mason County School District Finance Corporation (the Corporation) – the Mason County Board of Education has established the Mason County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Mason County Board of Education also comprise the Corporation's Board of Directors.

Basis of Presentation

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

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

MASON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2020

The district-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular 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, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and proprietary 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 net position. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund (Fund 1) is the primary operating fund of the District. It accounts for and reports all financial resources not accounted for and reported in another fund. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund (Fund 2) accounts for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. It includes federal financial programs where unused balances are returned to the grantor at the close of 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.

MASON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2020

- C. Capital Project Funds are used to account for and report financial resource that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.
1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund (Fund 310) receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan.
  2. The Facility Support Program of Kentucky (FSPK) Fund (Fund 320) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.
  3. The Construction Fund (Fund 360) includes Capital Projects Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction and/or renovations. This is a major fund of the District.

II. Debt Service Fund

The Debt Service Fund (Fund 400) is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds are used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years are reported in debt service funds.

III. Proprietary Funds (Enterprise Fund)

1. The School Food Service Fund (Fund 51) is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). This is a major fund of the District.

IV. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

1. 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 Uniform Program of Accounting for School Activity Funds.
2. The Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments.

V. Permanent Funds

Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs – that is, for the benefit of the government or its citizenry.

MASON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2020

Basis of Accounting

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

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

Unearned Revenue – Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

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

The measurement focus of governmental 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.

MASON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2020

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2020, to finance operations were \$.546 per \$100 valuation for real property, \$.549 per \$100 valuation for business personal property and \$.555 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 District, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

Fund Balance Classification Policies and Procedures

The Board intends that accounting practices follow state and federal laws and regulations and generally accepted accounting policies.

Nonspendable Fund Balance

Amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact will be classified as Nonspendable Fund Balance.

Restricted Fund Balance

Fund Balance will be reported as restricted when constraints placed on the use of resources are either; (a) externally imposed by creditors, grantors, contributors, or laws or regulations or other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

The Board will use restricted amounts before unrestricted amounts when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

Committed Fund Balance

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Education will be reported as committed fund balance.

Assigned Fund Balance

Amounts that have been assigned for a specific purpose by formal resolution of the Board of Education will be reported as assigned fund balance for a specific purpose.

Unassigned Fund Balance

Unassigned Fund Balance is the residual classification for the general fund.

When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classification could be used, the funds will first be spent from committed, then assigned, and then finally unassigned.

Interfund Balances

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

MASON COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2020

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 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.

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

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

Accumulated Unpaid Sick Leave Benefits

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

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

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

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

MASON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2020

Budgetary Process

Once the budget is approved, 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.

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

Cash and Cash Equivalents

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

Inventories

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

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

The food service fund uses the specific identification method and the general fund uses the first-in, first-out method.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2020, are recorded as prepaid items using the consumption method. Prepaid assets are only recorded if material to the financial statements.

Pensions

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

Postemployment Benefits Other than Pensions (OPEB). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources, and expense, information about the fiduciary net position of the CERS and TRS and additions to /deductions from the fiduciary net position have been determined on the same basis as they are reported by CERS and TRS. The plans recognizes benefit payments when due and payable in accordance with the benefit term.



MASON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2020

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the district-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, the noncurrent portion of capital leases, 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.

Net Position

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools and collections for services such as child care.

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.

Subsequent Events

The District has evaluated and considered the need to recognize or disclose subsequent events through December 23, 2020, 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.

MASON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2020

Interfund Activity

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.

Uses of Estimates

The process of preparing financial statements in conformity with general accepted accounting principles of the United States of America requires 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.

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 reappropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

**NOTE B – PROPERTY TAX CALENDAR**

Property taxes for fiscal year 2020 were levied on the assessed valuation of property located in the School District as of January 1, 2019 lien date. The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

Description	per KRS 134.020
Due date for payment of taxes	Upon receipt
Face value amount payment date	December 31
Delinquent date, 5% penalty	January 1- 31
Delinquent date, 10% penalty	February 1

Vehicle taxes are collected by the County Clerk and are due and collected in the birth month of the vehicle's licensee.

MASON COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2020

**NOTE C – CASH AND CASH EQUIVALENTS**

At year-end, the carrying amount of the District’s total cash and cash equivalents was \$10,999,196. Of the total cash balance, \$250,000 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks’ trust departments in the District’s name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

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

	Bank Balance	Book Balance
General Checking Account		
General Fund	\$	\$ 4,374,529
Fund 2 & 22		98,521
Fund 310		0
Fund 320		0
Fund 360		5,848,801
Fund 51		<u>391,958</u>
Total General Checking Account	11,259,342	10,713,809
Agency Funds	290,029	285,387
Debt Service Funds	<u>0</u>	<u>0</u>
<b>TOTALS</b>	<b>\$ 11,549,371</b>	<b>\$10,999,196</b>
Breakdown per financial statements:		
Governmental Funds		\$ 10,321,851
Proprietary Funds		391,958
Agency Funds		<u>285,387</u>
<b>TOTALS</b>		<b>\$ 10,999,196</b>

**DEPOSITS 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 – deposits. 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. As of June 30, 2020, the District’s deposits are entirely insured and/or collateralized with securities held by the financial institutions on the District’s behalf and the FDIC insurance.

MASON COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2020

**NOTE D – CAPITAL ASSETS**

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

<b>Governmental Activities</b>	July 1, 2019	Additions	Retirements	June 30, 2020
Land	1,276,725	0	0	1,276,725
Land Improvements	4,861,533	0	0	4,861,533
Building & Building Improve	36,476,386	0	0	36,476,386
Technology Equipment	4,878,919	0	0	4,878,919
Vehicles	3,339,857	123,225	133,316	3,329,766
General Equipment	1,285,191	0	0	1,285,191
Construction in Process	<u>4,504,003</u>	<u>8,074,826</u>	<u>0</u>	<u>12,578,829</u>
Totals at historical cost	56,622,614	8,198,051	133,316	64,687,349
Accumulated Depreciation				
Land Improvements	1,265,276	3,536	0	1,268,812
Building & Building Improve	15,896,477	820,298	0	16,716,775
Technology Equipment	4,610,190	26,872	0	4,637,062
Vehicles	2,560,491	188,070	133,316	2,615,245
General Equipment	<u>970,197</u>	<u>31,785</u>	<u>0</u>	<u>1,001,982</u>
Total accumulated depreciation	25,302,631	1,070,561	133,316	26,239,876
Capital Assets - Net	31,319,983	7,127,490	0	38,447,473
<b>Business-Type Activities</b>				
Technology Equipment	27,802	0	0	27,802
General Equipment	<u>429,331</u>	<u>0</u>	<u>0</u>	<u>429,331</u>
Totals at historical cost	457,133	0	0	457,133
Accumulated Depreciation				
Technology Equipment	24,508	30	0	24,538
General Equipment	<u>331,834</u>	<u>14,644</u>	<u>0</u>	<u>346,478</u>
Total accumulated depreciation	356,342	14,674	0	371,016
Capital Assets - Net	100,791	(14,674)	0	86,117

MASON COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2020

**NOTE D – CAPITAL ASSETS (continued)**

Depreciation expense was charged to functions of the governmental activities as follows:

Instruction	\$834,283
Support Services	
Student	12,733
Instructional Staff	0
District Administration	6,512
School Administration	1,183
Business	1,023
Plant Operations & Maintenance	35,735
Student Transportation	<u>179,092</u>
Total Depreciation - governmental activities	\$1,070,561

**NOTE E – BONDED DEBT AND LEASE OBLIGATIONS**

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued aggregating the original amount of each issue, the issue date, and interest rates are summarized below:

Issue Date	Proceeds	Rates
2004	\$ 14,425,000	2.00% - 4.38%
2009	1,450,000	1.50% - 2.00%
2012	9,235,000	1.24% - 2.40%
2013	2,315,000	1.95% - 4.00%
2014	4,540,000	2.00% - 3.25%
2016	1,465,000	2.00% - 3.00%
2018	4,575,000	3.00% - 3.875%
2019	8,765,000	2.00% - 3.00%
2020	4,280,000	2.00% - 2.50%

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 to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

There are a number of limitations and restrictions contained in the various bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions as of June 30, 2020.

The District entered into "participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table 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.

MASON COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2020

**NOTE E – BONDED DEBT AND LEASE OBLIGATIONS (continued)**

The District issued revenue bonds July 30, 2019 for \$8,765,000 and June 17, 2020 for \$4,280,000 for construction projects.

