

**DATED SEPTEMBER 29, 2021**

**NEW ISSUE**  
**Electronic Bidding via Parity®**  
**BOOK-ENTRY-ONLY SYSTEM**

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

*In the opinion of Bond Counsel, under existing law interest on the Bonds will be includable in gross income of the holders thereof for purposes of federal taxation. 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 Status" herein).*

**\$4,635,000\***  
**WEBSTER COUNTY SCHOOL DISTRICT FINANCE CORPORATION**  
**SCHOOL BUILDING REFUNDING REVENUE BONDS,**  
**TAXABLE SERIES OF 2021**

**Dated with Delivery: OCTOBER 28, 2021**

**Due: as shown below**

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

Maturing		Interest	Reoffering	Maturing		Interest	Reoffering		
1-Aug	Amount*	Rate	Yield	1-Aug	Amount*	Rate	Yield	CUSIP	
2/1/2022	\$30,000	%	%	2028	\$430,000	%	%		
2022	\$135,000	%	%	2029	\$515,000	%	%		
2023	\$135,000	%	%	2030	\$545,000	%	%		
2024	\$150,000	%	%	2031	\$575,000	%	%		
2025	\$160,000	%	%	2032	\$600,000	%	%		
2026	\$335,000	%	%	2033	\$675,000	%	%		
2027	\$350,000	%	%						

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

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

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

The Webster County (Kentucky) School District Finance Corporation will until October 7, 2021 at 11:00 A.M., E.D.S.T., receive competitive bids for the Bonds at the office of the Executive Director of the Kentucky School Facilities Construction Commission, 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 not to exceed \$465,000.**

**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.



**WEBSTER COUNTY, KENTUCKY  
BOARD OF EDUCATION**

Mickey Dunbar, Chairman  
Tim McCormick, Vice-Chair  
Venita Murphy, Member  
James Nance, Member  
Jill Simpson, Member

Rhonda Callaway, Superintendent/Secretary

**WEBSTER COUNTY SCHOOL DISTRICT  
FINANCE CORPORATION**

Mickey Dunbar, President  
Tim McCormick, Vice-President  
Venita Murphy, Member  
James Nance, Member  
Jill Simpson, Member

Rhonda Callaway, Secretary  
Brandi Burnett, Treasurer

**BOND COUNSEL**

Stephoe & Johnson PLLC  
Louisville, Kentucky

**FINANCIAL ADVISOR**

RSA Advisors, LLC  
Lexington, Kentucky

**PAYING AGENT AND REGISTRAR**

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

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

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

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

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**OFFICIAL STATEMENT  
Relating to the Issuance of**

**\$4,635,000\***

**WEBSTER COUNTY SCHOOL DISTRICT FINANCE CORPORATION  
SCHOOL BUILDING REFUNDING REVENUE BONDS,  
TAXABLE SERIES OF 2021**

*\*Subject to Permitted Adjustment*

**INTRODUCTION**

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

The Bonds are being issued to (i) pay the maturing principal and accrued interest and refund at or in advance of maturity on August 1, 2023, all of the outstanding Webster County School District Finance Corporation School Building Revenue Bonds, Series of 2013, dated August 1, 2013 (the "2013 Bonds") maturing August 1, 2022 and thereafter ( the "Refunded Bonds"); and (ii) pay the cost of the Bond issuance expenses (see "Plan of Refunding" herein). The Board has determined that the plan of refunding the Refunded Bonds will result in considerable interest cost savings to the Webster County School District (the "District") and is in the best interest of the District. The 2013 Bonds maturing on August 1, 2022 and 2023, will be defeased and will be paid at maturity on August 1, 2022 and August 1, 2023.

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

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

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

Copies of the Bond Resolution authorizing the issuance of the Bonds, the Participation Agreement and the Lease Agreement, dated October 28, 2021, may be obtained at the office of Steptoe & Johnson PLLC, Bond Counsel, 700 N. Hurstbourne Parkway, Suite 115, Louisville, Kentucky 40222.

**BOOK-ENTRY-ONLY-SYSTEM**

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

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

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

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

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

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

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

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

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

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

may be requested by an authorized representative of DTC) is the responsibility of the Corporation or the Paying Agent and Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

## **THE CORPORATION**

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

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

## **KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION**

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

Pursuant to the provisions of the Act, the Regulations of the Kentucky Board of Education and the Commission, the Commission has determined that the Board is eligible for participation from the Commission in meeting the costs of construction of the Projects and has entered into a Participation Agreement with the Board whereunder the Commission agrees to pay an annual Agreed Participation equal to approximately \$27,221 to be applied to the annual debt service requirements for the Bonds herein identified each year until their retirement; provided, however, that the contractual commitment of the Commission to pay the annual Agreed Participation is limited to the biennial budget period of the Commonwealth, with the first such biennial period terminating on June 30, 2022; the right is reserved in the Commission to terminate its commitment to pay the Agreed Participation after the initial biennial period and every two years thereafter. The obligation of the Commission to make payments of the Agreed Participation shall be automatically renewed each two years for a period of two years unless the Commission shall give notice of its intention not to participate not less than sixty days prior to the end of the biennium; however, by the execution of the Participation Agreement, the Commission has expressed its present intention to continue to pay the Agreed Participation in each successive biennial budget period until the retirement of all of the Bonds, but such execution does not obligate the Commission to do so.

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

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

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

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

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

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

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

### **OUTSTANDING BONDS**

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



<b>Bond Series</b>	<b>Original Principal</b>	<b>Current Principal Outstanding</b>	<b>Principal Assigned to Board</b>	<b>Principal Assigned to Commission</b>	<b>Approximate Interest Rate Range</b>	<b>Final Maturity</b>
2004*	\$300,000	\$60,000	\$0	\$300,000	4.625%	2024
2012-ENERGY	\$3,005,000	\$2,215,000	\$3,005,000	\$0	1.800% - 2.600%	2032
2012 KISTA-REF	\$178,900	\$40,000	\$0	\$178,900	3.000%	2023
2013	\$4,650,000	\$4,230,000	\$4,112,221	\$537,779	3.000% - 4.000%	2033
2014-REF	\$1,405,000	\$555,000	\$1,405,000	\$0	2.125% - 2.750%	2025
2015-REF	\$860,000	\$550,000	\$860,000	\$0	2.000%	2026
2016-REF	\$8,840,000	\$5,640,000	\$3,343,352	\$5,496,648	2.000% - 2.250%	2028
2016	\$1,245,000	\$1,105,000	\$574,181	\$670,819	2.000% - 3.000%	2036
2017	\$645,000	\$585,000	\$645,000	\$0	3.000% - 3.500%	2037
2019	\$2,850,000	\$2,820,000	\$2,850,000	\$0	3.000%	2039
<b>TOTALS:</b>	<b>\$23,978,900</b>	<b>\$17,800,000</b>	<b>\$16,794,754</b>	<b>\$7,184,146</b>		

*\*Originally Issued by Providence Independent*

### **AUTHORITY**

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

- i) the issuance of approximately \$4,635,000 of Bonds subject to a permitted adjustment of \$465,000;
- 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 October 28, 2021, will bear interest from that date as described herein, payable semi-annually on February 1 and August 1 of each year, commencing February 1, 2022, and will mature as to principal on February 1, 2022, and each August 1 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). US Bank, National Association, Louisville, Kentucky, the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date to Cede & Co., as the nominee of The Depository Trust Company. Please see Book-Entry-Only-System. Interest on the Bonds will be paid at rates to be established upon the basis of competitive bidding as hereinafter set forth, such interest to be payable on February 1 and August 1 of each year, beginning February 1, 2022 (Record Date is 15th day of month preceding interest due date).

## Redemption

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

<b>Redemption Date</b>	<b>Redemption Price</b>
August 1, 2029 and thereafter	100%

Notwithstanding the foregoing, the Corporation reserves the right, upon thirty (30) days notice, to call the Bonds in whole or in part for redemption on any day at par 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 school building Project financed from the Bond proceeds from the Corporation to the Board. The Bonds are secured by a pledge of revenue on and from the School Building Project; provided, however, that said lien and pledge are on parity with similar liens and pledges securing certain of the Corporation's outstanding School Building Revenue Bonds previously issued to finance the school buildings which constitute the school building Project (the "Parity Bonds").

### The Lease; Pledge of Rental Revenues

The Board has leased the school building Project securing the Bonds for an initial period from October 28, 2021, through June 30, 2022 with the option in the Board to renew said Lease from year to year for one year at a time, at annual rentals, sufficient in each year to enable the Corporation to pay, solely from the rental due under the Lease, the principal and interest on all of the Bonds as same become due. The Lease provides further that so long as the Board exercises its annual renewal options, its rentals will be payable according to the terms and provisions of the Lease until August 1, 2033, the final maturity date of the Bonds. Under the lease, the Corporation has pledged the rental revenue to the payment of the Bonds.

## STATE INTERCEPT

Under the terms of the 2021 Lease, and any renewal thereof, the Board has agreed so long as the Bonds remain outstanding, and in conformance with the intent and purpose of Section 157.627(5) of the Act and KRS 160.160(5), in the event of a failure by the Board to pay the rentals due under the 2021 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 2021 Lease to the Corporation the right to notify and request the Kentucky Department of Education to withhold from the Board a sufficient portion of any undisbursed funds then held, set aside, or allocated to the Board and to request said Department or Commissioner of Education to transfer the required amount thereof to the Paying Agent for the payment of such rentals.

## **COMMISSION'S PARTICIPATION**

The Commission has determined that the Board is eligible for an average annual participation equal to approximately \$32,939 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 eight percent (8%) 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.

## **VERIFICATION OF MATHEMATICAL ACCURACY**

AMTEC, will verify from the information provided to them the mathematical accuracy as of the date of the closing of the Bonds of (1) the computations contained in the provided schedules to determine that the anticipated receipts from the securities and cash deposits listed in the Financial Advisor's schedules, to be held in escrow, will be sufficient to pay, when due, the principal, interest and call premium payment requirements, if any, of the Prior Bonds, and (2) the computations of yield on both the securities and the Bonds contained in the provided schedules. AMTEC will express no opinion on the assumptions provided to them.

## **THE PLAN OF REFUNDING**

A sufficient amount of the proceeds of the Bonds at the time of delivery will be deposited into the Bond Fund for the Refunded Bonds. The Bond Fund deposit is intended to be sufficient to (i) pay the maturing principal and accrued interest and refund at or in advance of maturity all of the outstanding Webster County School District Finance Corporation School Building Revenue Bonds, Series of 2013, dated August 1, 2013 (the "2013 Bonds") maturing August 1, 2022, and thereafter, (the "Refunded Bonds"); and (ii) pay the cost of the Bond issuance expenses (see "Plan of Refunding" herein). The Board has determined that the plan of refunding the Refunded Bonds will result in considerable interest cost savings to the Webster County School District (the "District") and is in the best interest of the District. The 2013 Bonds maturing on August 1, 2022 and 2023, will be defeased and will be paid at maturity on August 1, 2022 and August 1, 2023.

Any investments purchased for the Bond Fund shall be limited to (i) direct Obligations of or Obligations guaranteed by the United States government, or (ii) Obligations of agencies or corporations of the United States as permitted under KRS 66.480(1)(b) and (c) or (iii) Certificates of Deposit of FDIC banks fully collateralized by direct Obligations of or Obligations guaranteed by the United States.

The Plan of Refunding the Bonds of the Prior Issue as set out in the Preliminary Official Statement is tentative as to what Bonds of the Prior Issue shall be refunded and will not be finalized until the sale of the Refunding Bonds.

## **PURPOSE OF THE PRIOR BONDS**

The Refunded Bonds were issued by the Corporation for the purpose of providing funds to finance the renovations at Webster County Middle School (the "Project").

**ESTIMATED BOND DEBT SERVICE**

The following table shows by fiscal year the current bond payments of the Board. The plan of financing provides for the Board to meet 92% of the debt service of the Bonds.

<b>Fiscal Year Ending June 30</b>	<b>Current Local Bond Payments</b>	<b>----- Series 2019 School Building Revenue Bonds (100% Local) -----</b>					<b>Total Local Bond Payments</b>
		<b>Principal Portion</b>	<b>Interest Portion</b>	<b>Total Payment</b>	<b>SFCC Portion</b>	<b>Local Portion</b>	
2022	\$1,103,075	\$30,000	\$17,539	\$47,539	\$30,897	\$16,642	\$1,069,833
2023	\$1,110,014	\$135,000	\$67,698	\$202,698	\$34,123	\$168,575	\$1,077,274
2024	\$1,114,292	\$135,000	\$67,360	\$202,360	\$34,010	\$168,350	\$1,083,464
2025	\$1,121,580	\$150,000	\$66,783	\$216,783	\$33,875	\$182,908	\$1,092,875
2026	\$1,127,562	\$160,000	\$65,808	\$225,808	\$33,710	\$192,098	\$1,096,294
2027	\$1,136,698	\$335,000	\$63,533	\$398,533	\$33,485	\$365,048	\$1,104,981
2028	\$1,127,702	\$350,000	\$59,758	\$409,758	\$33,185	\$376,573	\$1,097,534
2029	\$1,125,919	\$430,000	\$54,648	\$484,648	\$32,825	\$451,823	\$1,093,385
2030	\$1,090,184	\$515,000	\$47,646	\$562,646	\$32,413	\$530,234	\$1,057,242
2031	\$1,096,649	\$545,000	\$39,159	\$584,159	\$31,955	\$552,204	\$1,065,008
2032	\$1,106,765	\$575,000	\$29,631	\$604,631	\$31,460	\$573,171	\$1,077,596
2033	\$1,113,409	\$600,000	\$19,050	\$619,050	\$30,935	\$588,115	\$1,082,259
2034	\$889,585	\$675,000	\$6,750	\$681,750	\$35,333	\$646,418	\$857,335
2035	\$621,427						\$621,427
2036	\$618,415						\$618,415
2037	\$609,956						\$609,956
2038	\$532,369						\$532,369
2039	\$477,632						\$477,632
<b>TOTALS:</b>	<b>\$17,123,232</b>	<b>\$4,635,000</b>	<b>\$605,360</b>	<b>\$5,240,360</b>	<b>\$428,205</b>	<b>\$4,812,155</b>	<b>\$16,714,880</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>\$4,635,000.00</u>
Total Sources	\$4,635,000.00
<b>Uses:</b>	
Deposit to Escrow Fund	\$4,542,760.00
Underwriter's Discount (1%)	46,350.00
Cost of Issuance	<u>45,890.00</u>
Total Uses	\$4,635,000.00

## DISTRICT STUDENT POPULATION

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

<u>Year</u>	<u>Average Daily Attendance</u>	<u>Year</u>	<u>Average Daily Attendance</u>
2000-01	1,785.5	2010-11	1,953.1
2001-02	1,762.5	2011-12	1,936.9
2002-03	1,763.5	2012-13	1,932.3
2003-04	1,771.8	2013-14	1,957.6
2004-05	1,725.8	2014-15	1,973.3
2005-06	1,716.1	2015-16	1,984.1
2006-07	1,717.1	2016-17	2,004.2
2007-08	1,981.7	2017-18	1,986.2
2008-09	2,004.6	2018-19	1,986.9
2009-10	1,976.8	2019-20	1,922.0
		2020-21	1,922.0

## STATE SUPPORT

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

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

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

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

The following table shows the computation of the capital outlay allotment for the Webster County School District for certain preceding school years.

<u>Year</u>	<u>Capital Outlay Allotment</u>	<u>Year</u>	<u>Capital Outlay Allotment</u>
2000-01	178,550.0	2010-11	195,312.0
2001-02	176,250.0	2011-12	193,694.0
2002-03	176,350.0	2012-13	193,230.0
2003-04	177,180.0	2013-14	195,757.0
2004-05	172,580.0	2014-15	197,327.0
2005-06	171,610.0	2015-16	198,410.0
2006-07	171,710.0	2016-17	200,420.0
2007-08	198,170.0	2017-18	198,620.0
2008-09	200,461.0	2018-19	198,690.0
2009-10	197,678.0	2019-20	192,200.0
		2020-21	192,202.2

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

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

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

### LOCAL SUPPORT

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

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

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

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

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

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

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

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

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

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

<b>Tax Year</b>	<b>Combined Equivalent Rate</b>	<b>Total Property Assessment</b>	<b>Property Revenue Collections</b>
2000-01	49.7	482,158,787	2,396,329
2001-02	53.6	468,626,139	2,511,836
2002-03	53.3	471,650,383	2,513,897
2003-04	53.3	475,137,538	2,532,483
2004-05	53.4	477,790,774	2,551,403
2005-06	55.6	495,244,465	2,753,559
2006-07	57.3	512,604,171	2,937,222
2007-08	55.6	594,152,014	3,303,485
2008-09	51.1	620,142,510	3,168,928
2009-10	51.1	631,388,584	3,226,396
2010-11	59.3	667,167,630	3,956,304
2011-12	57.1	671,861,295	3,836,328
2012-13	54.4	718,834,066	3,910,457
2013-14	58.6	758,771,502	4,446,401
2014-15	60.8	775,149,662	4,712,910
2015-16	59.6	787,167,995	4,691,521
2016-17	61.5	750,775,546	4,617,270
2017-18	64.6	741,199,023	4,788,146
2018-19	63.0	740,435,980	4,664,747
2019-20	65.8	785,214,238	5,166,710
2020-21	67.1	754,109,821	5,060,077

**OVERLAPPING BOND INDEBTEDNESS**

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

<b>Issuer</b>	<b>Original Principal Amount</b>	<b>Amount of Bonds Redeemed</b>	<b>Current Principal Outstanding</b>
County of Webster			
General Obligation	4,415,000	630,714	3,784,286
Detention Facility Renewable	5,500,000	1,600,000	3,900,000
Justice Center Revenue	2,195,000	1,135,000	1,060,000
City of Clay			
Water Revenue	292,000	246,000	46,000
City of Providence			
Ky. Infrastructure Authority	2,339,965	2,009,495	330,470
Special Districts			
Webster County Extension District	400,000	343,150	56,850
<b>Totals:</b>	<b>15,141,965</b>	<b>5,964,359</b>	<b>9,177,606</b>

Source: 2021 Kentucky Local Debt Report.



## SEEK ALLOTMENT

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

	<u>Base Funding</u>	<u>Local Tax Effort</u>	<u>Total State &amp; Local Funding</u>
2020-21 SEEK	9,329,000	5,060,077	14,389,077
2019-20 SEEK	9,570,135	5,166,710	14,736,845
2018-19 SEEK	10,221,169	4,664,747	14,885,916
2017-18 SEEK	9,797,610	4,788,146	14,585,756
2016-17 SEEK	9,527,271	4,617,270	14,144,541
2015-16 SEEK	9,103,841	4,691,521	13,795,362
2014-15 SEEK	8,810,719	4,712,910	13,523,629
2013-14 SEEK	8,614,509	4,446,401	13,060,910
2012-13 SEEK	8,628,478	3,910,457	12,538,935
2011-12 SEEK	8,853,846	3,836,328	12,690,174
2010-11 SEEK	8,298,333	3,956,304	12,254,637
2009-10 SEEK	8,471,783	3,226,396	11,698,179
2008-09 SEEK	9,715,584	3,168,928	12,884,512
2007-08 SEEK	9,578,024	3,303,485	12,881,509
2006-07 SEEK	7,527,369	2,937,222	10,464,591
2005-06 SEEK	7,337,323	2,753,559	10,090,882
2004-05 SEEK	6,853,221	2,551,403	9,404,624
2003-04 SEEK	6,846,923	2,532,483	9,379,406
2002-03 SEEK	6,345,520	2,513,897	8,859,417
2001-02 SEEK	6,202,974	2,511,836	8,714,810
2000-01 SEEK	6,135,990	2,396,329	8,532,319

- (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 \$0.6710 for FY 2020-21. The equivalent tax rate" is defined as the rate which results when the income from all taxes levied by the district for school purposes is divided by the total assessed value of property plus the assessment for motor vehicles certified by the Commonwealth of Kentucky Revenue Cabinet.

### State Budgeting Process

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

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

### **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>.

### **POTENTIAL LEGISLATION**

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

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

## **CONTINUING DISCLOSURE**

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

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

Financial information regarding the Board may be obtained from Superintendent, Webster County Board of Education, 28 State Route 1340, Dixon, Kentucky 44204 (270) 639 - 5083.

## **TAX STATUS**

Bond Counsel advises as follows:

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

(B) The interest income from the Refunding Bonds is includable in the gross income of the recipient thereof for Federal income tax purposes under existing law.

