

**DATED FEBRUARY 7, 2023**

**NEW ISSUE**  
**Electronic Bidding via Parity®**  
**NOT Bank Interest Deduction Eligible**  
**BOOK-ENTRY-ONLY SYSTEM**

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

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

**\$10,650,000\***  
**SIMPSON COUNTY SCHOOL DISTRICT FINANCE CORPORATION**  
**SCHOOL BUILDING REVENUE BONDS, SERIES OF 2023**

**Dated with Delivery: MARCH 8, 2023**

**Due: as shown below**

Interest on the Bonds is payable each September 1 and March 1, beginning September 1, 2023. The Bonds will mature as to principal on March 1, 2024, and thereafter as shown below. The Bonds are being issued in Book-Entry-Only Form and will be available for purchase in principal amounts of \$5,000 and integral multiples thereof.

Maturing		Interest	Reoffering	Maturing		Interest	Reoffering		
1-Mar	Amount*	Rate	Yield	CUSIP	1-Mar	Amount*	Rate	Yield	CUSIP
2024	\$10,000	%%	%%		2034	\$590,000	%%	%%	
2025	\$10,000	%%	%%		2035	\$720,000	%%	%%	
2026	\$10,000	%%	%%		2036	\$735,000	%%	%%	
2027	\$10,000	%%	%%		2037	\$865,000	%%	%%	
2028	\$140,000	%%	%%		2038	\$895,000	%%	%%	
2029	\$145,000	%%	%%		2039	\$930,000	%%	%%	
2030	\$150,000	%%	%%		2040	\$965,000	%%	%%	
2031	\$155,000	%%	%%		2041	\$1,010,000	%%	%%	
2032	\$560,000	%%	%%		2042	\$1,045,000	%%	%%	
2033	\$575,000	%%	%%		2043	\$1,130,000	%%	%%	

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

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

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

The Simpson County (Kentucky) School District Finance Corporation will until February 15, 2023, at 11:00 A.M., E.S.T., receive competitive bids for the Bonds at the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Road, Frankfort, Kentucky 40601.

**\*As set forth in the "Official Terms and Conditions of Bond Sale," the principal amount of Bonds sold to the successful bidder is subject to a Permitted Adjustment by increasing or decreasing the amount not to exceed \$1,065,000.**

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

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

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

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



**SIMPSON COUNTY  
BOARD OF EDUCATION**

David Webster, Chairperson  
Nancy Uhls, Member  
Tammie Mann, Member  
Chrissy Cummings, Member  
Jill Kummer, Member

Tim Schlosser, Superintendent/Secretary

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

David Webster, President  
Nancy Uhls, Member  
Tammie Mann, Member  
Chrissy Cummings, Member  
Jill Kummer, Member

Tim Schlosser, Secretary  
Amanda Spears, Treasurer

**BOND COUNSEL**

Stephoe & Johnson PLLC  
Louisville, Kentucky

**MUNICIPAL ADVISOR**

RSA Advisors, LLC  
Lexington, Kentucky

**PAYING AGENT AND REGISTRAR**

U.S. Bank Trust Company, National Association  
Louisville, Kentucky

**BOOK-ENTRY-ONLY-SYSTEM**

## REGARDING USE OF THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Simpson 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.

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**OFFICIAL STATEMENT  
Relating to the Issuance of**

**\$10,650,000\***

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

The Bonds are being issued to finance athletic improvements and construction of a new auditorium at the high school (the "Project").

The Bonds are revenue bonds and constitute a limited indebtedness of the Corporation. The Bonds will be secured by a lien and a pledge of the rental income derived by the Corporation from leasing the school building Projects (as hereinafter defined) to the Simpson 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 Simpson 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 8, 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	5,305,300
Total	<u>\$189,166,500</u>

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:

<b>Bond Series</b>	<b>Original Principal</b>	<b>Current Principal Outstanding</b>	<b>Principal Assigned to Board</b>	<b>Principal Assigned to Commission</b>	<b>Approximate Interest Rate Range</b>	<b>Final Maturity</b>
2007	\$400,000	\$125,000	\$0	\$400,000	4.000%	2027
2012-REF	\$7,450,000	\$1,415,000	\$6,575,000	\$875,000	2.125% - 2.250%	2025
2013	\$1,735,000	\$1,450,000	\$1,256,598	\$478,402	2.900% - 4.000%	2033
2014-REF	\$4,680,000	\$3,740,000	\$3,635,990	\$1,044,010	2.600% - 3.450%	2030
2015-REF	\$4,100,000	\$1,940,000	\$1,358,307	\$2,741,693	2.000% - 2.250%	2026
2015	\$670,000	\$535,000	\$280,033	\$389,967	2.900%	2035
2016	\$1,115,000	\$900,000	\$1,115,000	\$0	2.250% - 3.125%	2036
2022	\$2,995,000	\$2,995,000	\$513,219	\$2,481,781	2.000% - 3.625%	2042
<b>TOTALS:</b>	<b>\$23,145,000</b>	<b>\$13,100,000</b>	<b>\$14,734,147</b>	<b>\$8,410,853</b>		

### **AUTHORITY**

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

- i) the issuance of approximately \$10,650,000 of Bonds subject to a permitted adjustment of \$1,065,000;
- 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 8, 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). U.S. Bank Trust Company, National Association, Louisville, Kentucky, the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date to Cede & Co., as the nominee of The Depository Trust Company. Please see Book-Entry-Only-System. Interest on the Bonds will be paid at rates to be established upon the basis of competitive bidding as hereinafter set forth, such interest to be payable on 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.