The following is a summary of the District's long-term debt transactions for the year ended.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds	17,865,000	13,045,000	1,305,000	29,605,000	1,575,000
Capital Leases	534,466	379,310	425,016	488,760	227,116
Sick Leave	512,329	142,634	108,038	546,925	52,008
KSBIT Assessment	<u>38,639</u>	<u>0</u>	<u>19,319</u>	<u>19,320</u>	<u>19,320</u>
Totals	18,950,434	13,566,944	1,857,373	30,660,005	1,873,444

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	Mason County Schools		KY School Construction Commission		
	Principal	Interest	Principal	Interest	Total
2020-21	837,358	570,009	737,642	245,676	2,390,685
2021-22	853,728	551,058	746,272	233,998	2,385,056
2022-23	874,048	530,885	765,952	217,157	2,388,042
2023-24	898,063	509,297	781,937	199,000	2,388,297
2024-25	935,414	477,079	334,586	179,128	1,926,207
2025-26	953,737	453,493	346,263	170,250	1,923,743
2026-27	976,708	428,764	358,292	160,921	1,924,685
2027-28	1,004,062	402,175	370,938	150,876	1,928,051
2028-29	1,035,760	372,571	379,240	140,073	1,927,644
2029-30	1,067,006	341,823	392,994	128,821	1,930,644
2030-31	1,097,774	309,464	407,226	116,987	1,931,451
3031-32	1,133,034	275,801	416,966	104,548	1,930,349
3032-33	1,167,951	241,143	432,049	91,763	1,932,906
3033-34	1,205,867	203,922	414,133	79,115	1,903,037
3034-35	1,246,872	165,535	273,128	69,533	1,755,068
3035-36	1,034,811	129,285	330,189	63,765	1,558,050
3036-37	897,978	95,793	512,022	56,532	1,562,325
3037-38	856,089	66,838	598,911	45,081	1,566,919
3038-39	884,142	37,744	565,858	31,096	1,518,840
3039-40	<u>761,384</u>	<u>11,420</u>	<u>718,616</u>	<u>17,428</u>	<u>1,508,848</u>
	19,721,786	6,174,099	9,883,214	2,501,748	38,280,847

MASON COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2020

**NOTE E – BONDED DEBT AND LEASE OBLIGATIONS (continued)**

The District has the following lines of credit:

Procurement Card	\$ 250,000
Walmart Card	\$ 40,000

**NOTE F – CAPITAL LEASE PAYABLE**

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

<u>Year Ending June 30,</u>	<u>Capital Lease Payable</u>
2021	\$ 231,830
2022	176,250
2023	87,362
2024	0
2025	0
Thereafter	<u>0</u>
Total minimum lease payments	\$ 495,442
Less: Amount representing interest	( <u>6,682</u> )
Present Value of Net Minimum Lease Payments	\$ 488,760

**NOTE G – CONTINGENCIES**

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

**NOTE H – INSURANCE AND RELATED ACTIVITIES**

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

**NOTE I – 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. At June 30, 2020, this amount totaled \$546,925 of which \$156,731 is committed in the current year fund balance of the General Fund.

**NOTE J – INTERFUND RECEIVABLES AND PAYABLES**

Interfund balances at June 30, 2020, consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue	\$ 19,749

MASON COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2020

**NOTE K – 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 commercial insurance.

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.

**NOTE L – DEFICIT OPERATING/FUND BALANCES**

Funds with a current year deficit of revenues over expenditures

General Fund	( 83,408)
Special Revenue	( 38,892)
Building Fund	( 12,946)

**NOTE M – 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. The District notifies the Department of Employee Insurance (DEI) when an employee is no longer employed. DEI sends the employee the COBRA requirements.

**NOTE N – TRANSFER OF FUNDS**

The following transfers were made during the year.

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	1	2	KETS	52,670
COFT	310	1	COFT	233,268
BFFT	320	1	BFFT	299,657
Operating	22	22	Operating	360
Debt Service	320	400	Bond Payment	1,209,031
Construction	320	360	Construction	259,433
Construction	400	360	Construction	12,857,912



MASON COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2020

**NOTE O – ON-BEHALF PAYMENTS**

The financial statements include payments made by the Commonwealth of Kentucky for insurance, flexible spending, vocational and retirement benefits. The following amounts are included in each of the functions.

Health Insurance	2,623,119
Life Insurance	4,326
Admin Fees	35,728
Flex Vendors/HRA	
Humana	150,862
Federal Reimbursement	(189,660)
Technology	98,355
TRS GASB 68	3,839,868
TRS GASB 75	286,400
Debt Service	<u>730,322</u>
Totals per KDE	7,579,320

Per AFR	
Fund 1	6,561,617
Fund 400	730,322
Fund 51	<u>287,381</u>
	7,579,320

**NOTE P – KSBIT JUDGMENT**

On June 4, 2014, the Franklin Circuit Court issued an order instructing the Rehabilitator to assess the former members of the Kentucky School Boards Insurance Trust. The District was assessed \$154,554 for Workers' Compensation. The District has elected to pay 25% by August 31, 2014 and the balance in equal installments for 6 years for the Workers' Compensation.

The following is a schedule by years of the future payments under the agreement.

Year Ending	Amount
<u>June 30,</u>	
2021	\$ 19,320
2022	0
2023	0
2024	0
2025	0
Thereafter	<u>0</u>
Total	\$ 19,320

MASON COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2020

**NOTE Q – GASB 88**

The provisions of GASB 88 were adopted by the District for the fiscal year beginning July 1, 2020. The primary objective of the Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

**NOTE R – RETIREMENT PLANS**

	Government	Food Service	Total
Deferred Outflows			
CERS Pension Contributions	556,836	91,069	647,905
CERS Pension	1,290,474	200,714	1,491,188
CERS OPEB Contributions	137,334	22,460	159,794
CERS OPEB	617,392	96,026	713,418
TRS OBEB contributions	349,510	0	349,510
TRS OPEB	<u>297,000</u>	<u>0</u>	<u>297,000</u>
	3,248,546	410,269	3,658,815
Deferred Inflows			
CERS Pension	321,082	49,939	371,021
CERS OPEB	691,866	107,609	799,475
TRS OPEB	<u>1,479,000</u>	<u>0</u>	<u>1,479,000</u>
	2,491,948	157,548	2,649,496
Pension Liability			
CERS	8,120,045	1,262,951	9,382,996
OPEB Liability			
CERS	1,941,402	301,956	2,243,358
TRS	<u>5,864,000</u>	<u>0</u>	<u>5,864,000</u>
	7,805,402	301,956	8,107,358
Pension Expense			
CERS	1,486,599	231,218	1,717,817
OPEB Expense			
CERS	218,732	34,020	252,752
TRS LIF	0	0	0
TRS MIF	<u>211,000</u>	<u>0</u>	<u>211,000</u>
	429,732	34,020	463,752

**NOTE R – RETIREMENT PLANS (continued)**

**Teachers' Retirement System of the State of Kentucky (TRS)**

Plan Description – Teaching-certified employees of the 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 education 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 <http://trs.ky.gov/financial-reports-information>.

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

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

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

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

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

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

MASON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2020

**NOTE R – RETIREMENT PLANS (continued)**

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.

**Medical Insurance Plan**

*Plan description* - In addition to the pension 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. 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.

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. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

*Funding policy* – 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 and three quarter percent (3.75%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

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

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

State's proportionate share of the net pension liability associated with the District	<u>\$ 51,024,372</u>
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MASON COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2020

**NOTE R – RETIREMENT PLANS (continued)**

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2019, the District's proportion was 0.3740 percent.

For the year ended June 30, 2020, the District recognized pension expense of \$3,839,868 and revenue of \$3,839,868 for support provided by the State on the Fund financial statements.

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

Investment rate of return	7.50%, net of pension 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 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 most recent target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

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

MASON COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2020

*Discount rate* - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that 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.

The following table presents the District's proportionate share of the net pension liability of the System, calculated using the discount rate of 7.50%, 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 (6.50%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
System's net pension liability	\$65,150,134	\$51,024,372	\$39,136,183

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

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported (as of June 30, 2016 for the fiscal year 2019 contributions). The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of that schedule.

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	28.1 years
Asset valuation method	5 year smoothed market
Inflation	3.00 percent
Salary increase	3.50 to 7.30 percent, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

MASON COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2020

**NOTE R – RETIREMENT PLANS (continued)**

The Total OPEB Liability (TOL) as of June 30, 2019 was determined based on an actuarial valuation prepared as of June 30, 2018, using the following actuarial assumptions and other inputs:

Inflation	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.20%
Long-term Investment Rate of Return, net of OPEB plan investment expense, including Inflation	
MIF	8.00%
LIF	7.50%
Municipal Bond Index Rate	3.50%
Year FNP is projected to be depleted	
MIF	n/a
LIF	n/a
Single Equivalent Interest Rate, net of OPEB Plan investment expense, including price	
Inflation	
MIF	8.00%
LIF	7.50%
MIF Health Care Cost Trends	
Under Age 65	7.50% for FYE 2019 decreasing to an Ultimate rate of 5.00% by FYE 2024
Ages 65 and Older	5.50% for FYE 2019 decreasing to an Ultimate rate of 5.00% by FYE 2021
Medicare Part B Premiums	2.63% for FYE 2019 with an ultimate Rate of 5.00% by 2031

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

The 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.

MASON COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2020

**NOTE R – RETIREMENT PLANS (continued)**

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends) 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 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 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 following exhibit presents the NOL of the Plan, calculated using the health care cost trend rates, as well as what the Plan's NOL would be if it were calculated using a health care cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate. This chart is not shown for the Life Insurance Fund (LIF) since there is no health care trend component of the liabilities:

	<u>Health Care Cost Trend Rate Sensitivity</u>		
	1% Decrease	Current	1% Increase
MIF Net OPEB Liability	\$4,774,000	\$5,864,000	\$7,205,000

MIF Discount rate (SEIR): The discount rate used to measure the TOL at June 30, 2019 was 8.00%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of June 30, 2018. In addition to the actuarial methods and assumptions of the June 30, 2018 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 3.50%

The pre-65 retiree health care costs for members retired on or after July 1, 2010 were assumed to be paid by either the State or the retirees themselves.

As administrative expenses, other than the administrative fee of \$7.44 PMPM paid to KEHP by TRS, were assumed to be paid in all years by the employer as they come due, they were not considered.

Cash flows occur mid-year.



MASON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2020

**NOTE R – RETIREMENT PLANS (continued)**

Future contribution to the MIF were based upon the contribution rates defined in statute and the projected payroll of active employees. Per KRS 161.540(1)(c)3 and 161.550(5), when the MIF achieves a sufficient prefunded status, as determined by the retirement system's actuary, the following MIF statutory contributions are to be decreased, suspended, or eliminated:

- Employee contributions
- School District/University Contributions
- State Contributions for KEHP premium subsidies payable to retirees who retire after June 30, 2010

To reflect these adjustments, open group projections were used and assumed an equal, pro rata reduction to the current statutory amounts in the years if/when the MIF is projected to achieve a Funded Ratio of 100% or more. Here, the current statutory amounts are adjusted to achieve total contributions equal to the Actuarially Determined Contribution (ADC), as determined by the prior year's valuation and in accordance with the MIF's funding policy. As the specific methodology to be used for the adjustments has yet to be determined, there may be differences between the projected results and future experience. This may also include any changes to retiree contributions for KEHP coverage pursuant to KRS 161.675 (4)(b).

