

DATED JANUARY 10, 2022

**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).*

**\$10,115,000\***  
**ASHLAND INDEPENDENT SCHOOL DISTRICT FINANCE CORPORATION**  
**SCHOOL BUILDING REFUNDING REVENUE BONDS,**  
**TAXABLE SERIES OF 2022**

**Dated with Delivery: February 15, 2022**

**Due: as shown below**

Interest on the Bonds is payable each February 1 and August 1, beginning August 1, 2022. The Bonds will mature as to principal on August 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	CUSIP	1-Aug	Amount	Rate	Yield	CUSIP		
2022	\$485,000	%	%		2028	\$805,000	%	%			
2023	\$485,000	%	%		2029	\$820,000	%	%			
2024	\$525,000	%	%		2030	\$1,290,000	%	%			
2025	\$530,000	%	%		2031	\$1,265,000	%	%			
2026	\$535,000	%	%		2032	\$1,290,000	%	%			
2027	\$795,000	%	%		2033	\$1,290,000	%	%			

The Bonds are not subject to redemption prior to their stated maturity as described herein.

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

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

The Ashland Independent (Kentucky) School District Finance Corporation will until January 18, 2022 at 11:00 A.M., E.S.T., receive competitive bids for the Bonds at the office of the Executive Director of the Kentucky School Facilities Construction Commission, 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 \$1,010,000.**

**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.



**ASHLAND, KENTUCKY  
BOARD OF EDUCATION**

David Latherow, Chairperson  
Dr. Patsy Lindsey, Member  
Don Ashby, Member  
Blake Gillum, Member  
Ashley Layman, Member

Sean Howard, Superintendent/Secretary

**ASHLAND (KENTUCKY) INDEPENDENT SCHOOL DISTRICT  
FINANCE CORPORATION**

David Latherow, President  
Dr. Patsy Lindsey, Member  
Don Ashby, Member  
Blake Gillum, Member  
Ashley Layman, Member

Sean Howard, Secretary  
David Greene, Treasurer

**BOND COUNSEL**

Steptoe & Johnson PLLC  
Louisville, Kentucky

**FINANCIAL ADVISOR**

RSA Advisors, LLC  
Lexington, Kentucky

**PAYING AGENT AND REGISTRAR**

U. S. Bank, National Association  
Louisville, Kentucky

**BOOK-ENTRY-ONLY-SYSTEM**

## REGARDING USE OF THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Ashland Independent School District Finance Corporation School Building Refunding Revenue Bonds, Taxable Series of 2022, 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**

**\$10,115,000\***

**ASHLAND INDEPENDENT SCHOOL DISTRICT FINANCE CORPORATION  
SCHOOL BUILDING REFUNDING REVENUE BONDS,  
TAXABLE SERIES OF 2022**

*\*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 Ashland Independent School District Finance Corporation (the "Corporation") School Building Refunding Revenue Bonds, Taxable Series of 2022 (the "Bonds").

The Bonds are being issued to (i) pay the accrued interest and refund at or in advance of maturity on February 24, 2022, certain maturities of the outstanding Ashland Independent School District Finance Corporation School Building Revenue Bonds, Series of 2011, dated June 1, 2011 (the "2011 Bonds") maturing June 1, 2023 and thereafter; and (ii) pay the maturing principal and accrued interest and refund at or in advance of maturity on August 1, 2023, all of the outstanding Ashland Independent School District Finance Corporation School Building Revenue Bonds, Series of 2013, dated September 1, 2013 (the "2013 Bonds") maturing August 1, 2022 and thereafter (the "2013 Bonds") (collectively, the "Refunded Bonds"); (iii) 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 Ashland Independent School District (the "District") and is in the best interest of the District. The 2011 Bonds maturing June 1, 2022 will not be defeased and will remain payable under the terms of the Prior Lease (the "Remaining Bonds").

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 Ashland Independent Board of Education (the "Board") on a year to year basis (see "Security" herein).

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

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

Copies of the Bond Resolution authorizing the issuance of the Bonds, the Participation Agreement and the Lease Agreement, dated February 15, 2022, 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 162.290 and Section 162.385 of the Kentucky Revised Statutes ("KRS"), and KRS Chapter 273 and KRS 58.180, as a non-profit, non-stock corporation for the purpose of financing necessary school building facilities for and on behalf of the Board. Under the provisions of existing Kentucky law, the Corporation is permitted to act as an agency and instrumentality of the Board for financing purposes and the legality of the financing plan to be implemented by the Board herein referred to has been upheld by the Kentucky Court of Appeals (Supreme Court) in the case of White v. City of Middlesboro, Ky. 414 S.W.2d 569.

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

## **KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION**

The 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.

The Commission will enter into a Participation Agreement with the Board whereunder the Commission, will agree to continue to pay approximately \$150,480 to be applied to 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 the 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.

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
2020-22	<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, 2021 which was approved and signed by the Governor. The biennial budget was reviewed and supplemented during the General Assembly's 2021 regular session. Such budget is effective beginning July 1, 2020. The Office of the State Budget Director makes available on its website monthly updates to the General Fund receipts and other Funds of the commonwealth. When published, the updates can be found at [www.osbd.ky.gov](http://www.osbd.ky.gov)

### **OUTSTANDING BONDS**

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



<b>Bond Series</b>	<b>Original Principal</b>	<b>Current Principal Outstanding</b>	<b>Principal Assigned to Board</b>	<b>Principal Assigned to Commission</b>	<b>Approximate Interest Rate Range</b>	<b>Final Maturity</b>
2011	\$720,000	\$425,000	\$0	\$720,000	3.750%	2031
2012-REF	\$3,655,000	\$810,000	\$2,358,059	\$1,296,941	2.125% - 2.300%	2024
2013	\$11,300,000	\$9,055,000	\$9,745,413	\$1,554,587	3.000% - 4.500%	2033
2013-Energy	\$2,705,000	\$2,180,000	\$2,705,000	\$0	3.000% - 4.125%	2033
2013-QZAB	\$4,043,000	\$2,103,000	\$4,043,000	\$0	1.290%	2029
2014-REF	\$3,730,000	\$2,935,000	\$3,211,820	\$518,180	2.150% - 3.125%	2029
2015-REF	\$5,830,000	\$3,320,000	\$5,347,020	\$482,980	2.000% - 2.150%	2026
2016	\$5,180,000	\$4,745,000	\$3,733,976	\$1,446,024	2.000% - 3.375%	2036
2020A	\$840,000	\$820,000	\$840,000	\$0	1.000% - 2.000%	2040
2020B	\$750,000	\$715,000	\$0	\$750,000	1.000% - 2.000%	2040
<b>TOTALS:</b>	<b>\$38,753,000</b>	<b>\$27,108,000</b>	<b>\$31,984,288</b>	<b>\$6,768,712</b>		

### **AUTHORITY**

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

- i) the issuance of approximately \$10,115,000 of Bonds subject to a permitted adjustment of \$1,010,000;
- 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 February 15, 2022, will bear interest from that date as described herein, payable semi-annually on February 1 and August 1 of each year, commencing August 1, 2022, and will mature as to principal on August 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). U.S. 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 August 1, 2022 (Record Date is 15th day of month preceding interest due date).

#### **Redemption**

The Bonds are NOT subject to redemption at the option of the Corporation prior to their stated maturities.

Notwithstanding the foregoing, the Corporation reserves the right, upon thirty (30) days notice, to call the Bonds in whole or in part on any date at par for redemption upon the total destruction by fire, lightning,

windstorm or other hazard of any building constituting the Project and apply casualty insurance proceeds to such purpose.

## SECURITY

### General

The Bonds are revenue bonds and constitute a limited indebtedness of the Corporation. The Bonds are payable as to both principal and interest solely from the income and revenues derived from the leasing of the school building Project financed from the 2022 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, said lien and pledge are on parity with the liens and pledges securing the Corporation's outstanding School Building Revenue Bonds issued to improve the building in which the Project is located.

### The Lease; Pledge of Rental Revenues

The Board has leased the school building Project securing the Bonds for an initial period from February 15, 2022, 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 2022 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 2022 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 2022 Lease and Participation Agreement to the Corporation and the Commission the right to notify and request the Kentucky Department of Education to withhold from the Board a sufficient portion of any undisbursed funds then held, set aside, or allocated to the Board and to request said Department or Commissioner of Education to transfer the required amount thereof to the Paying Agent for the payment of such rentals.

## COMMISSION'S PARTICIPATION

The Commission has determined that the Board is eligible for an average annual participation equal to approximately \$150,487 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 sixteen percent (16%) 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 used by Bond Counsel in its determination that the interest on the Bonds is not includable in gross income for federal income tax purposes. AMTEC will express no opinion on the assumptions provided to them, nor as to the exemption from taxation of the interest on the Bonds.

## **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 accrued interest and refund in advance of maturity certain maturities of the outstanding Ashland Independent School District Finance Corporation School Building Revenue Bonds, Series of 2011, dated June 1, 2011 (the "2011 Bonds") maturing June 1, 2023 and thereafter; (ii) pay the maturing principal and accrued interest and refund in advance of maturity all of the outstanding Ashland Independent School District Finance Corporation School Building Revenue Bonds, Series of 2013, dated September 1, 2013 (the "2013 Bonds") maturing August 1, 2022 and thereafter, (collectively, the "Refunded Bonds"); and (iii) 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 Ashland Independent School District (the "District") and is in the best interest of the District.

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 improvements at Verity 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 84% of the debt service of the Bonds.

Fiscal Year Ending June 30	Current Local Bond Payments	---- Series 2022 School Building Refunding Revenue Bonds ----					Total Local Bond Payments
		Principal Portion	Interest Portion	Total Payment	SFCC Portion	Local Portion	
2022	\$2,146,176						\$2,137,454
2023	\$2,148,186	\$485,000	\$173,976	\$658,976	\$102,141	\$556,835	\$2,072,749
2024	\$2,147,314	\$485,000	\$176,976	\$661,976	\$102,606	\$559,370	\$2,071,197
2025	\$2,150,515	\$525,000	\$172,028	\$697,028	\$108,039	\$588,988	\$2,073,730
2026	\$2,151,796	\$530,000	\$165,828	\$695,828	\$107,853	\$587,974	\$2,075,611
2027	\$2,152,070	\$535,000	\$158,503	\$693,503	\$107,493	\$586,010	\$2,075,860
2028	\$2,109,629	\$795,000	\$147,931	\$942,931	\$146,154	\$796,777	\$2,031,035
2029	\$2,106,200	\$805,000	\$134,329	\$939,329	\$145,596	\$793,733	\$2,028,191
2030	\$2,108,081	\$820,000	\$119,495	\$939,495	\$145,622	\$793,873	\$2,030,426
2031	\$1,789,739	\$1,290,000	\$98,805	\$1,388,805	\$215,265	\$1,173,540	\$1,713,588
2032	\$1,787,492	\$1,265,000	\$72,623	\$1,337,623	\$207,331	\$1,130,291	\$1,714,733
2033	\$1,794,852	\$1,290,000	\$45,150	\$1,335,150	\$206,948	\$1,128,202	\$1,720,377
2034	\$1,783,012	\$1,290,000	\$15,480	\$1,305,480	\$202,349	\$1,103,131	\$1,708,117
2035	\$482,020						\$482,020
2036	\$484,897						\$484,897
2037	\$483,310						\$483,310
2038	\$69,750						\$69,750
2039	\$73,400						\$73,400
2040	\$72,000						\$72,000
2041	\$65,650						\$65,650
<b>TOTALS:</b>	\$28,106,089	\$10,115,000	\$1,481,122	\$11,596,122	\$1,797,399	\$9,798,723	\$27,184,095

*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>\$10,115,000.00</u>
Total Sources	\$10,115,000.00
<b>Uses:</b>	
Deposit to Escrow Fund	\$9,941,040.00
Underwriter's Discount (1%)	101,150.00
Cost of Issuance	<u>72,810.00</u>
Total Uses	\$10,115,000.00

## DISTRICT STUDENT POPULATION

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

Year	Average Daily Attendance	Year	Average Daily Attendance
2000-01	3,052.0	2011-12	2,839.2
2001-02	2,971.8	2012-13	2,822.8
2002-03	2,919.6	2013-14	2,794.0
2003-04	2,942.3	2014-15	2,795.3
2004-05	2,941.6	2015-16	2,812.1
2005-06	2,918.9	2016-17	2,813.8
2006-07	2,877.0	2017-18	2,828.2
2007-08	2,804.8	2018-19	2,877.0
2008-09	2,804.1	2019-20	2,811.3
2009-10	2,803.7	2020-21	2,811.3
2010-11	2,862.0		

*Source: Kentucky State Department of Education.*

## STATE SUPPORT

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

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

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

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

The following table shows the computation of the capital outlay allotment for the Ashland Independent 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	305,200.0	2011-12	283,915.0
2001-02	297,180.0	2012-13	282,282.0
2002-03	291,960.0	2013-14	279,402.0
2003-04	294,230.0	2014-15	279,534.0
2004-05	294,160.0	2015-16	281,210.0
2005-06	291,890.0	2016-17	281,380.0
2006-07	287,700.0	2017-18	282,820.0
2007-08	280,480.0	2018-19	287,704.0
2008-09	280,407.0	2019-20	281,130.0
2009-10	280,374.0	2020-21	281,128.2
2010-11	286,197.0		

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

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

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

### **LOCAL SUPPORT**

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

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

The 1990 Regular Session of the Kentucky General Assembly in enacting the "School Reform" legislative package amended the provisions of KRS 160.470 which prohibited school districts from levying ad valorem

property taxes which would generate revenues in excess of 4% of the previous year's revenues without said levy subject to recall to permit exceptions to the referendum under (1) KRS 160.470(12) [a new section of the statute] and (2) an amended KRS 157.440.

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

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

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

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

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

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

*Local Tax Rates, Property Assessments and Revenue Collections*

<b>Tax Year</b>	<b>Combined Equivalent Rate</b>	<b>Total Property Assessment</b>	<b>Property Revenue Collections</b>
2000-01	51.5	819,318,147	4,219,488
2001-02	55.7	831,905,818	4,633,715
2002-03	57.3	848,074,107	4,859,465
2003-04	57.3	845,675,698	4,845,722
2004-05	66.9	890,496,890	5,957,424
2005-06	58.0	912,781,936	5,294,135
2006-07	63.1	917,149,168	5,787,211
2007-08	58.0	931,759,407	5,404,205
2008-09	64.5	961,415,084	6,201,127
2009-10	64.5	942,108,687	6,076,601
2010-11	67.3	964,006,091	6,487,761
2011-12	73.9	967,263,326	7,148,076
2012-13	64.7	978,460,515	6,330,640
2013-14	70.7	1,035,141,500	7,318,450
2014-15	72.9	997,914,320	7,274,795
2015-16	79.1	1,011,724,229	8,002,739
2016-17	78.6	1,045,293,833	8,216,010
2017-18	78.8	1,054,040,357	8,305,838
2018-19	84.4	1,050,965,751	8,870,151
2019-20	83.8	1,101,607,744	9,231,473
2020-21	79.8	1,120,433,660	8,941,061

**OVERLAPPING BOND INDEBTEDNESS**

The following table shows any other overlapping bond indebtedness of the Ashland Independent 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>
<b>County of Boyd</b>			
General Obligation	\$22,745,000	\$11,015,000	\$11,730,000
Land Acquisition and Building	\$2,500,000	\$339,218	\$2,160,782
Refinancing Refunding	\$4,055,000	\$1,290,000	\$2,765,000
New Jail Roof Revenue	\$289,900	\$193,267	\$96,633
Vehicles	\$583,688	\$0	\$583,688
Sewer	\$3,730,000	\$0	\$3,730,000
<b>City of Ashland</b>			
General Obligation	\$13,720,000	\$3,221,745	\$10,498,255
Solid Waste and Water	\$78,620,000	\$950,000	\$77,670,000
Refinancing Revenue	\$4,890,000	\$2,945,000	\$1,945,000
Multiple Purposes Revenue	\$13,210,000	\$636,250	\$12,573,750
<b>Special Districts</b>			
Big Sandy Water District	\$8,335,000	\$2,702,500	\$5,632,500
Boyd County Library District	\$2,455,000	\$0	\$2,455,000
Boyd County Sanitation District #4	\$2,274,000	\$938,000	\$1,336,000
Cannonsburg Fire Department	\$505,268	\$445,269	\$59,999
Cannonsburg Water District	\$2,699,000	\$592,000	\$2,107,000



East Fork Fire Department	\$318,000	\$235,439	\$82,561
Greenup Boyd Riverport Authority	\$3,075,000	\$255,000	\$2,820,000
Westwood Fire Department	\$287,000	\$233,660	\$53,340
Boyd County Capital Projects, Inc.	\$11,040,000	\$1,085,000	\$9,955,000
<b>Totals:</b>	<b>\$175,331,856</b>	<b>\$27,077,348</b>	<b>\$148,254,508</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.

<b>SEEK</b>	<b>Base Funding</b>	<b>Local Tax Effort</b>	<b>Total State &amp; Local Funding</b>
2000-01	10,069,918	4,219,488	14,289,406
2001-02	9,970,456	4,633,715	14,604,171
2002-03	10,300,624	4,859,465	15,160,089
2003-04	10,617,373	4,845,722	15,463,095
2004-05	10,558,085	5,957,424	16,515,509
2005-06	11,271,640	5,294,135	16,565,775
2006-07	11,267,960	5,787,211	17,055,171
2007-08	12,046,487	5,404,205	17,450,692
2008-09	12,441,203	6,201,127	18,642,330
2009-10	11,183,772	6,076,601	17,260,373
2010-11	11,614,621	6,487,761	18,102,382
2011-12	12,538,799	7,148,076	19,686,875
2012-13	12,109,786	6,330,640	18,440,426
2013-14	11,932,214	7,318,450	19,250,664
2014-15	12,486,896	7,274,795	19,761,691
2015-16	13,005,222	8,002,739	21,007,961
2016-17	13,361,788	8,216,010	21,577,798
2017-18	14,168,153	8,305,838	22,473,991
2018-19	14,809,136	8,870,151	23,679,287
2019-20	14,146,768	9,231,473	23,378,241
2020-21	13,699,376	8,941,061	22,640,437

- (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 \$0.798 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, will not cause interest on the Refunding Bonds to be subject, directly or indirectly, to state income taxation. Further, no assurance can be given that the introduction or enactment of any such future legislation, will not affect the market price for the Refunding Bonds.

