



**MUHLENBERG COUNTY  
BOARD OF EDUCATION**

Stefanie Rager, Chairperson  
Susan Wells, Member  
Rajiv Johar, Member  
Darrell Bowers, Member  
Kim Bard, Member

Contessa Orr, Superintendent/Secretary

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

Stefanie Rager, President  
Susan Wells, Member  
Rajiv Johar, Member  
Darrell Bowers, Member  
Kim Bard, Member

Contessa Orr, Secretary  
Eric Bletzinger, Treasurer

**BOND COUNSEL**

Stephoe & Johnson PLLC  
Louisville, Kentucky

**MUNICIPAL ADVISOR**

RSA Advisors, LLC  
Lexington, Kentucky

**PAYING AGENT AND REGISTRAR**

Old National Wealth Management  
Evansville, Indiana

**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 Muhlenberg County School District Finance Corporation School Building Revenue Bonds, Series of 2023, identified on the cover page hereof. No person has been authorized by the Corporation or the Board to give any information or to make any representation other than that contained in the Official Statement, and if given or made such other information or representation must not be relied upon as having been given or authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

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

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

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

**TABLE OF CONTENTS**

**Page**

Introduction ..... 1

Book-Entry-Only System ..... 1

The Corporation ..... 3

Kentucky School Facilities Construction Commission;  
No Participation in this Issue ..... 3

Biennial Budget for Period Ending June 30, 2024 ..... 4

Outstanding Bonds ..... 4

Authority ..... 4

The Bonds ..... 5

    General ..... 5

    Registration, Payment and Transfer ..... 5

    Redemption ..... 5

Security ..... 5

    General ..... 5

    The Lease; Pledge of Rental Revenues ..... 6

State Intercept ..... 6

The Project ..... 6

Kentucky Department of Education Supervision ..... 6

Estimated Bond Debt Service ..... 7

Estimated Use of Bond Proceeds ..... 7

District Student Population ..... 8

State Support of Education ..... 8

    Support Education Excellence in Kentucky (SEEK) ..... 8

    Capital Outlay Allotment ..... 8

    Facilities Support Program of Kentucky ..... 9

Local Support ..... 9

    Homestead Exemption ..... 9

    Limitation on Taxation ..... 9

    Local Thirty Cents Minimum ..... 10

    Additional 15% Not Subject to Recall ..... 10

    Assessment Valuation ..... 10

    Special Voted and Other Local Taxes ..... 10

    Local Tax Rates, Property Assessments  
    and Revenue Collections ..... 11

Overlapping Bond Indebtedness ..... 11

SEEK Allotment ..... 12

State Budgeting Process ..... 12

Potential Legislation ..... 13

Continuing Disclosure ..... 13

Tax Exemption; Bank Qualified ..... 14

    Original Issue Premium ..... 14

    Original Issue Discount ..... 14

Absence of Material Litigation ..... 15

Approval of Legality ..... 15

No Legal Opinion Expressed as to Certain Matters ..... 15

Bond Rating ..... 15

Municipal Advisor ..... 15

Approval of Official Statement ..... 16

Demographic and Economic Data ..... APPENDIX A

Financial Data ..... APPENDIX B

Continuing Disclosure Agreement ..... APPENDIX C

Official Terms & Conditions of Bond Sale ..... APPENDIX D

Official Bid Form ..... APPENDIX E

**OFFICIAL STATEMENT  
Relating to the Issuance of**

**\$1,100,000\***

**MUHLENBERG COUNTY SCHOOL DISTRICT FINANCE CORPORATION  
SCHOOL BUILDING REVENUE BONDS,  
SERIES OF 2023**

*\*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 Muhlenberg County School District Finance Corporation (the "Corporation") School Building Revenue Bonds, Series of 2023 (the "Bonds").

The Bonds are being issued to finance improvements to Muhlenberg County High School West Campus (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 school building Projects (as hereinafter defined) to the Muhlenberg 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 Muhlenberg County Board of Education from its records, except for information expressly attributed to other sources. The presentation of financial and other information is not intended, unless specifically stated, to indicate future or continuing trends in the financial position or other affairs of the Board. No representation is made that past experience, as is shown by financial and other information, will necessarily continue or be repeated in the future.

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

Copies of the Bond Resolution authorizing the issuance of the Bonds and the Lease Agreement, dated March 9, 2023, may be obtained at the office of Steptoe & Johnson PLLC, Bond Counsel, 700 N. Hurstbourne Parkway, Suite 115, Louisville, Kentucky 40222.

**BOOK-ENTRY-ONLY-SYSTEM**

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

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

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants

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

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

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

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

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

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

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

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

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

### **THE CORPORATION**

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

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

### **KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION; NO PARTICIPATION IN THIS ISSUE**

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.

The General Assembly of the Commonwealth adopted the State's Budget for the fiscal year ending June 30, 2024. Inter alia, the Budget provides \$125,216,700 in FY 2022-23 and \$126,719,600 in FY 2023-2024 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. It authorizes \$85,000,000 in additional Offers of Assistance for the current biennium to be funded in the Budget for the biennium ending June 30, 2026.

The 1986, 1988, 1990, 1992, 1994, 1996, 1998, 2000, 2003, 2005, 2006, 2008, 2010, 2012, 2014, 2016, 2018, 2020 and 2022. 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	2,946,900
2022-24	<u>5,305,300</u>
 Total	 \$189,166,500

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, 2024

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.

The General Assembly adopted a budget for the biennial period ending June 30, 2024 which was approved and signed recently by the Governor. Such budget became effective July 1, 2022.

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:

Bond Series	Original Principal	Current Principal Outstanding	Principal Assigned to Board	Principal Assigned to Commission	Approximate Interest Rate Range	Final Maturity
2011 REF	\$6,560,000	\$730,000	\$5,759,918	\$800,082	2.125%	2023
2012 REF	\$8,775,000	\$1,715,000	\$1,608,013	\$7,166,987	2.000%	2024
2012 Energy	\$1,100,000	\$250,000	\$1,100,000	\$0	2.125%	2025
2013	\$6,000,000	\$4,990,000	\$4,869,040	\$1,130,960	2.150% - 3.000%	2033
2014	\$1,100,000	\$730,000	\$0	\$1,100,000	2.350% - 4.000%	2034
2014B	\$3,325,000	\$3,280,000	\$3,325,000	\$0	3.000% - 3.375%	2034
2016 REF	\$12,890,000	\$7,730,000	\$9,844,776	\$3,045,224	2.000% - 2.250%	2030
2019 Energy	\$7,125,000	\$6,615,000	\$5,081,388	\$2,043,612	3.000% - 3.125%	2039
2022	\$1,165,000	\$1,165,000	\$0	\$1,165,000	3.000% - 4.000%	2042
<b>TOTALS:</b>	<b>\$48,040,000</b>	<b>\$27,205,000</b>	<b>\$31,588,135</b>	<b>\$16,451,865</b>		

## AUTHORITY

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

- i) the issuance of approximately \$1,100,000 of Bonds subject to a permitted adjustment of \$110,000;
- 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 March 9, 2023, will bear interest from that date as described herein, payable semi-annually on September 1 and March 1 of each year, commencing September 1, 2023, and will mature as to principal on March 1, 2024, 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). Old National Wealth Management, Evansville, Indiana, the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date to Cede & Co., as the nominee of The Depository Trust Company. Please see Book-Entry-Only-System. Interest on the Bonds will be paid at rates to be established upon the basis of competitive bidding as hereinafter set forth, such interest to be payable on September 1 and March 1 of each year, beginning September 1, 2023 (Record Date is 15th day of month preceding interest due date).

**Redemption**

The Bonds maturing on or after March 1, 2032, are subject to redemption at the option of the Corporation prior to their stated maturity on any date falling on or after March 1, 2031, in any order of maturities (less than all of a single maturity to be selected by lot), in whole or in part, upon notice of such prior redemption being given by the Paying Agent in accordance with DTC requirements not less than thirty (30) days prior to the date of redemption, upon terms of the face amount, plus accrued interest, but without redemption premium.

<b>Redemption Date</b>	<b>Redemption Price</b>
March 1, 2031, 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 lien on and pledge of revenue on and from the school building Project, 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”).

## **The Lease; Pledge of Rental Revenues**

The Board has leased the school building Project securing the Bonds for an initial period from March 9, 2023, through June 30, 2023 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 March 1, 2043, the final maturity date of the Bonds. Under the lease, the Corporation has pledged the rental revenue to the payment of the Bonds.

## **STATE INTERCEPT**

Under the terms of the Lease and any renewal thereof, so long as the Bonds remain outstanding and in conformance with the intent and purpose of 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 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 to Muhlenberg County High School West Campus (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.

## **KENTUCKY DEPARTMENT OF EDUCATION SUPERVISION**

Kentucky statutes, and the regulations of the Kentucky Department of Education ("KDE") issued thereunder, generally require that a local school district submit to KDE for its prior approval the district's plans for the funding, financing, design, construction, renovation, and modification of school facilities. House Bill 678 of the 2022 Regular Session of the Kentucky General Assembly (2022 Ky. Acts, Ch. 185, hereinafter referred to as "HB 678"), enacted and effective April 8, 2022, eliminates until June 30, 2024 this requirement of prior approval for local school districts which elect by resolution to proceed without such prior approval and which so notify the Department. The District has adopted such a resolution and has so notified KDE.

Notwithstanding HB 679, KDE's supervision of local school districts continues to apply other areas of local school finance, including supervision of general operations such as the examination of business methods and accounts of a school district, requirements of prompt, detailed reports of receipts and expenditures and the annual approval of the district's operating budget. All local school boards which have entered into contracts for the issuance of bonds must maintain insurance protection in an amount equal to the full insurable value of the buildings financed by the bonds. This State Department of Education supervision and control is believed to be a major contribution toward the maintenance of Kentucky's perfect record of no defaults in payment of its revenue bonds for school purposes.

**ESTIMATED BOND DEBT SERVICE**

The following table shows by fiscal year the current bond payments of the Board. The plan of financing provides for the Board to meet 100% of the debt service of the Bonds.

Fiscal Year Ending June 30	Current Local Bond Payments	----- Series 2023 School Building Revenue Bonds -----			Total Local Bond Payments
		Principal Portion	Interest Portion	Total Payment	
2023	\$2,061,729				\$2,061,729
2024	\$2,062,063	\$40,000	\$38,129	\$78,129	\$2,140,192
2025	\$1,747,259	\$40,000	\$37,796	\$77,796	\$1,825,055
2026	\$1,753,298	\$45,000	\$36,596	\$81,596	\$1,834,893
2027	\$1,748,474	\$45,000	\$35,246	\$80,246	\$1,828,719
2028	\$1,674,490	\$45,000	\$33,896	\$78,896	\$1,753,386
2029	\$1,670,228	\$45,000	\$32,546	\$77,546	\$1,747,774
2030	\$1,671,708	\$50,000	\$31,187	\$81,187	\$1,752,895
2031	\$1,672,025	\$50,000	\$29,662	\$79,662	\$1,751,687
2032	\$892,260	\$50,000	\$28,112	\$78,112	\$970,372
2033	\$894,528	\$50,000	\$26,537	\$76,537	\$971,064
2034	\$357,719	\$55,000	\$24,937	\$79,937	\$437,655
2035	\$360,991	\$55,000	\$23,094	\$78,094	\$439,085
2036		\$60,000	\$21,169	\$81,169	\$81,169
2037		\$60,000	\$18,937	\$78,937	\$78,937
2038		\$60,000	\$16,705	\$76,705	\$76,705
2039		\$65,000	\$14,365	\$79,365	\$79,365
2040		\$65,000	\$11,765	\$76,765	\$76,765
2041		\$70,000	\$9,133	\$79,133	\$79,133
2042		\$75,000	\$6,263	\$81,263	\$81,263
2043		\$75,000	\$3,150	\$78,150	\$78,150
<b>TOTALS:</b>	<b>\$18,566,772</b>	<b>\$1,100,000</b>	<b>\$479,219</b>	<b>\$1,579,219</b>	<b>\$20,145,991</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>\$1,100,000.00</u>
Total Sources	\$1,100,000.00
<b>Uses:</b>	
Deposit to Construction Fund	\$1,054,450.00
Underwriter's Discount (2%)	22,000.00
Cost of Issuance	<u>23,550.00</u>
Total Uses	\$1,100,000.00

## DISTRICT STUDENT POPULATION

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

Year	Average Daily Attendance	Year	Average Daily Attendance
2000-01	4,688.0	2011-12	4,669.0
2001-02	4,543.3	2012-13	4,621.7
2002-03	4,503.6	2013-14	4,601.1
2003-04	4,560.1	2014-15	4,622.7
2004-05	4,567.1	2015-16	4,480.2
2005-06	4,663.4	2016-17	4,410.9
2006-07	4,674.5	2017-18	4,299.1
2007-08	4,666.4	2018-19	4,162.3
2008-09	4,636.5	2019-20	4,023.5
2009-10	4,543.9	2020-21	4,023.5
2010-11	4,745.0	2021-22	4,180.7

*Source: Kentucky State Department of Education.*

## STATE SUPPORT

**Support Education Excellence in Kentucky (SEEK).** In determining the cost of the program to Support Education Excellence in Kentucky (SEEK), the statewide guaranteed base funding level is computed by dividing the amount appropriated by the prior year's statewide average daily attendance. The SEEK fund is a guaranteed amount of money per pupil in each school district of Kentucky. The current SEEK allotment is \$4,000 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 Muhlenberg County School District for certain preceding school years.

<b>Year</b>	<b>Capital Outlay Allotment</b>	<b>Year</b>	<b>Capital Outlay Allotment</b>
2000-01	468,800.0	2011-12	466,900.0
2001-02	454,330.0	2012-13	462,165.0
2002-03	450,360.0	2013-14	460,112.0
2003-04	456,010.0	2014-15	462,267.0
2004-05	456,710.0	2015-16	448,020.0
2005-06	466,340.0	2016-17	441,090.0
2006-07	467,450.0	2017-18	429,910.0
2007-08	466,640.0	2018-19	416,225.0
2008-09	463,649.0	2019-20	402,350.0
2009-10	454,388.0	2020-21	402,349.3
2010-11	474,496.0	2021-22	418,074.1

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 \$46,350 effective January 1, 2023.

**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	48.1	973,280,825	4,681,481
2001-02	52.2	1,015,148,877	5,299,077
2002-03	49.6	1,038,787,023	5,152,384
2003-04	49.6	1,106,240,375	5,486,952
2004-05	47.5	1,123,672,910	5,337,446
2005-06	49.1	1,216,880,077	5,974,881
2006-07	48.8	1,208,214,362	5,896,086
2007-08	49.1	1,286,376,270	6,316,107
2008-09	48.6	1,399,195,968	6,800,092
2009-10	48.6	1,423,940,374	6,920,350
2010-11	45	1,480,054,609	6,660,246
2011-12	48.8	1,530,753,060	7,470,075
2012-13	44.6	1,530,498,386	6,826,023
2013-14	51.8	1,538,870,124	7,971,347
2014-15	47.5	1,579,689,566	7,503,525
2015-16	49.4	1,576,250,034	7,786,675
2016-17	53.6	1,666,095,403	8,930,271
2017-18	52.9	1,679,621,686	8,885,199
2018-19	49.1	1,659,155,141	8,146,452
2019-20	53.5	1,652,553,679	8,841,162
2020-21	46.9	1,691,802,918	7,934,556
2021-22	59.6	1,770,076,007	10,549,653

**OVERLAPPING BOND INDEBTEDNESS**

The following table shows any other overlapping bond indebtedness of the Muhlenberg County School District or other issuing agency within the County as reported by the State Local Debt Officer for the period ending June 30, 2022.

<b>Issuer</b>	<b>Original Principal Amount</b>	<b>Amount of Bonds Redeemed</b>	<b>Current Principal Outstanding</b>
County of Muhlenberg			
General Obligation	12,055,448	5,803,250	6,252,198
Pollution Control Refunding Revenue	7,200,000	0	7,200,000
Judicial Facility Refunding Revenue	4,570,000	3,105,000	1,465,000
Vehicles Revenue	612,806	0	612,806
City of Central City			
General Obligation	3,850,000	1,366,177	2,483,823
Refinancing Revenue	5,565,000	2,443,182	3,121,818
Improvement Project	16,400,000	1,659,000	14,741,000
Water & Sewer Revenue	14,420,000	252,500	14,167,500
City of Drakesboro			
Water & Sewer Revenue	712,000	505,000	207,000
City of Greenville			
General Obligation	7,395,000	270,000	7,125,000
Improvement Project Revenue	869,000	93,000	776,000

City of Powderly Sewer Revenue	759,000	230,000	529,000
Special Districts			
Muhlenberg County Water District #1	3,582,000	2,340,000	1,242,000
Muhlenberg County Airport	9,800,000	0	9,800,000
<b>Totals:</b>	<b>87,790,254</b>	<b>18,067,109</b>	<b>69,723,145</b>

Source: 2022 Kentucky Local Debt Report.

### SEEK ALLOTMENT

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

SEEK	Base Funding	Local Tax Effort	Total State & Local Funding
2000-01	17,654,965	4,681,481	22,336,446
2001-02	17,238,102	5,299,077	22,537,179
2002-03	17,652,761	5,152,384	22,805,145
2003-04	18,441,383	5,486,952	23,928,335
2004-05	18,974,943	5,337,446	24,312,389
2005-06	20,327,959	5,974,881	26,302,840
2006-07	20,915,850	5,896,086	26,811,936
2007-08	22,485,540	6,316,107	28,801,647
2008-09	22,380,397	6,800,092	29,180,489
2009-10	19,158,754	6,920,350	26,079,104
2010-11	19,974,195	6,660,246	26,634,441
2011-12	21,082,836	7,470,075	28,552,911
2012-13	20,620,046	6,826,023	27,446,069
2013-14	20,938,218	7,971,347	28,909,565
2014-15	21,329,441	7,503,525	28,832,966
2015-16	21,077,748	7,786,675	28,864,423
2016-17	20,544,673	8,930,271	29,474,944
2017-18	19,967,280	8,885,199	28,852,479
2018-19	19,560,445	8,146,452	27,706,897
2019-20	18,809,740	8,841,162	27,650,902
2020-21	18,012,711	7,934,556	25,947,267
2021-22	19,492,937	10,549,653	30,042,590

- (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 \$0.5960 for FY 2021-22. 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. For example, on August 16, 2022, President Biden signed the Inflation Reduction Act of 2022 (the “Inflation Reduction Act”). The Inflation Reduction Act imposes a minimum tax of 15 percent of the adjusted financial statement income on certain corporations whose income exceeds stated thresholds for tax years beginning after December 31, 2022. Under the Inflation Reduction Act, interest on debt obligations otherwise exempt from federal income tax would be included in the calculation of adjusted financial statement income for corporations subject to the minimum tax. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation.

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

### **CONTINUING DISCLOSURE**

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

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

Financial information regarding the Board may be obtained from Superintendent, Muhlenberg County Board of Education, 510 W. Main Street, Powderly, Kentucky 42367 (270-338-2871).

## 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. However, with respect to certain corporations, interest on the Bonds is taken into account in determining the annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

(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, 2023, 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, 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 may be 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") may be 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.

### **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.

### **MUNICIPAL ADVISOR**

Prospective bidders are advised that RSA Advisors, LLC ("RSA") has been employed as Municipal 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.



## **APPENDIX A**

**Muhlenberg County School District Finance Corporation  
School Building Revenue Bonds  
Series of 2023**

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### **Demographic and Economic Data**

## MUHLENBERG COUNTY, KENTUCKY

Muhlenberg County lies in the Western Coal Field Region of Kentucky and encompasses a land area of 475 square miles. The estimated population of Muhlenberg County in 2022 was 31,075. Greenville, the county seat, had an estimated population of 4,520 persons in 2022. Greenville is located 133 miles southwest of Louisville, Kentucky; 93 miles north of Nashville, Tennessee; and 265 miles southeast of St. Louis, Missouri.

Central City is located eight miles north of Greenville and is Muhlenberg County's largest city with an estimated population of 5,801 in 2022.

### The Economic Framework

In 2022, Muhlenberg County had a labor force of 12,015 people, with an unemployment rate of 6.2%. The top 5 jobs by occupation were as follows: education, training/library - 1,473 (15.76%); sales - 1,134 (12.13%); office and administrative support - 1,101 (11.78%); executive, managers and administrators - 743 (7.95%); and, food preparation, serving - 626 (6.7%).