In developing the adjustments to the statutory contributions in future years, the following was assumed:

Liabilities and cash flows are net of expected retiree contributions and any implicit subsidies attributable to coverage while participating in KEHP.

For the purposes of developing estimates for new entrants, active headcounts were assumed to remain flat for all future years.

The MIF's FNP was not projected to be depleted.

LIF Discount rate (SEIR). The discount rate used to measure the TOL as of the Measurement Date was 7.50%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of June 30, 2017. In addition to the actuarial methods and assumptions of the June 30, 2017 actuarial valuation, the following actuarial methods and assumptions were used in the projection of the LIF's cash flows:

Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 3.50%

The employer will contribute the Actuarially Determined Contribution (ADC) in accordance with the LIF's funding policy determined by a valuation performed on a date two years prior to the beginning of the fiscal year in which the ADC applies.

As administrative expenses were assumed to be paid in all years by the employer as they come due they were not considered.

Active employees do not contribute to the plan.

Cash flows occur mid-year.

MASON COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2020

**NOTE R – RETIREMENT PLANS (continued)**

Based on these assumptions, the LIF's FNP was not projected to be depleted.

Periods of projected benefit payments: Projected future benefit payments for all current plan members were projected through 2115.

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

<u>Asset Class</u>	<u>MIF</u> Target <u>Allocation</u>	30 Year Expected Geometric <u>Real Rate of Return</u>
Global Equity	58.0%	5.1%
Fixed Income	9.0%	1.2%
Real Estate	6.5%	3.8%
Private Equity	8.5%	6.3%
Other Additional Categories *	17.0%	3.2%
Cash (LIBOR)	<u>1.0%</u>	0.9%
Total	100.0%	

<u>Asset Class</u>	<u>LIF</u> Target <u>Allocation</u>	30 Year Expected Geometric <u>Real Rate of Return</u>
U.S. Equity	40.00%	4.30%
International Equity	23.00%	5.20%
Fixed Income	18.00%	1.20%
Real Estate	6.00%	3.80%
Private Equity	5.00%	6.30%
Other Additional Categories	6.00%	3.20%
Cash (LIBOR)	<u>2.00%</u>	0.90%
Total	100.00%	

There is no LIF Net OPEB Liability.

There were no changes between the measurement date of the collective net OPEB liability and the employer's reporting date.

Please see Section V of the report on the website for the development of the collective OPEB expense. The District's proportionate share of the net OPEB expense is \$211,000, the state contributed \$6,000 on behalf of the District for a total OPEB expense of \$217,000.

MASON COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2020

**NOTE R – RETIREMENT PLANS (continued)**

Since certain items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce OPEB expense they are labeled deferred inflows. If they will increase OPEB expense they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive system members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five year period.

The collective amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Deferred Amounts to be recognized in Fiscal Years Ending	Deferred Outflows/ (Inflows) of Resources
	MIF
2020	\$(224,000)
2021	\$(224,000)
2022	\$(211,000)
2023	\$(214,000)
2024	\$(187,000)
thereafter	\$(122,000)

There are no non-employer contributions recognized for the support provided by non-employer contributing entities in PEEHIP.

**KENTUCKY RETIREMENT SYSTEM**  
**County Employees Retirement System (CERS)**

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

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

MASON COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2020

**NOTE R – RETIREMENT PLANS (continued)**

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

Contributions: Funding for CERS is provided by members who contribute 5% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions and by employers of members who contribute 24.06% of the member's salary. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

At June 30, 2020, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2018. An expected total pension liability as of June 30, 2019 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2019. At June 30, 2019, the District's proportion was .0.133400%.

For the year ended June 30, 2020, the District recognized pension expense of \$1,717,817. At June 30, 2020, the District reported deferred outflows of resources for District contributions subsequent to the measurement date of \$647,905, deferred outflows of resources from change of assumptions and expectations of \$1,491,188, and deferred inflows of resources related to pensions from the net difference between projected and actual earnings on pension plan investments in the amount of \$371,021.

District contributions subsequent to the measurement date of \$617,905 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to CERS will be recognized in pension expense as follows:

	Deferred
<u>Year</u>	Outflows (Inflows)
2020	\$ 727,584
2021	278,247
2022	103,605
2023	10,731
2024	<u>0</u>
	<u>\$1,120,167</u>

MASON COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2020

**NOTE R – RETIREMENT PLANS (continued)**

Actuarial Methods and Assumptions: The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2019. The financial reporting actuarial valuation as of June 30, 2019, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	26 years, closed
Payroll Growth Rate	2.00%
Inflation	2.30%
Salary Increase	3.30% to 11.55%, varies by service
Investment Rate of Return	6.25%,
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized

The mortality table used for active members was a 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 the 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 the MP-2014 mortality improvement scale using a base year of 2010.

The long-term expected return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the tables below. The current long term inflation assumption is 2.30% per annum.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	18.75%	4.30%
Non U.S. Equity	18.75%	4.80%
Specialty Credit/High Yield	15.00%	2.60%
Core Bonds	13.50%	1.35%
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Private Equity	10.00%	6.65%
Real Return	15.00%	4.10%
Cash	1.00%	0.20%
	<u>100.0%</u>	

MASON COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2020

**NOTE R – RETIREMENT PLANS (continued)**

Discount Rate: The projection of cash flows used to determine the discount rate of 6.25% for the CERS Non-hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

The Schedule of Deferred Inflows and Outflows, and Pension Expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net pension liability as of June 30, 2019, is based on the June 30, 2018, actuarial valuation rolled forward. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period.

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

	1% Decrease (5.25%)	Current discount rate (6.25%)	1% Increase (7.25%)
District's proportionate share of the net pension liability	\$ 11,735,469	\$ 9,382,996	\$ 7,422,235

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

Payables to the pension plan: At June 30, 2020 the District had payables to CERS in the amount of \$0 for June's covered payroll with contributions required to be paid in July.

MASON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2020

**NOTE R – RETIREMENT PLANS (continued)**

**OPEB**

CERS Non-hazardous Insurance Fund is a cost-sharing multiple-employer defined benefit Other Postemployment Benefits (OPEB) plan for members that cover all regular full-time members. The plan provides for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

The net OPEB liability is the total OPEB liability, less the amount of the plan's fiduciary net position. The total OPEB liability, net OPEB liability, and sensitivity information shown in this report are based on an actuarial valuation performed as of June 30, 2018. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2019, using generally accepted actuarial principles.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.

MASON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2020

**NOTE R – RETIREMENT PLANS (continued)**

Discount Rate: The projection of cash flows used to determine the discount rate of 5.69% for CERS Non-hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, an a municipal bond rate of 3.13%, as reported in Fidelity Index's "20-Year Municipal GO AA Index", as of June 30, 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. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

The District's proportionate share of the Net OPEB Liability as of June 30, 2019 is \$2,243,358. The District's proportionate share is 0.133400%. The District's proportionate share of the OPEB expense is \$252,752. The total Deferred Outflows of Resources is \$713,418 and the total Deferred Inflows of Resources is \$799,475. Total employer contributions were \$177,011, implicit subsidy was \$39,013 for a total contributions of \$216,024.



MASON COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2020

**NOTE R – RETIREMENT PLANS (continued)**

	Discount Rate Sensitivity		
	1%	Current	1%
	Decrease	Discount Rate	Increase
	4.68%	5.68%	6.68%
Net OPEB Liability	3,005,177	2,243,358	1,615,670

	Healthcare Cost Trend Rate Sensitivity		
	1%	Current	1%
	Decrease	Discount Rate	Increase
	1,68,397	2,243,358	2,940,566
Net OPEB Liability	1,68,397	2,243,358	2,940,566

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

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	26 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increases	3.30% to 11.55%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.25% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years,
Post-65	Initial trend starting at 5.10% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years,
Phase-in Provision	Board certified rate is phased into the actuarially determine rate in accordance with HB 362 enacted in 2018.

MASON COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2020

**NOTE R – RETIREMENT PLANS (continued)**

The following is a summary of collective deferred outflows and Inflows of Resources arising from current and prior reporting periods.

Deferred Amounts to be recognized in Fiscal Years Ending

	Deferred Outflows/ (Inflows) of Resources MIF
2020	\$(9,990)
2021	\$(9,990)
2022	\$21,690
2023	\$(39,014)
2024	\$(41,273)
thereafter	<u>\$(7,480)</u>
Total	\$(86,057)

SUPPLEMENTARY INFORMATION

MASON COUNTY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND  
 For The Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	7,497,455	7,781,105	7,727,166	(53,939)
Other Local Sources	83,500	85,500	100,926	15,426
State Sources	10,001,266	9,327,640	15,937,835	6,610,195
Federal Returned	<u>160,000</u>	<u>160,000</u>	<u>164,874</u>	<u>4,874</u>
<b>TOTAL REVENUES</b>	<b>17,742,221</b>	<b>17,354,245</b>	<b>23,930,801</b>	<b>6,576,556</b>
<b>EXPENDITURES</b>				
Instruction	10,841,978	10,889,873	15,592,737	(4,702,864)
Support Services				
Student	762,336	750,726	1,101,189	(350,463)
Instructional Staff	466,052	498,794	537,682	(38,888)
District Administration	625,096	729,363	828,859	(99,496)
School Administration	1,025,656	1,035,601	1,421,571	(385,970)
Business	617,023	616,579	791,725	(175,146)
Plant Operation and Maintenance	2,000,869	2,277,086	2,403,544	(126,458)
Student Transportation	1,834,933	1,689,649	2,210,233	(520,584)
Community Services	7,984	7,824	8,582	(758)
Contingency	<u>3,113,294</u>	<u>3,246,837</u>		<u>3,246,837</u>
<b>TOTAL EXPENDITURES</b>	<b>21,295,221</b>	<b>21,742,332</b>	<b>24,896,122</b>	<b>(3,153,790)</b>
Excess (Deficit) of Revenues Over Expenditures	(3,553,000)	(4,388,087)	(965,321)	3,422,766
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Equipment	3,000	3,000	22,348	19,348
Capital Lease Proceeds	0	0	379,310	379,310
Operating Transfers In	0	350,000	532,925	182,925
Operating Transfers Out	<u>-50,000</u>	<u>(51,345)</u>	<u>(52,670)</u>	<u>(1,325)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-47,000</b>	<b>301,655</b>	<b>881,913</b>	<b>580,258</b>
Excesss (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(3,600,000)	(4,086,432)	(83,408)	4,003,024
Fund Balance, July 1, 2019	<u>3,600,000</u>	<u>4,086,432</u>	<u>4,586,432</u>	<u>500,000</u>
Fund Balance, June 30, 2020	\$0	\$0	\$4,503,024	\$4,503,024

On Behalf payments of \$6,561,617 are included in the actual amounts.  
 On Behalf amounts are not included in the budget amounts.

