

DATED JANUARY 3, 2022

NEW ISSUE
Electronic Bidding via Parity®
Bank Interest Deduction Eligible
BOOK-ENTRY-ONLY SYSTEM

RATING
Moody's: " "

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

\$460,000*
LAWRENCE COUNTY SCHOOL DISTRICT FINANCE CORPORATION
SCHOOL BUILDING REVENUE BONDS,
SERIES OF 2022

Dated with Delivery: February 1, 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 February 1, 2023 and thereafter as shown below. The Bonds are being issued in Book-Entry-Only Form and will be available for purchase in principal amounts of \$1,000 and integral multiples thereof.

Maturing		Interest	Reoffering		Maturing		Interest	Reoffering	
1-Feb	Amount	Rate	Yield	CUSIP	1-Feb	Amount	Rate	Yield	CUSIP
2023	\$18,000	%	%		2033	\$23,000	%	%	
2024	\$19,000	%	%		2034	\$24,000	%	%	
2025	\$19,000	%	%		2035	\$24,000	%	%	
2026	\$20,000	%	%		2036	\$25,000	%	%	
2027	\$20,000	%	%		2037	\$25,000	%	%	
2028	\$20,000	%	%		2038	\$26,000	%	%	
2029	\$21,000	%	%		2039	\$27,000	%	%	
2030	\$21,000	%	%		2040	\$27,000	%	%	
2031	\$22,000	%	%		2041	\$28,000	%	%	
2032	\$22,000	%	%		2042	\$29,000	%	%	

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

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

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

The Lawrence County (Kentucky) School District Finance Corporation will until January 11, 2022, at 11:30 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 Rd, 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 \$46,000.**

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.



**LAWRENCE COUNTY, KENTUCKY
BOARD OF EDUCATION**

Heath Preston, Chairperson
Jim See, Member
Maddlene Roberts, Member
Garnett Skaggs, Member
Barbara Robinson, Member

D. Robbie Fletcher, Superintendent/Secretary

**LAWRENCE COUNTY SCHOOL DISTRICT
FINANCE CORPORATION**

Heath Preston, President
Jim See, Member
Maddlene Roberts, Member
Garnett Skaggs, Member
Barbara Robinson, Member

D. Robbie Fletcher, Secretary
Brandi Vanhoose, 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 Lawrence County School District Finance Corporation School Building Revenue Bonds, 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.

TABLE OF CONTENTS

	Page
Introduction	1
Book-Entry-Only System	1
The Corporation	3
Kentucky School Facilities Construction Commission	3
Commonwealth Budget for Period Ending June 30, 2022	4
Outstanding Bonds	4
Authority	5
The Bonds	5
General	5
Registration, Payment and Transfer	5
Redemption	5
Security	5
General	5
The Lease; Pledge of Rental Revenues	6
State Intercept	6
Commission’s Participation	7
The Project	7
Estimated Bond Debt Service	7
Estimated Use of Bond Proceeds	8
District Student Population	8
State Support of Education	8
Support Education Excellence in Kentucky (SEEK)	8
Capital Outlay Allotment	9
Facilities Support Program of Kentucky	9
Local Support	10
Homestead Exemption	10
Limitation on Taxation	10
Local Thirty Cents Minimum	10
Additional 15% Not Subject to Recall	10
Assessment Valuation	10
Special Voted and Other Local Taxes	11
Local Tax Rates, Property Assessments and Revenue Collections	11
Overlapping Bond Indebtedness	11
SEEK Allotment	12
State Budgeting Process	13
Potential Legislation	13
Continuing Disclosure; Exemption	13
Tax Exemption; Bank Qualified	14
Original Issue Premium	14
Original Issue Discount	15
COVID-19	15
Absence of Material Litigation	15
Approval of Legality	15
No Legal Opinion Expressed as to Certain Matters	15
Bond Rating	16
Financial Advisor	16
Approval of Official Statement	16
Demographic and Economic Data	APPENDIX A
Financial Data	APPENDIX B
Official Terms & Conditions of Bond Sale	APPENDIX C
Official Bid Form	APPENDIX D

**OFFICIAL STATEMENT
Relating to the Issuance of**

\$460,000*

**LAWRENCE COUNTY SCHOOL DISTRICT FINANCE CORPORATION
SCHOOL BUILDING REVENUE BONDS,
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 Lawrence County School District Finance Corporation (the "Corporation") School Building Revenue Bonds, Series of 2022 (the "Bonds").

The Bonds are being issued to finance security improvements at Lawrence County Middle and High Schools (the "Project").

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

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

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

Copies of the Bond Resolution authorizing the issuance of the Bonds and the Lease Agreement, dated February 1, 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.

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

Pursuant to the provisions of the Act, the Regulations of the Kentucky Board of Education and the Commission, the Commission has determined that the Board is eligible for participation from the Commission in meeting the costs of construction of the Projects and has entered into a Participation Agreement with the Board whereunder the Commission agrees to pay an annual Agreed Participation equal to approximately \$29,236 to be applied to the annual debt service requirements for the Bonds herein identified each year until their retirement; provided, however, that the contractual commitment of the Commission to pay the annual Agreed Participation is limited to the biennial budget period of the Commonwealth, with the first such biennial period terminating on June 30, 2022; the right is reserved in the Commission to terminate its commitment to pay the Agreed Participation after the initial biennial period and every two years thereafter. The obligation of the Commission to make payments of the Agreed Participation shall be automatically renewed each two years for a period of two years unless the Commission shall give notice of its intention not to participate not less than sixty days prior to the end of the biennium; however, by the execution of the Participation Agreement, the Commission has expressed its present intention to continue to pay the Agreed Participation in each successive biennial budget period until the retirement of all of the Bonds, but such execution does not obligate the Commission to do so.

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

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

<u>Biennium</u>	<u>Appropriation</u>
1986-88	\$18,223,200
1988-90	14,050,700
1990-92	13,542,800
1992-94	3,075,300
1994-96	2,800,000
1996-98	4,996,000
1998-00	12,141,500
2000-02	8,100,000
2002-04	9,500,000
2004-06	14,000,000
2006-08	9,000,000
2008-10	10,968,000
2010-12	12,656,200
2012-14	8,469,200
2014-16	8,764,000
2016-18	23,019,400
2018-20	7,608,000
2020-22	<u>2,946,900</u>
Total	\$183,861,200

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

BIENNIAL BUDGET FOR PERIOD ENDING JUNE 30, 2022

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

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

Due to the unforeseen nature on the economy of the Commonwealth caused by the COVID-19 pandemic, in its 2020 regular session, the General Assembly adopted only a one-year budget for the biennial period ending June 30, 2021 which was approved and signed by the Governor. The biennial budget was reviewed and supplemented during the General Assembly's 2021 regular session. Such budget 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

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:

Bond Series	Original Principal	Current Principal Outstanding	Principal Assigned to Board	Principal Assigned to Commission	Approximate Interest Rate Range	Final Maturity
2012	\$1,635,000	\$990,000	\$0	\$1,635,000	2.125% - 3.375%	2032
2012-REF	\$2,020,000	\$485,000	\$1,400,176	\$619,824	2.000% - 2.125%	2023
2012-ENERGY	\$4,265,000	\$2,150,000	\$4,265,000	\$0	2.250% - 2.750%	2027
2012 QZAB	\$5,000,000	\$5,000,000	\$0	\$5,000,000	4.000%	2035
2013	\$2,320,000	\$1,905,000	\$1,526,566	\$793,434	3.000% - 4.350%	2032
2014-KISTA	\$364,207	\$121,346	\$364,207	\$0	3.000% - 3.250%	2024
TOTALS:	\$15,604,207	\$10,651,346	\$7,555,949	\$8,048,258		

AUTHORITY

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

- i) the issuance of approximately \$460,000 of Bonds subject to a permitted adjustment of \$46,000;
- 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 1, 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 February 1, 2023 and thereafter in the years and in the principal amounts as set forth on the cover page of this Official Statement.

Registration, Payment and Transfer

The Bonds are to be issued in fully registered form (both principal and interest). U.S. Bank National Association, Louisville, Kentucky, has been designated as the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date to Cede & Co. Principal and interest will be payable through the Book-Entry-Only-System administered by The Depository Trust Company: Please see "BOOK-ENTRY-ONLY-SYSTEM" below. Interest on the Bonds will be paid at rates to be established upon the basis of competitive bidding as hereinafter set forth, such interest to be payable on February 1 and August 1 of each year, beginning August 1, 2022 (Record Date is the 15th day of month preceding interest due date).

Redemption

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

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

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

SECURITY

General

The Bonds are revenue bonds and constitute a limited indebtedness of the Corporation. The Bonds are payable as to both principal and interest solely from the income and revenues derived from the leasing of the Project financed from the Bond proceeds from the Corporation to the Board. The Bonds are secured by a pledge of revenue on and from the 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 Project securing the Bonds for an initial period from February 1, 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 February 1, 2042, the final maturity date of the Bonds. Under the lease, the Corporation has pledged the rental revenue to the payment of the Bonds.

COMMISSION'S PARTICIPATION

The Commission has determined that the Board is eligible for an average annual participation equal to approximately \$29,236 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 one hundred percent (100%) 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, 2002. 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.

STATE INTERCEPT

Under the terms of the Lease and any renewal thereof, so long as the Bonds remain outstanding and in conformance with the intent and purpose of KRS 157.627(5) and KRS 160.160(5), in the event of a failure by the Board to pay the rentals due under the Lease, and unless sufficient funds have been transmitted to the Paying Agent, or will be so transmitted, for paying said rentals when due, the Board has granted under the terms of the Lease and Participation Agreement to the Corporation and the Commission the right to notify and request the

Kentucky Department of Education to withhold from the Board a sufficient portion of any undisbursed funds then held, set aside, or allocated to the Board and to request said Department or Commissioner of Education to transfer the required amount thereof to the Paying Agent for the payment of such rentals.

THE PROJECT

After payment of the Bond issuance costs, the Board plans to deposit the net Bond proceeds to finance security improvements at Lawrence County Middle and High Schools (the "Project").

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

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

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 Commission to meet 100% of the debt service of the Bonds.

Fiscal Year Ending June 30	Current Local Bond Payments	-----Series 2022 Revenue Bonds----- (100% SFCC)			Total Local Bond Payments
		Principal Portion	Interest Portion	Total Payment	
2022	\$429,712				\$429,712
2023	\$427,795	\$18,000	\$11,040	\$29,040	\$427,795
2024	\$240,404	\$19,000	\$10,608	\$29,608	\$240,404
2025	\$230,333	\$19,000	\$10,152	\$29,152	\$230,333
2026	\$218,780	\$20,000	\$9,696	\$29,696	\$218,780
2027	\$220,662	\$20,000	\$9,216	\$29,216	\$220,662
2028	\$152,777	\$20,000	\$8,736	\$28,736	\$152,777
2029	\$159,137	\$21,000	\$8,256	\$29,256	\$159,137
2030	\$149,849	\$21,000	\$7,752	\$28,752	\$149,849
2031	\$149,678	\$22,000	\$7,248	\$29,248	\$149,678
2032	\$153,530	\$22,000	\$6,720	\$28,720	\$153,530
2033	\$151,476	\$23,000	\$6,192	\$29,192	\$151,476
2034	\$152,728	\$24,000	\$5,640	\$29,640	\$152,728
2035		\$24,000	\$5,064	\$29,064	
2036		\$25,000	\$4,488	\$29,488	
2037		\$25,000	\$3,888	\$28,888	
2038		\$26,000	\$3,288	\$29,288	
2039		\$27,000	\$2,664	\$29,664	
2040		\$27,000	\$2,016	\$29,016	
2041		\$28,000	\$1,368	\$29,368	
2042		\$29,000	\$696	\$29,696	
TOTALS:	\$2,836,861	\$460,000	\$124,728	\$584,728	\$2,836,861

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:

Sources:	
Par Amount of Bonds	<u>\$460,000.00</u>
Total Sources	\$460,000.00
Uses:	
Deposit to Construction Fund	\$435,600.00
Underwriter's Discount (2%)	9,200.00
Cost of Issuance	<u>15,200.00</u>
Total Uses	\$460,000.00

DISTRICT STUDENT POPULATION

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

<u>Year</u>	<u>Average Daily Attendance</u>	<u>Year</u>	<u>Average Daily Attendance</u>
2000-01	2,512.7	2011-12	2,122.7
2001-02	2,370.9	2012-13	2,157.5
2002-03	2,293.7	2013-14	2,124.8
2003-04	2,342.9	2014-15	2,206.7
2004-05	2,311.9	2015-16	2,242.8
2005-06	2,287.2	2016-17	2,250.5
2006-07	2,253.5	2017-18	2,222.7
2007-08	2,218.9	2018-19	2,223.0
2008-09	2,146.4	2019-20	2,177.5
2009-10	2,085.2	2020-21	2,165.9
2010-11	2,200.7		

Source: Kentucky State Department of Education.

STATE SUPPORT

Support Education Excellence in Kentucky (SEEK). In determining the cost of the program to Support Education Excellence in Kentucky (SEEK), the statewide guaranteed base funding level is computed by dividing the amount appropriated by the prior year's statewide average daily attendance. The SEEK fund is a guaranteed amount of money per pupil in each school district of Kentucky. The current SEEK allotment is \$3,866 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 Lawrence County School District for certain preceding school years. Beginning 1990-91, the allotment is based on average daily attendance as required by law.

<u>Year</u>	<u>Capital Outlay Allotment</u>	<u>Year</u>	<u>Capital Outlay Allotment</u>
2000-01	251,270.0	2011-12	212,270.0
2001-02	237,090.0	2012-13	215,754.0
2002-03	229,370.0	2013-14	212,477.0
2003-04	234,290.0	2014-15	220,672.0
2004-05	231,190.0	2015-16	224,280.0
2005-06	228,720.0	2016-17	225,050.0
2006-07	225,350.0	2017-18	222,270.0
2007-08	221,890.0	2018-19	222,295.4
2008-09	214,643.0	2019-20	217,750.0
2009-10	208,516.0	2020-21	216,590.9
2010-11	220,072.0		

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

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

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

LOCAL SUPPORT

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

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

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

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

Tax Year	Combined Equivalent Rate	Total Property Assessment	Property Revenue Collections
2000-01	44.8	418,387,285	1,874,375
2001-02	46.2	450,740,625	2,082,422
2002-03	46.3	494,981,952	2,291,766
2003-04	46.3	515,539,249	2,386,947
2004-05	47.6	527,653,154	2,511,629
2005-06	48.3	569,872,518	2,752,484
2006-07	48.4	605,287,251	2,929,590
2007-08	48.3	625,038,282	3,018,935
2008-09	48.4	656,672,224	3,178,294
2009-10	48.4	712,399,290	3,448,013
2010-11	49.7	707,038,301	3,513,980
2011-12	52.5	723,507,638	3,798,415
2012-13	58.6	752,956,892	4,412,327
2013-14	56.3	841,311,935	4,736,586
2014-15	58.5	794,277,096	4,646,521
2015-16	61.0	850,693,315	5,189,229
2016-17	63.1	940,801,428	5,936,457
2017-18	54.6	861,906,766	4,706,011
2018-19	59.4	811,647,605	4,821,187
2019-20	74.4	838,550,101	6,238,813
2020-21	68.2	862,945,991	5,885,292

Overlapping Bond Indebtedness

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

Issuer	Original Principal Amount	Amount of Bonds Redeemed	Current Principal Outstanding
County of Lawrence			
General Obligation	\$3,421,123	\$1,631,324	\$1,789,799
Water Revenue	\$500,000	\$174,500	\$325,500
Judicial Facility	\$18,135,000	\$7,170,000	\$10,965,000
Roads Revenue	\$250,000	\$0	\$250,000
City of Louisa			
General Obligation	\$315,000	\$195,876	\$119,124
Water & Sewer Revenue	\$1,513,000	\$403,200	\$1,109,800
Refinancing Refunding	\$1,025,000	\$810,000	\$215,000
Multiple Purposes Revenue	\$1,885,000	\$215,000	\$1,670,000
Special Districts			
Lawrence County Extension District	\$750,000	\$265,000	\$485,000
Totals:	\$27,794,123	\$10,864,900	\$16,929,223

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. These receipts are compared to the 1989-90 fiscal year funding prior to enactment of the Kentucky Education Reform Act:

SEEK	Base Funding	Local Tax Effort	Total State & Local Funding
2000-01	10,216,122	1,874,375	12,090,497
2001-02	9,971,060	2,082,422	12,053,482
2002-03	9,782,023	2,291,766	12,073,789
2003-04	10,104,420	2,386,947	12,491,367
2004-05	10,418,735	2,511,629	12,930,364
2005-06	10,908,251	2,752,484	13,660,735
2006-07	10,902,379	2,929,590	13,831,969
2007-08	11,485,041	3,018,935	14,503,976
2008-09	10,934,889	3,178,294	14,113,183
2009-10	9,295,216	3,448,013	12,743,229
2010-11	10,000,934	3,513,980	13,514,914
2011-12	10,361,962	3,798,415	14,160,377
2012-13	10,115,722	4,412,327	14,528,049
2013-14	9,725,409	4,736,586	14,461,995
2014-15	10,480,522	4,646,521	15,127,043
2015-16	10,636,893	5,189,229	15,826,122
2016-17	10,692,509	5,936,457	16,628,966
2017-18	10,906,973	4,706,011	15,612,984
2018-19	11,232,648	4,821,187	16,053,835
2019-20	10,973,679	6,238,813	17,212,492
2020-21	10,526,266	5,885,292	16,411,558

- (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 \$0.682 for FY 2020-21. The equivalent tax rate" is defined as the rate which results when the income from all taxes levied by the district for school purposes is divided by the total assessed value of property plus the assessment for motor vehicles certified by the Commonwealth of Kentucky Revenue Cabinet.

