PRELIMINARY OFFICIAL STATEMENT

DATED JANUARY 25, 2022

NEW ISSUE **RATING**
Electronic Bidding via Parity® ***Moody's: " "***
Bank Interest Deduction Eligible
BOOK-ENTRY-ONLY SYSTEM

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.

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).

$710,000*
LETCHER COUNTY SCHOOL DISTRICT FINANCE CORPORATION
SCHOOL BUILDING REVENUE BONDS,
SERIES OF 2022

Dated with Delivery: February 23, 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 $5,000 and integral multiples thereof.

Maturing 1-Feb	Amount*	Interest Rate	Reoffering Yield	CUSIP	Maturing 1-Feb	Amount*	Interest Rate	Reoffering Yield	CUSIP
2023	$30,000	%	%		2033	$35,000	%	%	
2024	$30,000	%	%		2034	$35,000	%	%	
2025	$30,000	%	%		2035	$35,000	%	%	
2026	$30,000	%	%		2036	$40,000	%	%	
2027	$30,000	%	%		2037	$40,000	%	%	
2028	$30,000	%	%		2038	$40,000	%	%	
2029	$35,000	%	%		2039	$40,000	%	%	
2030	$35,000	%	%		2040	$40,000	%	%	
2031	$35,000	%	%		2041	$40,000	%	%	
2032	$35,000	%	%		2042	$45,000	%	%	

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 Letcher 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 Letcher County Board of Education.

The Letcher County (Kentucky) School District Finance Corporation will until February 2, 2022, at 11:00 A.M., E.S.T., receive competitive bids for the Bonds at the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville 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 $70,000.**

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.

RSA advisors

LETCHER COUNTY, KENTUCKY
BOARD OF EDUCATION

Melinda Boggs, Chairman
William Smith, Vice Chairman
Robert Kiser, Member
Lena Parsons, Member
Shawn Gilley, Member

Denise Yonts, Superintendent
Martha Whitaker, Secretary

LETCHER COUNTY SCHOOL DISTRICT
FINANCE CORPORATION

Melinda Boggs, Chairman
William Smith, Vice Chairman
Robert Kiser, Member
Lena Parsons, Member
Shawn Gilley, Member

Martha Whitaker, Secretary
Joshua Yonts, 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 Letcher 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.

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OFFICIAL STATEMENT
Relating to the Issuance of

$710,000*

LETCHER 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 Letcher County School District Finance Corporation (the "Corporation") School Building Revenue Bonds, Series of 2022 (the "Bonds").

The Bonds are being issued to finance improvements at Whitesburg Middle, Letcher Middle and Fleming Neon Middle 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 Letcher 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 Letcher County Board of Education from its records, except for information expressly attributed to other sources. The presentation of financial and other information is not intended, unless specifically stated, to indicate future or continuing trends in the financial position or other affairs of the Board. No representation is made that past experience, as is shown by financial and other information, will necessarily continue or be repeated in the future.

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

Copies of the Bond Resolution authorizing the issuance of the Bonds, the Participation Agreement and the Lease Agreement, dated February 23, 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 162.300 and Section 162.385 of the Kentucky Revised Statutes ("KRS"), and KRS Chapter 273 and KRS 58.180, as a non-profit, non-stock corporation for the purpose of financing necessary school building facilities for and on behalf of the Board. Under the provisions of existing Kentucky law, the Corporation is permitted to act as an agency and instrumentality of the Board for financing purposes and the legality of the financing plan to be implemented by the Board herein referred to has been upheld by the Kentucky Court of Appeals (Supreme Court) in the case of White v. City of Middlesboro, Ky. 414 S.W.2d 569.

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

KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION

The Kentucky School Facilities Construction Commission (the "Commission") is an independent corporate agency and instrumentality of the Commonwealth of Kentucky established pursuant to the provisions of 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 $44,305 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:

Biennium	Appropriation
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	2,946,900
Total	$183,861,200

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

BIENNIAL BUDGET FOR PERIOD ENDING JUNE 30, 2022

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

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

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

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
2011-REF	$2,130,000	$415,000	$0	$2,130,000	3.125%	2023
2012-REF	$14,730,000	$7,750,000	$13,805,374	$924,626	3.000% - 3.375%	2029
2012	$2,460,000	$1,900,000	$1,241,235	$1,218,765	3.000% - 3.250%	2032
2015A-REF	$1,130,000	$510,000	$609,635	$520,365	2.000% - 3.000%	2025
2015B-REF	$3,900,000	$2,340,000	$302,625	$3,597,375	2.000% - 3.000%	2030
TOTALS:	$24,350,000	$12,915,000	$15,958,869	$8,391,131	-----	-----

AUTHORITY

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

i) the issuance of approximately $710,000 of Bonds subject to a permitted adjustment of $70,000;

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 23, 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 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 23, 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 $44,305 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. <u>The plan for financing the Project will require the Commission to pay one hundred percent (100%) of the debt service of the Bonds.</u>

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

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 improvements at Whitesburg Middle, Letcher Middle and Fleming Neon Middle 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	$1,256,523				$1,256,523
2023	$1,259,337	$30,000	$12,945	$42,945	$1,259,337
2024	$1,260,271	$30,000	$13,488	$43,488	$1,260,271
2025	$1,262,551	$30,000	$13,188	$43,188	$1,262,551
2026	$1,195,094	$30,000	$12,888	$42,888	$1,195,094
2027	$1,191,746	$30,000	$12,588	$42,588	$1,191,746
2028	$1,195,455	$30,000	$12,288	$42,288	$1,195,455
2029	$1,195,568	$35,000	$11,988	$46,988	$1,195,568
2030	$221,445	$35,000	$11,288	$46,288	$221,445
2031	$224,091	$35,000	$10,588	$45,588	$224,091
2032	$178,783	$35,000	$9,888	$44,888	$178,783
2033	$177,783	$35,000	$9,188	$44,188	$177,783
2034		$35,000	$8,488	$43,488	
2035		$35,000	$7,788	$42,788	
2036		$40,000	$7,088	$47,088	
2037		$40,000	$6,238	$46,238	
2038		$40,000	$5,238	$45,238	
2039		$40,000	$4,238	$44,238	
2040		$40,000	$3,238	$43,238	
2041		$40,000	$2,238	$42,238	
2042		$45,000	$1,238	$46,238	
TOTALS:	$10,618,648	$710,000	$176,107	$886,107	$10,618,648

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	$710,000.00
Total Sources	$710,000.00
Uses:	
Deposit to Construction Fund	$931,630.00
Underwriter's Discount (2%)	14,200.00
Cost of Issuance	15,510.00
Total Uses	$710,000.00

DISTRICT STUDENT POPULATION

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

Year	Average Daily Attendance	Year	Average Daily Attendance
2000-01	3,345.1	2011-12	2,924.4
2001-02	3,218.0	2012-13	2,889.4
2002-03	3,200.5	2013-14	2,871.4
2003-04	3,122.3	2014-15	2,857.0
2004-05	3,080.6	2015-16	2,808.4
2005-06	3,005.4	2016-17	2,776.5
2006-07	2,952.6	2017-18	2,726.0
2007-08	2,928.7	2018-19	2,682.4
2008-09	2,887.4	2019-20	2,629.1
2009-10	2,858.2	2020-21	2,629.1
2010-11	2,902.9		

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 Letcher County School District for certain preceding school years.

Year	Capital Outlay Allotment	Year	Capital Outlay Allotment
2000-01	334,510.0	2011-12	292,437.0
2001-02	321,800.0	2012-13	288,935.0
2002-03	320,050.0	2013-14	287,137.0
2003-04	312,230.0	2014-15	285,695.0
2004-05	308,060.0	2015-16	280,842.0
2005-06	300,540.0	2016-17	277,650.0
2006-07	295,260.0	2017-18	272,595.3
2007-08	292,870.0	2018-19	268,239.6
2008-09	288,744.0	2019-20	262,910.0
2009-10	285,824.0	2020-21	262,907.3
2010-11	290,291.0		

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 ($0.30) for general school purposes. If a board fails to comply, its members shall be subject to removal from office for willful neglect of duty.

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

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

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

Local Tax Rates, Property Assessments and Revenue Collections

Tax Year	Combined Equivalent Rate	Total Property Assessment	Property Revenue Collections
2000-01	52.0	588,343,262	3,059,385
2001-02	58.0	601,474,390	3,488,551
2002-03	48.6	636,168,896	3,091,781
2003-04	48.6	655,225,808	3,184,397
2004-05	63.8	624,881,949	3,986,747
2005-06	61.5	749,024,840	4,606,503
2006-07	54.6	763,061,210	4,166,314
2007-08	61.5	823,371,392	5,063,734
2008-09	65.8	881,759,127	5,801,975
2009-10	65.8	1,043,449,301	6,865,896
2010-11	58.1	950,700,759	5,523,571
2011-12	63.2	986,726,958	6,236,114
2012-13	65.4	1,101,587,215	7,204,380
2013-14	62.8	1,045,317,136	6,564,592
2014-15	64.2	1,021,242,232	6,556,375
2015-16	74.6	940,684,852	7,017,509
2016-17	68.2	977,654,998	6,667,607
2017-18	63.2	721,276,372	4,558,467
2018-19	82.3	691,008,987	5,687,004
2019-20	81.8	668,960,745	5,472,099
2020-21	73.0	597,677,196	4,363,044

OVERLAPPING BOND INDEBTEDNESS

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

Issuer	Original Principal Amount	Amount of Bonds Redeemed	Current Principal Outstanding
County of Letcher			
General Obligation	$9,980,000	$2,563,300	$7,416,700
Building Renewable	$300,000	$120,563	$179,437
Vehicles Renewable	$289,844	$0	$289,844
City of Blackey			
Water Revenue	$507,000	$170,000	$337,000
City of Fleming-Neon			
Water & Sewer Revenue	$1,680,000	$952,100	$727,900
Improvement Project Revenue	$255,000	$29,000	$226,000
City of Jenkins			
General Obligation	$732,575	$265,234	$467,341
Improvement Project Revenue	$1,047,000	$115,000	$932,000
Water & Sewer Revenue	$445,000	$39,000	$406,000

City of Whitesburg			
Water & Sewer Revenue	$448,000	$268,200	$179,800
Educational Development Public Corp.	$600,000	$520,000	$80,000
Improvement Project Revenue	$922,000	$127,500	$794,500
Special Districts			
Letcher County Extension Service	$1,300,000	$940,000	$360,000
Letcher County Public Health District	$3,500,000	$819,000	$2,681,000
Letcher County Water District	$1,830,000	$335,500	$1,494,500
Totals:	$23,836,419	$7,264,397	$16,572,022

Source: 2020 Kentucky Local Debt Report.

SEEK ALLOTMENT

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

SEEK	Base Funding	Local Tax Effort	Total State & Local Funding
2000-01	13,869,970	3,059,385	16,929,355
2001-02	13,656,827	3,488,551	17,145,378
2002-03	13,933,906	3,091,781	17,025,687
2003-04	14,199,791	3,184,397	17,384,188
2004-05	14,783,625	3,986,747	18,770,372
2005-06	15,104,943	4,606,503	19,711,446
2006-07	15,107,151	4,166,314	19,273,465
2007-08	16,237,425	5,063,734	21,301,159
2008-09	16,282,522	5,801,975	22,084,497
2009-10	13,765,234	6,865,896	20,631,130
2010-11	13,738,020	5,523,571	19,261,591
2011-12	14,982,729	6,236,114	21,218,843
2012-13	14,377,969	7,204,380	21,582,349
2013-14	14,688,033	6,564,592	21,252,625
2014-15	15,608,247	6,556,375	22,164,622
2015-16	16,199,827	7,017,509	23,217,336
2016-17	16,141,133	6,667,607	22,808,740
2017-18	17,012,451	4,558,467	21,570,918
2018-19	17,324,313	5,687,004	23,011,317
2019-20	17,077,830	5,472,099	22,549,929
2020-21	16,415,385	4,363,044	20,778,429

(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 $0.730 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 for the past five years.

Financial information regarding the Board may be obtained from Superintendent, Letcher County Board of Education, 224 Parks Street, Whitesburg, Kentucky 41858 (606-633-4455).

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 excludible 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 Letcher 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 Letcher 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 Letcher 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

Letcher County School District Finance Corporation
School Building Revenue Bonds
Series of 2022

Demographic and Economic Data

LETCHER COUNTY, KENTUCKY

Whitesburg, the county seat of Letcher County had a 2020 population of 1,803. Letcher County had a population of 21,215 in 2020.

The Economic Framework

The total number of Letcher County residents employed in 2020 averaged 3,912. The top jobs in Letcher County in 2020 were office and administrative support - 520 (13.29%); education training/library - 478 (12.22%); sales - 346 (8.84%); executive, managers and administrators - 303 (7.75%); and, health diagnosing and treating practitioners - 283 (7.23%).

Labor Supply

There is a current estimated labor supply of 7,116 persons available for industrial jobs in the labor market area and a current unemployment rate of 6.8%.

LOCAL GOVERNMENT

Structure

The City of Whitesburg is governed by a mayor and six councilmembers. The mayor is elected to a four-year term, while the councilmembers each serve two-year terms. Letcher County is governed by a county judge/executive and five magistrates. Each county official is elected to a four-year term.

Property Taxes

All property in Kentucky, except items exempted by the state constitution, is taxed by the state. Property which also may be taxed by local jurisdictions includes land and buildings, finished goods inventories, automobiles, trucks, office furniture and office equipment. Local taxing jurisdictions in Kentucky include counties, cities, and school districts. All property in Kentucky is assessed at 100 percent of fair cash value.

LABOR MARKET STATISTICS

The Labor Market Area includes Letcher County and the adjoining Kentucky counties of Knott, Harlan, Perry, Pike and Wise, VA.