## **CONTINUING DISCLOSURE**

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

The Annual Financial Information for FY ending June 30, 2020 was filed 37 days after the deadline (March 31, 2021).

Financial information regarding the Board may be obtained from Superintendent, Ashland Independent Board of Education, 1820 Hickman Street, Ashland, Kentucky 41101 (606) 327-2706.

## **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**

### **Ashland Independent School District Finance Corporation School Building Refunding Revenue Bonds Taxable Series of 2022**

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#### **Demographic and Economic Data**

## ASHLAND, KENTUCKY

Boyd County, situated on the Ohio River in the Appalachian foothills of the tri-state area of Kentucky, Ohio, and West Virginia, covers 160 square miles. Ashland, the largest city in Boyd County had an estimated 2020 population of 20,092. Ashland is located in Eastern Kentucky and is 137 miles southeast of Cincinnati, Ohio; 118 miles east of Lexington, Kentucky and 190 miles east of Louisville, Kentucky. Boyd County had an estimated population of 46,767 persons in 2020.

### The Economic Framework

The total number of people employed in Boyd County in 2020 averaged 27,263. The top occupations in the county include office and administrative support - 3,429 (12.58%); sales - 2,958 (10.85%); production workers - 2,884 (10.58%); executive, managers and administrators - 2,187 (8.02%); and, food preparation, serving - 1,886 (6.92%).

### Transportation

U.S. Highways 64 runs through Boyd County. This interstate is a major east-west route and provides access to Interstates 75, 65, 71, 77, and 79. The nearest commercial airline service is in Lexington, Kentucky at the Blue Grass Airport, which is located 118 miles west of Ashland.

### Power and Fuel

Electric power is provided to Boyd County by AEP-Kentucky Power Company. Natural gas services are provided by Columbia Gas of Kentucky Inc and Natural Energy Utility Corporation.

### Education

The Boyd County School system and Ashland Independent provide primary education to the residents of Boyd County. There are 16 colleges and universities and 7 technology centers (ATC) within 60 miles of Ashland.

## LABOR MARKET STATISTICS

The Labor Market Area includes Greenup, Boyd, Carter and Lawrence counties in Kentucky. Also included, Scioto and Lawrence counties in Ohio and Putnam, Cabell and Wayne counties in West Virginia.

### *Population*

<u>Description</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Boyd County	47,746	47,498	46,767
Ashland	20,421	20,245	20,092

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

## *Population Projections*

<u>Description</u>	<u>2025</u>	<u>2030</u>	<u>2035</u>
Boyd County	47,353	46,626	45,763

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

## **LOCAL GOVERNMENT**

### **Structure**

Ashland's Government structure consists of a Mayor and four Commissioners. The Mayor serves a four-year term while the Commissioners serve two-year terms. Boyd County is served by a Judge/Executive and three Commissioners. The Judge/Executive and Commissioners are elected to serve a four-year term.

### **Planning and Zoning**

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

### **Sales and Use Tax**

A state sales and use tax is levied at the rate of 6.0% on the purchase or lease price of taxable goods and on utility services. Local sales taxes are not levied in Kentucky.

### **State and Local 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 the city limits may also be subject to city property taxes. Property assessments in Kentucky are at 100% fair cash value. Accounts receivable are taxed at 85% of face value. Special local taxing jurisdictions (fire protection districts, watershed districts and sanitation districts) levy taxes within their operating areas (usually a small portion of community or county).

### **Education**

**Primary and Secondary Education.** Primary and secondary education is provided by the Boyd County School System and the Ashland Independent School System.

<u>Public Schools</u>	<u>Ashland Independent</u>	<u>Boyd County</u>
Total Enrollment	3,118	3,022
Pupil-Teacher Ratio	13-1	13-1

**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 a major source for skills training assistance for a new or existing company. The Corporation works in a 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.

## Area Colleges and Universities

<b>Institution</b>	<b>Location</b>	<b>Enrollment (Fall 2019)</b>
Ashland Community & Tech College	Ashland	2,598
Morehead State University	Morehead	9,660
Big Sandy Community & Tech College	Paintsville	2,721

## Area Technical Schools

<b>Institution</b>	<b>Location</b>	<b>Enrollment (2019-2020)</b>
Greenup County ATC	Greenup	477
Russell County ATC	Russell	462
Martin County ATC	Inez	373
Morgan County ATC	West Liberty	479

## **Existing Industry**

<b>Firm</b>	<b>Product</b>	<b>Total Employed</b>
Ashland		
Air Products & Chemicals Inc.	Industrial oxygen, nitrogen & liquid argon gases	8
Area Advertising	Textile screen printing, hats & advertising specialties, embroidery & trophies	15
Ashland Fabricating & Welding	Steel fabricating, arc & gas welding grinding, drilling, boring, cutting, honing, lathe & mill work	15
Ashland Office Supply Inc	Offset, letterpress & screen printing, typesetting, saddle stitch, perfect & plastic binding	43
Ashland Prosthetics & Orthotics Services	Prosthetic & Orthotic devices	5
Boyd County Glass Inc.	Machine shop; general & precision machining	4
Contech Construction Products Inc	Corrugated steel culvert pipe	7
DTR Inc.	Tire recycling, mfg barrel stabilizer, playground rubber, cow bedding, rubber mulch, pour-n-place, tire transporter & used tire casings	4
Fairchild Machine Shop	Machine shop	4
Flowserve Corporation	Pumps, valves, seals, automation and services to the power, oil, gas, chemical and other industries	25
Gallaher's Inc	Commercial offset & letterpress printing	20
Performance Engineering & Machine	Machine shop	1
R&D Associates Inc.	Inland river shipyard, barge & boat repair, drydock service, new construction small barges & stern-wheel boats, arc welding	10
RPM Inc	Industrial pump repairing & replacement parts	45
Riggs Machine & Fabricating Inc	Machine shop; CNC, general machining	35
Steele Plastics Inc.	Metal gutter screen & custom fabrication plastics	2
SWVA Kentucky, LLC	Merchant bar rolling mill	50
The Daily Independent	Newspaper publishing	63
The Hyland Co Inc	Pet food	21
The Wells Group LLC	Reday-mixed concrete	15
Young Signs Inc	Wooden, plastic, neon, metal, vinyl lettered & electrical signs	8

Source: Kentucky Directory of Manufacturers (2020).



**APPENDIX B**

**Ashland Independent School District Finance Corporation  
School Building Refunding Revenue Bonds  
Taxable Series of 2022**

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

**ASHLAND INDEPENDENT  
SCHOOL DISTRICT**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2020**

**TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS**

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**Kelley Galloway  
Smith Goolsby, PSC**  
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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Ashland Independent 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.

### Auditor's Responsibility

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

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

and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Ashland Independent School District as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and the Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information on pages 5 through 9 and the Schedule of District's Proportionate Share of the Net Pension Liability, Schedule of Pension Contributions, Schedule of District's Proportionate Share of the Net OPEB Liability, Schedule of OPEB Contributions on pages 52 through 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and

the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2021, on our consideration of Ashland Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Kelley Dalloway Smith Hooley, PSC

Ashland, Kentucky  
April 12, 2021

**Ashland Independent School District - Ashland, KY**  
**Management's Discussion and Analysis (MD&A)**  
**Year Ended June 30, 2020**

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

**FINANCIAL HIGHLIGHTS**

- The beginning cash balance for all funds of the District, excluding fiduciary funds and the discretely presented component unit, was approximately \$56,438 and the ending balance was approximately (\$327,406), a decrease of \$383,844 for the year.
- The General Fund had \$30,574,572 in revenue, which consisted primarily of the State program (SEEK), and property, utilities, and motor vehicle taxes. Excluding interfund transfers, there was \$30,625,784 in General Fund expenditures.
- Bonds are issued as the District renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. The District's total debt decreased by \$1,927,746.
- The majority of the District's General Fund revenues were derived from state sources (74%) and local taxes (25%). Regular instruction, student support services, instructional support services, and school administration accounts for 78% of the District's General Fund expenditures. Central support service expenditures were pupil transportation 5%, maintenance and operations 12% and business functions 2%, with central office support, facilities acquisitions, and fund transfers making up 3%.
- There are two sources of pension liabilities with which the District has to contend. The Kentucky Teachers Retirement System covers the District's professional staff members. It had an analysis performed by Cavanaugh Macdonald Consulting, LLC to determine each Kentucky school district's share of pension liabilities for its professional staff. This debt is the responsibility of the State of Kentucky. Our allocated amount was \$62,340,032, as of June 30, 2019. Our non-professional staff members are covered by the Kentucky County Employee Retirement System. Under this system the District's share of the pension liabilities was \$14,393,477, as of June 30, 2019. The District does not believe these disclosures will have a major impact on their day to day operations or the financial health of District. The District's bond rating is based on the State's rating so we have little control over our cost of borrowing.
- There are two sources of OPEB liabilities with which the District has to contend. The Kentucky Teachers Retirement System (KTRS) Medical Insurance Plan and Life Insurance Plan cover the District's professional staff members. The District's allocated OPEB liability as of June 30, 2019 for KTRS Medical Insurance Plan was \$12,848,000 with the District's responsibility being \$7,108,000 and the Commonwealth of Kentucky's responsibility being \$5,740,000. The liability for the KTRS Life Insurance Plan is the responsibility of the Commonwealth of Kentucky and the District's allocated amount as of June 30, 2019 was \$133,000. Non-professional staff members are covered by the County Employee Retirement System Insurance Fund. Under this fund the District's share of OPEB liability was \$3,441,330 as of June 30, 2019. The District does not believe these disclosures will have a major impact on their day to day operations or the financial health of District.



The District's bond rating is based on the State's rating so the District has little control over the cost of borrowing.

## 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 are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

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

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Capital assets and related debt are also supported by taxes and intergovernmental revenues. The food service fund is a business-type activity. The government-wide financial statements can be found on pages 10 – 11 of this report. The District includes the financial statements of the Public School Corporation of Ashland Independent School District as a discretely presented component unit in the government-wide financial statements.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary fund is our vending and food service operations. All other activities of the District are included in the governmental funds. The basic fund financial statements can be found on pages 12 – 22 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 – 51 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows exceeded assets and deferred outflows by \$7,162,983 for Governmental Activities as of June 30, 2020. For Business Type Activities, liabilities and deferred inflows exceeded assets and deferred outflows in the amount of \$1,179,941 as of June 30, 2020.

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

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

**Net position for the period ending June 30, 2020 as compared to June 30, 2019**

	<b>June 30, 2020</b>	<b>June 30, 2019</b>
Current Assets	\$ 3,752,506	\$ 1,599,875
Noncurrent Assets	43,328,114	45,463,530
<b>Total Assets</b>	<u>47,080,620</u>	<u>47,063,405</u>
Deferred Outflows	5,650,150	4,735,207
Current Liabilities	5,458,827	3,542,102
Noncurrent Liabilities	52,441,814	53,430,597
<b>Total Liabilities</b>	<u>57,900,641</u>	<u>56,972,699</u>
Deferred Inflows	3,173,053	1,427,795
<b>Net position</b>		
Net investment in capital assets	14,056,426	14,329,971
Restricted	(1,330,307)	(1,508,016)
Unrestricted	(21,069,043)	(19,423,837)
<b>Total Net position</b>	<u>\$ (8,342,924)</u>	<u>\$ (6,601,882)</u>

The following table presents a summary of revenue and expense on a government-wide basis for the fiscal years ended June 30, 2020 and 2019, respectively:

	2020 <u>Amount</u>	2019 <u>Amount</u>
<b>Revenues:</b>		
Local Revenue Sources	\$ 8,816,575	\$ 9,034,526
State Revenue Sources	14,960,865	14,611,136
Direct Federal Sources	1,203,333	1,628,580
Indirect Federal Sources	5,431,891	5,336,984
Interest Income	15,233	31,912
Other Sources	226,362	229,764
<b>Total revenues</b>	<u>30,654,259</u>	<u>30,872,902</u>
<b>Expenses:</b>		
Instruction	14,664,826	13,589,580
Student Support Services	1,574,190	1,313,021
Instructional Support	3,577,502	4,102,215
District Administration	1,064,401	1,499,623
School Administration	1,519,347	1,475,911
Business Support	465,959	453,950
Plant Operations	4,667,731	4,623,743
Student Transportation	1,507,138	1,305,275
Other Instructional	4,689	8,757
Community Services	345,636	329,530

Food Service Operations	2,019,937	2,417,125
Interest	983,945	1,379,556
<b>Total expenses</b>	<u>32,395,301</u>	<u>32,498,286</u>
<b>Revenue over (under) expenses</b>	<u>\$ (1,741,042)</u>	<u>\$ (1,625,384)</u>

For the years ending June 30, 2020 and 2019, the revenues for the Component Unit were \$500,354 and \$497,515, respectively while the expenses were \$836,941 and \$745,308, respectively. Net position of the component unit was \$(430,682) and \$(94,095), at June 30, 2020 and 2019, respectively.

## FUND FINANCIAL ANALYSIS

### Comments on Budget Comparisons

- ❖ The General Fund budget compared to actual revenue varied from line item to line item with ending actual revenue being \$1,376,110 or 5.85% less than budgeted.
- ❖ Actual General Fund expenditures (excluding transfers) compared to budget expenditures, net of contingency allotments, was \$852,311 or 3.69% less than budgeted. Line item by line item there are a lot of variances with the largest being \$434,090 of instruction less than budgeted.

The following table presents a summary of revenue and expenses, excluding transfers, for selected funds (including on-behalf payments):

#### For the year ending June 30, 2020

Revenues:	General Fund	Special Revenue	Capital & Debt Service	Food Service	Component Unit
Local sources	\$ 7,896,893	\$ 28,604	\$ 1,071,211	\$ 62,262	\$ 500,354
State sources	22,479,280	1,389,312	2,022,788	294,273	-
Federal sources	202,295	4,650,194	-	1,782,735	-
Other sources	-	-	-	-	-
Total revenues	<u>30,577,668</u>	<u>6,068,110</u>	<u>3,093,999</u>	<u>2,139,270</u>	<u>500,354</u>
<b>Expenses:</b>					
Instruction	19,661,187	3,276,718	1,317	-	836,941
Student support	1,509,703	61,054	-	-	-
Inst. support	1,127,296	2,447,605	-	-	-
District admin.	1,053,028	-	-	-	-
School admin.	1,518,585	-	-	-	-
Business support	463,633	-	-	-	-
Plant operations	3,762,190	-	-	-	-
Student transp.	1,441,473	-	-	-	-
Other instructional	-	4,689	-	-	-
Community support	8,554	337,082	-	-	-
Debt service	68,689	-	2,747,132	-	-
Building renovations	11,446	-	114,564	-	-
Food services	-	-	-	2,019,937	-
Total expenses	<u>30,625,784</u>	<u>6,127,148</u>	<u>2,863,013</u>	<u>2,019,937</u>	<u>836,941</u>
Revenue over (under) expenses excluding transfers	<u>\$ (48,116)</u>	<u>\$ (59,038)</u>	<u>\$ 230,986</u>	<u>\$ 119,333</u>	<u>\$ (336,587)</u>

**For the year ending June 30, 2019**

<b>Revenues:</b>	<b>General Fund</b>	<b>Special Revenue</b>	<b>Capital &amp; Debt Service</b>	<b>Food Service</b>	<b>Component Unit</b>
Local sources	\$ 8,028,932	\$ 93,779	\$ 1,075,511	\$ 97,980	\$ 497,515
State sources	22,653,678	878,318	2,243,920	312,697	-
Federal sources	137,309	4,931,770	-	1,896,485	-
Other sources	-	-	-	-	-
<b>Total revenues</b>	<b><u>30,819,919</u></b>	<b><u>5,903,867</u></b>	<b><u>3,319,431</u></b>	<b><u>2,307,162</u></b>	<b><u>497,515</u></b>

<b>Expenses:</b>					
Instruction	20,305,190	2,267,049	22,682	-	745,308
Student support	1,290,340	17,626	-	-	-
Inst. support	759,066	3,340,548	-	-	-
District admin.	1,494,817	-	-	-	-
School admin.	1,474,973	-	-	-	-
Business support	451,624	-	-	-	-
Plant operations	3,722,150	-	-	-	-
Student transp.	1,548,997	-	-	-	-
Other instructional	-	8,757	-	-	-
Community support	-	329,530	-	-	-
Debt service	70,253	-	2,853,962	-	-
Building renovations	49,787	-	587,748	-	-
Food services	-	-	-	2,417,125	-
<b>Total expenses</b>	<b><u>31,167,197</u></b>	<b><u>5,963,510</u></b>	<b><u>3,464,392</u></b>	<b><u>2,417,125</u></b>	<b><u>745,308</u></b>

Revenue over (under) expenses excluding transfers      \$ (347,278)    \$ (59,643)    \$ (144,961)    \$ (109,963)    \$ (247,793)

**Capital Assets**

At the end of June 30, 2020, the District's investment in capital assets for its governmental and business-type activities was \$43,328,114, representing a decrease of \$2,135,416 net of depreciation, from the prior year.

**Debt Service**

At year-end, the District had approximately \$29.3 million in outstanding debt, compared to \$31.2 million last year.

**FUTURE BUDGETARY IMPLICATIONS**

In Kentucky, the public schools fiscal year is July 1 - June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget for 2020 - 2021 with \$441,858 or 1.67% in contingency. Significant Board action that impacts the finances includes mandated pay increases, and in depth examination of all expense categories, which would include staffing patterns, and any facility repairs outside of bonded building and renovation projects.

Questions regarding this report should be directed to Superintendent Sean Howard at 606-327-2706 or by mail at 1820 Hickman Street, P.O. Box 3000, Ashland, KY 41105.