State Budgeting Process

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

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

POTENTIAL LEGISLATION

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

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

CONTINUING DISCLOSURE; EXEMPTION

As a result of the principal amount of Bonds being offered not exceeding \$1,000,000 Bond Counsel has advised the Corporation and the Board that they are exempt from application of the Rule 15c2-12c2-12(b)(5) of the Securities and Exchange Commission with respect to the Bonds.

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

Financial information regarding the Board may be obtained from Superintendent, Lawrence County Board of Education, 50 Bulldog Lane, Louisa, Kentucky 41230 (606-638-9671).

TAX EXEMPTION; BANK QUALIFIED

Bond Counsel is of the opinion that:

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

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

(C) As a result of designations and certifications by the Board and the Corporation, indicating the issuance of less than \$10,000,000 of tax-exempt obligations during the calendar year ending December 31, 2022, the Bonds are "qualified tax-exempt obligations" within the meaning of the Internal Revenue Code of 1986, as amended.

The Corporation will provide the purchaser the customary no-litigation certificate, and the final approving Legal Opinions of Steptoe & Johnson PLLC, Bond Counsel and Special Tax Counsel, Louisville, Kentucky

approving the legality of the Bonds. These opinions will accompany the Bonds when delivered, without expense to the purchaser.

Original Issue Premium

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

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

Original Issue Discount

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

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

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

COVID-19

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

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

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

ABSENCE OF MATERIAL LITIGATION

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

APPROVAL OF LEGALITY

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

NO LEGAL OPINION EXPRESSED AS TO CERTAIN MATTERS

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

BOND RATING

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

FINANCIAL ADVISOR

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

APPROVAL OF OFFICIAL STATEMENT

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

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

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

By /s/ _____
President

By /s/ _____
Secretary

APPENDIX A

**Lawrence County School District Finance Corporation
School Building Revenue Bonds
Series of 2022**

Demographic and Economic Data

LAWRENCE COUNTY, KENTUCKY

Louisa, the county seat of Lawrence County, lies on the Kentucky-West Virginia border in the northeastern section of Kentucky's Eastern Coal Field Region. Lawrence County's eastern border is formed by the Big Sandy River. Its river valleys become narrower and the elevation generally higher as one moves westward.

Louisa is located 33 miles south of Ashland, Kentucky; 34 miles southwest of Huntington, West Virginia; 244 miles northeast of Knoxville, Tennessee; and 205 miles east of Louisville, Kentucky. Louisa has an estimated 2021 population of 2,332. Lawrence County, with a land area of 418 square miles, had a 2021 population of 15,315.

The Economic Framework

The total number of people employed in Lawrence County in 2021 averaged 4,749. The top jobs in Lawrence County were office and administrative support - 466 (14.2%); sales - 462 (14.11%); executive, managers and administrators - 253 (7.73%); health diagnosing and treating practitioners - 250 (7.63%); education, training/library - 227 (6.93%).

Transportation

U.S. Highway 23, a "AAA"-rated (80,000-pound gross load limit) trucking highway, serves Louisa and provides access to Interstate 64, 25 miles north of the city. Kentucky Highways 3 and 32, both "AA"-rated (62,000-pound gross load limit) trucking highways, also serve Louisa. U.S. Highway 52 is accessible two miles east of Louisa in West Virginia via West Virginia Route 37. Fourteen common carrier trucking companies serve Louisa, providing interstate and/or intrastate service. CSX Transportation provides main line rail service to Louisa. The nearest scheduled commercial airline service is available at Tri-State Airport, 31 miles northeast of Louisa near Huntington, West Virginia.

Power and Fuel

American Electric Power services the City of Louisa and a major portion of Lawrence County. Big Sandy Rural Electric Cooperative Corporation and Grayson Rural Electric Cooperative Corporation serve portions of southern and southwestern Lawrence County. Columbia Gas of Kentucky provides natural gas service to Louisa.

LOCAL GOVERNMENT

Structure

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

Planning and Zoning

Joint agency - Lawrence County Zoning Board
Zoning enforced - County-wide
Subdivision regulations enforced - County-wide
Mandatory state codes enforced - Kentucky Plumbing Code, National Electric Code, Kentucky Boiler Regulations and Standards, Kentucky Building Code (modeled after BOCA code)

LABOR MARKET STATISTICS

The Louisa Labor Market Area includes Lawrence County and the adjoining Kentucky counties of Boyd, Carter, Elliott, Johnson, Martin, and Morgan. The Labor Market Area is supplemented by Wayne County in West Virginia, which forms the eastern boundary of Lawrence County.

Population

<u>Area</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Lawrence County	15,696	15,640	15,501

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

Population Projections

<u>Area</u>	<u>2025</u>	<u>2030</u>	<u>2035</u>
Lawrence County	15,378	14,979	14,515

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

EDUCATION

Public Schools

Lawrence County

Total Enrollment (2020-2021)	2,388
Pupil to Teacher Ratio	14 - 1

Technical Schools

<u>Name</u>	<u>Location</u>	<u>Enrollment (2019-2020)</u>
Martin County ATC	Inez, KY	373
Russell ATC	Russell, KY	462
Greenup County ATC	Greenup, KY	477
Floyd County ATC (GARTH)	Martin, KY	532
Morgan County ATC	West Liberty, KY	479
Belfry ATC	Belfry, KY	564
Millard ATC	Millard, KY	297
Knott County ATC	Hindman, KY	328
Breathitt County ATC	Jackson, KY	508

Colleges and Universities

<u>Institution</u>	<u>Location</u>	<u>Enrollment (Fall 2020)</u>
University of Pikeville	Pikeville, KY	2,262
Morehead State University	Morehead, KY	9,660
Alice Lloyd College	Pippa Passes, KY	574

EXISTING INDUSTRY

<u>Firm</u>	<u>Product</u>	<u>Total Employed</u>
The Big Sandy News	Newspaper publishing	4

Sources: Kentucky Cabinet for Economic Development (2020 Kentucky Directory of Manufacturers).

APPENDIX B

**Lawrence County School District Finance Corporation
School Building Revenue Bonds
Series of 2022**

Audited Financial Statement ending June 30, 2020

LAWRENCE COUNTY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS

For the year ended June 30, 2020



WELLS & COMPANY, P.S.C.

Certified Public Accountants
865 South Mayo Trail, Suite 7
Paintsville, Kentucky 41240-1215

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LAWRENCE COUNTY SCHOOL DISTRICT

TABLE OF CONTENTS

FOR THE YEAR ENDED JUNE 30, 2020

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	7
Statement of Activities.....	8
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	9
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	10
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Statement of Net Position – Proprietary Fund	13
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund.....	14
Statement of Cash Flows – Proprietary Funds.....	15
Statement of Fiduciary Net Position – Fiduciary Fund	16
Statement of Changes in Fiduciary Net Position – Fiduciary Fund.....	17
Notes to the Basic Financial Statements	18-51
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.....	52
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Special Revenue Fund	53
Schedule of the District's Proportionate Share of the Net Pension Liability	54
Schedule of District Contributions	55

LAWRENCE COUNTY SCHOOL DISTRICT

TABLE OF CONTENTS - CONTINUED

FOR THE YEAR ENDED JUNE 30, 2020

	<u>Page</u>
Schedule of the District's Proportionate Share of the Net OPEB Liability	56-57
Schedule of the District's OPEB Contributions	58-59
Notes to Required Supplementary Information	60-65
Combining Statements – Nonmajor Funds:	
Combining Balance Sheet – Nonmajor Governmental Funds	66
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	67
Other Combining Statements and School Activity Funds:	
Combining Statement of Fiduciary Net Position – School Activity Funds (Agency Fund)	68
Combining Statement of Revenues, Expenditures, and Changes Due to Student Groups – School Activity Funds (Agency Fund)	69
Statement of Receipts, Disbursements Due Student Groups – School Activity Funds – (Agency Fund)	70
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Debt Service Funds	71
Schedule of Expenditures of Federal Awards	72-73
Notes to Schedule of Expenditures of Federal Awards	74
Schedule of Findings and Questioned Costs	75
Schedule of Prior Year Audit Findings	76
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	77-78
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by The Uniform Guidance	79-80
Management Letter Comments	81-83

INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Lawrence County School District
Louisa, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lawrence County School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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 Independent Auditor's Contract. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 3-6, budgetary comparison information on pages 52-53, and CERS and KTRS schedules and notes on pages 54-65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual nonmajor fund financial statements, school activity funds, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, school activity funds, 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 October 19, 2020, on our consideration of the Lawrence County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Lawrence County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lawrence County School District's internal control over financial reporting and compliance.

Wells & Company, PSC

Certified Public Accountants
Paintsville, Kentucky
October 19, 2020

**LAWRENCE COUNTY SCHOOL DISTRICT – LOUISA, KY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2020**

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

FINANCIAL HIGHLIGHTS

- The ending cash balance for the District was \$4,406,146 in 2019 and \$3,236,673 in 2020. This is a decrease of \$1,169,473. Much of this difference can be explained by the decrease in property taxes and increase in expenses.
- From 2020 to 2019, total General Fund revenue decreased by .6%. Revenue from the state decreased by .1%. Revenues from federal sources increased by 5.5%. Revenues from other local revenues decreased by 26.6%. Revenues from various taxes increased by 7.6%.
- Among major funds, the General Fund had \$22.8 million in revenue, which primarily consisted of local property, utilities, and motor vehicle taxes, federal programs and state funding. There were \$23.2 million in expenditures.
- A concerted effort was focused on purchasing in the areas of supplies, food, and travel resulting in several economies due to changed management strategies.
- During the fiscal year, the District purchased three new school buses at a cost of \$328,625.
- 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's (KDE) stringent compliance regulations. The District's total debt decreased by \$1,195,310 during the current fiscal year including capital lease principal payments.
- State law requires districts to update a priority list of construction and renovation needs, called a local facilities plan, every four years. The document guides the allocation of School Facilities Construction Commission dollars. To be eligible to share in that money, the District has currently updated its facilities plan. With the age and size of our facility, there is a focus on investing in plant management.

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.

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 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. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 7 through 8 of this report.

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

The basic governmental fund financial statements can be found on pages 9 through 17 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 18 through 51 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

Net Position for the period ending June 30, 2020 and 2019

This is the eighteenth year that the District is following GASB 34 and comparing assets, liabilities and net position. 2020 Government Wide Net Position compared to 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Current Assets	\$ 4,163,732	\$ 4,512,578
Noncurrent Assets	<u>27,153,401</u>	<u>27,667,826</u>
Total assets	<u>31,317,133</u>	<u>32,180,404</u>
Deferred Outflows of Resources	<u>3,449,197</u>	<u>2,686,034</u>
Current Liabilities	2,538,807	2,017,465
Noncurrent Liabilities	<u>24,998,414</u>	<u>20,339,237</u>
Total liabilities	<u>27,537,221</u>	<u>22,356,702</u>
Deferred Inflows of Resources	<u>2,650,706</u>	<u>995,770</u>
Net Position		
Net investment in capital assets	16,546,560	15,915,030
Restricted	(806,148)	616,311
Unrestricted Fund Balance	<u>(11,162,009)</u>	<u>(5,017,375)</u>
Total net position	<u>\$ 4,578,403</u>	<u>\$11,513,966</u>

There has been no significant change in the financial position of the District since the last audit.

The following table presents a fund accounting comparison and summary of revenue and expense for government funds only for the fiscal years 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Revenues:		
Local revenue sources	\$ 6,216,691	\$ 6,478,939
State revenue sources	19,358,881	19,377,254
Federal revenue	<u>2,391,818</u>	<u>2,260,132</u>
Total revenues	<u>27,967,390</u>	<u>28,116,325</u>
Expenditures:		
Instruction	16,609,503	16,141,382
Student support services	750,375	713,635
Instructional support	1,442,149	1,251,256
District administration	517,190	489,750
School administration	1,181,588	1,158,686
Business support	414,462	360,617
Plant operations	3,346,978	2,960,672
Student transportation	1,923,466	2,042,576
Central office support	-	-
Facilities acquisition and construction	50,841	-
Community support	250,680	266,841
Other	<u>1,975,069</u>	<u>1,884,107</u>
Total expenses	<u>28,462,301</u>	<u>27,269,522</u>
Excess (deficit) of revenues over expenses	(494,911)	846,803
Other Financing Sources (Uses):		
Bond sale proceeds	-	-
Proceeds from sale of fixed assets	6,618	-
Operating transfer in	1,293,641	1,257,620
Operating transfer out	<u>(1,176,998)</u>	<u>(1,169,292)</u>
Total other financing sources (uses)	<u>123,261</u>	<u>88,328</u>
Net change in fund balance	<u>\$ (371,650)</u>	<u>\$ 935,131</u>

CAPITAL ASSETS

At the end of fiscal 2020, the District had \$27.16 million invested in capital assets, including land, buildings, buses, computers and other equipment. This amount represents a net decrease (including additions and deductions) of \$.51 million over last year. This decrease is primarily due to the depreciation. Additionally, three buses were purchased in fiscal 2020.

Capital Assets at Year-End (Net of Depreciation, in Millions)

	Governmental Activities		Business-type Activities		Totals	
	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>
Land	\$.33	\$.33	\$ -	\$ -	\$.33	\$.33
Buildings & Improvements	19.99	19.09	-	-	19.99	19.09
Technology Equipment	.01	.01	-	-	.01	.01
Vehicles	1.31	1.43	-	-	1.31	1.43
General Equipment	.17	.17	.21	.36	.38	.53
Infrastructure	.05	.05	-	-	.05	.05
Construction in Progress	<u>5.60</u>	<u>5.72</u>	<u>-</u>	<u>-</u>	<u>5.60</u>	<u>5.72</u>
Totals	<u>\$27.46</u>	<u>\$26.80</u>	<u>\$.21</u>	<u>\$.36</u>	<u>\$27.67</u>	<u>\$27.16</u>

- On-behalf amounts are included in revenues and expenses. On-behalf payments as defined by KDE are payments the state makes on behalf of employees to the various agencies for health and life insurance, benefits and administration fees and debt service. Further discussion of these can be found in Note B. Expenses that increased from 2019 to 2020 include instruction, student support services, instructional support, district administration, school administration, business support, plant operations and maintenance, facilities acquisition and construction, and other.

The changes in the balances and transactions of individual funds have not been material. Changes in final budget when compared to original are not material.

- The majority of revenue in 2020 was derived from state funding (69%) as compared with fiscal year 2019 (69%) with federal revenue making up 9% of total revenue in 2020 compared to 8% in 2019.

Comments on Budget Comparisons

- The District's General Fund total revenues for the fiscal year ended June 30, 2020, net of interfund transfers, were \$22.8 million.
- General Fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$3,650,666 more than budget.
- The total cost of all General Fund programs and services was \$23.2 million net of debt service.
- General Fund budget expenditures to actual varied significantly in instruction \$2,593,907. This resulted from the Board recording the on-behalf payments made for the District and increase in expenditures.

DEBT SERVICE

At year end, the District had approximately 10.7 million in outstanding debt, compared to 11.9 million last year. The District continues to maintain favorable debt ratings from Moody's and Standard & Poor's.

FUTURE BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1 - June 30; other programs, i.e. some federal operate on a different fiscal 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 with \$1.36 million in contingency (4%). The General Fund beginning cash balance for beginning the fiscal year was \$3.07 million.