### Transportation

Major highways serving Muhlenberg County include the multi-lane Western Kentucky Parkway, U.S. Highways 62 and 43 1, and Kentucky Routes 176 and 189. All are AAA-rated (80,000-pound gross load limit) trucking highways. Nineteen trucking companies provide interstate and/or intrastate service to Muhlenberg County. Paducah and Louisville Railway provides main line rail service to Greenville and Central City. CSX Transportation operates a branch line in Central City and Drakesboro. The nearest scheduled commercial airline service is available at the Evansville Regional Airport near Evansville, Indiana, 77 miles north of Greenville. The Nashville International Airport is located 88 miles south of Greenville. The Muhlenberg County Airport in Greenville maintains a paved 4,200-foot runway. The nearest navigable waterway is the Green River near Rochester, 18 miles east of Greenville.

## LABOR MARKET STATISTICS

### Population

	<u>2020</u>	<u>2021</u>	<u>2022</u>
Muhlenberg County	30,584	30,727	31,075
Central City	5,681	5,734	5,801
Greenville	3,834	4,442	4,520

*Source: Kentucky Department of Economic Development.*

### Population Projections

	<u>2025</u>	<u>2030</u>	<u>2035</u>
Muhlenberg County	29,903	29,110	28,211

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

## LOCAL GOVERNMENT

### Structure

The cities of Greenville, Central City, and Drakesboro are served by a mayor-city council form of government. Greenville and Central City also employ city administrators. Muhlenberg County is served by a county judge/executive and five magistrates.

## Planning and Zoning

Joint agency - Muhlenberg Joint City - County Planning Commission  
Participating cities - Central City, Greenville, Drakesboro, Powderly  
Zoning enforced - Within the corporate limits of Greenville and Central City  
Subdivision regulations enforced - Within the corporate limits of Greenville and Central City and five miles beyond  
Local codes enforced - Building and housing in Greenville and Central City  
Mandatory state codes enforced - Kentucky Plumbing Code, National Electric Code, Kentucky Boiler Regulations and Standards, Kentucky Building Code (modeled after BOCA code)

## Fees and Licenses

The City of Greenville levies a business license fee on businesses within the city which range from \$5 to \$120 per year. The fee for manufacturers with 25 employees or less is \$50 annually. Firms with more than 25 employees are charged \$75 annually. An unloading license is required in Greenville. The fee is \$7.50 to \$25, depending on vehicle capacity.

Business license fees in Central City range from \$10 to \$750 per year. An unloading license fee is also required by the city. The fees are \$10 and \$25, depending on vehicle capacity. An eight percent insurance premium tax is also levied in Central City.

## Property Taxes

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

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

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

## EDUCATION

### Public Schools

	<u>Muhlenberg County</u>
Total Enrollment (2021-2022)	4,276
Pupil-Teacher Ratio	16 - 1

*Source: Kentucky Department of Education.*

### Vocational-Technical Training

Kentucky Tech secondary schools (Sec), called area technology centers, are operated by the Cabinet for Workforce Development and the postsecondary schools (P/S), called technical colleges, are governed by the Kentucky Community and Technical College System (KCTCS).

<b>Vocational School</b>	<b>Location</b>	<b>Enrollment 2021-22</b>
Breckinridge County ATC	Harned, KY	524
Butler County ATC	Morgantown, KY	222
Caldwell County ATC	Princeton, KY	336
Ohio County ATC	Hartford, KY	567
Warren County ATC	Bowling Green, KY	175
Webster County ATC	Dixon, KY	368

*Source: Kentucky Department of Education*

### **Area Colleges and Universities**

<b>School Name</b>	<b>Location</b>	<b>Undergraduate Enrollment Fall 2021</b>
Brescia College	Owensboro, KY	752
Campbellsville University	Campbellsville, KY	5,880
Centre College	Danville, KY	1,320
Georgetown College	Georgetown, KY	1,259
Kentucky Wesleyan College	Owensboro, KY	778
Lindsey Wilson College	Columbia, KY	1,750
Midway University	Midway, KY	1,618
Spalding University	Louisville, KY	855
Sullivan University	Louisville, KY	2,625
Western Kentucky University	Bowling Green, KY	14,729

*Source: U.S. News & World Report*

### **Customized Training**

The Kentucky Tech system, through its training and development coordinators, will provide technical assistance and will identify and develop low-cost customized training programs and services for both established and prospective businesses. Businesses wanting to establish a customized training program should contact a training and development coordinator located at the Madisonville Technical College.

### **Assessment Services**

Kentucky Tech Career Connections offers to business, education and government agencies testing packages for evaluating job applicants, selecting employees for promotional consideration and developing training programs within the organization. A Career Connections Assessment Center is located at the Madisonville Technical College.

### **Adult Education Services**

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



## Bluegrass State Skills Corporation

The Bluegrass State Skills Corporation (BSSC) was established in 1984 by the General Assembly of The Commonwealth of Kentucky as an independent, de jure corporation to stimulate economic development through customized business and industry specific skills training programs. The BSSC works with business and industry and Kentucky's educational institutions to establish programs of skills training. The BSSC is attached to the Cabinet for Economic Development for administrative purposes, in recognition of the relationship between economic development and skills training efforts.

The BSSC is comprised of two economic development tools: matching grants and the newly authorized Skills Training Investment Credit Act. The BSSC grant program is available to new, expanding and existing business and industry. Eligible training activities include pre-employment skills training and assessment; entry level, skills upgrade and occupational upgrade training; train-the-trainer travel; and capacity-building. The Skills Training Investment Credit Act provides credits to existing businesses for skills upgrade training.

### EXISTING INDUSTRY

Firm	Product	Total Employment
<b>Bremen:</b>		
Cal-Maine Foods Inc.	Egg production	147
<b>Central City:</b>		
Andy Anderson Corp.	Newspaper publishing	13
Brewco, Inc.	Sawmill, spray booth, carpet cutting & furniture making equipment	43
Brewer Machine and Parts LLC	Steel fabricating, gang rip saws & woodworking machinery	40
Central Pallet Mills, Inc.	Pallets	30
Irving Materials Inc.	Ready-mix concrete	9
Mobile Marketing Solutions, Inc.	Headquarters - provides national mobile marketing events	85
Piper's Saw Shop, Inc.	Saw blades & sharpening service	30
Re-Tek	Rubber products – buffings, granules, powders	19
Vaught Brothers Lumber Company	Sawmill: rough lumber & wood chips	9
XPO Logistics	Trucking, local-250 miles outside local range	35
<b>Drakesboro:</b>		
Harsco Metals and Minerals	Boiler slag processing: roofing granules & sandblasting materials	20
<b>Graham:</b>		
Dyno Nobel	Explosives manufacturer for the mining, quarry and construction industries and military applications	75
Ensign-Bickford	Explosives & energetic systems	86
<b>Greenville:</b>		
Frozen Foods Partners LLC	Manufacture frozen skillet meals	55
Greenville Quarry & Quality	Crushed limestone & asphalt	70
Blacktopping		
Muhlenberg County Opportunity Center	Sheltered workshop; hand packaging of manufactured goods	9
Plastic Products Company, Inc.	Plastic injection molding	72
<b>South Carrollton:</b>		
Associated Pallet Inc.	Wood pallets, hardwood & dimension lumber	70
Premium Hardwoods Inc.	Furniture blanks, dimension lumber & flooring	37

Source: Kentucky Cabinet for Economic Development (January 2020).

**APPENDIX B**

**Muhlenberg County School District Finance Corporation  
School Building Revenue Bonds  
Series of 2023**

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**Audited Financial Statement ending June 30, 2022**



**Muhlenberg County School District**

**FINANCIAL STATEMENTS**

**June 30, 2022**



<b>REPORT</b>	
<b>Independent Auditors' Report</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<b>Required Supplementary Information:</b>	
<b>Management's Discussion and Analysis</b>	<b>5</b>
<b>Basic Financial Statements:</b>	
<b>Government-Wide Financial Statements:</b>	
<b>Statement of Net Position</b>	<b>13</b>
<b>Statement of Activities</b>	<b>15</b>
<b>Fund Financial Statements:</b>	
<b>Balance Sheet — Governmental Funds</b>	<b>17</b>
<b>Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position</b>	<b>19</b>
<b>Statement of Revenues, Expenditures and Changes in Fund Balances — Governmental Funds</b>	<b>20</b>
<b>Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities</b>	<b>22</b>
<b>Statement of Net Position — Proprietary Funds</b>	<b>23</b>
<b>Statement of Revenues, Expenses and Changes in Fund Net Position — Proprietary Funds</b>	<b>25</b>
<b>Statement of Cash Flows — Proprietary Funds</b>	<b>26</b>
<b>Statement of Fiduciary Net Position — Fiduciary Fund</b>	<b>28</b>
<b>Statement of Changes in Fiduciary Net Position — Fiduciary Fund</b>	<b>29</b>
<b>Notes to the Financial Statements</b>	<b>30</b>
<b>Required Supplementary Information:</b>	
<b>Budgetary Comparison Schedule for the General Fund</b>	<b>78</b>



<b>Budgetary Comparison Schedule for the Special Revenue Fund</b>	<b>80</b>
<b>Schedule of the District's Proportionate Share of the Net Pension Liability and Schedule of District's Contributions – Kentucky Teachers' Retirement System</b>	<b>82</b>
<b>Schedule of the District's Proportionate Share of the Net Pension Liability and Schedule of District's Contributions – County Employees Retirement System</b>	<b>84</b>
<b>Schedule of the District's Proportionate Share of the Collective Net OPEB Liability and Schedule of District's Contributions – Kentucky Teachers' Retirement System – Medical Insurance Fund</b>	<b>87</b>
<b>Schedule of the District's Proportionate Share of the Collective Net OPEB Liability and Schedule of District's Contributions – Kentucky Teachers' Retirement System – Life Insurance Fund</b>	<b>88</b>
<b>Schedule of the District's Proportionate Share of the Collective Net OPEB Liability and Schedule of District's Contributions – County Employees Retirement System</b>	<b>89</b>
<b>Supplementary Information:</b>	
<b>Combining Balance Sheet — Nonmajor Governmental Funds</b>	<b>91</b>
<b>Combining Statement of Revenues, Expenditures and Changes in Fund Balances — Nonmajor Governmental Funds</b>	<b>92</b>
<b>Combining Statement of School Activity Funds</b>	<b>93</b>
<b>Statement of— School Activity Funds — Muhlenberg County High School – West Campus</b>	<b>94</b>
<b>Statement of— School Activity Funds — Muhlenberg County High School – East Campus</b>	<b>98</b>
<b>Schedule of Expenditures of Federal Awards</b>	<b>100</b>
<b>Notes to the Schedule of Expenditures of Federal Awards</b>	<b>102</b>
<b>Summary Schedule of Prior Audit Findings</b>	<b>103</b>



<b>Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	<b>104</b>
<b>Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance</b>	<b>106</b>
<b>Schedule of Findings and Questioned Costs</b>	<b>109</b>
<b>Management Letter</b>	<b>111</b>
<b>THOUGHT LEADERSHIP</b>	
<b>Join Our Conversation</b>	



# REPORT





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## **Independent Auditors' Report**

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Muhlenberg County School District  
Powderly, Kentucky

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

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 Muhlenberg County School District (the "District") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



***Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, and select pension/OPEB information on pages 5 through 12 and 78 through 90 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2022 on our consideration of Muhlenberg County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC  
Bowling Green, Kentucky  
November 11, 2022



# FINANCIAL STATEMENTS



**MUHLENBERG COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE YEAR ENDED JUNE 30, 2022**

As management of the Muhlenberg County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2022 are as follows:

- In total, net position increased \$6,379,593. Net position of governmental activities increased \$5,496,295 from fiscal year 2021. Net position of the business-type activity, which represents food service, increased \$883,298 from fiscal year 2021.
- General revenues accounted for \$51.94M in revenue or 71.4 percent of all revenues. Program specific revenues, in the form of charges for services and sales, grants, and contributions, accounted for \$20.82M or 28.6 percent of total revenues of \$72.75M. General revenues were down by \$10,539 which was primarily in State Aid. Program specific revenues increased by \$2.87M.
- Total revenue was \$72.75M, an increase of \$2.86M from FY 2021, which were in the areas of Operating Grants and Contributions Capital Grants and Contributions.
- The Board had \$65.93M in total governmental expenses. Compared to last year governmental expenses were \$54.69M in FY2021.
- Investment income was \$341K, which is a decrease from last year due to the rampant inflation the nation is facing.
- SEEK net general funding was \$19.07M, which was an increase of \$412K when compared to the prior year. The state used FY19 ADA figures for FY22 but will begin to use actual ADA for FY23. This is important to note as there will be a significant decrease in SEEK funding moving forward despite the increase in the SEEK base funding formula.
- Total salary and benefit costs increased 7.5% (\$3.36M) from 2020-21, at \$48.16M. This includes the state contributions to health insurance and state retirement matches. These increases are mainly in ESSER funded positions that will be eliminated after FY23 as well as sharp increases in on-behalf payments.
- Total general fund current operating expenses were \$45.14M which is a \$5.21M increase over 2020-21, primarily due to operations returning to pre-pandemic levels. The district saw increases in the areas of Instruction, Plant Operations and Maintenance and Student Transportation.

**MUHLENBERG COUNTY SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) (CONT’D)  
FOR THE YEAR ENDED JUNE 30, 2022**

- The General Fund ending balance was \$26.5M compared to \$27.99M the prior year, a \$1.49M decrease. This variance is attributed to several factors including the addition of ESSER funded teachers, the return of transportation expenses, and the reduction of TVA funds. Contingency fund was \$9.4M which is 16.8%.

**Overview of the Annual Financial Report (AFR)**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Muhlenberg County School District as a financial whole, an entire operating entity, in a manner similar to a private-sector business. The annual report consists of three parts: (A) management’s discussion and analysis (this section), (B) the basic financial statements, and (C) required and other supplemental information. The statements then proceed to provide an increasingly detailed look at specific financial activities. The District’s basic financial statements comprise three components: (1) district-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.

**District-Wide Financial Statements**

The District-Wide Financial Statements have two sections (1) the *Statement of Net Position* and (2) the *Statement of Activities*. The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District’s finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District’s major funds with all other non-major funds presented in total in one column. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Notes to the financial statements can be found on pages 30 to 77.

**Reporting the School District as a Whole**

One of the most important questions asked about the School District is “How did we do financially during the current fiscal year?” The *Statement of Net Position* and the *Statement of Activities*, which appear first in the School District’s financial statements, report information on the School District as a whole, and its activities in a way that helps answer this question. These statements include *all assets and liabilities* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting considers all the current year’s revenues and expenses regardless of when cash is received or paid.

These two statements report the School District’s net position and changes in those positions. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the

**MUHLENBERG COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2022**

School District has improved or diminished. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as Kentucky's SEEK funding formula and its adjustments, the School District's property tax base, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the School District is divided into two distinct kinds of activities:

- **Governmental Activities** – Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extra-curricular activities. The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). Fixed assets and related debt are also supported by taxes and intergovernmental revenues.
- **Business-Type Activities** – These services are provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The School District's food service is reported as business activities. These activities are funded through fees, federal grants, and federal commodities.

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$51,961,667 as of June 30, 2022. This was an increase of \$6.38M over the previous year.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, and furniture and equipment); less any related debt used to acquire those assets that is still outstanding. The amount of capital assets, net of related debt was \$54,025,390 (an increase of \$2.16M over the previous year). The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

The government-wide financial statements can be found on pages 13 to 16.

### **Reporting the School District's Most Significant Funds**

#### **Fund Financial Statements**

After looking at the District as a whole, an analysis of the School District's major funds follows. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. 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. Fund accounting is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative

**MUHLENBERG COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2022**

software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the District can be divided into three categories: governmental, proprietary fund and fiduciary fund. Fiduciary funds are assets that belong to others. The school's activity funds are reported as fiduciary funds. The only proprietary fund is the school food fund. A proprietary fund is sometimes referred to as an enterprise fund. It is a fund that operates like a business with sales of goods and services. All other activities of the district are included in the governmental funds. The major governmental funds for the Muhlenberg County School District are the general fund and special revenue (grants) fund.

**Governmental Funds** - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

**Proprietary Fund** - Proprietary fund uses the same basis of accounting as business-type activities; therefore, the statements for the proprietary fund will essentially match. The only proprietary fund is our food service operations.

**Fiduciary Funds** – The Lyle Cleaborn Baugh Scholarship is the District's only fiduciary fund. The fiduciary fund cash balances at year-end totaled \$39,000 (a decrease of \$2,000 from the previous year).

The fund financial statements are on page 17 to 29.



**MUHLENBERG COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2022**

**DISTRICT WIDE FINANCIAL ANALYSIS**

The perspective of the statement of net position is of the District as a whole. The following table provides a summary of the District's net position for 2022 compared to 2021:

	2022	2021
Current assets	\$ 34,848,567	\$ 32,174,372
Noncurrent assets	<u>\$ 81,657,384</u>	<u>\$ 82,382,934</u>
<b>Total Assets</b>	<b>\$ 116,505,951</b>	<b>\$ 114,557,306</b>
<b>Deferred outflow of resources</b>	<u>\$ 9,096,596</u>	<u>\$ 9,614,125</u>
Current liabilities	\$ 1,421,863	\$ 1,262,469
Noncurrent liabilities	<u>\$ 59,907,364</u>	<u>\$ 71,309,785</u>
<b>Total liabilities</b>	<b>\$ 61,329,227</b>	<b>\$ 72,572,254</b>
<b>Deferred inflow of resources</b>	<b>\$ 12,311,653</b>	<b>\$ 6,017,103</b>
<b>Net position</b>		
Net investment in capital assets	\$ 54,025,390	\$ 51,860,544
Restricted	\$ 4,727,470	\$ 1,408,925
Unrestricted fund balance	<u>\$ (6,791,193)</u>	<u>\$ (7,687,395)</u>
<b>Total net position</b>	<b><u>\$ 51,961,667</u></b>	<b><u>\$ 45,582,074</u></b>

Total net position increased \$6,379,593. Net position of the District's governmental activities increased \$5,496,295. The net position of the District's business-type activity increased \$883,298.

**MUHLENBERG COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2022**

**DISTRICT WIDE FINANCIAL ANALYSIS (CONT'D)**

The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The following table presents a summary of revenue and expense for the fiscal years ended June 30, 2022 and 2021.

	<b>2022</b>	<b>2021</b>
<b>Revenues:</b>		
Program Revenues		
Charges for Services	\$ 761,047	\$ 353,465
Operating Grants and Contributions	\$ 17,050,485	\$ 14,778,408
Capital Grants and Contributions	\$ 3,003,548	\$ 2,815,348
General Revenue		
Taxes	\$ 10,067,426	\$ 9,337,330
Other local government units (TVA)	\$ 6,363,728	\$ 7,362,572
Other taxes	\$ 147,309	\$ 137,417
State Aid	\$ 31,841,786	\$ 32,735,208
Investment Earnings	\$ 341,320	\$ 386,628
Other Revenue	\$ 3,175,222	\$ 1,988,175
Transfers	\$ -	\$ -
<b>Total Revenue</b>	<b>\$ 51,936,791</b>	<b>\$ 69,894,551</b>
<b>Expenses:</b>		
Instructional	\$ 41,285,105	\$ 37,435,741
Student Support	\$ 1,465,207	\$ 1,845,930
Instructional Support	\$ 1,512,580	\$ 1,669,748
District Administration	\$ 1,599,091	\$ 1,551,909
School Administration	\$ 3,032,691	\$ 3,332,198
Business Support	\$ 1,908,958	\$ 1,756,747
Plant Operations and Maintenance	\$ 6,692,775	\$ 6,617,796
Student Transportation	\$ 4,060,593	\$ 3,698,191
Other	\$ 874,566	\$ 1,017,024
Debt Services	\$ 936,007	\$ 960,895
Food Services-Govt.	\$ 44,750	\$ 73,616
Food Services	\$ 2,531,487	\$ 2,947,498
Day Care	\$ 428,468	\$ 271,379
Community Education	\$ -	\$ -
Bond Issuance Cost	\$ -	\$ -
Loss on Disposal of Assets	\$ -	\$ -
<b>Total Expenses</b>	<b>\$ 66,372,278</b>	<b>\$ 63,178,672</b>
Excess/Loss of revenue over expenditures	<b>\$ 6,379,593</b>	<b>\$ 6,715,879</b>

**MUHLENBERG COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2022**

**BUSINESS-TYPE ACTIVITY**

The major business-type activity of the District is the food service operation. This program had revenues of \$3.04M and expenses of \$2.53M for fiscal year 2022. The food service operation is mainly self-operating with minimal assistance from the General Fund.

**THE DISTRICT'S FUNDS**

The District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$67.61M and expenditures and other financing uses of \$65.93M. The governmental funds increased \$1.68M. This was primarily due to the increase in federal funds.