## **ABSENCE OF MATERIAL LITIGATION**

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

## **APPROVAL OF LEGALITY**

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

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

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



# **APPENDIX A**

## **Gallatin County School District Finance Corporation School Building Refunding Revenue Bonds Taxable Series of 2021**

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### **Demographic and Economic Data**

## **WEBSTER COUNTY, KENTUCKY**

Webster County, with a land area of 334 square miles, is located within the Western Kentucky Coal Field region. The Green River forms the northeastern boundary of the county, while the Tradewater River forms the county's southwestern boundary. Webster County had an estimated 2020 population of 13,013.

Dixon the county seat of Webster County is located 128 miles northwest of Nashville, Tennessee; 148 miles southwest of Louisville, Kentucky; and 203 miles southeast of St. Louis, Missouri. Providence had an estimated 2020 population of 2,971. Sebree, located in the northeastern portion of Webster County near the Green River, had an estimated 2020 population of 1,536.

### **The Economic Framework**

Webster County has a labor force of 4,809 people, with an unemployment rate of 4.90%. The top 5 jobs by occupation are as follows: education, training/library - 1,397 (34.69%); office and administrative support - 388 (9.63%); executive, managers, and administrators - 288 (7.15%); food preparation, serving - 225 (5.59%); and transportation workers - 189 (4.69%).

### **Transportation**

Major highways serving Webster County include the Pennryile Parkway, U.S. 41, U.S. 41 Alternate, and Kentucky 109. Twenty-three (23) trucking companies serve Webster County. CSX Transportation provides rail service to Providence and Sebree while Western Kentucky Railway serves Providence. The Evansville Regional Airport, 39 miles north of Dixon, provides the nearest scheduled commercial airline service. The Providence-Webster County Airport maintains a 3,800-foot paved runway designed to accommodate small aircraft.

### **Power and Fuel**

Providence Municipal Utilities provides electric service to Providence. Kentucky Utilities Company provides electric power to Clay, Dixon, Sebree, and parts of Webster County. Webster County is also served by Green River Electric Corporation and Henderson-Union Electric Cooperative. Natural gas service is provided to Clay by Clay Gas System, to Providence Municipal Utilities, and to Sebree by Western Kentucky Gas Company.

### **Education**

Webster County is served by the Webster County School System. Eight institutions of higher learning are located within 60 miles of Dixon. The Webster County Area Technology Center, in Dixon, and the Madisonville Regional Technology Center and the Madisonville Health Technology Center both 24 miles southeast of Dixon, provide vocational training facilities for the area.

## **LOCAL GOVERNMENT**

### **Structure**

Clay, Providence and Sebree are each governed by a mayor and six council members. Dixon, Slaughters, and Wheatcroft are governed by a mayor and four council members. The mayor for each city is elected to a four-year term while the council members each serve two-year terms.

## Planning and Zoning

City Agency - Providence Planning Commission  
Zoning Enforced - Within city and 2.5 miles beyond the corporate limits  
Subdivision Regulations Enforced - Within city limits and 2.5 miles beyond  
Local Codes Enforced - Building  
Mandatory state codes enforced - Kentucky Plumbing Code, National Electric Code, Kentucky Boiler Regulations and Standards, Kentucky Building Code (modeled after BOCA code)

## Local Fees and Licenses

The City of Sebree levies a business license fee ranging from \$31.25 to \$70.00. Automobile license fees are \$10.00 annually. An optional fire card is available for \$25.00 annually, which provides fire protection to residents and businesses outside of Sebree, within a ten-mile radius. The City of Clay levies a \$10.50 to \$15.50 unloading license fee.

## Property Taxes

The Kentucky Constitution requires the state to tax all classes of taxable property, and state statutes allow local jurisdictions to tax only a few classes. All locally taxed property is subject to county taxes and school district taxes (either a county school district or an independent school district). Property located inside of city limits may also be subject to city property taxes.

Special local taxing jurisdictions (fire protection districts, watershed districts, and sanitation districts) levy taxes within their operating areas (usually a small portion of community of county).

Property assessments in Kentucky are at 100% fair cash value. Accounts receivable are taxed at 85% of face value.

## LABOR MARKET STATISTICS

The Webster County Labor Market Area includes Webster County and the adjoining Kentucky counties of Caldwell, Crittenden, Daviess, Henderson, Hopkins, McLean, Union and Vanderburgh Indiana.

### Population

<u>Area</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Webster County	12,939	12,863	13,013
Providence	2,953	2,940	2,968
Sebree	1,537	1,538	1,545

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

### Population Projections

<u>Area</u>	<u>2026</u>
Webster County	12,275

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

## EDUCATION

### Public Schools

	<b>Webster County</b>
Total Enrollment (2019-20)	2,087
Pupil-Teacher Ratio	18.0 - 1

### Customized Training

The Kentucky Tech system, through its Training and Development Coordinators, will provide technical assistance and identify and develop low-cost customized training programs and services for both established and prospective businesses. Businesses wanting to establish a customized training program should contact a Training and Development Coordinator located at the Northern Kentucky Regional Technology Center and the Central Kentucky Regional Technology Center.

### Assessment Services

Kentucky Tech Career Connections offers to business, education, and government agencies customized assessment in career inventories, interest inventories, pre-hire assessment, psychomotor skills, and academic potential. A Career Connection assessment center is located at the Northern Kentucky Regional Technology Center and the Central Kentucky Regional Technology Center.

### Adult Education Services

Adult education programs are available to adults who want to develop new skills, improve basic skills or earn a high school equivalency diploma. In Grant County, adult basic education and adult literacy classes are administered through the Grant County Board of Education.

### Bluegrass State Skills Corporation

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

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

### Vocational Schools

<b><u>Technical Institution</u></b>	<b><u>Location</u></b>	<b><u>Enrollment (2019-2020)</u></b>
Webster County ATC	Dixon, KY	405
Caldwell County ATC	Princeton, KY	434
Gateway Academy to Innovation & Tech.	Hopkinsville, KY	591
Ohio County ATC	Hartford, KY	533
Paducah ATC	Paducah, KY	560
Butler County ATC	Morgantown, KY	315



**Area Colleges and Universities**

<u>Institution</u>	<u>Location</u>	<u>Enrollment (Fall 2020)</u>
University of Evansville	Evansville, IN	2,124
University of Southern Indiana	Evansville, IN	7,094
Brescia University	Owensboro, KY	1,668
Kentucky Wesleyan College	Owensboro, KY	840

**FINANCIAL INSTITUTIONS**

<u>Institution</u>	<u>Total Assets</u>	<u>Total Deposits</u>
<b>Dixon:</b> Dixon Bank	\$81,893,000	\$61,016,000
<b>Sebree:</b> Sebree Deposit Bank	\$22,362,000	\$19,216,000

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

**EXISTING INDUSTRY**

<u>Firm</u>	<u>Product</u>	<u>Total Employed</u>
<b>Clay:</b> Clay Machine Works, Inc. Custom Engineering, Inc.	Machine shop Mining machinery parts & equipment	11 30
<b>Dixon:</b> Collins Engineering, Inc. Pioneer Plastics, Inc.	Machine shop Plastic injection molded & decorated containers	5 48
<b>Providence:</b> Timewell Drainage Products	Single wall agriculture tubing	36
<b>Sebree:</b> Scott Manufacturing, Inc. Tyson Foods Feed Mill	Fabricated fiberglass & insulation Poultry Feed	26 26

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

**APPENDIX B**

**Webster County School District Finance Corporation  
School Building Refunding Revenue Bonds  
Taxable Series of 2021**

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

**WEBSTER COUNTY SCHOOL DISTRICT**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2020**

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**WEBSTER COUNTY SCHOOL DISTRICT  
JUNE 30, 2020**

**BOARD OF EDUCATION**

Mickey Dunbar, Chairman  
Tim McCormick, Vice-Chairman  
Venita Murphy, Member  
James Nance, Member  
Cameron Edwards, Member

**ADMINISTRATIVE STAFF**

Rhonda Callaway, Superintendent  
Brandi Burnett, Director of Finance/Treasurer

SANDRA D. DUGUID, CPA  
ANNA B. GENTRY, CPA, CFE

WALTER G. CUMMINGS, CPA  
MEREDITH D. MORRIS, CPA  
KELSEY M. COX, CPA



DUGUID, GENTRY & ASSOCIATES, P.S.C.  
CERTIFIED PUBLIC ACCOUNTANTS

4443 CANTON PIKE  
HOPKINSVILLE, KY 42240

270.886.6355

## INDEPENDENT AUDITORS' REPORT

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

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

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

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*. 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 District'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 District'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 District as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As described in Note 17 to the financial statements, during the year ended June 30, 2020, the Webster County School District adopted new accounting guidance, GASB No. 84 *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension and postemployment benefits schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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

The combining and individual nonmajor fund financial statements, combining agency funds schedule, individual school activity fund schedule and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional

procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, combining agency funds schedule, individual school activity fund schedule and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2020, on our consideration of Webster County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Webster County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Webster County School District's internal control over financial reporting and compliance.

Duguid, Gentry & Associates, PSC

*Duguid, Gentry & Associates, PSC*

Certified Public Accountants  
Hopkinsville, Kentucky

December 15, 2020

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**WEBSTER COUNTY SCHOOL DISTRICT – DIXON, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

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

**FINANCIAL HIGHLIGHTS**

- The ending cash balance for the District was \$4,215,755, as compared with the beginning cash balance of \$4,049,403. The ending cash balance consisted of General Fund of \$2,519,883, Special Revenue Fund of \$3,005, Student Activity Fund of \$309,005, other Governmental Funds of \$18,586, Food Service Fund of \$1,324,730 and Fiduciary Fund \$40,546.
- The General Fund had \$19,830,874 in revenues excluding interfund transfers, which primarily consisted of the state program (SEEK) funds, property, utilities and motor vehicle taxes, and on behalf payments for fringe benefits from the Commonwealth of Kentucky. General Fund revenues decreased in comparison to prior year revenues of \$20,112,272. Excluding interfund transfers, General Fund expenditures were \$19,929,156 in comparison to prior year General Fund expenditures of \$19,114,078.
- The financial statements reflect a total of \$6,268,439 of revenues and aid from the state for payments made by the state on behalf of district employees for retirement contributions, health insurance and technology and debt service. A like amount of expenses is also recorded in the financial statements.

The Webster County schools are continuing efficiency efforts under Interim Superintendent, Rhonda Callaway, and Director of Finance, Brandi Burnett. Those efficiency efforts include the following initiatives:

- The Webster County Resource Efficiency Team continues to meet monthly each school year beginning in December of the school calendar. This team is comprised of one school board member, superintendent, one school level administrator, all District federal/state grant coordinators, transportation director, maintenance director, food service director, payroll clerk and finance officer. A thorough review of financial information and prioritization of programs and services necessary for the most efficient functioning of the school district are topics for the monthly agenda.
- Both the Director of Finance and Payroll Clerk will attend the KASBO Leadership Conference during the spring and fall.
- Both Director of Finance and Payroll Clerk are members of respective regional groups that meet bi-monthly.
- The FY20 budget included a 6.28% contingency fund, which is the healthiest balance for Webster County School District in recent history due to many of the efficiency measures that have been put into place.

**WEBSTER COUNTY SCHOOL DISTRICT – DIXON, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

- The continued usage of the Absence Management software from Frontline Technologies has proven to be an efficient practice for tracking absences and assigned substitutes to vacancies within the District.
- Additional grant funding has provided revenue sources that create amazing learning opportunities outside the normal funding streams for local public schools. The grants continuing through FY20 and FY21 are as follows:
  - WCHS 21st Century Learning Center (Capstone)
  - WCMS 21st Century Learning Center (Apex)
  - Drug Free Communities
  - Striving Readers
  - McKinney Vento Homeless Grant
  - No Kid Hungry
- Through the challenges of the COVID-19 pandemic, CARES funding, including ESSER and GEER funds, in addition to non-competitive federal funds, have been utilized to furnish the students and staff of Webster County Schools with technology and resources necessary for continuing instruction at all grade levels.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

**Government-wide financial statements** – The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all the District’s assets and deferred outflows of resources and liabilities and deferred inflows of resources. All of the current year revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District’s net position and how it has changed. Net position – the difference between the District’s assets and deferred outflows of resources and the District’s liabilities and deferred inflows of resources – is one way to measure the District’s financial health or position.

- Over time, increases or decreases in the District’s net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, the reader needs to consider additional non-financial factors such as changes in the District’s property tax base and the condition of school buildings and other facilities.

**WEBSTER COUNTY SCHOOL DISTRICT – DIXON, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

In the government-wide financial statements, all the District’s activities are reported as governmental activities.

- Governmental activities – All of the District’s basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of the activities.

**Fund financial statements** – The fund financial statements provide more detailed information about the District’s *funds*, focusing on its most significant or “major” funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like federal grants).

The District has three kinds of funds:

- *Governmental funds* – Most of the District’s basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, the District provides additional information with the governmental funds statements that explain the relationship (or differences) between them.
- *Proprietary funds* – The District’s proprietary fund is Food Service. The proprietary fund statements are the same as the business-type activities in the government-wide statements, but provide more detail and additional information, such as cash flows.
- *Fiduciary fund* – The District is a fiduciary for assets that belong to others and is responsible for ensuring that assets reported in the fiduciary funds are used only for their intended purposes. The District’s fiduciary funds consist of scholarship funds. These funds are excluded from the government-wide financial statements because the assets cannot be used to finance the operations of the District.

**Notes to the financial statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information** – In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information, as well as combining and individual fund statements and schedules as listed in the table of contents.

**WEBSTER COUNTY SCHOOL DISTRICT – DIXON, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$3,175,153 as of June 30, 2020.

Long-term liabilities increased primarily due to a net increase of \$480,910 in net pension liability and net other postemployment benefits (OPEB) liability. This factor is outside the control of the District. The District contributes its statutorily required contributions to the pension systems; however, it is the pension systems that collect, hold and distribute pensions to District employees, not the District. Long-term liabilities also increased due to a net increase of \$1,585,000 in bonds payable. A significant portion of the District's net position \$12,435,951, reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The District uses capital assets to provide services; 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. An additional portion of the District's net position \$360,403, represents resources subject to external restrictions on how they may be used.

Following is a summary of the District's government-wide net position as of June 30, 2020 and 2019:

**Net Position**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>District Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>						
Current assets and other assets	\$ 3,127,779	\$ 2,993,202	\$ 1,545,349	\$ 1,026,277	\$ 4,673,128	\$ 4,019,479
Capital assets	<u>32,643,340</u>	<u>31,062,575</u>	<u>171,350</u>	<u>160,404</u>	<u>32,814,690</u>	<u>31,222,979</u>
Total assets	<u>35,771,119</u>	<u>34,055,777</u>	<u>1,716,699</u>	<u>1,186,681</u>	<u>37,487,818</u>	<u>35,242,458</u>
<b>Deferred outflows of resources</b>	<u>3,314,624</u>	<u>2,975,872</u>	<u>539,513</u>	<u>510,059</u>	<u>3,854,137</u>	<u>3,485,931</u>
<b>LIABILITIES</b>						
Current liabilities	625,938	620,539	1,714	-	627,652	620,539
Long-term debt	<u>33,615,840</u>	<u>31,669,549</u>	<u>1,767,033</u>	<u>1,605,751</u>	<u>35,382,873</u>	<u>33,275,300</u>
Total liabilities	<u>34,241,778</u>	<u>32,290,088</u>	<u>1,768,747</u>	<u>1,605,751</u>	<u>36,010,525</u>	<u>33,895,839</u>
<b>Deferred inflows of resources</b>	<u>2,004,359</u>	<u>1,155,785</u>	<u>151,918</u>	<u>136,343</u>	<u>2,156,277</u>	<u>1,292,128</u>
<b>NET POSITION</b>						
Investment in capital assets net of related debt	12,264,601	12,385,650	171,350	160,404	12,435,951	12,546,054
Restricted	360,403	(332,192)	-	-	360,403	(332,192)
Unrestricted	<u>(9,785,398)</u>	<u>(8,467,682)</u>	<u>164,197</u>	<u>(205,758)</u>	<u>(9,621,201)</u>	<u>(8,673,440)</u>
Total net position	<u>\$ 2,839,606</u>	<u>\$ 3,585,776</u>	<u>\$ 335,547</u>	<u>\$ (45,354)</u>	<u>\$ 3,175,153</u>	<u>\$ 3,540,422</u>

**WEBSTER COUNTY SCHOOL DISTRICT – DIXON, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

The net pension liability (NPL) and the other postemployment benefits (OPEB) are the largest liabilities reported by the District as of June 30, 2020. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District’s actual financial condition by adding deferred inflows of resources related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows of resources related to pension and OPEB.

GASB 68 (pension) and GASB 75 (OPEB) require the net pension liability and the net OPEB liability to equal the District’s proportionate share of each plan’s collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees’ past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for-benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of these liabilities.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. Changes in benefits, contribution rates and return on investments affect the balance of these liabilities but are outside the control of the local government.

In the event that contributions, investment returns and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the District’s statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan’s change in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows of resources.



**WEBSTER COUNTY SCHOOL DISTRICT – DIXON, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

The decrease for 2020 over 2019 in net position of governmental activities is largely due to decreased state funding and changes in pension liability accruals. The Kentucky School Facilities Construction Commission (SFCC) makes direct payments of principal and interest on District bonds issued for construction of facilities. The bonds payable are included in the long-term obligations of the District, and the payments are recorded as revenue from the State. The result is an increase in net position from the direct payment of principal and interest by the SFCC of \$706,725. Another increase is the expenditure of current revenues on capital assets, an expenditure that does not reduce net position on the government-wide statements. The decrease in business-type activities net position is due mainly to current year changes in pension liability charges.

**WEBSTER COUNTY SCHOOL DISTRICT – DIXON, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

Following is a summary of changes in the District's net position for the years ended June 30, 2020 and 2019:

**Changes in Net Position**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>District Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>REVENUES</b>						
Program revenues						
Operating grants and contributions	\$14,892,347	\$15,284,311	\$1,741,230	\$1,399,073	\$16,633,577	\$16,683,384
Capital grants and contributions	706,725	726,604	-	-	706,725	726,604
Charges for services	-	-	83,307	114,575	83,307	114,575
<b>General revenues</b>						
Property taxes	3,647,030	3,493,913	-	-	3,647,030	3,493,913
Other taxes	1,477,435	1,504,051	-	-	1,477,435	1,504,051
Investment earnings	101,210	73,909	24,359	17,160	125,569	91,069
State aid	3,442,707	3,521,604	111,765	114,823	3,554,472	3,636,427
Other	329,059	128,816	500	-	329,559	128,816
<b>Total revenues</b>	<b>24,596,513</b>	<b>24,733,208</b>	<b>1,961,161</b>	<b>1,645,631</b>	<b>26,557,674</b>	<b>26,378,839</b>
<b>EXPENSES</b>						
Instruction	14,561,330	13,351,732	-	-	14,561,330	13,351,732
Support services						
Student	1,287,998	1,090,333	-	-	1,287,998	1,090,333
Instructional staff	1,635,341	1,400,100	-	-	1,635,341	1,400,100
District administrative	669,218	654,584	-	-	669,218	654,584
School administrative	1,405,080	1,022,280	-	-	1,405,080	1,022,280
Business	506,652	569,567	-	-	506,652	569,567
Plant operations and maintenance	2,504,991	2,518,701	-	-	2,504,991	2,518,701
Student transportation	1,670,874	1,566,246	-	-	1,670,874	1,566,246
Community service activities	342,171	352,039	-	-	342,171	352,039
Other instructional	1,221	-	-	-	1,221	-
Other non-instruction	33,464	-	-	-	33,464	-
Building acquisition and construction	268,790	612,002	-	-	268,790	612,002
Interest costs	769,136	739,090	-	-	769,136	739,090
Loss on sale of fixed assets	-	-	-	823	-	823
Food service	-	-	1,530,260	1,517,250	1,530,260	1,517,250
<b>Total expenses</b>	<b>25,656,266</b>	<b>23,876,674</b>	<b>1,530,260</b>	<b>1,518,073</b>	<b>27,186,526</b>	<b>25,394,747</b>
<b>Change in net position before transfers</b>	<b>(1,059,753)</b>	<b>856,534</b>	<b>430,901</b>	<b>127,558</b>	<b>(628,852)</b>	<b>984,092</b>
Transfers in (out)	(50,000)	(50,000)	50,000	50,000	-	-
<b>Change in net position after transfers</b>	<b>\$ (1,009,753)</b>	<b>\$ 906,534</b>	<b>\$ 380,901</b>	<b>\$ 77,558</b>	<b>\$ (628,852)</b>	<b>\$ 984,092</b>

**WEBSTER COUNTY SCHOOL DISTRICT – DIXON, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

**FINANCIAL ANALYSIS OF THE DISTRICT’S GOVERNMENTAL FUNDS**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** – The focus of the governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District’s governmental funds reported combined ending fund balances of \$2,625,757, an increase of \$140,527 (includes \$263,123 implementation of GASB 84) in comparison with the prior year. The following schedule indicates the fund balances and the total changes in fund balances by major fund and other governmental (nonmajor) funds as reported in the basic financial statements for the fiscal years ended June 30, 2020 and 2019.