**ASHLAND INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Unit</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 845,196	\$ 240,226	\$ 1,085,422	\$ (8,170)
Receivables (net of allowances for uncollectibles):				
Property taxes	106,013	-	106,013	8,170
Other	155,619	-	155,619	-
Intergovernmental - state	128,309	-	128,309	-
Intergovernmental - federal	2,193,222	61,028	2,254,250	-
Inventories	-	22,893	22,893	-
Capital assets, not being depreciated	1,688,116	-	1,688,116	-
Capital assets, being depreciated, net	41,456,132	183,866	41,639,998	-
Total assets	<u>46,572,607</u>	<u>508,013</u>	<u>47,080,620</u>	<u>-</u>
<b>Deferred Outflows of Resources</b>				
Deferred savings from refunding bonds	255,126	-	255,126	-
Deferred OPEB related	2,220,297	152,790	2,373,087	39,631
Deferred pension related	2,674,008	347,929	3,021,937	90,245
Total deferred outflows of resources	<u>5,149,431</u>	<u>500,719</u>	<u>5,650,150</u>	<u>129,876</u>
<b>Liabilities</b>				
Accounts payable	213,697	27,520	241,217	-
Overdraft payable	1,412,828	-	1,412,828	-
Interfund payable	200,000	-	200,000	-
Accrued salaries and benefits payable	415,681	-	415,681	-
Unearned revenue	895,371	-	895,371	-
Accrued interest payable	264,750	-	264,750	-
Portion due or payable within one year:				
Accrued sick leave	102,923	-	102,923	-
Debt obligations	1,870,000	-	1,870,000	-
Capital leases	41,450	-	41,450	-
KSBIT	14,607	-	14,607	-
Portion due or payable after one year:				
Net OPEB liability	10,064,814	384,726	10,449,540	99,790
Net pension liability	12,366,973	1,609,130	13,976,103	417,374
Accrued sick leave	655,933	-	655,933	-
Debt obligations, net of discounts	27,146,469	-	27,146,469	-
Capital leases	213,769	-	213,769	-
KSBIT	-	-	-	-
Total liabilities	<u>55,879,265</u>	<u>2,021,376</u>	<u>57,900,641</u>	<u>517,164</u>
<b>Deferred Inflows of Resources</b>				
Deferred OPEB related	2,754,143	134,557	2,888,700	34,902
Deferred pension related	251,613	32,740	284,353	8,492
Total deferred inflows of resources	<u>3,005,756</u>	<u>167,297</u>	<u>3,173,053</u>	<u>43,394</u>
<b>Net Position</b>				
Net investment in capital assets	13,872,560	183,866	14,056,426	-
Restricted for:				
Capital projects	-	-	-	-
Other purposes	33,500	(1,363,807)	(1,330,307)	-
Unrestricted	(21,069,043)	-	(21,069,043)	(430,682)
Total net position	<u>\$ (7,162,983)</u>	<u>\$ (1,179,941)</u>	<u>\$ (8,342,924)</u>	<u>\$ (430,682)</u>

The accompanying notes to financial statements are an integral part of this statement.

ASHLAND INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
<b>Primary government:</b>								
Governmental activities:								
Instruction	\$ 14,664,826	\$ 6,140	\$ 3,248,114	\$ -	\$ (11,410,572)	\$ -	\$ (11,410,572)	\$ -
Support services:								
Students	1,574,190	-	61,054	-	(1,513,136)	-	(1,513,136)	-
Instructional staff	3,577,502	-	2,447,605	-	(1,129,897)	-	(1,129,897)	-
District administration	1,064,401	-	-	-	(1,064,401)	-	(1,064,401)	-
School administration	1,519,347	-	-	-	(1,519,347)	-	(1,519,347)	-
Business and other support services	465,959	-	-	-	(465,959)	-	(465,959)	-
Operation and maintenance of plant	4,667,731	-	-	-	(4,667,731)	-	(4,667,731)	-
Student transportation	1,507,138	-	-	-	(1,507,138)	-	(1,507,138)	-
Other instructional	4,689	-	-	-	(4,689)	-	(4,689)	-
Community services	345,636	-	337,082	-	(8,554)	-	(8,554)	-
Interest	983,945	-	-	2,022,788	1,038,843	-	1,038,843	-
Total governmental activities	<u>30,375,364</u>	<u>6,140</u>	<u>6,093,855</u>	<u>2,022,788</u>	<u>(22,252,581)</u>	<u>-</u>	<u>(22,252,581)</u>	<u>-</u>
Business-type activities:								
Food service	2,019,937	62,262	2,077,008	-	-	119,333	119,333	-
Total business-type activities	<u>2,019,937</u>	<u>62,262</u>	<u>2,077,008</u>	<u>-</u>	<u>-</u>	<u>119,333</u>	<u>119,333</u>	<u>-</u>
Total primary government	<u>\$ 32,395,301</u>	<u>\$ 68,402</u>	<u>\$ 8,170,863</u>	<u>\$ 2,022,788</u>	<u>\$ (22,252,581)</u>	<u>\$ 119,333</u>	<u>\$ (22,133,248)</u>	<u>\$ -</u>
Component unit:								
Public School Corporation of Ashland								
Independent School District	\$ 836,941	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (836,941)
Total component unit	<u>\$ 836,941</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (836,941)</u>
General revenues:								
Taxes:								
Property taxes, levied for general purposes					\$ 6,705,893	\$ -	\$ 6,705,893	\$ 450,886
Motor vehicle					615,523	-	615,523	49,468
Utilities					1,489,019	-	1,489,019	-
Intergovernmental revenues:								
State					11,402,438	-	11,402,438	-
Investment earnings					15,233	-	15,233	-
Other local revenues					164,100	-	164,100	-
Total general revenues and transfers					<u>20,392,206</u>	<u>-</u>	<u>20,392,206</u>	<u>500,354</u>
Change in net position					<u>(1,860,375)</u>	<u>119,333</u>	<u>(1,741,042)</u>	<u>(336,587)</u>
Net position, June 30, 2019					<u>(5,302,608)</u>	<u>(1,299,274)</u>	<u>(6,601,882)</u>	<u>(94,095)</u>
Net position, June 30, 2020					<u>\$ (7,162,983)</u>	<u>\$ (1,179,941)</u>	<u>\$ (8,342,924)</u>	<u>\$ (430,682)</u>

The accompanying notes to financial statements are an integral part of this statement.

**ASHLAND INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2020**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 718,219	\$ -	\$ 93,447	\$ 33,530	\$ 845,196
Receivables (net of allowances for uncollectibles):					
Taxes	106,013	-	-	-	106,013
Other	142,678	12,941	-	-	155,619
Intergovernmental - state	-	128,309	-	-	128,309
Intergovernmental - federal	-	2,193,222	-	-	2,193,222
Total assets	<u>\$ 966,910</u>	<u>\$ 2,334,472</u>	<u>\$ 93,447</u>	<u>\$ 33,530</u>	<u>\$ 3,428,359</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 93,947	\$ 26,273	\$ 93,447	\$ 30	\$ 213,697
Overdraft payable	-	1,412,828	-	-	1,412,828
Interfund payable	200,000	-	-	-	200,000
Accrued salaries and benefits payable	415,681	-	-	-	415,681
Unearned revenue	-	895,371	-	-	895,371
Total liabilities	<u>709,628</u>	<u>2,334,472</u>	<u>93,447</u>	<u>30</u>	<u>3,137,577</u>
Fund balances:					
Restricted for accrued sick leave	102,923	-	-	-	102,923
Restricted for capital projects	-	-	-	-	-
Restricted for debt service	-	-	-	1,940	1,940
Restricted for other	-	-	-	31,560	31,560
Unassigned	154,359	-	-	-	154,359
Total fund balances	<u>257,282</u>	<u>-</u>	<u>-</u>	<u>33,500</u>	<u>290,782</u>
Total liabilities and fund balances	<u>\$ 966,910</u>	<u>\$ 2,334,472</u>	<u>\$ 93,447</u>	<u>\$ 33,530</u>	<u>\$ 3,428,359</u>

The accompanying notes to financial statements are an integral part of this statement.

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

Fund balances—total governmental funds		\$	290,782
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			43,144,248
Savings from refunding bonds are not available to pay current period expenditures and, therefore, are not reported in the funds.			255,126
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.			2,422,395
Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds.			(533,846)
Some liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.			
Net pension liability	(12,366,973)		
Net OPEB liability	(10,064,814)		
Bonds payable	(29,016,469)		
Capital leases payable	(255,219)		
KSBIT payable	(14,607)		
Accrued sick leave	(758,856)		
Accrued interest payable	(264,750)		
			(52,741,688)
Net position of governmental activities		\$	(7,162,983)

The accompanying notes to financial statements are an integral part of this statement.



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

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
From local sources:					
Taxes -					
Property	\$ 5,650,121	\$ -	\$ -	\$ 1,055,772	\$ 6,705,893
Motor vehicles	615,523	-	-	-	615,523
Utilities	1,489,019	-	-	-	1,489,019
Tuition and fees	6,140	-	-	-	6,140
Interest income	14,685	-	-	548	15,233
Other local revenues	117,509	28,604	-	14,891	161,004
Intergovernmental - State	22,479,280	1,176,312	-	2,022,788	25,678,380
Intergovernmental - Indirect federal	-	3,940,266	-	-	3,940,266
Intergovernmental - Direct federal	202,295	922,928	-	-	1,125,223
Total revenues	<u>30,574,572</u>	<u>6,068,110</u>	<u>-</u>	<u>3,093,999</u>	<u>39,736,681</u>
<b>Expenditures:</b>					
Current:					
Instruction	19,661,187	3,276,718	-	1,317	22,939,222
Support services:					
Students	1,509,703	61,054	-	-	1,570,757
Instructional staff	1,127,296	2,447,605	-	-	3,574,901
District administration	1,053,028	-	-	-	1,053,028
School administration	1,518,585	-	-	-	1,518,585
Business and other support services	463,633	-	-	-	463,633
Operation and maintenance of plant	3,762,190	-	-	-	3,762,190
Student transportation	1,441,473	-	-	-	1,441,473
Other instructional	-	4,689	-	-	4,689
Community services	8,554	337,082	-	-	345,636
Facilities acquisition and construction	11,446	-	114,564	-	126,010
Debt service	68,689	-	-	2,747,132	2,815,821
Total expenditures	<u>30,625,784</u>	<u>6,127,148</u>	<u>114,564</u>	<u>2,748,449</u>	<u>39,615,945</u>
Excess (deficiency) of revenues over expenditures	<u>(51,212)</u>	<u>(59,038)</u>	<u>(114,564)</u>	<u>345,550</u>	<u>120,736</u>
<b>Other financing sources (uses):</b>					
Sale of assets	3,096	-	-	-	3,096
Transfers in	217,282	241,844	218,112	2,248,056	2,925,294
Transfers out	<u>(59,038)</u>	<u>(182,806)</u>	<u>(103,548)</u>	<u>(2,579,902)</u>	<u>(2,925,294)</u>
Total other financing sources (uses)	<u>161,340</u>	<u>59,038</u>	<u>114,564</u>	<u>(331,846)</u>	<u>3,096</u>
Net change in fund balances	110,128	-	-	13,704	123,832
Fund balances, June 30, 2019	<u>147,154</u>	<u>-</u>	<u>-</u>	<u>19,796</u>	<u>166,950</u>
Fund balances, June 30, 2020	<u>\$ 257,282</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,500</u>	<u>\$ 290,782</u>

The accompanying notes to financial statements are an integral part of this statement.

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

Net change in fund balances—total governmental funds		\$ 123,832
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 those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	125,564	
Depreciation expense	<u>(2,216,308)</u>	(2,090,744)
Generally expenditures recognized in the fund financial statements are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred for the following:		
Long-term portion of accrued sick leave		(53,794)
Amortization of deferred savings from refunding bonds		(49,108)
Amortization of bond discounts and premiums		(25,634)
Accrued interest payable		4,506
Governmental funds report CERS contributions as expenditures when paid. However, in the statement of activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions, and investment experience.		
KTRS nonemployer support revenue	(11,224,788)	
KTRS pension expense	11,224,788	
CERS contributions	94,226	
Pension expense	<u>(1,765,771)</u>	(1,671,545)
Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statements but are reductions of liabilities in the statement of net position.		<u>1,902,112</u>
Change in net position of governmental activities		<u>\$ (1,860,375)</u>

The accompanying notes to financial statements are an integral part of this statement.

**ASHLAND INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**JUNE 30, 2020**

	Food Service Fund
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 240,226
Receivables (net of allowances for uncollectibles)	
Intergovernmental - federal	61,028
Interfund receivable	-
Inventories	22,893
Total current assets	324,147
Noncurrent assets:	
Capital assets, net of accumulated depreciation	183,866
Total noncurrent assets	183,866
Total assets	508,013
<b>Deferred Outflows of Resources</b>	
Deferred OPEB related	152,790
Deferred pension related	347,929
Total deferred outflows of resources	500,719
Total assets and deferred outflows	\$ 1,008,732
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	\$ 27,520
Interfund payable	-
Total current liabilities	27,520
Noncurrent liabilities:	
Net OPEB liability	384,726
Net pension liability	1,609,130
Total noncurrent liabilities	1,993,856
Total liabilities	2,021,376
<b>Deferred Inflows of Resources</b>	
Deferred OPEB related	134,557
Deferred pension related	32,740
Total deferred inflows of resources	167,297
<b>Net Position</b>	
Net investment in capital assets	183,866
Restricted	(1,363,807)
Total net position	(1,179,941)
Total liabilities, deferred inflows and net position	\$ 1,008,732

The accompanying notes to financial statements are an integral part of this statement.

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

	Food Service Fund
Operating revenues:	
Lunchroom sales	\$ 62,262
Total operating revenues	62,262
Operating expenses:	
Salaries and wages	601,406
Employee benefits	441,450
Materials and supplies	914,624
Depreciation	44,672
Other operating expenses	17,785
Total operating expenses	2,019,937
Operating loss	(1,957,675)
Nonoperating revenues (expenses):	
Federal grants	1,700,161
Investment income	-
Donated commodities	82,574
State grants	294,273
Total nonoperating revenue (expense)	2,077,008
Increase in net position	119,333
Net position, June 30, 2019	(1,299,274)
Net position, June 30, 2020	\$ (1,179,941)

The accompanying notes to financial statements are an integral part of this statement.

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

	<u>Food Service Fund</u>
Cash flows from operating activities:	
Cash received from:	
Lunchroom sales	\$ 62,262
Cash paid to/for:	
Payments to suppliers and providers of goods and services	(856,233)
Payments to employees	(783,788)
Other payments	(17,785)
Net cash used for operating activities	<u>(1,595,544)</u>
 Cash flows from noncapital financing activities:	
Interfund receivable	117,239
Government grants	1,669,889
Net cash provided by noncapital and related financing activities	<u>1,787,128</u>
 Cash flows from capital and related financing activities:	
Purchases of capital assets	-
Net cash used for capital and related financing activities	<u>-</u>
 Cash flows from investing activities:	
Interest received on investments	-
Net cash provided by investing activities	<u>-</u>
 Net change in cash and cash equivalents	191,584
 Cash and cash equivalents, June 30, 2019	<u>48,642</u>
 Cash and cash equivalents, June 30, 2020	<u><u>\$ 240,226</u></u>
 Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (1,957,675)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	44,672
Donated commodities	82,574
On-behalf payments	291,560
Net pension and OPEB adjustment	(32,492)
Change in assets and liabilities:	
Inventory	(12,140)
Accounts payable	(12,043)
Interfund payable	-
Net cash used for operating activities	<u><u>\$ (1,595,544)</u></u>
 Non-cash items:	
Donated commodities	\$ 82,574
On-behalf payments	291,560

The accompanying notes to financial statements are an integral part of this statement.

**ASHLAND INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2020**

	Trust Funds	Activity Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 3,670	\$ 234,673
Due from General Fund	-	200,000
Accounts receivable	-	53,729
Total assets	3,670	488,402
<b>Liabilities</b>		
Accounts payable	-	32,831
Due to students	-	455,571
Total liabilities	-	488,402
<b>Net position held in trust</b>	\$ 3,670	\$ -

The accompanying notes to financial statements are an integral part of this statement.

**ASHLAND INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

	Trust Funds
Additions -	
Investment income	\$ 127
From local services:	
Other	-
Total Additions	127
Deductions -	
Transfer out	-
Support services:	
Community services	-
Total Deductions	-
Increase in net position	127
Net position, June 30, 2019	3,543
Net position, June 30, 2020	\$ 3,670

The accompanying notes to financial statements are an integral part of this statement

**ASHLAND INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes -				
Property	\$ 5,635,000	\$ 6,235,000	\$ 5,650,121	\$ (584,879)
Motor vehicles	625,000	625,000	615,523	(9,477)
Utilities	1,750,000	1,750,000	1,489,019	(260,981)
Tuition and transportation	59,981	59,981	6,140	(53,841)
Interest income	25,000	25,000	14,685	(10,315)
Other local revenues	165,000	156,700	117,509	(39,191)
Intergovernmental - State	14,473,153	14,508,153	14,043,432	(464,721)
Intergovernmental - Direct federal	155,000	155,000	202,295	47,295
Total revenues	<u>22,888,134</u>	<u>23,514,834</u>	<u>22,138,724</u>	<u>(1,376,110)</u>
Expenditures:				
Current:				
Instruction	13,794,314	13,777,371	13,343,281	434,090
Support services:				
Students	877,759	890,628	856,273	34,355
Instructional staff	780,514	822,890	1,111,724	(288,834)
District administration	916,180	1,152,779	928,039	224,740
School administration	1,196,165	1,198,278	1,057,812	140,466
Business and other support services	392,474	407,128	371,659	35,469
Operation and maintenance of plant	3,317,207	3,699,232	3,285,243	413,989
Student transportation	1,036,447	1,017,645	1,147,216	(129,571)
Community services	-	-	8,554	(8,554)
Facilities acquisition and construction	-	250	11,446	(11,196)
Debt Service	72,000	76,046	68,689	7,357
Contingency	950,959	857,826	-	857,826
Total expenditures	<u>23,334,019</u>	<u>23,900,073</u>	<u>22,189,936</u>	<u>1,710,137</u>
Excess (deficiency) of revenues over expenditures	<u>(445,885)</u>	<u>(385,239)</u>	<u>(51,212)</u>	<u>334,027</u>
Other financing sources (uses):				
Gain on sale of equipment	5,000	5,000	3,096	(1,904)
Transfers in	-	-	217,282	217,282
Transfers out	(59,115)	(59,115)	(59,038)	77
Total other financing sources (uses)	<u>(54,115)</u>	<u>(54,115)</u>	<u>161,340</u>	<u>215,455</u>
Net change in fund balances	<u>(500,000)</u>	<u>(439,354)</u>	<u>110,128</u>	<u>549,482</u>
Fund balances, June 30, 2019	<u>500,000</u>	<u>500,000</u>	<u>147,154</u>	<u>(352,846)</u>
Fund balances, June 30, 2020	<u>\$ -</u>	<u>\$ 60,646</u>	<u>\$ 257,282</u>	<u>\$ 196,636</u>
Adjustments to Generally Accepted Accounting Principles -				
Intergovernmental State Revenue			8,435,848	
On-behalf payments:				
Instruction			(6,317,906)	
Support services:				
Students			(653,430)	
Instructional staff support			(15,572)	
District administration			(124,989)	
School administration			(460,773)	
Business and other support services			(91,974)	
Operation and maintenance of plant			(476,947)	
Student transportation			(294,257)	
Fund balance, June 30, 2020 (GAAP basis)			<u>\$ 257,282</u>	

The accompanying notes to financial statements are an integral part of this statement.