Population

Area	2018	2019	2020
Letcher County	22,039	21,827	21,417
Whitesburg	1,875	1,851	1,817
Jenkins	1,981	1,950	1,869

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

Population Projections

Area	2025	2030	2035
Letcher County	21,147	19,970	18,736

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

EDUCATION

Public Schools

	Letcher County
Total Enrollment (2020-21)	2,821
Pupil-Teacher Ratio	15 - 1

Vocational-Technical Schools

Technical School	Location	Enrollment 2019-2020
Bell County ATC	Pineville, KY	679
Knox County ATC	Barbourville, KY	449
Corbin ATC	Corbin, KY	441
Clay County ATC	Manchester, KY	357
Leslie County ATC	Hyden, KY	335
Jackson County ATC	McKee, KY	277
Pulaski County ATC	Somerset, KY	423

Colleges and Universities

Name	Location	Enrollment (Fall 2020)
University of the Cumberlands	Williamsburg, KY	16,966
Southeast Community & Tech College	Cumberland, KY	3,503
Hazard Community & Tech College	Hazard, KY	3,246
Somerset Community College	Somerset, KY	5,657

EXISTING INDUSTRY

Firm	Product	Total Employed
Cromona:		
Superior Printing & Publishing	Newspaper publishing, lithographic printing; staple & spiral binding	13
Jenkins:		
NJN Machine Tool Company Inc.	Machine shop: precision machining; fabrication	10
Taylor Metal Roofing & Siding, Inc.	Metal roofing, siding panels, related trim components, insulation, doors	15
The Wells Group LLC	Concrete	4

Whitesburg:

BPM Lumber LLC	Rough lumber & railroad ties	99
Drill Steel Service, Inc.	Steel rods, overcast, mandoors & other metal products	11
Hall Equipment & Supply Company, Inc.	Mining machinery rebuilding	4

Source: Kentucky Directory of Manufacturers (2020).

APPENDIX B

Letcher County School District Finance Corporation
School Building Revenue Bonds
Series of 2022

Audited Financial Statement ending June 30, 2021

LETCHER COUNTY
SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES

For the year ended June 30, 2021

Prepared by:

WHITE & ASSOCIATES, PSC
CERTIFIED PUBLIC ACCOUNTANTS
1407 Lexington Road
Richmond, Kentucky 40475
Phone (859) 624-3926 Fax (859) 625-0227

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White & Associates, PSC
Certified Public Accountants & Consultants

1407 Lexington Road
Richmond, KY 40475
(859) 624-3926

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Letcher County School District
Whitesburg, KY
And the State Committee for School District Audits

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 Letcher County School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Letcher County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Letcher County School District as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2021, on our consideration of Letcher 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 Letcher 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 Letcher County School District's internal control over financial reporting and compliance.

White & Associates, PSC

Richmond, Kentucky
November 15, 2021

As management of the Letcher 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, 2021. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning balance for the General Fund was $9.16 million, the ending fund balance was $10.78 million.
- The district constructs and renovates facilities with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations.
- The District continues to have a strong financial position.
- The General Fund had $28.91 million in revenue, including on behalf payments made by the state, which primarily consisted of the state program (SEEK), property, utility, and motor vehicle taxes. There were $27.57 million in General Fund expenditures.

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 are comprised of 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 private sector businesses.

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

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

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

The government-wide financial statements can be found in the table of contents 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 only proprietary fund is food service operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found in the table of contents of this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of Letcher County Schools, assets exceeded liabilities by $27.32 million for Governmental Activities, and $432,495 for Business Type Activities as of June 30, 2021. 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), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

The 2021 government-wide net position compared to 2020 is as follows:

Table 1
Net Position
$ (in Millions)

	Governmental Activities		Business-type Activities		Totals	
	2020	2021	2020	2021	2020	2021
Current assets	$ 10.98	$ 12.72	$ 0.78	$ 0.64	$ 11.76	$ 13.36
Non-current assets	50.36	50.35	0.41	0.40	50.77	50.75
Total assets	61.34	63.07	1.19	1.04	62.53	64.11
Deferred outflows	5.49	5.83	0.18	0.18	5.67	6.01
Current liabilities	2.48	2.60	0.04		2.52	2.60
Non-current liabilities	35.76	35.02	0.75	0.73	36.51	35.75
Total liabilities	38.24	37.62	0.79	0.73	39.03	38.35
Deferred inflows	3.36	3.96	0.07	0.06	3.43	4.02
Net position:						
Invested in capital assets, net of debt	35.23	36.82	0.41	0.40	35.64	37.22
Restricted	1.09	1.05	0.13	0.03	1.22	1.08
Unrestricted (deficit)	(11.10)	(10.55)	-		(11.10)	(10.55)
Total net position	$ 25.22	$ 27.32	$ 0.54	$ 0.43	$ 25.76	$ 27.75

GOVERNMENTAL ACTIVITIES

Ending net position for governmental activities was $27.32 million for the District. This was an increase of $2,142,984 from last year.

See schedule next page

Table 2
Changes in Net Position
(in millions)

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2020	2021	2020	2021	2020	2021	2020-2021
Revenues:							
Charges for services	$ 1.03	$ 0.42	$ 0.08	$ -	$ 1.11	$ 0.42	-62%
Operating grants and contributions	4.49	14.67	2.37	2.52	6.86	17.19	151%
Capital grants and contributions	1.78	1.94			1.78	1.94	8%
General revenues	29.60	21.87	(0.14)	(0.13)	29.46	21.74	-26%
Total revenue	36.90	38.89	2.31	2.39	39.21	41.28	5%
Expenses:							
Instruction	$ 21.80	$ 23.16	$ -	$ -	$ 21.80	$ 23.16	6%
Student	1.72	1.84			1.72	1.84	7%
Instructional staff	1.21	1.06			1.21	1.06	-12%
District administration	0.78	0.81			0.78	0.81	4%
School administration	1.73	1.84			1.73	1.84	6%
Business	0.83	0.77			0.83	0.77	-7%
Plant operation & maintenance	3.73	4.12			3.73	4.12	10%
Student transportation	2.79	1.77			2.79	1.77	-37%
Community services operations	0.40	0.43			0.40	0.43	7%
Food Service Operations			2.65	2.46	2.65	2.46	-7%
Depreciation/Amortization	0.64	0.44	0.04	0.06	0.68	0.50	-26%
Interest on long-term debt	0.47	0.52			0.47	0.52	11%
Total Expenses	$ 36.10	$ 36.76	$ 2.69	$ 2.52	$ 38.79	$ 39.28	1%
Change in net position	$ 0.80	$ 2.13	$ (0.38)	$ (0.13)	$ 0.42	$ 2.00	-376%

CAPITAL ASSETS

At the end of fiscal year 2021, the District had $51.16 million invested in capital assets, including land, buildings, buses, computers and other equipment.

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

	Governmental Activities		Business-type Activities		Totals	
	2020	2021	2020	2021	2020	2021
Land	$ 6.92	$ 6.92	$ -	$ -	$ 6.92	$ 6.92
Land Improvements	4.04	4.04			4.04	4.04
Buildings	36.99	36.86			36.99	36.86
Technology Equipment	0.03	0.03			0.03	0.03
Vehicles	1.99	2.13	0.40	0.44	2.39	2.57
General Equipment	0.39	0.38	0.41	0.36	0.80	0.74
Construction in Progress	-				-	-
Totals	$ 50.36	$ 50.36	$ 0.81	$ 0.80	$ 51.17	$ 51.16

DEBT

The following describes our outstanding obligation for the fiscal year 2021.

Table 4
Outstanding Debt at Year-End (in Millions)

	Government Activities 2020	Government Activities 2021
General Obligation Bonds	$ 15.43	$ 13.53
KSBIT Obligations	0.06	-
Total Obligations	$ 15.49	$ 13.53

THE DISTRICT'S FUNDS

As the District completed the year, its General Fund reflected a fund balance of $10.78 million, which is an increase of $1.63. The unassigned portion of the fund balance in fiscal year 2021 was $9.28 million, compared to the $7.66 million from the preceding year. The amount of local taxes collected in 2021 in the amount of $5.31 million and the amount collected for 2020 was $4.78 million which resulted in an increase in local tax collections in the amount of $0.53 million. The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2021 for selected funds.

SEE SCHEDULE ON NEXT PAGE

LETCHER COUNTY SCHOOL DISTRICT - WHITESBURG, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2021

REVENUE	**Fund 1**	**Fund 2**	**Fund 310**	**Fund 320**	**Fund 360**	**Fund 400**	**Fund 51**
Local Revenue Sources	$ 5,126,251	$ 192,113	$ -	$ 298,839	$ -	$ 41	$ 770
State Revenue Sources	23,645,658	2,024,377	262,907	905,276		758,398	361,532
Federal Revenue Sources	136,502	5,016,993					2,156,788
Other							2,962
Transfers	340,168	55,211				1,262,510	
TOTALS	**$ 29,248,579**	**$ 7,288,694**	**$ 262,907**	**$ 1,204,115**	**$ -**	**$ 2,020,949**	**$ 2,522,052**
EXPENDITURES	**Fund 1**	**Fund 2**	**Fund 310**	**Fund 320**	**Fund 360**	**Fund 400**	**Fund 51**
Instruction	$ 15,562,083	$ 6,166,781	$ -	$ -	$ -	$ -	$ -
Student Support Services	1,753,659	82,116					
Instructional Staff Support Services	572,138	475,656					
District Admin Support	809,875						
School Admin Support	1,836,297						
Business Support Services	770,004						
Plant Operation & Management	4,079,120	38,992					
Student Transportation	2,182,615	13,601					
Food Service Operations							2,524,441
Community Services		425,377					
Debt Service						2,020,909	
Transfers	55,211	86,171	204,513	1,176,339			135,655
TOTALS	**$ 27,621,002**	**$ 7,288,694**	**$ 204,513**	**$ 1,176,339**	**$ -**	**$ 2,020,909**	**$ 2,660,096**
Excess / (Deficit)	1,627,577	-	58,394	27,776	-	40	(138,044)

COMMENTS ON BUDGET COMPARISONS

- Actual General Fund revenue was more than the budget by $150,240. This does not include the on-behalf payments made by the state for insurances, teachers' retirement, etc. for the benefit of the district and its employees. General Fund budget compared to actual revenue varied slightly in most line items. The line item that varied most significantly was utilities tax and earnings on investments.

- Actual General Fund expenditures were less than the budget by $5,854,267.

FUTURE BUDGETARY IMPLICATIONS

In Kentucky, the public schools' fiscal year is July I - June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget for 2020-2021 with a 10% contingency as calculated by the Kentucky Department of Education. Significant Board action that impacts the finances continued funding of Board initiatives such as Study Island and MAP testing.

Issues which will impact future budgets include:

- Increased staffing and expenses to meet federal and state academic mandates
- The need of improving programming and meeting the academic audit recommendations and ESSA requirements.
- Insufficient funding of the state transportation formula

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Contact Josh Yonts at 606-633-4455 or mail us at Letcher County Board of Education, 224 Parks Street, Whitesburg, KY 41858.

Letcher County School District
Statement of Net Position
June 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 10,759,319	$ 575,577	$ 11,334,896
Receivables			
Taxes, current	165,699		165,699
Account	48,539		48,539
Intergovernmental state	7,207		7,207
Intergovernmental federal	1,553,688		1,553,688
Inventories		64,610	64,610
Prepaid expenditures	187,218		187,218
Capital assets:			
Land and construction in progress	6,920,972		6,920,972
Other capital assets, net of depreciation	43,431,056	403,080	43,834,136
Total capital assets	50,352,028	403,080	50,755,108
Total assets	63,073,698	1,043,267	64,116,965
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	2,438,757	102,328	2,541,085
Deferred outflows related to OPEB	2,670,467	76,346	2,746,813
Deferred savings from refunding bonds	724,550		724,550
Total deferred outflows of resources	5,833,774	178,674	6,012,448
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	68,907,472	1,221,941	70,129,413
LIABILITIES			
Accrued interest payable	86,059		86,059
Accounts payable	4,483		4,483
Payroll taxes payable	35,917		35,917
Unearned revenue	851,485		851,485
Long-term liabilities:			
Due within 1 year:			
Bond obligations	1,625,000		1,625,000
Total due within 1 year	1,625,000	-	1,625,000
Due in more than 1 year:			
Bond obligations	11,902,054		11,902,054
Sick leave	300,899		300,899
Net pension liability	13,218,392	554,632	13,773,024
Net OPEB liability	9,596,802	174,668	9,771,470
Total due in more than 1 year	35,018,147	729,300	35,747,447
Total liabilities	37,621,091	729,300	38,350,391
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	530,180	22,246	552,426
Deferred inflows related to OPEB	3,432,268	37,900	3,470,168
Total deferred inflows of resources	3,962,448	60,146	4,022,594
NET POSITION			
Net Investment in capital assets	36,824,974	403,080	37,228,054
Restricted for:			
Capital projects	636,467		636,467
Debt service	34,068		34,068
District activity	15,188		15,188
School activity	360,271		360,271
Food services		29,415	29,415
Unrestricted (deficit)	(10,547,035)		(10,547,035)
Total net position	27,323,933	432,495	27,756,428
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 68,907,472	$ 1,221,941	$ 70,129,413

See the accompanying notes to the financial statements.

Letcher County School District
Statement of Activities
Year ended June 30, 2021

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
					Primary Government		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**
PRIMARY GOVERNMENT:							
Governmental activities:							
Instruction	$ 23,158,205	$	$ 9,627,810	$ -	$ (13,530,395)	$ -	$ (13,530,395)
Support services							
Student	1,835,775	388,462	732,894		(714,419)		(714,419)
Instructional staff	1,062,800		424,300		(638,500)		(638,500)
District administration	809,875		323,325		(486,550)		(486,550)
School administration	1,836,297		733,103		(1,103,194)		(1,103,194)
Business	770,004		307,408		(462,596)		(462,596)
Plant operation & maintenance	4,118,112		1,644,069	1,168,183	(1,305,860)		(1,305,860)
Student transportation	1,774,224		708,321		(1,065,903)		(1,065,903)
Community services operations	425,377		169,823		(255,554)		(255,554)
Food Services		36,234			36,234		36,234
Depreciation*	441,410				(441,410)		(441,410)
Interest on long-term debt	516,409			758,398	241,989		241,989
Total governmental activities	36,748,488	424,696	14,671,052	1,926,581	(19,726,159)		(19,726,159)
Business-type activities:							
Food service operations	2,463,355	2,962	2,518,320			57,927	57,927
Depreciation*	61,086					(61,086)	(61,086)
Total business-type activities	2,524,441	2,962	2,518,320	-	-	(3,159)	(3,159)
Total primary government	$ 39,272,929	$ 427,658	$ 17,189,372	$ 1,926,581	(19,726,159)	(3,159)	(19,729,318)
General revenues:							
Taxes:							
Property taxes					3,377,724		3,377,724
Motor vehicle taxes					735,175		735,175
Utility taxes					1,176,260		1,176,260
Unmined minerals tax					14,092		14,092
State and formula grants					16,152,478		16,152,478
Unrestricted investment earnings					13,794	770	14,564
Other local revenue					263,965		263,965
Transfers					135,655	(135,655)	-
Total general revenues and transfers					21,869,143	(134,885)	21,734,258
Change in net position					2,142,984	(138,044)	2,004,940
Net position - beginning					25,180,949	570,539	25,751,488
Net position - ending					$ 27,323,933	$ 432,495	$ 27,756,428

*Unallocated depreciation that excludes depreciation which is included in the direct expenses of various programs, if any.