MASON COUNTY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE FOR SPECIAL REVENUE  
 For The Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b>REVENUES</b>				
State Sources	\$916,058	\$1,045,207	\$987,159	(58,048)
Federal Sources	1,727,966	2,736,321	1,945,298	(791,023)
Local Sources	<u>0</u>	<u>84,933</u>	<u>140,020</u>	<u>55,087</u>
<b>TOTAL REVENUES</b>	<b>2,644,024</b>	<b>3,866,461</b>	<b>3,072,477</b>	<b>(793,984)</b>
<b>EXPENDITURES</b>				
Instruction	2,061,845	3,032,098	2,517,139	514,959
Support Services				
Student	0	32,000	1,563	30,437
Instructional Staff	297,230	254,165	237,278	16,887
Business	0	21,428	4,112	17,316
Plant Operations & Maintenance	61,364	92,114	25,879	66,235
Student Transportation	0	0	150	(150)
Other Instructional	90,377	191,409	88,918	102,491
Building Improvements	0	0	1,459	(1,459)
Community Service Operations	<u>183,208</u>	<u>261,634</u>	<u>287,541</u>	<u>(25,907)</u>
<b>TOTAL EXPENDITURES</b>	<b>2,694,024</b>	<b>3,884,848</b>	<b>3,164,039</b>	<b>720,809</b>
Excess (Deficit) of Revenues Over Expenditures	(50,000)	(18,387)	(91,562)	(73,175)
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers In	50,000	51,345	53,030	1,685
Operating Transfers Out	<u>0</u>	<u>(11,343)</u>	<u>(360)</u>	<u>10,983</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>50,000</b>	<b>40,002</b>	<b>52,670</b>	<b>12,668</b>
Excesss (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	0	21,615	(38,892)	(60,507)
Restricted Fund Balance, July 1, 2019	<u>0</u>	<u>0</u>	<u>130,620</u>	<u>130,620</u>
Restricted Fund Balance, June 30, 2020	\$0	21,615	\$91,728	\$70,113

MASON COUNTY SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 For The Year Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)						
TRS	\$0	\$0	\$0	\$0	\$0	\$0
CERS	<u>\$9,382,996</u>	<u>\$8,066,974</u>	<u>\$7,566,863</u>	<u>\$6,335,478</u>	<u>\$5,476,878</u>	<u>\$4,353,759</u>
Total	\$9,382,996	\$8,066,974	\$7,566,863	\$6,335,478	\$5,476,878	\$4,353,759
District's proportionate share of the net pension liability (asset)						
TRS	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%
CERS	0.133400%	0.132456%	0.129279%	0.128688%	0.12738%	0.134194%
State's proportionate share of the net pension liability (asset) associated with the District						
TRS	\$51,024,372	\$49,664,008	\$101,226,844	\$110,380,849	\$92,580,483	\$80,999,928
District's covered employee payroll						
TRS	\$12,004,511	\$12,092,278	\$11,772,378	\$11,715,920	\$11,715,920	\$11,466,263
CERS	\$3,377,698	\$3,284,849	\$3,150,350	\$3,104,763	\$3,104,763	\$2,958,220
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll						
TRS	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CERS	277.79%	245.58%	240.19%	204.06%	176.40%	147.18%
Plan fiduciary net position as a percentage of the total pension liability						
TRS	58.76%	59.28%	39.83%	35.22%	42.49%	45.59%
CERS	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%

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

MASON COUNTY SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT PENSION CONTRIBUTIONS  
 For The Year Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
Contractually required contributions						
TRS	\$0	\$0	\$0	\$0	\$0	\$0
CERS	<u>\$545,841</u>	<u>\$475,365</u>	<u>\$439,080</u>	<u>\$365,574</u>	<u>\$380,323</u>	<u>\$581,552</u>
Total	\$545,841	\$475,365	\$439,080	\$365,574	\$380,323	\$581,552
Contributions in relation to the contractually required contribution						
TRS	\$0	\$0	\$0	\$0	\$0	\$0
CERS	<u>\$545,841</u>	<u>\$475,365</u>	<u>\$439,080</u>	<u>\$365,574</u>	<u>\$380,323</u>	<u>\$581,552</u>
Total	\$545,841	\$475,365	\$439,080	\$365,574	\$380,323	\$581,552
Contribution deficiency (excess)						
TRS	\$0	\$0	\$0	\$0	\$0	\$0
CERS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total	\$0	\$0	\$0	\$0	\$0	\$0
District's covered employee payroll						
TRS	\$12,004,511	\$12,092,278	\$11,772,378	\$11,715,920	\$11,715,920	\$11,466,263
CERS	<u>\$3,377,698</u>	<u>\$3,284,849</u>	<u>\$3,150,350</u>	<u>\$3,104,763</u>	<u>\$3,104,763</u>	<u>\$2,958,220</u>
Total	\$15,382,209	\$15,377,127	\$14,922,728	\$14,820,683	\$14,820,683	\$14,424,483
Contributions as a percentage of covered employee payroll						
TRS	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CERS	16.17%	14.47%	13.93%	11.60%	12.25%	19.66%

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

MASON COUNTY SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
For The Year Ended June 30, 2020

	2020	2019	2018
District's proportion of the net OPEB liability (asset)			
CERS	\$2,243,358	\$2,351,677	\$2,598,870
TRS - Medical Insurance	\$5,864,000	\$8,258,000	\$7,098,000
TRS - Life Insurance	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total	\$8,107,358	\$10,609,677	\$9,696,870
District's proportionate share of the net OPEB liability (asset)			
CERS	0.133400%	0.132453%	0.129275%
TRS - Medical Insurance	0.200361%	0.196590%	0.199046%
TRS - Life Insurance	0.000000%	0.000000%	0.000000%
Total			
State's proportionate share of the net OPEB liability (asset) associated with the District			
TRS - Medical Insurance	\$4,736,000	\$5,878,000	\$5,798,000
TRS - Life Insurance	<u>\$110,000</u>	<u>\$101,000</u>	<u>\$78,000</u>
Total	\$4,846,000	\$5,979,000	\$5,876,000
District's covered employee payroll			
TRS	\$12,004,511	\$12,092,278	\$11,772,378
CERS	\$3,377,698	\$3,284,849	\$3,150,350
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll			
CERS	66.42%	71.59%	82.49%
TRS - Medical Insurance	48.85%	56.41%	60.29%
TRS - Life Insurance	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability			
CERS	60.44%	57.62%	52.40%
TRS - Medical Insurance	32.58%	25.54%	21.18%
TRS - Life Insurance	73.40%	74.97%	79.99%

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



MASON SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS  
 For The Year Ended June 30, 2020

	2020	2019	2018
Contractually required contributions			
CERS	\$177,011	\$182,366	\$165,185
TRS - Medical Insurance	\$348,883	\$350,188	\$341,021
TRS - Life Insurance	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total	\$525,894	\$532,554	\$506,206
Contributions in relation to the contractually required contribution			
CERS	\$177,011	\$182,366	\$165,185
TRS - Medical Insurance	\$348,883	\$350,188	\$341,021
TRS - Life Insurance	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total	\$525,894	\$532,554	\$506,206
Contribution deficiency (excess)			
CERS	\$0	\$0	\$0
TRS - Medical Insurance	\$0	\$0	\$0
TRS - Life Insurance	\$0	\$0	<u>\$0</u>
Total	\$0	\$0	\$0
District's covered employee payroll			
TRS	\$12,004,511	\$12,092,278	\$11,772,378
CERS	<u>\$3,377,698</u>	<u>\$3,284,849</u>	<u>\$3,150,350</u>
Total	\$15,382,209	\$15,377,127	\$14,922,728
Contributions as a percentage of covered employee payroll			
TRS	2.90%	2.90%	2.90%
CERS	5.24%	5.55%	5.24%

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

MASON COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
For The Year Ended June 30, 2020

**PENSIONS**

**Changes of benefit terms**

TRS - none

CERS -none

**Changes of assumptions**

TRS

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 years for males and one year for females rather than the RP-2000 Mortality Tables projected to 2020 with projection scale AA, which was used prior to 2016.

In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables projected to 2020 with projection scale AA, set back one year for females rather than the 1994 Group Annuity Mortality Tables which was used prior to 2016. For the 2011 valuation through the 2013 valuation, an interest smoothing methodology was used to calculate liabilities for purposes of determining the actuarially determined contributions.

CERS

The Board of Trustees adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled, "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018. The Total Pension Liability as of June 30, 2019 was determined using these updated assumptions.

