

**DATED JANUARY 17, 2022**

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

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

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

**\$542,000\***  
**NICHOLAS COUNTY SCHOOL DISTRICT FINANCE CORPORATION**  
**SCHOOL BUILDING REVENUE BONDS,**  
**SERIES OF 2022**

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

**Due: as shown below**

Interest on the Bonds is payable each February 1 and August 1, beginning August 1, 2022. The Bonds will mature as to principal on February 1, 2023 and thereafter as shown below. The Bonds are being issued in Book-Entry-Only Form and will be available for purchase in principal amounts of \$1,000 and integral multiples thereof.

<u>Maturing</u> <u>February 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Reoffering</u> <u>Yield</u>	<u>CUSIP</u>	<u>Maturing</u> <u>February 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Reoffering</u> <u>Yield</u>	<u>CUSIP</u>
2023	\$ 24,000	%	%		2033	\$ 27,000	%	%	
2024	\$ 22,000	%	%		2034	\$ 27,000	%	%	
2025	\$ 22,000	%	%		2035	\$ 29,000	%	%	
2026	\$ 24,000	%	%		2036	\$ 31,000	%	%	
2027	\$ 23,000	%	%		2037	\$ 30,000	%	%	
2028	\$ 23,000	%	%		2038	\$ 33,000	%	%	
2029	\$ 28,000	%	%		2039	\$ 30,000	%	%	
2030	\$ 24,000	%	%		2040	\$ 32,000	%	%	
2031	\$ 26,000	%	%		2041	\$ 34,000	%	%	
2032	\$ 29,000	%	%		2042	\$ 24,000	%	%	

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 Nicholas 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 Nicholas County Board of Education.

The Nicholas County (Kentucky) School District Finance Corporation will until January 25, 2022, at 11:30 A.M., E.S.T., receive competitive bids for the Bonds at the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Rd, Carriage House, Frankfort, Kentucky 40601.

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**\*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 \$54,000.**

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**PURCHASER'S OPTION:** The Purchaser of the Bonds, within 24 hours of the sale, may specify to the Financial Advisor that any Bonds may be combined immediately succeeding sequential maturities into a Term Bond(s), bearing a single rate of interest, with the maturities set forth above (or as may be adjusted as provided herein) being subject to mandatory redemption in such maturities for such Term Bond(s).

The Bonds will be delivered utilizing the BOOK-ENTRY-ONLY-SYSTEM administered by The Depository Trust Company.

The Corporation deems this preliminary Official Statement to be final for purposes of the Securities and Exchange Commission Rule 15c2-12(b)(1), except for certain information on the cover page hereof which has been omitted in accordance with such Rule and which will be supplied with the final Official Statement.



This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sales of these Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the laws of any such jurisdiction.

**NICHOLAS COUNTY, KENTUCKY  
BOARD OF EDUCATION**

Mona Vice, Chairperson  
Brenda Mattox, Member  
Cheryl Rawlings, Member  
Luann Kelly, Member  
Jon Sparks, Member

Doug Bechanan, Superintendent/Secretary

**NICHOLAS COUNTY (KENTUCKY) SCHOOL DISTRICT  
FINANCE CORPORATION**

Mona Vice, President  
Brenda Mattox, Member  
Cheryl Rawlings, Member  
Luann Kelly, Member  
Jon Sparks, Member

Doug Bechanan, Secretary  
Duane Kenney, 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 Nicholas 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**

**\$542,000\***

**NICHOLAS 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 Nicholas 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 Nicholas County High School (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 Nicholas 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 Nicholas 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 15, 2022, may be obtained at the office of Steptoe & Johnson PLLC, Bond Counsel, 700 N. Hurstbourne Parkway, Suite 115, Louisville, Kentucky 40222.

**BOOK-ENTRY-ONLY-SYSTEM**

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

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

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of

securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

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

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

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

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

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

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

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

## **THE CORPORATION**

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

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

## **KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION**

The 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 \$34,098 to be applied to the annual debt service requirements for the Bonds herein identified each year until their retirement; provided, however, that the contractual commitment of the Commission to pay the annual Agreed Participation is limited to the biennial budget period of the Commonwealth, with the first such biennial period terminating on June 30, 2022; the right is reserved in the Commission to terminate its commitment to pay the Agreed Participation after the initial biennial period and every two years thereafter. The obligation of the Commission to make payments of the Agreed Participation shall be automatically renewed each two years for a period of two years unless the Commission shall give notice of its intention not to participate not less than sixty days prior to the end of the biennium; however, by the execution of the Participation Agreement, the Commission has expressed its present intention to continue to pay the Agreed Participation in each successive biennial budget period until the retirement of all of the Bonds, but such execution does not obligate the Commission to do so.

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

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

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

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

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

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

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

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

### **OUTSTANDING BONDS**

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



<b>Bond Series</b>	<b>Original Principal</b>	<b>Current Principal Outstanding</b>	<b>Principal Assigned to Board</b>	<b>Principal Assigned to Commission</b>	<b>Approximate Interest Rate Range</b>	<b>Final Maturity</b>
2016	\$ 19,575,000	\$ 15,505,000	\$ 0	\$ 19,575,000	2.000% - 3.000%	2036
2019-REF	\$ 5,025,000	\$ 4,475,000	\$ 4,354,866	\$ 670,134	3.00%	2029
2020-REF	\$ 1,805,000	\$ 1,655,000	\$ 1,771,285	\$ 33,715	2.000% - 2.1000%	2031
<b>Totals:</b>	<b>\$ 26,405,000</b>	<b>\$ 21,635,000</b>	<b>\$ 6,126,151</b>	<b>\$ 20,278,849</b>		

## **AUTHORITY**

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

- i) the issuance of approximately \$542,000 of Bonds subject to a permitted adjustment of \$54,000;
- ii) the advertisement for the public sale of the Bonds;
- iii) the Official Terms and Conditions for the sale of the Bonds to the successful bidder; and,
- iv) the President and Secretary of the Corporation to execute certain documents relative to the sale and delivery of the Bonds.

## **THE BONDS**

### **General**

The Bonds will be dated February 15, 2022, will bear interest from that date as described herein, payable semi-annually on February 1 and August 1 of each year, commencing August 1, 2022, and will mature as to principal on 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 School Building Project financed from the Bond proceeds from the Corporation to the Board. The Bonds are secured by a pledge of revenue on and from the School Building Project; provided, however, 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 15, 2022, through June 30, 2022 with the option in the Board to renew said Lease from year to year for one year at a time, at annual rentals, sufficient in each year to enable the Corporation to pay, solely from the rental due under the Lease, the principal and interest on all of the Bonds as same become due. The Lease provides further that so long as the Board exercises its annual renewal options, its rentals will be payable according to the terms and provisions of the Lease until 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 \$34,098 from the Commission's appropriation by the Kentucky General Assembly which will be used to meet a portion of the debt service of the Bonds. The plan for financing the Project will require the Commission to pay one hundred percent (100%) of the debt service of the Bonds.

The Participation Agreement to be entered into with the Board will be limited to the biennial budget period of the Commonwealth of Kentucky, with the first such biennial period terminating on June 30, 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 Nicholas County High School (the "Project").

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

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

### 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	SFCC Portion	
2022	\$ 744,601					\$ 744,601
2023	\$ 746,300	\$ 24,000	\$11,116	\$ 35,116	\$ 35,116	\$ 746,300
2024	\$ 747,401	\$ 22,000	\$11,218	\$ 33,218	\$ 33,218	\$ 747,401
2025	\$ 747,951	\$ 22,000	\$10,899	\$ 32,899	\$ 32,899	\$ 747,951
2026	\$ 732,951	\$ 24,000	\$10,580	\$ 34,580	\$ 34,580	\$ 732,951
2027	\$ 727,700	\$ 23,000	\$10,232	\$ 33,232	\$ 33,232	\$ 727,700
2028	\$ 726,950	\$ 23,000	\$9,899	\$ 32,899	\$ 32,899	\$ 726,950
2029	\$ 720,600	\$ 28,000	\$9,450	\$ 37,450	\$ 37,450	\$ 720,600
2030	\$ 168,300	\$ 24,000	\$8,904	\$ 32,904	\$ 32,904	\$ 168,300
2031	\$ 164,999	\$ 26,000	\$8,436	\$ 34,436	\$ 34,436	\$ 164,999
2032		\$ 29,000	\$7,929	\$ 36,929	\$ 36,929	
2033		\$ 27,000	\$7,364	\$ 34,364	\$ 34,364	
2034		\$ 27,000	\$6,702	\$ 33,702	\$ 33,702	
2035		\$ 29,000	\$6,041	\$ 35,041	\$ 35,041	
2036		\$ 31,000	\$5,330	\$ 36,330	\$ 36,330	
2037		\$ 30,000	\$4,571	\$ 34,571	\$ 34,571	
2038		\$ 33,000	\$3,836	\$ 36,836	\$ 36,836	
2039		\$ 30,000	\$3,027	\$ 33,027	\$ 33,027	
2040		\$ 32,000	\$2,292	\$ 34,292	\$ 34,292	
2041		\$ 34,000	\$1,508	\$ 35,508	\$ 35,508	
2042		\$ 24,000	\$624	\$ 24,624	\$ 24,624	
<b>Totals:</b>	<b>\$ 6,227,751</b>	<b>\$ 518,000</b>	<b>\$ 139,332</b>	<b>\$ 657,332</b>	<b>\$ 657,332</b>	<b>\$ 6,227,751</b>

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

## ESTIMATED USE OF BOND PROCEEDS

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

<b>Sources:</b>	
Par Amount of Bonds	<u>\$542,000.00</u>
Total Sources	\$542,000.00
<b>Uses:</b>	
Deposit to Construction Fund	\$516,310.00
Underwriter's Discount (2%)	10,840.00
Cost of Issuance	<u>14,850.00</u>
Total Uses	\$542,000.00

## DISTRICT STUDENT POPULATION

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

Year	Average Daily Attendance	Year	Average Daily Attendance
2000-01	1,051.3	2010-11	1,052.5
2001-02	1,026.4	2011-12	1,042.8
2002-03	1,003.7	2012-13	1,040.8
2003-04	1,060.1	2013-14	1,017.2
2004-05	1,054.7	2014-15	1,020.6
2005-06	1,066.9	2015-16	1,014.8
2006-07	1,060.6	2016-17	1,004.0
2007-08	1,070.2	2017-18	994.7
2008-09	1,076.3	2018-19	947.8
2009-10	1,081.3	2019-20	923.6

*Source: Kentucky State Department of Education.*

## STATE SUPPORT

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

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

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

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

The following table shows the computation of the capital outlay allotment for the Nicholas County School District for certain preceding school years. Beginning 1990-91, the allotment is based on average daily attendance as required by law.

<b>Year</b>	<b>Capital Outlay Allotment</b>	<b>Year</b>	<b>Capital Outlay Allotment</b>
2000-01	105,130.0	2010-11	105,246.0
2001-02	102,640.0	2011-12	104,283.0
2002-03	100,370.0	2012-13	104,078.0
2003-04	106,010.0	2013-14	101,723.0
2004-05	105,470.0	2014-15	102,058.0
2005-06	106,690.0	2015-16	101,480.0
2006-07	106,060.0	2016-17	100,400.0
2007-08	107,020.0	2017-18	99,470.0
2008-09	107,628.0	2018-19	94,780.0
2009-10	108,130.0	2019-20	92,360.0

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

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

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

## LOCAL SUPPORT

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

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

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

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

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

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

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

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

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

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

<b>Tax Year</b>	<b>Combined Equivalent Rate</b>	<b>Total Property Assessment</b>	<b>Property Revenue Collections</b>
2000-01	50.7	214,371,758	1,086,865
2001-02	49.9	216,993,396	1,082,797
2002-03	50.5	223,416,169	1,128,252
2003-04	50.5	229,464,738	1,158,797
2004-05	50	236,250,462	1,181,252
2005-06	51.2	245,823,786	1,258,618
2006-07	48.4	256,733,456	1,242,590
2007-08	51.2	263,340,028	1,348,301
2008-09	54.2	275,718,669	1,494,395
2009-10	54.2	274,938,177	1,490,165
2010-11	52.7	281,856,794	1,485,385
2011-12	52.1	282,797,702	1,473,376
2012-13	50.6	285,173,335	1,442,977
2013-14	53.4	286,715,568	1,531,061
2014-15	53.5	286,726,244	1,533,985
2015-16	51.6	297,565,839	1,535,440
2016-17	51.2	305,197,330	1,562,610
2017-18	51	314,286,594	1,602,862
2018-19	53.9	326,944,057	1,762,228
2019-20	54.7	338,377,554	1,850,925