See the accompanying notes to the financial statements.

Letcher County School District
Balance Sheet
Governmental Funds
June 30, 2021

	Governmental Funds				
	General	**Special Revenue**	**Debt Service**	**Other Governmental Funds**	**Total**
ASSETS					
Cash and cash equivalents	$ 9,708,851	$ -	$ 34,068	$ 1,016,400	$ 10,759,319
Interfund receivable	757,940				757,940
Receivables					
Taxes, current	165,699				165,699
Accounts		48,539			48,539
Intergovernmental-state		7,207			7,207
Intergovernmental-federal		1,553,688			1,553,688
Prepaid expenditures	187,218				187,218
Total assets	10,819,708	1,609,434	34,068	1,016,400	13,479,610
LIABILITIES					
Accounts payable		9		4,474	4,483
Interfund payable		757,940			757,940
Accrued salaries & benefits payable	35,917				35,917
Unearned revenue		851,485			851,485
Total liabilities	35,917	1,609,434	-	4,474	1,649,825
FUND BALANCE					
Restricted			34,068	636,467	670,535
Committed				375,459	375,459
Assigned	1,500,000				1,500,000
Unassigned	9,283,791				9,283,791
Total fund balance	10,783,791	-	34,068	1,011,926	11,829,785
TOTAL LIABILITIES AND FUND BALANCE	$ 10,819,708	$ 1,609,434	$ 34,068	$ 1,016,400	$ 13,479,610

See the accompanying notes to the financial statements.

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position

June 30, 2021

Fund balances-total governmental funds	$	11,829,785
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.		50,352,028
Costs associated with bond issues and refundings are expensed in the fund financial statements because they are a use of current financial resources but are capitalized on the statement of net position using the economic resources focus		724,550
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, accrued interest payable, other accounts payable, and net pension obligations) are not due and payble in the current period and, therefore, are not reported in the funds		
Accrued interest payable		(86,059)
Bonds payable		(13,527,054)
Sick leave liability		(300,899)
Net pension liability		(13,218,392)
Net OPEB liability		(9,596,802)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		
Deferred outflows related to pensions		2,438,757
Deferred outflows related to OPEB		2,670,467
Deferred inflows related to pensions		(530,180)
Deferred inflows related to OPEB		(3,432,268)
Net position of governmental activities	$	27,323,933

See the accompanying notes to the financial statements.

Letcher County School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2021

	General	Special Revenue	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES					
From local sources					
Taxes					
Property	$ 3,078,885	$ -	$ -	$ 298,839	$ 3,377,724
Motor vehicle	735,175				735,175
Unmined minerals tax	14,092				14,092
Utilities	1,176,260				1,176,260
Earnings on investments	13,700	53	41		13,794
Student activities				388,462	388,462
Food service		36,234			36,234
Other local revenue	108,139	155,826			263,965
Intergovernmental - state	23,645,658	2,024,377	758,398	1,168,183	27,596,616
Intergovernmental - federal	136,502	5,016,993			5,153,495
Total revenues	28,908,411	7,233,483	758,439	1,855,484	38,755,817
EXPENDITURES					
Instruction	15,562,083	6,166,781		444,359	22,173,223
Support services					
Student	1,753,659	82,116			1,835,775
Instructional staff	572,138	475,656		15,006	1,062,800
District administration	809,875				809,875
School administration	1,836,297				1,836,297
Business	770,004				770,004
Plant operation & maintenance	4,079,120	38,992			4,118,112
Student transportation	2,182,615	13,601		14,308	2,210,524
Community services operations		425,377			425,377
Debt service			2,020,909		2,020,909
Total expenditures	27,565,791	7,202,523	2,020,909	473,673	37,262,896
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,342,620	30,960	(1,262,470)	1,381,811	1,492,921
OTHER FINANCING SOURCES (USES)					
Operating transfers in	340,168	55,211	1,262,510		1,657,889
Operating transfers (out)	(55,211)	(86,171)		(1,380,852)	(1,522,234)
Total other financing sources and (uses)	284,957	(30,960)	1,262,510	(1,380,852)	135,655
NET CHANGE IN FUND BALANCES	1,627,577	-	40	959	1,628,576
FUND BALANCE, BEGINNING	9,156,214	-	34,028	1,010,967	10,201,209
FUND BALANCE, ENDING	$ 10,783,791	$ -	$ 34,068	$ 1,011,926	$ 11,829,785

See the accompanying notes to the financial statements.

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year ended June 30, 2021

Net change in fund balances-total governmental funds	$	1,628,576
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
District pension contributions less costs of benefits earned net employee contributions		(1,112,586)
Governmental funds report district OPEB contributions as expenditures. However in the Statement of Activities, the cost of OPEB benefits earned net of employee contributions is reported as pension expense.		
District OPEB contributions less costs of benefits earned net employee contributions		106,832
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.		(5,110)
The difference in the issue amount of the refunding of bond proceeds and the amount for payment to the escrow account to pay the refunded bonds is amortized over the life of the refunding issue.		(102,086)
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.		1,585,000
Bond discount/premium are other financing use/revenue when District bonds are sold in the fund financial statements. In the government wide financial statements the discount/premium are netted in the debt and amortized over the life of the bond.		12,734
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.		
Accrued interest payable		8,852
KSBIT liability		61,014
Sick leave liability		(40,242)
Change in net position of governmental activities	$	2,142,984

See the accompanying notes to the financial statements.

Letcher County School District

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

General Fund

Year ended June 30, 2021

	Budgeted Amounts Original	Budgeted Amounts Final		Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES					
From local sources					
Taxes					
Property	$ 3,125,000	$ 3,125,000		$ 3,078,885	$ (46,115)
Motor vehicle	600,000	600,000		735,175	135,175
Unmined minerals tax	100,000	100,000		14,092	(85,908)
Utilities	1,300,000	1,300,000		1,176,260	(123,740)
Tuition	5,000	5,000			(5,000)
Earnings on investments	15,000	15,000		13,700	(1,300)
Other local revenue	60,000	60,000		108,139	48,139
Intergovernmental - state	16,984,097	16,024,920	*	16,217,407	192,487
Intergovernmental - federal	100,000	100,000		136,502	36,502
Total revenues	22,289,097	21,329,920		21,480,160	150,240
EXPENDITURES					
Instruction	12,916,640	11,957,463	*	10,181,627	1,775,836
Support services					
Student	1,469,823	1,469,823	*	1,465,033	4,790
Instructional staff	615,793	615,793	*	435,295	180,498
District administration	3,220,974	1,124,133	*	727,699	396,434
School administration	1,288,868	1,288,868	*	1,240,978	47,890
Business	749,236	749,236	*	650,574	98,662
Plant operation & maintenance	5,314,337	5,314,337	*	3,546,347	1,767,990
Student transportation	3,469,154	3,469,154	*	1,889,987	1,579,167
Building improvement	3,000	3,000		-	3,000
Total expenditures	29,047,825	25,991,807		20,137,540	5,854,267
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(6,758,728)	(4,661,887)		1,342,620	6,004,507
OTHER FINANCING SOURCES (USES)					
Sale of equipment	2,000	2,000		-	(2,000)
Operating transfers in	142,000	142,000		340,168	198,168
Operating transfers (out)	(58,264)	(58,264)		(55,211)	3,053
Total other financing sources and (uses)	85,736	85,736		284,957	199,221
NET CHANGE IN FUND BALANCES	(6,672,992)	(4,576,151)		1,627,577	6,203,728
FUND BALANCE, BEGINNING	6,672,992	6,672,992		9,156,214	2,483,222
FUND BALANCE, ENDING	$ -	$ 2,096,841		$ 10,783,791	$ 8,686,950

* The on-behalf payments (please see the accompanying notes to the financial statements) were not budgeted, therefore, to better compare the actual to the budgeted amounts these amounts were deducted from both revenue and expenditures in the amount of $7,428,251.

See the accompanying notes to the financial statements.

Letcher County School District

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Special Revenue Fund

Year ended June 30, 2021

	Budgeted Amounts			Variance with Final Budget Favorable
	Original	**Final**	**Actual**	**(Unfavorable)**
REVENUES				
From local sources				
Earnings from investments	$ -	$ -	$ 53	$ 53
Food service			36,234	36,234
Other local revenue	14,182	116,367	155,826	39,459
Intergovernmental - state	1,094,144	2,095,009	2,024,377	(70,632)
Intergovernmental - federal	3,099,497	8,635,142	5,016,993	(3,618,149)
Total revenues	4,207,823	10,846,518	7,233,483	(3,613,035)
EXPENDITURES				
Instruction	3,103,023	9,690,044	6,166,781	3,523,263
Support services				
Student	80,600	80,600	82,116	(1,516)
Instructional staff	475,703	484,919	475,656	9,263
Business	11,704	11,704	-	11,704
Plant operation & maintenance	53,415	45,008	38,992	6,016
Student transportation	103,657	103,657	13,601	90,056
Community services operations	394,901	443,364	425,377	17,987
Total expenditures	4,223,003	10,859,296	7,202,523	3,656,773
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(15,180)	(12,778)	30,960	43,738
OTHER FINANCING SOURCES (USES)				
Operating transfers in	58,265	55,863	55,211	(652)
Operating transfers (out)	(43,085)	(43,085)	(86,171)	(43,086)
Total other financing sources and (uses)	15,180	12,778	(30,960)	(43,738)
NET CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCE, BEGINNING	-	-	-	-
FUND BALANCE, ENDING	$ -	$ -	$ -	$ -

See the accompanying notes to the financial statements.

Letcher County School District
Statement of Net Position
Proprietary Fund
June 30, 2021

		School Food Services
ASSETS		
Cash and cash equivalents	$	575,577
Inventories		64,610
Capital assets:		
Other capital assets, net of depreciation		403,080
Total assets		1,043,267
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions		102,328
Deferred outflows related to OPEB		76,346
Total deferred outflows of resources		178,674
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		1,221,941
LIABILITIES		
Net pension liability		554,632
Net OPEB liability		174,668
Total liabilities		729,300
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions		22,246
Deferred inflows related to OPEB		37,900
Total deferred inflows of resources		60,146
NET POSITION		
Net Investment in capital assets		403,080
Restricted		29,415
Total net position		432,495
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$	1,221,941

See the accompanying notes to the financial statements.

Letcher County School District

Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Fund

Year ended June 30, 2021

		School Food Services
OPERATING REVENUES		
Lunchroom sales	$	2,962
Total operating revenues		2,962
OPERATING EXPENSES		
Depreciation		61,086
Food service operations		
Salaries and benefits		899,150
Operational		1,564,205
Total operating expenses		2,524,441
Operating income (loss)		(2,521,479)
NONOPERATING REVENUES (EXPENSES)		
Federal grants		2,156,788
State grants		361,532
Earnings on investments		770
Transfer		(135,655)
Total nonoperating revenues (expenses)		2,383,435
CHANGE IN NET POSITION		(138,044)
NET POSITION - BEGININNG		570,539
NET POSITION - ENDING	$	432,495

See the accompanying notes to the financial statements.

Letcher County School District

Statement of Cash Flows

Proprietary Fund

Year ended June 30, 2021

		School Food Services
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$	2,962
Payments to suppliers		(1,611,368)
Payments to employees		(899,150)
Net cash provided (used) by operating activities		(2,507,556)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital assets		(32,246)
Net cash provided (used) by capital and related financing activities		(32,246)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating transfer		(135,655)
Investment earnings		770
Operating grants and contributions		2,518,320
Net cash provided (used) by noncapital and related financing activities		2,383,435
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(156,367)
CASH AND CASH EQUIVALENTS, BEGINNING		731,944
CASH AND CASH EQUIVALENTS, ENDING		575,577
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)		(2,521,479)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation		61,086
Changes in assets and liabilities:		
Pension liability		(14,236)
OPEB liability		38,658
Outflow Deferrals		1,823
Inflow Deferrals		(13,179)
Accounts payable		(43,538)
Inventories		(16,691)
Net cash provided (used) by operating activities	$	(2,507,556)

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the district received $124,136 of food commodities from the U.S. Department of Agriculture.

During the year, the district recognized revenues and expenses for on-behalf payments relating to fringe benefits in the amount of $342,471 provided by state government.

See the accompanying notes to the financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity
The Letcher County Board of Education ("Board"), a five-member group, is the level of government, which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Letcher County Board of Education ("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 relevant to the operation of the Letcher 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 District itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the 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:

Blended Component Unit
Letcher County Board of Education Finance Corporation

The Board authorized establishment of the Letcher County Board of Education Finance Corporation a non-stock, non-profit corporation pursuant to Section 162.385 of the School Bond Act and Chapter 273 and Section 58.180 of the Kentucky Revised Statutes (the "Corporation") to act as an agency of the District for financing the costs of school building facilities. The Board of Directors of the Corporation shall be the same persons who are at any time the members of the Board of Education of the Letcher County Board of Education.

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 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 net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

(A) General Fund

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 always a major fund of the District.

(B) Special Revenue (Grant) Fund

The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources (other than expendable trust funds 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 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) District Activity Fund

The District Activity Fund is a Special Revenue Fund type and is used to account for funds collected at individual schools for operation costs of the schools or school district that allows for more flexibility on the expenditures of those funds.

(D) Special Revenue (Student Activity) Fund

Special Revenue (Student Activity) Fund accounts for activities of student groups and other types of activities requiring clearing accounts.

(E) Capital Project Funds

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).

SEEK Capital Outlay Fund

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 as identified in the District’s facility plan.

Building (FSPK) Fund

The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy that is 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.

Construction Fund

The Construction Fund accounts for proceeds from sale of bonds and other revenues to be used for authorized construction and/or remodeling.

(F) Debt Service Fund

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. The Debt Service Fund is a major fund.

II. Proprietary Funds (Enterprise Funds)

Food Service Fund

The School 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.

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. Non-exchange 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.

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

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

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 the 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.

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
Inventory consists of food purchased by the District and commodities granted by the United States Department of Agriculture (USDA). The commodities are recognized as revenues and expenditures by the Food Service Fund when consumed. Any material commodities on hand at year end are recorded as inventory. All purchased inventory items are valued at the lower of cost or market (first-in, first-out) using the consumption method and commodities assigned values are based on information provided by the USDA.

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 expenditure/expense is reported in the year in which services are consumed.

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 government funds. These assets are reported in the government activities column of the government-wide financial statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of 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.

Land and construction in progress are not depreciated. The other property, plant and equipment of the district are depreciated using the straight-line method over the following estimated useful lives:

Description	Estimated Lives
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
Other	10 years

Accrued Liabilities and Long-Term Obligations

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

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

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 the 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.