Questions regarding this report should be directed to the Superintendent or by mail at 50 Bulldog Lane, Louisa, Ky 41230.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

LAWRENCE COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2020

	Governmental Activities	Business Type Activities	Total
Assets			
Current Assets:			
Cash and cash equivalents	\$ 2,971,997	\$ -	\$ 2,971,997
Inventory	-	46,801	46,801
Interfund receivable	291,369	-	291,369
Accounts receivable			
Taxes - current	41,233	-	41,233
Taxes - delinquent	24,663	-	24,663
Accounts receivable	51,647	-	51,647
Intergovernmental - state	53,860	-	53,860
Intergovernmental - indirect federal	158,481	523,681	682,162
Total current assets	3,593,250	570,482	4,163,732
Noncurrent Assets:			
Capital assets, not being depreciated	6,051,377	-	6,051,377
Capital assets, being depreciated, net	20,743,311	358,713	21,102,024
Total noncurrent assets	26,794,688	358,713	27,153,401
Total assets	30,387,938	929,195	31,317,133
Deferred Outflows of Resources:			
Deferred outflows related to pensions	1,647,115	361,563	2,008,678
Deferred outflows related to OPEB	1,231,219	152,819	1,384,038
Refunding of debt	56,481	-	56,481
Total deferred outflows of resources	2,934,815	514,382	3,449,197
Liabilities			
Current Liabilities:			
Interfund payable	-	291,369	291,369
Accounts payable	98,999	5,081	104,080
Payroll liabilities	267,666	-	267,666
Unearned revenue	211,899	-	211,899
Current portion of bond obligations	1,404,554	-	1,404,554
Current portion of capital lease	158,860	-	158,860
Interest payable	100,379	-	100,379
Total current liabilities	2,242,357	296,450	2,538,807
Noncurrent Liabilities:			
Noncurrent portion of capital lease	932,895	-	932,895
Noncurrent portion of bond obligations, net of discounts \$76,937	8,167,013	-	8,167,013
Noncurrent portion of accrued sick leave	67,921	-	67,921
Noncurrent portion of net pension liability	7,138,973	1,567,092	8,706,065
Noncurrent portion of net OPEB liability	6,749,847	374,673	7,124,520
Total noncurrent liabilities	23,056,649	1,941,765	24,998,414
Total liabilities	25,299,006	2,238,215	27,537,221
Deferred Inflows of Resources:			
Deferred inflows related to pensions	338,413	74,285	412,698
Deferred inflows related to OPEB	2,097,426	140,582	2,238,008
Total deferred inflows of resources	2,435,839	214,867	2,650,706
Net Position:			
Net investment in capital assets	16,187,847	358,713	16,546,560
Restricted for:			
SFCC escrow	258,980	-	258,980
Future construction	212,914	-	212,914
Sick leave	67,921	-	67,921
Debt service	2,400	-	2,400
District activity	19,855	-	19,855
Food service	-	(1,368,218)	(1,368,218)
Unrestricted	(11,162,009)	-	(11,162,009)
Total net position	\$ 5,587,908	\$ (1,009,505)	\$ 4,578,403

See independent auditor's report and accompanying notes to financial statements.

LAWRENCE COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the year ended June 30, 2020

FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities:							
Instruction	\$ 17,195,117	\$ -	\$ 2,461,549	\$ -	\$ (14,733,568)	\$ -	\$ (14,733,568)
Support services:							
Student	785,690	-	1,433	-	(784,257)	-	(784,257)
Instructional staff	1,442,149	-	622,625	-	(819,524)	-	(819,524)
District administrative	520,315	-	-	-	(520,315)	-	(520,315)
School administrative	1,181,820	-	-	-	(1,181,820)	-	(1,181,820)
Business	414,782	-	-	-	(414,782)	-	(414,782)
Plant operation and maintenance	3,778,955	-	15,503	-	(3,763,452)	-	(3,763,452)
Student transportation	2,117,400	-	2,960	-	(2,114,440)	-	(2,114,440)
Central office	-	-	-	-	-	-	-
Facilities acquisition and construction	50,841	-	-	1,401,341	1,350,500	-	1,350,500
Community service activities	250,680	-	250,680	-	-	-	-
Interest on long-term debt	448,272	-	-	-	(448,272)	-	(448,272)
Other	-	-	-	-	-	-	-
Total governmental activities	28,186,021	-	3,354,750	1,401,341	(23,429,930)	-	(23,429,930)
Business-Type Activities:							
Food service	2,978,013	35,969	2,326,513	-	-	(615,531)	(615,531)
Total primary government	\$ 31,164,034	\$ 35,969	\$ 5,681,263	\$ 1,401,341	(23,429,930)	(615,531)	(24,045,461)
			General Revenues:				
			Taxes:				
					4,447,879	-	4,447,879
					373,210	-	373,210
					1,009,103	-	1,009,103
					83,632	12,629	96,261
					17,045,965	-	17,045,965
					116,643	(116,643)	-
					258,128	-	258,128
					(95,370)	(719,545)	(814,915)
					5,683,278	(289,960)	5,393,318
					\$ 5,587,908	\$ (1,009,505)	\$ 4,578,403

See independent auditor's report and accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

LAWRENCE COUNTY SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2020

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets and Resources:				
Cash and cash equivalents	\$ 2,434,531	\$ 10,809	\$ 526,657	\$ 2,971,997
Interfund receivable	291,369	-	-	291,369
Accounts receivable				
Taxes - current	41,233	-	-	41,233
Taxes - delinquent	24,663	-	-	24,663
Accounts receivable	51,647	-	-	51,647
Intergovernmental - state	-	53,860	-	53,860
Intergovernmental - indirect federal	-	158,481	-	158,481
	<u>2,843,443</u>	<u>223,150</u>	<u>526,657</u>	<u>3,593,250</u>
Total assets and resources	\$ 2,843,443	\$ 223,150	\$ 526,657	\$ 3,593,250
Liabilities and Fund Balances:				
Liabilities				
Interfund payable	\$ -	\$ -	\$ -	\$ -
Accounts payable	55,240	11,251	32,508	98,999
Payroll liabilities	267,666	-	-	267,666
Unearned revenue	-	211,899	-	211,899
	<u>322,906</u>	<u>223,150</u>	<u>32,508</u>	<u>578,564</u>
Total liabilities	322,906	223,150	32,508	578,564
Fund Balances:				
Restricted For:				
SFCC escrow	-	-	258,980	258,980
Future construction	-	-	212,914	212,914
Sick leave payable	67,921	-	-	67,921
Debt service	-	-	2,400	2,400
District activity	-	-	19,855	19,855
Unassigned:				
Undesignated, reported in:				
General fund	<u>2,452,616</u>	<u>-</u>	<u>-</u>	<u>2,452,616</u>
	<u>2,520,537</u>	<u>-</u>	<u>494,149</u>	<u>3,014,686</u>
Total fund balances	2,520,537	-	494,149	3,014,686
	<u>2,843,443</u>	<u>223,150</u>	<u>526,657</u>	<u>3,593,250</u>
Total liabilities and fund balances	\$ 2,843,443	\$ 223,150	\$ 526,657	\$ 3,593,250

See independent auditor's report and accompanying notes to financial statements.

LAWRENCE COUNTY SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION**

June 30, 2020

Total fund balance per fund financial statement	\$ 3,014,686
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the Statement of Net Position.	26,794,688
Refunding of debt is reported as part of deferred outflows of resources and is not reported in this fund financial statement because they are not available to pay current-period expenditures, but they are reported in the Statement of Net Position.	56,481
Pension contributions after measurement date are reported as a deferred outflows of resources.	577,673
OPEB contributions after measurement date are reported as deferred outflows of resources.	479,168
Net pension liability is not due and payable in the current period and, therefore, is not reported in governmental funds.	(7,138,973)
Net OPEB liability is not due and payable in the current period and, therefore, is not reported in governmental funds.	(6,749,847)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore are not reported in the governmental funds, but they are presented in the statement of net position, as follows:	
Deferred pension outflows of resources	1,069,442
Deferred OPEB outflows of resources	752,051
Deferred pension inflows of resources	(338,413)
Deferred OPEB inflows of resources	(2,097,426)
Certain liabilities (such as capital leases, bonds payable - net of discount, the long-term portion of accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the Statement of Net Position.	<u>(10,831,622)</u>
Net position for governmental activities	<u>\$ 5,587,908</u>

See independent auditor's report and accompanying notes to financial statements.

LAWRENCE COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the year ended June 30, 2020

	General Fund	Special Revenue	Other Governmental Funds	Total Governmental Funds
Revenues:				
From local sources				
Taxes				
Property	\$ 4,447,879	\$ -	\$ -	\$ 4,447,879
Motor vehicle	373,210	-	-	373,210
Utilities	589,828	-	419,275	1,009,103
Tuition and fees	-	-	-	-
Earnings on investments	83,632	-	-	83,632
Other local revenues	239,287	51,357	12,223	302,867
Intergovernmental – state	16,943,615	1,202,125	1,213,141	19,358,881
Intergovernmental – indirect federal	102,350	2,101,268	188,200	2,391,818
Total revenues	22,779,801	3,354,750	1,832,839	27,967,390
Expenditures:				
Instruction	14,101,787	2,507,033	683	16,609,503
Support services:				
Student	748,942	1,433	-	750,375
Instructional staff	819,524	622,625	-	1,442,149
District administrative	517,190	-	-	517,190
School administrative	1,181,588	-	-	1,181,588
Business	414,462	-	-	414,462
Plant operation and maintenance	3,331,475	15,503	-	3,346,978
Student transportation	1,920,506	2,960	-	1,923,466
Central office	-	-	-	-
Facilities acquisition and construction	-	-	50,841	50,841
Community service activities	-	250,680	-	250,680
Other	148,727	-	1,826,342	1,975,069
Total expenditures	23,184,201	3,400,234	1,877,866	28,462,301
Excess (deficit) of revenues over expenditures	(404,400)	(45,484)	(45,027)	(494,911)
Other Financing Sources (Uses):				
Bond proceeds	-	-	-	-
Proceeds from sale of fixed assets	6,618	-	-	6,618
Operating transfers in	116,643	45,484	1,131,514	1,293,641
Operating transfers out	(87,890)	-	(1,089,108)	(1,176,998)
Non operating transfers in	-	-	-	-
Non operating transfers out	-	-	-	-
Total other financing sources (uses)	35,371	45,484	42,406	123,261
Net change in fund balance	(369,029)	-	(2,621)	(371,650)
Fund balance, July 1, 2019	2,889,566	-	496,770	3,386,336
Fund balance, June 30, 2020	\$ 2,520,537	\$ -	\$ 494,149	\$ 3,014,686

See independent auditor's report and accompanying notes to financial statements.

LAWRENCE COUNTY SCHOOL DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the year ended June 30, 2020

Net change in total fund balances per fund financial statements	\$ (371,650)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the Statement of Activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlay exceeds depreciation for the year.	(660,641)
The issuance of long-term debt (bonds and financial obligations) provides current financial resources to government funds, while bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the Statement of Net Position.	1,186,916
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable.	11,256
Changes in pension and OPEB expense are reported only in the statement of activities.	(301,756)
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the Statement of Activities when they are incurred.	<u>40,505</u>
Change in net position of governmental activities	<u><u>\$ (95,370)</u></u>

See independent auditor's report and accompanying notes to financial statements.

LAWRENCE COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUND

June 30, 2020

	<u>Food Service Fund</u>
Assets	
Current Assets:	
Cash and cash equivalents	\$ -
Inventory	46,801
Accounts receivable	
Intergovernmental - indirect federal	<u>523,681</u>
Total current assets	570,482
Noncurrent Assets:	
Capital assets, net of accumulated depreciation	<u>358,713</u>
Total noncurrent assets	<u>358,713</u>
Total assets	<u>929,195</u>
Deferred Outflows of Resources:	
Deferred outflows related to pensions	361,563
Deferred outflows related to OPEB	<u>152,819</u>
Total deferred outflows of resources	<u>514,382</u>
Liabilities	
Current Liabilities:	
Interfund payable	291,369
Accounts payable	<u>5,081</u>
Total current liabilities	296,450
Noncurrent Liabilities:	
Net pension liability	1,567,092
Net OPEB liability	<u>374,673</u>
Total noncurrent liability	<u>1,941,765</u>
Total liabilities	<u>2,238,215</u>
Deferred Inflows of Resources:	
Deferred inflows related to pensions	74,285
Deferred inflows related to OPEB	<u>140,582</u>
Total deferred inflows of resources	<u>214,867</u>
Net Position:	
Net investment in capital assets	358,713
Restricted	<u>(1,368,218)</u>
Total net position	<u>\$ (1,009,505)</u>

See independent auditor's report and accompanying notes to financial statements.

LAWRENCE COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

PROPRIETARY FUND

For the year ended June 30, 2020

	<u>Food Service Fund</u>
Operating Revenues:	
Lunchroom sales	\$ 35,969
Total operating revenues	35,969
Operating Expenses:	
Employee wages and benefits	1,872,369
Materials and supplies	818,377
Depreciation	30,583
Other operating expenses	256,684
Total operating expenses	<u>2,978,013</u>
Operating loss	(2,942,044)
Non-Operating Revenues (Expenses):	
Federal grants	2,055,298
Donated commodities	98,178
State grants	173,037
Interest income	12,629
Transfers out	(116,643)
Total non-operating revenues	<u>2,222,499</u>
Change in net position	(719,545)
Net Position, July 1, 2019	<u>(289,960)</u>
Net Position, June 30, 2020	<u><u>\$ (1,009,505)</u></u>

See independent auditor's report and accompanying notes to financial statements.

LAWRENCE COUNTY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the year ended June 30, 2020

Cash Flows from Operating Activities:

Cash received from:

Lunchroom sales \$ 35,969

Cash paid to/for:

Employees (1,309,030)

Material and supplies (459,585)

Other activities (256,684)

Net cash provided by (used for) operating activities (1,989,330)

Cash Flows from Noncapital Financing Activities:

Government grants 1,680,227

Transfers out (116,643)

Net cash provided by noncapital and related financing activities 1,563,584

Cash Flows from Capital and Related Financing Activities:

Purchases of capital assets (176,799)

Net cash used for capital and related financing activities (176,799)

Cash Flows from Investing Activities:

Receipt of interest income 12,629

Net cash provided by investing activities 12,629

Net (decrease) in cash and cash equivalents (589,916)

Balances, beginning of year 589,916

Balances, end of year \$ -

Reconciliation of operating income (loss) to net cash provided

(used) by operating activities:

Operating (loss) \$ (2,942,044)

Adjustments to reconcile operating income to net cash provided

(used) by operating activities:

Depreciation 30,583

Donated commodities 98,178

On-behalf payments 167,893

Change in assets and liabilities

Inventory (35,686)

Deferred outflows/inflows and net pension liability 395,446

Accounts payable 296,300

Net cash provided by (used for) operating activities \$ (1,989,330)

Schedule of non-cash transactions:

Donated commodities received from federal government \$ 98,178

On-behalf payments \$ 167,893

See independent auditor's report and accompanying notes to financial statements.

LAWRENCE COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND

June 30, 2020

	<u>Permanent Trust Fund</u>	<u>Agency Fund</u>
Assets:		
Cash and cash equivalents	\$ 2,000	\$ 262,676
Accounts receivable	-	1,851
	<u> </u>	<u> </u>
Total assets	<u><u>\$ 2,000</u></u>	<u><u>\$ 264,527</u></u>
Liabilities:		
Accounts payable	\$ -	\$ 4,977
Due student groups	-	259,550
	<u> </u>	<u> </u>
Total liabilities	<u> </u>	<u>264,527</u>
Net position held in trust	<u><u>\$ 2,000</u></u>	<u><u>\$ -</u></u>

See independent auditor's report and accompanying notes to financial statements.

LAWRENCE COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

For the year ended June 30, 2020

	<u>Permanent Trust Fund</u>
Additions:	
Other local revenues	<u>\$ 3,800</u>
Total revenues	<u>3,800</u>
Deductions:	
Community service activities	<u>1,800</u>
Total expenditures	<u>1,800</u>
Change in net position	2,000
Net Position, July 30, 2019	<u>-</u>
Net Position, July 30, 2020	<u><u>\$ 2,000</u></u>

See independent auditor's report and accompanying notes to financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

LAWRENCE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Lawrence County School District have been prepared to conform with Accounting Principles Generally Accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Superintendent of Schools is responsible for keeping records and accounts of all financial transactions in the manner prescribed by the State Board of Education. The following is a summary of the more significant of these policies.

Reporting Entity

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

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

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

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

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

Basis of Presentation

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

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include

LAWRENCE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

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

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a Balance Sheet, which generally includes only current assets and current liabilities, and a Statement of Revenues, Expenditures and Changes in Fund Balances, which reports on the changes in fund balance. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. Accordingly, the Statement of Revenues, Expenses, and Changes in Net Position for the proprietary fund reports increases and decreases in total economic net worth. The Statement of Cash Flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The district may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District
- (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 fund).

LAWRENCE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

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

(E) The District Activity Fund is used to account for financial resources to be used for maintenance and up keep at each individual school. It is funded by monies collected at special events at the local school level and to be used for that particular school.

II. Proprietary Fund Type (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). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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

The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds. The permanent trust fund is accounted for as an expendable trust fund on the modified accrual basis.

Basis of Accounting

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

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

LAWRENCE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a 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 it can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Due to GASB 65, this now has been re-characterized as unearned revenue.

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

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenses, and Changes in Net Position as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as unearned revenue.

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

Property Taxes

Property Tax Revenues – Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2020, to finance the General Fund operations were \$.596 per \$100 valuation for real property, \$.596 per \$100 valuation for business personal property and \$.35 per \$100 valuation for motor vehicles.