Redemption Date	Redemption Price
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 Projects financed from the Bond proceeds from the Corporation to the Board. The Bonds are secured by a pledge of revenue on and from the school building Projects.

### The Lease; Pledge of Rental Revenues

The Board has leased the school building Project securing the Bonds for an initial period from March 8, 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 athletic improvements and the construction of a new auditorium at the high school (the "Project").

The Board has reported construction bids have been let for the Project and award of 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	----- Series 2023 School Building Revenue Bonds ----- (100% LOCAL)			Total
	Local Bond Payments	Principal Portion	Interest Portion	Total Payment	Restricted Fund Bond Payments
2023	\$1,194,541				\$1,194,541
2024	\$1,190,929	\$10,000	\$395,271	\$405,271	\$1,596,200
2025	\$1,188,175	\$10,000	\$402,809	\$412,809	\$1,600,984
2026	\$1,169,017	\$10,000	\$402,509	\$412,509	\$1,581,526
2027	\$1,161,945	\$10,000	\$402,209	\$412,209	\$1,574,154
2028	\$862,889	\$140,000	\$401,909	\$541,909	\$1,404,798
2029	\$858,264	\$145,000	\$397,709	\$542,709	\$1,400,973
2030	\$861,644	\$150,000	\$393,330	\$543,330	\$1,404,974
2031	\$859,608	\$155,000	\$388,755	\$543,755	\$1,403,363
2032	\$310,752	\$560,000	\$383,950	\$943,950	\$1,254,702
2033	\$310,758	\$575,000	\$366,310	\$941,310	\$1,252,068
2034	\$312,861	\$590,000	\$347,910	\$937,910	\$1,250,771
2035	\$165,923	\$720,000	\$328,145	\$1,048,145	\$1,214,068
2036	\$176,456	\$735,000	\$302,945	\$1,037,945	\$1,214,401
2037	\$37,215	\$865,000	\$275,603	\$1,140,603	\$1,177,818
2038	\$41,266	\$895,000	\$243,425	\$1,138,425	\$1,179,691
2039	\$39,964	\$930,000	\$208,520	\$1,138,520	\$1,178,484
2040	\$38,490	\$965,000	\$171,320	\$1,136,320	\$1,174,810
2041	\$36,840	\$1,010,000	\$132,238	\$1,142,238	\$1,179,078
2042	\$39,771	\$1,045,000	\$90,828	\$1,135,828	\$1,175,599
2043		\$1,130,000	\$47,460	\$1,177,460	\$1,177,460
<b>TOTALS:</b>	\$10,857,310	\$10,650,000	\$6,083,154	\$16,733,154	\$27,590,463

Notes: Numbers are rounded to the nearest \$1.00

**ESTIMATED USE OF BOND PROCEEDS**

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

<b>Sources:</b>	
Par Amount of Bonds	<u>\$10,650,000.00</u>
Total Sources	\$10,650,000.00
<b>Uses:</b>	
Deposit to Construction Fund	\$10,347,550.00
Underwriter's Discount (2%)	213,000.00
Cost of Issuance	<u>89,450.00</u>
Total Uses	\$10,650,000.00

## DISTRICT STUDENT POPULATION

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

Year	Average Daily Attendance	Year	Average Daily Attendance
2000-01	2,695.7	2011-12	2,717.2
2001-02	2,698.3	2012-13	2,679.5
2002-03	2,667.6	2013-14	2,644.2
2003-04	2,670.1	2014-15	2,655.0
2004-05	2,768.1	2015-16	2,656.3
2005-06	2,749.4	2016-17	2,669.3
2006-07	2,769.5	2017-18	2,663.5
2007-08	2,730.2	2018-19	2,632.2
2008-09	2,663.4	2019-20	2,682.8
2009-10	2,674.2	2020-21	2,625.1
2010-11	2,770.5	2021-22	2,737.4

*Source: Kentucky State Department of Education.*

### STATE SUPPORT

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

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

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

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

The following table shows the computation of the capital outlay allotment for the Simpson 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	269,570.0	2011-12	271,721.0
2001-02	269,830.0	2012-13	267,946.0
2002-03	266,760.0	2013-14	264,418.0
2003-04	267,010.0	2014-15	265,500.0
2004-05	276,810.0	2015-16	265,626.0
2005-06	274,940.0	2016-17	266,930.0
2006-07	276,950.0	2017-18	266,350.0
2007-08	273,020.0	2018-19	263,220.0
2008-09	266,336.0	2019-20	268,280.0
2009-10	267,424.0	2020-21	262,512.7
2010-11	277,052.0	2021-22	273,740.0