Fund Balances

Fund balance is divided into five categories as defined by GASB 54 as follows:

Nonspendable:	Permanently nonspendable by decree of the donor, such as an endowment, or funds that are not in a spendable form, such as prepaid expenses or inventory on hand.
Restricted	Legally restricted under legislation, bond authority, or grantor contract.
Committed	Commitments of future funds for specific purposes passed by the Board.

Assigned	Funds that are intended by management to be used for a specific purpose, including encumbrances.
Unassigned	Funds available for any purpose; unassigned amounts are reported only in the General Fund unless a fund has a deficit.

The Board has adopted a GASB 54 spending policy which states that the spending order of funds is to first use restricted, committed, and assigned resources first, then unassigned resources as they are needed.

Net Position

The statement of net position presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net position. Net position are reported in three categories: 1) invested in capital assets net of related debt – consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of the assets; 2) restricted net position – resulting from constraints placed on net position by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation adopted by the School District; 3) unrestricted net position – those assets that do not meet the definition of restricted net position or invested in capital assets. It is the District's policy to first apply restricted net position and then unrestricted net position when an expense is incurred for which both restricted and unrestricted net position are available.

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2021, to finance the General Fund operations were $.690 per $100 valuation of real property, $.690 per $100 valuation for business personal property and $.496 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.

Operating and Non-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.

Non-operating revenues are not generated directly from the primary activity of the proprietary funds. For the School District those revenues come in the form of grants (federal and state), donated commodities, and earnings from investments.

In-Kind

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

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 Receivables/Payables

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

Interfund Transfers

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a 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 the appropriate period. The District reports three types of deferred outflows – contributions to the CERS’s pension and OPEB plans after the measurement period and the unrecognized portion of a deferred loss on the refinancing of long-term debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until the appropriate period. The District reports two types of deferred inflows related to the net difference projected and actual earnings on pension and OPEB plan investments.

Pensions

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

Other Postemployment Benefits (OPEB)

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

Bond and Related Premiums, Discounts, and Issuance Costs

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

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Estimates

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

Budgetary Process

The District prepares its budgets on the modified accrual basis of accounting, which is the same basis as used to prepare the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end. The Kentucky Department of Education does not require the Capital Project Funds and Debt Service Funds to prepare budgets.

Recent Accounting Pronouncements
The District is currently evaluating the potential impact of the following issued, but not yet effective, accounting pronouncements.

GASB Statement No. 87-In June 2017, GASB issued Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability (representational faithfulness), and consistency of information about the leasing activities of the governments. This Statement is effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter.

GASB Statement No. 91-In May, 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by users, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2021.

GASB Statement No. 92-In January, 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The Statement is effective on various dates, but no later than reporting periods beginning after June 15, 2021.

GASB Statement No. 93-In March, 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this statement is to address the accounting and financial reporting implications that result from the replacement of an IBOR. Removal of LIBOR as an appropriate benchmark is effective for reporting periods ending December 30, 2021, paragraphs regarding leases are effective for fiscal years beginning after June 15, 2021, and all other requirements are effective for reporting periods beginning after June 15, 2020.

GASB Statement No. 94-In March, 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The Statement is effective for reporting periods beginning after June 15, 2022.
GASB Statement No. 96-In May, 2020, the GASB issued Statement No. 96, *Subscription-based information Technology Arrangements*. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements

(SBITAs) for government and users (governments). The Statement is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

GASB Statement No. 97-In June, 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-An Amendment of GASB Statement No. 14 and No. 84 and A Supersession of GASB Statement No. 31*. The objective of this Statement is (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The Statement is effective at various times, with some provisions effective immediately, and other provisions effective for fiscal years or reporting periods beginning after June 15, 2021.

NOTE B – CASH AND CASH EQUIVALENTS

The Kentucky Revised Statutes authorize the District to invest money subject to its control in obligations of the United States; bonds or certificates of indebtedness of Kentucky and its agencies and instrumentalities; savings and loan associations insured by an agency of the United States up to the amount insured; and national or state banks chartered in Kentucky and insured by an agency of the United States providing such banks pledge as security obligations, as permitted by KRS 41.240(4), having a current quoted market value at least equal to uninsured deposits.

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

At year end the District's bank balances were under collateralized by securities held by the pledging bank's trust department in the District's name and FDIC insurance. At year end, the carrying amount of the District's cash and cash equivalents was $11,334,896. The bank balance for the same time was $14,429,139.

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

NOTE C – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

Governmental Activities	July 1, 2020	Additions	Deductions	June 30, 2021
Land - nondepreciable	$ 6,920,342	$ -	$ -	$ 6,920,342
Land improvements	4,311,693	-	-	4,311,693
Buildings	50,806,322	-	-	50,806,322
Technology equipment	152,921	-	-	152,921
Vehicles	5,349,974	436,300	-	5,786,274
General equipment	836,193	-	-	836,193
Total at historical cost	$ 68,377,445	$ 436,300	$ -	$ 68,813,744
Less: Accumulated depreciation				
Land improvements	$ 273,929	$ 617	$ -	$ 274,546
Buildings	13,821,332	121,303	-	13,942,635
Technology equipment	116,752	10,663	-	127,415
Vehicles	3,359,133	298,635	-	3,657,769
General equipment	449,162	10,191	-	459,353
Total accumulated depreciation	$ 18,020,307	$ 441,409	$ -	$ 18,461,717
Governmental Activities Capital Assets-net	$ 50,357,138	$ (5,110)	$ -	$ 50,352,028

Business-Type Activities	July 1, 2020	Additions	Deductions	June 30, 2021
Vehicles	$ 40,527	$ 32,246	$ -	$ 72,773
General equipment	742,508	-	-	742,508
Total at historical cost	$ 783,035	$ 32,246	$ -	$ 815,281
Less: Accumulated depreciation				
Vehicles	$ 14,184	$ 14,555	$ -	$ 28,739
General equipment	336,930	46,531	-	383,461
Total accumulated depreciation	$ 351,114	$ 61,086	$ -	$ 412,200
Business-Type Activities Capital Assets-net	$ 431,920	$ (28,840)	$ -	$ 403,080

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as “unallocated”.

NOTE D – DEBT OBLIGATIONS

<u>Bonds</u>

The amount shown in the accompanying financial statements as bonded debt and lease obligations represent the District’s future obligations to make payments relating to the bonds issued by the Letcher County School District Finance Corporation.

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

The original amount of outstanding issues, the issue dates, interest rates, maturity dates, and outstanding balances, at June 30, 2021 are summarized below:

Bond Issue		Original Amount	Maturity Dates	Interest Rates	2020 Bonds Outstanding	Additions	Retirements	2021 Bonds Outstanding
2012R		$ 14,730,000	6/1/2029	2.0 - 3.375%	$ 8,700,000	$ -	$ 950,000	$ 7,750,000
2011R		2,130,000	8/1/2023	1.0 - 3.125%	850,000	-	215,000	635,000
2012		2,460,000	8/1/2032	.8 - 3.05%	2,050,000	-	70,000	1,980,000
2015A		1,130,000	6/1/2025	2.0 - 3.0%	625,000	-	115,000	510,000
2015B		$ 3,900,000	8/1/2030	2.0 - 3.0%	2,810,000	-	235,000	2,575,000
					$ 15,035,000	$ -	$ 1,585,000	$ 13,450,000
Add:	Premium				131,254	-	16,057	115,197
Less:	Discount				(41,467)	-	(3,324)	(38,143)
Total					$ 15,124,787	$ -	$ 1,597,733	$ 13,527,054

The District has entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Kentucky Legislature, for the purpose of assisting local school districts in meeting school construction needs, created the Commission. The table following sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

The bonds may be called prior to maturity at dates and redemption premiums specified in each issue. Assuming no issues are called prior to maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2021 for debt service, (principal and interest) are as follows:

	Local		SFCC			
Year	Principal	Interest	Principal	Interest	Total Principal	Total Interest
2022	$ 974,440	$ 282,083	$ 650,560	$ 109,549	$ 1,625,000	$ 391,632
2023	1,005,887	253,451	664,113	92,385	1,670,000	345,836
2024	1,036,783	223,489	623,217	75,187	1,660,000	298,676
2025	1,070,449	192,102	349,551	61,252	1,420,000	253,354
2026	1,035,508	159,587	299,492	52,583	1,335,000	212,170
2027-2031	3,708,771	319,539	1,536,229	136,196	5,245,000	455,735
2032-2033	345,270	11,296	149,730	4,710	495,000	16,006
	$ 9,177,108	$ 1,441,547	$ 4,272,892	$ 531,863	$ 13,450,000	$ 1,973,410

KSBIT

The District elected to take advantage of the 0% interest option repayment plan for the worker's compensation with the now defunct Kentucky School Board Insurance Trust. The repayment plan required the District to pay 25% of the worker's compensation deficit during fiscal year 2020 with the remaining balance to be repaid this fiscal year. The activity during fiscal year 2021 for the worker's compensation deficit is as follows:

Insurance Fund	2020 Outstanding Balance	Additions	Retirements	2021 Outstanding Balance
Worker's Compensation	$ 61,014	$ -	$ 61,014	$ -

Accumulated Sick Leave

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. The activity during fiscal year 2020 for accumulated sick leave is as follows:

	2020 Outstanding Balance	Additions	Retirements	2021 Outstanding Balance
Sick Leave	$ 260,657	$ 40,242	$ -	$ 300,899

Net Pension & OPEB Liability

The net pension liability is $13,218,392 for governmental activities and $554,632 for business-type activities for a total of $13,773,024 as of June 30, 2021 (See Note F for additional information). The net OPEB liability is $9,596,802 for governmental activities and $174,668 for business-type activities for a total of $9,771,470 as of June 30, 2021 (See Note G for additional information).

A summary of activity in bond obligations and other debts is as follows:

Description	2020 Outstanding Balance	Additions	Retirements	2021 Outstanding Balance	Amount Due in One Year
Bonds, Net of Premium and Discount	$ 15,124,787	$ -	$ 1,597,733	$ 13,527,054	$ 1,625,000
KSBIT	61,014	-	61,014	-	-
Sick Leave	260,657	40,242	-	300,899	-
Net Pension Liability	13,160,163	612,861	-	13,773,024	-
Net OPEB Liability	9,503,450	268,020	-	9,771,470	-
Totals	$ 38,110,071	$ 921,123	$ 1,658,747	$ 37,372,447	$ 1,625,000

NOTE E – OPERATING LEASES

The District has commitments under operating lease agreements for office equipment provided for the minimum future rent payments as of June 30, 2021 are as follows:

Fiscal Year Ended June 30,	Payment
2022	$ 60,487
2023	49,399
2024	9,292
2025	6,660
2026	1,204
Total	$ 127,042

Expenditures for equipment under operating leases for the year ending June 30, 2021 totaled $60,295.

NOTE F – RETIREMENT PLANS

The District's employees are provided with two pension plans, based on each position's college degree requirement. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification.

Teachers Retirement System Kentucky (TRS)

Retirement Annuity Trust

Plan description

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

Benefits provisions

For Members before July 1, 2008: Members become vested when they complete five years of credited service. To qualify for monthly benefits, payable for life, members must either:

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

Non-university members receive monthly payments equal to 2% (service prior to July 1, 1983) and 2.5% (service after July 1, 1983) of their final average salaries for each year of credited service. Non-university members who became members on or after July 1, 2002, will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than 10 years. New members after July 1, 2002, who retire with 10 or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first 10 years. In addition, non-university members who retire July 1, 2004, and later with more than 30 years of service will have a multiplier for all years over 30 of 3%.

The final average salary is the member's five highest annual salaries except members at least age 55 with 27 or more years of service may use their three highest annual salaries. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all members is $440 multiplied by credited service.

For Members On or After July 1, 2008: Members become vested when they complete five years of credited service. To qualify for monthly retirement benefits, payable of r life, members must either:

1. Attain age 60 and complete 5 years of Kentucky service, or
2. Complete 27 years of Kentucky service, or
3. Attain age 55 and complete 10 years of Kentucky service.

The annual retirement allowance for non-university members is equal to : (a) 1.7% of final average salary for each year of credited service if their service is 10 years or less; (b) 2% of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) 2.3% of final average salary for each year of credited service if their service is greater than 20 years but no more than 26 years; (d) 2.5% of final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; (e) 3% of final average salary for years of credited service greater than 30 years.

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

Other Benefits
TRS provides disability benefits for vested members at the rate of 60% of the final average salary.

Cost of living increases are 1.5% annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions
Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.855% of their salaries to the system effective July 1, 2015. The state, as a non-employer contributing entity, pays matching contributions in the amount of 13.105% of salaries for local school district employees hired before July 1, 2008 and 14.105% for those who joined thereafter.

For local school district employees whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to TRS
At June 30, 2021 the District did not report a liability for the District's proportionate share of the net pension liability because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The net pension liability that was associated with the District follows.

TRS

State's proportionate share of the TRS net pension liability associated with the District	$	56,856,979

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2020, the District's proportion was 0.4012%.

Actuarial Methods and Assumptions
A summary of the actuarial assumptions of the latest actuarial valuation follows.

Valuation Date	June 30, 2019
Actuarial Cost Method	Entry age
Inflation Rate	3%
Single Equivalent Interest Rate	7.5%
Municipal Bond Index Rate	3.5%
Projected Salary Increase	3.5-7.3%, including inflation
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation.

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 of 1 year for females and 2 years for males. The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2010, to June 30, 2015, adopted by the board on September 19, 2016. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20 year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System.

Target Allocations
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.

A summary of the target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, follows.

Asset Class	Target Allocation Percentage	Long Term Expected Real Rate Percentage of Return
U.S. Equity	40.0	4.6
International Equity	22.0	5.6
Fixed Income	15.0	---
Additional Categories	7.0	2.5
Real Estate	7.0	4.3
Private Equity	7.0	7.7
Cash	2.0	(0.5)
Total	100.0	

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at the Actuarially Determined Contribution (ADC) rates for all future fiscal years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

TRS	1% Decrease	Current Discount Rate	1% Increase
	6.50%	7.50%	8.50%
State's proportionate share of net pension liability	$ 75,700,233	$ 56,856,979	$ 45,893,701

Pension plan fiduciary net position

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

Other Plans

The District also offers employees the option to participate in defined contribution plans under 401(k) of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum allowable by law. These plans are administered by an independent third-party administrator.

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until their termination, retirement, death or unforeseeable emergency.

GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, allows entities with little or no administrative involvement and who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The District, therefore, does not report these assets and liabilities on its financial statements.

Employee contributions made to the plans during the year totaled $171,930. The District does not contribute to these plans.