**GENERAL FUND BUDGETING HIGHLIGHTS**

The District's budget is prepared according to Kentucky law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. In Kentucky, the public schools fiscal year is July 1 - June 30; other programs, i.e. some federal, operate on a different fiscal calendar but are reflected in the overall budget. By law the budget must have a minimum 2 percent contingency. The District adopted a budget with \$8.7M in contingency (13.8% percent). The beginning fund balance for the fiscal year was \$27,987,095. The most significant budgeted fund is the General Fund.

During fiscal year 2022, the District amended its General Fund budget as needed. The District uses a centralized budget. The budgeting system is designed to control budgets but allow flexibility for management.

For the General Fund, actual revenues and other financing sources, including state contribution (on-behalf) payments were \$48.14M. Budgeted revenues were \$43.40M. The increase revenue can be attributed to an increase in on-behalf payments (non-cash item) and a larger than expected franchise tax payment.

Original general fund budget expenditures were \$63.35M, including on-behalf payments made by the State of Kentucky. Actual expenditures were \$45.14M (includes contingency funds).

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

Investment in capital assets for governmental activities ended at \$81.56M and capital assets in business-type activities ended at approximately \$88K.

**Debt**

At June 30, 2022, the District had \$33.15M (principal and interest) in outstanding bonds. Bond payments are primarily paid from the Capital Outlay and Building funds. The district paid \$3.06M (including federal rebate) for bond payments for FY 2022. However, this includes \$1.39M from the state for on-behalf paid through the SFCC.

**MUHLENBERG COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2022**

**CURRENT ISSUES**

The local environment of the community can significantly impact the finances of the District. Total local generated property taxes decreased slightly by \$67K to \$9.18M from FY 2021 to FY 2022. This is due to a difference in franchise taxes. Other revenue sources, such as SEEK are impacted by the average daily attendance in the District's schools. In FY 2022, the FY19 numbers are being used. The District must maintain a view that continues to look to the future.

The District remains committed to remaining competitive in the educational environment. The beginning teacher salary is \$38,287 while the top end of the 185-day salary schedule for teachers is \$62,667. Employee contracts remain at 185 days for FY2022. Muhlenberg County School District staff salaries are higher in comparison to other Western Kentucky school districts. Attrition and staffing levels will continue to be scrutinized during the coming fiscal years to create a financial environment in which students continue to receive the necessary resources for success; and an environment in which salaries elevated at a responsible rate. State revenue projections continue to require that the budget be closely monitored, and new initiatives will be closely reviewed. The district will not have a significant bonding capacity in until approximately 3 years. Therefore, the district must continue to take the stance that a higher cash balance reserve is continued to be necessary to cover the expenses that may occur. The district is always reviewing for cost savings in transportation, administration, facility maintenance and energy. Debt refinancing is continually monitored as some bond issues mature. The District will closely monitor additional ways to save money over the next fiscal years to maintain the general fund balance.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to Mr. Eric Bletzinger, Treasurer, at 270-338-2871, or by mail at 510 W. Main St., Powderly, KY 42367.

Muhlenberg County School District  
Statement of Net Position

<i>June 30, 2022</i>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash	\$ 22,799,048	\$ 2,730,199	\$ 25,529,247
Investments	7,138,660	-	7,138,660
Accounts receivable:			
Taxes	118,264	-	118,264
Accounts	1,851	-	1,851
Intergovernmental	1,496,145	217,259	1,713,404
Inventory	313,201	33,940	347,141
Nondepreciable capital assets	3,634,863	-	3,634,863
Depreciable capital assets	140,633,676	1,534,576	142,168,252
Less: accumulated depreciation	(62,699,393)	(1,446,338)	(64,145,731)
<b>Total assets</b>	<b>113,436,315</b>	<b>3,069,636</b>	<b>116,505,951</b>
<b>Deferred Outflows of Resources</b>			
Deferred loss on debt refundings	377,614	-	377,614
OPEB related	5,342,830	402,221	5,745,051
Pension related	2,591,181	382,750	2,973,931
<b>Total deferred outflows of resources</b>	<b>8,311,625</b>	<b>784,971</b>	<b>9,096,596</b>
<b>Liabilities</b>			
Accounts payable	813,517	1,911	815,428
Accrued liabilities	145,713	-	145,713
Unearned revenue	245,970	-	245,970
Accrued interest	214,752	-	214,752
Long-term obligations:			
Due within one year:			
Outstanding bonds	3,130,000	-	3,130,000
Compensated absences	544,633	25,563	570,196
Due beyond one year:			
Outstanding bonds	24,879,608	-	24,879,608
Compensated absences	1,118,013	12,165	1,130,178
Net OPEB liability	11,438,980	697,781	12,136,761
Net pension liability	15,736,219	2,324,402	18,060,621
<b>Total liabilities</b>	<b>58,267,405</b>	<b>3,061,822</b>	<b>61,329,227</b>

The accompanying notes are an integral part of these financial statements.

Muhlenberg County School District  
Statement of Net Position

<i>June 30, 2022</i>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Deferred Inflows of Resources</b>			
OPEB related	7,973,542	392,251	8,365,793
Pension related	3,438,028	507,832	3,945,860
<b>Total deferred inflows of resources</b>	<b>11,411,570</b>	<b>900,083</b>	<b>12,311,653</b>
<b>Net Position (Deficit)</b>			
Net investment in capital assets	53,937,152	88,238	54,025,390
Restricted for:			
Capital projects	3,208,124	-	3,208,124
Student activities	921,449	-	921,449
Greenville Library	597,897	-	597,897
Unrestricted (deficit)	(6,595,657)	(195,536)	(6,791,193)
<b>Total net position (deficit)</b>	<b>\$ 52,068,965</b>	<b>\$ (107,298)</b>	<b>\$ 51,961,667</b>

The accompanying notes are an integral part of these financial statements.

Muhlenberg County School District  
Statement of Activities

<i>For the year ended June 30, 2022</i>	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
<b>Governmental Activities:</b>							
Instruction	\$ 41,285,105	\$ 134	\$ 12,104,602	\$ 163,947	\$ (29,016,422)	\$ -	\$ (29,016,422)
Support services:							
Student	1,465,207	-	7,141	-	(1,458,066)	-	(1,458,066)
Instructional staff	1,512,580	-	28,289	-	(1,484,291)	-	(1,484,291)
District administration	1,599,091	-	-	-	(1,599,091)	-	(1,599,091)
School administration	3,032,691	-	-	-	(3,032,691)	-	(3,032,691)
Business	1,908,958	-	356,762	-	(1,552,196)	-	(1,552,196)
Plant operations and maintenance	6,692,775	7,952	370,540	-	(6,314,283)	-	(6,314,283)
Student transportation	4,060,593	-	654,120	-	(3,406,473)	-	(3,406,473)
Other	874,566	-	438,739	-	(435,827)	-	(435,827)
Food service operation	44,750	-	-	-	(44,750)	-	(44,750)
Interest on long-term debt	936,007	-	-	2,839,601	1,903,594	-	1,903,594
<b>Total governmental activities</b>	<b>63,412,323</b>	<b>8,086</b>	<b>13,960,193</b>	<b>3,003,548</b>	<b>(46,440,496)</b>	<b>-</b>	<b>(46,440,496)</b>
<b>Business-Type Activities:</b>							
Food services	2,531,487	78,688	3,038,834	-	-	586,035	586,035
Day care	428,468	674,273	51,458	-	-	297,263	297,263
<b>Total business-type activities</b>	<b>2,959,955</b>	<b>752,961</b>	<b>3,090,292</b>	<b>-</b>	<b>-</b>	<b>883,298</b>	<b>883,298</b>
<b>Total school district</b>	<b>\$ 66,372,278</b>	<b>\$ 761,047</b>	<b>\$ 17,050,485</b>	<b>\$ 3,003,548</b>	<b>(46,440,496)</b>	<b>883,298</b>	<b>(45,557,198)</b>

The accompanying notes are an integral part of these financial statements.

Muhlenberg County School District  
Statement of Activities

<i>For the year ended June 30, 2022</i>	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
<b>General Revenues</b>			
Taxes:			
Property	6,378,749	-	6,378,749
Motor vehicle	1,279,923	-	1,279,923
Franchise tax	2,408,754	-	2,408,754
Revenue in lieu of taxes	6,363,728	-	6,363,728
Other	147,309	-	147,309
State aid	31,841,786	-	31,841,786
Investment earnings	341,320	-	341,320
Other	3,175,222	-	3,175,222
<b>Total general revenues and transfers</b>	<b>51,936,791</b>	<b>-</b>	<b>51,936,791</b>
Change in net position	5,496,295	883,298	6,379,593
Net position (deficit) - beginning of year	46,572,670	(990,596)	45,582,074
<b>Net position (deficit) - end of year</b>	<b>\$ 52,068,965</b>	<b>\$ (107,298)</b>	<b>\$ 51,961,667</b>

The accompanying notes are an integral part of these financial statements.



Muhlenberg County School District  
Balance Sheet  
Governmental Funds

<i>June 30, 2022</i>	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash	\$ 18,201,302	\$ -	\$ 3,622,083	\$ 975,663	\$ 22,799,048
Investments	7,138,660	-	-	-	7,138,660
Accounts receivable:					
Taxes	118,264	-	-	-	118,264
Accounts	910	-	-	941	1,851
Intergovernmental	-	1,496,145	-	-	1,496,145
Due from other funds	1,212,352	-	-	-	1,212,352
Inventory	313,201	-	-	-	313,201
<b>Total assets</b>	<b>\$ 26,984,689</b>	<b>\$ 1,496,145</b>	<b>\$ 3,622,083</b>	<b>\$ 976,604</b>	<b>\$ 33,079,521</b>

The accompanying notes are an integral part of these financial statements.

Muhlenberg County School District  
Balance Sheet  
Governmental Funds

<i>June 30, 2022</i>	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 337,405	\$ 37,823	\$ 413,959	\$ 24,330	\$ 813,517
Accrued liabilities	145,713	-	-	-	145,713
Due to other funds	-	1,212,352	-	-	1,212,352
Unearned revenue	-	245,970	-	-	245,970
<b>Total liabilities</b>	<b>483,118</b>	<b>1,496,145</b>	<b>413,959</b>	<b>24,330</b>	<b>2,417,552</b>
<b>Fund Balances</b>					
Nonspendable	313,201	-	-	-	313,201
Restricted	597,897	-	3,208,124	921,449	4,727,470
Committed	3,860,174	-	-	-	3,860,174
Assigned	2,313,886	-	-	30,825	2,344,711
Unassigned	19,416,413	-	-	-	19,416,413
<b>Total fund balances</b>	<b>26,501,571</b>	<b>-</b>	<b>3,208,124</b>	<b>952,274</b>	<b>30,661,969</b>
<b>Total liabilities and fund balances</b>	<b>\$ 26,984,689</b>	<b>\$ 1,496,145</b>	<b>\$ 3,622,083</b>	<b>\$ 976,604</b>	<b>\$ 33,079,521</b>

The accompanying notes are an integral part of these financial statements.

Muhlenberg County School District  
 Reconciliation of the Governmental Funds  
 Balance Sheet to the Statement of Net Position

<i>June 30,</i>	2022
Total fund balances - governmental funds	\$ 30,661,969
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 as assets in governmental funds. The cost of the assets is \$144,268,539 and the accumulated depreciation is \$62,699,393.	81,569,146
Governmental funds record losses on debt refundings as other financing uses when the issues are refunded. Unamortized losses on refundings are included on the government-wide financial statements as a deferred outflow.	377,614
Deferred outflows and inflows or resources related to pensions are applicable to future periods, therefore, are not reported in the funds statements.	(846,847)
Deferred outflows and inflows or resources related to OPEBs are applicable to future periods, therefore, are not reported in the funds statements.	(2,630,712)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consists of:	
Bonds payable	(28,009,608)
Accrued interest on outstanding bonds	(214,752)
Net pension liability	(15,736,219)
Net OPEB liability	(11,438,980)
Compensated absences	(1,662,646)
Total net position - governmental activities	\$ 52,068,965

The accompanying notes are an integral part of these financial statements.

Muhlenberg County School District  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

<i>For the year ended June 30, 2022</i>	General Fund	Special Revenue Fund	Contraction Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
From local sources:					
Taxes:					
Property	\$ 5,493,711	\$ -	\$ -	\$ 885,038	\$ 6,378,749
Motor vehicle	1,279,923	-	-	-	1,279,923
Franchise tax	2,408,754	-	-	-	2,408,754
Revenue in lieu of taxes	6,363,728	-	-	-	6,363,728
Other	147,309	-	-	-	147,309
Earnings on investments	341,320	-	-	-	341,320
Other local revenue	1,326,801	-	-	1,624,663	2,951,464
Intergovernmental - state	30,547,992	1,777,272	-	2,839,601	35,164,865
Direct federal	231,844	59,254	-	-	291,098
Intergovernmental - federal	-	12,287,614	-	-	12,287,614
<b>Total revenues</b>	<b>48,141,382</b>	<b>14,124,140</b>	<b>-</b>	<b>5,349,302</b>	<b>67,614,824</b>
<b>Expenditures</b>					
Current:					
Instruction	26,348,945	12,356,345	-	1,437,479	40,142,769
Support services:					
Student	1,447,949	7,141	-	-	1,455,090
Instructional staff	1,512,744	28,289	-	-	1,541,033
District administration	1,468,611	-	-	-	1,468,611
School administration	3,041,039	-	-	-	3,041,039

The accompanying notes are an integral part of these financial statements.

Muhlenberg County School District  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

<i>For the year ended June 30, 2022</i>	General Fund	Special Revenue Fund	Contruction Fund	Other Governmental Funds	Total Governmental Funds
Business	1,408,722	356,762	-	-	1,765,484
Plant operations and maintenance	5,994,783	370,540	-	-	6,365,323
Student transportation	3,530,011	654,120	-	-	4,184,131
Other	313,577	438,739	-	-	752,316
Food service operation	38,019	-	-	-	38,019
Debt service:					
Principal	-	-	-	3,060,000	3,060,000
Interest	-	-	-	837,326	837,326
Building improvements	35,228	-	1,243,666	-	1,278,894
<b>Total expenditures</b>	<b>45,139,628</b>	<b>14,211,936</b>	<b>1,243,666</b>	<b>5,334,805</b>	<b>65,930,035</b>
Excess (deficiency) of revenues over expenditures	3,001,754	(87,796)	(1,243,666)	14,497	1,684,789
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	-	87,796	4,226,795	2,505,540	6,820,131
Operating transfers out	(4,487,278)	-	-	(2,332,853)	(6,820,131)
<b>Total other financing sources (uses)</b>	<b>(4,487,278)</b>	<b>87,796</b>	<b>4,226,795</b>	<b>172,687</b>	<b>-</b>
Net change in fund balances	(1,485,524)	-	2,983,129	187,184	1,684,789
Fund balances - beginning of year	27,987,095	-	224,995	765,090	28,977,180
Fund balances - end of year	\$ 26,501,571	\$ -	\$ 3,208,124	\$ 952,274	\$ 30,661,969

The accompanying notes are an integral part of these financial statements.

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

<i>For the year ended June 30,</i>	2022
Total net change in fund balances - governmental funds	\$ 1,684,789
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$3,267,852) exceeds capital outlay (\$2,575,117) in the period.	(692,735)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	3,060,000
Governmental funds report district pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	
District pension contributions	1,557,487
Cost of benefits earned net of employee contributions	(1,461,429)
Governmental funds report district OPEB contributions as expenditures. However, in the statement of activities, the cost of OPEB benefits earned net of employee contributions is reported as OPEB expense.	
District OPEB contributions	964,847
Cost of benefits earned net of employee contributions	(103,842)
Expenditures reported in the fund financial statements are recognized when the current financial resource is used. However, expenses in the statement of activities are recognized when they are incurred.	487,178
Change in net position - govermental activities	\$ 5,496,295

The accompanying notes are an integral part of these financial statements.

Muhlenberg County School District  
Statement of Net Position  
Proprietary Funds

<i>June 30, 2022</i>	<b>Enterprise Fund Food Service</b>	<b>Day Care</b>	<b>Total</b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash	\$ 2,191,936	\$ 538,263	\$ 2,730,199
Accounts receivable:			
Intergovernmental	217,259	-	217,259
Inventory	33,940	-	33,940
<b>Total current assets</b>	<b>2,443,135</b>	<b>538,263</b>	<b>2,981,398</b>
<b>Non-Current Assets</b>			
Fixed assets - net	88,238	-	88,238
<b>Total assets</b>	<b>2,531,373</b>	<b>538,263</b>	<b>3,069,636</b>
<b>Deferred Outflows of Resources</b>			
OPEB related	336,903	65,318	402,221
Pension related	320,581	62,169	382,750
<b>Total deferred outflows of resources</b>	<b>657,484</b>	<b>127,487</b>	<b>784,971</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	1,748	163	1,911
Compensated absences	25,563	-	25,563
<b>Total current liabilities</b>	<b>27,311</b>	<b>163</b>	<b>27,474</b>
<b>Long-Term Liabilities</b>			
Compensated absences	12,165	-	12,165
Net OPEB liability	584,466	113,315	697,781
Net pension liability	1,946,935	377,467	2,324,402
<b>Total long-term liabilities</b>	<b>2,543,566</b>	<b>490,782</b>	<b>3,034,348</b>

The accompanying notes are an integral part of these financial statements.

Muhlenberg County School District  
Statement of Net Position  
Proprietary Funds

<i>June 30, 2022</i>	<b>Enterprise Fund Food Service</b>	<b>Day Care</b>	<b>Total</b>
<b>Deferred Inflows of Resources</b>			
OPEB related	328,552	63,699	392,251
Pension related	425,364	82,468	507,832
<b>Total deferred inflows of resources</b>	<b>753,916</b>	<b>146,167</b>	<b>900,083</b>
<b>Net Position (Deficit)</b>			
Net investment in capital assets	88,238	-	88,238
Unrestricted (deficit)	(224,174)	28,638	(195,536)
<b>Total net position (deficit)</b>	<b>\$ (135,936)</b>	<b>\$ 28,638</b>	<b>\$ (107,298)</b>

The accompanying notes are an integral part of these financial statements.



Muhlenberg County School District  
Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Funds

<i>For the year ended June 30, 2022</i>	<b>Enterprise Fund</b>		
	<b>Food Service</b>	<b>Day Care</b>	<b>Total</b>
<b>Operating Revenues</b>			
Lunchroom sales	\$ 78,688	\$ -	\$ 78,688
Tuition and fees	-	674,273	674,273
<b>Total operating revenues</b>	<b>78,688</b>	<b>674,273</b>	<b>752,961</b>
<b>Operating Expenses</b>			
Salaries and wages	1,263,020	397,983	1,661,003
Contract services	16,498	-	16,498
Materials and supplies	1,214,167	30,485	1,244,652
Other operating expenses	4,987	-	4,987
Depreciation expense	32,815	-	32,815
<b>Total operating expenses</b>	<b>2,531,487</b>	<b>428,468</b>	<b>2,959,955</b>
<b>Operating (loss) income</b>	<b>(2,452,799)</b>	<b>245,805</b>	<b>(2,206,994)</b>
<b>Non-Operating Revenues (Expenses)</b>			
State operating grants	244,362	51,458	295,820
Federal operating grants	2,561,972	-	2,561,972
Donated commodities	232,500	-	232,500
<b>Total non-operating revenues</b>	<b>3,038,834</b>	<b>51,458</b>	<b>3,090,292</b>
<b>Change in net position</b>	<b>586,035</b>	<b>297,263</b>	<b>883,298</b>
<b>Net position (deficit) - beginning of year</b>	<b>(721,971)</b>	<b>(268,625)</b>	<b>(990,596)</b>
<b>Net position (deficit) - end of year</b>	<b>\$ (135,936)</b>	<b>\$ 28,638</b>	<b>\$ (107,298)</b>

The accompanying notes are an integral part of these financial statements.

Muhlenberg County School District  
Statement of Cash Flows  
Proprietary Funds

<i>For the year ended June 30, 2022</i>	<b>Enterprise Fund Food Service</b>	<b>Day Care</b>	<b>Total</b>
<b>Operating Activities</b>			
Cash received from user charges	\$ 78,688	\$ 674,273	\$ 752,961
Cash payments to employees for services	(1,259,360)	(286,780)	(1,546,140)
Cash payments for contract services	(16,498)	-	(16,498)
Cash payments to suppliers for goods and services	(985,726)	(30,967)	(1,016,693)
Cash payments for other operating expenses	(4,987)	-	(4,987)
<b>Net cash (used in) provided by operating activities</b>	<b>(2,187,883)</b>	<b>356,526</b>	<b>(1,831,357)</b>
<b>Noncapital Financing Activities</b>			
Nonoperating grants received	2,580,501	-	2,580,501
<b>Net cash provided by noncapital financing activities</b>	<b>2,580,501</b>	<b>-</b>	<b>2,580,501</b>
Net increase in cash	392,618	356,526	749,144
Cash - beginning of year	1,799,318	181,737	1,981,055
<b>Cash - end of year</b>	<b>\$ 2,191,936</b>	<b>\$ 538,263</b>	<b>\$ 2,730,199</b>

The accompanying notes are an integral part of these financial statements.