The main sources of the General Fund’s revenues are state aid in the form of SEEK allocations and locally assessed taxes. The majority of the District’s activities are accounted for in the General Fund. The Special Revenue Fund consists of grant revenues, mostly state funds and federal funds administered through the state, and expenditures of those grants for specific programs in accordance with the grants’ guidelines. In addition to the Special Revenue (Grant) Fund, the District has the Special Revenue District Activity Fund and the Special Revenue Student Activity Fund which includes funds restricted to expenditures for purposes specified by Kentucky Department of Education requirements.

The SEEK Capital Outlay Fund’s revenues are derived from state SEEK allowances based upon student enrollment. The FSPK Building Fund’s revenues are produced by a five-cent property tax equivalent. The use of both funds’ resources is generally restricted to facilities acquisition or improvement and payment of the related debt on facilities. The Construction Fund is used to account for facility construction and improvement projects funded by other funds or borrowing.

The Debt Service Fund is used to account for all activities related to long-term bond obligations.

**WEBSTER COUNTY SCHOOL DISTRICT – DIXON, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

Following is a summary of fund balances as of June 30, 2020 and 2019:

<b>Governmental Funds</b>	<b>2020</b>	<b>2019</b>	<b>Increase (Decrease)</b>
General Fund	\$ 2,316,852	\$ 2,817,522	\$ (500,670)
Special Revenue Fund	(100)	(100)	-
Student Activity Fund	309,005	-	309,005
Building Fund	-	(331,596)	331,596
Capital Outlay Fund	-	-	-
Debt Service Fund	-	-	-
District Activity Fund	-	(596)	596
<b>Total governmental funds</b>	<b>\$ 2,625,757</b>	<b>\$ 2,485,230</b>	<b>\$ 140,527</b>

**General Fund** – The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$1,809,004, while total fund balance reached \$2,625,757. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 9.08% of total General Fund expenditures, while total fund balance represents 11.63% of that same amount.

During the current fiscal year, the total fund balance of the General Fund decreased by \$500,248. Revenues and transfers totaling \$19,883,426 decreased by \$288,960, while expenditures and transfers totaling \$20,383,885 increased by \$907,834.

**WEBSTER COUNTY SCHOOL DISTRICT – DIXON, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

In accordance with directives from the Kentucky Department of Education (KDE) and Kentucky law, the budgets of the District’s funds budgets are prepared to account for most transactions on a cash receipt/cash disbursement/encumbrance basis. The KDE requires a budget in which any budgeted remaining fund balance is shown as a contingency expense and any amounts being accumulated for other purposes are ultimately shown as unspent or over-budgeted expenditures. By law, the budget must have a minimum 2.00% contingency. The District adopted a General Fund budget with a contingency of \$1,315,109 or 7.72%. Over the course of the year, the District revises the annual operating budget as circumstances dictate or as required by KDE.

As noted on the Budgetary Comparison Schedule for the General Fund contained in the Required Supplementary Information, the General Fund budget did not include \$5,461,940 of state payments on behalf of District employees for retirement and health benefits. These payments are reflected in the GAAP basis actual amounts as state program revenues and in each type of expenditure in relation to wages paid, with the major portion contained in instructional expenditures. Local revenues are budgeted conservatively resulting in a favorable variance of local revenues for the year.

- The District’s total revenues for General Fund activities for the fiscal year ended June 30, 2020, excluding interfund transfers, beginning balances and on-behalf payments, were \$14,368,934; compared to the total budgeted revenues of \$14,189,767.
- The District’s total expenditures for General Fund activities for the fiscal year ended June 30, 2020, excluding interfund transfers and on-behalf payments, were \$14,467,216; compared to the total budgeted expenditures of \$16,643,778.
- The fund balance at the end of the 2020 fiscal year for all Governmental Funds was \$2,625,757 compared to \$2,485,230 in the prior year.

Significant Board action that impacts the District’s finances includes the award of multiple contracts and salary increases mandated by the Legislature.

Fund 2 is made up of state, local and federal grants. These grants include Title I, Preschool, Special Education and others. These funds have restricted use, according to the guidelines for each. Expenses include salaries and benefits, supplies and transportation.

Funds 310 and 320 are restricted funds for capital projects. The State contributes to Fund 310.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets** – At June 30, 2020, the District had \$32,814,690 invested in capital assets net of depreciation; historical costs totaled \$54,562,972 with accumulated depreciation totaling \$21,748,282. These assets include school, athletic and support facilities, as well as technology, food service and other equipment. Expenditures for acquisitions and improvements during the year totaled \$2,813,390. Depreciation charged to expense during the year totaled \$988,515, the majority of which was charged to governmental functions. More detailed information relating to capital assets may be found in Note 3 to the financial statements.

**WEBSTER COUNTY SCHOOL DISTRICT – DIXON, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

Following is a summary of capital assets, net of depreciation, as of June 30, 2020 and 2019:

**Net Capital Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>District Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land	\$ 542,261	\$ 544,352	\$ -	\$ -	\$ 542,261	\$ 544,352
Land improvements	448,790	421,764	-	-	448,790	421,764
Construction in progress	2,853,502	422,362	-	-	2,853,502	422,362
Building and improvements	27,539,422	28,358,537	-	-	27,539,422	28,358,537
Technology equipment	(373,416)	(365,380)	(10,360)	(10,360)	(383,776)	(375,740)
General equipment	332,139	327,418	-	-	332,139	327,418
Vehicles	1,300,642	1,353,522	(888)	2,586	1,299,754	1,356,108
Food service equipment	-	-	182,598	168,178	182,598	168,178
<b>Total</b>	<b><u>\$ 32,643,340</u></b>	<b><u>\$ 31,062,575</u></b>	<b><u>\$ 171,350</u></b>	<b><u>\$ 160,404</u></b>	<b><u>\$ 32,814,690</u></b>	<b><u>\$ 31,222,979</u></b>

**Long-term Debt** – The District’s long-term general obligation bonds outstanding at June 30, 2020 were \$19,398,485. Of that amount, the Kentucky SFCC has agreed to make a portion of the principal and interest payment under agreements previously described. Though the District is liable for the full amount of the bonds and the full amount is recorded on the financial statements, the SFCC has agreed to pay \$5,210,525 of the bonds leaving the District to pay \$14,187,960. The liability for compensated absences had a net increase of \$157,484 for the fiscal year. Other long-term obligations, mostly leases on buses, had a net decrease for the fiscal year of \$43,380.

The State must approve the issuance of any new bonds of the District.

More detailed information about the District’s long-term liabilities may be found in Note 4 to the financial statements.

**OUTLOOK FOR THE FUTURE**

The most crucial aspect in the financial future of the District is continued adequate funding from the state. The District’s major source of revenue is state aid, primarily Kentucky SEEK funding.

The District’s financial position is contingent upon legislation and factors related to property taxation in conjunction with decisions made by the District’s Board management. The District remains committed to utilizing resources to provide the maximum benefit to students and provide them with a quality education. This involves closely monitoring legislation and seeking new sources of revenues through grant writing, etc.

**CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the District’s finances, comply with finance-related laws and regulations and demonstrate the District’s commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the Superintendent or District finance personnel (270) 639-0101 or by mail at 28 State Route 1340, Dixon, KY 42409.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

	Governmental Activities	Business- type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,850,479	\$ 1,324,730	\$ 4,175,209
Accounts receivable			
Taxes	78,588	-	78,588
Other	42,210	175,135	217,345
Intergovernmental - indirect federal	156,502	-	156,502
Inventory	-	45,484	45,484
Capital assets			
Non-depreciable	3,395,763	-	3,395,763
Depreciable (net)	29,247,577	171,350	29,418,927
<b>Total assets</b>	<b>35,771,119</b>	<b>1,716,699</b>	<b>37,487,818</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
OPEB	1,230,550	116,183	1,346,733
Pension	1,562,473	423,330	1,985,803
Deferred amount on refunding of debt	521,601	-	521,601
<b>Total deferred outflows of resources</b>	<b>3,314,624</b>	<b>539,513</b>	<b>3,854,137</b>
<b>LIABILITIES</b>			
Accounts payable	313,521	1,714	315,235
Accrued sick leave	28,633	-	28,633
Unearned revenue	159,868	-	159,868
Interest payable	123,916	-	123,916
Long-term obligations			
Portion due or payable within one year			
Bonds payable	1,285,000	-	1,285,000
Capital lease obligations	187,820	-	187,820
Portion due or payable after one year			
Bonds payable	18,109,146	-	18,109,146
Capital lease obligations	585,617	-	585,617
Compensated absences	211,156	17,400	228,556
Net OPEB liability	6,017,396	303,924	6,321,320
Net pension liability	7,219,705	1,445,709	8,665,414
<b>Total liabilities</b>	<b>34,241,778</b>	<b>1,768,747</b>	<b>36,010,525</b>

Continued



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

	Governmental Activities	Business- type Activities	Total
<b>DEFERRED INFLOWS OF RESOURCES</b>			
OPEB	1,707,688	101,844	1,809,532
Pension	296,671	50,074	346,745
Total deferred inflows of resources	<u>2,004,359</u>	<u>151,918</u>	<u>2,156,277</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	12,264,601	171,350	12,435,951
Restricted	360,403	-	360,403
Unrestricted	<u>(9,785,398)</u>	<u>164,197</u>	<u>(9,621,201)</u>
Total net position	<u>\$ 2,839,606</u>	<u>\$ 335,547</u>	<u>\$ 3,175,153</u>

See accompanying notes to financial statements

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

<b><u>FUNCTIONS/PROGRAMS</u></b>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues</u>
		<u>Charges for Services</u>	<u>Operating Grants &amp; Contributions</u>	<u>Capital Grants &amp; Contributions</u>	
<b>Governmental Activities</b>					
Instruction	\$ 14,561,330	\$ -	\$ 8,944,415	\$ -	\$ (5,616,915)
Support services					
Student	1,287,998	-	264,329	-	(1,023,669)
Instructional staff	1,635,341	-	3,023,978	-	1,388,637
District administration	669,218	-	172,468	-	(496,750)
School administration	1,405,080	-	490,168	-	(914,912)
Business	506,652	-	47,484	-	(459,168)
Plant operations and maintenance	2,504,991	-	260,840	-	(2,244,151)
Student transportation	1,670,874	-	533,147	-	(1,137,727)
Building acquisition and construction	268,790	-	-	-	(268,790)
Community service activities	342,171	-	1,155,518	-	813,347
Other instructional	1,221	-	-	-	(1,221)
Other non-instruction	33,464	-	-	-	(33,464)
Interest on long-term debt	769,136	-	-	706,725	(62,411)
<b>Total governmental activities</b>	<b>25,656,266</b>	<b>-</b>	<b>14,892,347</b>	<b>706,725</b>	<b>(10,057,194)</b>
<b>Business-type Activities</b>					
Food service	1,530,260	83,307	1,741,230	-	294,277
<b>Total business-type activities</b>	<b>1,530,260</b>	<b>83,307</b>	<b>1,741,230</b>	<b>-</b>	<b>294,277</b>
<b>Total activities</b>	<b>\$ 27,186,526</b>	<b>\$ 83,307</b>	<b>\$ 16,633,577</b>	<b>\$ 706,725</b>	<b>\$ (9,762,917)</b>

Continued

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

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Net Revenues (Expenses)</b>	(10,057,194)	294,277	(9,762,917)
<b>General Revenues</b>			
Taxes			
Property	3,647,030	-	3,647,030
Motor vehicle	566,598	-	566,598
Utilities	855,317	-	855,317
Other	55,520	-	55,520
Investment earnings	101,210	24,359	125,569
State aid	3,442,707	111,765	3,554,472
Gain (loss) on sale of fixed assets	(228,522)	-	(228,522)
Transfers	50,000	(50,000)	-
Miscellaneous	557,581	500.00	558,081
Total general revenues	<u>9,047,441</u>	<u>86,624</u>	<u>9,134,065</u>
Change in net position	(1,009,753)	380,901	(628,852)
<b>Net position, beginning of year</b>	<u>3,585,776</u>	<u>(45,354)</u>	<u>3,540,422</u>
Implementation of GASB 84, see note 17	263,123	-	263,123
Prior period adjustments	<u>460</u>	<u>-</u>	<u>460</u>
<b>Net position, beginning of year, restated</b>	<u>3,849,359</u>	<u>(45,354)</u>	<u>3,804,005</u>
<b>Net position, end of year</b>	<u>\$ 2,839,606</u>	<u>\$ 335,547</u>	<u>\$ 3,175,153</u>

See accompanying notes to financial statements

**GOVERNMENTAL FUNDS FINANCIAL STATEMENTS**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Student Activity</u>	<u>Building</u>	<u>Other Governmental</u>	<u>Total</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 2,519,883	\$ 3,005	\$ 309,005	\$ -	\$ 18,586	\$ 2,850,479
Accounts receivable						
Taxes	78,588	-	-	-	-	78,588
Other	42,210	-	-	-	-	42,210
Intergovernmental - indirect federal	-	156,502	-	-	-	156,502
Total assets	<u>\$ 2,640,681</u>	<u>\$ 159,507</u>	<u>\$ 309,005</u>	<u>\$ -</u>	<u>\$ 18,586</u>	<u>\$ 3,127,779</u>

Continued

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

	General	Special Revenue	Student Activity	Building	Other Governmental	Total
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities						
Accounts payable	\$ 295,196	\$ 18,325	\$ -	\$ -	\$ -	\$ 313,521
Accrued sick leave	28,633	-	-	-	-	28,633
Unearned revenue	-	141,282	-	-	18,586	159,868
<b>Total liabilities</b>	<b>323,829</b>	<b>159,607</b>	<b>-</b>	<b>-</b>	<b>18,586</b>	<b>502,022</b>
Fund balances						
Nonspendable	147,445	4,965	-	-	-	152,410
Spendable						
Restricted	360,403	-	-	-	-	360,403
Committed	-	-	-	-	-	-
Assigned	-	12,915	-	-	-	12,915
Unassigned	1,809,004	(17,980)	309,005	-	-	2,100,029
<b>Total fund balances</b>	<b>2,316,852</b>	<b>(100)</b>	<b>309,005</b>	<b>-</b>	<b>-</b>	<b>2,625,757</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,640,681</b>	<b>\$ 159,507</b>	<b>\$ 309,005</b>	<b>\$ -</b>	<b>\$ 18,586</b>	<b>\$ 3,127,779</b>

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

Total fund balance per fund financial statements		\$ 2,625,757
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and are not reported as assets in governmental funds. The cost of the assets is \$53,546,450 and the accumulated depreciation is \$20,903,110		32,643,340
Governmental funds record debt refundings as other financing uses when the issues are refunded. Unamortized losses on refundings are reported on the statement of net position as deferred outflows of resources		521,601
Pension and other postemployment benefits related items:		
Deferred outflows - OPEB	\$ 1,230,550	
Deferred outflows - pension	1,562,473	
Deferred inflows - OPEB	(1,707,688)	
Deferred inflows - pension	(296,671)	
Net OPEB liability	(6,017,396)	
Net pension liability	<u>(7,219,705)</u>	(12,448,437)
Long-term liabilities, including interest payable, are not due and payable in the current period and are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:		
Bond obligations	(19,394,146)	
Lease obligations	(773,437)	
Interest payable on bonds	(123,916)	
Noncurrent portion of accumulated sick leave	<u>(211,156)</u>	<u>(20,502,655)</u>
Net position of governmental activities		<u>\$ 2,839,606</u>

See accompanying notes to financial statements

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

	General	Special Revenue	Student Activity	Building	Other Governmental	Total
<b>REVENUES</b>						
From local sources						
Taxes						
Property	\$ 3,238,733	\$ -	\$ -	\$ 408,297	\$ -	\$ 3,647,030
Motor vehicle	566,598	-	-	-	-	566,598
Utilities	855,317	-	-	-	-	855,317
Other	55,520	-	-	-	-	55,520
Earnings on investments	82,046	-	5,488	13,676	-	101,210
Other local revenues	95,947	-	436,768	-	24,866	557,581
Intergovernmental - state	14,892,346	748,902	-	408,876	898,927	16,949,051
Intergovernmental - federal	44,367	2,048,360	-	-	-	2,092,727
<b>Total revenues</b>	<b>19,830,874</b>	<b>2,797,262</b>	<b>\$ 442,256</b>	<b>830,849</b>	<b>923,793</b>	<b>24,825,034</b>
<b>EXPENDITURES</b>						
Current						
Instruction	11,270,785	1,475,445	352,883	-	17,490	13,116,603
Support services				-		
Student	1,261,200	17,152	18	-	-	1,278,370
Instructional staff	817,327	813,934	4,080	-	-	1,635,341
District administration	663,131	-	-	-	-	663,131
School administration	1,573,775	-	-	-	-	1,573,775
Business	506,521	131	-	-	-	506,652
Plant operations and maintenance	2,452,631	31,589	831	-	7,376	2,492,427
Student transportation	1,383,786	112,103	3,952	-	-	1,499,841
Community service activities	-	342,171	-	-	-	342,171
Other instructional	-	-	1,221	-	-	1,221
Other non-instruction	-	-	33,464	-	-	33,464
Building acquisition and construction	-	-	-	2,523,715	176,215	2,699,930
Debt service	-	-	-	-	2,007,716	2,007,716
<b>Total expenditures</b>	<b>19,929,156</b>	<b>2,792,525</b>	<b>396,449</b>	<b>2,523,715</b>	<b>2,208,797</b>	<b>27,850,642</b>

Continued



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

	General	Special Revenue	Student Activity	Building	Other Governmental	Total
Excess (deficit) of revenues over (under) expenditures	(98,282)	4,737	45,807	(1,692,866)	(1,285,004)	(3,025,608)
<b>Other financing sources (uses)</b>						
Proceeds from disposal of fixed assets	2,552	-	-	-	-	2,552
Bond proceeds, net	-	-	-	2,850,000	-	2,850,000
Transfers in	50,000	45,362	-	-	1,290,129	1,385,491
Transfers (out)	(454,729)	(50,099)	-	(825,538)	(5,125)	(1,335,491)
Total other financing sources (uses)	(402,177)	(4,737)	-	2,024,462	1,285,004	2,902,552
Net changes in fund balances	(500,459)	-	45,807	331,596	-	(123,056)
<b>Fund balances, beginning of year</b>	2,817,522	(100)	-	(331,596)	(596)	2,485,230
Implementation of GASB 84, note 17	-	-	263,123	-	-	263,123
Prior period adjustments	(211)	-	75	-	596	460
<b>Fund balances, beginning of year, restated</b>	2,817,311	(100)	263,198	(331,596)	-	2,748,813
<b>Fund balances, end of year</b>	<u>\$ 2,316,852</u>	<u>\$ (100)</u>	<u>\$ 309,005</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,625,757</u>

See accompanying notes to financial statements

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

Net change in fund balance - total governmental funds \$ (123,056)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expenses exceeded capital outlay in the current period:

Capital outlay	\$ 2,770,244	
Depreciation expense	(958,406)	
Net capital outlay		1,811,838

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, CIP closures/transfers) is to decrease net position. (231,073)

Bond proceeds are reported as other financing sources in governmental funds and contribute to the change in fund balance. However, in the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of bond principal is an expenditure in the government funds financial statements but is a reduction of the liability in the statement of net position.

Bond proceeds	(2,850,000)	
KISTA lease proceeds	(131,764)	
Bond repayments	1,265,000	
KISTA lease payments	175,144	
		(1,541,620)

Some items reported in the statement of activities do not involve current financial resources and, therefore, are not reported as expenditures in the governmental funds.