**ASHLAND INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest income	\$ -	\$ -	\$ -	\$ -
Other local revenues	4,000	14,117	28,604	14,487
Intergovernmental - State	990,598	1,202,712	1,176,312	(26,400)
Intergovernmental - Indirect federal	2,918,025	4,233,516	3,940,266	(293,250)
Intergovernmental - Direct federal	1,159,124	1,159,124	922,928	(236,196)
Total revenues	<u>5,071,747</u>	<u>6,609,469</u>	<u>6,068,110</u>	<u>(541,359)</u>
Expenditures:				
Current:				
Instruction	2,010,652	2,058,621	3,276,718	(1,218,097)
Support services:				
Students	17,650	96,661	61,054	35,607
Instructional staff	2,776,403	4,148,250	2,447,605	1,700,645
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other instructional	4,850	5,376	4,689	687
Community services	321,307	322,768	337,082	(14,314)
Operation of non-instructional services	-	-	-	-
Total expenditures	<u>5,130,862</u>	<u>6,631,676</u>	<u>6,127,148</u>	<u>504,528</u>
Excess (deficiency) of revenues over expenditures	<u>(59,115)</u>	<u>(22,207)</u>	<u>(59,038)</u>	<u>(36,831)</u>
Other financing sources (uses):				
Transfers out	(178,800)	(182,806)	(182,806)	-
Transfers in	237,915	241,921	241,844	(77)
Total other financing sources (uses)	<u>59,115</u>	<u>59,115</u>	<u>59,038</u>	<u>(77)</u>
Net change in fund balances	-	36,908	-	(36,908)
Fund balances, June 30, 2019	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, June 30, 2020	<u>\$ -</u>	<u>\$ 36,908</u>	<u>\$ -</u>	<u>\$ (36,908)</u>

The accompanying notes to financial statements are an integral part of this statement.

**ASHLAND INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**(1) REPORTING ENTITY**

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

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

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

Based on the foregoing criteria, the financial statements of the following organizations are included in the accompanying financial statements. Copies of component unit reports may be obtained from the District's Finance Office at 1820 Hickman Street, Ashland, Kentucky 41101.

**Blended Component Unit:**

Ashland Independent School District Finance Corporation

In 1989, the Ashland Independent School District resolved to authorize the establishment of the Ashland Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

**Discretely Presented Component Unit:**

Public School Corporation of Ashland Independent School District ("PSCA")

The Board formed this component unit as a nonstock, non-profit corporation to be its agency and instrumentality. Its purpose in this capacity is to finance the acquisition of properties for public school, junior college or community college uses and in furtherance of public purposes and functions of the Board.

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Ashland Independent School District substantially comply with the accounting principles generally accepted in the United States and the rules prescribed by the Kentucky Department of Education for local school districts.

Basis of Presentation

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements provide information about the primary government (the District). The statements include a statement of net position and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses to programs or functions. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues, 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 provide information about the District's funds, including fiduciary funds. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

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

#### I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes.
  - 1. The Special Revenue 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.

2. The District Activity Fund is a special revenue fund used to account for funds collected at individual schools for operation costs of the school or school district that allows for more flexibility in the expenditure of those funds.

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

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

(D) The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

## II. Proprietary Fund (Enterprise Fund)

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

## III. Fiduciary Fund Type (includes Agency and Trust Funds)

The Activity Funds account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with *Uniform Program of Accounting for School Activity Funds*. The Trust Funds represent scholarship funds and are accounted for as expendable trust funds on the modified accrual basis.

## Basis of Accounting

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

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

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

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

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

#### Cash and Cash Equivalents

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

#### Inventories

Supplies and materials are charged to expenditures when purchased, with the exception of the Proprietary Fund, which records inventory at cost, on the first-in, first-out basis, using the accrual method of accounting.

#### Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary fund. 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 five thousand dollars for personal property and twenty-five thousand for real property. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated with the exception of land. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the

straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	25-50 years
Infrastructure	20 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	5-12 years
Other general	7-10 years

### Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. The District's ad valorem tax is levied prior to June 30, of each year on the assessed value listed as of the prior January 1, for all real and business personal property located in the District. The assessed value of property upon which the levy for the 2020 fiscal year was based was \$1,050,965,751.

The tax rates assessed for the year ended June 30, 2020 to finance general fund operations were \$0.71 on real estate, \$0.71 on personal property, and \$0.514 on motor vehicles per \$100 valuation. These rates include \$0.05 per \$100 valuation for Junior College Tax. Taxes are due on October 1 and become delinquent by February 1 following the October 1 levy date.

### In-Kind

Local contributions, which include contributed services provided by individuals, private organizations and local governments, are used to match federal and state administered funding on various grants. The District also receives commodities from USDA. The amounts of such services and commodities are recorded in the accompanying financial statements at their estimated fair market values.

### Interfund Balances

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

### Budgetary Process

**Budgetary Basis of Accounting:** The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major difference between the budgetary basis and the GAAP basis is that on-behalf payments made by the state for the District are not budgeted. See note (12) for these amounts which were not known by the District at the time the budget was adopted.

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy, only amendments that aggregate greater than \$50,000 require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

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

### 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 the proprietary fund are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, all 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.

### Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments. The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is not reported in the fund financial statements, but is reflected in the statement of net position.

### Fund Balance Reserves

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by the Board itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the Board takes the action to remove or change the constraint;
- Assigned fund balance - amounts the District intends to use for a specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; unassigned amounts are reported only in the General Fund.

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

## Net Position

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

## Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, those revenues are primarily charges for meals provided by the various schools. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

## Interfund Activity

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

## Debt Issuance Costs

Debt issuance costs are expensed in the period they are incurred.

## Estimates

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

## 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

## Pension

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 pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been



determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### Postemployment Benefits Other Than Pensions (OPEB)

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

#### Recent Accounting Pronouncements

In February 2017, the GASB issued Statement No. 84, *Fiduciary Activities* ("GASB 84"). GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. Generally, the focus of the criteria relates to (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and post-employment benefit arrangements that are fiduciary activities. Additionally, GASB 84 describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust, or an equivalent arrangement, that meets specific criteria. Finally, it provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. GASB 84 will be effective for the District beginning with its year ending June 30, 2021. Management is currently evaluating the impact of this Statement on its financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases* ("GASB 87"), which establishes standards of accounting and financial reporting for leases by lessees and lessors. GASB 87 (1) increases the 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; and (2) establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Additionally, under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB 87 will be effective for the District beginning with its year ending June 30, 2022 and will be applied retroactively by restating financial statements. Management is currently evaluating the impact of this Statement on its financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* ("GASB 89"), which seeks to (1) enhance the relevance and comparability of information concerning capital assets and the cost of borrowing for a reporting period, and (2) simplify accounting for interest cost incurred during the period of construction. In particular, GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost 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, and, thus, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB 89 will be effective for

the District beginning with its year ending June 30, 2022. Management is currently evaluating the impact of this Statement on its financial statements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020* (“GASB 92”). GASB 92 establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. Provisions related to insurance-related activities of public entity risk pools and derivative instruments were effective upon issuance. All other provisions will be effective for the District beginning with its year ending June 30, 2022. Adoption of the provisions required upon issuance did not have a material effect on the District’s financial statements. Management is currently evaluating the impact of the remaining provisions of this Statement on its financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (“GASB 96”). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. The Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. GASB 96 will be effective for the District beginning with its year ending June 30, 2023. Management is currently evaluating the impact of this Statement on its financial statements.

### **(3) CASH AND CASH EQUIVALENTS**

The funds of the District must be deposited and invested under the terms of a contract. The depository bank places approved pledged securities for safekeeping and trust with the District’s agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank’s dollar amount of Federal Deposit Insurance Corporation (“FDIC”) insurance.

At June 30, 2020, the carrying amount of the Board's cash and cash equivalents after accounting for overdrafts payable was (\$89,063) and the related bank balances totaled \$264,888. Of these total bank balances, \$264,888 was insured by the Bank Insurance Fund.

Due to the nature of the accounts and certain limitations imposed on the use of funds, each bank account within the following funds is considered to be restricted: SEEK Capital Outlay Fund, Facility Support Program (FSPK) Fund, Special Revenue (Grant Funds), Debt Service Fund, School Construction Fund, School Food Service Funds, and School Activity Funds.

### **(4) CAPITAL ASSETS**

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

<u>Governmental Activities</u>	<u>June 30, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2020</u>
Land and land improvements	\$ 1,688,116	\$ -	\$ -	\$ 1,688,116
Buildings and improvements	95,892,211	718,499	-	96,610,710
Technology equipment	3,481,514	-	-	3,481,514
Vehicles	2,599,489	-	-	2,599,489
General	2,184,431	11,000	-	2,195,431
Infrastructure	31,290	-	-	31,290

Construction-in-progress	<u>603,935</u>	<u>114,564</u>	<u>718,499</u>	<u>-</u>
Totals at historical cost	<u>106,480,986</u>	<u>844,063</u>	<u>718,499</u>	<u>106,606,550</u>
Less: accumulated depreciation -				
Buildings and improvements	(54,511,373)	(1,936,298)	-	(56,447,671)
Technology equipment	(3,417,889)	(21,000)	-	(3,438,889)
Vehicles	(1,948,571)	(116,507)	-	(2,065,078)
General	(1,347,968)	(140,938)	-	(1,488,906)
Infrastructure	(20,193)	(1,565)	-	(21,758)
Total accumulated depreciation	<u>(61,245,994)</u>	<u>(2,216,308)</u>	<u>-</u>	<u>(63,462,302)</u>
Governmental Activities				
Capital Assets - Net	<u>\$ 45,234,992</u>	<u>\$ (1,372,245)</u>	<u>\$ 718,499</u>	<u>\$ 43,144,248</u>
<u>Business-Type Activities</u>				
Food service equipment	<u>\$ 1,537,082</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,537,082</u>
Totals at historical cost	<u>1,537,082</u>	<u>-</u>	<u>-</u>	<u>1,537,082</u>
Less: accumulated depreciation				
Food service equipment	<u>(1,308,544)</u>	<u>(44,672)</u>	<u>-</u>	<u>(1,353,216)</u>
Total accumulated depreciation	<u>(1,308,544)</u>	<u>(44,672)</u>	<u>-</u>	<u>(1,353,216)</u>
Business-Type Activities				
Capital Assets - Net	<u>\$ 228,538</u>	<u>\$ (44,672)</u>	<u>\$ -</u>	<u>\$ 183,866</u>

Depreciation expense was allocated to governmental functions as follows:

Instruction	\$ 1,224,607
Student support services	3,433
Instructional staff support	2,601
District administration	11,373
School administration	762
Business support services	2,326
Plant operation & maintenance	905,541
Student transportation	65,665
	<u>\$ 2,216,308</u>

## (5) DEBT OBLIGATIONS

The amount shown in the accompanying financial statements as debt obligations represents the District's future obligations to make lease payments relating to bonds issued in the original amount of \$37,163,000.

### Bonds

The General Fund, Facilities Support Program (FSPK) Fund and the SEEK Capital Outlay Fund are obligated to make lease payments. The lease agreements provide among other things, (1) for rentals sufficient to satisfy debt service requirements on bonds issued by the Fiscal Court and the Board to construct school facilities and (2) the Board with the option to purchase the properties under leases at any time by retiring the bonds then outstanding. The proceeds from certain refunding issues have been placed in escrow accounts to be used to service the related debt.

The original amount of present outstanding issues, the issue date, and interest rates are summarized below:

<u>Issue Date</u>	<u>Original Amount</u>	<u>Interest Rates</u>
Issue of 6-1-11	720,000	3.75%
Issue of 6-1-12	3,655,000	1.00% to 2.30%

Issue of 8-1-13	11,300,000	3.00 to 4.50%
Issue of 9-1-13	4,043,000	1.29%
Issue of 11-1-13	2,705,000	2.00% to 4.125%
Issue of 7-1-14	3,730,000	1.00% to 3.125%
Issue of 2-1-15	5,830,000	2.00% to 2.15%
Issue of 11-1-16	5,180,000	1.10% to 3.375%
	<u>\$ 37,163,000</u>	

The bonds may be called prior to maturity at dates and redemption premiums specified in the issues.

A summary of long-term debt and other long-term liabilities is as follows:

<u>Description</u>	<u>Balance at June 30, 2019</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance at June 30, 2020</u>
General obligation bonds - \$37,163,000 originally issued with interest rates ranging from 1.00% to 4.50%	\$ 31,148,000	\$ -	\$ 1,825,000	\$ 29,323,000
KISTA	317,724	-	62,505	255,219
KSBIT Payable	29,214	-	14,607	14,607
Accrued Interest Payable	269,256	-	4,506	264,750
Net OPEB Liability	11,685,610	-	1,136,280	10,549,330
Accumulated unpaid sick leave	705,062	53,794	-	758,856
Net pension liability	12,262,220	2,131,257	-	14,393,477
Less: Discounts on bonds	(332,165)	-	(25,634)	(306,531)
	<u>\$ 56,084,921</u>	<u>\$ 2,185,051</u>	<u>\$ 3,017,264</u>	<u>\$ 55,252,708</u>

The 6-1-11, 6-1-12, 8-1-13, 9-1-13, 11-1-13, 7-1-14, and 11-1-16 bond issues were sold at a discount of \$14,292, \$36,472, \$225,259, \$40,430, \$52,791, \$50,675, and \$80,455, respectively and the 2-1-15 bond issue was sold at a premium of \$22,290. These amounts are being amortized over the life of the respective debt.

In connection with the bond issues, the District entered into participation agreements with the Kentucky School Facilities Construction Commission (KSFCC), whereby the Commission has agreed to provide amounts on an annual basis (reflected in the following table) toward the payment of principal and interest requirements on the bonds. The agreements are in effect for a period of two years each. The obligations of the Commission to make said payments shall automatically renew every two years, unless the Commission provides the District notice of its intention not to participate within sixty days prior to the expiration of the two year period.

Assuming no bonds are called prior to scheduled maturity and the KSFCC continues to renew its participation to provide annual principal and interest amounts, the minimum obligations of the Funds at June 30, 2020 for debt service (principal and interest) are as follows:

<u>June 30,</u>	<u>State's Portion</u>		<u>District's Portion</u>		<u>Total</u>
	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	
2021	\$ 198,895	\$ 442,728	\$ 611,978	\$ 1,427,272	\$ 2,680,873
2022	188,232	459,083	592,916	1,455,917	2,696,148

2023	176,695	476,539	572,937	1,488,461	2,714,632
2024	164,175	495,215	551,604	1,519,785	2,730,779
2025	149,896	378,376	524,630	1,556,624	2,609,526
2026-2030	549,558	1,995,527	2,095,230	8,272,473	12,912,788
2031-2035	172,420	1,700,090	727,764	6,649,910	9,250,184
2036-2037	5,603	172,684	28,231	832,316	1,038,834
	<u>\$ 1,605,474</u>	<u>\$ 6,120,242</u>	<u>\$ 5,705,290</u>	<u>\$ 23,202,758</u>	<u>\$ 36,633,764</u>

Future minimum debt service on notes payable to KISTA by the District, at June 30, 2020, are as follows:

June 30,	District's Portion		Total
	Principal	Interest	
2021	\$ 41,450	\$ 7,526	\$ 48,976
2022	42,659	6,356	49,015
2023	28,231	5,133	33,364
2024	29,188	4,286	33,474
2025	29,954	3,411	33,365
2026-2028	83,737	4,901	88,638
	<u>\$ 255,219</u>	<u>\$ 31,613</u>	<u>\$ 286,832</u>

### **KSBIT Payable**

The Kentucky School Boards Insurance Trust ("KSBIT") notified the District during the fiscal year 2013 that their self-insurance pools for worker's compensation and liability insurance were underfunded. As a result, an assessment will be required under a fair methodology to be approved by the Kentucky Department of Insurance, of current and past participating members to fund the deficit and the transfer of liability to a qualified insurer/reinsurer. On May 13, 2014, the court approved the plan of assessment tendered by KSBIT and approved the Loss Portfolio Transfer to Kentucky Employers Mutual Insurance ("KEMI"). As a result the District's portion of the liability was estimated at \$116,850. The District took the option of paying 25% down by August 31, 2014 and financing the remaining balance over 6 years to be paid in equal annual installments beginning August 31, 2015 with no interest.

June 30,	Principal
2021	\$ 14,607
	<u>\$ 14,607</u>

### **Accumulated Unpaid Sick Leave Benefits**

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2020, this amount totaled \$758,856. The District follows a policy of funding up to one-half of the total amount accrued as a reservation of the General Fund balance.