**OPEB**

**Changes of benefit terms**

TRS

MIF - None

LIF - None

CERS

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active member who die in the line of duty. The system now pay 100% of the insurance for spouses and children of all active members who die in the line of duty.

**Changes of assumptions**

TRS - none

CERS

The Board of Trustees adopted new actuarial assumptions since June 30, 2018.

These assumptions are documented in the report titled, "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018.

The Total OPEB Liability as of June 30, 2019 was determined using these updated assumptions.

MASON COUNTY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 As of June 30, 2020

	SEEK Capital Outlay Fund	Building Fund	Total
ASSETS AND RESOURCES			
Cash and equivalents	\$0	\$0	\$0
TOTAL ASSETS AND RESOURCES	\$0	\$0	\$0
FUND BALANCES			
Restricted - SFCC - Current	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
TOTAL FUND BALANCES	0	0	0
TOTAL LIABILITIES AND FUND BALANCES	\$0	\$0	\$0

MASON COUNTY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For The Year Ended June 30, 2020

	SEEK Capital Outlay Fund	Building Fund	Total
REVENUES			
From local sources			
Property taxes	\$0	\$1,438,042	\$1,438,042
Intergovernmental-State	<u>233,268</u>	<u>317,133</u>	<u>550,401</u>
TOTAL REVENUES	233,268	1,755,175	1,988,443
EXPENDITURES			
Debt Service			<u>0</u>
TOTAL EXPENDITURES			0
Excess (deficit) revenues over expenditures	233,268	1,755,175	1,988,443
OTHER FINANCING SOURCES (USES)			
Operating transfers in			0
Operating transfers out	<u>(233,268)</u>	<u>(1,768,121)</u>	<u>(2,001,389)</u>
TOTAL OTHER FINANCING SOURCES (USES)	(233,268)	(1,768,121)	(2,001,389)
Excess (deficit) revenues and other financing sources over expenditures and other financing uses	0	(12,946)	(12,946)
Restricted Fund Balance, July 1, 2019	<u>0</u>	<u>12,946</u>	<u>12,946</u>
Restricted Fund Balance, June 30, 2020	\$0	\$0	\$0

MASON COUNTY SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET POSITION  
 FIDUCIARY FUNDS  
 As of June 30, 2020

	Mason County High School	Mason County Middle School	Mason County Intermediate School	Straub Elementary School	Total
<b>ASSETS</b>					
Cash and equivalents	\$223,888	\$27,506	\$17,044	\$16,949	\$285,387
Accounts receivable	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL ASSETS</b>	<b>\$223,888</b>	<b>\$27,506</b>	<b>\$17,044</b>	<b>\$16,949</b>	<b>\$285,387</b>
<b>LIABILITIES</b>					
Accounts payable	\$9,736	\$0	\$0	\$0	\$9,736
Due to student groups	<u>214,152</u>	<u>27,506</u>	<u>17,044</u>	<u>16,949</u>	<u>275,651</u>
<b>TOTAL LIABILITIES</b>	<b>\$223,888</b>	<b>\$27,506</b>	<b>\$17,044</b>	<b>\$16,949</b>	<b>\$285,387</b>

MASON COUNTY SCHOOL DISTRICT  
 COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS  
 FIDUCIARY FUNDS  
 For The Year Ended June 30, 2020

	Cash Balances		Disbursement	Cash Balances	Accounts	Accounts	Due To
	July 1, 2019	Receipts		June 30, 2020	Receivable	Payable	Student Groups
				June 30, 2020	June 30, 2020	June 30, 2020	June 30, 2020
Mason County High School	\$204,459	\$574,376	\$554,947	\$223,888	\$0	\$9,736	\$214,152
Mason County Middle School	\$54,846	\$171,916	\$199,256	\$27,506	\$0	\$0	\$27,506
Mason County Intermediate School	\$8,592	\$50,476	\$42,024	\$17,044	\$0	\$0	\$17,044
Straub Elementary School	<u>\$20,840</u>	<u>\$40,521</u>	<u>\$44,412</u>	<u>\$16,949</u>	<u>\$0</u>	<u>\$0</u>	<u>\$16,949</u>
TOTAL ACTIVITY FUNDS	\$288,737	\$837,289	\$840,639	\$285,387	\$0	\$9,736	\$275,651

MASON COUNTY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS  
MASON COUNTY HIGH SCHOOL  
For The Year Ended June 30, 2020

	Cash Balances				Cash Balances	Accounts	Accounts	Due To
	Beginning	Receipts	Disbursements	Transfers	Ending	Receivable	Payable	Student Groups
						Ending	Ending	Ending
General	\$5,355	\$11,372	\$11,655	(\$1,763)	\$3,309	\$0	\$10	\$3,299
Start Up	0	6,675	8,355	1,680	0			\$0
Project Graduation	375	100	102	1,579	1952		1,952	0
Y Club	91	590	880	200	1			1
Boys Soccer	1,680	9,265	7,412	(450)	3,083			3,083
Boys Basketball	8,821	25,791	25,453	(25)	9,134			9,134
Baseball	3,393	7,170	8,649		1,914		150	1,764
Baseball 39th District	424				424			424
Academic Team	17				17			17
Fast Pitch Softball	2,779	251	2,225		805			805
10th Region Boys	100				100			100
AP Exams	42	11,133	11,175		0			0
Student Activities	5,376		1,472	(1,331)	2,573		14	2,559
Dance Team	308				308			308
Golf-Boys	1,210	8,775	10,133	205	57			57
Golf Tournament	250				250			250
Red Cross	(26)	402	160	26	242			242
Girl's Golf	120	50	356	266	80			80
PSAT	607	760	663		704			704
Archery	15,295	8,252	6,710	(375)	16,462			16,462
Archery Sponsor	430				430			430
Staff Vending	2,785	2,075	2,365		2,495			2,495
Transportation Fees	29	649	770	1,800	1,708			1,708
Archery Elite	0	6,087	4,709	375	1,753			1,753
PTSO	171				171			171
Girl's Basketball	1,601	20,562	21,136	(460)	567			567
Pee Wee Basketball	125				125			125
Volleyball	6,171	3,064	5,806	(580)	2,849		175	2,674
IPAD Help Desk STLP	2,086	3,664	2,886	400	3,264			3,264
Art Club	222	4,539	2,931	(300)	1,530			1,530
Volunteer Connection	0				0			0
Spanish Club	252	320	364		208			208
Literary Magazine	61				61			61
Athletic	18,242	66,930	62,632	973	23,513			23,513
Girls Regional	100				100			100
Girls Golf Tournament	450				450			450
Tennis	607	1,041	1,343	1,050	1,355			1,355
Swim Team	75	1,320	1,082		313			313
Athletic - Uniforms	3,825		2,400	2,700	4,125			4,125
Band Scholarship	41				41			41
Band Boosters	794	21,621	18,920	3,623	7,118			7,118
Jazz Band	4,852	325		(3,572)	1,605			1,605
Music Honor Society	96				96			96
MS Band	537	391			928		264	664
Physics & Aviation	514				514			514
Biomedical	39	40			79			79
HOSA	142	5,586	4,283	(50)	1,395		27	1,368
MCHS Robotics	5				5			5
Beta Club	474				474			474
STLP	261				261			261
Special Needs Students	668	90	79		679			679
Royal Icing Bakery	14				14			14
Students Needs	1,349				1,349			1,349
Special Ed	732	3,520	1,376		2,876			2,876
Cheerleaders	4,049	34,539	38,318	(270)	0			0
Concessions-FB-SC	501	15,000	12,789	(2,211)	501			501
Concessions B/G BB	500	24,635	11,949	1,207	14,393			14,393
Fellowship of Christian	138				138			138
Football	1,955	24,408	20,957	(705)	4,701		2,400	2,301
Football Playoffs	0	1,477	1,053	(424)	0			0

MASON COUNTY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS  
MASON COUNTY HIGH SCHOOL  
For The Year Ended June 30, 2020

	Cash Balances				Cash Balances	Accounts	Accounts	Due To
	Beginning	Receipts	Disbursements	Transfers	Ending	Receivable	Payable	Student Groups
						Ending	Ending	Ending
AG Shop	182				182			182
Football Capital	9				9			9
Knights FB	2,388	5,101	4,800		2,689			2,689
Future Farmers of America	3,089	49,112	44,127	(375)	7,699		986	6,713
FFA Greenhouse	3,798	3,486	4,184	375	3,475			3,475
FCCLA	(7,260)	25,343	15,072	(790)	2,221			2,221
Science Club	1,111		1,111		0			0
Health Fair	106				106			106
FCCLA-Region 9	495	1,565	2,060	430	430			430
Practical Living	0	3,729	4,998	1,269	0			0
Culinary Trips	78			(78)	0			0
Special Ed Field Trips	9				9			9
Hiking Club	61				61			61
F.E.A.	41				41			41
Interest	363	231			594			594
Yearbook	4,648	892	3,940		1,600			1,600
Newspaper	28				28			28
Library	434	50			484			484
M. C. Athletic Boosters	6				6			6
Music Chorale Travel	2,080			(1,080)	1,000			1,000
Music Chior	165	454	385		234			234
Music Orchestra	9,319	5,187	3,887		10,619			10,619
Music Patrons & Boosters	5,991	3,349	751	(2,001)	6,588			6,588
Music Scholarship	3,688	100	900		2,888			2,888
Music Production	7,993	14,157	8,867	(180)	13,103			13,103
Music Tux & Dress	4,742	1,664	643	(1,022)	4,741			4,741
National Honor Society	701	475			1,176			1,176
TSA	295	1,908	1,754	425	874			874
Tech. Ed. Projects Club	1,028	1,143	1,623	180	728			728
Floor Project	80				80			80
ROTC	7,832	5,580	6,262		7,150			7,150
Hantis Club	14				14			14
Music Travel	19,163	14,525	35,066	4,103	2,725			2,725
AP Enviromental Science	0	750	300		450			450
Watershed Mgt. Project	0	7,000	1,428		5,572			5,572
Soccer-Girls	3,551	756	1,424	(225)	2,658			2,658
Cross Country	2,373	17,728	16,740	(2,161)	1,200			1,200
Track & Field	15,339	32,841	35,361	(578)	12,241			12,241
ACT Prep	8				8			8
District Fund	1,080	23,284	24,196	(168)	0			0
District Music	0				0			0
District FFA	64	5,663	5,291		436			436
Class of 2019	2,079			(2,079)	0			0
Class 2020	4,386				4,386		3,758	628
Class of 2021	508	2,851	3,196	(163)	0			0
Clss of 2022	1,284				1,284			1,284
Class of 2023	0			500	500			500
District Athletics	0	12,983	13,033	50	0	0	0	0
TOTAL	\$204,459	\$574,376	\$554,947	\$0	\$223,888	\$0	\$9,736	\$214,152