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

Capital Assets

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

LAWRENCE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

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

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

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.

Accumulated Unpaid Sick Leave Benefits

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

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

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

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

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 differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

LAWRENCE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

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.

The budget for the Special Revenue Fund consists of the sum of each active grant's budget. Large variances between budgeted and actual activity can occur because grants with little activity during the year will have their entire budget rolled up into the combined budget for all grants.

Cash and Cash Equivalents

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

Inventories

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

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

The Food Service Fund is stated at cost and uses the specific identification method and the General Fund is stated at cost and uses the first-in, first-out method for inventory.

Prepaid Assets

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

Investments

The private purpose trust funds record investments at their quoted market prices. All realized gains and losses and changes in fair value are recorded in the Statement of Changes in Fiduciary Net Position.

The permanent funds record investments at their quoted market value prices for purposes of the Statement of Net Position. All realized gains and losses and changes in fair value are recorded in the Statement of Activities. Long-term investments are not recorded on the fund financial statements nor are unrealized gains and losses.

Accrued Liabilities and Long-Term Obligations

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

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

LAWRENCE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

resources. In general, payments made within 60 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position includes 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. The District has fourteen items that qualifies for reporting in this category. It is the deferred charge on refunding of debt reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Also, the other items are the District pension contribution subsequent to measurement date, the difference between expected and actual experience, net difference between projected and actual investment earnings on pension plan investments, change of assumptions, and the change in proportion and differences between employer contributions and proportionate share of contributions. In addition, we have OPED (CERS) contributions subsequent to measurement date, change of assumptions, the change in proportion and differences between employer contributions and proportionate share of contributions, and the net difference between projected and actual investment earnings on OPEB plan investments. Then we have OPEB (KTRS) contributions subsequent to measurement date, changes of assumptions, net difference between projected and actual earnings on investments, and changes in proportion and differences between District contributions and proportionate share of contributions.

In addition to liabilities, the Statement of Financial 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. The District has nine items that qualifies in this category. For pensions it is the difference between expected and actual experience, net difference between projected and actual investment earnings on pension plan investments and the change in proportion and differences between employer contributions and proportionate share of contributions. In addition, for OPED (CERS) it is the difference between expected and actual experience, net difference between projected and actual investment earnings on OPEB plan investments, change of assumptions, and the change in proportion and difference between employer contributions and proportionate share of contributions. Then we have OPED (KTRS) difference between expected and actual experience and changes in proportion and differences between District contributions and proportionate share of contributions.

Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Fund equity reserves have been established for inventories and fixed assets.

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into non-spendable and spendable components, if applicable.

Non-spendable includes amounts that must be maintained intact legally or contractually.

Spendable include the following:

- Restricted-amounts constrained for a specific purpose by external parties, constitutional provisions, or enabling legislation.
- Committed-amounts constrained for a specific purpose by the district using its highest level of decision making authority.

LAWRENCE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- Assigned-for all governmental funds, other than general fund, any remaining positive amounts not classified as non-spendable, restricted, or committed. For the General Fund, amounts constrained by intent to be used for a specified purpose by the District or the delegated county committee or official given authority to assign amounts.
- Unassigned-for the General Fund, amounts not classified as non-spendable, restricted, committed or assigned. For all other governmental funds, amount expended in excess of resources that are non-spendable, restricted, committed or assigned.

For resources considered committed, the district issues an ordinance or resolution that can only be changed with another corresponding ordinance or resolution.

For resources considered assigned, the district has designated the board to carry out the intent of the school district.

It is policy of the District to spend restricted resources first, when both restricted and unrestricted resources are available to spend on the activity. Once restricted resources are exhausted, then committed, assigned and unassigned resources will be spent in that order on the activity.

Encumbrances, although not reported on the Balance Sheet, are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the district incurs no liability until performance has occurred on the part of the party with whom the district has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Significant encumbrances at year end are reported by major funds and non-major funds in the aggregate and included with the commitments and contingencies note disclosure, if applicable.

Net Position

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

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

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

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

Contributions of Capital

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

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

LAWRENCE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

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 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, 2021 and will be applied retroactively by restating financial statements. Management is currently evaluating the impact of this Statement on its financial statements.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* ("GASB 88"), which seeks to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements,

LAWRENCE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

while providing financial statement users with additional essential information concerning debt. In particular, GASB 88 defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date that the contractual obligation is established, and it clarifies which liabilities governments should include when disclosing information related to debt. Furthermore, this Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including (1) unused lines of credit; (2) assets pledged as collateral for the debt; and (3) terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. GASB 88 will be effective for the District beginning with its year ending June 30, 2019. The adoption of this standard did not have a material effect on the District's 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, 2021. Management is currently evaluating the impact of this Statement on its financial statements.

NOTE B – ON-BEHALF PAYMENTS

For the year ended June 30, 2020, on-behalf payments were made on behalf of the District for KTRS GASB 68 \$3,326,735, KTRS GASB 75 \$246,310, Health insurance \$2,679,744, Life insurance \$4,711, Administrative fee \$38,891, HRA/Dental/Vision \$175,196, Federal reimbursement (\$243,925), KEN services \$72,954, AT&T Firewall Services \$16,775, Munis financial management software and services \$6,714, McAfee virus protection software and services \$1,602, KISTA Capital lease payments \$-0-, and SFCC debt service \$506,628. The overall total payments for on-behalf were \$6,832,335. In addition, \$188,200 was made from federal sources to satisfy a QZAB Bond payment. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the Statement of Activities and the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balance.

NOTE C – ESTIMATES

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

NOTE D – CASH AND CASH EQUIVALENTS

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities in an amount sufficient to protect District's 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 dollar amount of Federal Deposit Insurance Corporation insurance.

LAWRENCE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The District maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the District and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the District's deposits may not be returned. The District's policy is to have all the deposits secured by pledged securities. As of November 12, 2019, all deposits were not covered by FDIC insurance or a properly executed collateral security agreement. The amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$5,731,165. As of November 12, 2019 funds were exposed to custodial credit risk because the bank did not adequately collateralize the District's deposits in accordance with the security agreement. However, as of June 30, 2020, all deposits were covered by FDIC insurance and a properly executed collateral security agreement.

- Uncollateralized and Uninsured \$480,088

At June 30, 2020 the carrying amount of the District's deposits was \$3,236,673 and the bank balance was \$3,781,318.

Breakdown per financial statements:

Government funds	\$ 2,971,997
Proprietary funds	-
Agency funds	262,676
Permanent trust funds	<u>2,000</u>
	<u>\$ 3,236,673</u>

NOTE E – INVESTMENTS

The District had no investments at June 30, 2020.

NOTE F – CAPITAL ASSETS

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

LAWRENCE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2020

NOTE F – CAPITAL ASSETS - CONTINUED

Governmental Activities	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2020</u>
Land	\$ 334,650	\$ -	\$ -	\$ 334,650
Buildings and improvements	36,605,521	-	-	36,605,521
Technology equipment	2,953,814	-	-	2,953,814
Vehicles	4,355,616	322,878	-	4,678,494
General equipment	1,370,197	33,876	-	1,404,073
Infrastructure	62,500	-	-	62,500
Construction in progress	<u>5,599,492</u>	<u>117,235</u>	<u>-</u>	<u>5,716,727</u>
Totals at historical cost	<u>51,281,790</u>	<u>473,989</u>	<u>-</u>	<u>51,755,779</u>
Less: accumulated depreciation				
Buildings and improvements	16,610,562	901,723	-	17,512,285
Technology equipment	2,953,597	81	-	2,953,678
Vehicles	3,050,162	193,933	-	3,244,095
General equipment	1,202,244	35,768	-	1,238,012
Infrastructure	<u>9,896</u>	<u>3,125</u>	<u>-</u>	<u>13,021</u>
Total accumulated depreciation	<u>23,826,461</u>	<u>1,134,630</u>	<u>-</u>	<u>24,961,091</u>
Governmental Activities Capital Assets – Net	<u>\$27,455,329</u>	<u>\$ (660,641)</u>	<u>\$ -</u>	<u>\$26,794,688</u>
Business-Type Activities				
Food service equipment	\$ 952,911	\$ 176,799	\$ -	\$ 1,129,710
Food service technology	<u>7,419</u>	<u>-</u>	<u>-</u>	<u>7,419</u>
Totals at historical cost	<u>960,330</u>	<u>176,799</u>	<u>-</u>	<u>1,137,129</u>
Less: accumulated depreciation				
Food service equipment	740,414	30,583	-	770,997
Food service technology	<u>7,419</u>	<u>-</u>	<u>-</u>	<u>7,419</u>
Total accumulated depreciation	<u>747,833</u>	<u>30,583</u>	<u>-</u>	<u>778,416</u>
Business-Type Activities Capital Assets – Net	<u>\$ 212,497</u>	<u>\$ 146,216</u>	<u>\$ -</u>	<u>\$ 358,713</u>

Depreciation expense has been charged to the following functions in the statement of activities:

Instruction	\$ 324,363
Student support services	35,315
District administrative	3,125
School administrative	232
Plant operation and maintenance	577,341
Student transportation	193,934
Business support services	320
Food service	<u>30,583</u>
	<u>\$1,165,213</u>

NOTE G – BONDED DEBT AND LEASE OBLIGATIONS

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

LAWRENCE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2020

NOTE G – BONDED DEBT AND LEASE OBLIGATIONS - CONTINUED

<u>Issue Date</u>	<u>Amounts</u>	<u>Interest Rates</u>
2008 Refinancing	\$ 4,285,000	3.350%
2009 Refinancing	\$ 306,631	1.000% - 3.000%
2012 Refinancing	\$ 2,020,000	0.500% - 1.900%
2012 Energy Bonds	\$ 4,265,000	0.800% - 2.650%
2012 Revenue	\$ 1,635,000	0.700% - 3.000%
2013 Revenue	\$ 2,320,000	1.200% - 4.350%
2014 Revenue	\$ 364,207	2.000% - 3.250%

The 2008, 2012R, 2012E, 2012, 2013, and 2014 bond issues were sold at a discount (premium) of \$36,422, \$2,775, (\$4,017), \$32,679, \$38,457, and \$707, respectively. These amounts are being amortized over the life of the respective debt.

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

In connection with the school revenue bonds issued after May 1, 1996, the District entered into "participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

The proceeds from certain refunding issues have been placed in escrow accounts to be used to service the related debt.

On September 26, 2014, the district issued \$364,207 in School Building Revenue Bonds (Series 2014) with an interest rate ranging from 2% to 3.25% to finance their self-insurance pools for workers compensation and liability insurance (KSBIT).

On September 1, 2013, the district issued \$2,320,000 in School Building Revenue Bonds with an interest rate ranging from 1.200% to 4.350%. The School Facilities Construction Commission participation in this issue is \$793,434 while the district portion is \$1,526,566.

On January 1, 2012, the Lawrence County School District issued \$2,020,000 in School Building Refunding Revenue Bonds with an interest rate ranging from 0.500% to 1.900% to advance refund \$1,870,000 of outstanding 2003 Series Revenue Bonds with an average interest rate of 4.063%. The net proceeds of \$1,988,403 (after payment of \$31,880 fiscal agency fees and \$2,775 of discount on bonds plus \$3,058 of accrued interest) were used to provide \$7,505 to open the Bond and Interest Redemption Fund for the 2012 issue, and \$1,980,898 to partially refund the 2003 Series Revenue Bond Issue. As a result, \$1,870,000 of 2003 Series Revenue Bonds are considered to be defeased. The School Facilities Construction Commission participation in this issue is \$619,824 while the district portion is \$1,400,176.

On January 1, 2012, the District advance refunded the 2003 Series Revenue Bonds to reduce its total debt service payments over the next 12 (twelve) years by approximately \$174,731 and to obtain an economic growth (difference between the present values of the debt service payments on the old and new debt) of \$152,184.

LAWRENCE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2020

NOTE G – BONDED DEBT AND LEASE OBLIGATIONS - CONTINUED

On January 1, 2012, the District issued \$1,635,000 in School Building Revenue Bonds, (Series 2012) with interest ranging from .70% to 3.00% with an average interest rate of 2.22% to fund roof projects at Blaine Elementary, Fallsburg Elementary, Louisa East Elementary, and Louisa Middle School. This issue is funded 100% by SFCC.

On February 1, 2012, the District issued \$4,265,000 in Energy Conservation Bonds, (Series 2012) with interest ranging from .80% to 2.65% with an average interest rate of 1.725% to fund an energy conservation project with Honeywell. Honeywell has guaranteed energy savings of \$2,835,000 to be applied to the funding of this project. The School Facilities Construction Commission did not participate in this issue.

On March 1, 2008, the District issued \$4,285,000 in School Building Refunding Revenue Bonds with an interest rate of 3.350%. This advance refunded \$3,915,000 of the outstanding 2000 Series Revenue Bonds to reduce its total debt service payments over the next 13 (thirteen) years by approximately \$265,545 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$213,382.

On December 29, 2009, the District issued \$306,631 in bonds with an interest rate ranging from 1% to 3%. The School Facilities Construction Commission advance refunded the Series of 1998 H-1 KISTA SLIP Loan. The School Facilities Construction Commission will pay 100% of the Debt Service. Following the refinancing, a total savings of \$34,914 was realized by the Commission and will be available to be applied toward the District's next Bond Issue.

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

<u>YEAR</u>	<u>LAWRENCE COUNTY SCHOOL DISTRICT</u>		<u>KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION</u>		<u>TOTAL REQUIREMENTS FOR YEAR</u>
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2020-2021	\$ 987,063	\$ 138,981	\$ 254,853	\$ 56,446	\$ 1,437,344
2021-2022	621,410	118,509	176,631	51,437	967,987
2022-2023	643,631	104,178	180,568	47,502	975,879
2023-2024	482,208	88,416	118,211	43,388	732,223
2024-2025	495,194	75,979	121,534	40,065	732,772
2025-2026	464,989	63,276	125,011	36,590	689,866
2026-2027	491,415	50,235	128,585	33,014	703,249
2027-2028	117,251	35,526	132,749	28,850	314,376
2028-2029	128,026	31,111	136,974	24,625	320,736
2029-2030	123,591	26,258	146,409	19,959	316,217
2030-2031	128,622	21,056	151,378	14,633	315,689
2031-2032	138,061	15,469	156,939	9,095	319,564
2032-2033	141,957	9,519	58,043	3,214	212,733
2033-2034	149,477	3,251	45,523	990	199,241
TOTALS	\$5,112,895	\$ 781,765	\$1,933,408	\$ 409,808	\$ 8,237,876

LAWRENCE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2020

NOTE G – BONDED DEBT AND LEASE OBLIGATIONS - CONTINUED

During the year ended June 30, 2020 the District's debt obligation was as follows:

	<u>BALANCE</u> 6/30/19	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE</u> 6/30/20	<u>DUE WITHIN</u> <u>ONE YEAR</u>
	\$ 8,282,279	\$ -	\$1,235,976	\$ 7,046,303	\$1,241,916
Less:					
Discount on bonds	<u>(52,331)</u>	<u>-</u>	<u>(6,394)</u>	<u>(45,937)</u>	<u>-</u>
	<u>\$ 8,229,948</u>	<u>\$ -</u>	<u>\$1,229,582</u>	<u>\$ 7,000,366</u>	<u>\$1,241,916</u>

QUALIFIED ZONE ACADEMY BONDS

The Lawrence County School District Finance Corporation issued \$5,000,000 of Qualified Zone Academy Bonds (QZAB), Series 2012, December 1, 2012 under a guaranteed investment contract. The Kentucky School Facility Construction Commission is to make equal annual sinking fund payments to The Bank of New York Mellon Trust Company, an escrow agent, in the amount of \$162,638 commencing December 1, 2013 and such amount shall be held and invested by the escrow agent for payment of \$5,000,000 at the bonds maturity on December 1, 2035. The interest subsidy will be paid by the United States Treasury directly to the issuer or its designee paying agent and applied only to the payment of interest due on bonds or reimbursement to the issuer for such payment. The local board will be responsible for any amount the United States Treasury doesn't pay. The 2012 QZAB sold at a discount of \$46,000. This amount is being amortized over the life of the respective debt. The minimum obligations of the funds at June 30, 2020 for the escrow and interest are as follows:

<u>Year</u>	<u>Kentucky School Facilities Construction Commission</u>	<u>Federal Rebate</u>	<u>Total Requirements For Year</u>
	<u>Escrow</u>	<u>Interest</u>	<u>Total</u>
2020-2021	\$ 162,638	\$ 200,000	\$ 362,638
2021-2022	162,638	200,000	362,638
2022-2023	162,638	200,000	362,638
2023-2024	162,638	200,000	362,638
2024-2025	162,638	200,000	362,638
2025-2026	162,638	200,000	362,638
2026-2027	162,638	200,000	362,638
2027-2028	162,638	200,000	362,638
2028-2029	162,638	200,000	362,638
2029-2030	162,637	200,000	362,637
2030-2031	162,637	200,000	362,637
2031-2032	162,637	200,000	362,637
2032-2033	162,637	200,000	362,637
2033-2034	162,637	200,000	362,637
2034-2035	162,637	200,000	362,637
2035-2036	<u>162,637</u>	<u>100,000</u>	<u>262,637</u>
Totals	<u>\$2,602,201</u>	<u>\$3,100,000</u>	<u>\$5,702,201</u>

LAWRENCE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2020

NOTE G – BONDED DEBT AND LEASE OBLIGATIONS - CONTINUED

During the year ended June 30, 2020 the District's QZAB debt obligation to the escrow was as follows:

	<u>BALANCE</u> <u>6/30/19</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE</u> <u>6/30/20</u>	<u>DUE WITHIN</u> <u>ONE YEAR</u>
	\$2,764,839	\$ -	\$162,638	\$2,602,201	\$162,638
Less:					
Discount on bonds	<u>(33,000)</u>	<u>-</u>	<u>(2,000)</u>	<u>(31,000)</u>	<u>-</u>
	<u>\$2,731,839</u>	<u>\$ -</u>	<u>\$160,638</u>	<u>\$2,571,201</u>	<u>\$162,638</u>

The District is required by GASB 68 and GASB 75 to account for net pension liability and net OPEB liability on the statement of net position. The district is not required to make any payments toward these liabilities.