County Employees Retirement System

Non-Hazardous

Plan description

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

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

Benefits provided

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

Contributions

Funding for CERS is provided by members, who contribute 5.00% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions, and by employers of members. For the year ending June 30, 2021, employers were required to contribute 24.06% of the member's salary. During the year ending June 30, 2021, the District contributed $1,060,375 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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

At June 30, 2021, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 on an actuarial valuation as of that date. The District's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2020. The District's proportion was 0.179572%.

CERS

District's proportionate share of CERS net pension liability	$	13,773,024

For the year ended June 30, 2021, the District recognized pension expense of $1,126,431 and reported deferred outflows of resources and deferred inflows of resources related to pensions as follows.

CERS		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	$	343,456	$	-
Changes of assumptions		537,813		-
Net difference between projected and actual earnings on pension plan investments		597,014		252,362
Changes in proportion and differences between District contributions and proportionate share of contributions		63,717		300,064
District contributions subsequent to the measurement date		999,085		-
	$	2,541,085	$	552,426

The $999,085 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, 2022.

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

		Year Ended June 30,
Year 1	$	461,610
Year 2		242,431
Year 3		147,113
Year 4		138,420
	$	989,574

Actuarial Methods and Assumptions for Determining the Total Pension Liability and Net Pension Liability

For financial reporting, the actuarial valuation as of June 30, 2020, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2020 were based on an actuarial valuation date June 30, 2019. The total pension liability was rolled forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020, using generally accepted accounting principles. The financial reporting actuarial valuation used the following actuarial methods and assumptions:

Valuation Date	June 30, 2019
Inflation	2.30%
Payroll Growth Rate	2.0%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%

The mortality table used for active members was Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2020. The mortality table used for disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

Target Asset Allocation

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class is summarized in the table below. The current long term inflation assumption is 2.30% per annum.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	62.50%	
US Equity	18.75%	4.50%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Special Credit/High Yield	15.00%	3.90%
Liquidity	14.50%	
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Diversifying Strategies	23.00%	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
Expected Real Return	100%	3.96%
Long-Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		6.26%

Discount rate

The projection of cash flows used to determine the discount rate of 6.25% assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018). The discount rate determination does not use a municipal bond rate.

Actuarial Methods and Assumptions used to determine the Actuarial Determined Contributions

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2020:

Valuation Date	June 30, 2018
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	25 years, Closed
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%
Payroll Growth Rate	2.0%
Salary Increase	3.30% to 11.55%, varies by service
Investment Rate of Return	6.25%

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.

Sensitivity of the District's proportionate share of net pension liability to changes in the discount rate

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

CERS	**1% Decrease**	**Current Discount Rate**	**1% Increase**
	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	$ 16,985,135	$ 13,773,024	$ 11,113,273

Pension plan fiduciary net position

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

Payables to the pension plan

At June 30, 2021, there are no payables to CERS.

NOTE G – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The District's employees participate in retirement systems of either TRS or CERS as described earlier. The following describes the postemployment benefits other than OPEB for both systems.

TRS – General Information about the OPEB Plans

Health Insurance Trust

Plan description

In addition to the retirement annuity plan as described earlier, KRS 161.675 requires TRS to provide postemployment healthcare benefits to eligible members and dependents. The TRS Health Insurance Trust is funded by employer and member contributions. Changes made to the medical plans provided through the trust may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

Medical coverage through TRS is funded by a combination of contributions from employees, the state and other employers. Coverage is provided through an account established pursuant to 26 U.S.C. sec. 401(h) and 115 trust fund that went into effect on July 1, 2010. The insurance trust fund includes employer and retired member contributions required under KRS 161.550 and KRS 161.675(4) (b).

Benefits provided

To be eligible for medical benefits, the member must have retired either for service or disability and a required amount of service credit. The TRS medical plan offers members who are not eligible for Medicare and under age 65 coverage through the Kentucky Employees Health Plan (KEHP) administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are eligible for Medicare, coverage is obtained through the TRS Medicare Eligible Health Plan (MEHP) administered by TRS.

Contributions

Contributions are made on behalf of TRS retired members toward payment of health insurance premiums. The amount of the member’s contribution is based on a table approved by the TRS board. Retired members pay premiums in excess of the monthly contribution. The Commonwealth of Kentucky bears risk for excess claims expenses that exceed the premium equivalents charged for the KEHP. The member postemployment medical contribution is 3.75% of salary. The employer postemployment medical contribution is 0.75% of member salaries. Also, employers contribute 3% of members’ salaries and the state contributes the net cost of health insurance premiums for new retirees after June 30, 2010, in the non-Medicare eligible group.

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

At June 30, 2021, the District reported a liability of $5,434,000 for its proportionate share of the collective net OPEB liability (NOL). The collective net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was based on a projection of the District’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the District’s proportion was .172489%.

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 as follows.

MIF		
District's proportionate share of TRS net OPEB liability	$	5,434,000
State's proportionate share of the TRS net OPEB liability associated with the District		4,353,000
	$	9,787,000

The District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following.

MIF		**Deferred Outflows of Resources**		**Deferred Inflows of Resources**
Differences between expected and actual experience	$	-	$	2,317,000
Changes of assumptions		329,000		-
Net difference between projected and actual earnings on pension plan investments		177,000		-
Changes in proportion and differences between District contributions and proportionate share of contributions		84,000		212,000
District contributions subsequent to the measurement date		260,944		-
	$	850,944	$	2,529,000

The $260,944 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 collective net OPEB liability for the year ended June 30, 2022. 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.

MIF		**Year Ended June 30,**
Year 1	$	(402,000)
Year 2		(388,000)
Year 3		(391,000)
Year 4		(344,000)
Year 5		(296,000)
Thereafter		(118,000)
	$	(1,939,000)

Actuarial Methods and Assumptions

A summary of the actuarial assumptions as of the latest actuarial valuation follows.

Valuation Date	June 30, 2019
Single Equivalent Interest Rate	8%, net of OPEB plan investment expense, including price inflation
Municipal Bond Index Rate	2.2%
Investment Rate of Return	8.0%, net of OPEB plan investment expense, including inflation
Inflation Rate	3.0%
Real Wage Growth	0.5%
Wage Inflation	3.5%
Projected Salary Increases	3.5 - 7.2%, including wage inflation
Discount Rate	8.0%
Health Care Cost Trends	
KEHP Group	7.25% for fiscal year 2020 decreasing to an ultimate rate of 5% by fiscal year 2029
MEHP Group	5.25% for fiscal year 2019 decreasing to an ultimate rate of 5% by fiscal year 2022
Medicare Part B Premiums	6.49% for fiscal year 2020 with an ultimate rate of 5% by 2031

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB, and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2019 valuation were based on the results of the most recent actuarial experience studies for the system, which covered the five year period ending June 30, 2015. The remaining actuarial assumptions used in the June 30, 2019, valuation of the health trust were based on a review of recent plan experience done concurrently with the June 30, 2019, valuation. The health care cost trend rate assumption was updated for the June 30, 2019, valuation and was shown as an assumption change in the total OPEB liability (TOL) roll forward while the change in initial per capital claims costs were included with experience in the TOL roll forward. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20 year Municipal Bond index pushed weekly by the Board of Governors of the Federal Reserve System.

Target Allocations

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

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

Asset Class	Target Allocation Percentage	30 Year Expected Geometric Real Rate of Return
Global Equity	58.00	5.40
Fixed Income	9.00	0.00
Real Estate	6.50	4.30
Private Equity	8.50	7.70
Additional Categories	17.00	2.50
Cash	1.00	(0.50)
Total	100.00	

Discount Rate

The discount rate used to measure the TOL as of the measurement date was 8.00%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB Statement No. 74. The projection's basis was an actuarial valuation performed as of June 30, 2019. In addition to actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 3.50%.
- The KEHP group retiree health care costs for members retired on or after July 1, 2010, were assumed to be paid by either the state or the retirees themselves.
- As administrative expenses, other than the administrative fee of $7.44 per member per month (PMPM) paid to KEHP by TRS, were assumed to be paid in all years by the employer as they come due, they were not considered.
- Cash flows occur mid-year.
- Future contributions to the Health Insurance Trust were based upon the contribution rates defined in statute and the projected payroll of active employees. Per KRS 161.540(1)(c).3 and 161.550(5), when the health trust achieves a sufficient funded status, as determined by TRS's actuary, the following health trust statutory contributions are to be decreased, suspended, or eliminated:
    - Employee Contributions
    - Employer Contributions
    - State Contributions for KEHP premium subsidies payable to retirees who retire after June 30, 2010

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

- In developing the adjustments to the statutory contributions in future years the following was assumed:
    - Liabilities and cash flows are net of expected retiree contributions and any implicit subsidies attributable to coverage while participating in KEHP.
    - A 0% active member growth rate was assumed for the purposes of developing estimates for new entrants (membership dates beyond June 30, 2019).

Based on these assumptions, the Health Insurance Trust's fiduciary net position (FNP) was not projected to be depleted.

The FNP projections are based upon the health trust's financial status on the valuation date, the indicated set of methods and assumptions, and the requirements of GASB Statement No. 74. As such, the FNP projections are not reflective of the cash flows and asset accumulations that would occur on an ongoing basis, reflecting the impact of future members. Therefore, the results of these tests do not necessarily indicate whether or not the health trust will actually run out of money, the financial condition of the trust, or the trust's ability to make benefit payments in future years.

The following table presents the NOL of the Commonwealth associated with the District, calculated using the discount rate of 8.00%, as well as what the Commonwealth's 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:

MIF	**1% Decrease**	**Current Discount Rate**	**1% Increase**
	7.00%	8.00%	9.00%
District's proportionate share of net OPEB liability	$ 6,568,000	$ 5,434,000	$ 4,488,000

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:

MIF	**1% Decrease**	**Current Trend Rate**	**1% Increase**
District's proportionate share of net OPEB liability	$ 4,307,000	$ 5,434,000	$ 6,823,000

Life Insurance Trust

Plan description and benefits provided

TRS administers the Life Insurance Trust as provided by KRS 161.655 to provide life insurance benefits to retired and active members. The benefit is financed by actuarially determined contributions from the 207 participating employers. The benefit is $5,000 for members who are retired for service or disability, and $2,000 for active contribution members.

Note: Members employed on a substitute or part-time basis and working at least 69% of a full contract year in a single fiscal year will be eligible for a life insurance benefit for the balance of the fiscal year or the immediately succeeding fiscal year under certain conditions. For non-vested members employed on a substitute or part-time basis, the life insurance benefit is provided if death occurs as the result of a physical injury on the job. For vested members employed on a substitute or part-time basis, death does not have to be the result of a physical injury on the job for life insurance benefits to be provided.

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.

Net OPEB Liability
At June 30, 2021, 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 as follows.

LIF		
State's proportionate share of the TRS net OPEB liability associated with the District	$	132,000

Actuarial Assumptions
A summary of the actuarial assumptions as of the latest actuarial valuation is shown below.

Valuation Date	June 30, 2019
Single Equivalent Interest Rate	7.5%, net of OPEB plan expense, including price inflation
Municipal Bond Index Rate	2.2%
Investment Rate of Return	7.5%, net of OPEB plan investment expense, including inflation
Inflation Rate	3.0%
Real Wage Growth	0.5 %
Wage Inflation	3.5%
Projected Salary Increase	3.5 to 7.2%, including wage inflation
Discount Rate	7.5%

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB, and set forward of 1 year for females and 2 years for males is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation and rates of plan election used in the June 30, 2019, valuation were based on the results of the most recent actuarial experience studies for the system, which covered the 5 year period ending June 30, 2015. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20 year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System.

Target Allocations

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

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

Asset Class	Target Allocation Percentage	Expected Geometric Real Rate Percentage of Return
U.S. Equity	40.0	4.6
International Equity	23.0	5.6
Fixed Income	18.0	---
Real Estate	6.0	4.3
Private Equity	5.0	7.7
Other Additional Categories	6.0	2.5
Cash	2.0	(0.5)
	100.0	

Discount Rate

The discount rate used to measure the total OPEB liability (TOL) as of the measurement date was 7.5%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB Statement No. 74. The projection's basis was an actuarial valuation performed as of June 30, 2019. In addition to actuarial methods and assumptions of the June 30, 2019, actuarial valuation, the following actuarial methods and assumptions were used in the projection of the life insurance cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 3.5%.
- The employer will contribute the actuarially determined contribution (ADC) in accordance with the Life Insurance Trust's funding policy determined by a valuation performed on a date two years prior to the beginning of the fiscal year in which the ADC applies.

- As administrative expenses were assumed to be paid in all years by the employer as they come due, they were not considered.
- Active employees do not explicitly contribute to the plan.
- Cash flows occur mid-year.

Based on these assumptions, the Life Insurance Trust's fiduciary net position FNP was not projected to be depleted. The FNP projections are based upon the Life Insurance Trust's financial status on the valuation date, the indicated set of methods and assumptions, and the requirements of GASB Statement No. 74. As such, the FNP projections are not reflective of the cash flows and asset accumulations that would occur on an ongoing basis, reflecting the impact of future members. Therefore, the results of these tests do not necessarily indicate whether the Life Insurance Trust actually will run out of money, the financial condition of the trust, or the trust's ability to make benefit payments in future years.

Revenue and Expenses

For the year ended June 30, 2021, the District recognized OPEB revenue in the amount of $320,988 for support provided on-behalf of the State.

CERS – General Information about the OPEB Plans

Employees' Health Plan

Plan description

CERS Non-hazardous Insurance Plan is a cost-sharing multiple employer defined benefit Other Postemployment Benefits (OPEB) plan. The plan covers all regular full-time members employed in non-hazardous duty positions of the school board. The plan provides for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

Benefits provided

The Plan provides health insurance benefits to plan members.

Contributions - Requirements for medical benefits are a portion of the actuarially determined rates of covered payroll, as disclosed above. Current employees pay 1% toward the insurance fund.

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

At June 30, 2021, the District reported a liability of $4,337,470 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the District's proportion was .179628%.

For the year ended June 30, 2021, the District recognized OPEB expense of $213,377. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources.

CERS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 724,700	$ 725,266
Changes of assumptions	754,463	4,588
Net difference between projected and actual earnings on pension plan investments	232,673	88,506
Changes in proportion and differences between District contributions and proportionate share of contributions	16,292	122,808
District contributions subsequent to the measurement date	167,741	-
	$ 1,895,869	$ 941,168

The $167,741 (includes $106,451 Implicit Subsidy) 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 collective net OPEB liability for the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows.

	Year Ended June 30,
Year 1	$ 209,573
Year 2	252,238
Year 3	170,550
Year 4	164,047
Year 5	(9,448)
	$ 786,960

Implicit Employer Subsidy- The fully-insured premiums KRS pays for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. GASB 74 and 75 requires that the liability associated with this implicit subsidy be included in the calculation of the total OPEB liability.