### **Net Pension Liability**

The net pension liability is \$12,366,973, \$1,609,130, and \$417,374 for governmental activities, business-type activities, and Component Unit activities, respectively as of June 30, 2020. See Note (6) for more detailed information.

### **Net OPEB Liability**

The net OPEB liability is \$10,064,814, \$384,726, and \$99,790 for governmental activities, business-type activities, and Component Unit activities, respectively as of June 30, 2020. See Note (7) for more detailed information.

## (6) RETIREMENT PLANS

### Kentucky Teachers Retirement System

*Plan description:* Teaching-certified employees of the Kentucky School District 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 state. KTRS 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). 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 members who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

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

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

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Members at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. 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. University members are required to contribute 10.400% of their salaries. KRS 161.580 allows each university to reduce the contribution of its members by 2.215%; therefore, university members contribute 8.185% of their salary to KTRS.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions in the amount of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. University employers contribute 15.865% of salaries of members. 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.

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

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

District's proportionate share of the net Pension liability	\$ -
Commonwealth's proportionate share of the Net Pension liability associated with the District	<u>62,340,032</u>
	<u>\$ 62,340,032</u>

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2018. An expected total pension liability as of June 30, 2019 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the Commonwealth as determined by the actuary. At June 30, 2019, the District's proportion was 0.4569%.

For the year ended June 30, 2020, the District recognized pension expense of (\$6,517,202) and revenue of (\$6,517,202) for support provided by the State.

*Actuarial Methods and Assumptions:* The total pension liability was determined by applying procedures to the actuarial valuation as of June 30, 2017. The financial reporting actuarial valuation as of June 30, 2019, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Single Equivalent Interest Rate	7.50%
Municipal Bond Index Rate	3.50%
Inflation	3.0%
Salary Increase	3.5-7.3%, including inflation
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation
Post-retirement Benefit Increases	1.50% annually

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

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

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

The target 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>
US Equity	40.0%	4.2%
International Equity	22.0%	5.2%
Fixed Income	15.0%	1.2%
Other Additional Categories*	8.0%	3.3%
Real Estate	6.0%	3.8%
Private Equity	7.0%	6.3%
Cash (LIBOR)	2.0%	0.9%
Total	<u>100.0%</u>	

*\*Includes High Yield, Non-US Developed Bonds and Private Credit Strategies.*

*Discount Rate:* The discount rate used to measure the total pension liability as of the Measurement Date was 7.50%. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rates and that Employer contributions will be made at the Actuarially Determined Contribution rates, adjusted by 95%, for all fiscal years in the future. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the net pension liability of the Commonwealth associated with the District, calculated using the discount rate of 7.50%, as well as what the Commonwealth’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current discount rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Commonwealth’s proportionate share of the Net Pension liability associated with the District	\$ 79,598,000	\$ 62,340,032	\$ 47,815,000

*Pension plan fiduciary net position:* Detailed information about the pension plan's fiduciary net position is available in the separately issued KTRS financial report which is publically available at <http://www.ktrs.ky.gov/>.



## County Employees Retirement System

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

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

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

*Contributions:* Funding for CERS is provided by members, who contribute 5.00% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions, and by employers of members. For the year ending June 30, 2020, employers were required to contribute 24.06% (19.30% - pension, 4.76% insurance) of the member's salary. During the year ending June 30, 2020, the District contributed \$962,110 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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

At June 30, 2020, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2019 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2019. At June 30, 2019, the District's proportion was 0.204655%.

For the year ended June 30, 2020, the District recognized pension expense of approximately \$2,731,000. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 367,509	\$ 60,816
Changes of assumptions	1,456,783	-
Net difference between projected and actual earnings on investments	-	232,029
Changes in proportion and differences between District contributions and proportionate share of contributions	325,780	-
District contributions subsequent to the measurement date	962,110	-
	<u>\$ 3,112,182</u>	<u>\$ 292,845</u>

The \$962,110 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the average service life of all members. These will be recognized in pension expense as follows:

<u>Year</u>	
2021	\$ 1,196,411
2022	473,562
2023	170,792
2024	16,462
	<u>\$ 1,857,227</u>

*Actuarial Methods and Assumptions:* The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2018. The financial reporting actuarial valuation as of June 30, 2019, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	24 years, closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected market value of assets is recognized
Payroll Growth	2.00%
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation

As a result of the 2018 experience study, the salary increase assumptions, retirement rate assumptions, mortality assumptions, withdrawal rates, and rates of disablement were updated for the 2019 actuarial valuation. These assumptions are fully documented in the report titled “Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018.”

The mortality table used for active members is PUB-2010 General Mortality Table projected with ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members and beneficiaries, 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 is utilized. For disabled members, the mortality table used is the PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS’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>
Growth		
US Equity	18.75%	4.30%

Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Liquidity		
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies		
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	<u>15.00%</u>	4.10%
Total	<u>100.00%</u>	3.89%

*Discount Rate:* The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease <u>(5.25%)</u>	Current discount rate <u>(6.25%)</u>	1% Increase <u>(7.25%)</u>
District's proportionate share of the net pension liability	\$ 18,002,158	\$ 14,393,477	\$ 11,385,677

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

*Payables to the pension plan:* At June 30, 2020, there was a total payable to CERS of \$388,410, which includes pension and OPEB contributions.

## **(7) OTHER POSTEMPLOYMENT BENEFIT ("OPEB") PLANS**

### Kentucky Teachers Retirement System OPEB Plans

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

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

**Medical Insurance Plan**

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

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

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

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to KTRS Medical Insurance Plan**

At June 30, 2020, the District reported a liability of \$7,108,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2017. An expected total OPEB liability as of June 30, 2019 was determined using standard roll-forward techniques. The total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the District’s proportion was 0.4388994%.

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

District’s proportionate share of the net OPEB liability	\$ 7,108,000
Commonwealth’s proportionate share of the Net OPEB liability associated with the District	5,740,000
	<u>\$ 12,848,000</u>

For the year ended June 30, 2020, the District recognized OPEB expense of \$331,000 and revenue of \$341,516 for support provided by the State. At June 30, 2020, the District reported deferred

outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,720,000
Changes of assumptions	189,000	-
Net difference between projected and actual earnings on investments	30,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	400,000	-
District contributions subsequent to the measurement date	427,031	-
	<u>\$ 1,046,031</u>	<u>\$ 1,720,000</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$427,031 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

<u>Year</u>	
2021	\$ (203,000)
2022	(203,000)
2023	(187,000)
2024	(190,000)
2025	(186,000)
Thereafter	(132,000)
	<u>\$ (1,101,000)</u>

*Actuarial methods and assumptions* – The total OPEB liability was determined by applying procedures to the actuarial valuation as of June 30, 2018. The financial reporting actuarial valuation as of June 30, 2019, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
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	7.50% for FY 2019 decreasing to an ultimate rate of 5.00% by FY 2024
Ages 65 and Older	5.50% for FY 2019 decreasing to an ultimate rate of 5.00% by FY 2021
Medicare Part B Premiums	2.63% for FY 2019 with an ultimate rate of 5.00% by 2031
Municipal Bond Index Rate	3.50%
Discount Rate	8.00%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation.

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
Global Equity	58.0%	5.1%
Fixed Income	9.0%	1.2%
Real Estate	6.5%	3.8%
Private Equity	8.5%	6.3%
Other Additional Categories	17.0%	3.2%
Cash (LIBOR)	1.0%	0.9%
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 assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

	<u>1% Decrease (7.00%)</u>	<u>Current discount rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
District's proportionate share of the net OPEB liability	\$ 8,420,000	\$ 7,108,000	\$ 6,009,000

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

	<u>1% Decrease</u>	<u>Current trend rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ 5,786,000	\$ 7,108,000	\$ 8,733,000

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

### **Life Insurance Plan**

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

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

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

### **OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to KTRS Life Insurance Plan**

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

District's proportionate share of the net OPEB liability	\$ -
Commonwealth's proportionate share of the Net OPEB liability associated with the District	<u>133,000</u> <u>\$ 133,000</u>

The net OPEB liability was measured as of June 30, 2019, and the total pension liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. An expected total OPEB liability as of June 30, 2019 was determined using standard roll-forward techniques. The District's proportion of the net OPEB liability was based on the actual liability of the employees and former employees relative to the total liability of the Commonwealth as determined by the actuary. At June 30, 2019, the District's proportion was 0.429211%.

For the year ended June 30, 2020, the District recognized OPEB expense of \$-0- and revenue of \$5,639 for support provided by the State.

*Actuarial methods and assumptions* - The total OPEB liability was determined by applying procedures to the actuarial valuation as of June 30, 2018. The financial reporting actuarial valuation as of June 30, 2019, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
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 were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

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

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

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

	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
U.S. Equity	40.0%	4.3%
International Equity	23.0%	5.2%
Fixed Income	18.0%	1.2%
Real Estate	6.0%	3.8%
Private Equity	5.0%	6.3%
Other Additional Categories	6.0%	3.3%
Cash (LIBOR)	2.0%	0.9%
Total	<u>100.0%</u>	



*\*As the LIF investment policy is to change, the above reflects the pension allocation and returns that achieve the target 7.5% long-term rate of return.*

*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.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
Commonwealth's proportionate share of the net OPEB liability associated with the District	\$ 197,000	\$ 133,000	\$ 81,000

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

#### County Employees Retirement System Insurance Fund

*Plan description:* The County Employees Retirement System ("CERS") Insurance Fund was established to provide post-employment healthcare benefits to eligible members and dependents. The CERS Insurance Fund is a cost-sharing, multiple employer defined benefit plan administered by the Kentucky Retirement Systems' (KRS) board of trustees.

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

*Benefits provided* - CERS health insurance benefits are subject to various participation dates to determine eligibility and health insurance contribution rates. For employees who initiated participation in the CERS system prior to July 1, 2003, KRS pays a percentage of the monthly contribution rate for insurance coverage based on the retired member's years of service and type of service. Non-hazardous members receive a contribution subsidy for only the member's health insurance premium.

Percentage of contribution ranges from 0% for less than 4 years of service to 100% for 20 years or more of service. For members who initiated participation in the CERS system after July 1, 2003 until August 31, 2008, members must have 120 months of service in a state-administered retirement system to qualify for participation in the KRS health plans. Members who began participating with KRS on or after September 1, 2008, must have 180 months of service upon retirement to participate in the KRS health plans. Non-hazardous retirees receive \$10 toward the monthly premium for each full year of service.

*Contributions:* CERS allocates a portion of the employer contributions to the health insurance benefit plans. For the year ending June 30, 2020, CERS allocated 4.76% of the 24.06% actuarially required contribution rate paid by employers for funding the healthcare benefit. In addition, 1.00% of the

contributions by employees hired after September 1, 2008 are allocated to the health insurance plan. During the year ending June 30, 2020, the District contributed \$237,287 to the CERS Insurance Fund. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

*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 health care benefits to retirees under age 65 is higher than the average cost of providing health care 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, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CERS Insurance Fund**

At June 30, 2020, the District reported a liability its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2019 was determined using standard roll-forward techniques. District's proportion of the net OPEB liability was based on contributions to CERS during the fiscal year ended June 30, 2019. At June 30, 2019, the District's proportion was 0.204603%.

For the year ended June 30, 2020, the District recognized OPEB expense of \$400,009, including an implicit subsidy of \$59,846. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,038,329
Changes of assumptions	1,018,322	6,809
Net difference between projected and actual earnings on investments	-	152,848
Changes in proportion and differences between District contributions and proportionate share of contributions	111,078	5,616
District contributions subsequent to the measurement date	237,287	-
	<u>\$ 1,366,687</u>	<u>\$ 1,203,602</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$237,287 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2021.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the average service life of all members. These will be recognized in OPEB expense as follows:

<u>Year</u>	
2021	\$ (3,040)
2022	(3,040)
2023	45,557
2024	(47,592)
2025	(56,013)

Thereafter (10,074)  
\$ (74,202)

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

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	24 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare 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.
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.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Non-Hazardous Systems, and the PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010
Post-retirement (non- disabled)	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
Post-retirement (disabled)	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

As a result of the 2018 experience study, the salary increase assumptions, retirement rate assumptions, mortality assumptions, withdrawal rates, and rates of disablement were updated for the 2019 actuarial valuation. These assumptions are fully documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018."

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS’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>
Growth		
US Equity	18.75%	4.30%
Non US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Liquidity		
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies		
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	<u>15.00%</u>	4.10%
Total	<u>100.00%</u>	3.89%

*Discount rate* - The discount rate used to measure the total OPEB liability was 5.68%. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.13%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 28, 2019. However, the cost associated with the implicit employer subsidy was not included in the calculation of the KRS’ actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KRS’ trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The following table presents the District’s proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.68%, as well as what the District’s proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.68%) or 1-percentage-point higher (6.68%) than the current rate:

	<u>1% Decrease (4.85%)</u>	<u>Current discount rate (5.85%)</u>	<u>1% Increase (6.85%)</u>
District's proportionate share of the net OPEB liability	\$ 4,609,967	\$ 3,441,330	\$ 2,478,451

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

	<u>1% Decrease</u>	<u>Current trend rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ 2,559,335	\$ 3,441,330	\$ 4,510,854

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

*Payables to the pension plan:* At June 30, 2020, there was a total payable to CERS of \$388,410, which includes pension and OPEB contributions.

## **(8) OPERATING LEASES**

The District has operating lease agreements for use of equipment and various parcels of real estate cancelable annually with the option to renew. The District recognizes the expenditures related to those obligations in the General Fund as lease payments are made. Total rent expenditures under operating type leases were approximately \$11,000.

## **(9) CONTINGENCIES**

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

## **(10) RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky Employer's Mutual Insurance Fund. 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 pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

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

## **(11) COBRA**

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

**(12) ON-BEHALF PAYMENTS**

For fiscal year 2020, the Commonwealth of Kentucky contributed estimated payments on behalf of the Ashland Independent School District as follows:

<u>Plan/Description</u>	<u>Amount</u>
Kentucky Teachers Retirement System – GASB 68	\$ 4,691,431
Kentucky Teachers Retirement System – GASB 75	347,155
Health Insurance	3,550,523
Life Insurance	6,506
Administrative Fee	53,741
HRA/Dental/Vision	301,000
Federal Reimbursement	(310,541)
Technology	87,593
Debt Service	498,658
Total on-behalf	<u>\$ 9,226,066</u>

These amounts are included in the financial statements as state revenue and an expense allocated to the different functions in the same proportion as full-time employees.

**(13) TRANSFER OF FUNDS**

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	General	Special Revenue	Technology Match	\$ 59,038
Operating	Special Revenue	Special Revenue	Intra-Fund	182,806
Capital	Construction	General	Capital Funds Request	103,548
Capital	Building Fund	General	Capital Funds Request	113,734
Capital	Capital Outlay	Construction	Construction	218,112
Debt Service	Capital Outlay	Debt Service	Debt Service	63,016
Debt Service	Building Fund	Debt Service	Debt Service	2,185,040

**(14) FUND DEFICIT**

As of June 30, 2020, the Food Service Fund and Public School Corporation of Ashland Independent School District, the discretely presented component unit, had a negative net position of \$1,179,941 and \$430,682. These deficits resulted from the fund’s proportionate share of the net pension and OPEB liabilities recorded in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**(15) ECONOMIC UNCERTAINTY**

As a result of the spread of the COVID-19 Coronavirus, economic uncertainties have arisen which are likely to negatively impact future revenues. Other financial impact could occur, but such potential impact is unknown at this time.

**REQUIRED SUPPLEMENTAL INFORMATION**

**ASHLAND INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2020**

	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
<b>COUNTY EMPLOYEES RETIREMENT SYSTEM:</b>						
District and PSCA's proportion of the net pension liability	0.204655%	0.201340%	0.193807%	0.190616%	0.185067%	0.194032%
District and PSCA's proportionate share of the net pension liability	\$ 14,393,477	\$ 12,262,220	\$ 11,344,120	\$ 9,385,192	\$ 7,957,002	\$ 6,295,000
District and PSCA's covered payroll	\$ 5,093,983	\$ 4,892,500	\$ 4,588,057	\$ 4,447,947	\$ 4,341,211	\$ 4,451,392
District and PSCA's proportionate share of the net pension liability as a percentage of its covered payroll	282.558%	250.633%	247.253%	211.001%	183.290%	141.416%
Plan fiduciary net position as a percentage of the total pension liability	50.450%	53.540%	53.300%	55.500%	59.970%	66.800%
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM:</b>						
District's proportion of the net pension liability	0.4569%	0.4535%	0.4335%	0.4402%	0.4275%	0.4155%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	\$ 62,340,032	\$ 59,385,104	\$ 116,960,752	\$ 129,846,495	\$ 99,471,930	\$ 85,384,323
Total	<u>\$ 62,340,032</u>	<u>\$ 59,385,104</u>	<u>\$ 116,960,752</u>	<u>\$ 129,846,495</u>	<u>\$ 99,471,930</u>	<u>\$ 85,384,323</u>
District's covered payroll	\$ 15,782,072	\$ 15,394,026	\$ 15,147,175	\$ 14,100,836	\$ 13,325,500	\$ 13,021,597
District's proportionate share of the net pension liability as a percentage of its covered payroll	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Plan fiduciary net position as a percentage of the total pension liability	58.800%	59.300%	39.830%	35.220%	42.490%	45.590%

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



**ASHLAND INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF PENSION CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>COUNTY EMPLOYEES RETIREMENT SYSTEM:</b>							
Contractually required contribution	\$ 962,110	\$ 826,244	\$ 708,434	\$ 640,034	\$ 552,435	\$ 553,504	\$ 611,621
Contributions in relation to the contractually required contribution	<u>962,110</u>	<u>826,244</u>	<u>708,434</u>	<u>640,034</u>	<u>552,435</u>	<u>553,504</u>	<u>611,621</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-
District and PSCA's covered payroll	\$ 4,985,026	\$ 5,093,983	\$ 4,892,500	\$ 4,588,057	\$ 4,447,947	\$ 4,341,211	\$ 4,451,392
District and PSCA's contributions as a percentage of its covered payroll	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%
 <b>KENTUCKY TEACHER'S RETIREMENT SYSTEM:</b>							
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-
District's covered payroll	\$ 15,895,758	\$ 15,782,072	\$ 15,394,026	\$ 15,147,175	\$ 14,100,836	\$ 13,325,500	\$ 13,021,597
District's contributions as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