**Overlapping Bond Indebtedness**

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

<b>Issuer</b>	<b>Original Principal Amount</b>	<b>Amount of Bonds Redeemed</b>	<b>Current Principal Outstanding</b>
County of Nicholas			
General Obligation	\$275,000	\$59,000	\$216,000
Court Facility Bond Anticipation	\$1,500,000	\$0	\$1,500,000
City of Carlisle			
General Obligation	\$100,000	\$66,900	\$33,100
Gas, Water & Sewer Revenue	\$402,000	\$112,000	\$290,000
Special Districts			
Nicholas County Library District	\$700,000	\$58,332	\$641,668
Nicholas County Water District	\$1,958,000	\$388,300	\$1,569,700
<b>Totals:</b>	<b>\$4,935,000</b>	<b>\$684,532</b>	<b>\$4,250,468</b>

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

<b>SEEK</b>	<b>Base Funding</b>	<b>Local Tax Effort</b>	<b>Total State &amp; Local Funding</b>
2000-01	3,965,413	1,086,865	5,052,278
2001-02	4,035,137	1,082,797	5,117,934
2002-03	4,146,221	1,128,252	5,274,473
2003-04	4,392,819	1,158,797	5,551,616
2004-05	4,465,608	1,181,252	5,646,860
2005-06	4,813,711	1,258,618	6,072,329
2006-07	4,856,616	1,242,590	6,099,206
2007-08	5,383,116	1,348,301	6,731,417
2008-09	5,495,805	1,494,395	6,990,200
2009-10	4,944,522	1,490,165	6,434,687
2010-11	4,841,813	1,485,385	6,327,198
2011-12	5,044,519	1,473,376	6,517,895
2012-13	4,927,027	1,442,977	6,370,004
2013-14	4,795,293	1,531,061	6,326,354
2014-15	4,945,330	1,533,985	6,479,315
2015-16	4,979,277	1,535,440	6,514,717
2016-17	4,900,132	1,562,610	6,462,742
2017-18	4,846,148	1,602,862	6,449,010
2018-19	4,582,236	1,762,228	6,344,464
2019-20	4,514,225	1,850,925	6,365,150

- (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 \$0.547 for FY 2019-20. The equivalent tax rate" is defined as the rate which results when the income from all taxes levied by the district for school purposes is divided by the total assessed value of property plus the assessment for motor vehicles certified by the Commonwealth of Kentucky Revenue Cabinet.

### **State Budgeting Process**

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



## POTENTIAL LEGISLATION

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

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

## CONTINUING DISCLOSURE; EXEMPTION

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

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

Financial information regarding the Board may be obtained from Superintendent, Nicholas County Board of Education, 395 W. Main Street, Carlisle, Kentucky 40311 (859-289-3770).

## TAX EXEMPTION; BANK QUALIFIED

Bond Counsel is of the opinion that:

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

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

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

The Corporation will provide the purchaser the customary no-litigation certificate, and the final approving Legal Opinions of Steptoe & Johnson PLLC, Bond Counsel and Special Tax Counsel, Louisville, Kentucky approving the legality of the Bonds. These opinions will accompany the Bonds when delivered, without expense to the purchaser.

## Original Issue Premium

Certain of the Bonds are being initially offered and sold to the public at a premium ("Acquisition Premium" from the amounts payable at maturity thereon. "Acquisition Premium" is the excess of the cost of a bond over the stated redemption price of such bond at maturity or, for bonds that have one or more earlier call

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

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

### **Original Issue Discount**

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

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

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

### **COVID-19**

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

While the collection of property taxes, which are a significant source of building fund revenue for the payment of principal and interest due on the bonds (see "LOCAL SUPPORT" herein) may be impacted by the COVID-19 emergency, the District does not expect the impact to be significant unless the economic hardship is long term. In addition, the Commonwealth of Kentucky revenues are also likely to be impacted by a long-term economic hardship caused by declining collections of sales taxes, wage taxes, income taxes, property taxes and other revenue sources. The impact of those declining revenue collections on state education funds (see "STATE SUPPORT" herein) is unknown. Although the potential impact of the virus on the Commonwealth and the Board

of Education's future ability to make payments under the Lease cannot be predicted at this time, the continued spread of the outbreak could have a material adverse effect on the Board of Education and ultimately, the Corporation.

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

### **ABSENCE OF MATERIAL LITIGATION**

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

### **APPROVAL OF LEGALITY**

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

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

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

### **BOND RATING**

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

## FINANCIAL ADVISOR

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

### APPROVAL OF OFFICIAL STATEMENT

The Corporation has approved and caused this "Official Statement" to be executed and delivered by its President. In making this "Official Statement" the Corporation relied upon information furnished to it by the Board of Education of the Nicholas 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 Nicholas 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 Nicholas 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**

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

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**Demographic and Economic Data**

## NICHOLAS COUNTY, KENTUCKY

Carlisle, the county seat of Nicholas County, is located in the Outer Blue Grass Region of central Kentucky. Carlisle is located 36 miles northeast of Lexington, Kentucky; 90 miles southeast of Cincinnati, Ohio; 112 miles east of Louisville, Kentucky; and 188 miles north of Knoxville, Tennessee. In 2020, Carlisle had an estimated population of 1,934.

Nicholas County, with a rolling to hilly terrain, covers a land area of 196 square miles. Nicholas County had a population of 7,166 in 2020.

**The Economic Framework** - Nicholas County has a labor force of 3,027 people with an unemployment rate of 4.5%. The total number of people employed in 2020 averaged 953. The top 5 jobs by occupation are as follows: office and administrative support - 133 (13.96%); education, training/library - 113 (11.86); executive, managers, and administrators - 95 (9.97%); sales - 78 (8.18%); and, health diagnosing and treating practitioners - 61 (6.4%).

**Transportation** - U.S. 68, a "AAA"-rated (80,000-pound gross load limit) trucking highway, accessible three miles north of Carlisle, is the principal highway serving Carlisle and Nicholas County. In addition, Carlisle is served directly by Kentucky Highways 13, 32 and 36. Interchanges with Interstate 64 and 75 are located 32 miles southwest Carlisle. Twenty-two common carrier trucking firms provide interstate and/or intrastate service to Carlisle. T.T.I. Systems, Inc. provides main line rail service to Carlisle. The nearest scheduled commercial airline service is provided by Blue Grass Airport in Lexington, 40 miles southwest of Carlisle. The Cynthiana-Harrison County Airport, two miles south of Cynthiana and 19 miles northwest of Carlisle, maintains a 3,200-foot paved runway designed to accommodate small aircraft.

**Power and Fuel** - Kentucky Utilities Company provides electric power to Carlisle and parts of Nicholas County. Harrison Rural Electric Cooperative Corporation and Fleming-Mason Rural Electric Cooperative Corporation also provides electric power to Nicholas County. The City of Carlisle Gas System provides natural gas service to Carlisle.

## LOCAL GOVERNMENT

### Structure

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

### Planning and Zoning

Joint agency - Carlisle Independent Planning Commission

Zoning enforced - Within city limits

Subdivision regulations enforced - Within city limits and three miles beyond corporate limits

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

## LABOR MARKET STATISTICS

The Carlisle Labor Market Area includes Nicholas County and the adjoining Kentucky counties of Bath, Bourbon, Fleming, Harrison, Montgomery, and Robertson.

### Population

<u>Area</u>	<u>2025</u>	<u>2030</u>	<u>2035</u>
Carlisle	1,934	1,907	1,926
Nicholas County	7,166	7,199	7,130

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

## Population Projections

<u>Area</u>	<u>2025</u>	<u>2030</u>	<u>2035</u>
Nicholas County	6,997	6,896	6,781

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

## EDUCATION

### Public Schools

	<u>Nicholas County</u>
Total Enrollment (2018-2019)	1,014
Pupil-Teacher Ratio	14 - 1

### Technical-Vocational Education

<u>Vocational School</u>	<u>Location</u>	<u>Enrollment (2018-2019)</u>
Harrison County ATC	Cynthiana, KY	556
Montgomery County ATC	Mt. Sterling, KY	496
Clark County ATC	Winchester, KY	680
Mason County Career Magnet	Maysville, KY	198
Eastside Technical Center	Lexington, KY	611
Campbell County ATC	Alexandria, KY	286
Morgan County ATC	West Liberty, KY	514
Lee County ATC	Beattyville, KY	312
Garrard County ATC	Lancaster, KY	392
Kenton County Academies of Innovation	Ft. Mitchell, KY	508

### Colleges and Universities

<u>Institution</u>	<u>Location</u>	<u>Enrollment (Fall 2019)</u>
Maysville Community & Technical College	Maysville, KY	3,890
Georgetown College	Georgetown, KY	983
Bluegrass Community & Technical College	Lexington, KY	10,144
Transylvania University	Lexington, KY	949
University of Kentucky	Lexington, KY	29,402
Morehead State University	Morehead, KY	9,660
Midway College	Midway, KY	1,481
Eastern Kentucky University	Richmond, KY	14,980
Asbury University	Wilmore, KY	1,714
Kentucky State University	Frankfort, KY	2,029
Berea College	Berea, KY	1,688
Northern Kentucky University	Highland Heights, KY	15,678
Gateway Community & Technical College	Covington, KY	4,764
Thomas More University	Crestview Hills, KY	2,238

**EXISTING INDUSTRY**

<u>Firm</u>	<u>Product</u>	<u>Total Employed</u>
<i>Carlisle</i>		
Carlisle Mercury	Newspaper publishing	4
Creekside Cabinets	Manufacture cabinets, wall units, vanities	1
Lee-Lynn Machining Inc.	CNC machining parts for mining industry	17

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



**APPENDIX B**

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

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

**NICHOLAS COUNTY SCHOOL DISTRICT**

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

**TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS**

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**K**elley **G**alloway  
**S**mith **G**oolsby, PSC

Certified Public Accountants and Advisors

1200 Corporate Court • P. O. Box 990 • Ashland, Kentucky 41105

• Phone (606) 329-1811 (606) 329-1171 • Fax (606) 329-8756 (606) 325-0590

• Web [www.ksgscpa.com](http://www.ksgscpa.com) Member of **Allinial** GLOBAL

## INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Nicholas County School District  
Carlisle, Kentucky 40311

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### 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 the Nicholas County School District as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and the Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information on pages 6 through 9 and the Schedule of District's Proportionate Share of the Net Pension Liability, Schedule of Pension Contributions, Schedule of District's Proportionate Share of the Net OPEB Liability, and Schedule of OPEB Contributions on pages 51 through 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2020, on our consideration of Nicholas 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Kelley Galloway Smith Poolby, PSC*

Ashland, Kentucky  
November 5, 2020

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

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

**FINANCIAL HIGHLIGHTS**

- The beginning cash balance for all funds of the District, excluding agency funds, was approximately \$1,654,892 and the ending balance was approximately \$1,720,306, a decrease of approximately \$65,414.
- The General Fund had \$8,240,737 in revenue, which consisted primarily of the State program (SEEK), and property, utilities, and motor vehicle taxes. Excluding interfund transfers, there was \$8,439,297 in General Fund expenditures.
- Bonds are issued as the District renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. The District’s total debt decreased by \$1,425,283 during the current fiscal year.
- Net pension liabilities required to be recorded under GASB No. 68 decreased during the year. Non-professional staff members are covered by the Kentucky County Employee Retirement System. Under this system, the District’s share of the pension liability was \$3,833,572 as of June 30, 2019, which represents an increase of \$367,214 from the June 30, 2018 balance of \$3,466,358. The Kentucky Teachers Retirement System covers the District’s professional staff members. The District’s allocated pension liability as of June 30, 2019 was \$17,054,877, which represents a increase of \$155,439 from the June 30, 2018 balance of \$16,899,438. However, this pension liability is the responsibility of the Commonwealth of Kentucky.
- There are two sources of OPEB liabilities with which the District has to contend. The Kentucky Teachers Retirement System (KTRS) Medical Insurance Plan and Life Insurance Plan covers the District’s professional staff members. The District’s allocated OPEB liability as of June 30, 2019 for KTRS Medical Insurance Plan was \$3,517,000 with the District’s responsibility being \$1,946,000 and the Commonwealth of Kentucky’s responsibility being \$1,517,000. The liability for the KTRS Life Insurance Plan is the responsibility of the Commonwealth of Kentucky and the District’s allocated amount as of June 30, 2019 was \$36,000. Non-professional staff members are covered by the County Employee Retirement System Insurance Fund. Under this fund the District’s share of OPEB liability was \$916,565 as of June 30, 2019.

**OVERVIEW OF FINANCIAL STATEMENTS**

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



**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets, deferred outflows, liabilities, and deferred inflows, 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 (government activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues. The government-wide financial statements can be found on pages 10 and 11 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 funds, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The primary proprietary fund is our food service operations. All other activities of the District are included in the governmental funds.

The basic fund financial statements can be found on pages 12 through 21 of this report.

**Notes to the financial statements.** The notes provided additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 through 50 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by approximately \$1.0 million as of June 30, 2020.