These activities are:

Deferred pension and other postemployment benefits amounts	(774,890)	
Accumulated sick leave-noncurrent portion	(124,532)	
Amortization on deferred refunding of debt	(66,033)	
Amortization of bond discount/premium	43,808	
Accrued interest on bonds	(4,195)	

Net decrease in expenditures (925,842)

Change in net position of governmental activities \$ (1,009,753)

See accompanying notes to the financial statements

**PROPRIETARY FUND FINANCIAL STATEMENTS**

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

	School Food Service
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 1,324,730
Accounts receivable	175,135
Inventory	45,484
Total current assets	1,545,349
Noncurrent assets	
Capital assets	1,016,522
Less: accumulated depreciation	(845,172)
Total noncurrent assets	171,350
Total assets	1,716,699
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
OPEB	116,183
Pension	423,330
Total deferred outflows of resources	539,513

Continued

**WEBSTER COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND, continued  
JUNE 30, 2020**

	School Food Service
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	1,714
Accrued salaries and benefits	17,400
	19,114
Total current liabilities	19,114
Long-term liabilities	
Net OPEB liability	303,924
Net pension liability	1,445,709
	1,749,633
Total noncurrent liabilities	1,749,633
Total liabilities	1,768,747
<b>DEFERRED INFLOWS OF RESOURCES</b>	
OPEB	101,844
Pension	50,074
	151,918
Total deferred inflows of resources	151,918
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	171,350
Unrestricted	164,197
	335,547
Total net position	\$ 335,547

See accompanying notes to the financial statements

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

	School Food Service
<b>OPERATING REVENUES</b>	
Lunchroom sales	\$ 83,307
Other revenue	500
	83,807
 Total operating revenues	 83,807
 <b>OPERATING EXPENSES</b>	
Salaries, wages and benefits	842,210
Materials and supplies	652,656
Depreciation	30,109
Contract services	3,965
Other	1,320
	1,530,260
 Total operating expenses	 1,530,260
 Operating income (loss)	 (1,446,453)
 <b>NON-OPERATING REVENUES (EXPENSES)</b>	
Federal grants	1,651,446
Donated commodities	89,784
State grants	11,992
State on-behalf payments	99,773
Transfers in (out)	(50,000)
Interest income	24,359
	24,359
 Total non-operating revenues (expenses)	 1,827,354
 Change in net position	 380,901
 <b>Net position, beginning of year</b>	 (45,354)
 <b>Net position, end of year</b>	 \$ 335,547

See accompanying notes to the financial statements

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

	School Food Service
<b>Cash flows from operating activities</b>	
Cash received from	
Lunchroom sales	\$ (80,720)
Cash paid to/for	
Employees	(595,034)
Supplies	(571,778)
Contract services	(5,285)
	(1,252,317)
<b>Net cash provided (used) by operating activities</b>	
<b>Cash flows from noncapital financing activities</b>	
Transfers in (out)	(50,000)
Government grants	1,663,438
	1,613,438
<b>Net cash provided (used) by noncapital financing activities</b>	
<b>Cash flows from investing activities</b>	
Purchase of fixed assets	(41,055)
Receipt of interest income	24,359
	(16,696)
<b>Net cash provided (used) by investing activities</b>	
<b>Net increase (decrease) in cash and cash equivalents</b>	344,425
<b>Cash and cash equivalents, beginning of year</b>	980,305
<b>Cash and cash equivalents, end of year</b>	\$ 1,324,730

Continued

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

	<u>School Food Service</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>	
Operating income (loss)	\$ (1,446,453)
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities</b>	
Depreciation	30,109
Donated commodities	89,784
State on-behalf payments	99,773
Changes in assets and liabilities	
Accounts receivable	(164,027)
Inventory	(10,620)
Compensated absences	11,473
Deferred pension and OPEB	135,930
Accounts payable	1,714
	<u>1,714</u>
<b>Net cash provided (used) by operating activities</b>	<u><u>\$ (1,252,317)</u></u>
<b>Schedule of non-cash transactions:</b>	
Donated commodities received from federal government	\$ 89,784
On-behalf payments	99,773

See accompanying notes to the financial statements



**FIDUCIARY FUND**

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

**ASSETS**

Cash and cash equivalents

\$ 40,546

Total assets

40,546

**LIABILITIES**

Due to student groups

40,546

Total liabilities

40,546

**NET POSITION**

\$ -

**WEBSTER COUNTY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

<b>ADDITIONS</b>	
Interest Income	<u>\$ 204</u>
Total additions	<u>204</u>
<b>DEDUCTIONS</b>	
Community services	<u>2,000</u>
Total deductions	<u>2,000</u>
Change in net position	(1,796)
<b>Net position, beginning of year</b>	305,465
Implementation of GASB 84, see note 17	<u>(263,123)</u>
<b>Net position, beginning of year, restated</b>	<u>42,342</u>
<b>Net position, end of year</b>	<u><u>\$ 40,546</u></u>

**NOTES TO FINANCIAL STATEMENTS**

**WEBSTER COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

The Webster 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 Webster County School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not a component unit of any other governmental “reporting entity”. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the District, have not originated within the District itself such as band boosters, parent-teacher associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the District. 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 Webster County School District Finance Corporation are included in the accompanying financials statements. The Board authorized the establishment of the Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act, KRS 273, and KRS 58.180) as an agency of the District for financing the costs of school building facilities. The Board Members of the Webster County Board of Education also comprise the Corporation’s Board of Directors.

Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Interfund activity is eliminated to avoid “doubling up” revenues and expenses.

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

**WEBSTER COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

The government-wide statement of net position presents the financial condition of the governmental and business-type activities of the District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by 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 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.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. These could include federal, state and county grants and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

Under the terms of the District's grant agreements, certain programs are funded by specific cost-reimbursement grants and general revenues. Generally, the District applies cost reimbursement funds first to finance such programs with remaining costs paid for with general revenues.

Accounting principles generally accepted in the United States of America require that the General Fund be reported as a major fund. All other governmental and proprietary funds whose assets, liabilities, revenues or expenditures comprise at least 10.00% of total for the relevant fund category and at least 5.00% of the corresponding total for all governmental and proprietary funds combined must also be reported as major funds.

**WEBSTER COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Governmental Funds

Governmental Funds are those through which most District functions are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in the Proprietary Fund) are accounted for through Governmental Funds. The measurement focus is upon determination of changes in financial resources rather than upon determination of net income. The following are the District's Governmental Funds:

The *General Fund* is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.

*Special Revenue Funds* account for proceeds of specific revenue sources (other than agency funds or major capital projects) that are legally restricted to disbursements for specified purposes.

The *Special Revenue (Grant Fund)* 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.

The *Special Revenue District Activity Fund* includes funds restricted to expenditures for purposes specified by Redbook requirements. Project accounting is employed to maintain integrity for the various sources of funds.

The *Special Revenue Student Activity Fund* includes funds restricted to expenditures for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Kentucky Department of Education Uniform Program of Accounting for School Activity Funds.

*Capital Projects Funds* are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).

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

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

**WEBSTER COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

The *Construction Fund* accounts for proceeds from sales of bonds and other revenue to be used for authorized construction.

The *Debt Service Fund* accounts for the accumulation of resources for, and the payment of, bonded debt and lease obligations, interest and related costs.

Proprietary Funds

Proprietary funds are used to account for ongoing organizations and activities which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The fund's principal operating revenues are food service charges. Operating expenses include salaries, benefits, supplies and depreciation on capital assets. All items not meeting this definition are reported as nonoperating revenues and expenses. The District has one proprietary fund:

The *School Food Service Fund* is used to account for school food service activities, including the National School Lunch Program and the National School Breakfast Program, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA and for on-behalf payments for retirement and health insurance paid by the State of Kentucky. This is a major fund of the District.

Fiduciary Fund

Fiduciary funds are used to account for assets held by the District on behalf of outside related organizations or on behalf of other funds within the District.

Basis of Accounting

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

Revenue Recognition

Revenues – Exchange and Non-exchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. "Available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means expected to be received within 60 days after year-end.



**WEBSTER COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements and donations are 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 to be used or the fiscal year when use is first permitted, matching requirements in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

Donated Commodities

The fair value of donated commodities received during the year is reported in the proprietary fund statement of revenues, expenses and changes in net position as an expense and as donated commodities revenue (nonoperating revenue).

Expenses/Expenditures

Using the accrual basis of accounting, expenses are recognized at the time a liability is incurred. In the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. Property taxes are levied on the assessed value listed as of the prior January 1 for all real and business and personal property located in the District. Taxes become delinquent after December 31.

The property tax rates for the year ended June 30, 2020, to finance the General Fund operations were \$.556 per \$100 valuation for real property, \$.556 per \$100 valuation for business tangible personal property and \$.48 per \$100 valuation for motor vehicles.

**WEBSTER COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

The District levies a utility gross receipts license tax in the amount of 3.00% of the gross receipts derived from furnishings, within the District, of telephone and telegraphic communications services, cablevision services, electric power, water and natural, artificial and mixed gas.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect the reported amounts of certain financial statement balances. Actual results could vary from those estimates.

Interfund Activity

Flows of cash 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.

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. An assignment of fund balance equal to outstanding encumbrances at year-end is provided for at June 30, 2020. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

Assets, Liabilities and Equity

Cash and Cash Equivalents

The District considers demand deposits, money market funds and time deposits that are nonnegotiable, to be cash and cash equivalents, for governmental and proprietary fund. This definition is also used for the proprietary fund's statement of cash flows.

Investments

Investments are reported at fair value. Fair value is the amount reasonably expected to be received for an investment in a current sale between a willing buyer and a willing seller. Fixed income securities, real estate investment trusts (REITS), derivatives, and common and preferred stocks are valued based on published market prices and quotations from national security exchanges and security pricing services. International stocks are then adjusted to reflect the current exchange rate of the underlying currency. Investments for which no national exchanges or pricing services exist, such as private equity assets, are valued at fair value by the investment partnership based on the valuation methodology outlined in the partnership agreement. Real estate may be valued by the manager or independent appraisers. Comingled assets that are not traded on a national exchange are valued by the comingled manager. The District had no investments at June 30, 2020 that met these criteria.

**WEBSTER COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Prepaid Expenditures

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

Inventories

Inventories are valued at cost, which approximates market. The Food Service Fund uses the specific identification method, and the General Fund uses the first-in, first-out method. The District's inventories include various items consisting of school supplies, paper, books, maintenance items, transportation items, commodities, etc. USDA commodities received from the federal government are recorded at the value established by the Federal government using the average cost method.

Restricted Assets

Certain assets of the General Fund are classified as restricted assets because their use is restricted by KRS 157.420(3).

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as due from or to other funds. 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 interfund balances.

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000 with the exception of leasehold improvements and real property for which there is a threshold of \$25,000. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add value to the value of the asset or materially extend an asset's life are not. Improvements are depreciated over the remaining useful lives of the related capital assets.

**WEBSTER COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

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

<u>Description</u>	<u>Estimated Lives for Depreciation</u>
Buildings and improvements	20-25 years
Land improvements	20 years
Software	7 years
Leasehold improvements	25-50 years
Technology equipment	5 years
Vehicles	5-10 years
Food Service equipment	12 years
Furniture and fixtures	7-20 years
Other	10-15 years

**Accrued Liabilities and Long-term Obligations**

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave and contractually required pension contributions 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.

**Debt Premiums and Discounts**

Unamortized premiums and discounts associated with bond issues are amortized over the lives of the related bonds using the straight-line method and are an addition (premium) or deduction (discount) to the debt balances in the government-wide statements.

**WEBSTER COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Compensated Absences

Compensated absences are payments to employees for accumulated sick leave. These amounts also include the related employer's share of applicable taxes and retirement contributions. District employees may accumulate unused sick leave up to a specified amount depending on their date of hire. Sick leave is payable to employees upon termination or retirement at 30.00% of the current rate of pay on the date of termination or retirement. The District uses the termination method to calculate the compensated absences amounts. The entire compensated absence liability is reported on the government-wide financial statements. The current portion is the amount estimated to be used in the following year. An expenditure is recognized in the governmental fund as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

Pensions and Other Postemployment Benefits (OPEB)

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category: the deferred outflows of resources relate to the net pension liability described in Note 9, the net OPEB liability described in Note 10 and the deferred amount on refunding of debt described in Note 4.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category: the deferred inflows of resources relate to the net pension liability as described in Note 9 and the net OPEB liability described in Note 10.

**WEBSTER COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Fund Balances

In the fund financial statements, governmental fund balances are classified as follows:

Non-spendable – Includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints.

Restricted – Amounts which can be spent only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts which can be used only for specific purposes determined by the Board of Education’s formal action through a resolution.

Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund balance may be assigned by the Board or Management. The Board adopted a resolution establishing the authority to assign funds.

Unassigned – All amounts not included in other spendable classifications.

In governmental funds, when an expenditure is incurred that can be paid using either restricted or unrestricted resources, the District’s policy is generally to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications — committed, assigned and then unassigned fund balances.

Net Position

Net positions represent the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources on the district-wide financial statements. Net positions are classified in the following categories:

Net investment in capital assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction or improvement of the assets.

Restricted net position – This amount is restricted by creditors, grantors, contributors or laws or regulations of other governments.

Unrestricted net position – This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

Subsequent Events

Subsequent events have been evaluated through December 15, 2020, which is the date the financial statements were available to be issued.

**WEBSTER COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 2 – CASH AND CASH EQUIVALENTS**

The District maintained deposits of public funds with depository institutions insured by FDIC as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institutions should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times.

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned to it. As stipulated by KRS 41.240(4), all deposits are collateralized with eligible securities or other obligations having aggregate current face value or current quoted market value at least equal to the deposits. The District does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4).

At fiscal year end, the carrying amount of the District's deposits was \$4,215,755, and the bank balance was \$4,582,364. Of the District's bank balance, \$500,000 was covered by Federal Deposit insurance while the remaining \$4,082,364 was collateralized as discussed above.

The carrying amounts are reflected in the financial statements as follows:

Governmental funds	\$ 2,850,479
Proprietary funds	1,324,730
Fiduciary funds	<u>40,546</u>
Total	<u><u>\$ 4,215,755</u></u>

**WEBSTER COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 3 – CAPITAL ASSETS**

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

<u>Governmental Activities</u>	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2020</u>
Capital assets not depreciated				
Land	\$ 544,352	\$ -	\$ 2,091	\$ 542,261
Construction in progress	422,362	2,431,140	-	2,853,502
Total nondepreciable historical cost	<u>966,714</u>	<u>2,431,140</u>	<u>2,091</u>	<u>3,395,763</u>
Capital assets depreciated				
Land improvements	1,065,683	63,996	2,037	1,127,642
Buildings and improvements	44,195,292	104,619	869,206	43,430,705
Technology equipment	276,026	-	75,147	200,879
Vehicles	4,266,623	150,768	-	4,417,391
General equipment	953,565	21,812	1,307	974,070
Total depreciable historical cost	<u>50,757,189</u>	<u>341,195</u>	<u>947,697</u>	<u>50,150,687</u>
Less: accumulated depreciation				
Land improvements	643,919	36,970	2,037	678,852
Building and improvements	15,836,755	692,812	638,284	15,891,283
Technology equipment	641,406	8,099	75,210	574,295
Vehicles	2,913,101	203,648	-	3,116,749
General equipment	626,147	16,877	1,093	641,931
Total accumulated depreciation	<u>20,661,328</u>	<u>958,406</u>	<u>716,624</u>	<u>20,903,110</u>
Total depreciable historical cost - net	<u>30,095,861</u>	<u>(617,211)</u>	<u>231,073</u>	<u>29,247,577</u>
Governmental activities capital assets - net	<u>\$ 31,062,575</u>	<u>\$ 1,813,929</u>	<u>\$ 233,164</u>	<u>\$ 32,643,340</u>

The District's Annual Financial Report does not reflect construction in progress of \$2,853,502.



**WEBSTER COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 3 – CAPITAL ASSETS, continued**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
Instruction	\$ 545,305
Support services	
Student	12,947
District administration	6,087
School administration	127,470
Plant operations and maintenance	76,560
Student transportation	190,037
	\$ 958,406

Business-type Activities	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Capital assets depreciated				
Technology equipment	\$ 911	\$ -	\$ 842	\$ 69
Food service equipment	960,904	41,055	4,455	997,504
Vehicle	18,949	-	-	18,949
	980,764	41,055	5,297	1,016,522
Total depreciable historical cost				
Less: accumulated depreciation				
Technology equipment	11,271	-	842	10,429
Food service equipment	792,726	26,635	4,455	814,906
Vehicle	16,363	3,474	-	19,837
	820,360	30,109	5,297	845,172
Total accumulated depreciation				
Business-type activities capital assets - net	\$ 160,404	\$ 10,946	\$ -	\$ 171,350

**WEBSTER COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 4 – LONG-TERM OBLIGATIONS**

The original amount of the issue, the dates and interest rates are summarized below:

Issue	Proceeds	Interest Rates	Maturity Dates	Balance June 30, 2020
2004	\$ 300,000	4.63%	2024	\$ 80,000
2010R	1,020,000	2.00%	2021	110,000
2011	178,485	1.50-3.50%	2022	38,485
KISTA 2012	178,900	0.60-3.00%	2023	60,000
2012	3,005,000	0.90-2.60%	2033	2,495,000
2013	4,650,000	1.50-4.05%	2034	4,360,000
2014	1,405,000	0.45-2.40%	2026	815,000
2015	860,000	2.00%	2026	550,000
2016R	8,840,000	0.50-1.770%	2029	6,305,000
2016	1,245,000	2.00%	2037	1,140,000
2017	645,000	1.25-3.55%	2037	615,000
2019	2,850,000	1.250-03.125%	2039	2,830,000

On July 2, 2019, the District issued \$2,850,000 in Revenue Bonds with interest rates of 1.00% to 3.25%. The District issued the bonds to finance the High School Safe Entrance project. The bonds mature in 2039.

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

The District has entered into “participation agreements” with the Kentucky School Facilities Construction Commission (SFCC). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. 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.

**WEBSTER COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 4 – LONG-TERM OBLIGATIONS, continued**

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	Webster County Board of Education		Kentucky School Facility Construction Commission		Total
	Principal	Interest	Principal	Interest	
2021	\$ 695,725	\$ 400,740	\$ 589,275	\$ 115,584	\$ 1,801,324
2022	717,177	385,896	516,308	102,264	1,721,645
2023	739,131	370,883	525,869	90,839	1,726,722
2024	759,372	355,370	515,628	79,215	1,709,585
2025	784,001	337,581	505,999	67,918	1,695,499
2026-2030	4,235,189	1,372,883	2,104,811	177,197	7,890,080
2031-2035	4,167,316	660,519	352,684	42,904	5,223,423
2036-2039	2,090,049	148,323	99,951	3,976	2,342,299
	<u>\$ 14,187,960</u>	<u>\$ 4,032,195</u>	<u>\$ 5,210,525</u>	<u>\$ 679,897</u>	<u>\$ 24,110,577</u>

**WEBSTER COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 4 – LONG-TERM OBLIGATIONS, continued**

Changes in long-term liabilities are as follows:

	Balance July 1, 2019	New Issues/ Adjustments	Debt Payments/ Adjustments	Balance June 30, 2020	Amounts Due Within One Year
Bonds payable					
Revenue bonds	\$ 17,813,485	\$ 2,850,000	\$ 1,265,000	\$ 19,398,485	\$ 1,285,000
Premium (discount)	39,469	(39,774)	4,034	(4,339)	-
Total bonds payable	<u>17,852,954</u>	<u>2,810,226</u>	<u>1,269,034</u>	<u>19,394,146</u>	<u>1,285,000</u>
Other liabilities					
Leases	816,817	131,764	175,144	773,437	187,820
Compensated absences					
Governmental	93,778	146,011	-	239,789	28,633
Business-type	5,927	11,473	-	17,400	-
Net OPEB liability	7,041,851	-	720,531	6,321,320	-
Net pension liability	<u>7,463,973</u>	<u>1,201,441</u>	<u>-</u>	<u>8,665,414</u>	<u>-</u>
Total other liabilities	<u>15,422,346</u>	<u>289,248</u>	<u>895,675</u>	<u>16,017,360</u>	<u>216,453</u>
Total long-term liabilities	<u>\$ 33,275,300</u>	<u>\$ 3,099,474</u>	<u>\$ 2,164,709</u>	<u>\$ 35,411,506</u>	<u>\$ 1,501,453</u>

**NOTE 5 – CAPITAL LEASES**

Leases meeting certain criteria are treated as financings and, according to generally accepted accounting principles, are recorded as capitalized leases. The District leases school buses pursuant to these types of leases and, as such, the cost is included with property and equipment. The related capital lease obligation reflects the present value of future lease payments less an interest amount implicit in the lease.