Muhlenberg County School District  
Statement of Cash Flows  
Proprietary Funds

<i>For the year ended June 30, 2022</i>	<b>Enterprise Fund</b>		
	<b>Food Service</b>	<b>Day Care</b>	<b>Total</b>
<b>Reconciliation of Operating (Loss) Income to Net Cash (Used In) Provided By Operating Activities</b>			
Operating (loss) income	\$ (2,452,799)	\$ 245,805	\$ (2,206,994)
Adjustments To Reconcile Operating (Loss) Income To			
Net Cash (Used In) Provided By Operating Activities			
Depreciation	32,815	-	32,815
On-behalf payments	220,429	51,458	271,887
Commodities used	232,500	-	232,500
Pension contributions in excess of pension expense	(167,883)	45,525	(122,358)
OPEB contributions in excess of pension expense	(38,033)	14,220	(23,813)
Changes in assets and liabilities:			
Inventories	50,322	-	50,322
Accounts payable	(54,381)	(482)	(54,863)
Accrued benefits	(10,853)	-	(10,853)
<b>Net cash (used in) provided by operating activities</b>	<b>\$ (2,187,883)</b>	<b>\$ 356,526</b>	<b>\$ (1,831,357)</b>

**Noncash Activities**

- The food service fund received \$232,500 of donated commodities from the federal government.
- The District received on-behalf payments of \$220,429 relating to insurance benefits for the food service fund.
- The District received on-behalf payments of \$51,458 relating to insurance benefits for the day care fund.
- The District reclassified \$230,063 related to pension expense to deferred outflows of resources.
- The District reclassified \$62,637 related to OPEB expense to deferred outflows of resources.

The accompanying notes are an integral part of these financial statements.

Muhlenberg County School District  
Statement of Fiduciary Net Position  
Fiduciary Fund

<i>June 30, 2022</i>	<b>Private Purpose Trust Fund</b>	
<hr/>		
<b>Assets</b>		
Cash and investments	\$	39,000
<hr/>		
Total assets	\$	39,000
<hr/> <hr/>		
<b>Net Position</b>		
Held in trust for scholarships	\$	39,000
<hr/>		
Net position	\$	39,000
<hr/> <hr/>		

The accompanying notes are an integral part of these financial statements.

Muhlenberg County School District  
Statement of Changes in Fiduciary Net Position  
Fiduciary Fund

<i>For the year ended June 30, 2022</i>	<b>Private Purpose Trust Fund</b>
<hr/>	
<b>Deductions</b>	
Scholarships	\$ 2,000
<hr/>	
Total deductions	2,000
<hr/>	
Change in net position	(2,000)
<hr/>	
Net position - beginning of year	41,000
<hr/>	
Net position - end of year	\$ 39,000
<hr/> <hr/>	

The accompanying notes are an integral part of these financial statements.

# Muhlenberg County School District Notes to the Financial Statements

## NOTE 1: DESCRIPTION OF THE ENTITY

### ***Reporting Entity***

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

The District, for financial purposes, includes all of the funds relevant to the operation of the Muhlenberg 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., except for the funds administered as custodial funds.

For financial reporting purposes, the accompanying financial statements include all of the operations over which the District is financially accountable. The District is financially accountable for organizations that make up its legal entity, as well as legally separate organizations that meet certain criteria. The criteria for inclusion in the reporting entity involve those cases where the District or its officials appoint a voting majority of an organization's governing body, and is either able to impose its will on the organization and there is a potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the District or the nature and significance of the relationship between the District and the organization is such that exclusion would cause the District's financial statements to be incomplete. The accounting policies of the District conform to generally accepted accounting principles (GAAP) as applied to governmental units.

### ***Blended Component Unit***

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements as a blended component unit:

**Muhlenberg County School District Finance Corporation** — The Muhlenberg County Board of Education resolved to authorize the establishment of the Muhlenberg County School District Finance Corporation (a nonprofit, nonstock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the Board for financing the costs of school building facilities. The Board members of the Muhlenberg County Board of Education also comprise the Corporation's Board of Directors.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

**Government-Wide Financial Statements** — The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the District, except for fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. 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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

**Fund Financial Statements** — Fund financial statements report detailed information about the District's funds, including fiduciary funds. Separate statements for each fund category — governmental, proprietary and fiduciary — are presented. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The District has the following funds:

**Governmental Fund Types**

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

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Basis of Presentation (continued)***

The *Special Revenue Fund* accounts for proceeds of specific revenue sources that are restricted, committed or assigned to expenditures for specified purposes other than debt service or capital projects. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the schedule of expenditures of federal awards. The special revenue fund is a major fund.

The *Special Revenue District Activity Fund* is used to account for proceeds collected by the District's individual schools which are not raised by students or parents and are swept to the District's finance office. Funds can be spent on operating expenses as directed by the District's schools.

The *Special Revenue Student Activity Fund* is used to account for student activity funds of the District's individual schools. The student funds are maintained in accordance with the Uniform Program of Accounting for School Activity Funds, which is performed by the District.

*Capital Projects Funds* are used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations or other governments.

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 and certain operating costs.

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

The *Construction Fund* accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. The construction fund is a major fund.

The *Debt Service Fund* is used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest and other debt related costs.



**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Basis of Presentation (continued)***

**Proprietary Fund Types**

*Enterprise Funds*

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 contributions of commodities from the USDA. The food service fund is a major fund.

The *Day Care Fund* is used to account for day care services offered to the general public. The day care fund is a major fund.

**Fiduciary Fund Types (includes custodial and private purpose trust funds)**

Fiduciary funds account for assets held by the District in a trustee's capacity or in a custodial capacity for others that cannot be used to support the District's own programs. Custodial funds are purely custodial and do not involve measurement of results of operations.

*Custodial Funds*

Custodial funds are used to report fiduciary activities that are not required to be reported in pension trust funds, investment trust funds, or private purpose trust funds.

*Private Purpose Trust Fund*

The *Private Purpose Trust Fund* is used to report trust arrangements under which principal and income benefit individuals.

***Measurement Focus and Basis of Accounting***

**Government-Wide, Proprietary and Fiduciary Fund Financial Statements** – The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary and fiduciary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Measurement Focus and Basis of Accounting (continued)***

**Governmental Fund Financial Statements** – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This approach differs from the manner in which the government-wide financial statements are prepared. The governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the fund balance. On this basis of accounting, revenues are recognized when they become measurable and available as assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is interest on general long-term debt, which is recognized as expenditure when paid.

The records of the District and the budgetary process are based on the modified accrual basis of accounting. This practice is the accounting method prescribed by the Committee for School District Audits. The District is required by state law to adopt annual budgets for the general fund, special revenue fund and capital projects funds.

***Estimates***

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

***Investments***

Investments are reported at fair value which is determined using selected bases. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates, and investments that do not have an established market are reported at estimated fair value. Cash deposits, including nonparticipating/nonnegotiable certificates of deposit, are reported at cost.

***Inventory***

Supplies and materials are charged to expenditures when purchased (purchases method) with the exception of the proprietary funds and transportation supplies in the General Fund, which record inventory at the lower of cost, determined by first-in first-out (“FIFO”) method, or net realizable value.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

***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 \$5,000 with the exception of computer workstations and laptops for which there is a \$1,000 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:

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

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Deferred Outflows of Resources – Debt Related***

The District reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position. The deferred outflows of resources reported in the financial statements include the deferred amount arising from the refunding of bonds. The amount by which the reacquisition price of the refunding debt exceeds the carrying amount of the refunded debt is being amortized over the remaining life of the refunding bonds as part of interest expense. No deferred outflows of resources affect the governmental funds financial statements in the current year.

***Deferred Inflows and Outflows of Resources – Pension Related***

The District's statement of net position and proprietary funds statements of net position report a separate section for deferred inflows and outflows of resources related to pension which includes only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions, and differences between projected and actual earnings on plan investments. Deferred outflows include resources for the District's contributions made subsequent to the measurement date. 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. Deferred inflows of resources also include changes in the proportion and differences between employee contributions and the proportion share of contributions in the cost-sharing plan. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The District will not recognize the related revenues until they are available (collected not later than 60 days after the end of the District's fiscal year) under the modified accrual basis of accounting. No deferred inflows of resources affect the governmental funds financial statements in the current year.

***Deferred Inflows and Outflows of Resources – OPEB Related***

The District's statement of net position and proprietary funds statements of net position report a separate section for deferred inflows and outflows of resources related to OPEB which includes only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions, and differences between projected and actual earnings on plan investments. Deferred outflows include resources for the District's contributions made subsequent to the measurement date. 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.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Net Pension Liability***

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System (CERS)/Teachers Retirement System of the State of Kentucky (KTRS) and additions to/deductions from CERS/KTRS fiduciary net position have been determined on the same basis as they are reported by CERS/KTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The District proportionate share of pension amounts were further allocated to each participating employer based on the contributions paid by each employer. Pension investments are reported at fair value. Note 8 provides further detail on the net pension liability.

***Net Other Post-Employment Benefits (OPEB) Liability***

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System (CERS)/Teachers Retirement System of the State of Kentucky (KTRS) and additions to/deductions from CERS/KTRS fiduciary net position have been determined on the same basis as they are reported by CERS/KTRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The District's proportionate share of OPEB amounts were further allocated to each participating employer based on the contributions paid by each employer. OPEB 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. Note 9 provides further detail on the net OPEB liability.

***Post-Employment Health Care Benefits***

Retired District employees receive some health care benefits depending on their length of service. In accordance with Kentucky Revised Statutes, these benefits are provided and advanced-funded on an actuarially determined basis through the CERS and KTRS plans.

***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.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Compensated Absences***

The District uses the vesting method to compute compensated absences for sick leave. Sick leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits at termination. The District records a liability for accumulated unused sick leave when earned for all employees with more than five years of service.

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

For governmental fund financial statements, compensated absences are reported as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the funds from which the employees will be paid.

***Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. Bonds are recognized as a liability on the fund financial statements when due.

***Long-Term Obligations***

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds and is recorded as an adjustment to interest expense. Bonds payable are reported net of the applicable bond premium or discount. In accordance with GASB Codification Section 130: *Interest Costs – Imputation*, bond issuance costs are expensed in the period incurred except for prepaid insurance costs.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Net Position***

The District classifies its net position into the following three categories:

*Net investment in capital assets* - This represents the District's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.

*Restricted* - The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

*Unrestricted* - The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

***Property Taxes***

Property taxes collected are recorded as revenues in the fund for which they were levied. The assessment date of the property taxes is January 1 of each year. The levy is normally set during the September board meeting. Assuming property tax bills are timely mailed, the collection date is the period from September 15 through December 31. Collections from the period September 15 through November 1 receive a two percent discount. The due date is the period from November 2 through December 31 in which no discount is allowed. Property taxes received subsequent to December 31 are considered to be delinquent and subject to a lien being filed by the County Attorney.

***Revenues — Exchange and Nonexchange Transactions***

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

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Revenues — Exchange and Nonexchange Transactions (continued)***

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Assets from property taxes are normally recognized when an enforceable legal claim arises. However, for the District, an enforceable legal claim arises after the period for which taxes are levied. Property taxes receivable are recognized in the same period that the revenues are recognized. The property taxes are normally levied in September.

On the modified accrual basis of accounting, assets and revenues from property taxes are 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. Revenues from nonexchange transactions must also be available before they can be recognized.

***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 as nonoperating revenues/expenses in proprietary funds.

***Interfund Balances***

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

***Contributions of Capital***

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



**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the District, these revenues are sales for food service and fees collected for daycare services. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

***Subsequent Events***

The District has evaluated any recognized or unrecognized subsequent events for consideration in the accompanying financial statements through November 11, 2022, which was the date the financial statements were made available.

***Recent Issued and Adopted Accounting Pronouncements***

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement 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 payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee 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. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021 (as modified by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*). The District has implemented the new requirements of this statement for the fiscal year ended June 30, 2022, which resulted in no impact on the beginning net position and fund balance of the District.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting 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. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020 (as modified by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*). The District has implemented the new requirements of this statement for the fiscal year ended June 30, 2022, which resulted in no impact on the beginning net position and fund balance of the District.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Recent Issued and Adopted Accounting Pronouncements (continued)***

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans— an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. The District has implemented the new requirements of this statement for the fiscal year ended June 30, 2022, which resulted in no impact on the beginning net position and fund balance of the District.

***Recent Accounting Pronouncements***

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This 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. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement. The District is evaluating the requirements of this Statement.

Muhlenberg County School District  
Notes to the Financial Statements

**NOTE 3: CASH AND INVESTMENTS**

***Deposits***

At June 30, 2022, the carrying amounts of the District's cash and investments in deposits were \$32,109,072 and the bank balances were \$26,464,852, which were covered by federal depository insurance or by collateral held by the bank's agent in the District's name.

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

<i>June 30,</i>	<i>2022</i>
Govenmental funds	\$ 29,339,873
Proprietary funds	2,730,199
Fiduciary funds	39,000
	<u>\$ 32,109,072</u>

***Custodial Credit Risk Deposits***

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. However, the District is required by state statute that bank deposits must be collateralized. As of June 30, 2022, \$68,926 of the District's bank balance of \$26,464,852 was exposed to custodial credit risk.

***Investments***

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principal. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2022:

- Publicly traded stocks of \$597,834 are valued using quoted market prices (Level 1 inputs)

<i>June 30, 2022</i>			
<b>Investment</b>	<b>Rating</b>	<b>Maturities</b>	<b>Fair Value</b>
Chevron Corp Stock	N/A	-	\$ 196,611
Exxon Mobile Corp	N/A	-	401,223
			<u>\$ 597,834</u>

**NOTE 3: CASH AND INVESTMENTS (CONTINUED)**

The District is the beneficiary of the donated stock, which is restricted for the use of the Greenville Library.

<i>June 30, 2022</i>			
<b>Investment</b>	<b>Rating</b>	<b>Maturities</b>	<b>Cost</b>
Certificate of deposit (1)	N/A	7/23/2022	\$ 4,408,306
Certificate of deposit (1)	N/A	7/23/2022	2,132,519
			\$ 6,540,825

(1) Nonparticipating/nonnegotiable certificate of deposit

*Interest Rate Risk*

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk*

Under Kentucky Revised Statutes Section 66.480, the District is authorized to invest in obligations of the United States and its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or of its agencies, obligations of any corporation of the United States government, certificates of deposit, commercial paper rated in one of the three highest categories by nationally recognized rating agencies and securities in mutual funds shall be eligible investments pursuant to this section. The District has no investment policy that would further limit its investment choices.

*Concentration of Credit Risk*

The District's investment policy places no limit on the amount the District may invest in any one issuer. No more than five percent of the District's investments are in any one issuer, excluding nonparticipating/nonnegotiable certificates of deposit.

*Risks and Uncertainties*

The District holds investment securities. Investment securities are exposed to various risks, such as interest rate, credit and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the account balances and the amounts reported in the financial statements.

Muhlenberg County School District  
Notes to the Financial Statements

**NOTE 4: INTERFUND RECEIVABLES AND PAYABLES**

Interfund balances at June 30, 2022 consist of the following:

<i>June 30, 2022</i>		
Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue Fund	\$ 1,212,352

The amount represents interfund loans between the general fund and special revenue fund that are necessary to fulfill the current cash requirements of the special revenue fund.

**NOTE 5: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2022 was as follows:

<i>June 30, 2022</i>	Capital Cost			
	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
<b>Governmental Activities:</b>				
Capital assets that are not depreciated:				
Land	\$ 2,391,197	\$ -	\$ -	\$ 2,391,197
Construction in progress	10,588,908	1,495,704	10,840,946	1,243,666
Total non-depreciable historical cost	12,980,105	1,495,704	10,840,946	3,634,863
Capital assets that are depreciated:				
Land improvements	2,491,699	7,240	-	2,498,939
Buildings and improvements	110,512,079	10,841,506	-	121,353,585
Technology equipment	3,581,829	-	-	3,581,829
Vehicles	8,728,901	884,976	-	9,613,877
General	3,398,809	186,637	-	3,585,446
Total depreciable historical cost	128,713,317	11,920,359	-	140,633,676
Less accumulated depreciation for:				
Land improvements	1,931,441	112,374	-	2,043,815
Buildings and improvements	43,546,742	2,772,741	-	46,319,483
Technology equipment	3,565,243	54	-	3,565,297
Vehicles	7,496,975	297,422	-	7,794,397
General	2,891,140	85,261	-	2,976,401
Total accumulated depreciation	59,431,541	3,267,852	-	62,699,393
Total depreciable historical cost, net	69,281,776	8,652,507	-	77,934,283
Governmental activities, capital assets, net	\$ 82,261,881	\$ 10,148,211	\$ 10,840,946	\$ 81,569,146

Muhlenberg County School District  
Notes to the Financial Statements

**NOTE 5: CAPITAL ASSETS (CONTINUED)**

<i>June 30, 2022</i>	Capital Cost			Ending Balance
	Beginning Balance	Additions	Retirements/ Reclassifications	
<b>Business-Type Activities:</b>				
Capital assets that are depreciated:				
Buildings and improvements	\$ 24,186	\$ -	\$ -	\$ 24,186
Technology equipment	2,166	-	-	2,166
General	1,508,224	-	-	1,508,224
Total depreciable historical cost	1,534,576	-	-	1,534,576
Less accumulated depreciation for:				
Buildings and improvements	24,186	-	-	24,186
Technology equipment	2,130	-	-	2,130
General	1,387,207	32,815	-	1,420,022
Total accumulated depreciation	1,413,523	32,815	-	1,446,338
Business-type activities, capital assets, net	\$ 121,053	\$ (32,815)	\$ -	\$ 88,238

Depreciation expense was charged to governmental functions as follows:

<i>For the year ended June 30,</i>	2022
Instruction	\$ 2,763,016
Support services:	
Student support	1,118
District administration	8,039
School administration	1,985
Business support	198
Facilities operations	192,672
Student transportation	293,306
Other	7,518
Total depreciation expense	\$ 3,267,852

Muhlenberg County School District  
Notes to the Financial Statements

**NOTE 6: LONG-TERM OBLIGATIONS**

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

Issue Date	Proceeds	Rates
2011R Bond	\$ 6,560,000	1.25%-2.125%
2012R Bond	8,775,000	2.00%
2012 Bond	1,100,000	0.90%-2.125%
2013 Bond	6,000,000	1.00%-3.00%
2014 Bond	1,100,000	1.00%-4.00%
2014(2) Bond	3,325,000	3.00%-3.375%
2016R Bond	12,890,000	2.00%-2.25%
2019 Bond	7,125,000	3.00%-3.125%

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

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

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2022 for debt service (principal and interest) are as follows:

Muhlenberg County School District  
Notes to the Financial Statements

**NOTE 6: LONG-TERM OBLIGATIONS (CONTINUED)**

Year	Muhlenberg County School District		School Facility Construction Commission		Total Debt Service
	Principal	Interest	Principal	Interest	
2022-2023	\$ 1,903,018	\$ 533,183	\$ 1,226,982	\$ 164,804	\$ 3,827,987
2023-2024	1,964,534	492,777	1,230,466	139,318	3,827,095
2024-2025	1,707,969	454,199	427,031	114,031	2,703,230
2025-2026	1,632,703	414,117	437,297	103,763	2,587,880
2026-2027	1,682,253	375,592	447,747	93,315	2,598,907
2027-2028	1,662,424	336,387	387,576	83,170	2,469,557
2028-2029	1,712,623	296,128	397,377	73,369	2,479,497
2029-2030	1,771,358	252,322	413,642	62,870	2,500,192
2030-2031	1,835,538	205,835	384,462	51,980	2,477,815
2031-2032	1,112,337	165,470	242,663	42,630	1,563,100
2032-2033	1,169,357	131,068	250,643	34,650	1,585,718
2033-2034	683,028	94,788	186,972	26,331	991,119
2034-2035	717,597	84,497	192,403	22,972	1,017,469
2035-2036	408,103	55,450	121,897	15,550	601,000
2036-2037	438,998	43,207	126,002	11,893	620,100
2037-2038	474,767	30,037	130,233	8,113	643,150
2038-2039	505,410	15,794	134,590	4,206	660,000
	<u>\$ 21,382,017</u>	<u>\$ 3,980,851</u>	<u>\$ 6,737,983</u>	<u>\$ 1,052,965</u>	<u>\$ 33,153,816</u>



Muhlenberg County School District  
Notes to the Financial Statements

**NOTE 6: LONG-TERM OBLIGATIONS (CONTINUED)**

Changes in long-term obligations are as follows:

<i>June 30, 2022</i>	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Bonds and notes payable:					
General obligation debt	\$ 31,180,000	\$ -	\$ (3,060,000)	\$ 28,120,000	\$ 3,130,000
Less (discounts)/premiums - net	(121,579)	-	11,187	(110,392)	-
<b>Total bonds and notes payable</b>	<b>31,058,421</b>	<b>-</b>	<b>(3,048,813)</b>	<b>28,009,608</b>	<b>3,130,000</b>
Other liabilities:					
Compensated absences	2,248,505	-	(585,859)	1,662,646	544,633
<b>Total other liabilities</b>	<b>2,248,505</b>	<b>-</b>	<b>(585,859)</b>	<b>1,662,646</b>	<b>544,633</b>
<b>Total long-term liabilities</b>	<b>\$ 33,306,926</b>	<b>\$ -</b>	<b>\$ (3,634,672)</b>	<b>\$ 29,672,254</b>	<b>\$ 3,674,633</b>
<b>Business-Type Activities:</b>					
Other liabilities:					
Compensated absences	\$ 48,581	\$ -	\$ (10,853)	\$ 37,728	\$ 25,563
<b>Total long-term liabilities</b>	<b>\$ 48,581</b>	<b>\$ -</b>	<b>\$ (10,853)</b>	<b>\$ 37,728</b>	<b>\$ 25,563</b>

**NOTE 7: FUND BALANCES**

The Board follows GASB Statement Number 54. Under this statement, fund balance is separated into five categories, as follows:

*Nonspendable fund balances* are amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact. At June 30, 2022, the District had \$313,201 nonspendable in the general fund related to inventory.