Changes of Benefit Terms
None

Actuarial Methods and Assumptions to Determine the Total OPEB Liability (TOL) and the Net OPEB Liability (NOL)
The total OPEB liability, net OPEB liability, and sensitivity information for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2019. The total OPEB liability was rolled-forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020, using the generally accepted actuarial principles.

The following actuarial assumptions were used in performing the actuarial valuation as of June 30, 2020:

Inflation	2.30%
Salary Increase	3.30 – 10.3%, varies by service
Investment Rate of Return	6.25%
Payroll Growth Rate	2.0%
Healthcare Trend Rates (Pre-65)	Initial trend starting at 6.4% at January 1, 2022, and Gradually decreasing to an ultimate trend rate of 4.05% over period of 14 years.
Healthcare Trend Rates (Post-65)	Initial trend starting at 2.9% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over period of 14 years.
Mortality Pre-retirement	PUB-2010 General Mortality table
Mortality 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
Mortality 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 assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2019 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. The anticipated savings from the repeal of the "Cadillac Tax" and the "Health Insurer Fee", which occurred in December of 2019 are reflected in the June 30, 2020 GASB 75 actuarial information. The assumed load on pre-Medicare premiums to reflect the cost of the Cadillac Tax was removed and the Medicare premiums were reduced by 11% to reflect the repeal of the Health Insurer Fee. There were no other material assumption changes.

Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2020. Gains and losses incurring in future years will be amortized over separate 20 year amortization bases. This change does not impact the calculation of the TOL and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020. There were no other material plan provision changes.

Discount rate

Single discount rates of 5.34% were used to measure the TOL as of June 30, 2020. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25%, and a municipal bond rate of 2.45%, as reported in Fidelity Index's "20 Year Municipal GO AA Index" as of June 30, 2020. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan's fiduciary net position on future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system. However, the cost associated with the implicit employer subsidy was not included in the calculation of the KRS' actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KRS' trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic real rates of return of each major asset class are summarized in the CAFR.

The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. The future contributions are projected in accordance with the current funding policy, as most recently revised by Senate Bill 249, passed during the 2020 legislative session. If there is a pattern of legislation that has a resulting effect of employers making contributions less than the actuarially determined rate, GRS may be required to project contributions that are reflective of recent actual contribution efforts regardless of the stated funding policy (as required by paragraph 50 of GASB Statement No. 74).

The following table presents the NOL calculated using the discount rate of 5.34%, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.34%) or 1-percentage-point higher (6.34%) than the current rate.

CERS	**1% Decrease**	**Current Discount Rate**	**1% Increase**
	4.34%	5.34%	6.34%
District's proportionate share of net OPEB liability	$ 5,572,376	$ 4,337,470	$ 3,323,201

Actuarial Methods and Assumptions used to determine the Actuarial Determined Contribution

The following actuarial assumptions were used in performing the actuarially determined contributions effective for fiscal year ending June 30, 2020:

Valuation Date	June 30, 2018
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry age normal
Amortization Method	Level percent of pay
Remaining Amortization Period	25 years, closed
Payroll Growth Rate	2.0%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.3%
Salary Increases	3.3 to 11.55%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates (Pre-65)	Initial trend starting at 7% at January 1, 2020, and Gradually decreasing to an ultimate trend rate of 4.05% over period of 12 years.
Healthcare Trend Rates (Post-65)	Initial trend starting at 5% at January 1, 2020, and Gradually decreasing to an ultimate trend rate of 4.05% over period of 10 years.
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

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.

Health Care Trend Rate Sensitivity

The following presents the health care sensitivity rate of the District's proportionate share of the net pension liability calculated using the discount rate of 5.34%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.34%) or 1-percentage-point higher (6.34%) than the current rate:

CERS	**1% Decrease**	**Current Trend Rate**	**1% Increase**
District's proportionate share of net OPEB liability	$ 3,358,286	$ 4,337,470	$ 5,525,733

OPEB plan fiduciary net position

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

NOTE H – COMMITMENTS

The District has future commitments of $15,188 for District Activities, $360,271 for Student Activities and $95,162 for a construction project.

NOTE I - CONTINGENCIES

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

NOTE J- 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. All outcomes are expected to be covered by insurance policies.

NOTE K – 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, illegal acts, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies, which are retrospectively rated which include Workers' Compensation insurance.

NOTE L – RISK MANAGEMENT

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

The District purchases unemployment insurance through the Kentucky School Districts 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 coverage in any of the past three fiscal years.

NOTE M - COBRA

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

NOTE N – TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From	To	Purpose		Amount
Operations	General Fund	Special Revenue Fund	KETS Matching	$	55,211
Operations	Food Service	General Fund	Indirect Cost		135,655
Debt Service	Capital Outlay	General Fund	Operations		204,513
Debt Service	Special Revenue Fund	Debt Service Fund	Debt Payments		86,171
Debt Service	Building Fund	Debt Service Fund	Debt Payments		1,176,339
Operations	Special Revenue Fund	Special Revenue Fund	Federal Expenditures	$	181,784

NOTE O – ON-BEHALF PAYMENTS

For fiscal year 2021, the Commonwealth of Kentucky contributed estimated payments on behalf of the District as follows:

Plan/Description		Amount
Kentucky Teachers Retirement System (GASB 68 & 75)	$	4,426,393
Health Insurance		3,369,857
Life Insurance		5,779
Administrative Fee		46,899
HRA/Dental/Vision		226,363
Federal Reimbursement		(408,939)
Technology		104,370
SFCC Debt Service Payments		758,398
Total	$	8,529,120

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

NOTE P – RESTRICTED FUND BALANCES

Fund		Amount	Purpose
Construction	$	257,822	Future Construction
FSPK		27,776	Future Construction
Food Service		29,415	Food Service Operations
Capital Outlay		350,869	School Activity
Debt Service	$	34,028	Debt Service

NOTE Q - DEFICIT FUND AND OPERATING BALANCES

Fund		Reduction in Fund Balance
Food Service Fund	$	(138,044)
Student Activity		(84,108)
District Activity	$	(1,103)

NOTE R – UNCERTAINTY

The COVID-19 outbreak is disrupting business across a range of industries in the United States and financial markets have experienced a significant decline. As a result, local, regional and national economies, including that of the District, may be adversely impacted. The extent of the financial impact of COVID-19 will depend on future developments, including the duration and spread, which are uncertain and cannot be predicted. Due to the uncertainties surrounding the outbreak, management cannot presently estimate the potential impact on the District's operations and finances.

NOTE S – SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 15, 2021, the date of the audit report.

LETCHER COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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

CERS and TRS

For the year ended June 30, 2021

		Reporting Fiscal Year (Measurement Date) 2021 (2020)		Reporting Fiscal Year (Measurement Date) 2020 (2019)		Reporting Fiscal Year (Measurement Date) 2019 (2018)		Reporting Fiscal Year (Measurement Date) 2018 (2017)		Reporting Fiscal Year (Measurement Date) 2017 (2016)		Reporting Fiscal Year (Measurement Date) 2016 (2015)
COUNTY EMPLOYEE'S RETIREMENT SYSTEM (CERS):												
Districts' proportion of the net pension liability		0.179572%		0.18712%		0.18497%		0.18448%		0.193100%		0.19390%
District's proportionate share of the net pension liability	$	13,773,024	$	13,160,163	$	11,265,480	$	10,797,947	$	9,507,578	$	8,336,635
State's proportionate share of the net pension liability associated with the District		-		-		-		-		-		-
Total	$	13,773,024	$	13,160,163	$	11,265,480	$	10,797,947	$	9,507,578	$	8,336,635
District's covered-employee payroll	$	4,577,456	$	4,785,151	$	4,953,120	$	4,510,734	$	4,600,493	$	4,523,724
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		300.89%		275.02%		227.44%		239.38%		206.66%		184.29%
Plan fiduciary net position as a percentage of the total pension liability		47.81%		50.54%		53.54%		53.30%		59.00%		59.97%
KENTUCKY TEACHER'S RETIREMENT SYSTEM (TRS):												
Districts' proportion of the net pension liability		0.4012%		0.407%		0.413%		0.420%		0.437%		0.435%
District's proportionate share of the net pension liability	$	-	$	-	$	-	$	-	$	-	$	-
State's proportionate share of the net pension liability associated with the District		56,856,979		55,558,686		54,110,781		113,322,939		128,906,032		101,130,172
Total	$	56,856,979	$	55,558,686	$	54,110,781	$	113,322,939	$	128,906,032	$	101,130,172
District's covered-employee payroll	$	14,341,822	$	14,449,720	$	14,423,090	$	14,581,007	$	14,941,246	$	14,423,334
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		0.000%		0.000%		0.000%		0.000%		0.000%		0.000%
Plan fiduciary net position as a percentage of the total pension liability		58.27%		58.80%		59.30%		39.80%		35.22%		42.29%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30

See the accompanying notes to the required supplementary information.

LETCHER COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CONTRIBUTIONS

CERS and TRS

For the year ended June 30, 2021

	2021	2020	2019	2018	2017	2016
COUNTY EMPLOYEE'S RETIREMENT SYSTEM (CERS):						
Contractually required contribution	$ 999,085	$ 1,037,666	$ 971,605	$ 848,012	$ 850,061	$ 785,664
Contributions in relation to the contractually required contributions	999,085	1,037,666	971,605	848,012	850,061	785,664
Contribution deficiency (excess)	-	-	-	-	-	-
District's covered-employee payroll	$ 4,287,814	$ 4,577,456	$ 4,785,151	$ 4,953,120	$ 4,510,734	$ 4,600,493
District's contributions as a percentage of it's covered-employee payroll	23.30%	22.67%	20.30%	17.12%	18.85%	17.08%
KENTUCKY TEACHER'S RETIREMENT SYSTEM (TRS):						
Contractually required contribution	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contributions	-	-	-	-	-	-
Contribution deficiency (excess)	-	-	-	-	-	-
District's covered-employee payroll	$ 14,460,118	$ 14,341,822	$ 14,449,720	$ 14,423,090	$ 14,581,007	$ 14,941,246
District's contributions as a percentage of it's covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30.

See the accompanying notes to the required supplementary information.

Teachers Retirement System (TRS)

Retirement Annuity Trust

Changes of Benefit Terms

None.

Changes of assumptions

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

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.

Actuarial Methods and Assumptions

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

Actuarial Cost Method	Entry age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	27.4 years
Asset Valuation Method	5-year smoothed market value
Inflation	3%
Salary Increase	3.5-7.3%, including inflation
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation.

County Employee Retirement System (CERS)

Non-Hazardous

Changes of Benefit Terms

None.

Changes of assumptions

None.

Actuarial Methods and Assumptions

Based on the June 30, 2018 actuarial valuation report, the actuarial methods and assumptions used to calculate the contribution rates are as follows.

Valuation Date	June 30, 2018
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	25 years, Closed
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%
Payroll Growth Rate	2.0%
Salary Increase	3.30% to 11.55%, varies by service
Investment Rate of Return	6.25%

LETCHER COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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

MEDICAL AND LIFE INSURANCE PLANS - TEACHERS' RETIREMENT SYSTEM

Year ended June 30, 2021

	Reporting Fiscal Year (Measurement Date) 2021 (2020)	**Reporting Fiscal Year** (Measurement Date) 2020 (2019)	**Reporting Fiscal Year** (Measurement Date) 2019 (2018)	**Reporting Fiscal Year** (Measurement Date) 2018 (2017)
MEDICAL INSURANCE PLAN				
District's proportion of the collective net OPEB liability (asset)	0.215331%	0.21721%	0.21393%	0.22208%
District's proportionate share of the collective net OPEB liability (asset)	$ 5,434,000	$ 6,357,000	$ 7,423,000	$ 7,919,000
State's proportionate share of the collective net OPEB liability (asset) associated with the District	4,353,000	5,134,000	6,397,000	6,469,000
Total	$ 9,787,000	$ 11,491,000	$ 13,820,000	$ 14,388,000
District's covered-employee payroll	$ 14,341,822	$ 14,449,720	$ 14,423,090	$ 14,581,007
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	55.77%	55.77%	55.77%	54.31%
Plan fiduciary net position as a percentage of the total OPEB liability	39.10%	32.60%	25.50%	21.20%
LIFE INSURANCE PLAN				
District's proportion of the collective net OPEB liability (asset)	0.00000%	0.00000%	0.00000%	0.00000%
District's proportionate share of the collective net OPEB liability (asset)	$ -	$ -	$ -	$ -
State's proportionate share of the collective net OPEB liability (asset) associated with the District	132,000	119,000	110,000	87,000
Total	$ 132,000	$ 119,000	$ 110,000	$ 87,000
District's covered-employee payroll	$ 14,341,822	$ 14,449,720	$ 14,423,090	$ 14,581,007
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	71.60%	73.40%	75.00%	80.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30.

See the accompanying notes to the required supplementary information.

LETCHER COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CONTRIBUTIONS

MEDICAL AND LIFE INSURANCE PLANS

TEACHERS' RETIREMENT SYSTEM

Year ended June 30, 2021

	2021	2020	2019	2018
MEDICAL INSURANCE PLAN				
Contractually required contribution	$ 260,944	$ 366,956	$ 379,233	$ 380,258
Contributions in relation to the contractually required contribution	260,944	366,956	379,233	380,258
Contribution deficiency (excess)	-	-	-	-
District's covered-employee payroll	$ 14,460,118	$ 14,341,822	$ 14,449,720	$ 14,423,090
District's contributions as a percentage of it's covered-employee payroll	1.80%	2.56%	2.62%	2.64%
LIFE INSURANCE PLAN				
Contractually required contribution	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	-	-	-	-
District's covered-employee payroll	$ 14,460,118	$ 14,341,822	$ 14,449,720	$ 14,423,090
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	0.00%	0.00%	0.00%	0.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30.

See the accompanying notes to the required supplementary information.