<u>Class of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>
Vehicles	\$ 1,817,366	\$ 1,578,207

**WEBSTER COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 5 – CAPITAL LEASES, continued**

Future minimum payments under the long-term capital lease obligation, together with the present value of the net minimum lease payments as of June 30, 2020 are, as follows:

Year Ending	KISTA Leases
2021	\$ 207,429
2022	179,672
2023	135,681
2024	104,615
2025	53,476
2026-2030	157,723
Total minimum lease payments	838,596
Lease amount representing interest	65,159
Present value of net minimum lease payments	\$ 773,437

**WEBSTER COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 5 – CAPITAL LEASES, continued**

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

	Balance July 1, 2019	Additions	Payments	Balance June 30, 2020	Due in One Year
KISTA 11	\$ 32,206	\$ -	\$ 15,833	\$ 16,373	\$ 16,373
KISTA 12	84,872	-	30,987	53,885	26,544
KISTA 13	150,656	-	41,960	108,696	43,214
KISTA 14	261,485	-	53,499	207,986	54,468
KISTA 17	177,208	-	21,130	156,078	21,130
KISTA 19	110,390	-	11,735	98,655	12,000
KISTA 20	-	131,764	-	131,764	14,091
	<u>\$ 816,817</u>	<u>\$ 131,764</u>	<u>\$ 175,144</u>	<u>\$ 773,437</u>	<u>\$ 187,820</u>

**NOTE 6 – FUND BALANCE REPORTING**

Following is a summary of designations of fund balance at June 30, 2020:

	General	Special Revenue	Student Activity	Building	Other Governmental	Total
Nonspendable	\$ 147,445	\$ -	\$ -	\$ -	\$ -	\$ 147,445
Restricted						
Sick leave	360,403	-	-	-	-	360,403
Student activity funds	-	-	309,005	-	-	309,005
Committed						
Sick leave	-	-	-	-	-	-
Site-based carryforward	-	-	-	-	-	-
Assigned	-	(100)	-	-	-	(100)
Unassigned	1,809,004	-	-	-	-	1,809,004
	<u>\$ 2,316,852</u>	<u>\$ (100)</u>	<u>\$ 309,005</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,625,757</u>

**WEBSTER COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7 – COMPENSATED ABSENCES**

Upon retirement, the school system employees will receive from the District an amount equal to 30.00% of the value of accumulated sick leave.

For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be funded with current year’s economic financial resources. These amounts are recorded in the account “accrued sick leave payable” in the General Fund. The amount estimated for General Fund expenditure for school year 2020 is \$28,633. Management has estimated that the long-term obligation for General Fund will be approximately \$211,156. The amount for the business-type activities is \$17,400 with the full amount considered to be a long-term obligation.

**NOTE 8 – ON-BEHALF PAYMENTS**

The Kentucky State Department of Education has indicated the following amounts were contributed on-behalf of the District for the year ended June 30, 2020:

Health insurance	\$ 2,490,607
Life insurance	3,884
Administrative fee	32,189
Health reimbursement account - HRA/dental/vision	110,688
	2,637,368
Federal reimbursements of health benefits	(175,073)
	2,462,295
KTRS Pension Fund	2,795,004
KTRS Insurance Fund	207,508
Technology	96,907
KISTA	-
SFCC debt service	706,725
	\$ 6,268,439

The District is not legally responsible for these contributions. These payments are not required to be budgeted by the District. The total of these payments has been included in revenues and the applicable expenditure functions in these financial statements as follows:

Governmental activities	
General Fund	\$ 5,461,941
Debt Service Fund	706,725
Business-type activities	
Food Service Fund	99,773
	\$ 6,268,439

**WEBSTER COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 9 – PENSION PLANS**

The District participates in the County Employees’ Retirement System (CERS), a blended component unit of the Commonwealth of Kentucky, and the Teachers’ Retirement System of the State of Kentucky (KTRS), a blended unit of the Commonwealth of Kentucky. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position have been determined on the same basis as they are reported by KTRS and CERS. 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.

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

*Plan description* – The Board contributes to the Non-Hazardous CERS plan, a cost-sharing multiple-employer defined benefit pension plan that covers all regular full-time members of each participating county, city and school board, and any additional eligible local agencies electing to participate in the plan. CERS is administered by the Board of Trustees of the Kentucky Retirement System. CERS issues a publicly available financial report that can be obtained at [www.kyret.ky.gov](http://www.kyret.ky.gov).

*Benefits provided* – CERS provides retirement, death and disability benefits to Plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Prior to July 1, 2009, Cost of Living Adjustments (COLAs) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5.00% in any plan year. After July 1, 2009, the COLAs were limited to 1.50%. No COLA has been granted since July 1, 2011. Employees are vested in the plan after five years’ service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date Unreduced retirement Reduced retirement  Required contributions	Before September 1, 2008 27 years’ service or 65 years old At least 5 years’ service and 55 years old At least 25 years’ service and any age 5.00%
Tier 2	Participation date Unreduced retirement  Reduced retirement Required contributions	September 1, 2008 – December 31, 2013 At least 5 years’ service and 65 years old or age 57+ and sum of service years plus age equal 87 At least 10 years’ service and 60 years old 5.00% + 1.00% for insurance
Tier 3	Participation date Unreduced retirement  Reduced retirement Required contributions	After December 31, 2013 At least 5 years’ service and 65 years old or age 57+ and sum of service years plus age equal 87 Not available 5.00% + 1.00% for insurance



**WEBSTER COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 9 – PENSION PLANS, continued**

Contributions – Employers participating in the CERS were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contributions and past service contribution rates shall be determined by the KRS Board of Trustees on the basis of an annual valuation last preceding the July 1 of a new biennium. The KRS Board of Trustees may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the KRS Board of Trustees. For the fiscal year ended June 30, 2019 and 2018, participating employers contributed 16.22% and 14.48%, respectively, of each employee’s creditable compensation. The actuarially determined rate set by the KRS Board of Trustees for the fiscal years June 30, 2019 and 2018 was 16.22% and 14.48%, respectively

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

At June 30, 2020, the District reported a liability of \$8,665,414 for its proportionate share of the net pension liability. The net pension liability of the plan was measured as of June 30, 2019 and 2018, 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 employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2020, the District’s proportion was 0.123210%.

For the year ended June 30, 2020, the District recognized pension expense of \$1,580,838. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 221,254	\$ 36,614
Change of assumptions	877,038	-
Net differences between projected and actual earnings on pension plan investments	166,342	306,032
Changes in proportion and difference between District contributions and proportionate share of contributions	96,353	4,099
District contributions subsequent to the measurement date	624,816	-
Total	\$ 1,985,803	\$ 346,745

**WEBSTER COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 9 – PENSION PLANS, continued**

The amount of \$624,816 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Years Ending June 30	
2020	\$ 657,769
2021	252,350
2022	94,213
2023	9,910
2024	-
Thereafter	-
Total	<u>\$ 1,014,242</u>

*Actuarial assumptions* – The total pension liability, net pension liability and sensitivity information as of June 30, 2019 were based on an actuarial valuation date of June 30, 2018. The total pension liability was rolled forward from the valuation date (June 30, 2018) to the plan’s fiscal year ending June 30, 2019, using generally accepted actuarial principles. There have been no changes in plan provisions since June 30, 2018 which were used to determine the total pension liability as follows:

	<u>CERS</u>
Inflation	2.30%
Projected salary increases	3.30% - 10.30%, varies by service
Investment rate of return, net of investment expense and inflation	6.25%
Payroll growth rate	2.00%

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-Hazardous System, 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.

Long-term rate of return – The long-term expected return on plan assets was determined by using a building-block method in which best-estimated ranges of expected future real 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.

**WEBSTER COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 9 – PENSION PLANS, continued**

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US equity	18.75%	4.30%
International equity	18.75%	4.80%
Core bonds	13.50%	1.35%
High yield	15.00%	2.60%
Opportunistic	3.00%	2.97%
Real estate	5.00%	4.85%
Real return	15.00%	4.10%
Private equity	10.00%	6.65%
Cash	1.00%	2.00%
<b>Total</b>	<b>100.0%</b>	

*Discount rate* – The discount rates used to measure the total pension liability for the measurement periods with years ended June 30, 2019 and 2018 were 6.25% and 6.25%, respectively. The projection of cash flows used to determine the discount rate assumed that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018). The discount rate determinations do not use a municipal bond rate. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the Comprehensive Annual Financial Report (CAFR).

*Sensitivity of the District's proportionate share of net pension liability to changes in the discount rate* – The following table presents the District's proportionate share of the net pension liability, calculated using the discount rates selected by the pension system, 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 or 1-percentage-point higher than the current rate.

	1% Decrease 5.25%	Current Discount Rate 6.25%	1% Increase 7.25%
District's proportionate share of net pension liability	\$ 10,837,975	\$ 8,665,414	\$ 6,854,606

**WEBSTER COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 9 – PENSION PLANS, continued**

*Pension plan fiduciary net position* – Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial reports of CERS.

*Payable to the pension plan* – At June 30, 2020, the District reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

**General information about the Teachers’ Retirement System of the State of Kentucky (“KTRS”)**

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

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

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

Participants who retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New members (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2.00% of their final average salary for each year of service if, upon retirement, their total service was 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 2.50% of their final average salary for each year of service, including the first ten years. In addition, members who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.50% to 3.00% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

**WEBSTER COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 9 – PENSION PLANS, continued**

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

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

*Contributions* – Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university members are required to contribute 12.855% of their salaries to the System effective July 1, 2015.

For members employed by local school districts, the Commonwealth of Kentucky, as a non-employer contributing entity, contributes 13.105% of salaries for those who joined before July 1, 2008 and 14.105% for those who joined thereafter. 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.

At June 30, 2020, the amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth of Kentucky (State) support, and the total portion of the net pension liability that was associated with the District were as follows:

Commonwealth's proportionate share of KTRS net pension liability associated with the District	<u>\$ 37,140,226</u>
	<u><u>\$ 37,140,226</u></u>

The net pension liability measured as of June 30, 2020 is based on the June 30, 2018 actuarial valuation as rolled forward to the plan's fiscal year end of June 30, 2019 using generally accepted actuarial principles.

For the year ended June 30, 2020, the District recognized pension expense of \$3,882,743 and revenue of \$3,882,743 for support provided by the State in the government-wide financial statements.

**WEBSTER COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 9 – PENSION PLANS, continued**

*Actuarial assumptions*

Valuation date	June 30, 2018
Experience study	July 1, 2010 - June 30, 2015
Actuarial cost method	Entry age
Actuarial assumptions:	
Investment rate of return	7.50%, net of pension plan, investment expense, including inflation
Projected salary increase	3.50% - 7.30%, including inflation
Inflation rate	3.00%

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).

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
U.S. equity	40.00%	4.20%
International equity	22.00%	5.20%
Fixed income	15.00%	1.20%
Additional categories	8.00%	3.38%
Real estate	6.00%	3.80%
Private equity	7.00%	6.30%
Cash	2.00%	0.90%
Total	<u>100.0%</u>	

**WEBSTER COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 9 – PENSION PLANS, continued**

*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 the employer contributions will be made at actuarially determined contribution rates, adjusted by 95.00%, 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.

*Pension plan fiduciary net position* – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of KTRS

**NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**General Information about the County Employees Retirement Systems Non-Hazardous OPEB Plan**

*Plan description* – County Employees Retirement System consists of two plans, Non-Hazardous and Hazardous. Each plan is a cost-sharing multiple-employer defined benefit Other Postemployment Benefits (OPEB) plan administered by the Kentucky Retirement Systems (KRS) under the provision of Kentucky Revised Statute 61.645. The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of each participating county, city and any additional eligible local agencies electing to participate. The District participates in the Non-Hazardous plan. The CERS Insurance Fund is included in a publicly available financial report that can be obtained at [www.kyret.ky.gov](http://www.kyret.ky.gov).

*Benefits provided* – The KRS' Insurance Fund was established to provide hospital and medical insurance for eligible members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide healthcare benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

**WEBSTER COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS(OPEB), continued**

*Contributions* – Employers participating in the CERS Insurance Fund contribute a percentage of each employee's creditable compensation. The actuarially determined rates set by the KRS board is a percentage of each employee's creditable compensation. For the year ended June 30, 2020, required contributions were 5.26% of each employee's covered payroll. Contributions from the District to the CERS Insurance Fund for the year ended June 30, 2020 were \$154,100. The KRS board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the KRS board. Employees qualifying as Tier 2 and Tier 3 of the CERS plan members contribute 1.00% of creditable compensation to an account created for the payment of health insurance benefits.

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

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

At June 30, 2020, the District reported a liability of \$2,072,320 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. 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 District's proportion of the net OPEB liability was based on the District's share of contributions to the OPEB plan relative to the contributions of all participating employers, actuarially determined. At June 30, 2020, the District's proportion for was 0.123209%.

For the year ended June 30, 2020, the District recognized OPEB expense of approximately \$232,532.



**WEBSTER COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 625,267
Changes of assumptions	613,219	4,101
Net difference between projected and actual earnings on pension plan investments	13,650	105,693
Changes in proportion and difference between District contributions and proportionate share of contributions	27,554	3,471
District contributions subsequent to the measurement date	154,100	-
 Total	 \$ 808,523	 \$ 738,532

For the year ended June 30, 2020, \$154,100 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30		
2020	\$	(10,178)
2021		(10,178)
2022		19,087
2023		(36,988)
2024		(38,793)
Thereafter		(7,059)
Total	\$	(84,109)

**WEBSTER COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued**

*Actuarial assumptions* –The total OPEB liability actuarial valuation were determined using the following actuarial methods and assumptions:

Valuation date	June 30, 2018
Payroll growth rate	2.00%
Inflation	2.30%
Salary increase	3.30% to 10.30%, varies by service
Investment rate of return	6.25%
Healthcare cost trend rates (pre-65)	Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years
Healthcare cost trend rates (post-65)	Initial trend starting at 5.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years

The mortality table for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (male mortality rates are multiplied by 50.00% and female mortality rates are multiplied by 30.00%). The mortality table for healthy retired members and beneficiaries is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (female mortality rates are set back on year). The mortality table for disabled members is the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (male mortality rates are set back four years) is used for the period after disability retirement.

*Long-term expected rate of return* – The long-term expected return on plan assets was determined by using a building-block method in which best-estimated ranges of expected future real 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.

**WEBSTER COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued**

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Nominal Return</u>
US equity	18.75%	4.30%
International equity	18.75%	4.80%
Core bonds	13.50%	1.35%
High yield	15.00%	2.60%
Opportunistic	3.00%	2.97%
Real estate	5.00%	4.85%
Real return	15.00%	4.10%
Private equity	10.00%	6.65%
Cash	1.00%	0.20%
<b>Total</b>	<b>100.00%</b>	

*Discount rate* – The discount rates used to measure the total OPEB liability for the years ended June 30, 2020 and 2019 were 5.68% and 5.85% for non-hazardous and 5.69% and 5.97% for hazardous, respectively, assuming 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 single discount rates were based on the expected rates of return on the OPEB plan investments for the years ended June 30, 2020 and 2019 of 6.25% and 6.25%, and municipal bond rates of 3.13% and 3.62%, respectively, 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 Board’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the Board’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

*Sensitivity of the Board’s proportionate share of the net OPEB liability to changes in the discount rate* – The following presents the Board’s proportionate share of the net OPEB liability, as well as what the Board’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.68% for non-hazardous and 4.69% for hazardous) or 1-percentage-point higher (6.68% for non-hazardous and 6.69% for hazardous) than the current rate:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of net OPEB liability	\$ 2,776,056	\$ 2,072,320	\$ 1,492,488

**WEBSTER COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued**

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

	1% Decrease 4.68%	Current Discount Rate 5.68%	1% Increase 6.68%
District's proportionate share of net OPEB liability	\$ 1,541,195	\$ 2,072,320	\$ 2,716,372

*Pension plan fiduciary net position* – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report on the KRS website at [www.kyret.ky.gov](http://www.kyret.ky.gov).

*Payable to the OPEB plan* – At June 30, 2020, the District reported a payable of \$0 for the outstanding amount of contributions to the CERS OPEB plan required for the year ended June 30, 2020.

**General Information about the Teachers’ Retirement System of Kentucky (KTRS) OPEB Plan**

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

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

**Medical Insurance Plan**

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

**WEBSTER COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued**

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

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

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

At June 30, 2020, the District reported a liability of \$4,249,000 for its proportionate share of the net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was based on a projection of the District’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the District’s proportion was 0.145170%.

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

District's proportionate share of net OPEB liability	\$	4,249,000
State's proportionate share of net OPEB liability associated with the District		3,431,000
Total	\$	7,680,000

**WEBSTER COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued**

For the year ended June 30, 2020, the District recognized OPEB expense of \$169,000 and revenue of \$16,000 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,028,000
Changes of assumptions	113,000	-
Net difference between projected and actual earnings on pension plan investments	18,000	-
Changes in proportion and difference between District contributions and proportionate share of contributions	153,000	43,000
District contributions subsequent to the measurement date	254,210	-
<b>Total</b>	<b>\$ 538,210</b>	<b>\$ 1,071,000</b>

Of the total amount reported as deferred outflows of resources related to OPEB, \$254,210 resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Years Ending June 30	
2020	\$ (150,000)
2021	(150,000)
2022	(140,000)
2023	(142,000)
2024	(128,000)
Thereafter	(77,000)
Total	<b>\$ (787,000)</b>

**WEBSTER COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued**

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

Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.50 - 7.20%, including inflation
Inflation rate	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Healthcare cost trend rates	
Under 65	7.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2024
Ages 65 and older	5.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2021
Medicare Part B premiums	1.02% for FY 2018 with an ultimate rate of 5.00% by 2030
Municipal bond index rate	3.89%
Discount rate	8.00%
Single equivalent interest rate	8.00%, net of OPEB plan investment expense, including inflation

Mortality rates 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 most recent actuarial experience studies for TRS, which covered the five-year period ended June 30, 2015. The remaining actuarial assumptions (e.g. initial per capita costs, healthcare 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 healthcare 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 OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**WEBSTER COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued**

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global equity	58.00%	5.10%
Fixed income	9.00%	1.20%
Real estate	6.50%	3.80%
Private equity	8.50%	6.30%
Other additional categories	17.00%	3.20%
Cash (LIBOR)	1.00%	0.90%
Total	<u>100.0%</u>	

*Discount rate* – The discount rate used to measure the total OPEB liability was 8.00%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection’s basis was an actuarial valuation performed as of June 30, 2018. Other assumptions are listed in the TRS CAFR and in the RSI. Based on those assumptions, the OPEB plan’s fiduciary net position was not projected to be depleted.

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

	1% Decrease <u>7.00%</u>	Current Discount Rate <u>8.00%</u>	1% Increase <u>9.00%</u>
District's proportionate share of net OPEB liability	\$ 5,033,000	\$ 4,249,000	\$ 3,592,000

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

	1% <u>Decrease</u>	Current Healthcare Cost Trend Rate <u>          </u>	1% <u>Increase</u>
District's proportionate share of net OPEB liability	\$ 3,459,000	\$ 4,249,000	\$ 5,220,000



**WEBSTER COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued**

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

**Life Insurance Plan**

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

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

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

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

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

District's proportionate share of net OPEB liability	\$	-
State's proportionate share of net OPEB liability associated with the District		80,000
<b>Total</b>	<b>\$</b>	<b>80,000</b>

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

**WEBSTER COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued**

*Actuarial assumptions* – The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.50% - 7.20%, including inflation
Inflation rate	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Municipal bond index rate	3.50%
Discount rate	7.50%
Single equivalent interest rate	7.50%, net of OPEB plan investment expense, including inflation

Mortality rates 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 most recent actuarial experience studies for TRS, which covered the five-year period ended June 30, 2015.

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

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
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%	3.30%
Cash (LIBOR)	2.00%	0.90%
Total	<u>100.00%</u>	

**WEBSTER COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued**

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

*OPEB plan fiduciary net position* – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report on the website at [www.trs.ky.gov](http://www.trs.ky.gov).

**NOTE 11 – CONTINGENCIES AND COMMITMENTS**

Grant Programs

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review, the funds are considered not to have been used for the intended purpose, the grantor may request a refund of 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.

KISBIT

In prior years, to obtain insurance for workers' compensation, errors and omissions and general liability coverage, the District participated in the Kentucky School Boards Insurance Trust Liability Fund (KSBIT). These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District paid an annual premium to each fund for coverage.

KSBIT is under a corrective action plan with the Kentucky Department of Insurance (DOI) due to a deficit in net worth. On May 13, 2014, an assessment plan for KSBIT members was approved by the Court which provides a payment for the KSBIT members. The approved assessment plan contained components which are subject to ongoing litigation. The payment plan from the assessment began subsequent to June 30, 2014. The District was notified in FY 2014 by the Kentucky School Board Insurance Trust of a liability in the amount of \$86,905 for workers' compensation losses incurred by the Trust. The District made a 25.00% down payment in the amount of \$21,726 in August 2014. The District chose to pay the remaining liability of \$65,179 in six installments beginning August 31, 2015. The entire unpaid balance of the assessment is due and payable in full on August 15, 2020.