*Restricted fund balances* arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2022, the District had \$597,897 restricted in the general fund for Greenville Library, \$921,449 restricted in the student activity fund for student activities and \$3,208,124 restricted in the construction fund for future construction projects.

Muhlenberg County School District  
Notes to the Financial Statements

**NOTE 7: FUND BALANCES (CONTINUED)**

*Committed fund balances* are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had the following commitments in the general fund at June 30, 2022: \$650,174 for compensated absences and \$3,210,000 for future construction.

*Assigned fund balances* are amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The District has assigned \$1,345,009 for site-base carryforward and \$968,877 for encumbrances and other in the general fund and the special revenue district activity fund had assigned \$30,825 for operating costs of District's schools at June 30, 2022. Assigned fund balances also include (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

*Unassigned fund balance* is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund.

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations using restricted funds first, followed by committed funds, assigned funds and then unassigned funds. Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically rebudgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance at June 30, 2022 in the governmental funds balance sheet.

**NOTE 8: PENSION PLANS**

**Pensions**

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

**General Information About the KTRS Pension Plan**

**Plan Description**

The KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Sections 220 through 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 is a cost-sharing multiple-employer defined benefit plan with a special funding situation established to provide retirement, health and life insurance benefits for specified employees of local school districts and other public educational agencies in the Commonwealth.

KRS 161.250 provides that the general administration and management of KTRS, and the responsibility for its proper operation, is vested in a board of trustees. The board of trustees consists of the chief state school officer, the State Treasurer, two trustees appointed by the governor, and seven elected trustees. Four of the elected trustees are active teachers, two are not members of the teaching profession, and one is an annuitant of the retirement system.

Any regular or special teacher or professional occupying a position requiring certification or graduation from a four year college or university is eligible to participate in the system. KTRS issues a publicly available financial report that can be found on the KTRS website.

**Benefits Provided**

KTRS provides retirement, medical, disability, annual cost of living adjustments, and death benefits to plan members. Plan members are divided into the following two categories:

**For Members Hired Before July 1, 2008:**

Members become vested when they complete 5 years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

**NOTE 8: PENSION PLANS (CONTINUED)**

**Benefits Provided (continued)**

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

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

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

For Members Hired On or After July 1, 2008:

Members become vested when they complete 5 years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

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

The annual retirement allowance for members is equal to: (a) 1.7% of final average salary for each year of credited service if their service is 10 years or less; (b) 2.0% of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) 2.3% of final average salary for each year of credited service if their service is greater than 20 years but no more than 26 years; (d) 2.5% of final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; (e) 3.0% of final average salary for years of credited service greater than 30 years.

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

**NOTE 8: PENSION PLANS (CONTINUED)**

**Benefits Provided (continued)**

KTRS also provides disability benefits for vested members at the rate of 60% 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 1.5% annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

**Contributions**

Contribution rates are established by Kentucky Revised Statutes. KTRS members are required to contribute 12.855% of their salaries to the KTRS effective July 1, 2015. For members employed by local school districts, the State, as a non-employer contributing entity, contributes 13.105% of salary for those who joined before July 1, 2008 and 14.105% for those joined thereafter.

Other participating employers are required to contribute the percentage contributed by members plus an additional 3.25% of members' gross salaries.

The member and employer contributions consist of retirement annuity contributions and OPEB contributions to the medical and life insurance trusts.

***Pension Liabilities and Pension Expense***

At June 30, 2022, the amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth of Kentucky (State) support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with the District		75,720,612
<b>Total</b>	<b>\$</b>	<b><u>75,720,612</u></b>

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures.

For the year ended June 30, 2022, the District recognized pension expense of \$11,796,025 and revenue of \$11,796,025 for support provided by the State in the government wide financial statements.

**NOTE 8: PENSION PLANS (CONTINUED)**

**Actuarial Assumptions**

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2020
Actuarial Cost Method	Entry Age
Actuarial Assumptions:	
Investment rate of return	7.10% net of pension plan investment expense, including inflation
Projected salary increases	3.00 - 7.50%, including inflation
Inflation rate	2.50%
Municipal bond index rate	2.13%
Single equivalent interest rate	7.10%

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees and active members. The actuarial assumptions used were based on the results of an actuarial experience study for the 5-year period ending June 30, 2020, adopted by the board on September 20, 2021. The assumed long-term investment rate of return was changed from 7.5% to 7.1% and the price inflation assumption was lowered from 3.0% to 2.5%. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

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:

Muhlenberg County School District  
Notes to the Financial Statements

**NOTE 8: PENSION PLANS (CONTINUED)**

**Actuarial Assumptions (continued)**

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Large cap U.S. Equity	37.4%	4.20%
Small cap U.S. Equity	2.6%	4.70%
Developed International Equity	16.5%	5.30%
Emerging Markets Equity	5.5%	5.40%
Fixed Income	15.0%	-0.01%
High Yield Bonds	2.0%	1.70%
Other Additional Categories	5.0%	2.20%
Real Estate	7.0%	4.00%
Private Equity	7.0%	6.90%
Cash	2.0%	-0.30%
<b>Total</b>	<u>100.0%</u>	

**Discount Rate**

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made in full at the current contribution rates and the employer contributions will be made at the Actuarially Determined Contribution rates for all future fiscal years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Pension Plan Fiduciary Net Position**

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

**NOTE 8: PENSION PLANS (CONTINUED)**

**General Information About the CERS Pension Plan**

**Plan Description**

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

**Benefits Provided**

CERS provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Prior to July 1, 2009, Cost of Living Adjustments (COLAs) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. After July 1, 2009, the COLAs were limited to 1.5%. No COLA has been granted since July 1, 2011.

*Tier 1* - Non-Hazardous Tier 1 plan members who began participating prior to September 1, 2008, are required to contribute 5% of their annual creditable compensation. These members are classified in the Tier 1 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest.

*Tier 2* - Non-Hazardous Tier 2 plan members, who began participating on, or after, September 1, 2008, and before January 1, 2014, are required to contribute a total of 6% of their annual creditable compensation, while 1% of these contributions are deposited in an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Insurance Fund (see Kentucky Administrative Regulation 105 KAR 1:420).

These members were classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited.



**NOTE 8: PENSION PLANS (CONTINUED)**

**Benefits Provided (continued)**

*Tier 3* - Non-Hazardous Tier 3 plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Non-hazardous members contribute 5% of their monthly creditable compensation, which is deposited into their account, and an additional 1% which is deposited to an account created for payment of health insurance benefits under 26 USC Section 401(h) in the Insurance Fund (see 105 KAR1:420), which is not refundable. Non-hazardous Tier 3 member accounts are also credited with an employer pay credit in the amount of 4% of the member's monthly creditable compensation. The employer pay credit amount is deducted from the total employer contribution rate paid on the member's monthly creditable compensation.

**Contributions**

Employers participating in the CERS were required to contribute at an actuarially determined rate, per Kentucky Revised Statute Section 78.545(33). The KRS Board of Trustees establishes the employer contribution rate based on KRS Section 78.545(33) each year following the annual actuarial valuation as of July 1 and prior to July 1 of the succeeding fiscal year for local governments in Kentucky. For the fiscal year ended June 30, 2022 participating employers contributed a percentage of each employee's creditable compensation. The actuarially determined rate set by the KRS Board of Trustees for the fiscal year ended June 30, 2022 was 21.17%.

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

At June 30, 2022, the District reported a liability of \$18,060,621 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. The District's proportion of the net pension liability was based on the District's share of 2021 contributions to the pension plan relative to the 2021 contributions of all participating employers, actuarially determined. At June 30, 2021, the District's proportion was .283269%.

Muhlenberg County School District  
Notes to the Financial Statements

**NOTE 8: PENSION PLANS (CONTINUED)**

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

For the year ended June 30, 2022, the District recognized pension expense of \$1,474,789. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 207,391	\$ 175,291
Net difference between projected and actual investment earnings on pension plan investments	700,633	3,107,810
Change of assumptions	242,395	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	35,963	662,759
District contributions subsequent to the measurement date	1,787,549	-
<b>Total</b>	<u>\$ 2,973,931</u>	<u>\$ 3,945,860</u>

\$1,787,549 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**NOTE 8: PENSION PLANS (CONTINUED)**

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

Year ended June 30,	
2022	\$ (635,500)
2023	(814,041)
2024	(556,133)
2025	(753,804)
Thereafter	-

**Actuarial Assumptions**

The total pension liability, net pension liability, and sensitivity information as of June 30, 2021 were based on an actuarial valuation date of June 30, 2020. The total pension liability was rolled-forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021, using generally accepted actuarial principles.

There have been no changes in actuarial assumptions since June 30, 2020. The actuarial assumptions are:

Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increases	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%

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

**Long-Term Expected Rate of Return**

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 table below.

**NOTE 8: PENSION PLANS (CONTINUED)**

**Long-Term Expected Rate of Return (continued)**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
<b>Growth</b>	<b>68.50%</b>	
US Equity	21.75%	5.70%
Non US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Special Credit/High Yield	15.00%	2.80%
<b>Liquidity</b>	<b>11.50%</b>	
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
<b>Diversifying Strategies</b>	<b>20.00%</b>	
Real Estate	10.00%	5.40%
Real Return	10.00%	4.55%
Expected Real Return	100.00%	5.00%
Long Term Inflation Assumption		2.30%

**Discount Rate**

The projection of cash flows used to determine the discount rate of 6.25% for CERS Non-hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018) over the remaining 30 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the KRS plan's Annual Comprehensive Financial Report (ACFR).

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

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

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
District's proportionate share of the net pension liability	\$ 23,163,603	\$ 18,060,621	\$ 13,838,023

**NOTE 8: PENSION PLANS (CONTINUED)**

**Pension Plan Fiduciary Net Position**

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

***Deferred Compensation Plans***

The District offers its employees to defer compensation in accordance with Internal Revenue Code Sections 457, 401(k) and 403(b). The Plans, available to all employees, permit them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Entities with little or no administrative involvement who do not perform the investing function for these plans will omit plan assets and related liabilities from their financial statements. The District, therefore, does not show these assets and liabilities in the financial statements.

**NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**General Information about the KTRS OPEB Plan**

**Plan Description**

District employees, in positions requiring a four-year degree 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, health and life insurance benefits for specified employees of 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 Sections 220 through 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 on the TRS website.

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 Health Insurance Trust and Life Insurance Plans. The following information is about the TRS plans:

**NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

***Health Insurance Trust***

**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 Health Insurance Trust is a cost-sharing multiple-employer defined benefit plan with a special funding situation, funded by employer and member contributions. 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 and a required amount of service credit. The TRS medical plan offers coverage to members under the age of 65 and not eligible for Medicare through the Kentucky Employees Health Plan (KEHP) administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan (MEHP) administered by TRS.

**Contributions**

The member and employer contributions consist of retirement annuity contributions and OPEB contributions to the medical and life insurance trusts. The member postemployment medical contribution is 3.75% of salary. The employer postemployment medical contribution is 0.75% of member salaries. Also, employers (other than the state) contribute 3% of members' salaries and the state contributes the net cost of health insurance premiums for new retirees after June 30, 2010, in the non-Medicare eligible group. If a member leaves covered employment before accumulating five years of credited service, accumulated member contributions to the retirement trust are refunded with interest upon the member's request.

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

At June 30, 2022, the District reported a liability of \$6,715,000 for its proportionate share of 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, 2021, and 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 of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021, the District's proportion was 0.312965%.

Muhlenberg County School District  
Notes to the Financial Statements

**NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

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

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	\$ 6,715,000
State's proportionate share of the net OPEB liability associated with the District	5,454,000
<b>Total</b>	<b>\$ 12,169,000</b>

For the year ended June 30, 2021, the District recognized OPEB expense of (\$341,000), which included (\$36,000) related to changes in proportion and differences between employer contributions and proportionate share of contributions. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 3,993,000
Changes of assumptions	1,756,000	-
Net difference between projected and actual earnings on OPEB plan investments	-	716,000
Changes in proportion and differences between District contributions and proportionate share of contributions	323,000	609,000
District contributions subsequent to measurement date	540,797	-
<b>Total</b>	<b>\$ 2,619,797</b>	<b>\$ 5,318,000</b>

Of the total amount reported as deferred outflows of resources related to OPEB, \$540,797 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, 2023. 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:

Muhlenberg County School District  
Notes to the Financial Statements

**NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

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

<i>Year ended June 30,</i>	
2022	\$ (761,000)
2023	(765,000)
2024	(723,000)
2025	(687,000)
2026	(245,000)
Thereafter	(58,000)

**Actuarial Assumptions**

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

Inflation	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Projected Salary Increases	3.00% - 7.50%, including wage inflation
Investment Rate of Return	7.10%, net of OPEB plan investment expense, including inflation
Municipal Bond Index Rate	2.13%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including inflation
Discount Rate	7.10%
Healthcare Cost Trends:	
KEHP group	7.00% for FYE 2021 decreasing to an ultimate rate of 4.50% by FYE 2031
MEHP group	5.00% for FYE 2022 decreasing to an ultimate rate of 4.50% by FYE 2024
Medicare Part B Premiums	4.40% for FYE 2021 with an ultimate rate of 4.50% by 2034

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees and active members.



**NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Actuarial Assumptions (continued)**

The demographic actuarial assumptions for retirement disability, incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2020 valuation were based on the results of the most recent actuarial experience studies for the system, which covered the five-year period ending June 30, 2020, adopted by the board on September 20, 2021. The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends) used in the June 30, 2020 valuation of the Health Trust were based on a review of recent plan experience done concurrently with the June 30, 2020 valuation. The healthcare cost trend rate assumption was updated for the June 30, 2020 valuation and was shown as an assumption change in the Total OPEB Liability (TOL) roll forward while the change in initial per capita claims costs were included with the experience in the TOL roll forward. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System.

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 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long Term Expected Real Rate of Return</b>
Global Equity	58.00%	5.10%
Fixed Income	9.00%	-0.10%
Real Estate	6.50%	4.00%
Private Equity	8.50%	6.90%
Additional Categories: High Yield	8.00%	1.70%
Other Additional Categories	9.00%	2.20%
Cash (LIBOR)	1.00%	-0.30%
<b>Total</b>	<b>100.00%</b>	

**NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Discount Rate**

The discount rate used to measure the total OPEB liability was 7.10%. 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.

**Sensitivity of the District's Proportionate Share of the collective net OPEB Liability to Changes in the Discount Rate**

The following presents the District's proportionate share of the 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 a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current discount rate:

	<b>1% Decrease (6.10%)</b>	<b>Current Discount Rate (7.10%)</b>	<b>1% Increase (8.10%)</b>
District's proportionate share of the collective net OPEB liability	\$ 8,597,000	\$ 6,715,000	\$ 5,159,000

**Sensitivity of the District's Proportionate Share of the collective net OPEB Liability to Changes in the Healthcare Cost Trends 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:

	<b>1% Decrease</b>	<b>Current Trend Rate</b>	<b>1% Increase</b>
District's proportionate share of the collective net OPEB liability	\$ 4,879,000	\$ 6,715,000	\$ 9,001,000

**OPEB Plan Fiduciary Net Position**

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

**NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

***Life Insurance Trust***

**Plan Description**

TRS administers the Life Insurance Trust as provided by KRS 161.655 to provide life insurance benefits to retired and active members. The TRS Life Insurance Trust 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 \$5,000 payable for members who retire based on service or disability. TRS provides a life insurance benefit of \$2,000 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.

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

At June 30, 2022, 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 net OPEB liability, the related Commonwealth of Kentucky (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	\$ -
State's proportionate share of the net OPEB liability associated with the District	73,000
Total	<u>\$ 73,000</u>

**Actuarial Assumptions**

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

Muhlenberg County School District  
Notes to the Financial Statements

**NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Actuarial Assumptions (continued)**

Inflation	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Projected Salary Increases	3.00% - 7.50%, including wage inflation
Investment Rate of Return	7.10%, net of OPEB plan investment expense, including inflation
Municipal Bond Index Rate	2.13%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including inflation
Discount Rate	7.10%

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards set-backs and adjustments for each of the groups: service, retirees, contingent annuitants, disabled retirees and active members. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2020 valuation were based on the results for the most recent actuarial experience studies for the system, which covered the five-year period ending June 30, 2020, adopted by the board on September 20, 2021. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System.

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 are summarized in the following table:

**NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Actuarial Assumptions (continued)**

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
U.S. Equity	40.00%	4.40%
International Equity	23.00%	5.60%
Fixed Income	18.00%	-0.10%
Real Estate	6.00%	4.00%
Private Equity	5.00%	6.90%
Other Additional Categories	6.00%	2.10%
Cash (LIBOR)	2.00%	-0.30%
<b>Total</b>	<b>100.00%</b>	

**Discount Rate**

The discount rate used to measure the total OPEB liability for life insurance was 7.10%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**OPEB Plan Fiduciary Net Position**

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

**General Information about the County Employees Retirement System's (CERS) OPEB Plan**

**Plan Description**

The District's employees are provided OPEB under the provisions of Kentucky Revised Statutes, the Kentucky Retirement Systems (KRS) board administers the CERS Insurance Fund. The KRS Insurance Fund is a cost-sharing, multiple-employer defined benefit OPEB plan which provides group health insurance benefits for plan members that are all regular full-time members employed in non-hazardous duty positions of the District. OPEB may be extended to beneficiaries of the plan members under certain circumstances. The CERS Insurance Fund is included in a publicly available financial report that can be obtained at [www.kyret.ky.gov](http://www.kyret.ky.gov).

**NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Benefits Provided**

The KRS Insurance Fund provides hospital and medical benefits to eligible plan members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. Premium payments are submitted to DEI and Humana. The KRS board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The KRS Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

**Contributions**

Employers participating in the KRS Insurance Fund contribute a percentage of each employee's creditable compensation. The actuarially determined rates set by the KRS board is a percentage of each employee's creditable compensation. For the year ended June 30, 2022, the required contribution was 5.78% of each employee's covered payroll. Contributions from the District to the KRS Insurance Fund for the year ended June 30, 2022, were \$486,687. The KRS board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the KRS board. Employees qualifying as Tier 2 or Tier 3 of the CERS plan members contribute 1% of creditable compensation to an account created for the payment of health insurance benefits.

**Implicit Subsidy**

The fully-insured premiums KRS pays for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing 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 OPEB**

At June 30, 2022, the District reported a liability of \$5,421,761 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. The District's proportion of the net OPEB liability was based on the District's share of 2021 contributions to the OPEB plan relative to the 2021 contributions of all participating employers, actuarially determined. At June 30, 2021, the District's proportion was 0.283202%.