During the year ended June 30, 2020, the District's changes in long term obligations for pensions and OPEB are as follows:

	<u>Balance</u> <u>6/30/19</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/20</u>	<u>Due Within</u> <u>One Year</u>
<u>Governmental Activities</u>					
Net pension liability	\$ 6,518,575	\$620,398	\$ -	\$ 7,138,973	\$ -
Net OPEB liability - restated	<u>7,789,206</u>	<u>-</u>	<u>(1,039,359)</u>	<u>6,749,847</u>	<u>-</u>
Total governmental activities	<u>\$14,307,781</u>	<u>\$620,398</u>	<u>\$(1,039,359)</u>	<u>\$13,888,820</u>	<u>\$ -</u>
<u>Business - Type Activities</u>					
Net pension liability	\$ 1,150,337	\$416,755	\$ -	\$ 1,567,092	\$ -
Net OPEB liability	<u>335,390</u>	<u>39,283</u>	<u>-</u>	<u>374,673</u>	<u>-</u>
Total business - type activities	<u>\$ 1,485,727</u>	<u>\$456,038</u>	<u>\$ -</u>	<u>\$ 1,941,765</u>	<u>\$ -</u>

NOTE H – CAPITAL LEASE PAYABLE

On March 11, 2020, the Kentucky Interlocal School Transportation Association (KISTA) entered into an equipment lease and security agreement with the Lawrence County School District. The District received \$328,625 in transportation equipment (three school buses) and is required to make payments over a ten year period with an interest rate of 2.0%.

On March 6, 2019, the Kentucky Interlocal School Transportation Association (KISTA) entered into an equipment lease and security agreement with the Lawrence County School District. The District received \$234,768 transportation equipment (two school buses) and is required to make payments over a ten year period with an interest rate of 3%.

On March 21, 2018, the Kentucky Interlocal School Transportation Association (KISTA) entered into an equipment lease and security agreement with the Lawrence County School District. The District received \$247,578 in transportation equipment (two school buses) and is required to make payments over a ten year period with an interest rate ranging from 2% to 3%.

LAWRENCE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2020

NOTE H – CAPITAL LEASE PAYABLE - CONTINUED

On March 1, 2016, the Kentucky Interlocal School Transportation Association (KISTA) entered into an equipment lease and security agreement with the Lawrence County School District. The District received \$339,135 in transportation equipment (three school buses) and is required to make payments over a ten year period with an interest rate ranging from 2.00% to 2.625%.

On March 1, 2014, the Kentucky Interlocal School Transportation Association (KISTA) entered into an equipment lease and security agreement with the Lawrence County School District. The District received \$406,263 in transportation equipment (four school buses) and is required to make payments over a ten year period with an interest rate ranging from 2% to 3%.

The following is a schedule of equipment lease payments, by years of the future minimum lease payments under capital lease:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2020-21	\$ 158,860	\$ 27,138	\$ 185,998
2021-22	158,741	23,605	182,346
2022-23	150,593	19,756	170,349
2023-24	154,758	15,906	170,664
2024-25	113,531	11,854	125,385
2025-26	116,581	8,928	125,509
2026-27	82,555	5,882	88,437
2027-28	77,350	3,747	81,097
2028-29	49,073	1,775	50,848
2029-30	<u>29,713</u>	<u>594</u>	<u>30,307</u>
TOTALS	<u>\$ 1,091,755</u>	<u>\$ 119,185</u>	<u>\$1,210,940</u>

During the year ended June 30, 2020 the District's capital lease obligation was as follows:

<u>BALANCE</u> <u>6/30/19</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE</u> <u>6/30/20</u>	<u>DUE WITHIN</u> <u>ONE YEAR</u>
\$888,451	\$328,625	\$125,321	\$1,091,755	\$158,860

NOTE I – NONCAPITALIZED LEASES

The District entered into a lease on October 1, 2017 for one acre of property located behind the Fallsburg Elementary School. The term of the lease is for five years with an annual lease amount of \$4,320 with no interest. The District has the option to renew at the end of the lease for an additional five-year term.

Commitments under operating lease agreements provide the minimum future rental payments as of June 30, 2020 as follows:

Year ending June 30:	2021	<u>\$4,320</u>
	Total minimum payments	<u>\$4,320</u>

LAWRENCE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2020

NOTE J – PENSION PLANS

KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS)

The Lawrence County School District contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by Kentucky Department of Education (KDE). Job classifications that permit experience to substitute for either of these requirements do not participate in KTRS.

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 issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Ky 40601 or from the KTRS web site at <http://www.ktrs.ky.gov/>.

Funding Policy – Contribution rates are established by KRS. Members are required to contribute 12.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members in a state retirement system before July 1, 2008 and 14.105% of salaries for members who started their account after June 30, 2008. The federal program for any salaries paid by that program pays the matching contributions. The local school districts pay employer matching on all employees who do not occupy federally funded positions. As part of the Shared Responsibility Plan, beginning July 1, 2010 each employer is required to pay the amount equal to the increase in employee contributions. Effective July 1, 2015, the current employer match is 3.00% of total gross non-federal salaries in the district and for individuals employed in federally funded positions the employer-matching rate is 16.105%.

Medical Insurance Plan

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

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

Funding policy – In order to fund the post-employment healthcare benefit, active member contributions are matched by the state at .75% of members' gross salaries. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the local school district employers pay 3.00% of members' salary for the 2019-2020 fiscal year.

The Lawrence County School District's total payroll for the year was \$16,957,045. The payroll for employees covered under KTRS was \$11,344,887. For the year ended June 30, 2020, the Commonwealth contributed \$1,943,363 to KTRS for the benefit of participating employees. The School District's contributions to KTRS for the year ending June 30, 2020 was \$484,977, which represents those employees covered by federal programs.

LAWRENCE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2020

NOTE J – PENSION PLANS - CONTINUED

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>44,205,914</u>
	<u>\$ 44,205,914</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 0.3240%.

For the year ended June 30, 2020, the District recognized pension expense of \$(4,621,410) and revenue of \$(4,621,410) 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, 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
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Single Equivalent Interest Rate	7.50%
Municipal Bond Index Rate	3.89%
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

The following change of assumptions were adopted by the Board of Trustees and reflected in the liability measurement as of June 30, 2019:

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

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

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

LAWRENCE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2020

NOTE J – PENSION PLANS - CONTINUED

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 Hedge Funds, High Yield and Non-US Developed Bonds.*

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 change in the discount rate from 4.49% used in the 2017 disclosure reports is considered a change in actuarial assumptions or other inputs under GASB 68.

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 (CERS)

Plan Description

Classified employees (substantially all full-time Board employees other than certified employees) are covered by the County Employees' Retirement System (CERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky Retirement System. CERS provides for retirement, disability, and death benefits to plan members and beneficiaries. Cost of living adjustments are provided at the discretion of the State legislature. Under the provisions of the Kentucky Revised Statute Section 61.645, the Board of Trustees of Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The County Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601.

Benefits Provided

The following is a description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

LAWRENCE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2020

NOTE J – PENSION PLANS - CONTINUED

Retirement Benefit

CERS is designed to provide three types of benefits: a monthly retirement benefit for life based on the employee's salary and service (the pension benefit), health insurance benefits after retirement, and disability/death benefits.

Monthly retirement benefits are based on a formula established by statute which is (final compensation x benefit factor x years of service credit). Participants hired before 8/1/04 have their monthly benefit calculated at the average of highest five years salary which must contain at least 48 months of service and includes lump-sum payments for compensatory time times 2.2% benefit factor times years of service credit. Participants hired after 8/1/04 but before 9/1/08 have a reduced benefit factor of 2.0%.

Participants hired after 9/1/08 have their monthly benefit calculated at the average of the five complete fiscal years immediately preceding retirement which must contain 60 months of service and does not include lump-sum payments for compensatory time. The benefit factor is 1.10% for 10 years or less of service, 1.30% for more than 10 years but no more than 20 years, 1.50% for greater than 20 years but no more than 26 years, 1.75% for greater than 26 years but no more than 30 years, and 2.00% for greater than 30 years.

At retirement, a retiree may choose to take a reduced monthly benefit in order to provide a monthly benefit to a beneficiary upon their death, either for a period certain or for the life of the beneficiary. The system also provides for a statutory 1.5% annual increase to monthly benefits after retirement, often referred to as the cost of living adjustment (COLA).

Medical Insurance

CERS also provides access to group rates on medical insurance for retired members, their spouse, and dependents. Coverage for retirees not eligible for Medicare is provided through the Kentucky Employees Health Plan the same health plan provided to state employees. Coverage for Medicare eligible retirees is Medicare for delivery of health benefits.

As provided by state statute, CERS also subsidizes medical coverage for the retiree. In general, employees participating prior to 7/1/03 receive a percentage of the premium paid based upon service credit, while employees who begin participating after that date receive a set dollar amount for each year of service credit.

Disability and Death Benefits

Like most defined benefit plans, CERS provides benefits for those employees who become disabled or who die prior to retirement. Participants have to have a minimum of 5 years of service to apply for disability benefits and approval determined by systems under criteria established by state statute. CERS also provides death before retirement and special death in the line of duty benefits. After retirement, the benefits left to the retiree's beneficiary vary based upon the payment option selected at retirement. In addition, CERS provides a \$5,000 lump sum death benefit for members who retire with at least 4 years of service.

Contributions

Plan members are required to contribute 5.00% of their annual salary if hired before September 1, 2008 and 6% if hired on or after September 1, 2008 through payroll deductions and the Board is required to contribute at an actuarially determined rate. The current rate is 19.30% of the employee's total covered compensation, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of

LAWRENCE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2020

NOTE J – PENSION PLANS - CONTINUED

benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District's contributions to CERS for the year ended June 30, 2020 was \$1,079,388, which consisted of \$878,228 from the District and \$201,160 from the employees.

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

KTRS portion of GASB 68 changes will be reported by the State only and the District will not reflect any of those changes in their report but the District will fully comply with all changes of GASB 68 concerning CERS and disclose those changes within the report.

At June 30, 2020, the District reported a liability of \$8,706,065 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the District's proportion was 0.123788%, which was an decrease of 0.002132% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$1,518,602. 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	\$ 222,292	\$ 36,785
Changes of assumptions	881,153	-
Net difference between projected and actual investment earnings on pension plan investments	167,122	307,468
Changes in proportion and differences between employer contributions and proportionate share of contributions	33,631	68,445
District contributions subsequent to the measurement date	<u>704,480</u>	<u>-</u>
Total	<u>\$ 2,008,678</u>	<u>\$ 412,698</u>

\$704,480 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2021 \$ 609,641

LAWRENCE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2020

NOTE J – PENSION PLANS - CONTINUED

Year ended June 30:

2022	195,166
2023	76,737
2024	9,956
2025	-
Thereafter	-
	<u>\$ 891,500</u>

Actuarial Methods and Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2019 are as follows:

Inflation	2.30%
Payroll Growth Rate	2% for CERS non-hazardous
Salary Increase	3.30% to 11.55%, varies by source
Investment Rate of Return	7.5%

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-Hazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

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 following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Growth	62.50%	
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	14.50%	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%

LAWRENCE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2020

NOTE J – PENSION PLANS - CONTINUED

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Diversifying Strategies	23.00%	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%

Discount Rate

The projection of cash flows used to determine the discount rate of 6.25% for CERS Non-hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate.

Sensitivity of the Employer'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 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 one percentage-point lower (5.25%) or one percentage-point higher (7.25%) than the current rate:

	<u>1.0% Decrease (5.25%)</u>	<u>Current Discount Rate (6.25%)</u>	<u>1.0% Increase (7.25%)</u>
District's proportionate share of the net pension liability	\$10,888,818	\$8,706,065	\$6,886,762

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued KRS 2018 Comprehensive Annual Financial Report at kyret.ky.gov.

Payable to the Pension Plan

At June 30, 2020, the District reported a payable of \$231,732 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2020. The payable includes both the pension and insurance contribution allocation.

NOTE K – OPEB PLAN

General Information about the OPEB plan

COUNTY EMPLOYEE'S RETIREMENT SYSTEM (CERS) OPEB PLANS

Plan Description and Benefits Provided

LAWRENCE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2020

NOTE K – OPEB PLAN - CONTINUED

The Lawrence County School District participates in the County Employees Retirement System (CERS) Insurance Fund, a multiple-employer defined benefit Other Post-Employment Benefits (OPEB) plan for members that cover all regular full-time members employed by the District. The plan provides for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

Contributions

The District's contractually required contribution rate for the year ended June 30, 2020, was 4.76 percent of covered payroll. Contributions to the OPEB plan from the District were \$218,442 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$2,081,520 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2019, the District's proportion was 0.123756%, which was an decrease of 0.002159% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized OPEB expense of \$219,991. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 628,043
Changes of assumptions	615,941	4,119
Net difference between projected and actual earnings on OPEB plan investments	13,711	106,163
Changes in proportion and differences between District contributions and proportionate share of contributions	898	42,683
District contributions subsequent to the measurement date	<u>218,442</u>	<u>-</u>
Total	<u>\$ 848,992</u>	<u>\$ 781,008</u>

LAWRENCE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2020

NOTE K – OPEB PLAN - CONTINUED

\$218,442 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021.

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

Year ended June 30:

2021	\$ (23,796)
2022	(23,796)
2023	5,598
2024	(50,694)
2025	(48,549)
Thereafter	<u>(9,220)</u>
	<u>\$ (150,457)</u>

Actuarial Methods and Assumptions

A summary of the actuarial methods and assumptions used in determining the total OPEB liability as of June 30, 2019 are as follows:

Inflation	2.30%
Payroll Growth Rate	2.0% for CERS non-hazardous
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

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 following table:

LAWRENCE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2020

NOTE K – OPEB PLAN - CONTINUED

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Growth	62.50%	
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	14.50%	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies	23.00%	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%

Sensitivity of the Employer's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend

	<u>1.0% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1.0% Increase</u>
District's proportionate share of the net OPEB liability	\$1,548,037	\$2,081,520	\$2,728,432

Discount Rate

The projection of cash flows used to determine the discount rate of 5.68% for CERS Non-hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination 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 30, 2019. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the Employer's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the Net OPEB Liability using the discount rate of 5.68%, as well as what the District's proportionate share of the Net OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower (4.68%) or one percentage-point higher (6.68%) than the current rate:

LAWRENCE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2020

NOTE K – OPEB PLAN - CONTINUED

	<u>1.0% Decrease (4.68%)</u>	<u>Current Discount Rate (5.68%)</u>	<u>1.0% Increase (6.68%)</u>
District's proportionate share of the net OPEB liability	\$2,788,381	\$2,081,520	\$1,499,114

KENTUCKY TEACHERS RETIREMENT SYSTEM (KTRS) 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 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 quarter 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 \$5,043,000 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

LAWRENCE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2020

NOTE K – OPEB PLAN - CONTINUED

based on an actuarial valuation as of June 30, 2018. 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 0.311470%.

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	\$5,043,000
Commonwealth's proportionate share of the Net OPEB liability associated with the District	<u>4,073,000</u>
	<u>\$9,116,000</u>

For the year ended June 30, 2020, the District recognized OPEB expense of \$142,000. 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	\$ -	\$ 1,221,000
Changes of assumptions	21,000	-
Net difference between projected and actual earnings on investments	134,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	80,000	236,000
District contributions subsequent to the measurement date	<u>300,046</u>	-
	<u>\$ 535,046</u>	<u>\$ 1,457,000</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$300,046 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	\$ (237,000)
2022	(237,000)
2023	(226,000)
2024	(228,000)
2025	(185,000)
Thereafter	<u>(109,000)</u>
	<u>\$ (1,222,000)</u>

LAWRENCE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2020

NOTE K – OPEB PLAN - CONTINUED

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 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
Municipal Bond Index Rate	3.89%
Discount Rate	8.00%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation.