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

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

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

	<u>2020</u>	<u>2019</u>
Current Assets	\$ 1,932,906	\$ 2,147,886
Noncurrent Assets	29,697,106	30,315,913
Total Assets	<u>31,630,012</u>	<u>32,463,799</u>
Deferred Outflows	1,315,358	1,200,021
Current Liabilities	1,738,094	1,890,911
Noncurrent Liabilities	28,967,986	30,476,494
Total Liabilities	<u>30,706,080</u>	<u>32,367,405</u>
Deferred Inflows	<u>1,223,618</u>	<u>722,116</u>
Net Position		
Investment in capital assets (net of debt)	6,092,468	5,306,330
Restricted	(246,132)	(153,103)
Unrestricted Fund Balance	(4,830,664)	(4,578,928)
Total Net Position	<u>\$ 1,015,672</u>	<u>\$ 574,299</u>

The following table presents a summary of all governmental activities and business-type activities revenues and expenses for the fiscal year ended June 30, 2020, with comparison to 2019.

	<u>2020</u>	<u>2019</u>
<b>Revenues:</b>		
Local Revenue Sources	\$ 2,119,387	\$ 2,361,825
State Revenue Sources	6,116,556	6,005,789
Federal Revenue	1,906,181	1,814,259
Other Sources	31,560	35,822
Total Revenues	<u>10,173,684</u>	<u>10,217,695</u>
<b>Expenses:</b>		
Instruction	2,612,597	2,694,927
Student Support Services	233,186	256,433
Instructional Support	248,308	287,317
District Administration	865,697	843,432
School Administration	552,694	563,518
Plant Operations	1,344,386	1,429,409
Student Transportation	1,318,258	1,513,118
Business and Other Support Services	233,840	255,220
Community Services	122,765	92,976
Debt Service	727,657	820,966
Food Services	1,472,923	1,151,330
Total Expenses	<u>9,732,311</u>	<u>9,908,646</u>
Revenues Over (Under) Expenses	<u>\$ 441,373</u>	<u>\$ 309,049</u>

### Governmental Funds Revenue

The majority of revenue was derived from state funding making up 74.7% and federal funding of 7.7% of total revenue. Local revenues make up 17.6% of total revenue (22.5% in 2019).

## **District-Wide Support Allocation**

District-wide support services expenditures were Transportation 13.5%, Maintenance & Operations 13.8%, and Business Functions 2.4% (as compared to 15.2%, 14.4%, and 2.6% in 2019, respectively).

The total cost of all programs and services for governmental activities was \$8,259,388, compared with \$8,757,316 in 2019. This is attributable to a decrease in KTRS pension expense.

The District's total revenues for the governmental funds for the fiscal year ended June 30, 2020 and 2019, net of inter-fund transfers and bond and capital lease proceeds, was approximately \$12.0 million and \$12.4 million, respectively.

## **Comments on Budget Comparisons**

- The General fund budget compared to actual expenditures varied from line item to line item with the ending actual balance being \$.6 million less than budget, excluding contingency, or approximately 6.6%.
- General Fund revenue compared to budget varied from line item to line item more this year than in the past due in part to state on-behalf revenues being down.

## **Capital Assets**

At the end of June 30, 2020, the District's investment in capital assets for its governmental and business-type activities was \$29,697,106, representing a decrease of \$618,807 due mainly to depreciation. Construction at the elementary school was completed in the current year.

## **Debt Service**

At year-end, the District had approximately \$23.7 million in outstanding debt, compared to \$25.1 million last year.

## **Budgetary Implications**

In Kentucky the public school fiscal year is July 1 - June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the District overall budget. By law the budget must have a minimum 2% contingency. The District adopted a budget with the required 2% contingency. The general fund cash balance for beginning the next fiscal year is \$879,847. There was no significant Board action that impacts the finances for the new fiscal year.

Questions regarding this report should be directed to the Superintendent Douglas Bechanan or to his representative, Director of Financial Services Duane Kenney or by mail at:

Nicholas County School District  
395 W. Main Street  
Carlisle, Kentucky 40311

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,554,713	\$ 165,593	\$ 1,720,306
Receivables (net of allowances for uncollectibles):			
Taxes	30,632	-	30,632
Intergovernmental	162,886	-	162,886
Inventories	-	19,082	19,082
Capital assets, not being depreciated	56,429	-	56,429
Capital assets, being depreciated, net	29,207,482	433,195	29,640,677
Total assets	<u>31,012,142</u>	<u>617,870</u>	<u>31,630,012</u>
<b>Deferred Outflows of Resources</b>			
Deferred savings from refunding bonds	62,571	-	62,571
Deferred outflows - pension related	627,231	116,100	743,331
Deferred outflows - OPEB related	457,577	51,879	509,456
Total deferred outflows of resources	<u>1,147,379</u>	<u>167,979</u>	<u>1,315,358</u>
<b>Liabilities</b>			
Accounts payable	2,375	(86)	2,289
Accrued interest payable	47,670	-	47,670
Unearned revenue	78,753	-	78,753
Portion due or payable within one year:			
Accrued sick leave	33,685	-	33,685
KSBIT payable	13,353	-	13,353
Bond obligations	1,465,000	-	1,465,000
Capital lease obligations	97,344	-	97,344
Portion due or payable after one year:			
Accrued sick leave	166,984	-	166,984
Bond obligations	21,600,000	-	21,600,000
Capital lease obligations	504,865	-	504,865
Net pension liability	3,234,809	598,763	3,833,572
Net OPEB liability	2,719,407	143,158	2,862,565
Total liabilities	<u>29,964,245</u>	<u>741,835</u>	<u>30,706,080</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows - pension related	196,870	36,441	233,311
Deferred inflows - OPEB related	927,627	62,680	990,307
Total deferred inflows of resources	<u>1,124,497</u>	<u>99,121</u>	<u>1,223,618</u>
<b>Net Position</b>			
Net investment in capital assets	5,659,273	433,195	6,092,468
Restricted for:			
Capital projects	242,147	-	242,147
Other	23	(488,302)	(488,279)
Unrestricted	(4,830,664)	-	(4,830,664)
Total net position	<u>\$ 1,070,779</u>	<u>\$ (55,107)</u>	<u>\$ 1,015,672</u>

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
Instruction	\$ 2,612,597	\$ 2,856	\$ 1,232,797	\$ -	\$ (1,376,944)	\$ -	\$ (1,376,944)
Support services:							
Students	233,186	-	-	-	(233,186)	-	(233,186)
Instructional staff	248,308	-	78,233	-	(170,075)	-	(170,075)
District administration	865,697	-	-	-	(865,697)	-	(865,697)
School administration	552,694	-	-	-	(552,694)	-	(552,694)
Business and other support services	233,840	-	-	-	(233,840)	-	(233,840)
Operation and maintenance of plant	1,344,386	-	-	-	(1,344,386)	-	(1,344,386)
Student transportation	1,318,258	-	122,993	-	(1,195,265)	-	(1,195,265)
Community services	122,765	-	79,823	-	(42,942)	-	(42,942)
Interest	727,657	-	-	1,377,091	649,434	-	649,434
Total governmental activities	<u>8,259,388</u>	<u>2,856</u>	<u>1,513,846</u>	<u>1,377,091</u>	<u>(5,365,595)</u>	<u>-</u>	<u>(5,365,595)</u>
Business-type activities:							
Food service	1,472,923	28,704	1,252,452	-	-	(191,767)	(191,767)
Total business-type activities	<u>1,472,923</u>	<u>28,704</u>	<u>1,252,452</u>	<u>-</u>	<u>-</u>	<u>(191,767)</u>	<u>(191,767)</u>
Total primary government	<u>\$ 9,732,311</u>	<u>\$ 31,560</u>	<u>\$ 2,766,298</u>	<u>\$ 1,377,091</u>	<u>\$ (5,365,595)</u>	<u>\$ (191,767)</u>	<u>\$ (5,557,362)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					\$ 1,106,928	\$ -	\$ 1,106,928
Motor vehicle					271,149	-	271,149
Utilities					374,924	-	374,924
Intergovernmental revenues:							
State					3,944,901	-	3,944,901
Investment earnings					33,394	4,049	37,443
Other local revenues					328,943	-	328,943
Transfers					51,481	(51,481)	-
Total general revenues and transfers					<u>6,111,720</u>	<u>(47,432)</u>	<u>6,064,288</u>
Change in net position					746,125	(239,199)	506,926
Net position, June 30, 2019					<u>390,207</u>	<u>184,092</u>	<u>574,299</u>
Net position, June 30, 2020					<u>\$ 1,136,332</u>	<u>\$ (55,107)</u>	<u>\$ 1,081,225</u>

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>						
Cash and cash equivalents	\$ 879,847	\$ -	\$ 432,696	\$ 23	\$ 242,147	\$ 1,554,713
Receivables (net of allowances for uncollectibles):						
Taxes	30,632	-	-	-	-	30,632
Intergovernmental	6,677	156,209	-	-	-	162,886
Interfund receivable	77,757	-	-	-	-	77,757
Total assets	<u>\$ 994,913</u>	<u>\$ 156,209</u>	<u>\$ 432,696</u>	<u>\$ 23</u>	<u>\$ 242,147</u>	<u>\$ 1,825,988</u>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable	\$ 2,676	\$ (301)	\$ -	\$ -	\$ -	\$ 2,375
Interfund payable	-	77,757	-	-	-	77,757
Unearned revenue	-	78,753	-	-	-	78,753
Total liabilities	<u>2,676</u>	<u>156,209</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>158,885</u>
Fund balances:						
Restricted	-	-	432,696	23	242,147	674,866
Committed	-	-	-	-	-	-
Unassigned	992,237	-	-	-	-	992,237
Total fund balances	<u>992,237</u>	<u>-</u>	<u>432,696</u>	<u>23</u>	<u>242,147</u>	<u>1,667,103</u>
Total liabilities and fund balances	<u>\$ 994,913</u>	<u>\$ 156,209</u>	<u>\$ 432,696</u>	<u>\$ 23</u>	<u>\$ 242,147</u>	<u>\$ 1,825,988</u>

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

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

Fund balances—total governmental funds		\$ 1,667,103
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		29,263,911
Savings from refunding bonds are not available to pay current period expenditures and therefore are not reported in the funds.		62,571
Deferred outflows and inflows of resources related to pensions and OPEB plans are applicable to future periods and, therefore, are not reported in the governmental funds.		(39,689)
Some liabilities, including bonds, capital leases, and accrued sick leave, are not due and payable in the current period and therefore, are not reported in the governmental funds financial statements.		
Net pension liability	(3,234,809)	
Net OPEB liability	(2,719,407)	
Bonds payable	(23,065,000)	
Capital leases payable	(602,209)	
Accrued interest payable	(47,670)	
Accrued sick leave	(200,669)	
KSBIT payable	(13,353)	(29,883,117)
Net position of governmental activities		<u>\$ 1,070,779</u>

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
From local sources:						
Taxes -						
Property	\$ 768,550	\$ -	\$ -	\$ -	\$ 338,378	\$ 1,106,928
Motor vehicles	271,149	-	-	-	-	271,149
Utilities	374,924	-	-	-	-	374,924
Interest income	33,025	369	-	-	-	33,394
Tuition	2,856	-	-	-	-	2,856
Other local revenues	72,081	251,825	-	-	-	323,906
Intergovernmental - State	6,678,541	362,500	-	1,377,091	524,248	8,942,380
Intergovernmental - Indirect federal	-	879,757	-	-	-	879,757
Intergovernmental - Direct federal	39,611	-	-	-	-	39,611
Total revenues	<u>8,240,737</u>	<u>1,494,451</u>	<u>-</u>	<u>1,377,091</u>	<u>862,626</u>	<u>11,974,905</u>
Expenditures:						
Current:						
Instruction	4,249,137	1,232,797	-	-	-	5,481,934
Support services:						
Students	231,518	-	-	-	-	231,518
Instructional staff	170,075	78,233	-	-	-	248,308
District administration	857,444	-	-	-	-	857,444
School administration	545,597	-	-	-	-	545,597
Business and other support services	222,602	-	-	-	-	222,602
Operation and maintenance of plant	832,006	-	-	-	-	832,006
Student transportation	1,189,309	122,993	-	-	-	1,312,302
Community services	-	79,823	-	-	-	79,823
Building acquisitions and construction	-	-	68,521	-	-	68,521
Debt service	141,609	-	-	2,123,185	-	2,264,794
Total expenditures	<u>8,439,297</u>	<u>1,513,846</u>	<u>68,521</u>	<u>2,123,185</u>	<u>-</u>	<u>12,144,849</u>
Excess (deficiency) of revenues over expenditures	<u>(198,560)</u>	<u>(19,395)</u>	<u>(68,521)</u>	<u>(746,094)</u>	<u>862,626</u>	<u>(169,944)</u>
Other financing sources (uses):						
Sale of assets	5,037	-	-	-	-	5,037
Capital lease proceeds	115,662	-	-	-	-	115,662
Transfers in	51,481	19,395	-	745,944	-	816,820
Transfers out	(19,395)	-	-	-	(745,944)	(765,339)
Total other financing sources and uses	<u>152,785</u>	<u>19,395</u>	<u>-</u>	<u>745,944</u>	<u>(745,944)</u>	<u>172,180</u>
Net change in fund balances	(45,775)	-	(68,521)	(150)	116,682	2,236
Fund balances, June 30, 2019	<u>1,038,012</u>	<u>-</u>	<u>501,217</u>	<u>173</u>	<u>125,465</u>	<u>1,664,867</u>
Fund balances, June 30, 2020	<u>\$ 992,237</u>	<u>\$ -</u>	<u>\$ 432,696</u>	<u>\$ 23</u>	<u>\$ 242,147</u>	<u>\$ 1,667,103</u>

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



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

Net change in fund balances—total governmental funds \$ 2,236

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	216,035	
Depreciation expense	<u>(805,204)</u>	(589,169)

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

Long-term portion of accrued sick leave		(32,246)
Amortization of deferred savings from refunding bonds		(6,985)
Interest payable		3,177

Governmental funds report pension contributions as expenditures when paid.