For the year ended June 30, 2021, the District recognized OPEB expense of \$641,126.

Muhlenberg County School District  
Notes to the Financial Statements

**NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

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

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 852,573	\$ 1,618,757
Net difference between projected and actual investment earnings on OPEB plan investments	273,164	1,121,323
Change of assumptions	1,437,412	5,041
Changes in proportion and differences between employer contributions and proportionate share of contributions	75,418	302,672
District contributions subsequent to the measurement date	486,687	-
Total	<u>\$ 3,125,254</u>	<u>\$ 3,047,793</u>

For the year ended June 30, 2022, \$486,687 was reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<i>Year ended June 30,</i>	
2022	\$ 76,572
2023	(52,217)
2024	(77,191)
2025	(356,390)
2026	-
Thereafter	-

Muhlenberg County School District  
Notes to the Financial Statements

**NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Actuarial Assumptions**

The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2021 were based on an actuarial valuation date of June 30, 2020. The total OPEB liability was rolled-forward from the valuation date (June 30, 2020) to the plan’s fiscal year ending June 30, 2021, using generally accepted actuarial principles. The plan adopted new actuarial assumptions since June 30, 2020, which were used to determine the total OPEB liability as follows:

Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increase	3.30% to 10.30%, varies by service for CERS non-hazardous
Investment Rate of Return	6.25%
 Healthcare Trend Rates (Pre-65)	 Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Healthcare Trend Rates (Post-65)	Initial trend starting at 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 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.
Mortality (Post-retirement; non-disabled)	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Mortality (Post-retirement; disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

**Long-Term Expected Rate of Return**

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 tables below.



Muhlenberg County School District  
Notes to the Financial Statements

**NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Long-Term Expected Rate of Return (continued)**

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<b>Growth</b>	<b>68.50%</b>	
US Equity	21.75%	5.70%
Non US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Special Credit/High Yield	15.00%	2.80%
<b>Liquidity</b>	<b>11.50%</b>	
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
<b>Diversifying Strategies</b>	<b>20.00%</b>	
Real Estate	10.00%	5.40%
Real Return	10.00%	4.55%
Expected Real Return	<u>100.00%</u>	5.00%
Long Term Inflation Assumption		2.30%

**Discount Rate**

Single discount rates of 5.20% for the non-hazardous system were used to measure the total OPEB liability as of June 30, 2021. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 1.92%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2021. Based on the stated assumptions and the projection of the cash flows as of each fiscal year ending, the plan's fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the System's actuarial determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the System's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the ACFR.

**NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Discount Rate (continued)**

The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. Future contributions are projected assuming that each participating employer in the Insurance Fund contributes the actuarially determined employer contribution rate each future year calculated in accordance with the current funding policy, as most recently revised by House Bill 8, passed during the 2021 legislative session. This includes the phase-in provisions from House Bill 362 (passed during the 2018 legislative session) which limits the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028.

**Sensitivity of the District's Proportionate Share of the collective net OPEB Liability to Changes in the Discount Rate**

The following presents the District's proportionate share of the net OPEB liability as of June 30, 2022, calculated using the discount rate of 5.20%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.20%) or 1-percentage-point higher (6.20%) than the current rate:

	<u>1% Decrease (4.20%)</u>	<u>Current Discount Rate (5.20%)</u>	<u>1% Increase (6.20%)</u>
District's proportionate share of the collective net OPEB liability	\$ 7,444,036	\$ 5,421,761	\$ 3,762,148

**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 are 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Healthcare Rate</u>	<u>1% Increase</u>
District's proportionate share of the collective net OPEB liability	\$ 3,903,023	\$ 5,421,761	\$ 7,254,900

**OPEB Plan Fiduciary Net Position**

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

Muhlenberg County School District  
Notes to the Financial Statements

**NOTE 10: CONTINGENCIES**

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

**NOTE 11: CONCENTRATIONS**

For the year ended June 30, 2022, the District received \$6,363,728 from the Tennessee Valley Authority (TVA) as payment in-lieu-of-tax, which represented 13.2% of the total general fund revenues.

**NOTE 12: RISK MANAGEMENT**

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

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

**NOTE 13: LITIGATION**

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

Muhlenberg County School District  
Notes to the Financial Statements

**NOTE 14: EXCESS EXPENDITURES OVER APPROPRIATIONS**

The District has one fund with a deficit net position, Food service (\$135,936). Also, the following funds had excess current year expenditures over current year appropriated revenues:

<i>For the year ended June 30, 2022</i>	
<b>Fund</b>	<b>Amount</b>
General Fund	\$ 1,485,524

**NOTE 15: FUND TRANSFERS**

Fund transfers for the year ended June 30, 2022 consist of the following:

<b>Type</b>	<b>From Fund</b>	<b>To Fund</b>	<b>Purpose</b>	<b>Amount</b>
Operating	General Fund	Special Revenue Fund	Matching	\$ 87,796
Operating	General Fund	Construction Fund	Construction	4,226,795
Operating	General Fund	Debt Service	Debt Service	172,687
Operating	SEEK	Debt Service	Debt Service	418,074
Operating	FSPK	Debt Service	Debt Service	1,914,779

Muhlenberg County School District  
Notes to the Financial Statements

**NOTE 16: ON-BEHALF PAYMENTS**

The District receives on-behalf payments from the State of Kentucky for items including pension, technology, health care costs, operating costs and debt service. The amount received for the fiscal year ended June 30, 2022, was \$13,057,913. These payments were recorded in the funds as follows:

<i>Year ended June 30, 2022</i>	
<b>Fund</b>	<b>Amount</b>
General Fund	\$ 11,394,240
Debt Service Fund	1,391,786
Food Service Fund	220,429
Day Care Fund	51,458
<b>Total</b>	<b>\$ 13,057,913</b>
<i>Year ended June 30, 2022</i>	
Technology	\$ 117,461
Health Insurance less Federal Reimbursements	4,685,007
Life Insurance	8,489
Administrative Fees	67,771
HRA/Dental/Vision Insurance	280,864
SFCC Debt Service	1,391,786
KTRS	6,506,535
<b>Total</b>	<b>\$ 13,057,913</b>

Muhlenberg County School District  
Budgetary Comparison Schedule for the General Fund

<i>For the year ended June 30, 2022</i>	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances</b>
	<b>Original</b>	<b>Final</b>		<b>Final to Actual</b>
<b>Revenues</b>				
Local and intermediate sources	\$ 12,881,042	\$ 12,692,943	\$ 17,361,546	\$ 4,668,603
State programs	30,509,514	30,509,514	30,547,992	38,478
Federal programs	200,000	200,000	231,844	31,844
<b>Total revenues</b>	<b>43,590,556</b>	<b>43,402,457</b>	<b>48,141,382</b>	<b>4,738,925</b>
<b>Expenditures</b>				
Current:				
Instruction	31,223,907	31,562,014	26,348,945	5,213,069
Support services:				
Student	1,511,353	1,503,049	1,447,949	55,100
Instructional staff	947,374	976,668	1,512,744	(536,076)
District administration	2,135,826	2,193,645	1,468,611	725,034
School administration	2,888,050	2,901,852	3,041,039	(139,187)
Business	1,268,349	1,288,349	1,408,722	(120,373)
Plant operations and maintenance	6,992,030	7,753,373	5,994,783	1,758,590
Student transportation	4,504,140	4,504,140	3,530,011	974,129
Other	341,735	332,087	313,577	18,510
Food service operations	47,945	47,945	38,019	9,926
Building improvements	-	1,582,314	35,228	1,547,086
Contingency	8,995,536	8,700,887	-	8,700,887
<b>Total expenditures</b>	<b>60,856,245</b>	<b>63,346,323</b>	<b>45,139,628</b>	<b>18,206,695</b>

Muhlenberg County School District  
Budgetary Comparison Schedule for the General Fund

<i>For the year ended June 30, 2022</i>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>
Excess (deficiency) of revenues over expenditures	(17,265,689)	(19,943,866)	3,001,754	22,945,620
<b>Other Financing Sources (Uses)</b>				
Operating transfers - net	-	-	(4,487,278)	(4,487,278)
Total other financing sources (uses)	-	-	(4,487,278)	(4,487,278)
Net change in fund balance	(17,265,689)	(19,943,866)	(1,485,524)	18,458,342
Fund balance-beginning of year	17,265,689	19,802,986	27,987,095	8,184,109
Fund balance- end of year	\$ -	\$ (140,880)	\$ 26,501,571	\$ 26,642,451

Muhlenberg County School District  
Budgetary Comparison Schedule for the Special Revenue Fund

<i>For the year ended June 30, 2022</i>	Budgeted Amounts		Actual	Variances
	Original	Final		Final to Actual
<b>Revenues</b>				
State programs	\$ 2,763,279	\$ 2,941,574	\$ 1,777,272	\$ (1,164,302)
Federal programs	12,441,367	22,550,985	12,346,868	(10,204,117)
<b>Total revenues</b>	<b>15,204,646</b>	<b>25,492,559</b>	<b>14,124,140</b>	<b>(11,368,419)</b>
<b>Expenditures</b>				
Current:				
Instruction	13,607,529	22,625,517	12,356,345	10,269,172
Support services:				
Student	130,752	99,977	7,141	92,836
Instructional staff	114,636	181,592	28,289	153,303
District administration	-	627,000	-	627,000
School administration	94,887	201,631	-	201,631
Business	58,287	58,287	356,762	(298,475)
Plant operations and maintenance	-	500,000	370,540	129,460
Student transportation	760,090	760,090	654,120	105,970
Other	438,465	438,465	438,739	(274)
<b>Total expenditures</b>	<b>15,204,646</b>	<b>25,492,559</b>	<b>14,211,936</b>	<b>11,280,623</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>-</b>	<b>-</b>	<b>(87,796)</b>	<b>(87,796)</b>



Muhlenberg County School District  
 Budgetary Comparison Schedule for the Special Revenue Fund

<i>For the year ended June 30, 2022</i>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>	
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>	
<b>Other Financing Sources (Uses)</b>					
Operating transfers - net	-	-	87,796	87,796	
<b>Total other financing sources (uses)</b>	-	-	87,796	87,796	
Net change in fund balance	-	-	-	-	
Fund balance-beginning of year	-	-	-	-	
<b>Fund balance-end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	

Muhlenberg County School District  
 Schedule of the District's Proportionate Share of the  
 Net Pension Liability and Schedule of District's Contributions  
 Kentucky Teachers' Retirement System

<b>Schedule of the District's Proportionate Share of the Net Pension Liability-KTRS</b>									
<i>As of June 30,</i>	2022	2021	2020	2019	2018	2017	2016	2015	
District's proportion of the net pension liability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	\$ 75,720,612	\$ 87,036,809	\$ 84,510,868	\$ 79,773,478	\$ 163,528,921	\$ 175,851,028	\$ 191,991,858	\$ 170,334,850	
District's covered payroll	\$ 20,716,071	\$ 20,848,887	\$ 21,065,686	\$ 20,476,428	\$ 20,022,151	\$ 19,596,590	\$ 21,425,484	\$ 24,579,636	
District's proportionate share of the net pension liability as a percentage of its covered payroll	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	65.59%	58.27%	58.80%	59.30%	39.83%	35.22%	42.49%	45.59%	

<b>Schedule of the District's Contributions-KTRS</b>									
<i>For the Year Ended June 30,</i>	2022	2021	2020	2019	2018	2017	2016	2015	
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 22,411,958	\$ 20,716,071	\$ 20,848,887	\$ 21,065,686	\$ 20,476,428	\$ 20,022,151	\$ 19,596,590	\$ 21,425,484	
Contributions as a percentage of covered payroll	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%

Muhlenberg County School District  
Schedule of the District's Proportionate Share of the  
Net Pension Liability and Schedule of District's Contributions  
Kentucky Teachers' Retirement System

**Changes of Benefit Terms**

None noted.

**Changes of Assumptions**

In the 2020 experience study, rates of withdrawal, retirement, disability, mortality, and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, set-backs, and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees, and actives. The assumed long-term investment rate of return was changed from 7.50% to 7.10% and the price inflation assumption was lowered from 3.00% to 2.50%. In addition, the calculation of the SEIR results in an assumption change from 7.50% to 7.10%.

2020: No changes in assumptions.

2019: No changes in assumptions.

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

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

In the 2016 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2016 valuation, the Assumed Salary Scale, Price Inflation, and Wage Inflation were adjusted to reflect a decrease. In addition, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.88% to 4.20%.

In 2015, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.23% to 4.88%.

In 2014, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.16% to 5.23%.

Muhlenberg County School District  
Schedule of the District's Proportionate Share of the  
Net Pension Liability and Schedule of District's Contributions  
County Employees Retirement System

**Schedule of the District's Proportionate Share of the Net Pension Liability-CERS**

<i>As of June 30,</i>	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.283269%	0.293371%	0.304180%	0.299454%	0.290814%	0.284910%	0.337830%	0.346506%
District's proportionate share of the net pension liability	\$ 18,060,621	\$ 22,501,313	\$ 21,393,115	\$ 18,237,661	\$ 17,022,238	\$ 14,027,874	\$ 14,524,918	\$ 11,242,000
District's covered payroll	\$ 7,724,241	\$ 7,579,486	\$ 7,669,432	\$ 7,428,143	\$ 7,046,143	\$ 6,763,293	\$ 7,945,412	\$ 7,893,250
District's proportionate share of the net pension liability as a percentage of its covered payroll	233.82%	296.87%	278.94%	245.52%	241.58%	207.41%	182.81%	142.43%
Plan fiduciary net position as a percentage of the total pension liability	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%

**Schedule of the District's Contributions-CERS**

<i>For the Year Ended June 30,</i>	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,787,549	\$ 1,490,778	\$ 1,462,841	\$ 1,243,982	\$ 1,075,595	\$ 982,937	\$ 840,001	\$ 1,013,040
Contributions in relation to the contractually required contribution	\$ 1,787,549	\$ 1,490,778	\$ 1,462,841	\$ 1,243,982	\$ 1,075,595	\$ 982,937	\$ 840,001	\$ 1,013,040
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 8,443,786	\$ 7,724,241	\$ 7,579,486	\$ 7,669,432	\$ 7,428,143	\$ 7,046,143	\$ 6,763,293	\$ 7,945,412
Contributions as a percentage of covered payroll	21.17%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%

Muhlenberg County School District  
Schedule of the District's Proportionate Share of the  
Net Pension Liability and Schedule of District's Contributions  
County Employees Retirement System

**Changes of Benefit Terms**

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

2021: No changes in benefit terms.

2020: No changes in benefit terms.

2019: No changes in benefit terms.

2018: No changes in benefit terms.

2017: No changes in benefit terms.

2016: No changes in benefit terms.

2015: No changes in benefit terms.

**Changes of Assumptions**

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

2021: During the 2021 legislative session, Senate Bill 169 was enacted which increased disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability. The total pension liability as of June 30, 2021 is determined using these updated benefit provisions.

2020: During the 2020 legislative session, Senate Bill 249 was enacted which changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020. Additionally, House Bill 271 was enacted which removed provisions that reduce the monthly payment to a surviving spouse of a member whose death was due to a duty-related injury upon remarriage of the spouse. It also increased benefits for a very small number of beneficiaries. This did not have a material (or measurable) impact on the liability of the plans and therefore, no adjustment was made to the Total Pension Liability to reflect this legislation.

Muhlenberg County School District  
Schedule of the District's Proportionate Share of the  
Net Pension Liability and Schedule of District's Contributions  
County Employees Retirement System

2019: There have been no changes in plan provisions since June 30, 2018. However, the Board of Trustees has adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018". The Total Pension liability as of June 30, 2019 is determined using these updated assumptions.

2018: 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, 2018 is determined using these updated benefit provisions.

2017: There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for CERS. However, subsequent to the actual valuation date (June 30, 2016), but prior to the measurement date (June 30, 2017), the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, the Total Pension Liability as of June 30, 2017 is determined using a 2.30% price inflation assumption for the non-hazardous system and the assumed rate of return is 6.25% for the non-hazardous system.

2016: There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for CERS. However, subsequent to the actual valuation date (June 30, 2016), but prior to the measurement date (June 30, 2017), the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, the Total Pension Liability as of June 30, 2017 is determined using a 2.30% price inflation assumption for the non-hazardous system and the assumed rate of return is 6.25% for the non-hazardous system.

2015: No changes in assumptions.

**Muhlenberg County School District  
Schedule of the District's Proportionate Share of the  
Collective Net OPEB Liability and Schedule of District's Contributions  
Kentucky Teachers' Retirement System – Medical Insurance Fund**

<b>Schedule of the District's Proportionate share of the Collective Net OPEB Liability - KTRS</b>					
<i>As of June 30,</i>	2022	2021	2020	2019	2018
District's proportion of the collective net OPEB liability	0.312965%	0.331674%	0.331938%	0.315874%	0.320675%
District's proportionate share of the collective net OPEB liability	\$ 6,715,000	\$ 8,371,000	\$ 9,715,000	\$ 10,960,000	\$ 11,435,000
District's covered payroll	\$ 20,716,071	\$ 20,848,887	\$ 21,065,686	\$ 20,476,428	\$ 20,022,151
District's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	32.41%	40.15%	46.12%	53.52%	57.11%
Plan fiduciary net position as a percentage of the total OEPB liability	51.74%	39.05%	32.58%	25.50%	21.18%
<b>Schedule of the District's Contributions - KTRS</b>					
<i>For the year ended June 30,</i>	2022	2021	2020	2019	2018
Contractually required contribution	\$ 540,797	\$ 535,205	\$ 655,424	\$ 660,257	\$ 643,153
Contributions in relation to the contractually required contribution	540,797	535,205	655,424	660,257	643,153
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 22,411,958	\$ 20,716,071	\$ 20,848,887	\$ 21,065,686	\$ 20,476,428
Contributions as percentage of covered payroll	2.41%	2.58%	3.14%	3.13%	3.14%

**Changes of Benefit Terms**

2021: No changes of benefit terms.

2020: No changes of benefit terms.

2019: No changes of benefit terms.

2018: No changes of benefit terms.

2017: With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the State will only finance, via its KEHP "shared responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

**Changes of Assumptions**

In the 2020 experience study, rates of withdrawal, retirement, disability, mortality, and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, set-backs, and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees, and actives. The assumed long-term investment rate of return was changed from 8.00% for the Health Trust and 7.50% for the Life Trust to 7.10%. The price inflation assumption was lowered from 3.00% to 2.50%. The rates of member participation and spousal participation were adjusted to reflect actual experience more closely.

**Muhlenberg County School District  
Schedule of the District's Proportionate Share of the  
Collective Net OPEB Liability and Schedule of District's Contributions  
Kentucky Teachers' Retirement System – Life Insurance Fund**

<b>Schedule of the District's Proportionate share of the Collective Net OPEB Liability - KTRS</b>					
<i>As of June 30,</i>	2022	2021	2020	2019	2018
District's proportion of the collective net OPEB liability	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%
District's proportionate share of the collective net OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 20,716,071	\$ 20,848,887	\$ 21,065,686	\$ 20,476,428	\$ 20,022,151
District's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OEPB liability	89.15%	71.57%	73.40%	75.00%	79.99%

<b>Schedule of the District's Contributions - KTRS</b>					
<i>For the year ended June 30,</i>	2022	2021	2020	2019	2018
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 22,411,958	\$ 20,716,071	\$ 20,848,887	\$ 21,065,686	\$ 20,476,428
Contributions as percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%

**Changes of Benefit Terms**

No changes of benefit terms.

**Changes of Assumptions**

In the 2020 experience study, rates of withdrawal, retirement, disability, mortality, and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, set-backs, and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees, and actives. The assumed long-term investment rate of return was changed from 8.00% for the Health Trust and 7.50% for the Life Trust to 7.10%. The price inflation assumption was lowered from 3.00% to 2.50%. The rates of member participation and spousal participation were adjusted to reflect actual experience more closely.