**WEBSTER COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 11 – CONTINGENCIES AND COMMITMENTS, continued**

COVID-19

The degree of impact of the District's finances and operations is difficult to predict due to the evolving nature of the COVID-19 pandemic. The ultimate duration and severity of the pandemic, the ramifications of future actions that may be taken or required by governmental authorities to contain and respond to the pandemic, and the severity of an associated economic recession and extent to which a recovery may be prolonged, are not yet known.

**NOTE 12 – RISK MANAGEMENT AND LITIGATION**

The District is exposed to various risks of loss of assets associated with the risks related to torts; theft of, damage to and destruction of assets; fire, personal liability, vehicular accidents; errors and omissions; injuries to employees; fiduciary responsibility; and natural disaster. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which include workers' compensation insurance.

Contributions to the Workers' Compensation Fund were based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount.

The District purchases unemployment insurance through KSBIT; 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.

From time to time, the District is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the District's financial statements.

**NOTE 13 – NET POSITION DEFICIT BALANCE**

There were no funds with deficit fund balances.

The following fund had excess current year expenditures over current year appropriated revenues:

General Fund	\$ (500,459)
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**WEBSTER COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 14 – 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 has notified all terminated employees of available continuing insurance coverage as mandated by COBRA.

**NOTE 15 – TRANSFER OF FUNDS**

The following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Special Revenue	Debt Service	ATC building	\$ 50,100
Capital Outlay	Debt Service	General debt	5,125
Building	Debt Service	Nickel and state match	825,537
Food Service	General	Indirect costs	50,000
General	Debt Service	KISTA payments	195,703
General	Debt Service	Energy savings series	133,644
General	Special Revenue	KETS match	40,362
General	Special Revenue	Community ED match	5,000
General	Debt Service	General debt	80,020
			<u>\$ 1,385,491</u>

**NOTE 16 – INTERFUND RECEIVABLES AND PAYABLES**

There were no interfund receivables and payables at June 30, 2020.

**NOTE 17 – CHANGE IN ACCOUNTING PRINCIPLE**

During the year ended June 30, 2020, the District adopted new accounting guidance by implementing the provisions of GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted in changing the presentation of the financial statements by removing student activity funds from fiduciary reporting to governmental activities. The governmental activities net position and fund balance increased by \$263,123 and the fiduciary fund net position decreased by \$263,123.

**WEBSTER COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 18 – RECENT ACCOUNTING PRONOUNCEMENTS**

**Recently Issued Accounting Pronouncements Not Yet Adopted**

In May, 2020, the GASB issued Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. GASB 95 was issued to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This was accomplished by postponing effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The pronouncements that are applicable to the District and the new effective dates are as follows:

In June, 2017, the GASB issued Statement 87, *Leases*. GASB 87 was issued to increase usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The provisions of this statement were supposed to take effect for the District's financial statements for the fiscal year ending June 30, 2021; however, this statement was postponed for eighteen months and will now be effective for the fiscal year ending June 30, 2022.

In June, 2018, the GASB issued Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. GASB 89 requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions of this statement were supposed to take effect for the District's financial statements for the fiscal year ending June 30, 2021; however, this statement is now postponed to the fiscal year ending June 30, 2022.

**NOTE 19 – PRIOR PERIOD ADJUSTMENTS**

Beginning balances were restated to correct errors as follows: General Fund \$(211), Student Activity Fund \$75 and District Activity Fund \$560.

**REQUIRED SUPPLEMENTARY INFORMATION**

**WEBSTER COUNTY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>REVENUES</b>				
From local sources				
Taxes				
Property	\$ 3,213,873	\$ 3,213,873	\$ 3,238,733	\$ 24,860
Motor vehicle	523,534	523,534	566,598	43,064
Utilities	746,758	746,758	855,317	108,559
Other	54,010	54,010	55,520	1,510
Earnings on investments	70,000	70,000	82,046	12,046
Other local revenues	55,749	55,749	95,947	40,198
Intergovernmental - state	9,495,843	9,495,843	9,430,406	(65,437)
Intergovernmental - federal	30,000	30,000	44,367	14,367
<b>Total revenues</b>	<b>14,189,767</b>	<b>14,189,767</b>	<b>14,368,934</b>	<b>179,167</b>
<b>EXPENDITURES</b>				
Current				
Instruction	7,648,993	7,648,993	7,308,974	340,019
Support services				
Student	1,115,045	1,115,045	1,054,794	60,251
Instructional staff	559,175	559,175	542,018	17,157
District administration	814,114	814,114	490,663	323,451
School administration	1,098,433	1,098,433	1,083,607	14,826
Business	451,205	451,205	459,479	(8,274)
Plant operations and maintenance	2,261,764	2,261,764	2,298,468	(36,704)
Student transportation	1,379,890	1,379,890	1,229,213	150,677
Community service activities	50	50	-	50
Contingency	1,315,109	1,315,109	-	1,315,109
<b>Total expenditures</b>	<b>16,643,778</b>	<b>16,643,778</b>	<b>14,467,216</b>	<b>2,176,562</b>
Excess (deficit) of revenues over (under) expenditures	(2,454,011)	(2,454,011)	(98,282)	2,355,729
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of fixed assets	-	-	2,552	2,552
Transfers in	50,000	50,000	50,000	-
Transfers (out)	(375,347)	(375,347)	(454,729)	(79,382)
<b>Total other financing sources (uses)</b>	<b>(325,347)</b>	<b>(325,347)</b>	<b>(402,177)</b>	<b>(76,830)</b>
Net change in fund balance	(2,779,358)	(2,779,358)	(500,459)	2,278,899
<b>Fund balance, beginning of year</b>	<b>2,779,358</b>	<b>2,779,358</b>	<b>2,817,522</b>	<b>38,164</b>
Prior period adjustment	-	-	(211)	(211)
<b>Fund balance, beginning of year, restated</b>	<b>2,779,358</b>	<b>2,779,358</b>	<b>2,817,311</b>	<b>37,953</b>
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,316,852</b>	<b>\$ 2,316,852</b>



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

	<u>Budgeted Amount</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
From local sources				
Other local revenues	\$ 2,186	\$ 3,699	\$ -	\$ (3,699)
Intergovernmental - state	802,438	803,925	748,902	(55,023)
Intergovernmental - federal	<u>2,149,975</u>	<u>2,411,426</u>	<u>2,048,360</u>	<u>(363,066)</u>
 Total revenues	 <u>2,954,599</u>	 <u>3,219,050</u>	 <u>2,797,262</u>	 <u>(421,788)</u>
 <b>EXPENDITURES</b>				
Current				
Instruction	1,667,239	1,930,202	1,475,445	454,757
Support services				
Student	27,493	27,493	17,152	10,341
Instructional staff	845,770	847,257	813,934	33,323
Business	375	375	131	244
Plant operations and maintenance	21,899	21,899	31,589	(9,690)
Student transportation	40,213	40,213	112,103	(71,890)
Community service activities	<u>353,396</u>	<u>353,397</u>	<u>342,171</u>	<u>11,226</u>
 Total expenditures	 <u>2,956,385</u>	 <u>3,220,836</u>	 <u>2,792,525</u>	 <u>428,311</u>
 Excess (deficit) of revenues over (under) expenditures	 <u>(1,786)</u>	 <u>(1,786)</u>	 <u>4,737</u>	 <u>6,523</u>
 <b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	45,362	45,362	45,362	-
Transfers (out)	<u>(43,576)</u>	<u>(43,576)</u>	<u>(50,099)</u>	<u>(6,523)</u>
 Total other financing sources (uses)	 <u>1,786</u>	 <u>1,786</u>	 <u>(4,737)</u>	 <u>(6,523)</u>
 Net change in fund balance	 -	 -	 -	 -
 Fund balance, beginning of year	 <u>-</u>	 <u>-</u>	 <u>(100)</u>	 <u>(100)</u>
 Fund balance, end of year	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ (100)</u>	 <u>\$ (100)</u>

**WEBSTER COUNTY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – BUILDING FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
From local sources				
Taxes				
Property	\$ 366,899	\$ 366,899	\$ 408,297	\$ 41,398
Earnings on investments	13,676	13,676	13,676	-
Intergovernmental - state	458,638	458,638	408,876	(49,762)
 Total revenues	<u>839,213</u>	<u>839,213</u>	<u>830,849</u>	<u>(8,364)</u>
 <b>EXPENDITURES</b>				
Building improvements	2,946,278	2,946,278	2,523,715	422,563
 Total expenditures	<u>2,946,278</u>	<u>2,946,278</u>	<u>2,523,715</u>	<u>422,563</u>
 Excess (deficit) of revenues over (under) expenditures	<u>(2,107,065)</u>	<u>(2,107,065)</u>	<u>(1,692,866)</u>	<u>414,199</u>
 <b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from bond issue	2,850,000	2,850,000	2,850,000	-
Operating transfers out	(825,537)	(825,537)	(825,538)	(1)
 Total other financing sources (uses)	<u>2,024,463</u>	<u>2,024,463</u>	<u>2,024,462</u>	<u>(1)</u>
 Net change in fund balance	(82,602)	(82,602)	331,596	414,198
 <b>Fund balance, beginning of year</b>	<u>82,602</u>	<u>82,602</u>	<u>(331,596)</u>	<u>(414,198)</u>
 <b>Fund balance, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**WEBSTER COUNTY SCHOOL DISTRICT  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2020**

**NOTE 1 – BUDGETARY INFORMATION**

The District's budgetary process accounts for transactions on a basis other than GAAP. Differences between the budgetary accounting methods and GAAP are not material.

In accordance with state law, the District prepares a general school budget based upon the amount of revenue to be raised by local taxation, including the rate of levy and from estimates of other Local, State and Federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay and other necessary expenses. The budget must be approved by the Board.

The District does not budget for on-behalf payments, which are reported with the General and Food Service Funds in the fund financial statements and the budgetary comparison supplementary information.

The District must formally and publicly examine estimated revenues and expenses for the subsequent fiscal year by January 31 of each calendar year.

Additionally, the District must prepare an annual allocation to schools by March 1 of each year for the following fiscal year. This allocation must include the amount for certified and classified staff based on the District's staffing policy and the amount for instructional supplies, materials, travel and equipment.

Additionally, the District must adopt a tentative working budget for the subsequent fiscal year by May 30 of each year. This budget must contain a 2.00% reserve.

Finally, the District must adopt a final working budget and submit it to the Kentucky Department of Education by September 30 of the current fiscal year.

The Board has the ability to amend the working budget. The working budget was amended during the year.

**Reconciliation to the General Fund**

Revenues - budgetary basis	\$ 14,368,934
On-behalf payments	<u>5,461,940</u>
Total revenues - modified cash basis	<u><u>\$ 19,830,874</u></u>
Expenditures - budgetary basis	\$ 14,467,216
On-behalf payments	<u>5,461,940</u>
Total expenditures - modified cash basis	<u><u>\$ 19,929,156</u></u>

**WEBSTER COUNTY SCHOOL DISTRICT  
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)**

<u>As of June 30</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of net pension liability	0.123210%	0.122555%	0.119764%	0.120630%	0.113760%	0.119530%
District's proportionate share of net pension liability	\$ 8,665,414	\$ 7,463,973	\$ 7,010,155	\$ 5,939,134	\$ 4,891,090	\$ 3,964,600
District's covered-employee payroll	\$ 3,097,734	\$ 3,051,541	\$ 2,915,437	\$ 2,845,728	\$ 2,671,990	\$ 2,733,755
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	279.73%	244.60%	240.45%	208.70%	183.05%	145.02%
Plan fiduciary net position as a percentage of total pension liability	50.45%	54.54%	53.30%	55.50%	59.97%	66.80%

Note: Information prior to 2015 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

See accompanying notes to the required supplementary information

**WEBSTER COUNTY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS – PENSION  
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)**

<u>For the year ended June 30</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 624,816	\$ 502,453	\$ 441,863	\$ 544,604	\$ 485,482	\$ 472,141
Contributions in relation to the contractually required contribution	<u>624,816</u>	<u>502,453</u>	<u>441,863</u>	<u>544,604</u>	<u>485,482</u>	<u>472,141</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 3,237,390	\$ 3,097,734	\$ 3,051,541	\$ 2,915,437	\$ 2,845,728	\$ 2,671,990
Contributions as a percentage of covered-employee payroll	19.30%	16.22%	14.48%	18.68%	17.08%	17.67%

Note: Information prior to 2015 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to the required supplementary information

**WEBSTER COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION  
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)**

Changes in benefit terms

No changes

Changes in assumptions

There have been no changes in plan provisions since June 30, 2018. However, the Board of Trustees has 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 is determined using these updated assumptions.

**WEBSTER COUNTY SCHOOL DISTRICT  
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
KENTUCKY RETIREMENT SYSTEMS (KTRS)**

<u>As of June 30</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of net pension liability	0%	0%	0%	0%	0%	0%
District's proportionate share of net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of net pension liability associated with the District	\$ 37,140,226	\$ 35,507,401	\$ 72,432,356	\$ 79,598,961	\$ 62,295,529	\$ 56,319,829
District's covered-employee payroll	\$ 9,103,181	\$ 8,935,838	\$ 8,679,401	\$ 8,698,096	\$ 8,473,221	\$ 8,590,602
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of total pension liability	58.76%	59.30%	39.83%	35.22%	42.49%	45.59%

Note: Information prior to 2015 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

See accompanying notes to the required supplementary information

**WEBSTER COUNTY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS – PENSION  
KENTUCKY RETIREMENT SYSTEMS (KTRS)**

<u>For the year ended June 30</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 9,122,924	\$ 9,103,181	\$ 8,935,838	\$ 8,679,401	\$ 8,698,096	\$ 8,473,221
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Note: Information prior to 2015 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to the required supplementary information



**WEBSTER COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION  
KENTUCKY RETIREMENT SYSTEMS (KTRS)**

Changes in benefit terms

None

Changes in assumptions

The Municipal Bond Index Rate was changed from 3.89% to 3.50%

**WEBSTER COUNTY SCHOOL DISTRICT  
SCHEDULE OF PROPORTIONATE SHARE OF COLLECTIVE NET OPEB LIABILITY  
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)**

<u>As of June 30</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of net OPEB liability	0.123209%	0.122550%	0.011976%
District's proportionate share of net OPEB liability	\$ 2,072,320	\$ 2,175,851	\$ 2,407,666
District's covered - employee payroll	\$ 3,097,734	\$ 3,051,541	\$ 2,915,437
District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	66.90%	71.30%	82.58%
Plan fiduciary net position as a percentage of total OPEB liability	60.44%	52.62%	52.40%

Note: Information prior to 2018 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

See accompanying notes to the required supplementary information

**WEBSTER COUNTY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS – OPEB  
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)**

<u>For the year ended June 30</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 154,100	\$ 162,941	\$ 143,421
Contributions in relation to the contractually required contribution	<u>154,100</u>	<u>162,941</u>	<u>143,421</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 3,237,390	\$ 3,097,734	\$ 3,051,541
Contributions as a percentage of covered-employee payroll	4.76%	5.26%	4.70%

Note: Information prior to 2018 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to the required supplementary information

**WEBSTER COUNTY SCHOOL DISTRICT  
SCHEDULE OF PROPORTIONATE SHARE OF COLLECTIVE NET OPEB LIABILITY AND  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS  
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)**

Changes in benefit terms

No changes

Changes of assumptions

There have been no changes in plan provisions since June 30, 2018. However, the Board of Trustees has 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 is determined using these updated assumptions.

**WEBSTER COUNTY SCHOOL DISTRICT  
SCHEDULE OF PROPORTIONATE SHARE OF COLLECTIVE NET OPEB LIABILITY  
KENTUCKY TEACHERS' RETIREMENT SYSTEM –  
MEDICAL INSURANCE FUND (KTRS)**

<u>As of June 30</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of collective net OPEB liability	0.145170%	0.140247%	0.141923%
District's proportionate share of collective net OPEB liability	\$ 4,249,000	\$ 4,866,000	\$ 5,061,000
District's covered-employee payroll	\$ 8,425,944	\$ 8,327,383	\$ 7,960,182
District's proportionate share of collective net OPEB liability as a percentage of its covered-employee payroll	91.15%	108.80%	115.51%
Plan fiduciary net position as a percentage of total OPEB liability	32.58%	25.50%	21.18%

Note: Information prior to 2018 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

See accompanying notes to the required supplementary information

**WEBSTER COUNTY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS – OPEB  
KENTUCKY TEACHERS' RETIREMENT SYSTEM –  
MEDICAL INSURANCE FUND (KTRS)**

<u>For the year ended June 30</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 254,210	\$ 252,832	\$ 249,824
Contributions in relation to the contractually required contribution	<u>254,210</u>	<u>252,832</u>	<u>249,824</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 8,473,589	\$ 8,425,944	\$ 8,327,383
Contributions as a percentage of covered-employee payroll	3.00%	3.00%	3.00%

Note: Information prior to 2018 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to the required supplementary information

**WEBSTER COUNTY SCHOOL DISTRICT  
SCHEDULE OF PROPORTIONATE SHARE OF COLLECTIVE NET OPEB LIABILITY  
KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS) –  
LIFE INSURANCE FUND**

<u>As of June 30</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of collective net OPEB liability	0.000000%	0.000000%	0.000000%
District's proportionate share of collective net OPEB liability	\$ -	\$ -	\$ -
State's proportionate share of collective net OPEB liability	<u>80,000</u>	<u>72,000</u>	<u>55,000</u>
Total	<u>\$ 80,000</u>	<u>\$ 72,000</u>	<u>\$ 55,000</u>
District's covered-employee payroll	\$ 8,425,944	\$ 8,327,383	\$ 7,960,182
District's proportionate share of collective net OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of total OPEB liability	75.00%	75.00%	79.99%

Note: Information prior to 2018 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

See accompanying notes to the required supplementary information

**WEBSTER COUNTY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS – OPEB  
KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS) –  
LIFE INSURANCE FUND**

<u>For the year ended June 30</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 8,473,589	\$ 8,425,944	\$ 8,327,383
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%

Note: Information prior to 2018 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to the required supplementary information



**WEBSTER COUNTY SCHOOL DISTRICT  
SCHEDULE OF PROPORTIONATE SHARE OF COLLECTIVE NET OPEB LIABILITY AND  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS  
KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS)**

**Medical Insurance Fund**

Changes in benefit terms

No changes

Changes in assumptions

No changes

**Life Insurance Fund**

Changes in benefit terms

No changes

Change in assumptions

No changes

**OTHER SUPPLEMENTARY INFORMATION**

**WEBSTER COUNTY SCHOOL DISTRICT  
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2020**

	SEEK Capital Outlay	Debt Service	District Activity	Total Nonmajor Governmental
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 18,586	\$ 18,586
Total assets and resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,586</u>	<u>\$ 18,586</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Interfund payable	-	-	-	-
Deferred revenue	-	-	18,586	18,586
Total liabilities	<u>-</u>	<u>-</u>	<u>18,586</u>	<u>18,586</u>
Fund Balances				
Nonspendable	-	-	-	-
Spendable				
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,586</u>	<u>\$ 18,586</u>

**WEBSTER 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	Debt Service	District Activity	Total Nonmajor Governmental
<b>REVENUES</b>				
Earnings on investments	\$ -	\$ -	\$ -	\$ -
From local sources				
Other local revenues	-	-	24,866	24,866
Intergovernmental - state	192,202	706,725	-	898,927
Total revenues	192,202	706,725	24,866	923,793
<b>EXPENDITURES</b>				
Current				
Instruction	-	-	17,490	17,490
Support services				
Plant operations & maintenance	-	-	7,376	7,376
Building acquisition and construction	176,215	-	-	176,215
Debt service	10,862	1,996,854	-	2,007,716
Total expenditures	187,077	1,996,854	24,866	2,208,797
Excess (deficit) of revenues over (under) expenditures	5,125	(1,290,129)	-	(1,285,004)
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond proceeds	-	-	-	-
Transfers in	-	1,290,129	-	1,290,129
Transfers (out)	(5,125)	-	-	(5,125)
Total other funding sources (uses)	(5,125)	1,290,129	-	1,285,004
Net change in fund balances	-	-	-	-
<b>Fund balances, beginning of year</b>	-	-	(596)	(596)
Prior period adjustment	-	-	596	596
<b>Fund balances, beginning of year, restated</b>	-	-	-	-
<b>Fund balances, end of year</b>	\$ -	\$ -	\$ -	\$ -

**WEBSTER COUNTY SCHOOL DISTRICT  
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES  
AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