However, in the Statement of Activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions, and investment experience.

KTRS on-behalf revenues	(3,025,910)	
KTRS on-behalf pension expense	3,091,463	
CERS contributions	251	
Pension expense	<u>(121,975)</u>	(121,724)

Bond and capital lease proceeds are recognized as revenues in the fund financial statements, but are increases in liabilities in the statement of net position.

Capital lease proceeds		(115,662)
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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.

1,540,945

Change in net position of governmental activities

\$ 680,572

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

**NICHOLAS COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2020**

	Food Service Fund
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 165,593
Accounts receivable	-
Inventories	19,082
Total current assets	184,675
Noncurrent assets:	
Capital assets, net of accumulated depreciation	433,195
Total noncurrent assets	433,195
Total assets	617,870
<b>Deferred Outflows of Resources</b>	
Deferred pension outflows	116,100
Deferred OPEB outflows	51,879
Total deferred outflows of resources	167,979
Total assets and deferred outflows	\$ 785,849
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	\$ (86)
Total current liabilities	(86)
Noncurrent liabilities:	
Net pension liability	598,763
Net OPEB liability	143,158
Total liabilities	741,835
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pension	36,441
Deferred inflows - OPEB	62,680
Total deferred inflows of resources	99,121
<b>Net Position</b>	
Invested in capital assets	433,195
Restricted	(488,302)
Total net position	(55,107)
Total liabilities and net position	\$ 785,849

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

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

	Food Service Fund
Operating revenues:	
Lunchroom sales	\$ 28,119
Other operating revenues	585
Total operating revenues	28,704
Operating expenses:	
Salaries and wages	252,065
Employee benefits	506,630
Materials and supplies	664,252
Depreciation	29,638
Other operating expenses	20,338
Total operating expenses	1,472,923
Operating income (loss)	(1,444,219)
Nonoperating revenues (expenses):	
Federal grants	895,093
Investment income	4,049
On-behalf payments	265,639
Donated commodities	91,720
Transfers out	(51,481)
Total nonoperating revenue (expenses)	1,205,020
Increase (decrease) in net position	(239,199)
Net position, June 30, 2019	184,092
Net position, June 30, 2020	\$ (55,107)

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

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

	<u>Food Service Fund</u>
Cash flows from operating activities:	
Cash received from:	
Lunchroom sales and fees charged	\$ 28,704
Cash paid to/for:	
Payments to suppliers and providers of goods and services	(570,202)
Payments to employees	(316,319)
Other payments	(20,338)
Net cash provided by (used for) operating activities	<u>(878,155)</u>
 Cash flows from noncapital financing activities:	
Government grants	895,129
Transfer out	(51,481)
Net cash provided by noncapital and related financing activities	<u>843,648</u>
 Cash flows from investing activities:	
Interest received on investments	4,049
Purchase of property, plant and equipment	-
Net cash provided by investing activities	<u>4,049</u>
 Net increase (decrease) in cash and cash equivalents	(30,458)
 Cash and cash equivalents, June 30, 2019	<u>196,051</u>
 Cash and cash equivalents, June 30, 2020	<u><u>\$ 165,593</u></u>
 Reconciliation of operating loss to net cash used for operating activities:	
Operating income (loss)	\$ (1,444,219)
Adjustments to reconcile operating income (loss) to net cash used for operating activities:	
Depreciation	29,638
Donated commodities	91,720
On-behalf payments	265,639
Net pension and OPEB expense	176,737
Change in assets and liabilities:	
Inventory	6,944
Accounts payable	(4,614)
Net cash provided by (used for) operating activities	<u><u>\$ (878,155)</u></u>
 Non-cash items:	
Donated commodities	\$ 91,720
On-behalf payments	265,639

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

**NICHOLAS COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2020**

	Agency Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 199,715
Accounts receivable	-
Total assets	199,715
<b>Liabilities</b>	
Accounts payable	-
Due to students	199,715
Total liabilities	199,715
<b>Net position held in trust</b>	\$ -

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

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes -				
Property	\$ 762,250	\$ 762,250	\$ 768,550	\$ 6,300
Motor vehicles	230,000	230,000	271,149	41,149
Utilities	300,000	300,000	374,924	74,924
Interest income	20,000	20,000	33,025	13,025
Tuition	-	-	2,856	2,856
Other local revenues	3,000	3,000	72,081	69,081
Intergovernmental - State	7,045,453	7,045,453	6,678,541	(366,912)
Intergovernmental - Direct federal	55,000	55,000	39,611	(15,389)
Total revenues	<u>8,415,703</u>	<u>8,415,703</u>	<u>8,240,737</u>	<u>(174,966)</u>
Expenditures:				
Current:				
Instruction	4,770,826	4,662,347	4,249,137	413,210
Support services:				
Students	407,400	407,400	231,518	175,882
Instructional staff	131,330	230,330	170,075	60,255
District administration	672,735	672,735	857,444	(184,709)
School administration	587,207	596,586	545,597	50,989
Business and other support services	211,250	211,250	222,602	(11,352)
Operation and maintenance of plant	932,043	932,043	832,006	100,037
Student transportation	1,088,080	1,088,080	1,073,647	14,433
Debt service	145,000	145,000	141,609	3,391
Contingency	500,000	500,000	-	500,000
Total expenditures	<u>9,445,871</u>	<u>9,445,771</u>	<u>8,323,635</u>	<u>1,122,136</u>
Excess (deficiency) of revenues over expenditures	<u>(1,030,168)</u>	<u>(1,030,068)</u>	<u>(82,898)</u>	<u>947,170</u>
Other financing sources (uses):				
Sale of assets	-	-	5,037	5,037
Transfers in	-	-	51,481	51,481
Transfers out	(20,000)	(20,000)	(19,395)	605
Total other financing sources and uses	<u>(20,000)</u>	<u>(20,000)</u>	<u>37,123</u>	<u>57,123</u>
Net change in fund balances	<u>(1,050,168)</u>	<u>(1,050,068)</u>	<u>(45,775)</u>	<u>1,004,293</u>
Fund balances, June 30, 2019	<u>1,050,168</u>	<u>1,050,168</u>	<u>1,038,012</u>	<u>(12,156)</u>
Fund balances, June 30, 2020	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ 992,237</u>	<u>\$ 992,137</u>
Adjustments to Generally Accepted Accounting Principles -				
Capital lease proceeds			115,662	
Student Transportation			(115,662)	
Fund balance, end of year (GAAP basis)			<u>\$ 992,237</u>	

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

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest income	\$ -	\$ -	\$ 369	\$ 369
Other local revenues	210,000	210,000	251,825	41,825
Intergovernmental - State	279,782	280,093	362,500	82,407
Intergovernmental - Indirect federal	1,028,039	976,842	879,757	(97,085)
Intergovernmental - Direct federal	-	-	-	-
Total revenues	<u>1,517,821</u>	<u>1,466,935</u>	<u>1,494,451</u>	<u>27,516</u>
Expenditures:				
Current:				
Instruction	1,266,158	1,232,847	1,232,797	50
Support services:				
Instructional staff	87,904	70,864	78,233	(7,369)
Student transportation	97,255	97,255	122,993	(25,738)
Community services	86,504	85,969	79,823	6,146
Operation of non-instructional services	-	-	-	-
Total expenditures	<u>1,537,821</u>	<u>1,486,935</u>	<u>1,513,846</u>	<u>(26,911)</u>
Excess (deficiency) of revenues over expenditures	<u>(20,000)</u>	<u>(20,000)</u>	<u>(19,395)</u>	<u>605</u>
Other financing sources (uses):				
Transfers in	20,000	20,000	19,395	(605)
Transfers out	-	-	-	-
Total other financing sources and uses	<u>20,000</u>	<u>20,000</u>	<u>19,395</u>	<u>(605)</u>
Net change in fund balances	-	-	-	-
Fund balances, June 30, 2019	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, June 30, 2020	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**NICHOLAS COUNTY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**(1) REPORTING ENTITY**

The Nicholas 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 Nicholas County School District (“District”). The District receives funding from local, state and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

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

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

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements. Copies of this organization’s financial statements may be obtained from the District’s Finance Office at 395 W. Main Street, Carlisle, Kentucky 40311.

Nicholas County Board of Education Finance Corporation - In a prior year the Board of Education resolved to authorize the establishment of the Nicholas County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the “Corporation”) as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation’s Board of Directors. Copies of component unit reports may be obtained from the District’s Finance office.

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS**

Basis of Presentation

The accounting policies of the Nicholas County School District substantially comply with the rules prescribed by the Kentucky Department of Education for local school districts.

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

Government-wide statements provide information about the primary government (the District). The statements include a statement of net position and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also



distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses to programs or functions, except where allowable for certain grant programs. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining funds are aggregated and reported as non-major funds. Fiduciary funds are aggregated and reported by fund type.

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

The District has the following funds:

I. Governmental Fund Types

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

- C. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by the Proprietary Fund).
1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the State as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
  2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
  3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- D. The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs; and for the payment of interest on general obligation notes payable, as required by Kentucky Law. This is a major fund of the District.

## II. Proprietary Fund Types (Enterprise Fund)

The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund.

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

The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the *Uniform Program of Accounting for School Activity Funds*.

## 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, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

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

District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before 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.

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

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

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

### Property Taxes

Property taxes are levied each October 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 into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2020, to finance the General Fund operations were \$.408 per \$100 valuation for real property, \$.408 per \$100 valuation for business personal property and \$.555 per \$100 valuation for motor vehicles. In addition, the District assessed a nickel levy in the amount of \$.06 per \$100 valuation for construction purposes, only.

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 telegraphic communications services, cablevision services, electric power, water, and gas.

### In-Kind

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

### Cash and Cash Equivalents

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

### Inventories

Supplies and materials are charged to expenditures when purchased with the exception of the Proprietary Funds, which records inventory using the accrual basis of accounting. Inventories are stated at the lower of cost or market, on the first-in, first-out basis.

## Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars (\$5,000) 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 asset's life are not capitalized.

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

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

## Budgetary Process

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

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

**Budgetary Basis of Accounting:** The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major difference between the budgetary basis and the GAAP basis is that direct financing capital lease obligations were not budgeted in the General Fund.

## Accrued Liabilities and Long-Term Obligations

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

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

accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, all payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

### Fund Balance Reserves

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

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

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

### Net Position

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

### Operating Revenues and Expenses

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

### Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in 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.

### Accumulated Unpaid Sick Leave Benefits

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

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

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

### Bond Issuance Costs

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

### Deferred Inflows and Outflows of Resources

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

### Pension

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

### Postemployment Benefits Other Than Pensions (OPEB)

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

### Recent Accounting Pronouncements

In February 2017, the GASB issued Statement No. 84, *Fiduciary Activities* ("GASB 84"). GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. Generally, the focus of the criteria relates to (1) whether a government is controlling the assets of

the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and post-employment benefit arrangements that are fiduciary activities. Additionally, GASB 84 describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust, or an equivalent arrangement, that meets specific criteria. Finally, it provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. GASB 84 will be effective for the District beginning with its year ending June 30, 2021. Management is currently evaluating the impact of this Statement on its financial statements.

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

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (“GASB 89”), which seeks to (1) enhance the relevance and comparability of information concerning capital assets and the cost of borrowing for a reporting period, and (2) simplify accounting for interest cost incurred during the period of construction. In particular, GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus, and, thus, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB 89 will be effective for the District beginning with its year ending June 30, 2022. Management is currently evaluating the impact of this Statement on its financial statements.

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

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (“GASB 96”). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. The Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (3) provides the

capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. GASB 96 will be effective for the District beginning with its year ending June 30, 2023. Management is currently evaluating the impact of this Statement on its financial statements.