**Muhlenberg County School District  
Schedule of the District's Proportionate Share of the  
Collective Net OPEB Liability and Schedule of District's Contributions  
County Employees Retirement System**

**Schedule of District's Proportionate Share of the Collective Net OPEB Liability - CERS**

<i>As of June 30,</i>	2022	2021	2020	2019	2018
District's proportion of the net OPEB liability	0.283202%	0.293286%	0.304098%	0.299442%	0.290814%
District's proportionate share of the net OPEB liability	\$ 5,421,761	\$ 7,081,965	\$ 5,114,791	\$ 5,316,533	\$ 5,846,356
District's covered payroll	\$ 7,724,241	\$ 7,579,486	\$ 7,669,432	\$ 7,428,143	\$ 7,046,143
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	70.19%	93.44%	66.69%	71.57%	82.97%
Plan fiduciary net position as a percentage of the total OPEB liability	62.91%	51.67%	60.44%	57.62%	52.40%

**Schedule of District Contributions - CERS**

<i>For the years ended June 30,</i>	2022	2021	2020	2019	2018
Contractually required contribution	\$ 486,687	\$ 368,048	\$ 361,150	\$ 403,676	\$ 349,034
Contributions in relation to the contractually required contribution	486,687	368,048	361,150	403,676	349,034
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 8,443,786	\$ 7,724,241	\$ 7,579,486	\$ 7,669,432	\$ 7,428,143
Contributions as a percentage of covered payroll	5.78%	4.76%	4.76%	5.26%	4.70%

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

**Changes of Benefit Terms**

No changes of benefit terms.

**Changes of Assumptions**

2021: During the 2021 legislative session, Senate Bill 169 was enacted which increased disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability. The total OPEB liability as of June 30, 2021 is determined using these updated benefit provisions.

2020: During the 2020 legislative session, Senate Bill 249 was enacted which changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of Total OPEB Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020.

2019: There have been no changes in plan provisions since June 30, 2018. However, the Board of Trustees has adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018". The Total Pension liability as of June 30, 2019 is determined using these updated assumptions.

Muhlenberg County School District  
Schedule of the District's Proportionate Share of the  
Collective Net OPEB Liability and Schedule of District's Contributions  
County Employees Retirement System

2018: There have been no changes in actuarial assumptions since June 30, 2017 (other than the blended discount rate used to calculate the total OPEB liability). However, during the 2018 legislative session, House Bill 185 was enacted, which update 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, 2018 is determined using the updated benefit provisions.

2017: There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for CERS. However, subsequent to the actual valuation date (June 30, 2016), but prior to the measurement date (June 30, 2017), the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, the Total OPEB Liability as of June 30, 2017 is determined using a 2.30% price inflation assumption for the non-hazardous system and the assumed rate of return is 6.25%.

Muhlenberg County School District  
Combining Balance Sheet  
Nonmajor Governmental Funds

<i>June 30, 2022</i>	SEEK Capital Outlay Fund	FSPK Fund	District Activity Fund	Student Activity Fund	Debt Service Fund	Total Other Governmental Funds
<b>Assets</b>						
Cash	\$ -	\$ -	\$ 30,825	\$ 944,838	\$ -	\$ 975,663
Accounts receivable:						
Accounts	-	-	-	941	-	941
<b>Total assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 30,825</b>	<b>\$ 945,779</b>	<b>\$ -</b>	<b>\$ 976,604</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ 24,330	\$ -	\$ 24,330
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,330</b>	<b>-</b>	<b>24,330</b>
<b>Fund Balances</b>						
Restricted	-	-	-	921,449	-	921,449
Assigned	-	-	30,825	-	-	30,825
<b>Total fund balances</b>	<b>-</b>	<b>-</b>	<b>30,825</b>	<b>921,449</b>	<b>-</b>	<b>952,274</b>
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 30,825</b>	<b>\$ 945,779</b>	<b>\$ -</b>	<b>\$ 976,604</b>

Muhlenberg County School District  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds

<i>For the year ended June 30, 2021</i>	SEEK Capital Outlay Fund	FSPK Fund	District Activity Fund	Student Activity Fund	Debt Service Fund	Total Other Governmental Funds
<b>Revenues</b>						
From local sources:						
Taxes:						
Property	\$ -	\$ 885,038	\$ -	\$ -	\$ -	\$ 885,038
Other local revenue	-	-	28,766	1,595,897	-	1,624,663
Intergovernmental - state	418,074	1,029,741	-	-	1,391,786	2,839,601
<b>Total revenues</b>	<b>418,074</b>	<b>1,914,779</b>	<b>28,766</b>	<b>1,595,897</b>	<b>1,391,786</b>	<b>5,349,302</b>
<b>Expenditures</b>						
Current:						
Instruction	-	-	16,868	1,420,611	-	1,437,479
Debt service:						
Principal	-	-	-	-	3,060,000	3,060,000
Interest	-	-	-	-	837,326	837,326
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>16,868</b>	<b>1,420,611</b>	<b>3,897,326</b>	<b>5,334,805</b>
Excess (deficiency) of revenues over expenditures	418,074	1,914,779	11,898	175,286	(2,505,540)	14,497
<b>Other Financing Sources (Uses)</b>						
Operating transfers in	-	-	-	-	2,505,540	2,505,540
Operating transfers out	(418,074)	(1,914,779)	-	-	-	(2,332,853)
<b>Total other financing sources (uses)</b>	<b>(418,074)</b>	<b>(1,914,779)</b>	<b>-</b>	<b>-</b>	<b>2,505,540</b>	<b>172,687</b>
Net change in fund balances	-	-	11,898	175,286	-	187,184
Fund balances - beginning of year	-	-	18,927	746,163	-	765,090
<b>Fund balances - end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 30,825</b>	<b>\$ 921,449</b>	<b>\$ -</b>	<b>\$ 952,274</b>

Muhlenberg County School District  
Combining Statement of School Activity Funds

<i>As of and for the year ended June 30, 2022</i>	<b>Cash July 1, 2021</b>	<b>Cash Receipts</b>	<b>Cash Disbursements</b>	<b>Cash June 30, 2022</b>	<b>Accounts Receivable</b>	<b>Accounts Payable</b>	<b>Fund Balance June 30, 2022</b>
Bremen Elementary School	\$ 42,851	\$ 165,953	\$ 69,587	\$ 139,217	\$ -	\$ -	\$ 139,217
Central City Elementary School	77,595	94,315	87,419	84,491	-	-	84,491
Greenville Elementary School	50,107	137,796	134,920	52,983	30	91	52,922
Longest Elementary School	22,183	70,398	58,329	34,252	-	-	34,252
Muhlenberg South Elementary School	26,559	91,883	92,175	26,267	-	-	26,267
Muhlenberg North Middle School	99,166	128,932	122,604	105,494	748	2,045	104,197
Muhlenberg South Middle School	77,727	108,114	108,494	77,347	163	-	77,510
Muhlenberg County West Campus	279,303	484,503	502,737	261,069	-	22,194	238,875
Muhlenberg County East Campus	83,139	315,335	234,756	163,718	-	-	163,718
<b>Total</b>	<b>\$ 758,630</b>	<b>\$ 1,597,229</b>	<b>\$ 1,411,021</b>	<b>\$ 944,838</b>	<b>\$ 941</b>	<b>\$ 24,330</b>	<b>\$ 921,449</b>

Muhlenberg County School District  
Statement of School Activity Funds  
Muhlenberg County High School – West Campus

<i>As of and for the year ended June 30, 2022</i>	<b>Cash</b>	<b>Cash</b>	<b>Cash</b>	<b>Cash</b>	<b>Accounts</b>	<b>Accounts</b>	<b>Fund Balance</b>
	<b>July 1, 2021</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>June 30, 2022</b>	<b>Receivable</b>	<b>Payable</b>	<b>June 30, 2022</b>
General	\$ 935	\$ 537	\$ 1,472	\$ -	\$ -	\$ -	\$ -
High School Fees	-	134	134	-	-	-	-
Library	4,730	-	4,730	-	-	-	-
Start-Up	-	900	900	-	-	-	-
Student Snacks	3,301	-	3,301	-	-	-	-
Athletics	20,074	106,295	74,733	51,636	-	4,619	47,017
Football	-	17,420	2,854	14,566	-	-	14,566
Tennis	5,250	2,950	1,829	6,371	-	-	6,371
Concessions	22,577	33,654	44,130	12,101	-	-	12,101
Boys' Basketball	453	8,808	8,886	375	-	-	375
Girls' Basketball	431	5,917	5,575	773	-	-	773
Athletic Boosters	2,515	39,416	38,780	3,151	-	-	3,151
Girls' Golf	2,447	1,400	1,913	1,934	-	700	1,234
Boys' Soccer	5,902	1,521	4,383	3,040	-	-	3,040
Softball	8,130	15,626	12,508	11,248	-	-	11,248
Swim Team	-	4,463	3,007	1,456	-	-	1,456
Boys' Golf	871	4,200	2,445	2,626	-	-	2,626
Track Team	-	3,185	2,521	664	-	-	664
Band	798	34,878	30,497	5,179	-	-	5,179
Chorus	8,151	-	772	7,379	-	400	6,979
Archery	-	5,676	5,536	140	-	-	140
Baseball	-	29,074	16,831	12,243	-	-	12,243
Cross Country	-	28,700	15,390	13,310	-	-	13,310

Muhlenberg County School District  
Statement of School Activity Funds  
Muhlenberg County High School – West Campus

<i>As of and for the year ended June 30, 2022</i>	<b>Cash</b>	<b>Cash</b>	<b>Cash</b>	<b>Cash</b>	<b>Accounts</b>	<b>Accounts</b>	<b>Fund Balance</b>
	<b>July 1, 2021</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>June 30, 2022</b>	<b>Receivable</b>	<b>Payable</b>	<b>June 30, 2022</b>
Girls' Soccer	-	6,023	4,210	1,813	-	350	1,463
Volleyball	-	11,569	6,833	4,736	-	2,075	2,661
Trap Shooting	-	4,277	4,224	53	-	-	53
FFA	18,701	-	18,701	-	-	-	-
Family and Consumer Science- Shar	2,462	-	2,462	-	-	-	-
FCCLA	3,148	-	3,148	-	-	-	-
Family and Consumer Science- Payt	391	-	391	-	-	-	-
Engineering Club	96	-	96	-	-	-	-
Bass Fishing Team	1,142	7,950	9,092	-	-	-	-
STLP Club	938	-	938	-	-	-	-
Adaptive PE	72	-	72	-	-	-	-
Dare To Be Different Club	652	-	652	-	-	-	-
Matter of Taste	1,583	-	1,583	-	-	-	-
Felix Martin Hall Activities	47	2,204	2,251	-	-	-	-
FFA National Convention	1,035	-	1,035	-	-	-	-
Math Department	153	-	153	-	-	-	-
Yearbook	30,118	-	30,118	-	-	-	-
Social Studies	408	-	408	-	-	-	-
Drama Department	22,620	11,578	14,955	19,243	-	150	19,093
Dance Team	2,344	4,455	5,748	1,051	-	-	1,051
Bass Fishing Boat	2,525	40,723	-	43,248	-	-	43,248
Cheerleaders	3,267	8,536	9,455	2,348	-	2,200	148

Muhlenberg County School District  
Statement of School Activity Funds  
Muhlenberg County High School – West Campus

<i>As of and for the year ended June 30, 2022</i>	<b>Cash</b>	<b>Cash</b>	<b>Cash</b>	<b>Cash</b>	<b>Accounts</b>	<b>Accounts</b>	<b>Fund Balance</b>
	<b>July 1, 2021</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>June 30, 2022</b>	<b>Receivable</b>	<b>Payable</b>	<b>June 30, 2022</b>
Drama Club	2,087	583	-	2,670	-	900	1,770
National Honor Society	1,668	-	1,668	-	-	-	-
HOSA	6,963	-	6,963	-	-	-	-
Spirit Club	8,031	11,788	12,385	7,434	-	-	7,434
Art Club	185	-	185	-	-	-	-
Skills USA Club	785	-	785	-	-	-	-
Technology Department	172	-	172	-	-	-	-
Math Club	1,133	-	1,133	-	-	-	-
Student Council	1,248	-	1,248	-	-	-	-
Scholarship Fund	-	-	(200)	200	-	-	200
FRYSC - MFW	-	6,000	6,000	-	-	-	-
JROTC	3,980	-	3,980	-	-	-	-
YSC Bremen Tornado Relief	-	26,848	11,750	15,098	-	10,750	4,348
Class of 2020/2021	4,385	-	4,385	-	-	-	-
Youth Service Center	2,194	17,928	18,517	1,605	-	50	1,555



Muhlenberg County School District  
Statement of School Activity Funds  
Muhlenberg County High School – West Campus

<i>As of and for the year ended June 30, 2022</i>	<b>Cash</b>	<b>Cash</b>	<b>Cash</b>	<b>Cash</b>	<b>Accounts</b>	<b>Accounts</b>	<b>Fund Balance</b>
	<b>July 1, 2021</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>June 30, 2022</b>	<b>Receivable</b>	<b>Payable</b>	<b>June 30, 2022</b>
Guidance Department	528	-	528	-	-	-	-
College Board Test Fees	6,478	-	6,478	-	-	-	-
Ag Achiever Grant	4,000	-	4,000	-	-	-	-
Class of 2021/2022	2,619	25,326	17,613	10,332	-	-	10,332
YSC-FM-Don	435	-	435	-	-	-	-
"Denise Baker Scholarship" Fund	1,170	500	1,500	170	-	-	170
DECA Club	3,480	-	3,480	-	-	-	-
Project Prom	6,279	1,000	4,403	2,876	-	-	2,876
Greenhouse	18,583	-	18,583	-	-	-	-
Wildlife Management	19,186	-	19,186	-	-	-	-
Multicultural Club	559	-	559	-	-	-	-
Future Educators of America	2,799	-	2,799	-	-	-	-
George Taylor Classic	2,089	-	2,089	-	-	-	-
Transfers	-	(47,539)	(47,539)	-	-	-	-
<b>Total</b>	<b>\$ 279,303</b>	<b>\$ 484,503</b>	<b>\$ 502,737</b>	<b>\$ 261,069</b>	<b>\$ -</b>	<b>\$ 22,194</b>	<b>\$ 238,875</b>

Muhlenberg County School District  
Statement of School Activity Funds  
Muhlenberg County High School – East Campus

<i>As of and for the year ended June 30, 2022</i>	<b>Cash</b> <b>July 1, 2021</b>	<b>Cash</b> <b>Receipts</b>	<b>Cash</b> <b>Disbursements</b>	<b>Cash</b> <b>June 30, 2022</b>	<b>Accounts</b> <b>Receivable</b>	<b>Accounts</b> <b>Payable</b>	<b>Fund Balance</b> <b>June 30, 2022</b>
General Fund	\$ 33	\$ 65,360	\$ 62,083	\$ 3,310	\$ -	\$ -	\$ 3,310
FCS - Payton	-	2,869	2,462	407	-	-	407
KYA	89	-	-	89	-	-	89
Rewards	151	3,840	1,057	2,934	-	-	2,934
Yearbook	-	37,416	10,352	27,064	-	-	27,064
FCCLA Club	-	3,149	-	3,149	-	-	3,149
Engineering Club	-	366	360	6	-	-	6
AP Test Fees	-	6,658	3,794	2,864	-	-	2,864
Guidance	55	670	140	585	-	-	585
Greenhouse	10,506	27,142	5,512	32,136	-	-	32,136
Equine Science	209	2,022	1,928	303	-	-	303
Farm Machinery Show	129	-	129	-	-	-	-
Start Up Change Account	-	700	700	-	-	-	-
FFA Fundraiser Account	-	53,760	28,988	24,772	-	-	24,772
Adaptive PE	-	2,098	933	1,165	-	-	1,165
Matter of Taste	-	11,266	4,213	7,053	-	-	7,053
FFA Camp	80	-	80	-	-	-	-
Land Judging Fund	693	-	-	693	-	-	693
FFA Dues	4,645	-	4,645	-	-	-	-
National Convention	3,038	-	3,038	-	-	-	-
Geology Club	47	-	-	47	-	-	47
Spanish Club	4	-	4	-	-	-	-
AG Achiever Grant	-	4,000	4,000	-	-	-	-
Art/Neihaus	640	350	990	-	-	-	-
Art/Scates	4	225	229	-	-	-	-
Art Club	-	1,521	613	908	-	-	908
Academic Team	869	220	632	457	-	-	457
JROTC Fundraiser	-	8,910	6,197	2,713	-	-	2,713
Skills USA	-	784	-	784	-	-	784
National Honor Society	-	4,538	1,544	2,994	-	-	2,994

Muhlenberg County School District  
Statement of School Activity Funds  
Muhlenberg County High School – East Campus

<i>As of and for the year ended June 30, 2022</i>	<b>Cash</b>	<b>Cash</b>	<b>Cash</b>	<b>Cash</b>	<b>Accounts</b>	<b>Accounts</b>	<b>Fund Balance</b>
	<b>July 1, 2021</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>June 30, 2022</b>	<b>Receivable</b>	<b>Payable</b>	<b>June 30, 2022</b>
Dare 2 B Club	84	653	-	737	-	-	737
German Club	20	-	20	-	-	-	-
Math Club	14	1,285	-	1,299	-	-	1,299
Foreign Language	260	24	-	284	-	-	284
STLP	1,025	939	-	1,964	-	-	1,964
Media	633	-	633	-	-	-	-
AP History/Geography	215	408	-	623	-	-	623
Sr. Beta	5,379	38,973	43,983	369	-	-	369
Drama Club	583	-	583	-	-	-	-
Student Government	1,793	1,247	-	3,040	-	-	3,040
Multicultural	419	558	-	977	-	-	977
DECA	1,558	6,099	4,787	2,870	-	-	2,870
Library	775	5,447	183	6,039	-	-	6,039
Swim Team	1,265	-	1,265	-	-	-	-
Archery	2,541	-	2,541	-	-	-	-
Baseball	10,546	-	10,546	-	-	-	-
Felix Martin \$50 Teachers	1	-	1	-	-	-	-
FM10 YR Gift FRYSC	781	-	781	-	-	-	-
Track Team	1,438	-	1,438	-	-	-	-
Cross Country	13,725	-	13,725	-	-	-	-
Girls Soccer	2,768	-	2,768	-	-	-	-
HOSA	-	7,879	959	6,920	-	-	6,920
Stem Club	51	-	51	-	-	-	-
Volleyball	2,683	-	2,683	-	-	-	-
Trap Shooting	51	-	51	-	-	-	-
Culinary Arts	-	2,924	-	2,924	-	-	2,924
Football	13,339	-	13,339	-	-	-	-
Wildlife	-	21,191	4,810	16,381	-	-	16,381
Educators Rising	-	2,798	-	2,798	-	-	2,798
Muhlenberg Metalworks	-	2,098	409	1,689	-	-	1,689
Automotive/Technology	-	371	-	371	-	-	371
Transfers	-	(15,423)	(15,423)	-	-	-	-
<b>Total</b>	<b>\$ 83,139</b>	<b>\$ 315,335</b>	<b>\$ 234,756</b>	<b>\$ 163,718</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 163,718</b>

Muhlenberg County School District  
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2022

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U.S. Department of Agriculture</b>				
Child Nutrition Cluster				
Direct Program				
Food Distribution Program- noncash	10.555	--	-	\$ 232,500
Passed-Through State Department of Education:				
Summer Food Service Program for Children	10.559	7740023 21	-	121,882
School Breakfast Program	10.553	7760005 22	-	495,292
National School Lunch Program	10.555	7750002 22	-	1,812,759
COVID-19 National School Lunch Program	10.555	9980000 21	-	<u>124,724</u>
Subtotal				2,787,157
COVID-19 State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Cost	10.649	9990001 21	-	3,063
State Administrative Expenses for Child Nutrition	10.560	7000001 21	-	4,252
<b>Total U.S. Department of Agriculture</b>				<b>2,794,472</b>
<b>U.S. Department of Defense</b>				
Direct Program				
ROTC - 2022	12.000	--	-	59,254
<b>Total U.S. Department of Defense</b>				<b>59,254</b>
<b>U.S. Department of Education</b>				
Passed-Through State Department of Education:				
Title I, Part A				
Title I Grants to Local Educational Agencies - 2020	84.010	3100002 19	-	1,394
Title I Grants to Local Educational Agencies - 2021	84.010	3100002 20	-	578,224
Title I Grants to Local Educational Agencies - 2022	84.010	3100002 21	-	<u>738,717</u>
Subtotal				1,318,335
Special Education Cluster				
Special Education Grants to States - 2019	84.027	3810002 18	-	28,973
Special Education Grants to States - 2020	84.027	3810002 19	-	33,532
Special Education Grants to States - 2021	84.027	3810002 20	-	966,018
Special Education Grants to States - 2022	84.027	3810002 21	-	299,958
COVID-19 Special Education Grants to States - 2022	84.027	4910002-21	-	36,773
Special Education Preschool Grants - 2020	84.173	3800002 19	-	1,118
Special Education Preschool Grants - 2020	83.173	3800002 19	-	45,110
Special Education Preschool Grants - 2021	84.173	3800002 20	-	<u>10,137</u>
Subtotal				1,421,619

See accompanying notes to the Schedule of Expenditures of Federal Awards.