	Cash Balance			Cash Balance	Accounts	Accounts	Fund Balance
	July 1, 2019	Receipts	Disbursements	June 30, 2020	Receivable	Payable	June 30, 2020
Webster County High School	\$ 162,279	\$ 298,840	\$ 263,731	\$ 197,388	\$ -	\$ -	\$ 197,388
Webster County Middle School	25,326	90,488	77,589	38,225	-	-	38,225
Clay Elementary	17,185	12,636	12,959	16,862	-	-	16,862
Dixon Elementary	42,783	18,118	18,893	42,008	-	-	42,008
Providence Elementary	5,073	5,410	4,346	6,137	-	-	6,137
Sebree Elementary	10,477	16,947	18,932	8,492	-	-	8,492
	<u>\$ 263,123</u>	<u>\$ 442,439</u>	<u>\$ 396,450</u>	<u>\$ 309,112</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 309,112</u>
Total agency funds							

**WEBSTER COUNTY SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS  
SCHOOL ACTIVITY FUNDS – WEBSTER COUNTY HIGH SCHOOL  
FOR THE YEAR ENDED JUNE 30, 2020**

	Cash Balance July 1, 2019	Receipts	Disbursements	Cash Balance June 30, 2020	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2020
Academic	\$ 251	\$ 150	\$ -	\$ 401	\$ -	\$ -	\$ 401
Agriculture	3,216	1,263	2,310	2,169	-	-	2,169
Annual Staff	6,817	5,277	5,904	6,190	-	-	6,190
Archery	4,235	7,165	2,573	8,827	-	-	8,827
Athletic	25,039	78,064	75,124	27,979	-	-	27,979
Athletic - Boys BB	1,301	8,398	9,428	271	-	-	271
Athletic - Girls BB	1,701	7,900	7,514	2,087	-	-	2,087
Arts & Humanities	1,639	4,026	4,050	1,615	-	-	1,615
Band	4,849	14,594	9,569	9,874	-	-	9,874
Baseball	(905)	6,708	4,907	896	-	-	896
BETA Club	403	-	-	403	-	-	403
Bookstore	2,926	-	-	2,926	-	-	2,926
Cheerleaders	4,916	5,058	4,348	5,626	-	-	5,626
Chromebook	863	26,407	26,385	885	-	-	885
Community Education	4	-	-	4	-	-	4
College Bd	1,982	12,830	11,643	3,169	-	-	3,169
Prom	6,897	6,759	5,319	8,337	-	-	8,337
Cross Country - Boys	35	20	-	55	-	-	55
Cross Country - Girls	20	20	-	40	-	-	40
Culinary Skills	2,111	-	-	2,111	-	-	2,111
DAF Instruction	-	9,801	9,801	-	-	-	-
DAF Athletics	-	7,364	7,364	-	-	-	-

Continued

**WEBSTER COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS, continued**  
**SCHOOL ACTIVITY FUNDS – WEBSTER COUNTY HIGH SCHOOL**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Cash Balance July 1, 2019	Receipts	Disbursements	Cash Balance June 30, 2020	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2020
Dance Team	2,119	-	-	2,119	-	-	2,119
English	1,147	35	10	1,172	-	-	1,172
FFA	9,336	27,288	25,912	10,712	-	-	10,712
FMD	-	100	-	100	-	-	100
FACS	(42)	42	-	-	-	-	-
FCA	2,089	887	312	2,664	-	-	2,664
FCCLA	930	3,884	4,084	730	-	-	730
Theatre	2,910	-	340	2,570	-	-	2,570
Football	4,848	3,015	7,311	552	-	-	552
General Fund	7,181	9,730	5,430	11,481	-	-	11,481
Girls Softball	(422)	422	(1,236)	1,236	-	-	1,236
Golf - Boys	1,309	1,913	1,658	1,564	-	-	1,564
Golf - Girls	2,271	3,751	3,886	2,136	-	-	2,136
Greenhouse	26,808	15,286	4,136	37,958	-	-	37,958
Guidance	114	25	-	139	-	-	139
Latino Alliance	111	2,136	962	1,285	-	-	1,285
Library	640	-	-	640	-	-	640
Math	131	62	30	163	-	-	163
Physical Education	438	38	13	463	-	-	463
Project Graduation	204	6,971	5,449	1,726	-	-	1,726
Quiz Bowl	94	-	65	29	-	-	29
Pepsi	1,127	-	-	1,127	-	-	1,127

Continued

**WEBSTER COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS, continued**  
**SCHOOL ACTIVITY FUNDS – WEBSTER COUNTY HIGH SCHOOL**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Cash Balance July 1, 2019	Receipts	Disbursements	Cash Balance June 30, 2020	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2020
PBIS	905	-	60	845			845
Renaissance	392	3,785	3,664	513	-	-	513
Scholarships	9,600	3,100	4,500	8,200	-	-	8,200
Science	2,286	2,675	1,665	3,296	-	-	3,296
Senior Class Trip	1,267	9,246	5,952	4,561	-	-	4,561
Soccer - Girls	495	-	-	495	-	-	495
Soccer - Boys	344	2,028	2,028	344	-	-	344
Start-up change	-	3,000	3,000	-	-	-	-
Student Council	40	-	-	40	-	-	40
Sunrise/FF	215	-	152	63	-	-	63
Teachers Lounge - drinks	422	1,129	1,031	520	-	-	520
Tennis - Boys	874	963	1,397	440	-	-	440
Tennis - Girls	474	1,162	1,371	265	-	-	265
Track - Boys	805	-	-	805	-	-	805
Track - Girls	804	-	-	804	-	-	804
Volleyball	1,799	7,805	9,417	187	-	-	187
Textbook rental rees	7,641	3,925	2,665	8,901	-	-	8,901
Pep Club	926	3,295	2,987	1,234	-	-	1,234
Practical Living	1,347	365	268	1,444	-	-	1,444
	162,279	319,867	284,758	197,388	-	-	197,388
Less: Interfund Transfers	-	(21,027)	(21,027)	-	-	-	-
Totals	<u>\$ 162,279</u>	<u>\$ 298,840</u>	<u>\$ 263,731</u>	<u>\$ 197,388</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 197,388</u>



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

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures	
<b>U. S. Department of Education</b>				
Passed through State Department of Education:				
Special Education Cluster				
Special Education - Grants to States	84.027	3810002-19	\$ 232,178	
	84.027	3810002-18	230,657	
Special Education Preschool Grants	84.173	3800002-19	34,260	
	84.173	3800002-18	<u>7,057</u>	
Total Special Education Cluster				\$ 504,152
Title I Grants to Local Education Agencies	84.010	3100002-19	370,946	
	84.010	3100002-18	<u>174,758</u>	545,704
Migrant Education	84.011	3110002-19	87,115	
	84.011	3110002-18	<u>20,177</u>	107,292
Career and Technical Education - Basic Grants to States	84.048	3710002-19		12,215
Education for Homeless Children and Youth	84.196	3990002-19	47,880	
	84.196	3990002-18	<u>41,528</u>	89,408
21st Century Community Learning Center	84.287	3400002-18	151,706	
	84.287	3400002-17	<u>49,657</u>	201,363
Rural Education	84.358	3140002-19	2,029	
	84.358	3140002-18	<u>24,596</u>	26,625
Title III, Part A, English Language Acquisition	84.365	3300002-19	18,754	
	84.365	3300002-18	<u>9,218</u>	27,972
Improving Teacher Quality State Grants	84.367	3230002-19	78,450	
	84.367	3230002-18	<u>12,707</u>	91,157
Striving Readers Comprehensive Literacy	84.371C	3220002-19	133,335	
	84.371C	3220002-18	<u>27,850</u>	161,185
Student Support and Academic Enrichment Program	84.424	3420002-19	10,204	
	84.424	3420002-18	27,472	
	84.424	3420002-17	<u>5,344</u>	43,020

Continued

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

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures	
Other U.S. Department of Education Program: COVID - 19 Elementary and Secondary School Emergency Relief Fund	84.425D	Direct	<u>51,542</u>	
Total U. S. Department of Education				<u>1,861,635</u>
<b>U. S. Department of Agriculture</b>				
Passed through State Department of Education:				
Child Nutrition Cluster				
School Breakfast Program	10.553	7760005-20	280,699	
	10.553	7760005-19	<u>100,960</u>	381,659
National School Lunch Program	10.555	7750002-20	506,558	
	10.555	7750002-19	<u>186,185</u>	692,743
Summer Food Service Program for Children	10.559	7690024-20	34,569	
	10.559	7690024-19	394	
	10.559	7740023-20	496,111	
	10.559	7740023-19	<u>3,763</u>	534,837
Total Child Nutrition Cluster				1,609,239
Child and Adult Care Food Program	10.558	7790021-20	15,359	
	10.558	7790021-19	6,131	
	10.558	7800016-20	1,070	
	10.558	7800016-19	<u>427</u>	22,987
State Administrative Expenses for Child Nutrition	10.560	7700001-19		3,955
Other U.S. Department of Agriculture Programs: Fruit & Vegetable Program	10.582	Direct		<u>89,784</u>
Total U. S. Department of Agriculture				<u>1,725,965</u>
<b>U. S. Department of Health and Human Services</b>				
Drug - Free Communities Support Program Grants	93.276	Direct		127,156
CECC Preschool Development Grant School Readiness	93.434	Direct		7,403
Total U. S. Department of Health and Human Services				<u>134,559</u>
<b>National Science Foundation</b>				
NSF Advanced Technological	47.076	Direct		<u>52,166</u>
Total National Science Foundation				<u>52,166</u>
<b>Total Expenditures of Federal Awards</b>				<u><u>\$ 1,912,690</u></u>

See notes to Schedule of Expenditures of Federal Awards

**WEBSTER 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 Webster 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

**NOTE 3 – SUBRECIPIENTS**

There were no subrecipients during the fiscal year.

**NOTE 4 – INDIRECT COST RATE**

The District has elected to use indirect cost rates as defined by the grantor in the following program:

Child Nutrition Cluster

The District has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. The District's rate was 17.36%.

**NOTE 5 – COMMODITIES**

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

## **INTERNAL CONTROL AND COMPLIANCE**

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

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Webster County School District  
Dixon, Kentucky

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

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no material instances of noncompliance of specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements*.

We noted certain matters that we reported to management of Webster County School District in a separate report dated December 15, 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.

Duguid, Gentry & Associates, PSC

*Duguid, Gentry & Associates, PSC*

Certified Public Accountants  
Hopkinsville, Kentucky

December 15, 2020

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

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Webster County School District  
Dixon, Kentucky

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

We have audited Webster 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 Webster County School District's major federal programs for the year ended June 30, 2020. Webster County School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance); and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*. 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, Webster County School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

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

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

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

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

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

Duguid, Gentry & Associates, PSC

*Duguid, Gentry & Associates, PSC*

Certified Public Accountants  
Hopkinsville, Kentucky

December 15, 2020



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

**Summary of Auditor's Results**

**Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?                    \_\_\_ yes            X no  
 Significant deficiency(ies) identified?            \_\_\_ yes            X none reported

Noncompliance material to financial statements noted?                    \_\_\_ yes            X no

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?                    \_\_\_ yes            X no  
 Significant deficiency(ies) identified?            \_\_\_ yes            X none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)                    \_\_\_ yes            X no

**Identification of major federal programs:**

Program Title	CFDA Number
Title 1 Grants to Local Educational Agencies	84.010
Special Education - Grants to State	84.287
Special Education -Preschool Grants	84.173

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

Auditee qualified as a low-risk auditee?                    X yes            \_\_\_no

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

**Findings – Financial Statements Audit**

None

**Findings and Questioned Costs – Major Federal Award Programs Audit**

None reported

**WEBSTER COUNTY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2020**

None

**MANAGEMENT COMMENTS FOR AUDIT**

SANDRA D. DUGUID, CPA  
ANNA B. GENTRY, CPA, CFE

WALTER G. CUMMINGS, CPA  
MEREDITH D. MORRIS, CPA  
KELSEY M. COX, CPA



DUGUID, GENTRY & ASSOCIATES, P.S.C.  
CERTIFIED PUBLIC ACCOUNTANTS

4443 CANTON PIKE  
HOPKINSVILLE, KY 42240

270.886.6355

December 15, 2020

Members of the Board of Education  
Webster County School District  
Dixon, Kentucky

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

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. A separate report dated December 15, 2020 contains our report on the District's internal control. This letter does not affect our report dated December 15, 2020 on the financial statements of the Webster County School District.

We will review the status of these comments during our next audit engagement. We have already discussed these comments with District personnel, and implementation is currently being reviewed. We will be pleased to discuss this in further detail at your convenience, to perform any additional study of this matter or to assist you in implementing the recommendations.

We performed a follow-up on the prior year findings with the status of these findings documented on page 113 of this report.

This report is intended solely for the information and use of management, the members of the Webster County Board of Education, others within the District, the Kentucky Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,

Duguid, Gentry & Associates, PSC

*Duguid, Gentry & Associates, PSC*

Certified Public Accountants  
Hopkinsville, Kentucky

**WEBSTER COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**CLAY ELEMENTARY SCHOOL**

- I. **Criteria** – Accounting Procedures for Kentucky School Activity Funds (“Redbook”) sets accounting guidelines for inactive activity accounts if there has been no activity during the preceding 12 months.

**Condition** – Five accounts with balances at year end had no activity during the preceding 12 months and are considered inactive.

**Cause** – Lack of implementation of Redbook policy.

**Effect** – Noncompliance with Accounting Procedures for Kentucky School Activity Funds (“Redbook”).

**Recommendation** – If the student organization did not designate in writing how remaining funds shall be disposed, then inactive accounts’ funds shall be transferred to the school activity general account and used for the general benefit of all students.

**Views of Responsible Officials** – In the future, any accounts with no activity for 12 months will be transferred to the general SAF account. The five referenced accounts will be transferred to the general account for inactivity immediately.

**DIXON ELEMENTARY SCHOOL**

- I. **Criteria** – Accounting Procedures for Kentucky School Activity Funds (“Redbook”) sets accounting guidelines for inactive activity accounts if there has been no activity during the preceding 12 months.

**Condition** – Three accounts with balances at year end had no activity during the preceding 12 months and are considered inactive.

**Cause** – Lack of implementation of Redbook policy.

**Effect** – Noncompliance with Accounting Procedures for Kentucky School Activity Funds (“Redbook”).

**Recommendation** – If the student organization did not designate in writing how remaining funds shall be disposed, then inactive accounts’ funds shall be transferred to the school activity general account and used for the general benefit of all students.

**Views of Responsible Officials** – In the future, accounts with no activity will be transferred to the general SAF account.

**WEBSTER COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**PROVIDENCE ELEMENTARY SCHOOL**

- I. **Criteria** – Accounting Procedures for Kentucky School Activity Funds (“Redbook”) sets accounting guidelines for fundraisers.

**Condition** – Remix school-wide fundraiser was missing Form F-SA-2A Fundraiser & Crowdfunding Approval.

**Cause** – Lack of implementation of Redbook policy.

**Effect** – Noncompliance with Accounting Procedures for Kentucky School Activity Funds (“Redbook”).

**Recommendation** – The Superintendent should approve all school-wide fundraisers before the fundraiser begins.

**Views of Responsible Officials** – We will ensure a Fundraiser approval form and worksheet for the yearbook will be submitted for board approval. The Re-Mix fundraiser was not held. This was a reward event that parents paid for their child to participate. A few students had turned in money for it, but classes were moved to NTI for COVID-19 and students did not return prior to the end of the school year. Our plan was to do it when we returned which did not happen.

- II. **Criteria** – Accounting Procedures for Kentucky School Activity Funds (“Redbook”) sets accounting guidelines for fundraisers.

**Condition** – Form F-SA-2B Fundraiser Summary was missing for Remix fundraiser.

**Cause** – Lack of implementation of Redbook policy.

**Effect** – Noncompliance with Accounting Procedures for Kentucky School Activity Funds (“Redbook”).

**Recommendation** – Fundraisers where items are sold require the use of the Fundraiser Summary to recap the profitability of a fundraiser sales cycle.

**Views of Responsible Officials** – We never got to do this fundraiser due to COVID-19. A few students had turned in money but the actual event never happened. No items were sold, the parents paid money for the students to participate. We will ensure a fundraiser summary is completed for all fundraisers in the future.

**SEBREE ELEMENTARY SCHOOL**

- I. **Criteria** – Accounting Procedures for Kentucky School Activity Funds (“Redbook”) sets accounting guidelines for inactive activity accounts if there has been no activity during the preceding 12 months.

**WEBSTER COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**SEBREE ELEMENTARY SCHOOL, continued**

**Condition** – Six accounts with balances at year end had no activity during the preceding 12 months and are considered inactive.

**Cause** – Lack of implementation of Redbook policy.

**Effect** – Noncompliance with Accounting Procedures for Kentucky School Activity Funds (“Redbook”).

**Recommendation** – If the student organization did not designate in writing how remaining funds shall be disposed, then inactive accounts’ funds shall be transferred to the school activity general account and used for the general benefit of all students.

**Views of Responsible Officials** – The Secretary/Treasurer in the future will transfer funds out of inactive accounts into the general account to be utilized by all students at the conclusion of the school year.

**WEBSTER COUNTY MIDDLE SCHOOL**

- I. **Criteria** – Accounting Procedures for Kentucky School Activity Funds (“Redbook”) sets accounting guidelines for inactive activity accounts if there has been no activity during the preceding 12 months.

**Condition** – Two accounts with balances at year end had no activity during the preceding 12 months and are considered inactive.

**Cause** – Lack of implementation of Redbook policy.

**Effect** – Noncompliance with Accounting Procedures for Kentucky School Activity Funds (“Redbook”).

**Recommendation** – If the student organization did not designate in writing how remaining funds shall be disposed, then inactive accounts’ funds shall be transferred to the school activity general account and used for the general benefit of all students.

**Views of Responsible Officials** – In the future, inactive account balances will be transferred to the general SAF account.

**WEBSTER COUNTY HIGH SCHOOL**

- I. **Criteria** – Accounting Procedures for Kentucky School Activity Funds (“Redbook”) sets accounting guidelines for inactive activity accounts if there has been no activity during the preceding 12 months.

**Condition** – Eleven accounts with balances at year end had no activity during the preceding 12 months and are considered inactive.



**WEBSTER COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**WEBSTER COUNTY HIGH SCHOOL, continued**

**Cause** – Lack of implementation of Redbook policy.

**Effect** – Noncompliance with Accounting Procedures for Kentucky School Activity Funds (“Redbook”).

**Recommendation** – If the student organization did not designate in writing how remaining funds shall be disposed, then inactive accounts’ funds shall be transferred to the school activity general account and used for the general benefit of all students.

**Views of Responsible Officials** – Due to Covid19 restrictions and early closure of the in person 2020 school year, we have 10 of the 11 accounts that would have been used during that time. Some sports were not able to participate as well as some club activities and field trips were cancelled. One account is no longer a valid account. I will transfer that remaining balance to the general fund immediately. In the future, I will pay closer attention to the closed accounts and transfer the funds in a more prompt manner.

**SEBREE ELEMENTARY SCHOOL**

- I. **Condition** – Purchase orders were not properly completed.

**Recommendation** – *Accounting Procedures for Kentucky School Activity Funds* (Redbook) requires District purchasing procedures to be followed for any school activity fund purchases. Before being processed, each disbursement shall be documented by a completed purchase order.

**Current Status** – This finding was not repeated for June 30, 2020.

- II. **Condition** – Form F-SA-2A, Fundraiser Approval Form, was not completed properly and timely.

**Recommendation** – *Accounting Procedures for Kentucky School Activity Funds* (Redbook) requires the use and proper and timely completion of the Fundraiser Approval Form before a fundraising activity begins. Additionally, school-wide fundraisers must have approval from the Superintendent.

**Current Status** – This finding was repeated for June 30, 2020.

**Views of Responsible Officials** – The Secretary/Treasurer will get guidance on how the forms should be properly filled out and make sure the staff member fills in the form that way in the future.

**WEBSTER COUNTY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**SEBREE ELEMENTARY SCHOOL, continued**

**III. Condition** – Form F-SA-2B, Fundraiser Summary, was not completed properly and timely.

**Recommendation** – *Accounting Procedures for Kentucky School Activity Funds* (Redbook) requires the use and proper and timely completion of the Fundraiser Summary when items are sold to recap the profitability of a fundraiser sales cycle.

**Current Status** – This finding was repeated for June 30, 2020, 2019, 2018 and 2017.

**Views of Responsible Officials** – The Secretary/Treasurer will get guidance on how the form should be properly filled out and ensure the staff member fills in the form that way in the future.