**(3) ESTIMATES**

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

**(4) CASH AND CASH EQUIVALENTS**

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

At year-end, the carrying amount of the District’s total cash and cash equivalents was \$1,920,021 and the related bank balances totaled \$2,164,514. Of the total cash balance, \$450,604 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks’ trust departments in the District’s name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

The cash deposits held at financial institutions can be categorized according to three levels of risk.

The three levels of risks are as follows:

- Category 1 Deposits, which are insured or collateralized with securities, held by the District or by its agent in the District’s name.
- Category 2 Deposits, which are collateralized with securities held by the pledging financial institution’s trust department or agent in the District’s name.
- Category 3 Deposits, which are not collateralized or insured.

Based on these three levels of risk, the District’s uninsured cash deposits are classified as Category 2.

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



**(5) CAPITAL ASSETS**

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

	Balance			Balance
	June 30, 2019	Additions	Deductions	June 30, 2020
<u>Governmental Activities</u>				
Land	\$ 56,429	\$ -	\$ -	\$ 56,429
Construction in progress	20,343,199	102,395	20,445,594	-
Land improvements	199,370	-	-	199,370
Buildings and improvements	19,830,063	20,445,594	-	40,275,657
Technology equipment	1,311,685	-	-	1,311,685
General equipment	575,965	-	-	575,965
Vehicles	<u>1,663,022</u>	<u>113,640</u>	<u>-</u>	<u>1,776,662</u>
Totals	<u>43,054,733</u>	<u>20,661,629</u>	<u>20,445,594</u>	<u>44,195,768</u>
Less: accumulated depreciation				
Land improvements	78,918	9,968	-	88,886
Buildings and improvements	10,981,855	659,353	-	11,641,208
Technology equipment	1,542,136	23,636	-	1,565,772
General equipment	494,306	14,331	-	508,637
Vehicles	<u>1,029,438</u>	<u>97,916</u>	<u>-</u>	<u>1,127,354</u>
Total accumulated depreciation	<u>14,126,653</u>	<u>805,204</u>	<u>-</u>	<u>14,931,856</u>
<u>Governmental Activities</u>				
Capital Assets - Net	<u>\$ 29,853,080</u>	<u>\$ 19,856,425</u>	<u>\$ 20,445,594</u>	<u>\$ 29,263,911</u>
<u>Business-Type Activities</u>				
Construction in progress	\$ 346,465	\$ -	\$ 346,465	\$ -
Food service equipment	420,604	346,465	-	767,069
Food service technology equipment	<u>21,374</u>	<u>-</u>	<u>-</u>	<u>21,374</u>
	<u>788,443</u>	<u>346,465</u>	<u>346,465</u>	<u>788,443</u>
Less: accumulated depreciation				
Food service equipment	304,236	29,638	-	333,874
Food service technology equipment	<u>21,374</u>	<u>-</u>	<u>-</u>	<u>21,374</u>
	<u>325,610</u>	<u>29,638</u>	<u>-</u>	<u>355,248</u>
<u>Business-Type Activities</u>				
Capital Assets - Net	<u>\$ 462,833</u>	<u>\$ 316,827</u>	<u>\$ 346,465</u>	<u>\$ 433,195</u>

Depreciation expense was allocated to governmental functions as follows:

Instruction	\$ 196,025
Business support services	5,907
Plant operation & maintenance	486,026
Student transportation	115,421
Community services	<u>1,825</u>
	<u>\$ 805,204</u>

**(6) LONG-TERM LIABILITIES**

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

<u>Description</u>	<u>Balance at June 30, 2019</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance at June 30, 2020</u>
General obligation bonds - \$35,030,000 originally issued with interest rates ranging from 1.90% to 4.375%	\$ 24,490,000	\$ -	\$ 1,425,000	\$ 23,065,000
KISTA loans	589,139	115,662	102,592	602,209
KSBIT liability	26,706	-	13,353	13,353
Accrued interest	50,847	-	3,177	47,670
Net pension liability	3,466,358	367,214	-	3,833,572
Net OPEB liability	3,310,497	-	447,932	2,862,565
Accumulated unpaid sick leave benefits	<u>168,423</u>	<u>32,246</u>	<u>-</u>	<u>200,669</u>
	<u>\$ 32,101,970</u>	<u>\$ 515,122</u>	<u>\$ 1,992,054</u>	<u>\$ 30,625,038</u>

The amount shown in the accompanying financial statements as debt obligations represents the District's future obligations to make lease payments relating to the bonds issued by the Nicholas County School District Finance Corporation, with original amounts of issues totaling \$35,030,000.

**Bonds**

The General Fund, including utility taxes, the Facility Support Program Fund and the SEEK Capital Outlay Fund are obligated to make lease payments. The lease agreements provide, among other things, (1) for rentals sufficient to satisfy debt service requirements on bonds issued by the Nicholas County School District Finance Corporation, and Kentucky School Facility Construction Commission (KSFCC) to construct school facilities and (2) the District with the option to purchase the property under lease at any time by retiring the bonds then outstanding. The proceeds from certain refunding issues have been placed in escrow accounts to be used to service the related debt.

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

<u>ORIGINAL ISSUE</u>	<u>ISSUER</u>	<u>AMOUNT</u>	<u>INTEREST RATES</u>
Issue of 2009	Nicholas County School District Finance Corporation & KSFCC	\$ 8,285,000	2.00% to 4.125%
Issue of 2011	Nicholas County School District Finance Corporation & KSFCC	2,145,000	1.90% to 4.375%
Issue of 2016	KSFCC 100%	19,575,000	2.00% to 3.00%
Issue of 2020R	Nicholas County School District Finance Corporation & KSFCC	5,025,000	3.00%

The bonds may be called prior to maturity dates at redemption premiums specified in each issue.

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

Assuming no issues are called prior to scheduled maturity, the minimum obligations of the funds at June 30, 2020, for debt service, (principal and interest) are as shown below:

Year	Kentucky School Facilities Construction Commission		Nicholas County School District		Total
	Principal	Interest	Principal	Interest	
2021	\$ 911,994	\$ 463,496	\$ 553,006	\$ 197,464	\$ 2,125,960
2022	934,011	444,579	565,989	180,491	2,125,070
2023	951,089	425,202	588,911	163,113	2,128,315
2024	973,228	405,462	606,772	145,033	2,130,495
2025	995,446	382,993	624,554	125,620	2,128,613
2026-2030	5,288,576	1,513,703	2,896,424	309,415	10,008,118
2031-2035	5,733,321	713,545	191,679	8,386	6,646,931
2036	1,250,000	37,500	-	-	1,287,500
	<u>\$ 17,037,665</u>	<u>\$4,386,480</u>	<u>\$ 6,027,335</u>	<u>\$ 1,129,522</u>	<u>\$ 28,581,002</u>

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

Year	Principal	Interest	Total
2021	\$ 97,344	\$ 15,449	\$ 112,793
2022	88,231	13,045	101,276
2023	85,149	10,881	96,030
2024	82,300	8,712	91,012
2025	64,719	6,559	71,278
2026-2030	184,466	10,526	194,992
	<u>\$ 602,209</u>	<u>\$ 65,172</u>	<u>\$ 667,381</u>

### KSBIT Payable

The Kentucky School Boards Insurance Trust (“KSBIT”) notified the District during fiscal year 2014 that their self-insurance pools for worker’s compensation and liability insurance were underfunded. As a result, an assessment will be required under a fair methodology to be approved by the Kentucky Department of Insurance, of current and past participating members to fund the deficit and the transfer of liability to a qualified insurer/reinsurer. On May 13, 2014, the court approved the plan of assessment tendered by KSBIT and approved the Loss Portfolio Transfer to Kentucky Employers Mutual Insurance (“KEMI”). As a result, the District’s workers’ compensation portion of the liability was estimated at \$106,827. The District took the option of paying 25% down by August 31, 2014 and financing the remaining balance over 6 years to be paid in equal annual installments beginning August 31, 2015 with no interest. The District’s property and liability portion of the liability was estimated at \$101,641. The District took the option of paying 40% down by September 15, 2014 and financing the remaining balance over 2 years to be paid in equal annual installments beginning September 15, 2015 with no interest. The following is a schedule by year of payments:

Year Ending 2021	\$ 13,353
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### **Net Pension Liability**

The net pension liability is \$3,234,809 and \$598,763 for governmental activities and business-type activities, respectively, at June 30, 2020. See Note 7 for more detailed information.

### **Net OPEB Liability**

The net OPEB liability is \$2,719,407 and \$143,158 for governmental activities and business-type activities, respectively, at June 30, 2020. See Note 8 for more detailed information.

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

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2020, this amount totaled \$168,423 for those employees who were eligible for retirement with \$33,685 estimated to be current.

## **(7) RETIREMENT PLANS**

### Kentucky Teachers Retirement System

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

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

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

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

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

payable upon the death of a member, is \$2,000 for active contributing members and \$5,000 for retired or disabled members.

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

*Contributions:* Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university members are required to contribute 12.855% of their salaries to the System. University members are required to contribute 10.400% of their salaries. KRS 161.580 allows each university to reduce the contribution of its members by 2.215%; therefore, university members contribute 8.185% of their salary to KTRS.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions in the amount of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. University employers contribute 15.865% of salaries of members. For local school district and regional cooperative members whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

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

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

District's proportionate share of the net Pension liability	\$ -
Commonwealth's proportionate share of the Net Pension liability associated with the District	<u>17,054,877</u>
	<u>\$ 17,054,877</u>

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2018. An expected total pension liability as of June 30, 2019 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the Commonwealth as determined by the actuary. At June 30, 2019, the District's proportion was 0.125%.

For the year ended June 30, 2020, the District recognized pension expense of (\$2,041,694) and revenue of (\$2,041,694) for support provided by the State.

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

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	20% of the difference between the market value of assets

	and the expected actuarial value of assets is recognized
Single Equivalent Interest Rate	7.50%
Municipal Bond Index Rate	3.50%
Inflation	3.0%
Salary Increase	3.5-7.3%, including inflation
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation
Post-retirement Benefit Increases	1.50% annually

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	40.0%	4.2%
International Equity	22.0%	5.2%
Fixed Income	15.0%	1.2%
Other Additional Categories*	8.0%	3.3%
Real Estate	6.0%	3.8%
Private Equity	7.0%	6.3%
Cash (LIBOR)	2.0%	0.9%
Total	<u>100.0%</u>	

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

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

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

	1% Decrease <u>(6.50%)</u>	Current discount rate <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
Commonwealth's proportionate share of the Net Pension liability associated with the District	\$ 21,777,000	\$ 17,054,877	\$13,081,000

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

### County Employees Retirement System

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

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

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

*Contributions:* Funding for CERS is provided by members, who contribute 5.00% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions, and by employers of members. For the year ending June 30, 2020, employers were required to contribute 24.06% (19.30% - pension, 4.76% insurance) of the member's salary. During the year ending June 30, 2020, the District contributed \$247,059 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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

At June 30, 2020, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2019 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2019. At June 30, 2019, the District's proportion was 0.05451%.

For the year ended June 30, 2020, the District recognized pension expense of approximately \$531,000. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 97,883	\$ 16,198
Changes of assumptions	388,001	-

Net difference between projected and actual earnings on investments	-	61,798
Changes in proportion and differences between District contributions and proportionate share of contributions	10,388	155,315
District contributions subsequent to the measurement date	247,059	-
	<u>\$ 743,331</u>	<u>\$ 233,311</u>

The \$247,059 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

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

<u>Year</u>	
2021	\$ 195,507
2022	38,712
2023	24,355
2024	4,387
	<u>\$ 262,961</u>

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

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

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

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



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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Growth		
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Liquidity		
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies		
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	<u>15.00%</u>	4.10%
Total	<u>100.00%</u>	3.89%

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

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

	<u>1% Decrease (5.25%)</u>	<u>Current discount rate (6.25%)</u>	<u>1% Increase (7.25%)</u>
District's proportionate share of the net pension liability	\$ 4,794,711	\$ 3,833,572	\$ 3,032,472

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

*Payables to the pension plan:* At June 30, 2020, there was no payable to CERS.

## **(8) OTHER POSTEMPLOYMENT BENEFIT (“OPEB”) PLANS**

### Kentucky Teachers Retirement System OPEB Plans

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

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

#### **Medical Insurance Plan**

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

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

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

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

At June 30, 2020, the District reported a liability of \$1,946,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2017. An expected total OPEB liability as of June 30, 2019 was determined using standard roll-forward techniques. The total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the District’s proportion was 0.120157%.