**ASHLAND INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S PROPORTIONATE  
SHARE OF THE NET OPEB LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2020**

	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
<b>COUNTY EMPLOYEES RETIREMENT SYSTEM INSURANCE FUND:</b>			
District's proportion of the net OPEB liability	0.204603%	0.201332%	0.193807%
District's proportionate share of the net OPEB liability	\$ 3,441,330	\$ 3,574,610	\$ 3,896,184
District's covered payroll	\$ 5,093,983	\$ 4,892,500	\$ 4,588,057
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	67.557%	73.063%	84.920%
Plan fiduciary net position as a percentage of the total OPEB liability	60.44%	57.62%	52.40%
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM - MEDICAL INSURANCE PLAN:</b>			
District's proportion of the net OPEB liability	0.438899%	0.435244%	0.415961%
District's proportionate share of the net OPEB liability	\$ 7,108,000	\$ 8,111,000	\$ 8,164,000
State's proportionate share of the net OPEB liability associated with the District	5,740,000	6,990,000	6,669,000
Total	<u>\$ 12,848,000</u>	<u>\$ 15,101,000</u>	<u>\$ 14,833,000</u>
District's covered payroll	\$ 14,079,933	\$ 13,861,733	\$ 13,074,933
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	50.483%	58.514%	62.440%
Plan fiduciary net position as a percentage of the total OPEB liability	32.58%	25.50%	21.18%

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

**ASHLAND INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S PROPORTIONATE  
SHARE OF THE NET OPEB LIABILITY (CONCLUDED)  
FOR THE YEAR ENDED JUNE 30, 2020**

	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM - LIFE INSURANCE PLAN:</b>			
District's proportion of the net OPEB liability	0.429211%	0.425294%	0.406460%
District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the District	133,000	120,000	89,000
Total	<u>\$ 133,000</u>	<u>\$ 120,000</u>	<u>\$ 89,000</u>
District's covered payroll	\$ 14,079,933	\$ 13,861,733	\$ 13,074,933
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.000%	0.000%	0.000%
Plan fiduciary net position as a percentage of the total OPEB liability	73.400%	75.000%	79.990%

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

**ASHLAND INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF OPEB CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>COUNTY EMPLOYEES RETIREMENT SYSTEM</b>				
<b>INSURANCE FUND:</b>				
Contractually required contribution	\$ 237,287	\$ 267,944	\$ 229,947	\$ 217,001
Contributions in relation to the contractually required contribution	<u>237,287</u>	<u>267,944</u>	<u>229,947</u>	<u>217,001</u>
Contribution deficiency (excess)	-	-	-	-
District's covered payroll	\$ 4,985,026	\$ 5,093,983	\$ 4,892,500	\$ 4,588,057
District's contributions as a percentage of its covered payroll	4.76%	5.26%	4.70%	4.73%
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM - MEDICAL INSURANCE PLAN:</b>				
Contractually required contribution	\$ 427,031	\$ 422,398	\$ 415,852	\$ 392,248
Contributions in relation to the contractually required contribution	<u>427,031</u>	<u>422,398</u>	<u>415,852</u>	<u>392,248</u>
Contribution deficiency (excess)	-	-	-	-
District's covered payroll	\$14,234,367	\$ 14,079,933	\$ 13,861,733	\$ 13,074,933
District's contributions as a percentage of its covered payroll	3.00%	3.00%	3.00%	3.00%

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

**ASHLAND INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF OPEB CONTRIBUTIONS (CONCLUDED)  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM - LIFE INSURANCE PLAN:</b>				
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	-	-	-	-
District's covered payroll	\$14,234,367	\$ 14,079,933	\$ 13,861,733	\$ 13,074,933
District's contributions as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%

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

**ASHLAND INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION – PENSION PLANS  
FOR THE YEAR ENDED JUNE 30, 2020**

**(1) CHANGES OF ASSUMPTIONS**

KTRS

In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the Board adopted an interest smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions.

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

The following change of assumptions were adopted by the Board of Trustees and reflected in the liability measurement as of June 30, 2018:

- Increased the Single Equivalent Interest rate (SEIR) from 4.49% to 7.50%

CERS

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

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2017:

- Decreased the price inflation assumption to 2.30%.
- Decreased the assumed rate of return to 6.25%.
- Decreased the payroll growth assumption to 2.00%.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2019:

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.30% (varies by service.)
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) is 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 post-retirement (disabled) is PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

**(2) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS**

KTRS

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	28.1 years
Asset Valuation Method	5-year smoothed market
Inflation	3.5%
Salary Increase	3.5% to 7.3%, including inflation
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation

CERS

The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal year ended 2019, determined as of July 1, 2017. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates for the year ending June 30, 2019:

Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	26 years, closed
Payroll Growth	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 11.55%, varies by service
Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation
Mortality	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)

### **(3) CHANGES OF BENEFITS**

#### KTRS

There were no changes of benefit terms for KTRS.

#### CERS

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The Total Pension Liability as of June 30, 2019 is determined using these updated benefit provisions.



**ASHLAND INDEPENDENT SCHOOL DISTRICT  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB PLANS  
 FOR THE YEAR ENDED JUNE 30, 2020**

**(1) CHANGES OF ASSUMPTIONS**

KTRS

*Medical Insurance Plan* - There were no changes of assumptions.

*Life Insurance Plan* - There were no changes of assumptions.

CERS Insurance Fund

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2017:

- Decreased the price inflation assumption to 2.30%.
- Decreased the assumed rate of return to 6.25%.
- Decreased the payroll growth assumption to 2.00%.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2019:

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.30 % (varies by service.)
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) is 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 post-retirement (disabled) is PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

**(2) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS**

KTRS

*Medical Insurance Plan* - The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of the schedule:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	22 years, Closed
Asset valuation method	Five-year smoothed value
Inflation	3.00%
Real wage growth	0.50%
Wage inflation	3.50%

Salary increases, including wage inflation	3.50% - 7.20%
Discount rate	8.00%
Health care cost trends	
Under 65	7.50% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2024
Ages 65 and older	5.50% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2021
Medicare Part B premiums	0.00% for FY 2018 with an ultimate rate of 5.00% by 2030
Under age 65 claims	The current premium charged by KEHP is used as the base cost and is projected forward using only the health care trend assumption (no implicit rate subsidy is recognized).

*Life Insurance Plan* - The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of the schedule:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	30 years, Open
Asset valuation method	Five-year smoothed value
Inflation	3.50%
Real wage growth	0.50%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.45%
Discount rate	7.50%

#### CERS Insurance Fund

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

Experience Study	July 1, 2008 -- June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	26 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 11.55%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.25% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 5.10% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

**(3) CHANGES OF BENEFITS**

KTRS

*Medical Insurance Plan* – There were no changes of benefit terms.

*Life Insurance Plan* - There were no changes of benefit terms.

CERS

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2019, is determined using these updated benefit provisions.

**SUPPLEMENTAL INFORMATION**

**ASHLAND INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2020**

	Non-Major Capital Project Funds	Debt Service Funds	District Activity Funds	Total Non-Major Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
ASSETS:				
Cash and cash equivalents	\$ -	\$ 1,940	\$ 31,590	\$ 33,530
Accounts receivable	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 1,940</u>	<u>\$ 31,590</u>	<u>\$ 33,530</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 30	\$ 30
Total liabilities	<u>-</u>	<u>-</u>	<u>30</u>	<u>30</u>
Fund Balances:				
Restricted for SFCC escrow	-	-	-	-
Restricted for other	-	-	31,560	31,560
Restricted for debt service	-	1,940	-	1,940
Total fund balance	<u>-</u>	<u>1,940</u>	<u>31,560</u>	<u>33,500</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 1,940</u>	<u>\$ 31,590</u>	<u>\$ 33,530</u>

ASHLAND INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2020

	Non-Major Capital Project Funds	Debt Service Funds	District Activity Funds	Total Non-Major Governmental Funds
REVENUES:				
From local sources -				
Property taxes	\$ 1,055,772	\$ -	\$ -	\$ 1,055,772
Earnings on investments	-	548	-	548
Student activity	-	-	14,891	14,891
Intergovernmental - State	1,524,130	498,658	-	2,022,788
Total revenues	<u>2,579,902</u>	<u>499,206</u>	<u>14,891</u>	<u>3,093,999</u>
EXPENDITURES:				
Current -				
Debt service	-	2,747,132	-	2,747,132
Instruction	-	-	1,317	1,317
Total expenditures	<u>-</u>	<u>2,747,132</u>	<u>1,317</u>	<u>2,748,449</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,579,902</u>	<u>(2,247,926)</u>	<u>13,574</u>	<u>345,550</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	2,248,056	-	2,248,056
Operating transfers out	<u>(2,579,902)</u>	<u>-</u>	<u>-</u>	<u>(2,579,902)</u>
Total other financing sources (uses)	<u>(2,579,902)</u>	<u>2,248,056</u>	<u>-</u>	<u>(331,846)</u>
NET CHANGE IN FUND BALANCE	-	130	13,574	13,704
FUND BALANCE JUNE 30, 2019	<u>-</u>	<u>1,810</u>	<u>17,986</u>	<u>19,796</u>
FUND BALANCE JUNE 30, 2020	<u>\$ -</u>	<u>\$ 1,940</u>	<u>\$ 31,560</u>	<u>\$ 33,500</u>

**ASHLAND INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NON-MAJOR CAPITAL PROJECT FUNDS  
 JUNE 30, 2020**

	SEEK Fund	FSPK Fund	Total Non-Major Capital Project Funds
<b>ASSETS:</b>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Accounts receivable	-	-	-
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCE:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>			
Restricted for SFCC escrow	-	-	-
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**ASHLAND INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NON-MAJOR CAPITAL PROJECT FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2020**

	SEEK Fund	FSPK Fund	Total Non-major Capital Project Funds
REVENUES:			
From local sources -			
Property taxes	\$ -	\$ 1,055,772	\$ 1,055,772
Intergovernmental - State	281,128	1,243,002	1,524,130
Interest income	-	-	-
Total revenues	<u>281,128</u>	<u>2,298,774</u>	<u>2,579,902</u>
EXPENDITURES:			
Current -			
Facilities acquisition and construction	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>281,128</u>	<u>2,298,774</u>	<u>2,579,902</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	-	-
Operating transfers out	<u>(281,128)</u>	<u>(2,298,774)</u>	<u>(2,579,902)</u>
Total other financing sources (uses)	<u>(281,128)</u>	<u>(2,298,774)</u>	<u>(2,579,902)</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE JUNE 30, 2019	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE JUNE 30, 2020	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



ASHLAND INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
SCHOOL ACTIVITY FUNDS  
PAUL BLAZER HIGH SCHOOL  
FOR THE YEAR ENDED JUNE 30, 2020

	Cash Balance June 30, 2019	Receipts	Disburse- ments	Cash Balance June 30, 2020	Accounts Receivable (Payable)	Deposits Held in Custody for Students June 30, 2020
Academic Quiz	\$ 128	\$ 2,424	\$ 2,098	\$ 454	\$ -	\$ 454
Advanced Placement	6,522	17,893	16,435	7,980	-	7,980
AJM Memorial	1,548	2,548	1,848	2,248	-	2,248
Art Club	328	1,196	1,095	429	-	429
Art Supplies	333	1,030	778	585	-	585
Beta Club	3,780	4,330	4,667	3,443	-	3,443
Blazer Band	5,806	6,676	6,606	5,876	-	5,876
Blazer Choir	1,124	2,437	3,347	214	-	214
Cap Gown	1,995	1,995	1,995	1,995	-	1,995
Catering	1,813	5,727	6,075	1,465	-	1,465
CATS Academy	1,146	3,632	1,546	3,232	-	3,232
Class of 2019	646	645	646	645	-	645
Class of 2020	4,209	3,816	7,950	75	-	75
Class of 2021	1,412	8,120	8,413	1,119	-	1,119
Class of 2022	677	997	997	677	-	677
Creative Writing	2	2	2	2	-	2
Dance Team	88	88	88	88	-	88
Environmental Club	-	320	160	160	-	160
FBLA	-	3,500	3,500	-	-	-
FCA	257	257	257	257	-	257
FCCLA	1,216	5,307	5,190	1,333	-	1,333
French Club	78	649	712	15	-	15
French Honor Society	334	165	345	154	-	154
General	4,989	16,234	14,548	6,675	-	6,675
Guidance	1,078	1,078	1,078	1,078	-	1,078
Health Science	198	3,298	2,166	1,330	-	1,330
Hi Life	5,773	2,822	6,653	1,942	-	1,942
Home Ec.	638	1,103	930	811	-	811
Hosa	49	49	49	49	-	49
Human Relations Club	230	230	230	230	-	230
Ind. Tech. Supplies	1,268	1,268	1,483	1,053	-	1,053
Key Club	640	2,472	2,275	837	-	837
Library	428	428	428.00	428	-	428

ASHLAND INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
SCHOOL ACTIVITY FUNDS  
PAUL BLAZER HIGH SCHOOL - (CONCLUDED)  
FOR THE YEAR ENDED JUNE 30, 2020

	Cash Balance June 30, 2019	Receipts	Disburse- ments	Cash Balance June 30, 2020	Accounts Receivable (Payable)	Deposits Held in Custody for Students June 30, 2020
Mac Meek	-	1,000	500	500	-	500
Mu Alpha Theta	1,500	4,545	4,438	1,607	-	1,607
National Honor Society	1,649	3,599	2,624	2,624	-	2,624
Pep Club	-	6,890	4,804	2,086	-	2,086
Rental Fee Paid	9,425	39,552	28,280	20,697	-	20,697
ROTC	2,659	13,663	14,311	2,011	-	2,011
Science Club	52	1,254	982	324	-	324
Spade Art	801	2,321	2,552	570	-	570
Spanish Club	646	1,277	1,311	612	-	612
Spanish Honor Society	1,214	1,959	1,554	1,619	-	1,619
Sports Medicine Club	384	384	384	384	-	384
STEM Class of 1964	1,013	1,013	1,013	1,013	-	1,013
Strings	7,064	35,340	31,830	10,574	17,402	27,976
Student Council	13,343	21,432	19,502	15,273	-	15,273
Teacher Pop Machines	250	2,221	2,307	164	-	164
Theater Arts	505	2,682	2,326	861	-	861
TSA	808	1,305	2,080	33	-	33
Video Club	819	819	819	819	-	819
Ashland Inv. Tournament	-	20,418	12,318	8,100	-	8,100
Athletic - General	17,264	242,782	207,466	52,580	(2,437)	50,143
Baseball Fund	10,928	12,458	13,315	10,071	(3,536)	6,535
Blazing Arrows	-	10,293	7,798	2,495	-	2,495
Boys Golf	1,146	6,972	6,401	1,717	-	1,717
Boys Soccer	193	193	193	193	-	193
Boys Tennis Fundraiser	103	33	103	33	-	33
Boys & Girls Combined Track Fund	-	1,044	664	380	-	380
Cross Country Fund	2,963	2,750	2,963	2,750	-	2,750
Girls Golf Fund	84	8,214	8,046	252	-	252
Girls Soccer Fund	22,392	17,743	24,894	15,241	-	15,241
Girls Tennis Fund	408	338	408	338	-	338
Girls Varsity B.B. Fund	2,998	5,116	7,134	980	-	980
Softball Fundraiser	2,691	735	2,941	485	-	485
Swim Team Fund	271	271	510	32	-	32
Varsity B.B. Fundraiser	254	29,395	29,159	490	-	490
Varsity Cheer Fund	5,984	49,295	50,742	4,537	-	4,537
Varsity F.B. Fundraiser	24,331	33,855	49,108	9,078	-	9,078
Volleyball Fund	4,611	13,700	11,559	6,752	-	6,752
Wrestling Fund	162	1,352	497	1,017	-	1,017
Loan to General Fund	-	-	200,000	(200,000)	200,000	-
	<u>\$ 187,648</u>	<u>\$ 700,949</u>	<u>\$ 862,426</u>	<u>\$ 26,171</u>	<u>\$ 211,429</u>	<u>\$ 237,600</u>

ASHLAND INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020

	Cash Balance June 30, 2019	Receipts	Disbursements	Cash Balance June 30, 2020	Accounts Receivable (Payable)	Deposits Held in Custody for Students June 30, 2020
Paul G. Blazer High School	\$ 187,648	\$ 700,949	\$ 862,426	\$ 26,171	\$ 211,429	\$ 237,600
Ashland Middle School	106,828	270,382	284,525	92,685	-	92,685
Charles Russell Elementary School	14,250	34,643	29,671	19,222	6,750	25,972
Crabbe Elementary School	10,512	14,724	14,465	10,771	4,500	15,271
Hager Elementary School	9,050	57,953	46,766	20,237	12,150	32,387
Oakview Elementary School	5,744	40,895	36,107	10,532	8,100	18,632
Poage Elementary School	4,695	34,236	32,788	6,143	10,800	16,943
Family Resource Center	38,457	103,195	92,740	48,912	(32,831)	16,081
	<u>\$ 377,184</u>	<u>\$ 1,256,977</u>	<u>\$ 1,399,488</u>	<u>\$ 234,673</u>	<u>\$ 220,898</u>	<u>\$ 455,571</u>

**ASHLAND INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF GRANT, RECEIPTS,  
DISBURSEMENTS AND FUND BALANCE  
HEAD START GRANTS  
FOR THE YEAR ENDED JUNE 30, 2020**