LETCHER COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - HEALTH INSURANCE PLAN
COUNTY EMPLOYEE RETIREMENT SYSTEM
Year ended June 30, 2021

	Reporting Fiscal Year (Measurement Date) 2021 (2020)	**Reporting Fiscal Year** (Measurement Date) 2020 (2019)	**Reporting Fiscal Year** (Measurement Date) 2019 (2018)	**Reporting Fiscal Year** (Measurement Date) 2018 (2017)
HEALTH INSURANCE PLAN				
District's proportion of the collective net OPEB liability (asset	0.179628%	0.18707%	0.18497%	0.18448%
District's proportionate share of the collective net OPEB liability (asset	$ 4,337,470	$ 3,146,450	$ 3,284,052	$ 3,708,599
State's proportionate share of the collective net OPEE liability (asset) associated with the Distric	-	-	-	-
Total	$ 4,337,470	$ 3,146,450	$ 3,284,052	$ 3,708,599
District's covered-employee payroll	$ 4,577,456	$ 4,785,151	$ 4,953,120	$ 4,510,734
District's proportionate share of the collective net OPEE liability (asset) as a percentage of its covered-employee payroll	94.76%	65.75%	66.30%	82.22%
Plan fiduciary net position as a percentage of the total OPEB liability	51.67%	60.44%	57.62%	13.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30

See the accompanying notes to the required supplementary information.

LETCHER COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CONTRIBUTIONS - HEALTH INSURANCE PLAN

COUNTY EMPLOYEE RETIREMENT SYSTEM

Year ended June 30, 2021

	2021	2020	2019	2018
HEALTH INSURANCE PLAN				
Contractually required contribution	$ 167,741	$ 131,216	$ 101,538	$ 87,148
Contributions in relation to the contractually	167,741	131,216	101,538	87,148
Contribution deficiency (excess)	-	-	-	-
District's covered-employee payroll	$ 4,287,814	$ 4,577,456	$ 4,785,151	$ 4,593,120
District's contributions as a percentage of it's covered-employee payroll	3.91%	2.87%	2.12%	1.90%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30.

See the accompanying notes to the required supplementary information.

Teachers Retirement System (TRS)

Health Insurance Trust

Changes of Benefit Terms

None.

Changes of Assumptions

None.

Actuarial Methods and Assumptions

The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated as of June 30, 2019. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of the schedule.

Actuarial Cost Method	Entry age normal
Amortization Period	Level percentage of payroll
Amortization Method	21 years, closed
Asset Valuation Method	5-year smoothed market value
Inflation	3%
Real Wage Growth	0.5%
Wage Inflation	3.5%
Salary Increase	3.5 to 7.2%, including wage inflation
Discount Rate	8.0%
Health Care Cost Trends	
KEHP Group	7.25% at June 30, 2020, decreasing to an ultimate rate of 5% by June 30, 2029
MEHP Group	5.25% at June 30, 2020, decreasing to an ultimate rate of 5% by June 30, 2022
Medicare Part B Premiums	6.4% at June 30, 2020 with an ultimate rate of 5% by June 30, 2031
KEHP Group Claims	The current KEHP premium is used as the base cost and is projected Forward using only the health care trend assumption (no implicit rate subsidy is recognized).

Life Insurance Trust

Changes of Benefit Terms

None.

Changes of Assumptions

None.

Actuarial Methods and Assumptions

The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated as of June 30, 2017 valuation date. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of the schedule.

Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll
Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	3%
Real Wage Growth	0.5%
Wage Inflation	3.5%
Salary Increase	3.5 to 7.45%, including wage inflation
Discount Rate	7.5%

County Employee Retirement System (CERS)

Employees' Health Plan

Changes of Benefit Terms

None.

Changes of Assumptions

The discount rate used to calculate the total OPEB liability decreased from 5.68% to 5.34%. The assumed in future health care costs, or trend assumption, was reviewed during the June 30, 2019 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. Also, the June 30, 2020 GASB No. 75 actuarial information reflects the anticipated savings from the repeal of the "Cadillac Tax" and "Health Insurer Fee", which occurred in December of 2019. The assumed load on pre-Medicare premiums to reflect the cost of the Cadillac Tax aw removed and the Medicare premiums to reflect the cost of the Cadillac Tax was removed and the Medicare premiums were reduced by 11% to reflect the repeal of the Health Insurer Fee.

Actuarial Methods and Assumptions

The actuarially determined contribution rates effective for fiscal year ending 2020 are calculated based on the June 30, 2018 valuation report. The actuarial methods and assumptions used to calculate these contribution rates are as follow.

Valuation Date	June 30, 2018
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry age normal
Amortization Method	Level percent of pay
Remaining Amortization Period	25 years, closed
Payroll Growth Rate	2.0%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.3%
Salary Increases	3.3 to 11.55%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates (Pre-65)	Initial trend starting at 7% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over period of 12 years.
Healthcare Trend Rates (Post-65)	Initial trend starting at 5% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over period of 10 years.
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

Letcher County School District
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2021

	Other Governmental Funds					
	Special Revenue School Activity	**Construction**	**Capital Outlay**	**FSPK**	**District Activity**	**Total**
Assets						
Cash and cash equivalents	$ 364,745	$ 257,822	$ 350,869	$ 27,776	$ 15,188	$ 1,016,400
Total assets	364,745	257,822	350,869	27,776	15,188	1,016,400
Liabilities and Fund Balance						
Liabilities						
Accounts Payable	4,474					4,474
Total liabilities	4,474	-	-	-	-	4,474
Fund balance						
Restricted		257,822	350,869	27,776		636,467
Committed	360,271				15,188	375,459
Total fund balance	360,271	257,822	350,869	27,776	15,188	1,011,926
Total liabilities and fund balances	$ 364,745	$ 257,822	$ 350,869	$ 27,776	$ 15,188	$ 1,016,400

Letcher County School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds

Year ended June 30, 2021

	Other Governmental Funds					
	Special Revenue School Activity	Construction	Capital Outlay	FSPK	District Activity	Total
Revenues						
From local sources						
Property	$ -	$ -	$ -	$ 298,839	$ -	$ 298,839
Intergovernmental - state			262,907	905,276		1,168,183
Student activities	383,749				4,713	388,462
Total revenues	383,749	-	262,907	1,204,115	4,713	1,855,484
Expenditures						
Instruction	438,543				5,816	444,359
Support services						
Instructional staff	15,006					15,006
Student transportation	14,308					14,308
Total expenditures	467,857	-	-	-	5,816	473,673
Excess (Deficit) of Revenues Over Expenditures	(84,108)	-	262,907	1,204,115	(1,103)	1,381,811
Other Financing Sources (Uses)						
Operating transfers (out)			(204,513)	(1,176,339)		(1,380,852)
Total other financing sources (uses)	-	-	(204,513)	(1,176,339)	-	(1,380,852)
Net Change in Fund Balances	(84,108)	-	58,394	27,776	(1,103)	959
Fund Balance-Beginning	444,379	257,822	292,475	-	16,291	1,010,967
Fund Balance-Ending	$ 360,271	$ 257,822	$ 350,869	$ 27,776	$ 15,188	$ 1,011,926

Letcher County School District
Combining Balance Sheet - School Activity Funds
June 30, 2021

	LETCHER CENTRAL HIGH SCHOOL	WHITESBURG MIDDLE SCHOOL	LETCHER MIDDLE SCHOOL	FLEMING NEON MIDDLE SCHOOL	ARLIE BOGGS ELEMENTARY
ASSETS					
Cash and cash equivalents	$ 80,770	$ 45,980	$ 35,006	$ 34,711	$ 21,871
Total assets	80,770	45,980	35,006	34,711	21,871
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable	-	-	-	-	100
Fund balance					
School activities	80,770	45,980	35,006	34,711	21,771
Total liabilities and fund balance	$ 80,770	$ 45,980	$ 35,006	$ 34,711	$ 21,871

Letcher County School District
Combining Balance Sheet - School Activity Funds
June 30, 2021

	COWAN ELEMENTARY	LETCHER ELEMENTARY	MARTHA JANE POTTER ELEMENTARY	WEST WHITESBURG ELEMENTARY	TOTALS
ASSETS					
Cash and cash equivalents	$ 44,141	$ 26,854	$ 54,223	$ 21,189	$ 364,745
Total assets	44,141	26,854	54,223	21,189	364,745
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable	3,650	664	-	60	4,474
Fund balance					
School activities	40,491	26,190	54,223	21,129	360,271
Total liabilities and fund balance	$ 44,141	$ 26,854	$ 54,223	$ 21,189	$ 364,745

Letcher County School Distrcit

Combining Statement of Revenues, Expenses, and Changes In Fund Balance - School Activity Funds

Year ended June 30, 2021

	LETCHER COUNTY CENTRAL HIGH SCHOOL	WHITESBURG MIDDLE SCHOOL	LETCHER MIDDLE SCHOOL	FLEMING NEON MIDDLE SCHOOL	ARLIE BOGGS ELEMENTARY
REVENUES					
Student revenues	$ 215,309	$ 15,674	$ 22,613	$ 51,594	$ 23,598
EXPENSES					
Student activities	247,757	21,869	22,607	68,611	25,105
Excess (Deficit) of Revenues Over Expenditures	(32,448)	(6,195)	6	(17,017)	(1,507)
Fund Balance-Beginning	113,218	52,175	35,000	51,728	23,278
Fund Balance-Ending	$ 80,770	$ 45,980	$ 35,006	$ 34,711	$ 21,771

Letcher County School Distrcit
Combining Statement of Revenues, Expenses, and Changes In Fund Balance - School Activity Funds
Year ended June 30, 2021

	COWAN ELEMENTARY	LETCHER ELEMENTARY	MARTHA JANE POTTER ELEMENTARY	WEST WHITESBURG ELEMENTARY	TOTALS
REVENUES					
Student revenues	$ 23,557	$ 9,008	$ 5,417	$ 16,979	$ 383,749
EXPENSES					
Student activities	34,128	14,525	18,074	15,181	467,857
Excess (Deficit) of Revenues Over Expenditures	(10,571)	(5,517)	(12,657)	1,798	(84,108)
Fund Balance-Beginning	51,062	31,707	66,880	19,331	444,379
Fund Balance-Ending	$ 40,491	$ 26,190	$ 54,223	$ 21,129	$ 360,271

Letcher County School District

Statement of Revenues, Expenses, and Changes in Fund Balance - Letcher Co. Central High School

Year ended June 30, 2021

ACTIVITY	FUND BALANCE BEGINNING	REVENUES	EXPENSES	TRANSFERS	FUND BALANCE ENDING
GENERAL FUND	$ 6,998	$ 1,869	$ 4,838	$ (2,536)	$ 1,494
NHS CHARTER	104	1,225	889	-	440
FLOWER FUND	-	168	168	-	-
ART CLASS	686	-	137	-	549
TESTING	2,213	3,192	3,143	-	2,262
YOUTH SERVICE CENTER	297	-	-	-	297
MOUNTAIN LINE	203	10	-	-	213
FACULTY VENDING	870	3,599	4,059	-	411
ACF	1,151	7	1,053	168	273
BASEBALL	973	16,882	14,313	500	4,042
BASEBALL TRANSPORTATION	1,636	-	1,540	-	96
SPEECH	589	-	353	-	236
BOYS BASKETBALL	4,255	12,572	18,062	1,318	83
FUND 21	-	75	75	-	-
BOYS BB TRANSPORTATION	231	-	82	(149)	-
GIRLS BASKETBALL	8,452	28,810	28,037	2,294	11,519
FOOTBALL	7,471	45,391	53,758	1,048	152
FOOTBALL TRANSPORTATION	1,548	-	-	(1,548)	-
GIRLS GOLF	541	400	498	487	930
BOYS GOLF	473	3,540	3,163	(687)	164
SOFTBALL	275	14,572	9,888	(1,364)	3,595
TENNIS	5,510	718	4,845	-	1,383
TENNIS TRANSPORTATION	1,318	-	-	-	1,318
TRACK	662	4,314	6,340	1,364	-
TRACK TRANSPORTATION	772	-	752	-	20
VOLLEYBALL	8,512	2,520	3,973	65	7,124
VOLLEYBALL TRANSPORTATION	582	-	236	-	346
CHEERLEADING	-	8,453	4,569	-	3,884
WRESTLING TRANSPORTATION	696	-	568	-	128
WRESTLING	1,419	7,531	8,951	1	-
GIRLS SOCCER TRANSPORTATION	270	-	-	-	270
COUGAR DANCE TEAM	1,529	7,647	9,947	772	1
DANCE TRANSPORTATION	210	-	-	(210)	-
DRAMA	-	-	2,410	2,410	-
BOYS SOCCER TRANSPORTATION	44	-	-	-	44
BOYS SOCCER	-	11,057	7,964	661	3,754
GIRLS SOCCER	8,854	8,436	9,486	86	7,890
ACADEMIC TEAM	856	11	758	-	109
ARCHERY	10,421	5,190	7,659	(393)	7,559
FANTASY LIT	258	-	-	-	258
DISTRICT TOURNAMENT	853	13,309	9,617	(3,365)	1,180
REGIONAL TOURNAMENT	2,419	9,722	8,553	(925)	2,663
FCCLA	1,504	-	-	-	1,504
BIBLE CLUB	192	-	-	-	192
STUDENT GOVERNMENT	106	-	-	-	106
PEP CLUB	114	-	-	-	114
JR. ROTC	4,089	1,000	1,560	-	3,529
BAND	14,014	9	14,110	500	413
BAND TRANSPORTATION	309	-	-	-	309
MIDDLE SCHOOL BAND	580	-	-	(500)	80
CHOIR	755	-	-	-	755
SCORETABLE ADS	1,500	-	-	-	1,500
LIBRARY	2,597	-	-	-	2,597
SENIOR TRIP	1,481	-	850	(631)	-
SR. JR. PROM	284	-	54	631	861
ANNUAL	1,543	3,080	500	-	4,123
Total	$ 113,218	$ 215,309	$ 247,757	$ -	$ 80,770