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

District's proportionate share of the net OPEB liability	\$ 1,946,000
Commonwealth's proportionate share of the Net OPEB liability associated with the District	<u>1,571,000</u>
	<u>\$ 3,517,000</u>

For the year ended June 30, 2020, the District recognized OPEB expense of \$70,000 and revenue of \$93,476 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 471,000
Changes of assumptions	52,000	-
Net difference between projected and actual earnings on investments	8,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	6,000	118,000
District contributions subsequent to the measurement date	<u>111,303</u>	<u>-</u>
	<u>\$ 177,303</u>	<u>\$ 589,000</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$111,303 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

<u>Year</u>	
2021	\$ (101,000)
2022	(101,000)
2023	(97,000)
2024	(98,000)
2025	(80,000)
Thereafter	<u>(46,000)</u>
	<u>\$ (523,000)</u>

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

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 – 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%

Wage Inflation	3.50%
Healthcare cost trend rates	
Under 65	7.50% for FY 2019 decreasing to an ultimate rate of 5.00% by FY 2024
Ages 65 and Older	5.50% for FY 2019 decreasing to an ultimate rate of 5.00% by FY 2021
Medicare Part B Premiums	2.63% for FY 2019 with an ultimate rate of 5.00% by 2031
Municipal Bond Index Rate	3.50%
Discount Rate	8.00%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation.

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

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

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

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

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

*Discount rate* - The discount rate used to measure the total OPEB liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 8.00%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a

discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current discount rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
District's proportionate share of the net OPEB liability	\$ 2,305,000	\$ 1,946,000	\$ 1,645,000

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

	<u>1% Decrease</u>	<u>Current trend rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ 1,584,000	\$ 1,946,000	\$ 2,390,000

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

### **Life Insurance Plan**

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

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

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

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

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

District's proportionate share of the net OPEB liability	\$ -
Commonwealth's proportionate share of the Net OPEB liability associated with the District	<u>36,000</u> <u>\$ 36,000</u>

The net OPEB liability was measured as of June 30, 2019, and the total pension liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. An expected total OPEB liability as of June 30, 2019 was determined using standard roll-forward techniques. The District's proportion of the net OPEB liability was based on the actual liability of the employees and former employees relative to the total liability of the Commonwealth as determined by the actuary. At June 30, 2019, the District's proportion was 0.117445%.

For the year ended June 30, 2020, the District recognized OPEB expense of \$-0- and revenue of \$1,543 for support provided by the State.

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

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 – 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Municipal Bond Index Rate	3.50%
Discount Rate	7.50%
Single Equivalent Interest Rate	7.50%, net of OPEB plan investment expense, including inflation.

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

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

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

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

	Target <u>Allocation</u>	30 Year Expected Geometric <u>Real Rate of Return</u>
U.S. Equity	40.0%	4.3%
International Equity	23.0%	5.2%
Fixed Income	18.0%	1.2%
Real Estate	6.0%	3.8%

Private Equity	5.0%	6.3%
Other Additional Categories	6.0%	3.3%
Cash (LIBOR)	2.0%	0.9%
Total	<u>100.0%</u>	

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

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

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

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
Commonwealth's proportionate share of the net OPEB liability associated with the District	\$ 52,000	\$ 36,000	\$ 19,000

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

#### County Employees Retirement System Insurance Fund

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

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

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

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

health plans. Non-hazardous retirees receive \$10 toward the monthly premium for each full year of service.

*Contributions:* CERS allocates a portion of the employer contributions to the health insurance benefit plans. For the year ending June 30, 2020, CERS allocated 4.76% of the 24.06% actuarially required contribution rate paid by employers for funding the healthcare benefit. In addition, 1.00% of the contributions by employees hired after September 1, 2008 are allocated to the health insurance plan. During the year ending June 30, 2020, the District contributed \$60,933 to the CERS Insurance Fund. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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

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

At June 30, 2020, the District reported a liability its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2019 was determined using standard roll-forward techniques. District's proportion of the net OPEB liability was based on contributions to CERS during the fiscal year ended June 30, 2019. At June 30, 2019, the District's proportion was 0.054494%.

For the year ended June 30, 2020, the District recognized OPEB expense of \$82,941, including an implicit subsidy of \$15,939. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 276,549
Changes of assumptions	271,220	1,814
Net difference between projected and actual earnings on investments	-	40,710
Changes in proportion and differences between District contributions and proportionate share of contributions	-	82,234
District contributions subsequent to the measurement date	60,933	-
	<u>\$ 332,153</u>	<u>\$ 401,307</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$60,933 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2020.

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



<u>Year</u>	
2021	\$ (24,407)
2022	(24,407)
2023	(11,464)
2024	(36,218)
2025	(28,420)
Thereafter	(5,171)
	<u>\$ (130,087)</u>

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

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	24 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post-65	Initial trend starting at 5.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Non-Hazardous Systems, and the PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010
Post-retirement (non- disabled)	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

As a result of the 2018 experience study, the salary increase assumptions, retirement rate assumptions, mortality assumptions, withdrawal rates, and rates of disablement were updated for the 2019 actuarial valuation.

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

percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the below tables.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Growth		
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Liquidity		
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies		
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	<u>15.00%</u>	4.10%
Total	<u>100.00%</u>	3.89%

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

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

	<u>1% Decrease (4.68%)</u>	<u>Current discount rate (5.68%)</u>	<u>1% Increase (6.68%)</u>
District's proportionate share of the net OPEB liability	\$ 1,227,819	\$ 916,565	\$ 660,111

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

	<u>1% Decrease</u>	<u>Current trend rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ 681,654	\$ 916,565	\$ 1,201,422

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

*Payables to the OPEB plan:* At June 30, 2020, there was no payable to CERS.

## **(9) CONTINGENCIES**

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

The District is subject to certain legal proceedings arising from normal business activities. Administrative officials believe that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the accompanying financial statements.

## **(10) RISK MANAGEMENT**

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

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

## **(11) COBRA**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. It is managements' opinion that the District is in compliance with the COBRA requirements.

**(12) TRANSFER OF FUNDS**

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	General	Special Revenue	Technology Match	\$ 19,395
Operating	Food Service	General	Indirect Cost	51,481
Operating	Building	Debt Service	Debt Service	745,944

**(13) ON-BEHALF PAYMENTS**

For the year ended June 30, 2020, total payments of \$3,865,799 were made by the Commonwealth of Kentucky on behalf of the District for life insurance, health insurance, and KTRS matching and administrative fees, and vocational education. These payments were recognized as on-behalf payments and are recorded in the appropriate revenue and expense account on the Statement of Activities and the Government Funds Statement of Revenue, Expenditures and Changes in Fund Balance.

On-behalf payments at June 30, 2020 consisted of the following:

Teacher Retirement-pension	\$ 1,283,479
Teacher Retirement-OPEB	95,019
Health Insurance	1,068,830
Life Insurance	1,681
Admin Fee	13,861
HRA/Dental/Vision	54,600
Federal Reimbursement	(93,514)
Technology	64,752
Debt Service	1,377,091
<b>Total on-behalf</b>	<b>\$ 3,865,799</b>

**(14) SUBSEQUENT EVENTS**

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

**REQUIRED SUPPLEMENTARY INFORMATION**

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

	Reporting Fiscal Year (Measurement Date) 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)	Reporting Fiscal Year (Measurement Date) 2015 (2014)
<b>COUNTY EMPLOYEES RETIREMENT SYSTEM:</b>						
District's proportion of the net pension liability	0.05451%	0.05692%	0.06028%	0.05863%	0.05846%	0.05824%
District's proportionate share of the net pension liability	\$ 3,833,572	\$ 3,466,358	\$ 3,528,491	\$ 2,886,702	\$ 2,513,637	\$ 1,890,000
District's covered payroll	\$ 1,383,360	\$ 1,396,354	\$ 1,489,634	\$ 1,398,611	\$ 1,364,173	\$ 1,336,220
District's proportionate share of the net pension liability as a percentage of its covered payroll	277.120%	248.244%	236.870%	206.398%	184.261%	141.444%
Plan fiduciary net position as a percentage of the total pension liability	50.450%	53.540%	53.300%	55.500%	59.970%	66.800%
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM:</b>						
District's proportion of the net pension liability	0.125%	0.129%	0.135%	0.141%	0.141%	0.140%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	\$ 17,054,877	\$ 16,899,438	\$ 36,410,785	\$ 41,669,787	\$ 32,758,535	\$ 28,850,987
Total	<u>\$ 17,054,877</u>	<u>\$ 16,899,438</u>	<u>\$ 36,410,785</u>	<u>\$ 41,669,787</u>	<u>\$ 32,758,535</u>	<u>\$ 28,850,987</u>
District's covered payroll	\$ 4,462,318	\$ 4,481,046	\$ 4,509,696	\$ 4,457,318	\$ 4,408,979	\$ 4,399,936
District's proportionate share of the net pension liability as a percentage of its covered payroll	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Plan fiduciary net position as a percentage of the total pension liability	58.800%	59.300%	39.830%	35.220%	42.490%	45.590%

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

**NICHOLAS COUNTY SCHOOL DISTRICT  
SCHEDULE OF PENSION CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>COUNTY EMPLOYEES RETIREMENT SYSTEM:</b>							
Contractually required contribution	\$ 247,059	\$ 224,381	\$ 202,192	\$ 207,804	\$ 173,703	\$ 173,942	\$ 183,604
Contributions in relation to the contractually required contribution	<u>247,059</u>	<u>224,381</u>	<u>202,192</u>	<u>207,804</u>	<u>173,703</u>	<u>173,942</u>	<u>183,604</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-
District's covered payroll	\$ 1,280,098	\$ 1,383,360	\$ 1,396,354	\$ 1,489,634	\$ 1,398,611	\$ 1,364,173	\$ 1,336,220
District's contributions as a percentage of its covered payroll	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM:</b>							
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-
District's covered payroll	\$ 4,224,530	\$ 4,462,318	\$ 4,481,046	\$ 4,509,696	\$ 4,457,318	\$ 4,408,979	\$ 4,399,936
District's contributions as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

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

	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)
	2020 (2019)	2019 (2018)	2018 (2017)
<b>COUNTY EMPLOYEES RETIREMENT SYSTEM - INSURANCE FUND:</b>			
District's proportion of the net OPEB liability	0.05449%	0.05691%	0.06028%
District's proportionate share of the net OPEB liability	\$ 916,565	\$ 1,010,498	\$ 1,211,874
District's covered payroll	\$ 1,383,360	\$ 1,396,354	\$ 1,489,634
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	66.256%	72.367%	81.354%
Plan fiduciary net position as a percentage of the total OPEB liability	60.400%	57.600%	52.400%
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM - MEDICAL INSURANCE PLAN:</b>			
District's proportion of the net OPEB liability	0.120%	0.123%	0.129%
District's proportionate share of the net OPEB liability	\$ 1,946,000	\$ 2,300,000	\$ 2,533,000
State's proportionate share of the net OPEB liability associated with the District	1,571,000	1,982,000	2,069,000
Total	<u>\$ 3,517,000</u>	<u>\$ 4,282,000</u>	<u>\$ 4,602,000</u>
District's covered payroll	\$ 3,858,333	\$ 3,941,800	\$ 4,056,633
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.000%	0.000%	0.000%
Plan fiduciary net position as a percentage of the total OPEB liability	32.600%	25.500%	21.180%

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



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

	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)
	2020 (2019)	2019 (2018)	2018 (2017)
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM - LIFE INSURANCE PLAN:</b>			
District's proportion of the net OPEB liability	0.117%	0.121%	0.126%
District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the District	\$ 36,000	\$ 34,000	\$ 28,000
Total	<u>\$ 36,000</u>	<u>\$ 34,000</u>	<u>\$ 28,000</u>
District's covered payroll	\$ 4,462,318	\$ 4,481,046	\$ 4,509,696
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.000%	0.000%	0.000%
Plan fiduciary net position as a percentage of the total OPEB liability	73.400%	75.000%	79.990%

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

**NICHOLAS COUNTY SCHOOL DISTRICT  
SCHEDULE OF OPEB CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>COUNTY EMPLOYEES RETIREMENT SYSTEM - INSURANCE FUND:</b>				
Contractually required contribution	\$ 60,933	\$ 72,773	\$ 65,612	\$ 70,456
Contributions in relation to the contractually required contribution	<u>60,933</u>	<u>72,773</u>	<u>65,612</u>	<u>70,456</u>
Contribution deficiency (excess)	-	-	-	-
District's covered payroll	\$ 1,280,098	\$ 1,396,354	\$ 1,396,354	\$ 1,489,634
District's contributions as a percentage of its covered payroll	4.76%	5.26%	4.70%	4.73%
 <b>KENTUCKY TEACHER'S RETIREMENT SYSTEM - MEDICAL INSURANCE PLAN:</b>				
Contractually required contribution	\$ 111,303	\$ 115,750	\$ 118,254	\$ 121,699
Contributions in relation to the contractually required contribution	<u>111,303</u>	<u>115,750</u>	<u>118,254</u>	<u>121,699</u>
Contribution deficiency (excess)	-	-	-	-
District's covered payroll	\$ 3,710,100	\$ 3,858,333	\$ 3,941,800	\$ 4,056,633
District's contributions as a percentage of its covered payroll	3.00%	3.00%	3.00%	3.00%

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM - LIFE INSURANCE PLAN:</b>				
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	-	-	-	-
District's covered payroll	\$ 3,710,100	\$ 3,858,333	\$ 3,941,800	\$ 4,056,633
District's contributions as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%

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

**NICHOLAS COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS  
FOR THE YEAR ENDED JUNE 30, 2020**

**(1) CHANGES OF ASSUMPTIONS**

KTRS

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

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

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

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

CERS

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

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

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

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

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

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.30% (varies by service.)
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) is a system specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
- The mortality table used for post-retirement (disabled) is PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

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

KTRS

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

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

CERS

The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal year ended 2018, determined as of July 1, 2017. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates for the year ending June 30, 2019:

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

Phase-In Provision

Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

**(3) CHANGES OF BENEFITS**

KTRS

There were no changes of benefit terms for KTRS.