MASON COUNTY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For The Year Ended June 30, 2020

Federal Grantor/Passed-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass Through Grantor's Number	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>			
Passed through Kentucky Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	7750002	\$802,600
Commodities	10.555	not provided	74,245
Summer Food Service Program for Children	10.559	7690024	19,725
Summer Food Service Program for Children	10.559	7740023	192,142
School Breakfast Program	10.553	7760005	<u>452,517</u>
Total Child Nutrition Cluster			1,541,229
State Administrative Expenses for Child Nutrition	10.560	7700001	2,599
Child and Adult Care Food Program	10.558	7790021	30,243
Child and Adult Care Food Program	10.558	7800016	<u>2,106</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,576,177
<b><u>U.S. Department of Education</u></b>			
Passed through Kentucky Department of Education			
Improving America's School Act of 1994			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010	3100002	907,271
Special Education Cluster (IDEA)			
Special Education-Grants to States (IDEA, Part B)	84.027	3810002	690,450
Special Education-Preschool Grants (IDEA, Preschool)	84.173	3800002	<u>40,265</u>
		subtotal	730,715
COVID 19 Funding			
CARES Act Education Stabilization Fund	84.425D	613F	5,071
CARES Act Education Stabilization Fund	84.425C	633F	<u>11,942</u>
		subtotal	17,013

The accompanying notes are an integral part of this schedule

MASON COUNTY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For The Year Ended June 30, 2020

Federal Grantor/Passed-Through Grantor <u>Program or Cluster Title</u>	Federal <u>CFDA  Number</u>	Pass Through Grantor's <u>Number</u>	Federal <u>Expenditures</u>
<u>U.S. Department of Education</u>			
Passed through Kentucky Department of Education			
Career and Technical Education	84.048	3710002	33,047
Title IV, Student Support & Academic Enrichment	84.424	3420002	65,688
Improving Teacher Quality State Grants	84.367	3230002	140,048
Title VI Rural Education	84.358	3140002	45,701
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP)	84.334	not provided	1,553
Community Work Transition Program	84.126	not provided	121
TOTAL U.S. DEPARTMENT OF EDUCATION			1,941,157
U.S. Department of Labor			
Passed through TENCO Workforce Development Board			
WIOA Cluster			
WIOA Youth Activities	17.259	not provided	<u>4,141</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$3,521,475

The accompanying notes are an integral part of this schedule

MASON COUNTY SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended June 30, 2020

Note 1 – Basis of Presentation

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

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The District did not use the 10 percent de minimis indirect cost rate.

Note 3 – Food Distribution

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities disbursed, totaling \$74,245.

**DENISE M. KEENE  
CERTIFIED PUBLIC ACCOUNTANT  
P.O. BOX 1444  
GEORGETOWN, KENTUCKY 40324  
859-421-5062**

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

State Committee For School District Audits  
Members of the Board of Education  
Mason County School District  
Maysville, Kentucky

We have audited, 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, Audits of States and Local Governments, and Non-profit Organizations, and the audit requirement prescribed by the Kentucky Committee for School District Audits, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mason County Board of Education as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated December 23, 2020.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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*.

I noted certain matters that I reported to management of the District in a separate letter dated December 23, 2020.

### **Purpose of this Report**

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

*Denise M. Keene*

Denise M. Keene, CPA  
Georgetown, Kentucky  
December 23, 2020

**DENISE M. KEENE  
CERTIFIED PUBLIC ACCOUNTANT  
P.O. BOX 1444  
GEORGETOWN, KENTUCKY 40324  
859-421-5062**

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

State Committee For School District Audits  
Members of the Board of Education  
Mason County School District  
Maysville, Kentucky

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

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

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) Audits of States, Local Governments, and Non-Profit Organizations* and the audit requirements prescribed by the Kentucky Committee for School District Audits. 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 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 on the District's compliance.

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

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

## **Report on Internal Control Over Compliance**

Management of the Mason County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with 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 District's internal control over compliance.

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

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

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Denise M. Keene*

Denise M. Keene, CPA  
Georgetown, Kentucky  
December 23, 2020

MASON COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2020

Section I – Summary of Auditor’s Results

**Financial Statements**

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting

Material weakness(es) identified?  yes  no

Significant deficiency(s) identified that are not  
considered to be material weakness(es)?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?  yes  no

Significant deficiency(s) identified that are not  
Considered to be material weakness(es)?  yes  none reported

An unmodified opinion was issued on compliance for all major programs.

Any audit findings disclosed that are required to be reported  
in accordance with section 2 CFR 200.516(a)?  yes  no

Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555, 10.559	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee?  yes  no

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None Reported



MASON COUNTY SCHOOL DISTRICT  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
For The Year Ended June 30, 2020

**PRIOR YEAR – FINANCIAL STATEMENT FINDINGS**

None were reported last year

**PRIOR YEAR – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None were reported last year

MANAGEMENT LETTER

**DENISE M. KEENE  
CERTIFIED PUBLIC ACCOUNTANT  
P.O. BOX 1444  
GEORGETOWN, KENTUCKY 40324  
859-421-5062**

Mason County Board of Education  
Maysville, Kentucky

We have audited the financial statements of the Mason County School District for the year ended June 30, 2020 and have issued our report thereon dated December 23, 2020. As part of our audit, we made a study and evaluation of the District's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the District's financial statements. Our study and evaluation was more limited than would be necessary for expressing an opinion on the system of internal accounting control taken as a whole.

The management of the Mason County School District is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors, or irregularities may nevertheless occur and not be detected. Also, projections of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system of internal accounting control. Accordingly, we do not express an opinion on the system of internal accounting control of the Mason County School District taken as a whole. Our study and evaluation disclosed no condition that we believe to be a material weakness.

The following items from last year's management letter points were corrected during the current fiscal year as outlined in the District's response: 2019-001, 2019-002, 2019-003, 2019-005, 2019-006

The following were not corrected: 2019-004

*Denise M. Keene, CPA*  
December 23, 2020

## **CURRENT YEAR MANAGEMENT POINTS**

2020-001

While the written procedures for the use of the Procurement Card are very good, the actual documentation needs to be improved. There were eleven (11) transactions during the year that did not have an original invoice. There were ten (10) transactions that were not authorized. I recommend staff follow the procedures outlined in 04.31 AP.11

Management's Response:

After reviewing the actual statements, we plan to stamp all approved requisitions electronically approved on the signature line. This will then alert anyone who is reviewing to know it has been approved. Also, we are going to set a timeline as to when all items that pertain to a transaction will be turned in. Once all items are attached to the statement the clerk entering the invoice into MUNIS will double check that all items are there.

2020-002

Testing of payroll disclosed two (2) employees who only had their drivers license as documentation. If the drivers license is use, another form of documentation is required.

Management's Response:

We understand that these two staff members were hired before we were doing these specific jobs to know they needed 2 forms of ID. We have contacted each of them to get the social security card on file, so that we are compliant moving forward. As time allows, folders will be reviewed to make sure all documents are current and on file.

2020-003

Testing disclosed seven (7) out of eighty-four (84) expenditures had invoice dates prior to PO dates. The District should monitor expenditures for compliance with policies and procedures.

Management's Response:

We have spoken with the School Nutrition Director regarding invoices that had purchase orders after the invoices and determined these purchases were emergency situations. In the future, we will document or have approved purchase orders for emergencies only for specific vendors. Also, we are looking into a different protocol for bookkeepers who are split between buildings. We have found that is where some of our processes are broken. We have discussed documenting more if we know a purchase must be made prior to the completion of the purchase order, but there is a verbal approval.

## **MASON COUNTY HIGH SCHOOL**

2020-004

According to the Redbook, "Teachers, sponsors or students shall use the Multiple Receipt Form or pre-numbered receipts when collecting money." Teachers are not completing the multiple receipt forms correctly. Multiple Receipt Forms are not matching the amounts turned in. There are over/shorts with no explanation. **This is a repeat from last year (2019-004)**

Management's Response:

Teachers will be made aware of the issue regarding completing multi-receipt forms and will receive coaching on how to complete the multi-receipt form correctly. Principal will work with the bookkeeper to ensure that amounts turned in match the amounts documented on the multi-receipt form. Any overs/shorts will be documented with an explanation.

2020-005

Boys Pee Wee Basketball League is not turning money in timely. The game on November 2, 2019 with receipts of \$450.00 was not turned in until November 22<sup>nd</sup>. The game from November 9, 2019 with receipts or \$452.00 was not turned in until November 22<sup>nd</sup>. This should have been turned in on the next school day. I recommend someone monitor events to assure money is turned in timely.

Management's Response:

Principal will meet with the athletic director and head boys basketball coach to explain the issue. Head coach, who is responsible for pee wee basketball will communicate with those people who he has placed in charge of pee wee basketball. Athletic director will monitor to make sure money is turned in more promptly.