LETCHER COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2021

Federal Grants/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantors Number	Passed Through to Subrecipients	Program or Award Amount	Expended
U.S. Department of Agriculture					
Passed Through State Department of Agriculture					
Food Donation-Commodities	10.565				
Fiscal Year 21		510.4950	$ -	$ N/A	$ 124,136
Passed Through State Department of Education					
National School Lunch Program	10.555				
Fiscal Year 20		7750002 20	-	N/A	19,615
School Breakfast Program	10.553				
Fiscal Year 20		7760005 20	-	N/A	12,315
Summer Food Service Program for Children	10.559				
Fiscal Year 20		7690024 20	-	N/A	33,796
Fiscal Year 21		7690024 21	-	N/A	143,379
Summer Food Service Program for Children	10.559				
Fiscal Year 20		7740023 20	-	N/A	329,474
Fiscal Year 21		7740023 21	-	N/A	1,398,499
Child Nutrition Cluster Subtotal					1,937,078
State Administrative Grant for Nutrition	10.560				
Fiscal Year 20		7700001 20	-	N/A	4,330
Fresh Fruit & Vegetable Program	10.582				
Fiscal Year 20		7720012 20	-	N/A	11,242
Fiscal Year 21		7720012 21	-	N/A	82,282
					93,524
Total U.S. Department of Agriculture					2,159,068
U.S. Department of Education					
Passed Through State Department of Education					
* **Title I Grants to Local Educational Agencies**	84.010A				
Fiscal Year 20		3100002 20	-	1,828,424	610,259
Fiscal Year 21		3100002 21	-	1,834,050	1,169,878
					1,780,137
Special Education Grants to States	84.027A				
Fiscal Year 21		3810002 21	-	730,500	683,136
Special Education-Preschool Grants	84.173A				
Fiscal Year 20		3800002 20	-	41,441	4,685
Fiscal Year 21		3800002 21	-	41,422	11,932
Special Education Cluster Subtotal					699,753
Vocation Education-Basic Grants to States	84.048				
Fiscal Year 19		3710002 19	-	521	521
Fiscal Year 20		3710002 20	-	20,901	21
Fiscal Year 21		3710002 21	-	18,280	17,565
					18,107
21st Century Community Learning Centers Program	84.287C				
Fiscal Year 19		3400002 19	-	95,000	22,399
Rural Education	84.358B				
Fiscal Year 20		3140002 20	-	58,213	27,693
Fiscal Year 21		3140002 21	-	55,661	30,700
					58,393
Homeless Children & Youth	84.196				
Fiscal Year 21		316G	-	110,441	82,538
Title IV Part A	84.424A				
Fiscal Year 19		3420002 19	-	112,928	13,874
Fiscal Year 20		3420002 20	-	123,945	60,516
Fiscal Year 21		3420002 21	-	125,299	30,512
					104,902
* **CARES Act Educational Stabilization Fund-Covid-19**	84.425D				
Fiscal Year 20		4000002 20	-	1,332,009	1,178,298
Fiscal Year 21		4000002 21	-	5,523,472	540,493
* **CARES Act Educational Stabilization Fund GEER-Covid-19**	84.425C				
Fiscal Year 20		4000002 20	-	228,494	95,891
					1,814,682
Passed Through Workforce Development Cabinet					
Community Based Work Transition	84.002				
Fiscal Year 17		371C	-	22,487	56,140
Passed Through Berea College					
Gaining Early Awareness and Readiness for Undergraduate Programs II	84.334S				
Fiscal Year 18		P334A140030 16	-	N/A	1,178
Fiscal Year 19		P334A140030 17	-	N/A	10,257
Fiscal Year 20		P334A140030 18	-	N/A	38,165
Fiscal Year 21		P334A140030 19	-	N/A	351,072
					400,672
Total U.S. Department of Education					5,037,723

See the accompanying notes to the schedule of expenditures of federal awards.

Federal Grants/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantors Number	Passed Through to Subrecipients	Program or Award Amount	Expended
U.S. Department of Health and Human Services					
BHDID Disaster Response	93.982				
Fiscal Year 21		495G	-	7,000	7,000
Total U.S. Department of Health and Human Services					7,000
U.S. Department of the Treasury					
Passed through State Department of Education					
* **Coronavirus Relief Fund-COVID-19**	21.019				
Fiscal Year 21		2100038960	-	959,177	959,177
Total U.S. Department of the Treasury					959,177
U.S. Department of the Army					
ROTC	12.000				
Fiscal Year 20		504F	-	N/A	2,109
Fiscal Year 21		504G	-	N/A	76,245
Total U.S. Department of the Army					78,354
Total Federal Programs Expended					$ 8,241,322

* Major Programs

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Letcher County School District under the programs of the federal government for the year ended June 30, 2021. 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 Letcher County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE B – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities received and disbursed. For the year ended June 30, 2021, the District received food commodities totaling $124,136.

NOTE D – INDIRECT COST RATE

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

White & Associates, PSC
Certified Public Accountants & Consultants

1407 Lexington Road
Richmond, KY 40475
(859) 624-3926

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*

To the Board of Education of the Letcher County School District
Whitesburg, KY
And the State Committee for School District Audits

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 audit requirements prescribed by the Kentucky State Committee for School District Audits, in the *Auditor Responsibilities and State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Letcher County School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Letcher County School District's basic financial statements, and have issued our report thereon dated November 15, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Letcher 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 Letcher County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Letcher 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 Letcher 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Letcher County School District in a separate letter dated November 15, 2021

Purpose of this Report

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

White & Associates, PSC

Richmond, KY

November 15, 2021

White & Associates, PSC
Certified Public Accountants & Consultants

1407 Lexington Road
Richmond, KY 40475
(859) 624-3926

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

To the Board of Education of the Letcher County School District
Whitesburg, KY
And the State Committee School District Audits

Report on Compliance for Each Major Federal Program

We have audited Letcher 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 Letcher County School District's major federal programs for the year ended June 30, 2021. Letcher 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 Letcher 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) and the audit requirements prescribed by the Kentucky State Committee for School District Audits, in the *Auditor Responsibilities and State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Letcher 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 Letcher County School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Letcher 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, 2021.

Report on Internal Control over Compliance

Management of Letcher 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 Letcher 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 Letcher County School District's internal control over compliance.

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

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

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

White & Associates, PSC

Richmond, KY

November 15, 2021

LETCHER COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2021

SUMMARY OF AUDITORS' RESULTS

What type of report was issued for the financial statements?	Unmodified
Were there significant deficiencies in internal control disclosed?	None Reported
If so, was any significant deficiencies material (GAGAS)?	N/A
Was any material noncompliance reported (GAGAS)?	No
Were there material weaknesses in internal control disclosed for major programs?	No
Were there any significant deficiencies in internal control disclosed that were not considered to be material weaknesses?	None Reported
What type of report was issued on compliance for major programs?	Unmodified
Did the audit disclose findings as it relates to major programs that Is required to be reported as described in the Uniform Guidance?	No
Major Programs	Title I [CFDA 84.010A] Educational Stabilization Fund [CFDA 84.425D & 84.425C] Coronavirus Relief Fund [CFDA 21.019]
Dollar threshold of Type A and B programs	$750,000
Low risk auditee?	Yes

FINDINGS - FINANCIAL STATEMENT AUDIT

No findings at the financial statement level.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

No findings at the major federal award programs level.

LETCHER COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the year ended June 30, 2021

There were no prior audit findings.

MANAGEMENT LETTER POINTS

Letcher County School District
Whitesburg, Kentucky

In planning and performing our audit of the financial statements of the Letcher County School District for the year ended June 30, 2021, we considered the District's internal controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the District's internal control in our report dated November 15, 2021. This letter does not affect our report dated November 15, 2021, on the financial statements of the Letcher County School District. The conditions observed are as follows:

LETCHER COUNTY CENTRAL HIGH SCHOOL

1-21

Statement of Condition: Instances of lack of segregation of duties in the process of ticket sales.

Recommendation for Correction: Precautions must be taken to protect activity fund money from loss and limit the liability of persons handling money. The ticket seller gives the entire ticket to the customer and collects the fee. The ticket taker tears the ticket in half, gives half to the customer, and retains half. The ticket seller and the ticket taker must be two separate people. Both must sign the Requisition and Report of Ticket Sales (F-SA-1) form.

Management's Response to the Recommendation: Precautions taken to prevent this mistake will include ensuring that two people are always assigned to work the gate at all sporting events at LCCHS. One person will be assigned as a ticket taker and second person will be assigned as the ticker seller. Both the ticket taker and ticket seller will be required to sing the Report of Ticket Sales (F-SA-1) form when turned into the school bookkeeper.

2-21

Statement of Condition: Instances of sales tax being paid or reimbursed. (food city & tennis warehouse)

Recommendation for Correction: The School treasurer should review all invoices and reimbursements to ensure sales tax is not paid or reimbursed.

Management Response to the Recommendation: Precautions will be taken to prevent this mistake will include our bookkeeper reviewing all receipts and invoices to ensure sales tax is not paid or reimbursed. Also, any purchases made by school staff and/or coaching staff will be screened by the purchaser at the time of purchase to ensure no sales tax is paid as well.

WHITESBURG MIDDLE SCHOOL

Nothing of concern

LETCHER MIDDLE SCHOOL

Nothing of concern

FLEMING NEON MIDDLE SCHOOL

3-21

Statement of Condition: Instances of checks written not having two signatures. (# 7820-7829, 7825, 7826, 7995, 7999)

Recommendation for Correction: The principal (or appointed designee) and school treasurer should ensure all checks written have two signatures; one of which shall be that of the principal (or appointed designee) and the other being the school treasurer.

Management Response to the Recommendation: The principal (or appointed designee) and school treasurer shall ensure all checks written have two signatures one of which shall be the principal (or designee) and the other being the school treasurer.

ARLIE BOGGS ELEMENTARY

Nothing of concern

COWAN ELEMENTARY

4-21

Statement of Condition: Credit Card Sign-In/Out Log (Form F-SA-13) is being used when the card is being checked out to individuals but the same person is checking the card out and witnessing the return.

Recommendation for Correction: Cards may be checked out to individual employees using Form F-SA-13. There shall be separate identification for each type of credit card. Each card shall have a separate Form F-SA-13 and be correctly completed.

Management Response to the Recommendation: When a credit card is checked out management will always have a different person witness signing the card back in.

LETCHER ELEMENTARY SCHOOL

5-21

Statement of Condition: Instances of sales tax being paid or reimbursed. (reimb to Leigh Nochols)

Recommendation for Correction: The School treasurer should review all invoices and reimbursements to ensure sales tax is not paid or reimbursed.

Management Response to the Recommendation: The School treasurer will review all invoices and reimbursements more closely to ensure sales tax is not paid or reimbursed.

<u>MARTHA JANE POTTER ELEMENTARY</u>

<u>6-21</u>

Statement of Condition: Instances of receipt numbers not being listed on deposit slip.

Recommendation for Correction: The school treasurer shall prepare deposit slips containing the issuers name and the amount of each check or retain a copy of all checks to be deposited. The deposit slip shall note the receipt numbers in the deposit.

Management Response to the Recommendation: Management will ensure that all receipt numbers are reflected on all deposit slips.

<u>WEST WHITESBURG ELEMENTARY</u>

Nothing of concern

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

The following are repeat conditions from the prior year: 1-20. All other prior year conditions have been implemented and corrected. Mrs. Denise Yonts, Superintendent, is the person responsible for initiation of the corrective action plan for the above conditions which will be implemented immediately. The corrective action plan is the management response for each condition.

We would like to thank the Finance Officer, Josh Yonts and their finance department for their support and assistance during our audit.

This report is intended solely for the information and use of the Board of Education, management, and others within the district and is not intended to be and should not be used by anyone other than these specified parties.

White & Associates PSC

White & Associates, PSC
Richmond, Kentucky
November 15, 2021

APPENDIX C

Letcher 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

$710,000*
Letcher County School District Finance Corporation
School Building Revenue Bonds, Series of 2022
Dated February 23, 2022

SALE: February 2, 2022 AT 11:00 A.M., E.S.T.

As published on PARITY®, a nationally recognized electronic bidding system, the Letcher County School District Finance Corporation ("Corporation") will until February 2, 2022, at the hour of 11:00 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 $70,000.

LETCHER 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 Letcher 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 improvements at Whitesburg Middle School, Letcher Middle School, Fleming Neon Middle School, Cowan Elementary School, Arlie Boggs Elementary School, West Whitesburg Elementary School and Letcher Elementary 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 certain of the school building(s) constituting 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 $44,305 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 $44,305 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 $5,000 within the same maturity, bear interest from February 23, 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:

Year	Amount*	Year	Amount*
2023	$30,000	2033	$35,000
2024	30,000	2034	35,000
2025	30,000	2035	35,000
2026	30,000	2036	40,000
2027	30,000	2037	40,000
2028	30,000	2038	40,000
2029	35,000	2039	40,000
2030	35,000	2040	40,000
2031	35,000	2041	40,000
2032	35,000	2042	45,000

*Subject to a Permitted Adjustment of the amount of Bonds awarded of up to $70,000 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 $695,800 (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 $710,000 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 $70,000 (the "Permitted Adjustment") which may be awarded to such best bidder may be a minimum of $640,000 or a maximum of $780,000. In the event of such Permitted Adjustment, no rebidding or recalculation of a submitted bid will be required or permitted and the Underwriter's Discount on the Bonds as submitted by the successful bidder shall be held constant. The Underwriter's Discount shall be defined as the difference between the purchase price of the Bonds submitted by the bidder and the price at which the Bonds will be issued to the public, calculated from information provided by the bidder, divided by the par amount of the Bonds bid. The price of which such adjusted principal amount of Bonds will be sold will be the same price per $5,000 of Bonds as the price per $5,000 for the $710,000 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 February 2, 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, Letcher County Board of Education, 224 Parks Street, Whitesburg, Kentucky 41858 (606-633-4455).

TAX EXEMPTION; BANK QUALIFIED

Bond Counsel advises as follows with respect to the Bonds:

(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.

LETCHER COUNTY SCHOOL DISTRICT
FINANCE CORPORATION

By /s/ Martha Whitaker
Secretary

APPENDIX D

Letcher County School District Finance Corporation
School Building Revenue Bonds
Series of 2022

Official Bid Form

OFFICIAL BID FORM
(Bond Purchase Agreement)

The Letcher County School District Finance Corporation ("Corporation" or "Issuer"), will until 11:00 A.M., E.S.T., on February 2, 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 $710,000 School Building Revenue Bonds, Series of 2022, dated February 23, 2022; maturing February 1, 2023 through 2042 ("Bonds").

We hereby bid for said $710,000* principal amount of Bonds, the total sum of $_______________ (not less than $695,800) plus accrued interest from February 23, 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:

Year	Amount*	Rate	Year	Amount*	Rate
2023	$30,000	_________%	2033	$35,000	_________%
2024	30,000	_________%	2034	35,000	_________%
2025	30,000	_________%	2035	35,000	_________%
2026	30,000	_________%	2036	40,000	_________%
2027	30,000	_________%	2037	40,000	_________%
2028	30,000	_________%	2038	40,000	_________%
2029	35,000	_________%	2039	40,000	_________%
2030	35,000	_________%	2040	40,000	_________%
2031	35,000	_________%	2041	40,000	_________%
2032	35,000	_________%	2042	45,000	_________%

* Subject to Permitted Adjustment

We understand this bid may be accepted for as much as $780,000 of Bonds or as little as $640,000 of Bonds, at the same price per $5,000 Bond, with the variation in such amount occurring in any maturity or all maturities, which will be determined at the time of acceptance of the best bid.

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

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

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

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

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

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

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

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

(d)*Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is February 2, 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 23, 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 23, 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 Letcher County School District Finance Corporation for $____________ amount of Bonds at a price of $__________ as follows:

Year	Amount	Rate	Year	Amount	Rate
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: February 2, 2022

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