Mortality rates 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%	4.6%
Fixed Income	9.0%	1.2%
Real Estate	5.5%	3.8%
Private Equity	6.5%	6.3%
Other Additional Categories	20.0%	3.3%
Cash (LIBOR)	<u>1.0%</u>	0.9%
Total	<u>100.0%</u>	

LAWRENCE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2020

NOTE K – OPEB PLAN - CONTINUED

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>1.0% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1.0% Increase (9.00%)</u>
District's proportionate share of the net OPEB liability	\$5,974,000	\$5,043,000	\$4,263,000

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>1.0% Decrease</u>	<u>Current Trend Rate</u>	<u>1.0% Increase</u>
District's proportionate share of the net OPEB liability	\$4,105,000	\$5,043,000	\$6,196,000

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.

LAWRENCE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2020

NOTE K – OPEB PLAN - CONTINUED

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>95,000</u>
	<u>\$ 95,000</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, 2018. 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 0.304535%.

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

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued KRS 2019 Comprehensive Annual Financial Report at kyret.ky.gov

NOTE L – CONTINGENCIES

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

NOTE M – LITIGATION

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

NOTE N – INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through

LAWRENCE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2020

NOTE N – INSURANCE AND RELATED ACTIVITIES - CONTINUED

the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which includes Workers' Compensation insurance.

NOTE O – RISK MANAGEMENT

The District is exposed to various risks of loss of 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 School Boards' Insurance Trust Liability 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.

NOTE P – DEFICIT OPERATING BALANCES

The Business-Type Activities (Proprietary Fund) had a deficit net position of \$1,009,505 during the current year due to the recording of GASB 68 pensions and GASB 75 OPEB. There are no funds of the District that currently have a deficit fund balance. However, the following funds have operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance:

General	\$ 369,029
Construction	\$ 50,841

NOTE Q – COBRA

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

NOTE R – 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	Debt Service	Debt Service	\$ 42,406
Operating	General	Special Revenue	Technology	\$ 45,484
Operating	Capital Outlay	Debt Service	Debt Service	\$ 181,074
Operating	FSPK	Debt Service	Debt Service	\$ 908,034
Operating	Food Service	General	Cost Recovery	\$ 116,643

LAWRENCE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2020

NOTE S – INTERFUND RECEIVABLES AND PAYABLES

There was an interfund receivable and payable at June 30, 2020 between the following fund:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Purpose</u>
General Fund	\$291,369		Cash Shortage
Proprietary Fund		\$291,369	Cash Shortage

NOTE T – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 19, 2020, the date on which the financial statements were available to be issued.

NOTE U – RESTATEMENTS

For the year ended June 30, 2020, the District implemented GASB Statement No. 75, for KTRS. This Statement established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures for other postemployment benefits (OPEB). This Statement identifies the methods and assumptions that should be used to project benefit payments, and discount projected benefit payments to their actuarial present value. The Statement also requires enhanced note disclosures and schedules of required supplementary information that will be presented by the OPEB plans that are within its scope.

The implementation of GASB Statement No. 75 for KTRS had the following effect:

	<u>Government – Wide Statements Governmental Activities</u>
Net position/fund balance June 30, 2019	\$ 11,803,926
Recognition of net OPEB liabilities for KTRS	<u>(6,120,648)</u>
Restated net position/fund balance, June 30, 2019	<u>\$ 5,683,278</u>

REQUIRED SUPPLEMENTARY INFORMATION

LAWRENCE COUNTY SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

GENERAL FUND

For the year ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources				
Taxes				
Property	\$ 3,985,482	\$ 3,985,482	\$ 4,447,879	\$ 462,397
Motor vehicle	335,545	335,545	373,210	37,665
Utilities	400,000	400,000	589,828	189,828
Tuition and fees	5,000	5,000	-	(5,000)
Earnings on investments	3,500	3,500	83,632	80,132
Other local revenues	17,500	17,500	239,287	221,787
Intergovernmental - state	14,460,811	14,307,108	16,943,615	2,636,507
Intergovernmental - indirect federal	75,000	75,000	102,350	27,350
Total revenues	19,282,838	19,129,135	22,779,801	3,650,666
Expenditures:				
Instruction	11,614,184	11,507,880	14,101,787	(2,593,907)
Support services:				
Student	867,312	867,312	748,942	118,370
Instructional staff	798,820	759,566	819,524	(59,958)
District administrative	579,198	589,099	517,190	71,909
School administrative	908,140	908,436	1,181,588	(273,152)
Business	420,269	469,030	414,462	54,568
Plant operation and maintenance	3,620,896	3,707,496	3,331,475	376,021
Student transportation	2,449,527	2,449,527	1,920,506	529,021
Central office	-	-	-	-
Community service activities	-	-	-	-
Other	1,234,889	1,081,186	148,727	932,459
Total expenditures	22,493,235	22,339,532	23,184,201	(844,669)
Excess (deficit) of revenues over expenditures	(3,210,397)	(3,210,397)	(404,400)	2,805,997
Other Financing Sources (Uses):				
Proceeds from sale of fixed assets	-	-	6,618	6,618
Operating transfers in	-	-	116,643	116,643
Operating transfers out	(52,550)	(52,550)	(87,890)	(35,340)
Total other financing sources (uses)	(52,550)	(52,550)	35,371	87,921
Net change in fund balance	(3,262,947)	(3,262,947)	(369,029)	2,893,918
Fund balance, July 1, 2019	3,262,947	3,262,947	2,889,566	(373,381)
Fund balance, June 30, 2020	\$ -	\$ -	\$ 2,520,537	\$ 2,520,537

See independent auditor's report and accompanying notes to financial statements.

LAWRENCE COUNTY SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

SPECIAL REVENUE FUND

For the year ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variances with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Earnings on investments	\$ -	\$ -	\$ -	\$ -
Other local revenues	44,290	82,679	51,357	(31,322)
State aid	1,246,947	1,253,319	1,202,125	(51,194)
Federal aid	2,169,084	2,325,666	2,101,268	(224,398)
Total revenues	3,460,321	3,661,664	3,354,750	(306,914)
Expenditures:				
Current:				
Instruction	2,665,128	2,843,583	2,507,033	336,550
Support Services:				
Student	11,199	11,199	1,433	9,766
Instructional staff	590,332	590,332	622,625	(32,293)
District administration	-	-	-	-
School administration	-	-	-	-
Business	-	-	-	-
Plant operations and maintenance	-	12,863	15,503	(2,640)
Student transportation	-	-	2,960	(2,960)
Central office	-	-	-	-
Community services activities	246,211	256,236	250,680	5,556
Other	-	-	-	-
Total expenditures	3,512,870	3,714,213	3,400,234	313,979
Excess (deficit) of revenues over expenditures	(52,549)	(52,549)	(45,484)	7,065
Other Financing Sources (Uses):				
Transfers in	52,549	52,549	45,484	(7,065)
Transfers out	-	-	-	-
Total other financing sources (uses)	52,549	52,549	45,484	(7,065)
Net change in fund balance	-	-	-	-
Fund balance July 1, 2019	-	-	-	-
Fund balance June 30, 2020	\$ -	\$ -	\$ -	\$ -

See independent auditor's report and accompanying notes to financial statements.

LAWRENCE COUNTY SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY**

JUNE 30, 2020

	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
CERS:						
District's proportion of the net pension liability (asset)	0.125270%	0.124539%	0.122230%	0.125225%	0.125920%	0.123788%
District's proportionate share of the net pension liability (asset)	\$ 4,064,000	\$ 5,354,598	\$ 6,018,121	\$ 7,329,804	\$ 7,668,912	\$ 8,706,065
District's covered-employee payroll	\$ 2,973,282	\$ 2,985,152	\$ 3,082,813	\$ 3,168,685	\$ 3,105,685	\$ 3,650,158
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	136.68%	179.37%	195.22%	231.32%	246.93%	238.51%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	60.00%	55.50%	53.30%	53.54%	50.45%
KTRS:						
District's proportion of net pension liability	0.3342%	0.3181%	0.3343%	0.3406%	0.3298%	0.3240%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State of Kentucky's share of the net pension liability associated with the district	<u>68,681,044</u>	<u>74,024,226</u>	<u>98,632,136</u>	<u>91,890,815</u>	<u>43,179,786</u>	<u>44,205,914</u>
Total	<u>\$ 68,681,044</u>	<u>\$ 74,024,226</u>	<u>\$ 98,632,136</u>	<u>\$ 91,890,815</u>	<u>\$ 43,179,786</u>	<u>\$ 44,205,914</u>
District's covered-employee payroll	\$ 10,474,268	\$ 10,436,939	\$ 11,039,591	\$ 11,216,339	\$ 11,207,852	\$ 10,979,086
District's proportionate share of the net pension liability as a percentage of its covered-payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	45.59%	44.70%	57.04%	39.80%	59.30%	58.80%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

The amounts presented have a measurement date of the previous fiscal year end.

LAWRENCE COUNTY SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS

JUNE 30, 2020

	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
CERS:						
Contractually required contribution	\$ 379,093	\$ 370,756	\$ 430,052	\$ 458,826	\$ 503,742	\$ 704,480
Contributions in relation to the contractually required contribution	<u>379,093</u>	<u>370,756</u>	<u>430,052</u>	<u>458,826</u>	<u>503,742</u>	<u>704,480</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,973,282	\$ 2,985,152	\$ 3,082,813	\$ 3,168,685	\$ 3,105,685	\$ 3,650,158
Contributions as a percentage of covered-employee payroll	12.75%	12.72%	13.95%	14.48%	16.22%	19.30%
KTRS:						
Contractually required contributions (actuarially determined)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 10,474,268	\$ 10,436,939	\$ 11,039,591	\$ 11,216,339	\$ 11,207,852	\$ 10,979,086
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

LAWRENCE COUNTY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY

JUNE 30, 2020

	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
CERS - INSURANCE FUND:			
District's proportion of the net OPEB liability (asset)	0.125225%	0.125915%	0.123756%
District's proportionate share of the net OPEB liability (asset)	\$ 2,517,451	\$ 2,235,596	\$ 2,081,520
District's covered-employee payroll	\$ 3,168,685	\$ 3,105,685	\$ 3,650,158
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	79.45%	71.98%	57.03%
Plan fiduciary net position as a percentage of the total OPEB liability	52.40%	57.62%	60.44%
KTRS - MEDICAL INSURANCE PLAN:			
District's proportion of net OPEB liability	0.325713%	0.316012%	0.311470%
District's proportionate share of the net OPEB liability	\$ 6,392,000	\$ 5,889,000	\$ 5,043,000
State of Kentucky's share of the net OPEB liability associated with the district	<u>5,222,000</u>	<u>5,075,000</u>	<u>4,073,000</u>
TOTAL	<u>\$ 11,614,000</u>	<u>\$ 10,964,000</u>	<u>\$ 9,116,000</u>
District's covered-employee payroll	\$ 11,216,339	\$ 11,207,852	\$ 10,979,086
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	56.99%	52.54%	45.93%
Plan fiduciary net position as a percentage of the total OPEB liability	21.18%	25.50%	32.58%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

LAWRENCE COUNTY SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY (CONCLUDED)**

JUNE 30, 2020

	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
KTRS - LIFE INSURANCE PLAN:			
District's proportion of the net OPEB liability	0.318266%	0.308859%	0.304535%
District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the District	<u>70,000</u>	<u>87,000</u>	<u>95,000</u>
Total	<u>\$ 70,000</u>	<u>\$ 87,000</u>	<u>\$ 95,000</u>
District's covered payroll	\$ 11,216,339	\$ 11,207,852	\$ 10,979,086
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	79.99%	75.00%	73.40%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

LAWRENCE COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
JUNE 30, 2020

	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
CERS - INSURANCE FUND:			
Contractually required contribution	\$ 179,696	\$ 199,424	\$ 218,442
Contributions in relation to the contractually required contribution	<u>179,696</u>	<u>199,424</u>	<u>218,442</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 3,168,685	\$ 3,105,685	\$ 3,650,158
Contributions as a percentage of covered-employee payroll	5.67%	6.42%	5.98%
KTRS - MEDICAL INSURANCE PLAN:			
Contractually required contributions	\$ 307,144	\$ 302,352	\$ 300,046
Contributions in relation to the contractually determined contributions	307,144	302,352	300,046
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 11,216,339	\$ 11,207,852	\$ 10,979,086
District's contributions as a percentage of its covered employee payroll	2.74%	2.70%	2.73%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

LAWRENCE COUNTY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS (CONCLUDED)

JUNE 30, 2020

	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
KTRS - LIFE INSURANCE PLAN:			
Contractually required contribution	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	-	-	-
District's covered payroll	\$ 11,216,339	\$ 11,207,852	\$ 10,979,086
District's contributions as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

LAWRENCE COUNTY SCHOOL DISTRICT

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY**

For the year ended June 30, 2020

TEACHERS' RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

In 2018, the calculation of Single Equivalent Interest Rate resulted in an assumption change from 4.49% to 7.50%.

In 2017, the calculation of the Single Equivalent Interest Rate resulted in an assumption change from 4.20% to 4.49%.

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

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

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

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
Amortization Period	Level percentage of payroll, open
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.00 percent
Salary Increase	3.50 – 7.30 percent, including inflation
Ultimate Investment Rate of Return	7.50 percent, net of pension plan investment expense, including inflation

NOTE C – CHANGES OF BENEFITS

There were no changes in benefits for TRS pension.

LAWRENCE COUNTY SCHOOL DISTRICT

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY**

For the year ended June 30, 2020

COUNTY EMPLOYEES RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

2015

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 inflation rate was reduced from 3.5% to 3.255%

The assumed rate of wage inflation was reduced from 1.00% to .75%

Payroll growth assumption was reduced from 4.5% to 4%

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 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.

2016

There were no changes in assumptions for the year ended June 30, 2016.

2017

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

The assumed rate of inflation was reduced to 2.30% from 3.25%

The assumed salary increases were reduced to 3.05%, average, from 4.00%, average including inflation

The assumed investment rate of return was reduced to 6.25% from 7.50%

2018

There were no changes in assumptions.

2019

There were no changes in assumptions.

LAWRENCE COUNTY SCHOOL DISTRICT

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY**

For the year ended June 30, 2020

COUNTY EMPLOYEES RETIREMENT SYSTEM – CONTINUED

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

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

Valuation Date	June 30, 2018
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 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% net of pension plan investment expense, including inflation

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

NOTE C – CHANGES OF BENEFITS

There were no changes in benefits for CERS pension.

LAWRENCE COUNTY SCHOOL DISTRICT

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY**

For the year ended June 30, 2020

TEACHERS' RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

2017

There were no changes in assumptions.

2018

There were no changes in assumptions.

2019

There were no changes in assumptions.

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

Methods and assumptions used in the actuarially determined contributions – The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2019:

Valuation Date	June 30, 2018
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	3.5% - 7.20%
Discount Rate	8.00%
Healthcare 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 healthcare trend assumption (no implicit rate subsidy is recognized).

NOTE C – CHANGES OF BENEFITS

Changes of benefit terms – With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the state will only finance, via its KEHP "Shared Responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

LAWRENCE COUNTY SCHOOL DISTRICT

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY**

For the year ended June 30, 2020

COUNTY EMPLOYEES RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

2017

The assumed investment return was changed from 7.5% to 6.2%

The price inflation assumption was changed from 3.25% to 2.30% which resulted in a .95% decrease in the salary increase assumption at all years of service

The payroll growth assumption (*applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.0% to 2.0%

For the non-hazardous plan, the single discount rate changed from 6.89% to 5.84%. For the hazardous plan the single discount rate changed from 7.37% to 5.96%

2018

There were no changes in assumptions.

2019

There were no changes in assumptions.

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

Methods and assumptions used in the actuarially determined contributions – The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2019:

Valuation Date	June 30, 2018
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 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 Cost Trend Rates	
Under 65	Initial trend starting at 7.25% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Ages 65 and Older	Initial trend starting at 5.10% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years

LAWRENCE COUNTY SCHOOL DISTRICT

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY**

For the year ended June 30, 2020

COUNTY EMPLOYEES RETIREMENT SYSTEM – CONTINUED

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

NOTE C – CHANGES OF BENEFITS

There were no changes in benefits for CERS OPEB.