AMOUNT OF GRANT	Headstart Grant No. 04CH475/05			Headstart Grant No. 04CH475/06		
	Budget	Actual Prior Year	Actual Current Year	Total	Budget	Actual
				<u>\$ 1,316,301</u>		<u>\$ 1,143,070</u>
<b>RECEIPTS:</b>						
Grant funds	\$ 1,316,301	\$ 1,218,208	\$ 94,905	\$ 1,313,113	\$ 1,143,070	\$ 1,125,742
Miscellaneous revenue	-	746	-	746	-	-
Grantee's in kind contributions	330,635	330,635	-	330,635	289,435	289,435
Total receipts	<u>1,646,936</u>	<u>1,549,589</u>	<u>94,905</u>	<u>1,644,494</u>	<u>1,432,505</u>	<u>1,415,177</u>
<b>DISBURSEMENTS:</b>						
<b>HEADSTART FULL YEAR/PART DAY (PA22 &amp; PA28)</b>						
Personnel	718,852	596,670	52,748	649,418	731,625	738,842
Fringe benefits	286,963	353,955	18,204	372,159	300,757	290,238
Supplies	84,000	73,431	7,711	81,142	85,446	72,112
Capital outlay	192,832	197,632	-	197,632	-	-
Contractual	10,500	4,957	478	5,435	3,618	13,472
Travel	100	716	2,950	3,666	70	1,437
Other	7,000	3,463	-	3,463	5,500	-
In-kind utilized	330,635	330,635	-	330,635	289,435	289,435
Totals	<u>1,630,882</u>	<u>1,561,459</u>	<u>82,091</u>	<u>1,643,550</u>	<u>1,416,451</u>	<u>1,405,536</u>
<b>TRAINING AND TECHNICAL ASSISTANCE (PA 20)</b>						
Personnel	-	-	-	-	-	594
Fringe benefits	-	-	-	-	-	187
Contractual	11,054	794	-	794	11,054	1,132
Travel	5,000	150	-	150	5,000	3,228
Other supplies and materials	-	-	-	-	-	-
Totals	<u>16,054</u>	<u>944</u>	<u>-</u>	<u>944</u>	<u>16,054</u>	<u>5,141</u>
Total disbursements	<u>1,646,936</u>	<u>1,562,403</u>	<u>82,091</u>	<u>1,644,494</u>	<u>1,432,505</u>	<u>1,410,677</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<u>\$ -</u>	<u>\$ (12,814)</u>	<u>\$ 12,814</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,500</u>
<b>CASH AND CASH EQUIVALENTS (DEFICIENCY), JUNE 30, 2020</b>						4,500
<b>DEFERRED REVENUE</b>						<u>(4,500)</u>
<b>FUND BALANCE, JUNE 30, 2020</b>						<u>\$ -</u>

**ASHLAND INDEPENDENT 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	Passed Through to Subrecipients	Expenditures
<u>U.S. Department of Education</u>				
Passed through Kentucky Department of Education:				
Title I Grants to Local Educational Agencies	84.010	3100202-19	-	\$ 1,165,666
Title I Grants to Local Educational Agencies	84.010	3100202-18	-	<u>64,629</u>
				<u>1,230,295</u>
Special Education Cluster (IDEA):				
Special Education Grants to States - IDEA, Part B	84.027	3810002-19	-	628,529 *
Special Education Grants to States - IDEA, Part B	84.027	3810002-18	-	84,819 *
Special Education Preschool Grants	84.173	3800002-19	-	40,852 *
Special Education Preschool Grants	84.173	3800002-18	-	21,842 *
Special Education Preschool Grants - RTC	84.173	3800003-18	-	166,963 *
Special Education Preschool Grants - RTC	84.173	3800003-19	-	<u>213,934 *</u>
Total Special Education Cluster				<u>1,156,939</u>
State Improvement Grant	84.323		-	57,127
Twenty-First Century Community Learning Centers	84.287	3400002-19	-	202,790
Twenty-First Century Community Learning Centers	84.287	3400002-18	-	<u>45,243</u>
				<u>248,033</u>
Supporting Effective Instruction	84.367	3230002-19	-	182,806
Supporting Effective Instruction	84.367	3230002-18	-	<u>1,187</u>
				<u>183,993</u>
Student Support and Academic Enrichment Grant	84.424	34200002-19	-	14,649
Student Support and Academic Enrichment Grant	84.424	34200002-18	-	50,776
Student Support and Academic Enrichment Grant	84.424	34200002-17	-	<u>42,394</u>
				<u>107,819</u>
Vocational Education Basic Grants to States	84.048	4621032-18	-	15,079
Vocational Education Basic Grants to States	84.048	4621032-19	-	<u>33,916</u>
				<u>48,995</u>
COVID-19 - Coronavirus Response and Relief Supplemental	84.425D	554F	-	1,313,176 *
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	613F	-	<u>6,825 *</u>
				<u>1,320,001</u>
Total U.S. Department of Education				<u>4,353,202</u>
<u>U.S. Department of Health and Human Services</u>				
Direct Programs:				
Head Start	93.600	065F & 655F	-	1,121,242 *
Head Start	93.600	065E & 655E	-	<u>82,091 *</u>
				<u>1,203,333</u>
Community Connects for Children	93.575	656F	-	6,872
Passed through Kentucky Department of Education:				
Preschool Development Grant	93.434	PDG, 646FB	-	<u>239,670</u>
Total U.S. Department of Health and Human Services				<u>1,449,875</u>
<u>U.S. Department of Defense</u>				
Direct Program:				
Basic, Applied, and Advance Research in Science and Engineering	12.630	ROTC	General Fund	60,612
Total U.S. Department of Defense				<u>60,612</u>

**ASHLAND INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)  
FOR THE YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Expenditures
<u>U.S. Department of Agriculture</u>				
Cash Assistance:				
Passed through State Department of Education:				
Child and Adult Care Food Program	10.558	7790021-20	-	12,676
Child and Adult Care Food Program	10.558	7790021-19	-	3,591
				<u>16,267</u>
Child Nutrition Discretionary Grant	10.579	7840027-18	-	7,010
State Administrative Expenses for Child Nutrition	10.560	7700001-19	-	2,713
Fresh Fruit and Vegetable Program	10.582	7720012-20	-	12,997
Fresh Fruit and Vegetable Program	10.582	7720012-19	-	2,844
				<u>15,841</u>
Child Nutrition Cluster:				
National School Lunch Program	10.555	7750002-20	-	750,841
National School Lunch Program	10.555	7750002-19	-	247,149
School Breakfast Program	10.553	7760005-20	-	247,964
School Breakfast Program	10.553	7760005-19	-	83,079
Summer Food Service Program for Children	10.559	7740023-20	-	190,021
Summer Food Service Program for Children	10.559	7740023-19	-	58,046
Summer Food Service Program for Children	10.559	7690024-20	-	19,507
Summer Food Service Program for Children	10.559	7690024-19	-	6,055
				<u>1,602,662</u>
Non-Cash Assistance:				
National School Lunch Program				
Food Donation	10.555	011-0100	-	82,574
Total Child Nutrition Cluster				<u>1,685,236</u>
Total U.S. Department of Agriculture				<u>1,727,067</u>
Total expenditures of Federal awards				<u>\$ 7,590,756</u>

\* Denotes a major program.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Ashland Independent School District under the 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 Ashland Independent School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State and Local Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein, certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE C - FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2020, commodities on hand are included in the total inventory of \$22,893.

**NOTE D - INDIRECT COST RATE**

The Ashland Independent School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



**Kelley Galloway**  
**Smith Goolsby, PSC**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Ashland Independent 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 April 12, 2021.

**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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses. See 2020-001, 2020-002, and 2020-003.

## **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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2020-004 and 2020-005 that we consider to be material weaknesses.

We noted certain matters that we reported to management of the District in a separate letter dated April 12, 2021.

## **District's Response to Findings**

The District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **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.

*Kelley Galloway Smith Goolsby, PSC*

Ashland, Kentucky  
April 12, 2021





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

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

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

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

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Ashland Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ashland Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### **Basis for Qualified Opinion on Head Start and the Special Education Cluster**

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding allowable costs reported as 2020-006. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to these programs.

### **Qualified Opinion on Head Start and the Special Education Cluster**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Head Start and the Special Education Cluster for the year ended June 30, 2020.

### **Unmodified Opinion on the Other Major Federal Program**

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

### **Other Matter**

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and/or corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Management of Ashland Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered 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 Ashland Independent School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over

compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2020-006 to be a material weakness.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and/or corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

*Kelley Balloway Smith Hooley, PSC*

Ashland, Kentucky  
April 12, 2021

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

**(A) SUMMARY OF AUDIT RESULTS**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal Control over financial reporting:

Material weakness(es) identified?

  x   yes        no

Significant deficiency(ies) identified?

       yes   x   none reported

Noncompliance material to the financial statements noted?

  x   yes        no

**Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified?

  x   yes        no

Significant deficiency(ies) identified?

       yes   x   none reported

Type of auditor's report issued on compliance for major federal programs:

Modified - Head Start  
Modified - Special  
Education Cluster  
Unmodified - Education  
Stabilization Fund

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

  x   yes        no

The District had the following major Federal programs with CFDA numbers in parentheses for the year ended June 30, 2020:

Head Start (93.600)  
Special Education Cluster (84.027 & 84.173)  
Education Stabilization Fund (84.425D)

Dollar threshold to distinguish between Type A and Type B Programs:

  \$ 750,000  

The District qualified as a low risk auditee?

       yes   x   no

**(B) FINDINGS RELATED TO FINANCIAL STATEMENTS IN ACCORDANCE WITH  
GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS**

**BOARD OF EDUCATION FINANCIALS**

**2020-001 – Cash Reconciliations**

*Condition:* During our audit, we became aware that cash was not being properly reconciled and agreed to the balances in the funds on the Balance Sheet. In addition, the bank reconciliations were not reconciled on a timely basis during the year. They had not been reconciled since October 2019 as of June 30, 2020.

*Criteria:* Cash should be reconciled monthly and agreed to the balances on the Balance Sheet in MUNIS to ensure that all cash transactions have been properly entered into MUNIS.

*Cause:* The reconciliation process fell behind and once the former Finance Director tried to perform the reconciliations, the process took a great amount of time.

*Effect:* Cash was not being properly reconciled and agreed to the balances on the Balance Sheet. As a result, payments on loans payable of \$600,000 and ACH transfers were not recorded in the general ledger.

*Recommendation:* We recommend that cash be reconciled and agreed to the balances on the Balance Sheet monthly to ensure accurate financial reporting of cash.

*Management's Response:* The District realizes the importance of cash management and will ensure all cash accounts are reconciled monthly from this point forward.

**2020-002 – Year-End Close Out**

*Condition:* When we arrived on site to perform our audit procedures, there were numerous areas of the financial statements that had not been properly recorded. The areas included, but were not limited to, cash, account receivable, inventory, recording the payment of the line of credit, lunchroom sales, project close-outs, CFR transfers, depreciation, and fixed assets.

*Criteria:* All financial statement areas should be properly recorded.

*Cause:* The process is time consuming and the former Finance Director had not made it a priority.

*Effect:* Failure to have the areas properly closed out resulted in the financials that were originally furnished to us to contain material misstatements.

*Recommendation:* We recommend that the District look into hiring a consultant to assist the current Finance Director in the year-end close out process as well as be available throughout the year if the current Finance Director needs additional guidance in other areas.

*Management's Response:* The District has hired a finance consultant and a new finance officer. All year end close items will be addressed per established timelines and in compliance with regulations and statutes.

**2020-003 – Special Revenue Fund Accounting**

*Condition:* We noted several grants that should be closed out are still being maintained on the District's project budget report. In addition, we noted inaccurate budgets entered and expenditures in excess of the budgeted amounts.

*Criteria:* The project budget report should be properly utilized to track the status of each project. Projects should be monitored and accounted for so that they do not exceed their budgeted amounts.

*Cause:* The process is time consuming and the former Finance Director had not made it a priority.

*Effect:* The project budget report required a lot of correcting and clean up in order to accurately record accounts receivable and deferred revenues. Expenditures spent on projects over budget are then moved to the next year's budgeted amount resulting in decreased fund availability at that time. If there is not a subsequent year for the project then the over spending must be covered by the General Fund.

*Recommendation:* We recommend that more care be taken to monitor the projects during the year so that the District knows if projects are going over budget. In addition, a thorough review of each project should be performed immediately to clean up any errors and/or overspending.

*Management's Response:* The District has begun semi-monthly staff meetings with directors and those with special revenue fund involvement to review all open special revenue funds to ensure effective and efficient use of funds and cleanup any outstanding issues. Additionally, the new finance director will be trained to ensure all funds are properly maintained.

#### **2020-004 – Paul Blazer High School**

*Condition:* We noted the year-end annual financial report (AFR) did not agree to the bank reconciliation.

*Criteria:* In accordance with the Redbook, all bank accounts should be reconciled monthly.

*Cause:* The High School switched bank accounts on January 3, 2020 and the balances were not converted properly.

*Effect:* The AFR did not agree to the bank reconciliation by \$8,385.65. Student accounts were understated on the AFR.

*Recommendation:* We recommend that more care be taken to ensure that the bank reconciliation agrees with the Monthly and Annual AFR and any discrepancies be investigated immediately.

*Management's Response:* All school activity fund balances and accounting processes will be monitored and reviewed by the finance officer by requiring monthly finance statements and bank reconciliations be submitted. Any issues found will be addressed immediately.

#### **2020-005 – Activity Fund Loan**

*Condition:* The former Finance Director had taken over the reconciliation process for Paul Blazer High School at year-end due to the school treasurer leaving the District. The Finance Director transferred \$200,000 to the Central Office in order to meet payroll.

*Criteria:* The Redbook states that schools are neither authorized to borrow money from nor authorized to loan money to employees or others.

*Cause:* The cash was needed to meet payroll.

*Effect:* The loan is in violation with the Redbook.

*Recommendation:* We recommend that loans of any kind be prohibited and that the \$200,000 loan be repaid immediately.

*Management's Response:* The District will not permit, in any fashion, any transfers of school activity fund cash for the purpose of a "loan" to any account in the district. Any amounts due to school activity funds will be paid.

## **(C) FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS**

### **2020-006 Federal Compliance – Overspent Budget**

*Federal Program Name:* Special Education Cluster and Head Start

*Catalog of Federal Domestic Assistance Number:* 84.027 & 84.173 and 93.600

*Federal Agency:* U.S. Department of Education and U.S. Department of Health and Human Services

*Compliance Requirement:* Allowable Costs

*Criteria:* In accordance with 2 Code of Federal Regulations (CFR) Section 225, Appendix A, C.1.c., costs charged to federal programs should be authorized based on awards.

*Condition:* As described in Finding 2020-003, we noted inaccurate budgets entered on several projects, including the Special Education Cluster and Head Start, and expenditures in excess of the budget entered resulting in expenditures needing to be transferred to the General Fund.

*Cause:* There was a lack of review performed to ensure the accuracies of project budget reports by the former Finance Director.

*Effect:* Program funds were potentially used for an unallowable purpose.

*Questioned Costs:* None, however \$321,003 of costs for the Special Education Cluster were transferred to the General Fund and \$160,341 of costs for Head Start were transferred to the General Fund due to the overspending.

*Repeat Finding:* No.

*Recommendation:* We recommend that the Finance Director and/or grant directors review monthly project budget reports to ensure all costs are allowable and not exceeding the budgets.

*Management's Response:* The District has begun semi-monthly staff meetings with directors and those with special revenue fund involvement to review all open special revenue funds to ensure effective and efficient use of funds and cleanup any outstanding issues. Additionally, the new finance director will be trained to ensure all funds are properly maintained.



# Ashland Independent School District

*"Whatever It Takes"*

ASHLAND INDEPENDENT SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2020

<b>Finding Number</b>	<b>Finding/Noncompliance</b>	<b>Status</b>	<b>Responsible Contact Person</b>
2019-001	Cash was not being properly reconciled and agreed to the balances in the funds on the Balance Sheet.	Repeated as 2020-001	Sean Howard, Superintendent
2019-002	Numerous areas of the financial statements that had not been properly recorded at year-end. The areas included, but were not limited to, cash, account receivable, inventory, donated commodities, project close-outs, transfers and fixed assets.	Repeated as 2020-002	Sean Howard, Superintendent
2019-003	Several grants that should be closed out are still being maintained on the District's project budget report. In addition, inaccurate budgets were entered and expenditures in excess of the budget were noted.	Repeated as 2020-003	Sean Howard, Superintendent
2019-004	Expenditures exceeded the budgeted amounts and revenues. An incorrect beginning fund balance was budgeted at \$1,000,000 when it should have been \$700,617.	Corrected by consultant in the current year by moving expenses to the Education Stabilization Grant (CAREs grant).	Sean Howard, Superintendent





# Ashland Independent School District

*"Whatever It Takes"*

## ASHLAND INDEPENDENT SCHOOL DISTRICT

### CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED JUNE 30, 2020

<b>Finding Number</b>		<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2020-001	The District realizes the importance of cash management and will ensure all cash accounts are reconciled monthly from this point forward.	Immediately	Sean Howard, Superintendent
2020-002	The District has hired a finance consultant and a new finance officer. All year end close items will be addressed per established timelines and in compliance with regulations and statutes.	June 30, 2021	Sean Howard, Superintendent
2020-003	The District has begun semi-monthly staff meetings with directors and those with special revenue fund involvement to review all open special revenue funds to ensure effective and efficient use of funds and cleanup any outstanding issues. Additionally, the new finance director will be trained to ensure all funds are properly maintained.	Immediately	Sean Howard, Superintendent
2020-004	All school activity fund balances and accounting processes will be monitored and reviewed by the finance officer by requiring monthly finance statements and bank reconciliations be submitted. Any issues found will be addressed immediately.	Immediately	Sean Howard, Superintendent
2020-005	The District will not permit, in any fashion, any transfers of school activity fund cash for the purpose of a "loan" to any account in the district. Any amounts due to school activity funds will be paid.	Immediately	Sean Howard, Superintendent
2020-006	The District has begun semi-monthly staff meetings with directors and those with special revenue fund involvement to review all open special revenue funds to ensure effective and efficient use of funds and cleanup any outstanding issues. Additionally, the new finance director will be trained to ensure all funds are properly maintained.	Immediately	Sean Howard, Superintendent



**Kelley Galloway  
Smith Goolsby, PSC**

*Certified Public Accountants and Advisors*

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

In planning and performing our audit of the financial statements of Ashland Independent School District (the "District") as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated April 12, 2021, on the financial statements of the District.