## **MASON COUNTY MIDDLE SCHOOL**

2020-006

According to the Redbook, "The purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated." Two (2) out of sixteen (16) expenditures tested had purchase order dates after the invoice date. I recommend the Principal remind staff purchase orders must be approved before the purchase is obligated.

Management's Response:

An email was sent to staff reminding them not to make purchases until they have received a purchase order.

2020-007

According to the Redbook, "All school level checks should contain the signatures of an authorized school administrator and the school treasurer. There was one (1) check during the year that had only the Principal's signature. I recommend that checks be reviewed prior to distribution for two signatures.

Management's Response:

Checks will be reviewed for signatures before sending out.

## **MASON COUNTY INTERMEDIATE SCHOOL**

No Comments

## **STRAUB ELEMENTARY SCHOOL**

2020-008

According to the Redbook, "The sponsor of the remitting (paying) activity account and the principal shall sign the Transfer Form." There were three (3) out of sixty-eight (68) transfer forms not signed by the sponsor.. I recommend the Principal review the proper procedure with the bookkeeper for Transfers. No transfer should be made without the Transfer Form being properly signed.

Management's Response:

Transfers are required to be requested by the sponsor and approved by the principal before the transfer is complete. In the future, the bookkeeper and administration will pay closer attention making sure all of the information is complete on transfer forms before any transfers of funds are completed.

2020-009

According to the Redbook, "The school treasurer shall match up the purchase order, shipping document (if applicable), and vendor or standard invoice and verify that all items ordered have been received, services have been satisfactorily performed, all amounts agree, and that all necessary approvals and signatures have been obtained. Any problems or discrepancies shall be resolved before a check is written." Three (3) out of thirteen (13) expenditures tested did not have an invoice. I recommend the Principal remind the school treasurer to obtain all documents prior to issuing a check.

Management's Response:

Payment should never be made to any vendor without an invoice. In the future, the bookkeeper and administration will follow all Redbook rules and be in compliance before any payments are made.

2020-010

According to the Redbook, "District employees shall not be involved with an external support/booster organization by ordering or receiving goods, receipting, depositing funds, paying vendors, or otherwise disbursing funds. External support/booster organization funds remaining on school property must be kept in a secure location which cannot be accessed by any school personnel." This requirement was ignored by school personnel during the year. I recommend the Principal review the Redbook requirements with staff and booster members.

Management's Response:

As of June 26, 2020 the District had a mandatory Redbook training with all PTO officers as to the rules and regulations regarding the external support/booster organizations. Our administration will also meet with the staff upon their return explaining the stipulations of this past issue. As of March 2020 this issue has been corrected and we are currently in compliance with Redbook.

## **APPENDIX C**

**Mason County School District Finance Corporation  
School Building Revenue Bonds  
Series 2021**

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**Continuing Disclosure Agreement**

CONTINUING DISCLOSURE CERTIFICATE

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Relating to:

\$26,415,000

MASON COUNTY SCHOOL DISTRICT FINANCE CORPORATION

SCHOOL BUILDING REVENUE BONDS, SERIES 2021

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Dated as of: September 7, 2021



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This CONTINUING DISCLOSURE CERTIFICATE (the "Certificate") is executed and delivered as of September 7, 2021 by the Board of Education of the Mason County School District (the "Board") and Mason County School District Finance Corporation (the "Issuer") in connection with the issuance of its \$26,415,000 Mason County School District Finance Corporation School Building Revenue Bonds, Series 2021A (the "Obligations"). The Obligations are being issued pursuant to a resolution adopted by the Board of Directors of the Issuer on July 12, 2021 (the "Authorizing Legislation"). The Issuer certifies, covenants and agrees as follows:

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

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

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

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

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

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

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

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security;
- (vii) Modifications to rights of security holders, if material;
- (viii) Bond calls, if material, and tender offers (except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event);
- (ix) Defeasances;
- (x) Release, substitution or sale of property securing repayment of the securities, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the obligated person (Note: For the purposes of this event, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding

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

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

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

"Financial Obligation" shall mean (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of either (a) or (b). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

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

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

"SEC" shall mean the Securities and Exchange Commission.

"State" shall mean the Commonwealth of Kentucky.

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

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

(1) Annual Financial Information and Operating Data. Annual Financial Information and Operating Data at least annually not later than 270 days after the end of the fiscal year ending June 30, commencing with the fiscal year ending June 30, 2022, and continuing with each fiscal year thereafter. If the Disclosure Agent is an entity or person other than the Board or the Issuer, then the Board shall provide the Annual Financial Information to the Disclosure Agent not later than fifteen Business Days prior to the disclosure

date referenced above. The Annual Financial Information may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information; provided that the audited financial statements of the Board may be submitted separately from the balance of the Annual Financial Information.

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

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

(B) Information Provided to Public.

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

(C) Means of Making Information Public.

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

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

(2) Information shall be transmitted to the following:

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

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

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

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

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

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

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

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

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

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

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

IN WITNESS WHEREOF, the Issuer and the Board have each caused their duly authorized officers to execute this Certificate, as of the date first written above.

MASON COUNTY SCHOOL  
DISTRICT FINANCE CORPORATION, Issuer

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

Attest:

\_\_\_\_\_  
Secretary

BOARD OF EDUCATION OF MASON  
COUNTY SCHOOL DISTRICT

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

Attest:

\_\_\_\_\_  
Secretary

**APPENDIX C**

**Mason County School District Finance Corporation  
School Building Revenue Bonds  
Series 2021**

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**Official Terms and Conditions of Bond Sale**

## OFFICIAL TERMS AND CONDITIONS OF BOND SALE

**\$26,415,000\***

**Mason County School District Finance Corporation  
School Building Revenue Bonds, Series 2021  
Dated September 7, 2021**

**SALE: August 17, 2021 at 11:00 A.M., E.T.**

As advertised on BiDCOMP™/PARITY™, the Secretary of the Mason County School District Finance Corporation (the "Corporation") will until August 17, 2021, at the hour of 11:00 A.M., E.T., at the office of the Executive Director of the Kentucky School Facilities Construction, 229 West Main St., Suite 102, Frankfort, Kentucky 40601, receive sealed competitive bids for the revenue refunding bonds (the "Bonds") herein described. To be considered, Bids must be submitted on an Official Bid Form and must be delivered to the Secretary at the address indicated on the date of sale no later than the hour indicated. Bids will be opened by the Secretary and may be accepted without further action by the Corporation's Board of Directors.

\*Subject to Permitted Adjustment increasing or decreasing the issue by \$2,645,000.

### STATUTORY AUTHORITY, PURPOSE OF ISSUE AND SECURITY

The Bonds are authorized pursuant to KRS 162.120 through 162.300, 162.385 and KRS 58.180 and are issued in accordance with a Resolution of the Corporation's Board of Directors. 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.

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

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

Although the Board is obligated to pay the Corporation annual rentals in the full amount of the principal and interest requirements on the Bonds for each year in which the Lease is renewed, the Board has entered into the Lease in reliance upon a certain Participation Agreement by and between the Board and the Kentucky School Facilities Commission (the "Commission"). Under the terms of the Participation Agreement, the Commission has agreed to pay annually, until September 1, 2041 directly to the Paying Agent for the Bonds a stated agreed participation of approximately 5% of the debt service requirements for the Bonds herein identified until such date, subject to the constitutional restrictions limiting the commitment to the biennial; the annual amount is to be applied only to the principal and interest requirements of the Bonds so long as the Board renews the Lease. Under the Lease, the Board has pledged and assigned all of its rights under the Participation Agreement in and to the Agreed Participation to the Corporation in order to secure the Bonds and has agreed to pay that portion of the rentals in excess of the Agreed Participation for each year in which the Lease is renewed.



## KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION

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

The Kentucky School Facilities Construction Commission (the "Commission") is an independent corporate agency and instrumentality of the Commonwealth of Kentucky established pursuant to the provisions of §§ 157.611 through 157.640 of the Kentucky Revised Statutes, as repealed, amended, and reenacted (the "Act") for the purpose of assisting local school districts in meeting the school construction needs of the Commonwealth in a manner which will ensure an equitable distribution of funds based upon unmet need. Pursuant to the provisions of the Act, the Regulations of the State Board of Education and of the Commission, the Commission has determined that the Board is eligible for participation from the Commission in meeting the costs of the Projects and has entered into the Participation Agreement with the Board whereunder the Commission agrees to pay an Agreed Participation equal to approximately 10% of the debt service requirements each year to be applied only to the payment of the principal and interest requirements on the Bonds; provided, however, that the contractual commitment of the Commission to pay the annual Agreed Participation is limited to the biennial budget period of the Commonwealth, with the first such biennial period terminating on June 30, 2022. The right is reserved in the Commission to terminate the commitment to pay the Agreed Participation every two years thereafter. The obligation of the Commission to make payments of the Agreed Participation shall be automatically renewed each two years for a period of two years unless the Commission shall give notice of its intention not to participate not less than sixty days prior to the end of the biennium; however, by execution of the Participation Agreement, the Commission has expressed its present intention to continue to pay the Agreed Participation in each successive biennial budget period until the retirement of all of the Bonds, but such execution does not obligate the Commission to do so.