COMBINING STATEMENTS - NONMAJOR FUNDS

LAWRENCE COUNTY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2020

	District Activity Fund	FSPK Fund	Seek Capital Outlay Fund	Constuction Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Assets and Resources:						
Cash and cash equivalents	\$ 19,855	\$ 83,370	\$175,610	\$ 245,422	\$ 2,400	\$ 526,657
Accounts receivables	-	-	-	-	-	-
Total assets and resources	<u>\$ 19,855</u>	<u>\$ 83,370</u>	<u>\$175,610</u>	<u>\$ 245,422</u>	<u>\$ 2,400</u>	<u>\$ 526,657</u>
Liabilities and Fund Balances:						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ 32,508	\$ -	\$ 32,508
Total liabilities	-	-	-	32,508	-	32,508
Fund Balances:						
Restricted For:						
Future Construction	-	-	-	212,914	-	212,914
SFCC escrow	-	83,370	175,610	-	-	258,980
Debt service	-	-	-	-	2,400	2,400
District activity	19,855	-	-	-	-	19,855
Total fund balances	<u>19,855</u>	<u>83,370</u>	<u>175,610</u>	<u>212,914</u>	<u>2,400</u>	<u>494,149</u>
Total liabilities and fund balances	<u>\$ 19,855</u>	<u>\$ 83,370</u>	<u>\$175,610</u>	<u>\$ 245,422</u>	<u>\$ 2,400</u>	<u>\$ 526,657</u>

See independent auditor's report and accompanying notes to financial statements.

LAWRENCE COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

For the year ended June 30, 2020

	District Activity Fund	FSPK Fund	SEEK Capital Outlay Fund	Construction Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues:						
From local sources						
Taxes:						
Utility	\$ -	\$ 419,275	\$ -	\$ -	\$ -	\$ 419,275
Earnings on investments	-	-	-	-	-	-
Other local revenues	12,223	-	-	-	-	12,223
Intergovernmental - state	-	488,759	217,754	-	506,628	1,213,141
Intergovernmental - indirect federal	-	-	-	-	188,200	188,200
Total revenues	<u>12,223</u>	<u>908,034</u>	<u>217,754</u>	<u>-</u>	<u>694,828</u>	<u>1,832,839</u>
Expenditures:						
Instruction	683	-	-	-	-	683
Support services:						
Student	-	-	-	-	-	-
Instructional staff	-	-	-	-	-	-
Direct administrative	-	-	-	-	-	-
School administrative	-	-	-	-	-	-
Business	-	-	-	-	-	-
Plant operation and maintenance	-	-	-	-	-	-
Student transportation	-	-	-	-	-	-
Central office	-	-	-	-	-	-
Facilities and construction	-	-	-	50,841	-	50,841
Community service activities	-	-	-	-	-	-
Other	-	-	-	-	1,826,342	1,826,342
Total expenditures	<u>683</u>	<u>-</u>	<u>-</u>	<u>50,841</u>	<u>1,826,342</u>	<u>1,877,866</u>
Excess (deficit) of revenues over expenditures	<u>11,540</u>	<u>908,034</u>	<u>217,754</u>	<u>(50,841)</u>	<u>(1,131,514)</u>	<u>(45,027)</u>
Other Financing Sources (Uses):						
Bond proceeds	-	-	-	-	-	-
Operating transfers in	-	-	-	-	1,131,514	1,131,514
Operating transfers out	-	(908,034)	(181,074)	-	-	(1,089,108)
Total other financing sources (uses)	<u>-</u>	<u>(908,034)</u>	<u>(181,074)</u>	<u>-</u>	<u>1,131,514</u>	<u>42,406</u>
Net change in fund balance	<u>11,540</u>	<u>-</u>	<u>36,680</u>	<u>(50,841)</u>	<u>-</u>	<u>(2,621)</u>
Fund balance, July 1, 2019	<u>8,315</u>	<u>83,370</u>	<u>138,930</u>	<u>263,755</u>	<u>2,400</u>	<u>496,770</u>
Fund balance, June 30, 2020	<u>\$ 19,855</u>	<u>\$ 83,370</u>	<u>\$ 175,610</u>	<u>\$ 212,914</u>	<u>\$ 2,400</u>	<u>\$ 494,149</u>

See independent auditor's report and accompanying notes to financial statements.

OTHER COMBINING STATEMENTS AND SCHOOL ACTIVITY FUNDS

LAWRENCE COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF FIDUCIARY NET POSITION

SCHOOL ACTIVITY FUNDS (AGENCY FUND)

For the year ended June 30, 2020

	<u>Lawrence County High School</u>	<u>Louisa Middle School</u>	<u>Louisa Elementary East</u>	<u>Louisa Elementary West</u>	<u>Blaine Elementary</u>	<u>Fallsburg Elementary</u>	<u>Totals</u>
Assets:							
Cash	\$ 60,161	\$ 63,566	\$ 51,718	\$ 35,914	\$ 29,457	\$ 21,860	\$ 262,676
Accounts receivable	1,483	-	-	-	368	-	1,851
Total assets	<u>\$ 61,644</u>	<u>\$ 63,566</u>	<u>\$ 51,718</u>	<u>\$ 35,914</u>	<u>\$ 29,825</u>	<u>\$ 21,860</u>	<u>\$ 264,527</u>
Liabilities and Fund Balances:							
Accounts payable	\$ 4,676	\$ -	\$ -	\$ -	\$ -	\$ 301	\$ 4,977
Due to student groups	56,968	63,566	51,718	35,914	29,825	21,559	259,550
Total liabilities	<u>\$ 61,644</u>	<u>\$ 63,566</u>	<u>\$ 51,718</u>	<u>\$ 35,914</u>	<u>\$ 29,825</u>	<u>\$ 21,860</u>	<u>\$ 264,527</u>

See independent auditor's report and accompanying notes to financial statements.

LAWRENCE COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES DUE STUDENT GROUPS

SCHOOL ACTIVITY FUNDS (AGENCY FUND)

For the year ended June 30, 2020

	Lawrence County High School	Louisa Middle School	Louisa Elementary East	Louisa Elementary West	Blaine Elementary	Fallsburg Elementary	Totals
Revenues:							
School activities and projects funds	\$ 110,825	\$ 52,135	\$ 101,689	\$ 19,620	\$ 31,998	\$ 53,559	\$ 369,826
Athletic fund	101,095	50,576	-	-	5,258	2,717	159,646
Total revenues	211,920	102,711	101,689	19,620	37,256	56,276	529,472
Expenditures:							
School activities and projects funds	112,561	39,508	83,340	12,162	23,757	37,931	309,259
Athletic fund	110,277	57,000	-	-	4,646	2,597	174,520
Total expenditures	222,838	96,508	83,340	12,162	28,403	40,528	483,779
Excess (deficiency) of revenues over expenditures	(10,918)	6,203	18,349	7,458	8,853	15,748	45,693
Due Student Groups, July 1, 2019	67,886	57,363	33,369	28,456	20,972	5,811	213,857
Due Student Groups, June 30, 2020	\$ 56,968	\$ 63,566	\$ 51,718	\$ 35,914	\$ 29,825	\$ 21,559	\$ 259,550

See independent auditor's report and accompanying notes to financial statements.

LAWRENCE COUNTY SCHOOL DISTRICT

STATEMENT OF RECEIPTS, DISBURSEMENTS DUE STUDENT GROUPS

SCHOOL ACTIVITY FUNDS - LAWRENCE COUNTY HIGH SCHOOL (AGENCY FUND)

For the year ended June 30, 2020

Name of Activity:	Cash	Receipts	Disbursements	Cash	Accounts	Accounts	Fund
	Balances			Balances	Receivable	Payable	Balances
	July 1, 2019			June 30, 2020	June 30, 2020	June 30, 2020	June 30, 2020
Academic Team	\$ 261	\$ 385	\$ 380	\$ 266	\$ -	\$ -	\$ 266
Art	1,556	375	230	1,701	-	-	1,701
Athletics	38,945	92,921	107,291	24,575	1,174	2,986	22,763
Band	3,714	13,755	14,044	3,425	-	-	3,425
Bass Fishing Club	300	1,000	600	700	-	-	700
Beta Club	195	900	660	435	-	-	435
Bio Med Club	1,825	3,961	4,862	924	-	-	924
Carpentry	95	425	-	520	-	-	520
Change Fund	-	900	900	-	-	-	-
Class of 2020	389	3,575	3,964	-	-	-	-
Class of 2021	236	4,551	3,814	973	-	-	973
Class of 2022	136	-	-	136	-	-	136
Coke (Student)	4,133	782	868	4,047	-	-	4,047
Coke (Teacher)	288	474	761	1	-	-	1
College Algebra	-	2,405	1,780	625	-	-	625
Culinary	18	-	18	-	-	-	-
Drama Club	640	-	221	419	-	-	419
EF Tours	134	6,608	3,377	3,365	-	-	3,365
FCA	315	-	-	315	-	-	315
FCCLA	420	219	-	639	-	-	639
FFA	84	9,962	9,409	637	-	-	637
FMD	-	1,221	770	451	-	-	451
HOSA	78	2,284	2,319	43	-	-	43
Interact Club	179	103	-	282	-	-	282
KYA	241	8,025	7,935	331	-	-	331
L C Youth Bball	1,201	2,880	4,077	4	-	-	4
Library	745	67	634	178	-	-	178
Math Donation	-	1,000	990	10	-	-	10
Miscellaneous	6,150	10,129	7,933	8,346	-	-	8,346
Music	2,154	2,176	2,002	2,328	-	-	2,328
Palooza	203	1,165	1,365	3	-	-	3
Pep Club	711	50	755	6	-	-	6
ROTC	-	10,586	8,049	2,537	309	1,690	1,156
Skills USA	425	-	425	-	-	-	-
Student Fees	-	11,719	11,634	85	-	-	85
Sweep	-	12,124	12,124	-	-	-	-
World Language Club	39	-	-	39	-	-	39
Y Club	70	-	-	70	-	-	70
YSC	198	500	-	698	-	-	698
Yearbook	1,950	3,210	4,113	1,047	-	-	1,047
Totals	\$ 68,028	\$ 210,437	\$ 218,304	\$ 60,161	\$ 1,483	\$ 4,676	\$ 56,968

See independent auditor's report and accompanying notes to financial statements.

LAWRENCE COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

DEBT SERVICE FUNDS

For the year ended June 30, 2020

	Issue of 2008	Issue of 2012	Issue of 2012 Refunding	Issue of 2012 Energy	QZAB Series 2012	Issue of 2013 Refunding	Issue of 2014	Total Debt Service Funds
Revenues:								
Earning on investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - state	115,922	106,469	66,469	-	162,638	55,130	-	506,628
Intergovernmental - federal	-	-	-	-	188,200	-	-	188,200
Total revenues	115,922	106,469	66,469	-	350,838	55,130	-	694,828
Expenditures:								
Current:								
Bond payments	550,000	75,000	225,000	305,000	162,638	45,000	35,976	1,398,614
Bond interest	26,967	31,469	19,206	66,831	200,000	76,824	6,431	427,728
Total expenditures	576,967	106,469	244,206	371,831	362,638	121,824	42,407	1,826,342
Excess (deficit) of revenues over expenditures	(461,045)	-	(177,737)	(371,831)	(11,800)	(66,694)	(42,407)	(1,131,514)
Other Financing Sources (Uses):								
Bond proceeds	-	-	-	-	-	-	-	-
Operating transfers in	461,045	-	177,737	371,831	11,800	66,694	42,407	1,131,514
Non operating transfers in	-	-	-	-	-	-	-	-
Non operating transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	461,045	-	177,737	371,831	11,800	66,694	42,407	1,131,514
Net change in fund balance	-	-	-	-	-	-	-	-
Fund balance, July 1, 2019	-	-	2,400	-	-	-	-	2,400
Fund balance, June 30, 2020	\$ -	\$ -	\$ 2,400	\$ -	\$ -	\$ -	\$ -	\$ 2,400

LAWRENCE COUNTY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the year ended June 30, 2020

<u>FEDERAL GRANTOR/ PASS - THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPT. OF AGRICULTURE</u>			
Passed Through State Dept. of Education:			
<u>CHILD NUTRITION CLUSTER</u>			
National School Lunch Program	10.555	7750002 19 7750002 20	\$ 324,799 502,303 <u>827,102</u>
Passed Through State Dept. of Agriculture: Food Donation (In-Kind Commodities)	10.555	1007	<u>98,178</u> <u>925,280</u>
School Breakfast Program	10.553	7760005 19 7760005 20	151,878 231,165 <u>383,043</u>
Summer Food Service Program for Children	10.559	7740023 20 7690024 20	355,999 36,532 <u>392,531</u>
TOTAL CHILD NUTRITION CLUSTER			<u>1,700,854</u>
State Administrative Expenses for Child Nutrition	10.560	7700001 19	<u>5,144</u>
Fresh Fruit and Vegetable Program	10.582	7720012 19 7720012 20	12,539 47,548 <u>60,087</u>
TOTAL U.S. DEPT. OF AGRICULTURE			<u>1,766,085</u>
<u>U.S. DEPT. OF DEFENSE</u>			
Passed Through State Dept. of Defense:			
Reserve Officer Training Corp	12.000	Proj 504C	<u>57,121</u>
TOTAL U.S. DEPT. OF DEFENSE			<u>57,121</u>
<u>U.S. DEPT. OF EDUCATION</u>			
Passed Through State Dept. of Education:			
Title I - Grants to Local Educational Agencies	84.010	3100002 18 3100002 19	434,942 665,515 <u>1,100,457</u>
Supporting Effective Instruction - State Grant	84.367	3230002 18 3230002 19	81,353 106,844 <u>188,197</u>
Career and Technical Education - Basic Grants to States	84.048	3710002 18 3710002 19	17,232 23,351 <u>40,583</u>
Student Support and Academic Enrichment Program	84.424	3420002 17	<u>7,044</u> <u>1,336,281</u>

The accompanying notes are an integral part of this schedule.

(Continued next page)

LAWRENCE COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

For the year ended June 30, 2020

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	Federal CFDA Number	Through Grantor's Number	Federal Expenditures
Education Stabilization Fund	84.425	613F	<u>161,167</u>
Passed Through State Dept. of Vocational Rehab: Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	Proj 376C	<u>33,220</u>
<u>SPECIAL EDUCATION CLUSTER (IDEA)</u>			
Special Education - Grants to States	84.027	3810002 18 3810002 19	4,896 <u>527,535</u> <u>532,431</u>
Special Education - Preschool Grants	84.173	3800002 18 3800002 19	9,776 <u>13,262</u> <u>23,038</u>
TOTAL SPECIAL EDUCATION CLUSTER			<u>555,469</u>
TOTAL U.S. DEPT. OF EDUCATION			<u>2,086,137</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 3,909,343</u></u>

The accompanying notes are an integral part of this schedule.

LAWRENCE COUNTY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2020

NOTE A – BASIS OF PRESENTATION

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities received and disbursed. At June 30, 2020, the District had no food commodities in inventory.

NOTE D – TYPE A PROGRAMS

Type A programs for the Lawrence County School District is any program for which total expenditures of federal awards exceeded \$750,000 for fiscal year 2020. The District had the following programs and clusters that met the Type A program definition for fiscal year 2020:

<u>CFDA#</u>	<u>PROGRAM TITLE</u>	<u>EXPENDITURES</u>
Child Nutrition Cluster:		
10.559	Summer Food Service Program for Children	\$ 392,531
10.555	Food Donation (In-Kind Commodities)	98,178
10.555	National School Lunch Program	827,102
10.553	School Breakfast Program	<u>383,043</u>
		<u>1,700,854</u>
84.010	Title I – Grants to Local Educational Agencies	<u>1,100,457</u>
	Total Type A Programs	<u>\$ 2,801,311</u>

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LAWRENCE COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

For the year ended June 30, 2020

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued *unmodified*:

Internal control over financial reporting:

- Material weakness(es) identified? ___yes X no
- Significant deficiency(ies) identified? ___yes X none reported

Noncompliance material to financial statements noted? X yes ___no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___yes X no
- Significant deficiency(ies) identified? ___yes X none reported

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

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

Identification of major programs:

CFDA Number(s) Name of Federal Program or Cluster

10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	Food Donation (In-kind Commodities)
10.559	Summer Food Service Program for Children

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

Auditee qualified as low-risk auditee? X yes ___no

SECTION II - FINDINGS-FINANCIAL STATEMENTS AUDIT

2020 – 001 Under Pledge Funds – (A Non Repeat Finding)

Condition: The District's cash deposits were underpledged on its highest banking day in the amount of \$480,088.

Criteria: The District is to maintain adequate pledges along with standard FDIC coverage to protect all bank balances against potential loss in case of bank insolvency.

Cause of Condition: The District relied solely on the bank to watch their accounts and to maintain their pledges of securities in the amount of the highest bank balance instead of watching it themselves.

Effect: The District's funds went under pledged in the amount of \$480,088.

Recommendation: The District needs to monitor their own cash balances and if their cash balance exceeds the pledges and FDIC coverage, then they need to ask the bank for additional pledges.

Views of Responsible Officials and Planned Corrective Actions: We will start monitoring our accounts better effective October 19, 2020.

SECTION III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

No matters were reported.

LAWRENCE COUNTY SCHOOL DISTRICT

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

June 30, 2020

All prior year comments were addressed by the District. Corrections were initiated and improvements made in the documentation that was recommended.