Muhlenberg County School District  
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2022

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Career and Technical Education - Basic Grants to States - 2021	84.048	3710002 20	-	16,489
Career and Technical Education - Basic Grants to States - 2022	84.048	3710002 21	-	<u>64,723</u>
Subtotal				81,212
Supporting Effective Instruction State Grant - 2021	84.367	3230002 20	-	40,041
Supporting Effective Instruction State Grant - 2022	84.367	3230002 21	-	<u>142,927</u>
Subtotal				182,968
Student Support and Academic Enrichment Program - 2020	84.424	3420002 19	-	32,448
Student Support and Academic Enrichment Program - 2021	84.424	3420002 20	-	32,789
Student Support and Academic Enrichment Program - 2022	84.424	3420002 21	-	<u>63,074</u>
Subtotal				128,311
Rural Education - 2020	84.358	3140002 19	-	8,620
Rural Education - 2021	85.358	3140002 20	-	85,465
Rural Education - 2022	86.358	3140002 21	-	<u>16,193</u>
Subtotal				110,278
COVID-19 Education Stabilization Fund				
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	4000002 21	-	4,217,039
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	4000002 20	-	168,855
COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) Fund	84.425U	CARE-20	-	<u>4,658,997</u>
Subtotal				9,044,891
<b>Total U.S. Department of Education</b>				<b>12,287,614</b>
<b>Total expenditures of federal awards</b>			<b>\$ -</b>	<b>\$ 15,141,340</b>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

Muhlenberg County School District  
Notes to the Schedule of Expenditures of Federal Awards

**NOTE 1: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Muhlenberg County School District (the "District") under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in 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.

Nonmonetary assistance is reported in the schedule at fair value of the goods received.

**NOTE 3: INDIRECT COST RATE**

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

**NOTE 4: LOANS AND LOAN GUARANTEES**

The District did not have any loans or loan guarantee programs required to be reported on the schedule.

**NOTE 5: SUBRECIPIENTS**

The District did not provide federal funds to subrecipients for the fiscal year ended June 30, 2022.

Muhlenberg County School District  
Summary Schedule of Prior Audit Findings



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Muhlenberg County School District  
Summary Schedule of Prior Audit Findings  
Year ended June 30, 2021

**2021-001 Year End Subsidiary Ledger Reconciliation for Accounts Receivable**

*Condition:* The District's processes over recording accounts receivable needs improvement as audit adjustments were required to correct the June 30, 2021 account balances.

*Recommendation:* We recommend the District review the processes and internal controls relating to the recording of accounts receivable to ensure amounts are properly reflected in the District's financial statements. Additional training in recording accounts receivable would improve the processes and documented reviews of the accounts receivable general ledger and subsidiary ledger would strengthen the internal controls.

*Current Status:* The recommendation was adopted on November 11, 2021. No similar findings were noted in the 2022 audit.



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**Independent Auditors' Report on Internal Control over  
Financial Reporting and on Compliance and Other  
Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Muhlenberg County School District  
Powderly, 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 as defined in the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Muhlenberg County School District (the "District") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Muhlenberg County School District's basic financial statements, and have issued our report thereon dated November 11, 2022.

**Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 or significant deficiencies may exist that were not identified.

### **Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in the *Independent Auditor's Contract – State Compliance Requirements*.

We noted certain matters that we reported to management of the District in a separate letter dated November 11, 2022.

### **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.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC  
Bowling Green, Kentucky  
November 11, 2022



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**Independent Auditors' Report on Compliance  
for Each Major Program and on Internal Control over  
Compliance Required by the Uniform Guidance**

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Muhlenberg County School District  
Powderly, Kentucky

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

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

We have audited Muhlenberg County School District's (the "District") compliance with the types of compliance requirements identified as subject to audit 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, 2022. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### Report on 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 Auditors' Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC  
Bowling Green, Kentucky  
November 11, 2022

Muhlenberg County School District  
Schedule of Findings and Questioned Costs

**Section I — Summary of Auditors' Results**

**Financial Statements**

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

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major Federal programs:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified?  Yes  None reported

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

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance (2 CFR 200.516(a))?  Yes  No

Identification of major federal program:

<b>Federal Assistance Listing Numbers</b>	<b>Name of Federal Program or Cluster</b>
84.425 84.027; 84.173	COVID-19 Education Stabilization Fund Special Education Cluster

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

Auditee qualified as low-risk auditee?  Yes  No

Muhlenberg County School District  
Schedule of Findings and Questioned Costs (Continued)

**Section II — Financial Statement Findings**

None reported.

**Section III — Federal Award Findings and Questioned Costs**

None reported.



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Kentucky State Committee for School District Audits  
Members of the Board of Education  
Muhlenberg County School District  
Powderly, Kentucky

In planning and performing our audit of the financial statements of Muhlenberg County School District (the "District") for the year ended June 30, 2022, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and recommendations regarding these matters. Any uncorrected comments from the prior year have been listed in this letter. A separate report dated November 11, 2022 contains our report on the District's internal control. This letter does not affect our report dated November 11, 2022 on the financial statements of the District.

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

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC  
Bowling Green, Kentucky  
November 11, 2022

# Muhlenberg County School District Comments and Recommendations

## Prior Year Comments Not Corrected

### • Bremen Elementary School

- In our procedures over the bank reconciliation, we noted one check totaling \$36.19 that had been outstanding longer than 12 months. We recommend checks over 12 months outstanding be researched and resolved.

## Current Year

### • Longest Elementary School

- In our procedures over the bank reconciliation, we noted four checks totaling \$146.57 that had been outstanding longer than 12 months. We recommend checks over 12 months outstanding be researched and resolved.

### • Muhlenberg South Elementary School

- During our sampling procedures over disbursements, we noted one of two disbursements where the supporting invoice was not cancelled as paid. We recommend all invoices be cancelled as paid in accordance with Redbook.

### • Muhlenberg County High School – East Campus

- In our scanning of cash disbursements, we noted eleven disbursement checks that did not have dual signatures. We recommend all checks contain dual signatures in accordance with Redbook.
- During our sampling procedures over disbursements, we noted one of three disbursements where the purchase order was not signed by the person requesting the merchandise. We recommend all purchase orders contain the signature of the person requesting the merchandise in accordance with Redbook.

### • Central Office

- During our review of journal entries, we noted two journal entries that lacked documented approval. We recommend all general journal entries be approved by authorized District personnel.
- During our procedures over cash and investments, we noted the District had an amount (\$68,926) exposed to custodial credit risk. We recommend management, at least on an annual basis, review to ensure the District has adequate pledged securities for coverage.

## Prior Year

All other prior year findings were corrected.





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### Prior Year Comments Not Corrected

#### • Bremen Elementary School

- In our procedures over the bank reconciliation, we noted one check totaling \$36.19 that had been outstanding longer than 12 months. We recommend checks over 12 months outstanding be researched and resolved.
  - **The check has been voided and a new check was issued.**

### Current Year

#### • Longest Elementary School

- In our procedures over the bank reconciliation, we noted four checks totaling \$146.57 that had been outstanding longer than 12 months. We recommend checks over 12 months outstanding be researched and resolved.
  - **Longest Elementary will ensure they review checks that have a stale date of 180 days after issue. Checks are voided after the 180 days. An outstanding check register is made monthly to review all uncashed checks.**

#### • Muhlenberg South Elementary School

- During our sampling procedures over disbursements, we noted one of two disbursements where the supporting invoice was not cancelled as paid. We recommend all invoices be cancelled as paid in accordance with Redbook.
  - **Invoices will be reviewed on a monthly basis to ensure they are marked as paid.**

#### • Muhlenberg County High School

- In our scanning of cash disbursements, we noted eleven disbursement checks that did not have dual signatures. We recommend all checks contain dual signatures in accordance with Redbook.
  - **Each check is signed by two parties. Moving forward, checks will be reviewed prior to issuing to ensure dual signatures have been received.**
- During our sampling procedures over disbursements, we noted one of three disbursements where the purchase order was not signed by the person requesting the merchandise. We recommend all purchase orders contain the signature of the person requesting the merchandise in accordance with Redbook.
  - **Moving forward MCHS will ensure all purchase orders are signed by the appropriate personnel.**

## Muhlenberg County School District Client Responses

### • Central Office

- During our review of journal entries, we noted two journal entries that lacked documented approval. We recommend all general journal entries be approved by authorized District personnel.
  - Journal entries are reviewed each month. Moving forward, journal entries will be re-reviewed to ensure proper signatures are made.
- During our procedures over cash and investments, we noted the District had an amount (\$68,926) exposed to custodial credit risk. We recommend management, at least on an annual basis, review to ensure the District has adequate pledged securities for coverage.
  - The district and bank have a KDE approved agreement in which the bank will ensure they have 103% in securities to back the deposits. They indicated the securities are held in investments and during the measuring period the securities dropped the \$68,926. They will more closely monitor these investments to keep the 103%.



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### CRI's CEO ACTION FOR DIVERSITY AND INCLUSION

Carr, Riggs & Ingram is committed to fostering an inclusive and diverse place for all employees to work in and engage. When our managing partner and chairman, Bill Carr, signed the CEO Action for Diversity & Inclusion™ pledge, he made a public commitment to building a productive, diverse, and inclusive workplace. [Learn more about CRI's commitment to Diversity and Inclusion.](#)

**APPENDIX C**

**Muhlenberg County School District Finance Corporation  
School Building Revenue Bonds  
Series of 2023**

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**Continuing Disclosure Agreement**

## **CONTINUING DISCLOSURE UNDERTAKING AGREEMENT**

This Continuing Disclosure Undertaking Agreement ("Agreement") made and entered into as of March 9, 2023, by and between the Board of Education of Muhlenberg County, Kentucky ("Board"); the Muhlenberg County School District Finance Corporation, an agency and instrumentality of the Board ("Corporation") and the Registered and Beneficial Owners of the Bonds hereinafter identified as third-party beneficiaries to this Agreement. For the purposes of this Agreement "Beneficial Owner" means the person or entity treated as the owner of the Bonds for federal income tax purposes and "Registered Owner" means the person or entity named on the registration books of the bond registrar.

### **WITNESSETH:**

WHEREAS, the Corporation has acted as issuing agency for the Board pursuant to the provisions of Section 162.385 of the Kentucky Revised Statutes ("KRS") and the Corporation's Bond Resolution in connection with the authorization, sale and delivery of \$1,100,000 of the Corporation's School Building Revenue Bonds, Series 2023, dated as of March 9, 2023 ("Bonds"), which Bonds were offered for sale under the terms and conditions of a Final Official Statement ("FOS") prepared by RSA Advisors, LLC, Lexington, Kentucky ("Financial Advisor") and approved by the authorized representatives of the Board and the Corporation, and

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

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

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

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

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

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

The Board agrees to provide the annual financial information contemplated by Rule 15c2-12(b)(5)(i) relating to the Board for its fiscal years ending June 30 of each year, commencing with fiscal year ending June 30, 2023, to (a) the Municipal Securities Rulemaking Board ("MSRB"), or any successor thereto for purposes of its Rule, through the continuing disclosure service portal provided by the MSRB's Electronic Municipal Market Access ("EMMA") system as described in 1934 Act Release No. 59062, or any similar system that is acceptable to the Securities and Exchange Commission and (b) the State Information Depository ("SID"), if any (the Commonwealth of Kentucky has not established a SID as of the date of this Agreement) within nine (9) months of the close of each fiscal year.

For the purposes of the Rule "annual financial information" means financial information and operating data provided annually, of the type included in the FOS with respect to the Board in accordance with guidelines established by the National Federation of Municipal Analysts, and shall include annual audited financial statements for the Board in order that the recipients will be provided with ongoing information regarding revenues and operating expenses of the Board and the information provided in the FOS under the headings "OUTSTANDING BONDS", "BOND DEBT SERVICE", "DISTRICT STUDENT POPULATION", "LOCAL

SUPPORT - Local Tax Rates, Property Assessment and Revenue Collections and SEEK Allotment". If audited financial statements are not available when the annual financial information is filed, unaudited financial statements shall be included, to be followed by audited financial statements when available.

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

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

## **2. MATERIAL EVENTS NOTICES**

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

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

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

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

(A) Debt obligation;

(B) Derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or

(C) Guarantee of paragraph (A) or (B) above.

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

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

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

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

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

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

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

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

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



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

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

## **7. AMENDMENT; WAIVER**

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

(a) If the amendment or waiver relates to the provisions of Section 1, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the holders of the Bonds in the same manner as provided in the Bond Resolution for amendments to the Bond Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Registered Owners or Beneficial Owners of the Bonds.

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

## **8. DEFAULT**

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

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

**BOARD OF EDUCATION OF  
MUHLENBERG COUNTY, KENTUCKY**

\_\_\_\_\_  
Chairperson

Attest:

\_\_\_\_\_  
Secretary

**MUHLENBERG COUNTY SCHOOL  
DISTRICT FINANCE CORPORATION**

\_\_\_\_\_  
President

Attest:

\_\_\_\_\_  
Secretary

**APPENDIX D**

**Muhlenberg County School District Finance Corporation  
School Building Revenue Bonds  
Series of 2023**

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**Official Terms and Conditions of Bond Sale**

**OFFICIAL TERMS AND CONDITIONS OF BOND SALE**

**\$1,100,000\***

**Muhlenberg County District Finance Corporation**

**School Building Revenue Bonds, Series of 2023**

**Dated March 9, 2023**

**SALE: February 16, 2023 AT 1:00 P.M., E.S.T.**

As published on PARITY®, a nationally recognized electronic bidding system, the Muhlenberg County School District Finance Corporation ("Corporation") will until February 16, 2023, at the hour of 1:00 P.M., E.S.T., in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Road, Carriage House, Frankfort, Kentucky, 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 \$110,000.

**MUHLENBERG 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 Muhlenberg County, Kentucky (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 to Muhlenberg County High School West Campus (the "Project") and are secured by a lien upon and a pledge of the revenues from the rental of the school building Project to the Board under the Lease on a year to year basis; the first rental period ending June 30, 2023; 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 the school building(s) which constitute the school building 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 but foreclosure and sale are not available as remedies.

The rental of the school building Project 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 is leased to the Board for the initial period ending June 30, 2023, 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, the Board has agreed so long as the Bonds remain outstanding, and in conformance with the intent and purpose of 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 to the Corporation the right to notify and request the Kentucky Department of Education to withhold from the Board a sufficient portion of any undisbursed funds then held, set aside, or allocated to the Board and to request said Department or Commissioner of Education to transfer the required amount thereof to the Paying Agent for the payment of such rentals.

### **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 and secured by a statutory mortgage lien and pledge of revenues, but only if and to the extent the issuance of such additional parity bonds are in accordance with the plans and specifications which have been approved by the Board, Commissioner of Education, and filed in the office of the Secretary of the Corporation and a Lease shall be entered into whereunder the annual rental payments during the life of such additional bonds shall be increased by the amount of the annual principal and interest requirements of such additional bonds.

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

All such Bonds shall be in denominations in multiples of \$5,000 within the same maturity, bear interest from March 9, 2023, payable on September 1, 2023, and semi annually thereafter and shall mature as to principal on March 1 in each of the years as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2024	\$40,000	2034	\$ 55,000
2025	40,000	2035	55,000
2026	45,000	2036	60,000
2027	45,000	2037	60,000
2028	45,000	2038	60,000
2029	45,000	2039	65,000
2030	50,000	2040	65,000
2031	50,000	2041	70,000
2032	50,000	2042	75,000
2033	50,000	2043	75,000

\*Subject to a Permitted Adjustment of the amount of Bonds awarded of up to \$110,000 which may be applied in any or all maturities.

The Bonds maturing on or after March 1, 2032, are subject to redemption at the option of the Corporation prior to their stated maturity on any date falling on or after March 1, 2031, 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). Old National Wealth Management, Evansville, Indiana, 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 September 1 and March 1 of each year, beginning September 1, 2023 (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 \$1,078,000 (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 Bonds shall be made on the basis of all bids submitted for exactly \$1,100,000 principal amount of Bonds offered for sale hereunder, but the Corporation may adjust the principal amount of Bonds upward or downward by \$110,000 (the "Permitted Adjustment") which may be awarded to such best bidder may be a minimum of \$990,000 or a maximum of \$1,210,000. In the event of such Permitted Adjustment, no rebidding or recalculation of a submitted bid will be required or permitted. The price of which such adjusted principal amount of Bonds will be sold will be the same price per \$5,000 of Bonds as the price per \$5,000 for the \$1,100,000 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 as of the Sale Date for each Maturity of the Bonds which prices are the prices for each Maturity of the Bonds used by the successful purchaser in formulating its bid to purchase the Bonds.

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

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

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

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

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

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

(d)  *Sale Date*  means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is February 16, 2023.

(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 March 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 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 100% of fair cash value.

### **BIENNIAL BUDGET FOR PERIOD ENDING JUNE 30, 2024**

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.

The General Assembly recently adopted a budget for the biennial period ending June 30, 2024 which was approved and signed by the Governor. Such budget became effective beginning July 1, 2022. 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. For example, on August 16, 2022, President Biden signed the Inflation Reduction Act of 2022 (the "Inflation Reduction Act"). The Inflation Reduction Act imposes a minimum tax of 15 percent of the adjusted financial statement income of certain corporations whose income exceeds stated thresholds for tax years beginning after December 31, 2022. Under the Inflation Reduction Act, interest on debt obligations otherwise exempt from federal income tax would be included in the calculation of adjusted financial statement income for corporations subject to the minimum tax. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation.

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

### **CONTINUING DISCLOSURE**

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

Financial information regarding the Board may be obtained from Superintendent, Muhlenberg County Board of Education, 510 W. Main Street, Powderly, Kentucky 42367, Telephone 270-338-2871.

### **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; however, with respect to certain corporations, interest on the Bonds is taken into account in determining the annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

(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, 2023, 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.

**MUHLENBERG COUNTY SCHOOL  
DISTRICT FINANCE CORPORATION**

**by /s/ Contessa Orr  
Secretary**

**APPENDIX E**

**Muhlenberg County School District Finance Corporation  
School Building Revenue Bonds  
Series of 2023**

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**Official Bid Form**

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

The Muhlenberg County School District Finance Corporation ("Corporation" or "Issuer"), will until 1:00 P.M., E.S.T., on February 16, 2023, receive in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Road, Carriage House, Frankfort, Kentucky 40601, (telephone 502-564-5582; fax 888-979-6152) competitive bids for its \$1,100,000 School Building Revenue Bonds, Series of 2023, dated March 9, 2023; maturing March 1, 2024 through 2043 ("Bonds").

We hereby bid for said \$1,100,000\* principal amount of Bonds, the total sum of \$ \_\_\_\_\_ (not less than \$1,078,000) plus accrued interest from March 9, 2023 payable September 1, 2023 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 March 1 in the years as follows:

<u>Year</u>	<u>Amount*</u>	<u>Rate</u>	<u>Year</u>	<u>Amount*</u>	<u>Rate</u>
2024	\$40,000	_____ %	2034	\$ \$55,000	_____ %
2025	40,000	_____ %	2035	55,000	_____ %
2026	45,000	_____ %	2036	60,000	_____ %
2027	45,000	_____ %	2037	60,000	_____ %
2028	45,000	_____ %	2038	60,000	_____ %
2029	45,000	_____ %	2039	65,000	_____ %
2030	50,000	_____ %	2040	65,000	_____ %
2031	50,000	_____ %	2041	70,000	_____ %
2032	50,000	_____ %	2042	75,000	_____ %
2033	50,000	_____ %	2043	75,000	_____ %

\* Subject to Permitted Adjustment

We understand this bid may be accepted for as much as \$1,210,000 of Bonds or as little as \$990,000 of Bonds, at the same price per \$5,000 Bond, with the variation in such amount occurring in any maturity or all maturities, which will be determined at the time of acceptance of the best bid.

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

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

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

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

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

- (a) *Holding Period* means, with respect to a Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the successful purchaser has sold at least 10% of such Maturity to the Public at prices that are no higher than the Initial Offering Price for such Maturity.
- (b) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.
- (c) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.
- (d) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is February 16, 2023.
- (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 March 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 Old National Wealth Management, Evansville, Indiana, Attn: Ms. Shannon Marshall-Perry, Senior VP (812-461-9741).

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 March 9, 2023 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 March 9, 2023 to final maturity \$ \_\_\_\_\_

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

Net interest cost (Total interest cost plus discount) \$ \_\_\_\_\_

Average interest rate or cost \_\_\_\_\_ %

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 Municipal Advisor and Agent for the Muhlenberg 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>
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	_____%
2033	_____,000	_____%	2043	_____,000	_____%

Dated: February 16, 2023

\_\_\_\_\_  
RSA Advisors, LLC,  
As Agent for the Muhlenberg County  
School District Finance Corporation