### ADDITIONAL PARITY BONDS FOR COMPLETION OF PROJECT

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

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

The Bonds shall be in denominations in multiples of \$5,000 within the same maturity, bear interest from September 7, 2021, payable on March 1, 2022, and semiannually thereafter and shall mature as to principal on September 1st in each of the years as follows:

<u>MATURITY</u>	<u>AMOUNT*</u>	<u>MATURITY</u>	<u>AMOUNT*</u>
September 1, 2022	\$ 970,000	September 1, 2032	\$1,200,000
September 1, 2023	995,000	September 1, 2033	1,225,000
September 1, 2024	1,010,000	September 1, 2034	1,250,000
September 1, 2025	1,035,000	September 1, 2035	1,405,000
September 1, 2026	1,060,000	September 1, 2036	1,435,000
September 1, 2027	1,080,000	September 1, 2037	1,465,000
September 1, 2028	1,105,000	September 1, 2038	1,185,000
September 1, 2029	1,125,000	September 1, 2039	1,215,000
September 1, 2030	1,150,000	September 1, 2040	2,735,000
September 1, 2031	1,175,000	September 1, 2041	2,595,000

The Bonds maturing on or after September 1, 2029, are subject to redemption prior to their stated maturities on any date falling on or after September 1, 2028, in such order of maturities as the Corporation may determine

(less than all of a single maturity to be selected by lot), in whole or in part, upon notice of such prior redemption being given by the Paying Agent by regular United States Mail to the registered Owners of the Bonds so selected not less than thirty days prior to the date of redemption, upon terms of the face amount, plus accrued interest to the date of redemption.

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

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

### **FINAL OFFICIAL STATEMENT**

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

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

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

### **BIDDING CONDITIONS AND RESTRICTIONS**

(A) Bids must be made on Official Bid Form, contained in the Official Statement available from the undersigned or RSA Advisors, LLC 325 West Main Street, Suite 300, Lexington, Kentucky 40507, enclosed in sealed envelopes marked "Bid for School Building Revenue Bonds." Bids may alternatively be submitted electronically via BiDCOMP™/PARITY™ system. Electronic bids for the Bonds must be submitted through the BiDCOMP™/PARITY™ system and no other provider of electronic bidding services will be accepted. Subscription to the BiDCOMP™/PARITY™ system is required in order to submit an electronic bid. The Corporation will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by the BiDCOMP™/PARITY™ system shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in the BiDCOMP™/PARITY™ system conflict with the terms of the Official Terms and Conditions of Sale of Bonds, this Official Terms and Conditions of Sale of Bonds shall prevail. Electronic bids made through the facilities of the BiDCOMP™/PARITY™ system shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to the Corporation. The Corporation shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by the BiDCOMP™/PARITY™ system. The use of the BiDCOMP™/PARITY™ system facilities are at the sole risk of the prospective bidders. For further information regarding the BiDCOMP™/PARITY™ system, potential bidders may contact BiDCOMP™/PARITY™, 1359 Broadway - 2nd Floor, New York, NY 10018, Telephone: (800) 850-7422. Notwithstanding the foregoing non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form.

(B) The minimum bid for the Bonds shall be not less than \$25,886,700 (98% of par), plus accrued interest. Interest rates shall be in multiples of 1/8 or 1/100 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 for any maturity shall not be less than the interest rate for any preceding maturity. There is no limit on the number of different interest rates.

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

(D) The determination of the best purchase bid for the Bonds shall be made on the basis of all bids submitted for exactly \$26,415,000 principal amount of Bonds offered for sale hereunder; but the Corporation may adjust the principal amount of Bonds which may be awarded to such best bidder upward or downward by \$2,645,000 (the "Permitted Adjustment") to a minimum of \$29,060,000 or a maximum of \$23,770,000. In the event of such Permitted Adjustment, no rebidding or recalculation of a submitted bid will be required or permitted. The price of which such adjusted principal amount of Bonds will be sold will be the same price per \$1,000 of Bonds as the price per \$1,000 for the \$26,415,000 of Bonds bid.

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

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

Bids will not be subject to cancellation or withdrawal by the bidder in the event that three bids are not received and the winning bidder shall advise the Corporation on the Sale Date if any maturity of the Bonds satisfies the 10% test set forth in (i) above as of the date and time of the award of the Bonds.

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

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

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

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

(iv) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is August 17, 2021.

(v) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a

person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

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

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

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

(I) The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. They will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond certificate will be issued for each maturity of the Bonds of each series, each in the aggregate principal amount of such maturity, and will be deposited with DTC. Purchases of the Bonds under the DTC system must be made by or through securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations (the "Direct Participants"), which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (a "Beneficial Owner") is in turn to be recorded on the records of Direct Participants or securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant (the "Indirect Participants"). Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

### CONTINUING DISCLOSURE

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

(a) to the Municipal Securities Rulemaking Board ("MSRB") or any successor thereto for purposes of the Rule, through the continuing disclosure service portal provided by the MSRB's Electronic Municipal Market Access ("EMMA") system as described in 1934 Act Release No. 59062, or any similar system that is acceptable to the Securities and Exchange Commission, certain annual financial information and operating data, including audited financial statements, generally consistent with the information contained under the headings "Bond Debt Service", "Local Support"-Local Tax Rates, -Property Assessments and Revenue Collections, -District's Largest Taxpayers, -Overlapping Bond Indebtedness", "SEEK Allotment" and in Appendix B of this Official Statement (the "Annual Financial Information"); such information shall include, at a minimum, that financial information and operating data which is customarily prepared by the Obligated Persons and is publicly available. The annual financial information shall be provided on or before the 270th day following the fiscal year ending on the preceding June 30;

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

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security;
- (vii) Modifications to rights of security holders, if material;
- (viii) Bond calls, if material, and tender offers (except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event);
- (ix) Defeasances;

- (x) Release, substitution or sale of property securing repayment of the securities, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the obligated person (Note: For the purposes of this event, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person);
- (xiii) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) Incurrence of a financial obligation of the Corporation or Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or Obligated Person, any of which affect security holders, if material;
- (xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the issuer or Obligated Person, any of which reflect financial difficulties; and
- (vii) The cure, in the manner provided under the Bond Resolution, of any payment or nonpayment related default under the Bond Resolution.

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

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

For purposes of this transaction with respect to material events as defined under the Rule:

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

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

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



**APPENDIX E**

**Mason County School District Finance Corporation  
School Building Revenue Bonds  
Series 2021**

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**Official Bid Form**



**OFFICIAL BID FORM**

Subject to the terms and conditions set forth in the Official Terms and Conditions of Bond Sale for \$26,415,000\* of School Building Revenue Bonds, Series 2021A, dated the date of initial issuance and delivery (the "Bonds") offered for sale by the Mason County School District Finance Corporation (the "Corporation"), an agency and instrumentality acting on behalf of the Board of Education of the Mason County School District and in accordance with the Notice of Bond Sale, as advertised on BiDCOMP™/PARITY™, to all of which the undersigned agrees, the undersigned hereby submits the following offer to purchase the Bonds.

We hereby bid for said \$26,415,000\* principal amount of the Bonds, the total sum of \$\_\_\_\_\_ (not less than \$2,645,000) plus accrued interest from September 7, 2021, at the following annual rate(s), payable semiannually (rates on ascending scale, number of interest rates unlimited):

<u>MATURITY</u>	<u>AMOUNT*</u>	<u>INTEREST RATE</u>	<u>MATURITY</u>	<u>AMOUNT*</u>	<u>INTEREST RATE</u>
September 1, 2022	\$ 970,000	_____ %	September 1, 2032	\$1,200,000	_____ %
September 1, 2023	995,000	_____ %	September 1, 2033	1,225,000	_____ %
September 1, 2024	1,010,000	_____ %	September 1, 2034	1,250,000	_____ %
September 1, 2025	1,035,000	_____ %	September 1, 2035	1,405,000	_____ %
September 1, 2026	1,060,000	_____ %	September 1, 2036	1,435,000	_____ %
September 1, 2027	1,080,000	_____ %	September 1, 2037	1,465,000	_____ %
September 1, 2028	1,105,000	_____ %	September 1, 2038	1,185,000	_____ %
September 1, 2029	1,125,000	_____ %	September 1, 2039	1,215,000	_____ %
September 1, 2030	1,150,000	_____ %	September 1, 2040	2,735,000	_____ %
September 1, 2031	1,175,000	_____ %	September 1, 2041	2,595,000	_____ %

\*Subject to Permitted Adjustment.

We understand this bid may be accepted for as much as \$29,060,000 of the Bonds or as little as \$23,770,000 of the Bonds, at the same price per \$1,000 Bond, with the variation in such amount occurring in any maturity of all maturities, which will be determined by the Corporation at the time of acceptance of the best bid.

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

No certified or bank cashier's check will be required to accompany the bid, but the successful bidder shall be required to wire transfer an amount equal to 2% of the principal amount of Bonds awarded by the close of business on the day following the award. Said good faith amount will be applied (without interest) to the purchase price when said Bonds are tendered for delivery.

Electronic bids for the Bonds must be submitted through BiDCOMP™/PARITY™ and no other provider of electronic bidding services will be accepted. Subscription to the BiDCOMP™/PARITY™ Competitive Bidding System is required in order to submit an electronic bid. The Corporation will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by BiDCOMP™/PARITY™ shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in BiDCOMP™/PARITY™ conflict with the terms of the Official Terms and Conditions of Sale of Bonds, the Official Terms and Conditions of Sale of Bonds shall prevail. Electronic bids made through the facilities of BiDCOMP™/PARITY™ shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to the Corporation. The Corporation shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by BiDCOMP™/PARITY™. The use of BiDCOMP™/PARITY™ facilities are at the sole risk of the prospective bidders. For further information regarding BiDCOMP™/PARITY™, potential bidders may contact BiDCOMP™/PARITY™, 1359 Broadway - 2nd Floor, New York, NY 10018, Telephone: (800) 850-7422. Notwithstanding the foregoing non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form.

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

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

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

Bids will not be subject to cancellation or withdrawal by the bidder in the event that three bids are not received and the Issuer determines to apply the hold-the-offering-price rule. For purposes of the above the following terms are defined as follows:

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

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

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

(d) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is August 17, 2021.

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

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

Respectfully submitted,

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Bidder

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Address

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Signature

Total interest cost from September 7, 2021  
to final maturity \$ \_\_\_\_\_

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

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

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

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

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

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

Dated: August 17, 2021

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