CERS

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

**NICHOLAS COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLANS  
FOR THE YEAR ENDED JUNE 30, 2020**

**(1) CHANGES OF ASSUMPTIONS**

KTRS

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

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

CERS Insurance Fund

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

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

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

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.30% (varies by service.)
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) is a system specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
- The mortality table used for post-retirement (disabled) is PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

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

KTRS

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

Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	22 years, Closed
Asset valuation method	Five-year smoothed value
Inflation	3.00%

Real wage growth	0.50%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.20%
Discount rate	8.00%
Health care cost trends	
Under 65	7.50% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2024
Ages 65 and older	5.50% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2021
Medicare Part B premiums	0.00% for FY 2018 with an ultimate rate of 5.00% by 2030
Under age 65 claims	The current premium charged by KEHP is used as the base cost and is projected forward using only the health care trend assumption (no implicit rate subsidy is recognized).

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

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

#### CERS Insurance Fund

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

Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	26 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 11.55%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.25% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 5.10% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.
Mortality	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)



Phase-in Provision

Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

**(3) CHANGES OF BENEFITS**

KTRS

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

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

CERS

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

**SUPPLEMENTARY INFORMATION**

**NICHOLAS COUNTY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2020**

	Capital Outlay Fund	Building Fund	Total Non-Major Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 158,482	\$ 83,665	\$ 242,147
Accounts receivable	-	-	-
Total assets	<u>\$ 158,482</u>	<u>\$ 83,665</u>	<u>\$ 242,147</u>
<b>LIABILITIES AND FUND BALANCE:</b>			
<b>Liabilities:</b>			
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>			
Restricted	158,482	83,665	242,147
Unassigned	-	-	-
Total fund balance	<u>158,482</u>	<u>83,665</u>	<u>242,147</u>
Total liabilities and fund balances	<u>\$ 158,482</u>	<u>\$ 83,665</u>	<u>\$ 242,147</u>

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

	Capital Outlay Fund	Building Fund	Total Non-Major Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
REVENUES:			
From local sources -			
Taxes -			
Property	\$ -	\$ 338,378	\$ 338,378
Other local revenues	-	-	-
Intergovernmental - State	92,358	431,890	524,248
Total revenues	<u>92,358</u>	<u>770,268</u>	<u>862,626</u>
EXPENDITURES:			
Current -			
Instruction	-	-	-
Debt service	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>92,358</u>	<u>770,268</u>	<u>862,626</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	-	-
Operating transfers out	-	(745,944)	(745,944)
Total other financing sources (uses)	<u>-</u>	<u>(745,944)</u>	<u>(745,944)</u>
NET CHANGE IN FUND BALANCE	92,358	24,324	116,682
FUND BALANCE JUNE 30, 2019	<u>66,124</u>	<u>59,341</u>	<u>125,465</u>
FUND BALANCE JUNE 30, 2020	<u>\$ 158,482</u>	<u>\$ 83,665</u>	<u>\$ 242,147</u>

**NICHOLAS COUNTY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

	Cash Balance June 30, 2019	Receipts	Disbursements	Cash Balance June 30, 2020	Accounts Payable	Deposits Held in Custody for Students June 30, 2020
Nicholas County High School	\$ 146,934	\$ 328,289	\$ 310,717	\$ 164,506	\$ -	\$ 164,506
Nicholas County Elementary	29,993	67,612	62,396	35,209	-	35,209
	<u>\$ 176,927</u>	<u>\$ 395,901</u>	<u>\$ 373,113</u>	<u>\$ 199,715</u>	<u>\$ -</u>	<u>\$ 199,715</u>

**NICHOLAS COUNTY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
SCHOOL ACTIVITY FUNDS  
NICHOLAS COUNTY HIGH SCHOOL  
FOR THE YEAR ENDED JUNE 30, 2020**

	Cash Balance June 30, 2019	Receipts	Disburse- ments	Cash Balance June 30, 2020	Accounts Payable	Custody for Students June 30, 2020
General	\$ 6,623	\$ 12,067	\$ 14,459	\$ 4,231	\$ 2,591	\$ 1,640
Jr. Class 2020	2,181	515	2,202	494	-	494
Health-PE	297	-	297	-	-	-
Testing Incentives	8,625	800	7,090	2,335	51	2,284
Class 2023 FR	-	3,309	1,933	1,376	-	1,376
Drama Club	1,584	-	-	1,584	-	1,584
Band	1,573	2,940	4,458	55	-	55
Class 2022 10th	736	5,354	3,258	2,832	-	2,832
AG Science	5	140	145	-	-	-
Interact	1,359	917	371	1,905	-	1,905
Project Grad	3,177	2,612	3,502	2,287	-	2,287
9th Sci Fee	725	-	-	725	-	725
KYA/KUNA	-	3,860	3,692	168	-	168
Science Lab/Chemistry	1,594	-	43	1,551	-	1,551
Gifted Talented	36	595	631	-	-	-
Poster Machine	187	3	104	86	-	86
Flower Fund	-	356	230	126	-	126
Bluejacket Madness	-	4,624	4,624	-	-	-
Class of 2021 11th	3,163	3,212	1,573	4,802	-	4,802
FFA	3,501	27,874	27,740	3,635	-	3,635
Banquet FFA	2,948	-	1,062	1,886	-	1,886
FCCLA	620	6,545	5,347	1,818	-	1,818
Food to Table	6,178	7,248	5,537	7,889	-	7,889
AG Power	445	-	383	62	-	62
Journalism	135	-	135	-	-	-
Academic Team	29	-	-	29	-	29
Library	322	-	-	322	-	322
Greenhouse	3,981	11,387	9,161	6,207	-	6,207
Yearbook	7,517	10,240	7,161	10,596	-	10,596
Science Fair/Biology	307	700	73	934	-	934
FBLA	1,487	10,604	10,686	1,405	-	1,405
Angel Tree	1,389	1,018	962	1,445	-	1,445
NCHS Honor Society	387	360	594	153	-	153
Cheer Competition	40	-	40	-	-	-
AmeriCorps	44	-	44	-	-	-
Athletic Fund	51	27,884	24,383	3,552	-	3,552
Concessions	25,706	38,181	36,706	27,181	-	27,181
All A SB-BB	1,910	-	1,910	-	-	-
All A	243	1,130	243	1,130	-	1,130
Volleyball 38th	1,567	-	1,284	283	-	283
38th District BB GB	5,335	7,692	6,641	6,386	-	6,386
Region 10 Girls	500	3,005	500	3,005	-	3,005
38th GBB	2,065	-	2,065	-	-	-
Region 10 FB	756	762	1,518	-	-	-

**NICHOLAS COUNTY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
SCHOOL ACTIVITY FUNDS (CONCLUDED)  
NICHOLAS COUNTY HIGH SCHOOL  
FOR THE YEAR ENDED JUNE 30, 2020**

	Cash Balance June 30, 2019	Receipts	Disburse- ments	Cash Balance June 30, 2020	Accounts Payable	Custody for Students June 30, 2020
Region 10 Boys BB	1,656	1,221	1,656	1,221	-	1,221
Cross Country	545	-	302	243	-	243
Volleyball	88	-	88	-	-	-
Golf	-	500	195	305	-	305
Football	1,767	-	1,767	-	-	-
Boys BB	76	-	76	-	-	-
Girls BB	2,152	-	2,152	-	-	-
Softball	1,000	-	1,000	-	-	-
Baseball	711	-	711	-	-	-
Track	188	1,828	1,836	180	-	180
Tennis	295	500	-	795	-	795
Basketball Camp	471	-	471	-	-	-
Cheerleading	50	-	50	-	-	-
Cheerleading State Comp	150	-	150	-	-	-
Volleyball Fund	595	17,216	16,227	1,584	-	1,584
Football Fund	2,478	13,989	15,385	1,082	-	1,082
Baseball Fund	1,838	18,540	10,694	9,684	-	9,684
Boys Basketball Fund	693	14,691	12,463	2,921	-	2,921
Girls Basketball Fund	3,901	12,403	9,073	7,231	-	7,231
Softball Fund	14,180	20,535	15,012	19,703	-	19,703
HS Cheerleaders	455	5,106	2,910	2,651	-	2,651
MS Football	1,372	500	880	992	-	992
MS Girls BB	724	1,034	800	958	-	958
MS Boys BB	159	-	36	123	-	123
MS Volleyball	600	-	-	600	-	600
MS Cheerleaders	369	1,590	1,620	339	-	339
OVC Girls	534	-	534	-	-	-
OVC Boys	279	-	279	-	-	-
M/S Athletic	5,578	10,598	10,914	5,262	-	5,262
ORVC VB	1,206	-	-	1,206	-	1,206
7th Science Fees	1,079	270	994	355	-	355
MS Honor Society	979	1,674	38	2,615	-	2,615
Kuna MS	215	6,145	6,360	-	-	-
MS Classroom	463	440	538	365	-	365
8th Science Fees	485	1,245	187	1,543	-	1,543
7th Grade Classroom	275	330	532	73	-	73
Startup	-	2,000	2,000	-	-	-
	<u>\$ 146,934</u>	<u>\$ 328,289</u>	<u>\$ 310,717</u>	<u>\$ 164,506</u>	<u>\$ 2,642</u>	<u>\$ 161,864</u>

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Program or Award Amount	Expenditures
<b>U.S. Department of Education</b>					
Passed through Kentucky Department of Education:					
Title I Grants to Local Educational Agencies	84.010	3100002-18	-	466,374	\$ 191,210
Title I Grants to Local Educational Agencies	84.010	3100002-19	-	447,844	161,368
					<u>352,578</u>
Migrant Education - State Grant Program	84.011	310002-18	-	92,735	92,735
Migrant Education - State Grant Program	84.011	310002-19	-	61,388	29,217
					<u>121,952</u>
Special Education Cluster (IDEA):					
Special Education Grants to States - IDEA, Part B	84.027	3810002-19	-	230,376	98,612
Special Education Grants to States - IDEA, Part B	84.027	3810002-18	-	224,056	141,705
Special Education Preschool Grants	84.173	3800002-19	-	8,563	1,381
Special Education Preschool Grants	84.173	3800002-18	-	8,168	8,168
Total Special Education Cluster					<u>249,866</u>
Rural Education	84.358	3140002-18	-	19,560	4,406
					<u>4,406</u>
Improving Teacher Quality State Grants	84.367	3230002-18	-	61,250	31,518
Improving Teacher Quality State Grants	84.367	3230002-19	-	61,826	37,675
					<u>69,193</u>
Twenty-First Century Community Learning Centers	84.287	3400002-18	-	96,000	49,320
Twenty-First Century Community Learning Centers	84.287	3400002-17	-	97,000	149
					<u>49,469</u>
Student Support and Academic Enrichment Grant	84.424	34200002-18	-	33,970	23,072
Student Support and Academic Enrichment Grant	84.424	34200002-19	-	34,984	340
					<u>23,412</u>
Vocational Education Basic Grants to States	84.048	3710006-19	-	14,926	7,520
Vocational Education Basic Grants to States	84.048	3710006-18	-	15,151	2,308
					<u>9,828</u>
Total U.S. Department of Education					<u>880,704</u>



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

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Program or Award Amount	Expenditures
<b>U.S. Department of Agriculture</b>					
Passed through Kentucky Department of Education:					
Child Nutrition Cluster:					
National School Lunch Program	10.555	7750002-19	-	-	114,285 *
National School Lunch Program	10.555	7750002-20	-	-	284,878 *
Summer Food Service Program for Children	10.559	7690024-19	-	-	1,193 *
Summer Food Service Program for Children	10.559	7690024-20	-	-	24,489 *
Summer Food Service Program for Children	10.559	7740023-19	-	-	11,518 *
Summer Food Service Program for Children	10.559	7740023-20	-	-	238,593 *
School Breakfast Program	10.553	7760005-19	-	-	65,351 *
School Breakfast Program	10.553	7760005-20	-	-	145,735 *
					<u>886,042</u> *
Non-cash Assistance:					
Food Donation	10.555	057502-02	-	-	91,720 *
Total Child Nutrition Cluster					<u>977,762</u> *
State Administrative Expenses for Child Nutrition	10.560	7700001-19	-	-	2,775
Total U.S. Department of Agriculture					<u>980,537</u>
Total expenditures of Federal Awards					<u>\$ 1,861,241</u>

\* Denotes major program.