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

*Kelley Galloway Smith Goolsby, PSC*

Ashland, Kentucky  
April 12, 2021

# ASHLAND INDEPENDENT SCHOOL DISTRICT

## MANAGEMENT LETTER POINTS

FOR THE YEAR ENDED JUNE 30, 2020

### BOARD OF EDUCATION CREDIT CARDS

#### 2020-1 – Credit Cards

*Condition:* During our testing of the credit cards, we noted that the December 2019, March 2020, and April 2020 statements for City National Bank credit card were paid late, resulting in finance charges of \$117. In addition, we noted an instance in which an itemized receipt was not provided on a purchase at Corbie's & Jockey Club in the amount of \$52.87. The Superintendent and former Finance Director did not sign off as reviewing the monthly statements and reward points during the year like they have in the past.

*Criteria:* All payments should be made in a timely manner and a detailed receipt should be provided for all purchases with the credit card.

*Cause:* Once all of the monthly charges were matched up to the supporting documentation there was not enough time to make the payment and it arrive prior to the due date. The credit card receipt was the only receipt provided by the vendor.

*Effect:* Payment was made late, resulting in a finance charge. No itemized receipt provided to support items purchased.

*Recommendation:* We recommend that procedures be put into place, so that payments are not paid late. In addition, a detailed receipt should be requested from all vendors to support credit card purchases.

*Management's Response:* The District will immediately schedule professional Redbook training with a focus on addressing the use of credit cards. Additionally, the finance consultant and new finance officer will begin onsite reviews of school activity fund accounts and records to ensure compliance with Redbook.

### PAUL G BLAZER HIGH SCHOOL ACTIVITY FUND

#### 2020-2 – Disbursements

*Condition:* We noted a purchase order was missing the signature indicating approval by the treasurer for check number 22988 to Bumblebee Team Sports in the amount of \$2,623.83.

*Criteria:* Disbursements should have properly approved purchase orders to support them.

*Cause:* Failure to obtain all supporting documentation for the disbursements.

*Effect:* There is a potential for unauthorized purchases.

*Recommendation:* We recommend that disbursements should only be paid with all supporting documentation, including a properly approved purchase order.

*Management's Response:* The District will immediately schedule professional Redbook training with a focus on addressing the use of credit cards. Additionally, the finance consultant and new finance officer will begin onsite reviews of school activity fund accounts and records to ensure compliance with Redbook.

### **2020-3 – Deposits**

*Condition:* We noted four deposits in October 2019 and January 2020 over \$100 that were not made in a timely manner. In addition, we noted four deposits that did not contain the proper signatures and/or date on the receipt.

*Criteria:* The Redbook Accounting Procedures for Kentucky School Activity Funds states that all receipts over \$100 will be deposited the same day or next day if collected after business hours and supported by a properly completed receipt form.

*Cause:* Failure to properly make deposits in a timely manner.

*Effect:* Violation of the Kentucky Redbook requirements.

*Recommendation:* We recommend training be provided to the employees related to the Kentucky Redbook requirements.

*Management's Response:* The District will immediately schedule professional Redbook training with a focus on addressing the use of credit cards. Additionally, the finance consultant and new finance officer will begin onsite reviews of school activity fund accounts and records to ensure compliance with Redbook.

### **2020-4 – Credit Card**

*Condition:* We noted instances where credit card purchases were not supported by an itemized receipt. In addition, we noted one instance for check number 23826 in which the purchase order was not signed by the sponsor.

*Criteria:* Per the Redbook Accounting Procedures for Kentucky School Activity Funds, all charges on the card require a prior-approved purchase order and a signed itemized store receipt.

*Cause:* Failure to properly follow the Kentucky Redbook requirements.

*Effect:* Violation of the Kentucky Redbook requirements.

*Recommendation:* We recommend training be provided to the employees related to the Kentucky Redbook requirements.

*Management's Response:* The District will immediately schedule professional Redbook training with a focus on addressing the use of credit cards. Additionally, the finance consultant and new finance officer will begin onsite reviews of school activity fund accounts and records to ensure compliance with Redbook.

## **PAYROLL**

### **2020-5 – Employment Contract**

*Condition:* We noted an employee being paid for 21<sup>st</sup> Century work yet there was no employment contract supporting the authorization.

*Criteria:* A contract should be prepared for all positions and extra work performed.

*Cause:* Oversight.

*Effect:* Documentation is missing that shows that the employee was authorized to work in the position.

*Recommendation:* We recommend that more care be taken to ensure that an employment contract is completed for all employees.

*Management's Response:* The District will provide training to all district/school administrators on how the employment process and contracts work and institute additional procedures at the District office to ensure this doesn't happen again.

## **CRABBE ELEMENTARY**

### **2020-6 – Deposits**

*Condition:* We noted one deposit in November over \$100 that was not made in a timely manner.

*Criteria:* The Redbook Accounting Procedures for Kentucky School Activity Funds states that all receipts over \$100 will be deposited the same day or next day if collected after business hours and supported by a properly completed receipt form.

*Cause:* Failure to properly make deposits in a timely manner.

*Effect:* Violation of the Kentucky Redbook requirements.

*Recommendation:* We recommend training be provided to the employees related to the Kentucky Redbook requirements.

*Management's Response:* The District will immediately schedule professional Redbook training with a focus on addressing the use of credit cards. Additionally, the finance consultant and new finance officer will begin onsite reviews of school activity fund accounts and records to ensure compliance with Redbook.

## **FAMILY RESOURCE CENTER/CHILD CARE**

### **2020-7 – Deposits**

*Condition:* We noted two deposits in October 2019 over \$100 that were not made in a timely manner.

*Criteria:* The Redbook Accounting Procedures for Kentucky School Activity Funds states that all receipts over \$100 will be deposited the same day or next day if collected after business hours and supported by a properly completed receipt form.

*Cause:* Failure to properly make deposits in a timely manner.

*Effect:* Violation of the Kentucky Redbook requirements.

*Recommendation:* We recommend training be provided to the employees related to the Kentucky Redbook requirements.

*Management's Response:* The District will immediately schedule professional Redbook training with a focus on addressing the use of credit cards. Additionally, the finance consultant and new finance officer will begin onsite reviews of school activity fund accounts and records to ensure compliance with Redbook.

## **BUDGET**

### **2020-8 – Publication of Budget**

*Condition:* We noted that the budget for the 2019-20 school year was not published.

*Criteria:* KRS 424.250 requires the budget to be advertised in a newspaper annually.

*Cause:* Oversight.

*Effect:* Failure to comply with the KRS.

*Recommendation:* We recommend that more care be taken to ensure that the budget is advertised annually in the local newspaper.

*Management's Response:* The District will immediately ensure all required items are published in compliance with all regulations and laws.

## **OAKVIEW ELEMENTARY**

### **2020-9 – Deposits**

*Condition:* We noted four deposits in November 2019 and February 2020 that were over \$100 and were not deposited in a timely manner.

*Criteria:* The Redbook Accounting Procedures for Kentucky School Activity Funds states that all receipts over \$100 will be deposited the same day or next day if collected after business hours and supported by a properly completed receipt form.

*Cause:* Failure to properly make deposits in a timely manner.

*Effect:* Violation of the Kentucky Redbook requirements.

*Recommendation:* We recommend training be provided to the employees related to the Kentucky Redbook requirements.

*Management's Response:* The District will immediately schedule professional Redbook training with a focus on addressing the use of credit cards. Additionally, the finance consultant and new finance officer will begin onsite reviews of school activity fund accounts and records to ensure compliance with Redbook.

## **CHARLES RUSSELL ELEMENTARY**

### **2020-10 – Deposits**

*Condition:* We noted two deposits in January 2020 over \$100 that were not deposited in a timely manner. In addition, we noted several instances in October 2019 and January 2020 where there was no receipt form to support the deposit.

*Criteria:* The Redbook Accounting Procedures for Kentucky School Activity Funds states that all receipts over \$100 will be deposited the same day or next day if collected after business hours and supported by a properly completed receipt form.

*Cause:* Failure to properly follow the Kentucky Redbook requirements.

*Effect:* Violation of the Kentucky Redbook requirements.

*Recommendation:* We recommend training be provided to the employees related to the Kentucky Redbook requirements.

*Management's Response:* The District will immediately schedule professional Redbook training with a focus on addressing the use of credit cards. Additionally, the finance consultant and new finance officer will begin onsite reviews of school activity fund accounts and records to ensure compliance with Redbook.

## **POAGE ELEMENTARY**

### **2020-11 – Deposits**

*Condition:* We noted that the multiple receipt forms were not completed properly; therefore, we were unable to determine if deposits were made in a timely manner.

*Criteria:* The Redbook Accounting Procedures for Kentucky School Activity Funds states that all receipts over \$100 will be deposited the same day or next day if collected after business hours and supported by a properly completed receipt form.

*Cause:* Failure to properly follow the Kentucky Redbook requirements.

*Effect:* Violation of the Kentucky Redbook requirements.

*Recommendation:* We recommend training be provided to the employees related to the Kentucky Redbook requirements.

*Management's Response:* The District will immediately schedule professional Redbook training with a focus on addressing the use of credit cards. Additionally, the finance consultant and new finance officer will begin onsite reviews of school activity fund accounts and records to ensure compliance with Redbook.

### **Follow-up on Prior Year Recommendations**

The prior year conditions have been implemented and corrected, except 2019-1, 2019-5, and 2019-8 were repeated as 2020-1, 2020-5, and 2020-8, respectively, above. Mr. Sean Howard, Superintendent, is the person responsible for initiation of the corrective action plan for the above conditions which will be implemented immediately. The corrective action plan is the management response for each condition.

**APPENDIX C**

**Ashland Independent School District Finance Corporation  
School Building Refunding Revenue Bonds  
Taxable Series of 2022**

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**Continuing Disclosure Agreement**



## CONTINUING DISCLOSURE UNDERTAKING AGREEMENT

This Continuing Disclosure Undertaking Agreement ("Agreement") made and entered into as of the 15th day of February, 2022, by and between the Board of Education of Ashland, Kentucky Independent School District ("Board"); the Ashland Independent 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 \$10,115,000 of the Corporation's School Building Refunding Revenue Bonds, Taxable Series of 2022, dated as of February 15, 2022 ("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, commencing with fiscal year ending June 30, 2021, 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  
ASHLAND INDEPENDENT, KENTUCKY  
SCHOOL DISTRICT**

Attest:

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Secretary

**ASHLAND INDEPENDENT SCHOOL  
DISTRICT FINANCE CORPORATION**

Attest:

\_\_\_\_\_  
President

\_\_\_\_\_  
Secretary

**APPENDIX D**

**Ashland Independent School District Finance Corporation  
School Building Refunding Revenue Bonds  
Taxable Series of 2022**

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**Official Terms and Conditions of Bond Sale**

**OFFICIAL TERMS AND CONDITIONS OF BOND SALE**

**\$10,115,000\***

**Ashland Independent School District Finance Corporation  
School Building Refunding Revenue Bonds, Taxable Series of 2022  
Dated as of February 15, 2022**

**SALE: January 18, 2022 AT 11:00 A.M., E.S.T.**

As published on PARITY®, a nationally recognized electronic bidding system, the Ashland Independent School District Finance Corporation (the "Corporation") will until 11:00 A.M., E.S.T., on January 18, 2022 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 \$10,115,000 principal amount of Ashland Independent School District Finance Corporation School Building Refunding Revenue Bonds, Taxable Series of 2022 (the "Refunding Bonds"), dated and bearing interest from February 15, 2022, payable on August 1, 2022, and semi-annually thereafter on February 1 and August 1 of each year, in denominations in multiples of \$5,000 within the same maturity, maturing on August 1 in each of the years as follows:

<u>YEAR</u>	<u>PRINCIPAL MATURITIES*</u>	<u>YEAR</u>	<u>PRINCIPAL MATURITIES*</u>
2022	\$485,000	2028	\$ 805,000
2023	485,000	2029	820,000
2024	525,000	2030	1,290,000
2025	530,000	2031	1,265,000
2026	535,000	2032	1,290,000
2027	795,000	2033	1,290,000

\* Subject to Permitted Adjustment as described herein.

**REDEMPTION PROVISIONS**

The Bonds are NOT subject to redemption at the option of the Corporation prior to their stated maturities.

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.

**ASHLAND INDEPENDENT SCHOOL DISTRICT FINANCE CORPORATION**

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

## **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 162.290, 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 Ashland Independent School District Finance Corporation Building Revenue Bonds, Series of 2011, dated June 1, 2011 (the "2011 Bonds") maturing June 1, 2023 and thereafter (the "2011 Refunded Bonds") prior to their stated maturities on February 24, 2022 and the Ashland Independent School District Finance Corporation Building Revenue Bonds, Series of 2013, dated August 1, 2013 (the "2013 Bonds") maturing August 1, 2022 and thereafter (the "2013 Refunded Bonds") at or prior to their stated maturities on August 1, 2023. The 2011 Refunded Bonds and the 2013 Refunded Bonds are hereinafter collectively referred to as the "Refunded Bonds".

## **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 a Participation Agreement with the Board whereunder the Commission, will agree to continue to pay approximately \$150,480 to be applied to 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 the 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, 2022. 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 CERTAIN BONDS OF PRIOR ISSUES**

The Refunded Bonds were issued under the authority of Sections 162.120 through 162.290 and 162.385 of the Kentucky Revised Statutes for the purpose of providing funds to finance improvements at Verity 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 site and 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 property to the Board under a Lease Agreement, dated June 1, 2011 and a Lease Agreement, dated August 1, 2013 (collectively, the "Prior Lease").

The total principal amount of the 2011 Bonds currently outstanding is \$425,000, scheduled to mature on June 1 in each of the years 2022 through 2031. The total principal amount of the 2013 Bonds currently outstanding is \$9,055,000, 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 on February 24, 2022 the 2011 Refunded Bonds and on August 1, 2023 the 2013 Refunded Bonds. The 2011 Bonds maturing June 1, 2022 ("Remaining Bonds") shall remain outstanding and shall continue to be secured by the school building Project property until paid in full on June 1, 2022.

The 2022 Bond Resolution adopted by the Corporation's Board of Directors authorizes the payment and retirement of the Refunded Bonds including principal and accruing interest 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 2022 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 February 15, 2022 (the "2022 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 Project (the "Parity Bonds") and the Remaining Bonds.

Under the 2022 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 February 15, 2022 through June 30, 2022, with the option in the Board to renew said 2022 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 2022 Lease, the principal and interest on all of the Refunding Bonds as same become due.

The 2022 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 2022 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 2022 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 2022 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 2022 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 2022 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 \$10,013,850 (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 \$10,115,000 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 \$1,010,000, 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 \$9,105,000 or a maximum of \$11,125,000. 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 \$10,115,000 of Refunding Bonds bid.

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

(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-exempt 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).

### **POTENTIAL LEGISLATION**

No assurance can be given that any future legislation, will not cause interest on the Refunding Bonds to be subject, directly or indirectly, to state income taxation. Further, no assurance can be given that the introduction or enactment of any such future legislation, will not affect the market price for the Refunding Bonds.

### **CONTINUING DISCLOSURE**

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

Financial information regarding the Board may be obtained from Superintendent, Ashland Independent Board of Education, 1820 Hickman Street, Ashland, Kentucky 41101 (606) 327-2706.

## TAX STATUS

Bond Counsel advises as follows with respect to the Bonds:

(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.

**ASHLAND INDEPENDENT SCHOOL DISTRICT  
FINANCE CORPORATION**

By /s/ Sean Howard  
Secretary

**APPENDIX E**

**Ashland Independent School District Finance Corporation  
School Building Refunding Revenue Bonds  
Taxable Series of 2022**

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**Official Bid Form**

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

The Ashland Independent School District Finance Corporation ("Corporation"), will until 11:00 A.M., E.S.T., on January 18, 2022, 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 \$10,115,000 School Building Refunding Revenue Bonds, Taxable Series of 2022, dated as of February 15, 2022; maturing August 1, 2022 through 2033 ("Bonds").

We hereby bid for said \$10,115,000\* principal amount of Bonds, the total sum of \$ \_\_\_\_\_ (not less than \$10,013,850) plus accrued interest from February 15, 2022 payable August 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 August 1 in each of the years as follows:

<u>Year</u>	<u>Amount*</u>	<u>Rate</u>	<u>Year</u>	<u>Amount*</u>	<u>Rate</u>
2022	\$485,000	_____ %	2028	\$ 805,000	_____ %
2023	485,000	_____ %	2029	820,000	_____ %
2024	525,000	_____ %	2030	1,290,000	_____ %
2025	530,000	_____ %	2031	1,265,000	_____ %
2026	535,000	_____ %	2032	1,290,000	_____ %
2027	795,000	_____ %	2033	1,290,000	_____ %

\* Subject to Permitted Adjustment up to \$1,010,000

We understand this bid may be accepted for as much as \$11,125,000 of Bonds or as little as \$9,105,000 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 Municipal Advisor within twenty-four (24) hours of the award of the Bonds that certain serial maturities as awarded may be combined with immediately succeeding serial maturities as one or more Term Bonds; provided, however, (a) bids must be submitted to permit only a single interest rate for each Term Bond specified, and (b) Term Bonds will be subject to mandatory redemption by lot on August 1 in accordance with the maturity schedule setting the actual size of the issue.

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 February 15, 2022 and upon acceptance by the Issuer's Municipal Advisor this Official Bid Form shall become the Bond Purchase Agreement.

Respectfully submitted,

\_\_\_\_\_ Bidder

By \_\_\_\_\_  
Authorized Officer

\_\_\_\_\_ Address

Total interest cost from February 15, 2022 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 Ashland Independent 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	_____%	2028	_____,000	_____%
2023	_____,000	_____%	2029	_____,000	_____%
2024	_____,000	_____%	2030	_____,000	_____%
2025	_____,000	_____%	2031	_____,000	_____%
2026	_____,000	_____%	2032	_____,000	_____%
2027	_____,000	_____%	2033	_____,000	_____%

Dated: January 18, 2022

\_\_\_\_\_  
 RSA Advisors, LLC, Financial Advisor and  
 Agent for Ashland Independent School District Finance Corporation