**WEBSTER COUNTY MIDDLE SCHOOL**

**I. Condition** – Form F-SA-1, Requisition and Report of Ticket Sales, was not completed properly and timely.

**Recommendation** – *Accounting Procedures for Kentucky School Activity Funds* (Redbook) requires the use and proper and timely completion of the Requisition and Report of Ticket Sales Form when funds are collected for all events for which admission is charged to document the event, amount, date and person collecting the funds.

**Current Status** – This finding was repeated for June 30, 2020.

**Views of Responsible Officials** – The school bookkeeper will get an example of how to properly complete the form and will educate school staff accordingly.

**II. Condition** – Form F-SA-2B, Fundraiser Worksheet, was not completed properly and timely.

**Recommendation** – *Accounting Procedures for Kentucky School Activity Funds* (Redbook) requires the use and proper and timely completion of the Fundraiser Worksheet when items are sold to recap the profitability of a fundraiser period or event.

**Current Status** – This finding was not repeated for June 30, 2020.

**III. Condition** – Form F-SA-5, Inventory Control Worksheet, was not completed properly and monthly.

**Recommendation** – *Accounting Procedures for Kentucky School Activity Funds* (Redbook) requires the use and proper and timely completion of the Inventory Control Worksheet on a monthly basis.

**Current Status** – This finding was repeated for June 30, 2020.

**Views of Responsible Officials** – The school bookkeeper will work with appropriate staff to ensure this worksheet is completed properly and monthly.

**WEBSTER COUNTY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**WEBSTER COUNTY HIGH SCHOOL**

- I. **Condition** – Form F-SA-2A, Fundraiser Approval Form, was not completed properly and timely.

**Recommendation** – *Accounting Procedures for Kentucky School Activity Funds* (Redbook) requires the use and proper and timely completion of the Fundraiser Approval Form before a fundraising activity begins. Additionally, school-wide fundraisers must have approval from the Superintendent.

**Current Status** – This finding was not repeated for June 30, 2020.

- II. **Condition** – Three school activity accounts ended in a negative balance.

**Recommendation** – *Accounting Procedures for Kentucky School Activity Funds* (“Redbook”) requires that if an activity account ends the year with a negative balance, after taking accounts receivable and accounts payable into consideration, the general activity account must cover the deficit by June 30.

**Current Status** – This finding was not repeated for June 30, 2020.

- III. **Condition** – Form F-SA-2B, Fundraiser Worksheet was not properly completed.

**Recommendation** – *Accounting Procedures for Kentucky School Activity Funds* (Redbook) requires the use and proper and timely completion of the Fundraiser worksheet when items are sold to recap the profitability of a fundraiser period or event. Fundraising activities are to benefit students.

**Current Status** – This finding was not repeated for June 30, 2020.

## **APPENDIX C**

**Webster County School District Finance Corporation  
School Building Refunding Revenue Bonds  
Taxable Series of 2021**

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**Continuing Disclosure Agreement**

## CONTINUING DISCLOSURE UNDERTAKING AGREEMENT

This Continuing Disclosure Undertaking Agreement ("Agreement") made and entered into as of the 28th day of October, 2021, by and between the Board of Education of Webster County, Kentucky School District ("Board"); the Webster County School District Finance Corporation, an agency and instrumentality of the Board ("Corporation") and the Registered and Beneficial Owners of the Bonds hereinafter identified as third party beneficiaries to this Agreement. For the purposes of this Agreement "Beneficial Owner" means the person or entity treated as the owner of the Bonds for federal income tax purposes and "Registered Owner" means the person or entity named on the registration books of the bond registrar.

### WITNESSETH:

WHEREAS, the Corporation has acted as issuing agency for the Board pursuant to the provisions of Section 162.385 of the Kentucky Revised Statutes ("KRS") and the Corporation's Bond Resolution in connection with the authorization, sale and delivery of \$4,635,000 of the Corporation's School Building Refunding Revenue Bonds, Taxable Series 2021, dated as of October 28, 2021 ("Bonds"), which Bonds were offered for sale under the terms and conditions of a Final Official Statement ("FOS") prepared by RSA Advisors, LLC, Lexington, Kentucky ("Financial Advisor") and approved by the authorized representatives of the Board and the Corporation, and

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

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

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

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

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

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

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

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

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

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

## **2. MATERIAL EVENTS NOTICES**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**7. AMENDMENT; WAIVER**

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

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

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

**8. DEFAULT**

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

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

**BOARD OF EDUCATION OF  
WEBSTER COUNTY, KENTUCKY  
SCHOOL DISTRICT**

Attest:

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Secretary

**WEBSTER COUNTY SCHOOL  
DISTRICT FINANCE CORPORATION**

Attest:

\_\_\_\_\_  
President

\_\_\_\_\_  
Secretary



**APPENDIX D**

**Webster County School District Finance Corporation  
School Building Refunding Revenue Bonds  
Taxable Series of 2021**

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**Official Terms and Conditions of Bond Sale**

## OFFICIAL TERMS AND CONDITIONS OF BOND SALE

**\$4,635,000\***

**Webster County School District Finance Corporation  
School Building Refunding Revenue Bonds, Taxable Series of 2021  
Dated as of October 28, 2021**

**SALE: October 7, 2021 AT 11:00 A.M., E.D.S.T.**

As published on PARITY®, a nationally recognized electronic bidding system, the Webster County School District Finance Corporation (the "Corporation") will until 11:00 A.M, E.D.S.T., on October 7, 2021 receive at the office of the Kentucky School Facilities Construction Commission, 700 Louisville Road, Carriage House, Frankfort, Kentucky, 40601, competitive bids for the purchase of \$4,635,000 principal amount of Webster County School District Finance Corporation School Building Refunding Revenue Bonds, Taxable Series of 2021 (the "Refunding Bonds"), dated and bearing interest from October 28, 2021, payable on February 1, 2022, and semi-annually thereafter on August 1 and February 1 of each year, in denominations in multiples of \$5,000 within the same maturity, maturing on February 1, 2022 and August 1 in each of the years as follows:

<u>MATURITY</u>	<u>PRINCIPAL AMOUNT*</u>
Feb. 1, 2022	\$ 30,000
2022	135,000
2023	135,000
2024	150,000
2025	160,000
2026	335,000
2027	350,000
2028	430,000
2029	515,000
2030	545,000
2031	575,000
2032	600,000
2033	675,000

\* Subject to Permitted Adjustment as described herein.

### REDEMPTION PROVISIONS

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

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

The Refunding 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 record as of the 15th day of the month preceding the due date which shall be Cede & Co., as the Nominee of The Depository Trust Company ("DTC"). Please see "Book-Entry-Only-System" below.

## **WEBSTER COUNTY SCHOOL DISTRICT FINANCE CORPORATION**

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

### **AUTHORITY AND PURPOSE**

The Refunding Bonds are being issued under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including Sections 162.120 through 162.300, 162.385, and Section 58.180 of the Kentucky Revised Statutes, within the meaning of the decision of the Court of Appeals of Kentucky (Supreme Court) in the case of *Hemlepp v. Aronberg*, 369 S.W.2d 121, for the purpose of providing funds to retire the outstanding Webster County School District Finance Corporation School Building Revenue Bonds, Series of 2013, dated August 1, 2013, (the "2013 Bonds") maturing August 1, 2022 and thereafter (the "Refunded Bonds") by the deposit in escrow and investment in Obligations of or fully guaranteed by the United States Government, sufficient proceeds of the Bonds to pay accruing interest and principal on the Refunded Bonds through August 1, 2023 and retire Refunded Bonds maturing on and after August 1, 2024 on August 1, 2023.

### **SCHOOL FACILITIES CONSTRUCTION COMMISSION**

The Kentucky School Facilities Construction 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 amended, repealed and reenacted (the "Act") for the purpose of assisting local school districts in meeting the school construction needs of the Commonwealth in a manner which will ensure an equitable distribution of funds based upon unmet need.

The Commission will enter into an Adjusted Participation Agreement with the Board whereunder the Commission, will agree to continue to pay approximately 8.83% of the debt service of the Refunding Bonds through August 1, 2033; provided, however, that the contractual commitment of the Commission to pay the annual Agreed Participation is limited to each biennial budget period of the Commonwealth, with the first such budget period terminating on June 30, 2022.

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.

### **PROCEEDS TO RETIRE ALL BONDS OF PRIOR ISSUE**

The Refunded Bonds were issued under the authority of Sections 162.120 through 162.300 and 162.385 of the Kentucky Revised Statutes for the purpose of providing funds to finance renovations to Webster County Middle School (the "Project"). Under the terms of the Resolution authorizing the Refunded Bonds, the Refunded Bonds are payable from the income and revenues of the school building Project financed from the proceeds thereof. The Refunded Bonds are secured by a lien upon and a pledge of revenues from the rental of the school building Project to the Board under a Lease Agreement, dated August 1, 2013 (the "Prior Lease").

The total principal amount of the Refunded Bonds currently outstanding is \$4,230,000, scheduled to mature on August 1 in each of the years 2022 through 2033. The proceeds of the Refunding Bonds will be used to pay accruing interest on and retire \$75,000 principal amount due August 1, 2022, \$75,000 principal amount due August 1, 2023 and the Refunded Bonds maturing on and after August 1, 2024 on August 1, 2023.

The 2021 Bond Resolution adopted by the Corporation's Board of Directors authorizes the payment and retirement of the Refunded Bonds including principal and accruing interest at or prior to their stated maturities through the deposit of the required amount of proceeds of the Refunding Bonds in the Bond and Interest Redemption Fund established for the Refunded Bonds or in a special Escrow Fund for application to the retirement of the Refunded Bonds.

The 2021 Bond Resolution expressly provides that upon delivery of the Refunding Bonds and the deposit of sufficient funds in accordance with the preceding paragraph neither the lien upon nor the pledge of the revenues from the rental of the school building Project under the Prior Lease shall constitute the security and source of payment for any of the Refunded Bonds and the Registered Owners of such Refunded Bonds shall be paid from and secured by the monies deposited in the Bond and Interest Redemption Fund established for the Refunded Bonds or in Escrow Fund for the retirement thereof upon the delivery of the Refunding Bonds.

### **SECURITY FOR REFUNDING BONDS**

The Refunding Bonds will constitute a limited indebtedness of the Corporation and will be payable as to both principal and interest solely from the income and revenues of the school building Project financed from the proceeds of the Refunded Bonds. The Refunding Bonds are secured by a lien upon and a pledge of the revenues derived from the rental of the school building Project to the Board under a Lease Agreement dated October 28, 2021 (the "2021 Lease"); provided, however, that said lien and pledge are on parity with similar liens and pledges securing certain of the Corporation's outstanding School Building Revenue Bonds previously issued to finance the school buildings which constitute the school building Project (the "Parity Bonds").

Under the 2021 Lease the Board has leased the school property securing the Refunding Bonds in accordance with the provisions of KRS 162.140 for an initial period from October 28, 2021 through June 30, 2022, with the option in the Board to renew said 2021 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 rentals due under the 2021 Lease, the principal and interest on all of the Refunding Bonds as same become due.

The 2021 Lease provides that the Prior Lease will be canceled effective upon the deposit of sufficient funds to provide for the retirement of the Refunded Bonds. The 2021 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 2021 Lease until August 1, 2033, the final maturity date of the Refunding Bonds, and such annual rentals shall be deposited as received in the Bond Fund for the Refunding Bonds and used and applied for the payment of all maturing principal of and interest on the Refunding Bonds.

Under the terms of the 2021 Lease, and any renewal thereof, the Board has agreed so long as the Bonds remain outstanding, and in conformance with the intent and purpose of Section 157.627(5) of the Act and KRS 160.160(5), in the event of a failure by the Board to pay the rentals due under the 2021 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 2021 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.

### **BIDDING CONDITIONS AND RESTRICTIONS**

(A)The terms and conditions of the sale of the Refunding Bonds are as follows:

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

(2) Electronic bids for the Bonds must be submitted through PARITY® and no other provider of electronic bidding services will be accepted. Subscription to the PARITY® Competitive Bidding System is required in order to submit an electronic bid. The Corporation will neither confirm any subscription nor be responsible

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

(3) The bid shall be not less than \$4,588,650 (99% of par) plus accrued interest. Interest rates shall be in multiples of 1/8 or 1/20 of 1% or both. Only one interest rate shall be permitted per Bond, and all Bonds of the same maturity shall bear the same rate. Interest rates must be on an ascending scale, in that the interest rate stipulated in any year may not be less than that stipulated for any preceding maturity. There is no limit on the number of different interest rates.

(4) The determination of the best purchase bid for said Refunding Bonds shall be made on the basis of all bids submitted for exactly \$4,635,000 principal amount of Refunding Bonds offered for sale under the terms and conditions herein specified; provided, however, the Corporation reserves the right to increase or decrease the total principal amount of Refunding Bonds sold to such best bidder, in the amount of not exceeding \$465,000, with such increase or decrease to be made in any maturity, and the total amount of Refunding Bonds awarded to such best bidder will be a minimum of \$4,170,000 or a maximum of \$5,100,000. In the event of any such adjustment, no rebidding or recalculation of a submitted bid will be required or permitted. The price at which such adjusted principal amount of Bonds will be sold will be at the same price per \$5,000 of Refunding Bonds as the price per \$5,000 for the \$4,635,000 of Refunding Bonds bid.

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

(6) The successful purchaser shall be required (without further advice from the Corporation) to wire transfer an amount equal to 2% of the principal amount of Refunding Bonds actually awarded to the Paying Agent U.S. Bank National Association, Louisville, Kentucky, Attn: Mr. Charles Lush (502-562-6436) by the close of business on the day following the award as a good faith deposit said amount will be applied (without interest) to the purchase price upon delivery and will be forfeited if the purchaser fails to take delivery.

(7) All Refunding Bonds of the same maturity shall bear the same and a single interest rate from the date thereof to maturity.

(8) The right to reject bids for any reason deemed acceptable by the Corporation, and the right to waive any possible informalities or irregularities in any bid, which in the sole judgment of the Corporation shall be minor or immaterial, is expressly reserved.

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

(B) The Bonds will be delivered utilizing the DTC Book-Entry-Only-System.

(C) Said Bonds are offered for sale on the basis of the principal of said Bonds not being subject to Kentucky ad valorem taxation or Kentucky income taxation and on the basis of the interest on said Bonds being subject to Federal or on the date of their delivery to the successful bidder. See TAX STATUS below.

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

(E) If, prior to the delivery of the Bonds, any event should occur which alters the tax status of the Bonds, or of the interest thereon, the purchaser shall have the privilege of avoiding the purchase contract by giving immediate written notice to the Corporation, whereupon the good faith check of the purchaser will be returned to the purchaser, and all respective obligations of the parties will be terminated.

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

### **STATE SUPPORT OF EDUCATION**

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

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

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

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

KRS 157.440(1) requires that effective for fiscal years beginning July 1, 1990 each school district shall levy a minimum equivalent tax rate of \$.30 for general school purposes. The equivalent tax rate is defined as the rate which results when the income collected during the prior year from all taxes levied by the district (including utilities gross receipts license and special voted) for school purposes is divided by the total assessed value of property, plus the assessment for motor vehicles certified by the Revenue Cabinet of the Commonwealth. Any school district board of education which fails to comply with the minimum equivalent tax rate levy shall be subject to removal from office.

KRS 157.440(2) provides that for fiscal years beginning July 1, 1990 each school district may levy an equivalent tax rate which will produce up to 15% of those revenues guaranteed by the SEEK program. Any

increase beyond the 4% annual limitation imposed by KRS 132.017 is not subject to the recall provisions of that Section. Revenue generated by the 15% levy is to be equalized at 150% of the state-wide average per pupil equalized assessment.

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

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

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

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

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

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

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

### **CONTINUING DISCLOSURE**

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

Financial information regarding the Board may be obtained from Superintendent, Webster County Board of Education, 28 St. Rt. 1340, Dixon, Kentucky 42409 (270) 639-5083.

## TAX STATUS

With respect to the tax status of the Refunding Bonds Bond Counsel advises as follows:

- (A) The Refunding Bonds and the interest thereon are exempt from income and ad valorem taxation by the Commonwealth of Kentucky and all of its political subdivisions.
- (B) The interest income from the Refunding Bonds is includable in the gross income of the recipient thereof for Federal income tax purposes under existing law.

## BOOK-ENTRY-ONLY-SYSTEM

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

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

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

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

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



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

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

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

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

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

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

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

**WEBSTER COUNTY SCHOOL DISTRICT  
FINANCE CORPORATION**

By /s/ Rhonda Callaway  
Secretary

**APPENDIX E**

**Webster County School District Finance Corporation  
School Building Refunding Revenue Bonds  
Taxable Series of 2021**

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**Official Bid Form**

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

The Webster County School District Finance Corporation ("Corporation"), will until 11:00 A.M, E.D.S.T., on October 7, 2021, receive in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Road, Carriage House, Frankfort, Kentucky, 40601, (telephone 502-564-5582; Fax 888-979-6152) competitive bids for its \$4,635,000 School Building Refunding Revenue Bonds, Taxable Series of 2021, dated as of October 28, 2021; maturing February 1, 2022 and August 1, 2022 through 2033 ("Bonds").

We hereby bid for said \$4,635,000\* principal amount of Bonds, the total sum of \$ \_\_\_\_\_ (not less than \$4,588,650) plus accrued interest from October 28, 2021 payable February 1, 2022 and semiannually thereafter (rates on ascending scale in multiples of 1/8 or 1/20 of 1%; number of interest rates unlimited) and maturing as to principal on February 1, 2022 and August 1 in each of the years as follows:

<u>Year</u>	<u>Amount*</u>	<u>Rate</u>
Feb. 1, 2022	\$ 30,000	_____ %
2022	135,000	_____ %
2023	135,000	_____ %
2024	150,000	_____ %
2025	160,000	_____ %
2026	335,000	_____ %
2027	350,000	_____ %
2028	430,000	_____ %
2029	515,000	_____ %
2030	545,000	_____ %
2031	575,000	_____ %
2032	600,000	_____ %
2033	675,000	_____ %

\* Subject to Permitted Adjustment up to \$465,000

We understand this bid may be accepted for as much as \$5,100,000 of Bonds or as little as \$4,170,000 of Bonds, at the same price per \$5,000 Bond, with the variation in such amount occurring in any maturity or all maturities, which will be determined by the Secretary of the Corporation at the time of acceptance of the best bid.

Electronic bids for the Bonds must be submitted through PARITY® and no other provider of electronic bidding services will be accepted. Subscription to the PARITY® Competitive Bidding System is required in order to submit an electronic bid. The Corporation will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by PARITY® shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in PARITY® conflict with the terms of the Official Terms and Conditions of Sale of Bonds, this Official Terms and Conditions of Sale of Bonds shall prevail. Electronic bids made through the facilities of PARITY® shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to the Corporation. The Corporation shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by PARITY®. The use of PARITY® facilities are at the sole risk of the prospective bidders. For further information regarding PARITY®, potential bidders may contact PARITY®, telephone (212) 404-8102.

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

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

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

No certified or bank cashier's check will be required to accompany a bid, but the successful bidder shall be required to wire transfer an amount equal to 2% of the principal amount of Refunding Bonds awarded by the close of business on the date following the award. Said good faith amount will be applied (without interest) to the purchase price on delivery. Wire transfer procedures should be arranged through U.S. Bank National Association, Louisville, Kentucky, Attn: Mr. Charles Lush (502-562-6436).

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

If we are the successful bidder, we agree to accept and make payment for the Bonds in Federal Funds on or about October 28, 2021 and upon acceptance by the Issuer's Financial Advisor this Official Bid Form shall become the Bond Purchase Agreement.

Respectfully submitted,

\_\_\_\_\_  
Bidder

By \_\_\_\_\_  
Authorized Officer

\_\_\_\_\_  
Address

Total interest cost from October 28, 2021 to final maturity \$ \_\_\_\_\_  
 Plus discount or less any premium \$ \_\_\_\_\_  
 Net interest cost (Total interest cost plus discount or less any premium) \$ \_\_\_\_\_  
 Average interest rate or cost (ie NIC) \_\_\_\_\_ %

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

Accepted by RSA Advisors, LLC, as Agent for the Webster County School District Finance Corporation for \$ \_\_\_\_\_ amount of Bonds at a price of \$ \_\_\_\_\_ as follows:

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>
2022	_____,000	_____%	2027	_____,000	_____%
2022	_____,000	_____%	2028	_____,000	_____%
2023	_____,000	_____%	2029	_____,000	_____%
2024	_____,000	_____%	2030	_____,000	_____%
2025	_____,000	_____%	2031	_____,000	_____%
2026	_____,000	_____%	2032	_____,000	_____%
			2033	_____,000	_____%

Dated: October 7, 2021

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