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

**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Nicholas County School District under the programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Nicholas 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 OMB Circular A-87, Cost Principles for State and Local Governments, or 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 represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

**NOTE C - FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2020, commodities on hand are included in the total inventory of \$19,082.

**NOTE D - INDIRECT COST RATE**

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




**K**elley **G**alloway  
**S**mith **G**oolsby, PSC

Certified Public Accountants and Advisors

1200 Corporate Court • P. O. Box 990 • Ashland, Kentucky 41105

• Phone (606) 329-1811 (606) 329-1171 • Fax (606) 329-8756 (606) 325-0590

• Web [www.ksgcpa.com](http://www.ksgcpa.com) Member of  Allinal GLOBAL

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

Kentucky State Committee for  
School District Audits  
Members of the Board of Education  
Nicholas County School District  
Carlisle, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the 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 Nicholas County School District (the "District") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 5, 2020.

**Internal Control over Financial Reporting**

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

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

We noted certain matters that we reported to management of the District in a separate letter dated November 5, 2020.

## **Purpose of this Report**

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

*Kelley Ballouway Smith Doolahy, PSC*

Ashland, Kentucky  
November 5, 2020

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 Nicholas County School District's compliance.

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

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

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

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

*Kelley Holloway Smith Doolby, PSC*

Ashland, Kentucky  
November 5, 2020






**K**elley **G**alloway  
**S**mith **G**oolsby, PSC

Certified Public Accountants and Advisors

1200 Corporate Court • P. O. Box 990 • Ashland, Kentucky 41105

• Phone (606) 329-1811 (606) 329-1171 • Fax (606) 329-8756 (606) 325-0590

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

Kentucky State Committee for  
School District Audits  
Members of the Board of Education  
Nicholas County School District  
Carlisle, Kentucky

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

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

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Nicholas 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; 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 the Nicholas County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**(A) SUMMARY OF AUDIT RESULTS**

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

Unmodified

Internal Control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ yes   x   no

Significant deficiency(ies) identified?

\_\_\_\_\_ yes   x   none reported

Noncompliance material to the financial statements noted?

\_\_\_\_\_ yes   x   no

**Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified?

\_\_\_\_\_ yes   x   no

Significant deficiency(ies) identified?

\_\_\_\_\_ yes   x   none reported

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

Unmodified

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

\_\_\_\_\_ yes   x   no

Identification of major federal programs:

Child Nutrition Cluster (10.553, 10.555, & 10.559)

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

\$ 750,000

The District qualified as a low risk auditee

  x   yes \_\_\_\_\_ no

**(B) FINANCIAL STATEMENT FINDINGS**

None noted in the current year.

**(C) FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no findings in the current year.

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

There were no findings in the prior year.




**K**elley **G**alloway  
**S**mith **G**oolsby, PSC

*Certified Public Accountants and Advisors*

1200 Corporate Court • P. O. Box 990 • Ashland, Kentucky 41105

• Phone (606) 329-1811 (606) 329-1171 • Fax (606) 329-8756 (606) 325-0590

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Kentucky State Committee for School District Audits  
Members of the Board of Education  
Nicholas County School District  
Carlisle, Kentucky

In planning and performing our audit of the financial statements of Nicholas County School District (the "District") as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit, we became aware of matters that are an opportunity for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated November 5, 2020, on the financial statements of the District.

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

*Kelley Galloway Smith Goolsby PSC*

Ashland, Kentucky  
November 5, 2020



**NICHOLAS COUNTY SCHOOL DISTRICT**  
**MANAGEMENT LETTER POINTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**2020-1 High School Activity Fund - Deposits**

Statement of Condition: We noted several instances where checks received were not deposited in a timely manner.

Criteria for Condition: Checks received should be deposited within 3 business days.

Cause of Condition: Oversight.

Effect of the Condition: Deposits could be misplaced or stolen.

Recommendation of the Condition: We recommend that further procedures be implemented to ensure all deposits are made in a timely manner.

Management Response: The Finance Officer and Superintendent have reviewed instances and discussed with the Principals, as well as the Bookkeeper, and Athletic Directors. Previous on-going training corrected past issues of completeness and correctness. Point of discussion was that all deposits must be deposited same business day, or next business day without exception, with monthly review by Finance Officer.

**2020-2 High School Activity Fund - Receipts**

Statement of Condition: We noted the Report of Ticket Sales on one selection was not completed correctly.

Criteria for Condition: The Redbook requires that Form F-SA-1 Report of Ticket Sales be completed on all gate receipts. In addition, Redbook requires that all monies collected shall be deposited on a daily basis when the deposit amount reaches \$100 or the following business day.

Cause of Condition: Lack of knowledge of Redbook requirements.

Effect of the Condition: The person in charge of sales did not sign the form.

Recommendation of the Condition: We recommend that all Reports of Ticket Sales be completed correctly in accordance with the the Redbook and that daily deposits be made when the amount reaches \$100.

Management Response: The Finance Officer and Superintendent have reviewed instances and discussed with the Principals, as well as the Bookkeeper, and Athletic Directors. Previous on-going training corrected past issues of completeness and correctness. Point of discussion was that all Receipt Forms must be signed by all parties, as required. Proper oversight by administrators prior to accepting unsigned documents will be primary focus moving forward, with monthly reporting to the Finance Officer.

Status of Prior Year Management Points

All conditions were corrected, except 2019-2 was repeated above as 2020-2. Mr. Doug Bechanan, Superintendent, is the person responsible for initiation of the corrective action plan for the above conditions which will be implemented immediately. The corrective actions plan is the management response for each condition.

**APPENDIX C**

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

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**Official Terms and Conditions of Sale**

**OFFICIAL  
TERMS AND CONDITIONS OF BOND SALE**

**\$542,000\***

**Nicholas County School District Finance Corporation  
School Building Revenue Bonds, Series of 2022  
Dated February 15, 2022**

**SALE: January 25, 2022 AT 11:30 A.M., E.S.T.**

As published on PARITY®, a nationally recognized electronic bidding system, the Nicholas County School District Finance Corporation ("Corporation") will until January 25, 2022, at the hour of 11:30 A.M., E.S.T., in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Rd, Carriage House, Frankfort, KY 40601, receive competitive bids for the revenue bonds herein described. To be considered, bids must be submitted on an Official Bid Form and must be delivered to the Corporation at the address indicated on the date of sale no later than the hour indicated. Bids may be submitted manually or by facsimile or electronically via PARITY. Bids will be considered by the Corporation and may be accepted without further action by the Corporation's Board of Directors.

Subject to a Permitted Adjustment\* increasing or decreasing the issue by up to \$54,000.

**NICHOLAS 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 Nicholas 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 Nicholas County High School (the "Project") and are secured by a lien upon and a pledge of the revenues from the rental of the school building property to the Board under the Lease on a year to year basis; the first rental period ending June 30, 2022; provided, however, said lien and pledge are on parity with a similar lien and pledge securing the Corporation's School Building Revenue Bonds previously issued to finance or refinance the school building(s) which constitute the Project (the "Parity Bonds").

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

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

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

Although the Board is obligated to pay the Corporation annual rentals in the full amount of the principal and interest requirements for the Bonds for each year in which the Lease is renewed, the Board has entered into the Lease in reliance upon a certain Participation Agreement by and between the Board and the Kentucky School Facilities Construction Commission (the "Commission"). Under the terms of the Participation Agreement, the Commission has agreed to pay annually directly to the Paying Agent for the Bonds a stated Agreed Participation equal to approximately \$34,098 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 \$34,098 to be applied to the annual debt service requirements for the Bonds herein identified each year until their retirement; provided, however, that the contractual commitment of the Commission to pay the annual Agreed Participation is limited to the biennial budget period of the Commonwealth, with the first such biennial period terminating on June 30, 2022; the right is reserved in the Commission to terminate its commitment to pay the Agreed Participation after the initial biennial period and every two years thereafter. The obligation of the Commission to make payments of the Agreed Participation shall be automatically renewed each two years for a period of two years unless the Commission shall give notice of its intention not to participate not less than sixty days prior to the end of the biennium; however, by the execution of the Participation Agreement, the Commission has expressed its present intention to continue to pay the Agreed Participation in each successive biennial budget period until the retirement of all of the Bonds, but such execution does not obligate the Commission to do so.

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

### **ADDITIONAL PARITY BONDS**

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

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

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

All such Bonds shall be in denominations in multiples of \$1,000 within the same maturity, bear interest from February 15, 2022, payable on August 1, 2022, and semi-annually thereafter and shall mature as to principal on February 1 in each of the years as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2023	\$24,000	2033	\$27,000
2024	22,000	2034	27,000
2025	22,000	2035	29,000
2026	24,000	2036	31,000
2027	23,000	2037	30,000
2028	23,000	2038	33,000
2029	28,000	2039	30,000
2030	24,000	2040	32,000
2031	26,000	2041	34,000
2032	29,000	2042	24,000

\*Subject to a Permitted Adjustment of the amount of Bonds awarded of up to \$54,000 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](http://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 \$531,160 (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 \$542,000 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 \$54,000 (the "Permitted Adjustment") which may be awarded to such best bidder may be a minimum of \$488,000 or a maximum of \$596,000. In the event of such Permitted Adjustment, no rebidding or recalculation of a submitted bid will be required or permitted and the Underwriter's Discount on the Bonds as submitted by the successful bidder shall be held constant. The Underwriter's Discount shall be defined as the difference between the purchase price of the Bonds submitted by the bidder and the price at which the Bonds will be issued to the public, calculated from information provided by the bidder, divided by the par amount of the Bonds bid. The price of which such adjusted principal amount of Bonds will be sold will be the same price per \$1,000 of Bonds as the price per \$1,000 for the \$542,000 of Bonds bid.

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

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

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

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

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

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

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

(d)*Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is January 25, 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](http://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, Nicholas County Board of Education, 395 W. Main Street, Carlisle, Kentucky 40311 (859-289-3770).

## **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.

**NICHOLAS COUNTY SCHOOL DISTRICT  
FINANCE CORPORATION**

By /s/ Doug Bechanan  
Secretary

**APPENDIX D**

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

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**Official Bid Form**

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

The Nicholas County School District Finance Corporation ("Corporation" or "Issuer"), will until 11:30 A.M., E.S.T., on January 25, 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 \$542,000 School Building Revenue Bonds, Series of 2022, dated February 15, 2022; maturing February 1, 2023 through 2042 ("Bonds").

We hereby bid for said \$542,000\* principal amount of Bonds, the total sum of \$\_\_\_\_\_ (not less than \$531,160) plus accrued interest from February 15, 2022 payable August 1, 2022 and semiannually thereafter at the following annual rates, (rates on ascending scale in multiples of 1/8 or 1/20 of 1%; number of interest rates unlimited) and maturing as to principal on February 1 in the years as follows:

<u>Year</u>	<u>Amount*</u>	<u>Rate</u>	<u>Year</u>	<u>Amount*</u>	<u>Rate</u>
2023	\$24,000	_____%	2033	\$27,000	_____%
2024	22,000	_____%	2034	27,000	_____%
2025	22,000	_____%	2035	29,000	_____%
2026	24,000	_____%	2036	31,000	_____%
2027	23,000	_____%	2037	30,000	_____%
2028	23,000	_____%	2038	33,000	_____%
2029	28,000	_____%	2039	30,000	_____%
2030	24,000	_____%	2040	32,000	_____%
2031	26,000	_____%	2041	34,000	_____%
2032	29,000	_____%	2042	24,000	_____%

\* Subject to Permitted Adjustment

We understand this bid may be accepted for as much as \$596,000 of Bonds or as little as \$488,000 of Bonds, at the same price per \$1,000 Bond, with the variation in such amount occurring in any maturity or all maturities, which will be determined at the time of acceptance of the best bid.

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

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

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

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

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

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

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

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

(d)*Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is January 25, 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 15, 2022 and upon acceptance by the Issuer's Municipal Advisor this Official Bid Form shall become the Bond Purchase Agreement.

Respectfully submitted,

\_\_\_\_\_ Bidder

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

\_\_\_\_\_ Address

Total interest cost from February 15, 2022 to final maturity \$ \_\_\_\_\_

Plus discount or less any premium \$ \_\_\_\_\_

Net interest cost (Total interest cost plus discount or less any premium) \$ \_\_\_\_\_

Average interest rate or cost (ie NIC) \_\_\_\_\_ %

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

Accepted by RSA Advisors, LLC, as Agent for the Nicholas County School District Finance Corporation for \$ \_\_\_\_\_ amount of Bonds at a price of \$ \_\_\_\_\_ as follows:

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

Dated: January 25, 2022

\_\_\_\_\_  
 RSA Advisors, LLC,  
 Financial Advisor and Agent for Nicholas County  
 School District Finance Corporation