2019 – 001 Accounting Errors

**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***



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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

Members of the Board of Education
Lawrence County School District
Louisa, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the requirements prescribed by the Kentucky State Committee for School District Audits in the Independent Auditor's Contract, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lawrence County School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Lawrence County School District's basic financial statements and have issued our report thereon dated October 19, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lawrence County School District's internal control over financial reporting (internal control) as a basis for designing 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 Lawrence County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lawrence County School District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lawrence County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2020-001.

In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulation identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements*.

We noted certain matters that we reported to management of Lawrence County School District, in a separate letter dated October 19, 2020.

Lawrence County School District's Response to Findings

Lawrence County School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Lawrence County School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Wells & Company, PSC

Certified Public Accountants
Paintsville, Kentucky
October 19, 2020

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



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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

Members of the Board of Education
Lawrence County School District
Louisa, Kentucky

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Lawrence County School District's internal control over compliance.

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

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

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

Wells & Company, PSC

Certified Public Accountants
Paintsville, Kentucky
October 19, 2020



WELLS & COMPANY, P.S.C.

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Kentucky State Committee for School District Audits
Members of the Board of Education
Lawrence County School District
Louisa, Kentucky

In planning and performing our audit of the financial statements of Lawrence County 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 October 19, 2020, 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 any additional study of these matters, or to assist you in implementing the recommendations.

Respectfully,

Wells & Company, P.S.C.

Certified Public Accountants
Paintsville, Kentucky
October 19, 2020

LAWRENCE COUNTY SCHOOL DISTRICT

MANAGEMENT LETTER COMMENTS

June 30, 2020

PRIOR YEAR COMMENTS

Prior year comments have been addressed and the District is taking corrective action. All corrections were initiated and improvements made in the documentation that was recommended.

LAWRENCE COUNTY SCHOOL DISTRICT

MANAGEMENT LETTER COMMENTS - CONTINUED

June 30, 2020

CURRENT YEAR COMMENTS

Activity Fund 20-1 Multiple Receipt Forms Not Completed Correctly

Condition: Teachers were not having the students sign the multiple receipt form at Lawrence County High School.

Criteria: Multiple receipt forms are to be signed by 6th grade students and above. Also, they need to be accurately completed and turned into the bookkeeper for back up when collecting money.

Cause of Condition: Principal is failing to enforce this requirement.

Effect: Bookkeeper had no idea if all money collected is being turned in for deposit.

Recommendation: We recommend that multiple receipt forms be completed by teachers and signed by actual students, 6th grade and above when money is collected from or issued to students. The multiple receipt forms should be turned into bookkeeper daily with all monies.

Views of Responsible Officials and Planned Corrective Actions: Principals will be made aware of this requirement and ask to have their teachers comply effective immediately.

Activity Fund 20-2 Fundraiser Worksheets Not Completed

Condition: We discovered that fundraiser worksheets are not being completed with each fundraiser at Fallsburg Elementary School.

Criteria: Fundraiser worksheets help determine profit/loss and ending inventory.

Cause of Condition: Principal failed to enforce teachers to use the fundraiser worksheets with each fundraiser.

Effect: Profits and ending inventory are not being monitored.

Recommendation: We recommend that all schools use this worksheet with each fundraiser.

Views of Responsible Officials and Planned Corrective Actions: Principals will be made aware of this form and will be required to use them on all fundraisers effective immediately.

APPENDIX C

**Lawrence County School District Finance Corporation
School Building Revenue Bonds
Series of 2022**

Official Terms and Conditions of Sale

**OFFICIAL
TERMS AND CONDITIONS OF BOND SALE**

\$460,000*

**Lawrence County School District Finance Corporation
School Building Revenue Bonds, Series of 2022
Dated February 1, 2022**

SALE: January 11, 2022 AT 11:30 A.M., E.S.T.

As published on PARITY®, a nationally recognized electronic bidding system, the Lawrence County School District Finance Corporation ("Corporation") will until January 11, 2022, at the hour of 11:30 A.M., E.S.T., in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Rd, Carriage House, Frankfort, KY 40601, receive competitive bids for the revenue bonds herein described. To be considered, bids must be submitted on an Official Bid Form and must be delivered to the Corporation at the address indicated on the date of sale no later than the hour indicated. Bids may be submitted manually or by facsimile or electronically via PARITY. Bids will be considered by the Corporation and may be accepted without further action by the Corporation's Board of Directors.

Subject to a Permitted Adjustment* increasing or decreasing the issue by up to \$46,000.

**LAWRENCE COUNTY SCHOOL
DISTRICT FINANCE CORPORATION**

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

STATUTORY AUTHORITY, PURPOSE OF ISSUE AND SECURITY

These Bonds are authorized pursuant to KRS 162.120 through 162.300, 162.385, and KRS 58.180 and are issued in accordance with a Resolution of the Corporation's Board of Directors. Said Bonds are revenue bonds and constitute a limited indebtedness of the Corporation payable from rental revenues derived by the Corporation from the Board under the Lease identified below. Said Bonds are being issued to finance security improvements at Lawrence County High School and Louisa Middle School (collectively, the "Project") and are secured by a lien upon and a pledge of the revenues from the rental of the school building property to the Board under the Lease on a year to year basis; the first rental period ending June 30, 2022; provided, however, said lien and pledge are on parity with a similar lien and pledge securing the Corporation's School Building Revenue Bonds previously issued to finance or refinance the school building(s) which constitute the Project (the "Parity Bonds").

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

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

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

Although the Board is obligated to pay the Corporation annual rentals in the full amount of the principal and interest requirements for the Bonds for each year in which the Lease is renewed, the Board has entered into the Lease in reliance upon a certain Participation Agreement by and between the Board and the Kentucky School Facilities Construction Commission (the "Commission"). Under the terms of the Participation Agreement, the Commission has agreed to pay annually directly to the Paying Agent for the Bonds a stated Agreed Participation equal to approximately \$29,236 to be applied to the annual debt service requirements for the Bonds herein identified until their retirement, subject to the constitutional restrictions limiting the commitment to the biennium; said annual amount is to be applied only to the principal and interest requirements of the Bonds so long as the Board renews the Lease. Under the Lease, the Board has pledged and assigned all of its rights under the Participation Agreement in and to the Agreed Participation to the Corporation in order to secure the Bonds and has agreed to pay that portion of the rentals in excess of said Agreed Participation for each year in which the Lease is renewed.

KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION

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

Pursuant to the provisions of the Act, the Regulations of the Kentucky Board of Education and the Commission, the Commission has determined that the Board is eligible for participation from the Commission in meeting the costs of construction of the Projects and has entered into a Participation Agreement with the Board whereunder the Commission agrees to pay an annual Agreed Participation equal to approximately \$29,236 to be applied to the annual debt service requirements for the Bonds herein identified each year until their retirement; provided, however, that the contractual commitment of the Commission to pay the annual Agreed Participation is limited to the biennial budget period of the Commonwealth, with the first such biennial period terminating on June 30, 2022; the right is reserved in the Commission to terminate its commitment to pay the Agreed Participation after the initial biennial period and every two years thereafter. The obligation of the Commission to make payments of the Agreed Participation shall be automatically renewed each two years for a period of two years unless the Commission shall give notice of its intention not to participate not less than sixty days prior to the end of the biennium; however, by the execution of the Participation Agreement, the Commission has expressed its present intention to continue to pay the Agreed Participation in each successive biennial budget period until the retirement of all of the Bonds, but such execution does not obligate the Commission to do so.

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

ADDITIONAL PARITY BONDS

The Corporation has reserved the right and privilege of issuing additional bonds from time to time payable from the income and revenues of said lands and school building Project property and secured by a statutory mortgage lien and pledge of revenues, but only if and to the extent the issuance of such additional parity bonds

are in accordance with the plans and specifications which have been approved by the Board, Commissioner of Education, and filed in the office of the Secretary of the Corporation and a Lease shall be entered into whereunder the annual rental payments during the life of such additional bonds shall be increased by the amount of the annual principal and interest requirements of such additional bonds.

BOND MATURITIES, PRIOR REDEMPTION PROVISIONS AND PAYING AGENT

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

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2023	\$18,000	2033	\$ 23,000
2024	19,000	2034	24,000
2025	19,000	2035	24,000
2026	20,000	2036	25,000
2027	20,000	2037	25,000
2028	20,000	2038	26,000
2029	21,000	2039	27,000
2030	21,000	2040	27,000
2031	22,000	2041	28,000
2032	22,000	2042	29,000

*Subject to a Permitted Adjustment of the amount of Bonds awarded of up to \$46,000 which may be applied in any or all maturities.

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

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

The Bonds are to be issued in fully registered form (both principal and interest). U.S. Bank National Association, Louisville, Kentucky, has been designated as the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date to Cede & Co. Principal and interest will be payable through the Book-Entry-Only-System administered by The Depository Trust Company: Please see "BOOK-ENTRY-ONLY-SYSTEM" below. Interest on the Bonds will be paid at rates to be established upon the basis of competitive bidding as hereinafter set forth, such interest to be payable on August 1 and February 1 of each year, beginning August 1, 2022 (Record Date is the 15th day of month preceding interest due date).

BIDDING CONDITIONS AND RESTRICTIONS

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

(B) Electronic bids for the Bonds must be submitted through PARITY® and no other provider of electronic bidding services will be accepted. Subscription to the PARITY® Competitive Bidding System is required in order to submit an electronic bid. The Corporation will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by PARITY® shall constitute the official time with respect to all bids whether in electronic or written form. To

the extent any instructions or directions set forth in PARITY® conflict with the terms of the Official Terms and Conditions of Bond Sale, this Official Terms and Conditions of Sale of Bonds shall prevail. Electronic bids made through the facilities of PARITY® shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to the Corporation. The Corporation shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by PARITY®. The use of PARITY® facilities are at the sole risk of the prospective bidders. For further information regarding PARITY®, potential bidders may contact PARITY®, telephone (212) 404-8102. Notwithstanding the foregoing, non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form.

(C) The minimum bid shall be not less than \$450,800 (98% of par) plus accrued interest. Interest rates shall be in multiples of 1/8 or 1/20 of 1% or both. Only one interest rate shall be permitted per Bond, and all Bonds of the same maturity shall bear the same rate. Interest rates must be on an ascending scale, in that the interest rate stipulated in any year may not be less than that stipulated for any preceding maturity. There is no limit on the number of different interest rates.

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

(E) The determination of the best purchase bid for said Refunding Bonds shall be made on the basis of all bids submitted for exactly \$460,000 principal amount of Refunding Bonds offered for sale under the terms and conditions herein specified, but the Corporation may adjust the principal amount of Bonds upward or downward by \$46,000 (the "Permitted Adjustment") which may be awarded to such best bidder may be a minimum of \$414,000 or a maximum of \$506,000. In the event of such Permitted Adjustment, no rebidding or recalculation of a submitted bid will be required or permitted and the Underwriter's Discount on the Bonds as submitted by the successful bidder shall be held constant. The Underwriter's Discount shall be defined as the difference between the purchase price of the Bonds submitted by the bidder and the price at which the Bonds will be issued to the public, calculated from information provided by the bidder, divided by the par amount of the Bonds bid. The price of which such adjusted principal amount of Bonds will be sold will be the same price per \$1,000 of Bonds as the price per \$1,000 for the \$460,000 of Bonds bid.

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

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

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

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

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

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

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

(d) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is January 11, 2022.

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

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

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

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

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

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

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

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

STATE SUPPORT OF EDUCATION

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

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

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

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

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

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

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

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

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

BIENNIAL BUDGET FOR PERIOD ENDING JUNE 30, 2022

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

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

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

POTENTIAL LEGISLATION

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

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

CONTINUING DISCLOSURE

As a result of the principal amount of Bonds being offered not exceeding \$1,000,000 Bond Counsel has advised the Corporation and the Board that they are exempt from application of the Rule 15c2-12c2-12(b)(5) of the Securities and Exchange Commission with respect to the Bonds.

Financial information regarding the Board may be obtained from Superintendent, Lawrence County Board of Education, 50 Bulldog Lane, Louisa, Kentucky 41230 (606-638-9671).

TAX EXEMPTION; BANK QUALIFIED

Bond Counsel is of the opinion that the Bonds are "qualified tax-exempt obligations" within the meaning of the Internal Revenue Code of 1986, as amended, and therefore advises as follows:

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

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

(C) As a result of certifications by the Board and the Corporation, indicating the issuance of less than \$10,000,000 of tax-exempt obligations during the calendar year ending December 31, 2022, the Bonds may be treated by financial institutions as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code.

BOOK-ENTRY-ONLY-SYSTEM

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

DTC will act as securities depository for the Bonds. The Bonds initially will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond Certificate will be issued, in the aggregate principal amount of the Bonds, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. "Direct Participants" include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its participants are on file with the Securities and Exchange Commission.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

Principal and interest payments of the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' account on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Issuer, or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer or the Trustee, disbursements of such payments to Direct Participants shall be the responsibility of DTC, and disbursements of such payment to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Beneficial Ownership Interests purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Beneficial Ownership Interests by causing the Direct Participant to transfer the Participant's interest in the Beneficial Ownership Interests, on DTC's records, to the purchaser or the Trustee, as appropriate. The requirements for physical delivery of Bonds in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Bond Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered by the Bond Registrar.

NEITHER THE ISSUER, THE BOARD NOR THE BOND REGISTRAR/PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE BOND REGISTRAR/PAYING AGENT AS BEING AN OWNER WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PURCHASE PRICE OF TENDERED BONDS OR THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE BOND RESOLUTION TO BE GIVEN TO HOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

**LAWRENCE COUNTY SCHOOL DISTRICT
FINANCE CORPORATION**

By /s/ D. Robbie Fletcher
Secretary

APPENDIX D

**Lawrence County School District Finance Corporation
School Building Revenue Bonds
Series of 2022**

Official Bid Form

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

The Lawrence County School District Finance Corporation ("Corporation" or "Issuer"), will until 11:30 A.M., E.S.T., on January 11, 2022, receive in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Rd, Carriage House, Frankfort, KY 40601, (telephone 502-564-5582; fax 888-979-6152) competitive bids for its \$460,000 School Building Revenue Bonds, Series of 2022, dated February 1, 2022; maturing February 1, 2023 through 2042 ("Bonds").

We hereby bid for said \$460,000* principal amount of Bonds, the total sum of \$ _____ (not less than \$450,800) plus accrued interest from February 1, 2022 payable August 1, 2022 and semiannually thereafter at the following annual rates, (rates on ascending scale in multiples of 1/8 or 1/20 of 1%; number of interest rates unlimited) and maturing as to principal on February 1 in the years as follows:

<u>Year</u>	<u>Amount*</u>	<u>Rate</u>	<u>Year</u>	<u>Amount*</u>	<u>Rate</u>
2023	\$ 18,000	_____ %	2033	\$ 23,000	_____ %
2024	19,000	_____ %	2034	24,000	_____ %
2025	19,000	_____ %	2035	24,000	_____ %
2026	20,000	_____ %	2036	25,000	_____ %
2027	20,000	_____ %	2037	25,000	_____ %
2028	20,000	_____ %	2038	26,000	_____ %
2029	21,000	_____ %	2039	27,000	_____ %
2030	21,000	_____ %	2040	27,000	_____ %
2031	22,000	_____ %	2041	28,000	_____ %
2032	22,000	_____ %	2042	29,000	_____ %

* Subject to Permitted Adjustment

We understand this bid may be accepted for as much as \$506,000 of Bonds or as little as \$414,000 of Bonds, at the same price per \$1,000 Bond, with the variation in such amount occurring in any maturity or all maturities, which will be determined at the time of acceptance of the best bid.

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

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

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

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

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

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

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

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

(d)*Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is January 11, 2022.

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

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

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

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

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

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

No certified or bank cashier's check will be required to accompany a bid, but the successful bidder shall be required to wire transfer an amount equal to 2% of the principal amount of Bonds awarded by the close of business on the date following the award. Said good faith amount will be applied (without interest) to the purchase price on delivery. Wire transfer procedures should be arranged through 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 1, 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 1, 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 Lawrence County School District Finance Corporation for \$ _____ amount of Bonds at a price of \$ _____ as follows:

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>
2023	_____,000	_____%	2033	_____,000	_____%
2024	_____,000	_____%	2034	_____,000	_____%
2025	_____,000	_____%	2035	_____,000	_____%
2026	_____,000	_____%	2036	_____,000	_____%
2027	_____,000	_____%	2037	_____,000	_____%
2028	_____,000	_____%	2038	_____,000	_____%
2029	_____,000	_____%	2039	_____,000	_____%
2030	_____,000	_____%	2040	_____,000	_____%
2031	_____,000	_____%	2041	_____,000	_____%
2032	_____,000	_____%	2042	_____,000	_____%

Dated: January 11, 2022

 RSA Advisors, LLC,
 Financial Advisor and Agent for Lawrence County
 School District Finance Corporation