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

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

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

### **LOCAL SUPPORT**

**Homestead Exemption.** Section 170 of the Kentucky Constitution was amended at the General Election held November 2, 1971, to exempt from property taxes \$6,500 of value of single unit residential property of taxpayers 65 years of age or older. The 1972 General Assembly amended KRS Chapter 132 to permit counties and school districts to adjust their local tax revenues lost through the application of this Homestead Exemption. The "Single Unit" qualification has been enlarged to subsequent sessions of the General Assembly to provide that such exemption shall apply to such property maintained as the permanent resident of the owner and the dollar amount has been construed to mean \$6,500 in terms of the purchasing power of the dollar in 1972. Every two years thereafter, if the cost of living index of the U.S. Department of Labor has changed as much as 1%, the maximum exemption shall be adjusted accordingly. Under the cost of living formula, the maximum was increased to \$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	51.2	816,221,760	4,179,055
2001-02	50.2	860,871,708	4,321,576
2002-03	53.2	896,519,806	4,769,485
2003-04	53.2	941,715,477	5,009,926
2004-05	53.2	956,068,842	5,086,286
2005-06	51.9	975,602,495	5,063,377
2006-07	54.1	1,056,748,300	5,717,008
2007-08	51.9	1,089,144,820	5,652,662
2008-09	53.6	1,191,918,505	6,388,683
2009-10	53.6	1,180,105,506	6,325,366
2010-11	52.5	1,190,369,316	6,249,439
2011-12	55.6	1,211,387,261	6,735,313
2012-13	57.4	1,246,114,113	7,152,695
2013-14	57.8	1,260,817,481	7,287,525
2014-15	61.5	1,286,585,981	7,912,504
2015-16	62.6	1,323,241,900	8,283,494
2016-17	61.3	1,391,867,922	8,532,150
2017-18	62.8	1,438,009,108	9,030,697
2018-19	64.2	1,463,932,799	9,398,449
2019-20	65.8	1,634,657,812	10,756,048
2020-21	61.5	1,694,977,997	10,424,115
2021-22	61.9	1,842,563,362	11,405,467

**OVERLAPPING BOND INDEBTEDNESS**

The following table shows any other overlapping bond indebtedness of the Simpson 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>
<b>County of Simpson</b>			
General Obligation	47,670,306	38,367,751	9,302,555
Water Revenue	1,998,000	948,000	1,050,000
Judicial/Court Facility Revenue	17,840,000	12,925,000	4,915,000
Hospital Revenue	5,400,000	0	5,400,000
Refinancing Revenue	6,000,000	4,885,000	1,115,000
Infrastructure Revenue	3,380,000	1,034,490	2,345,510
<b>City of Franklin</b>			
General Obligation	4,240,000	3,690,000	550,000
Water & Sewer Revenue	4,610,000	2,048,000	2,562,000
Electric Revenue	2,995,000	730,000	2,265,000
Multiple Purposes Revenue	1,190,000	282,917	907,083
<b>Special Districts</b>			
City of Franklin Electric Plant Board	1,885,000	295,000	1,590,000
simpson County Library District	5,085,000	210,000	4,875,000
Simpson County Water District	3,024,500	26,000	2,998,500
<b>Totals:</b>	<b>105,317,806</b>	<b>65,442,158</b>	<b>39,875,648</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.

	<b><u>Base Funding</u></b>	<b><u>Local Tax Effort</u></b>	<b><u>Total State &amp; Local Funding</u></b>
2021-22 SEEK	10,154,094	11,405,467	21,559,561
2020-21 SEEK	9,625,518	10,424,115	20,049,633
2019-20 SEEK	10,417,413	10,756,048	21,173,461
2018-19 SEEK	10,864,187	9,398,449	20,262,636
2017-18 SEEK	10,995,689	9,030,697	20,026,386
2016-17 SEEK	11,056,687	8,532,150	19,588,837
2015-16 SEEK	11,125,545	8,283,494	19,409,039
2014-15 SEEK	10,942,896	7,912,504	18,855,400
2013-14 SEEK	10,428,704	7,287,525	17,716,229
2012-13 SEEK	10,786,927	7,152,695	17,939,622
2011-12 SEEK	11,138,526	6,735,313	17,873,839
2010-11 SEEK	10,344,251	6,249,439	16,593,690
2009-10 SEEK	9,554,006	6,325,366	15,879,372
2008-09 SEEK	10,503,084	6,388,683	16,891,767
2007-08 SEEK	10,932,864	5,652,662	16,585,526
2006-07 SEEK	10,016,506	5,717,008	15,733,514
2005-06 SEEK	9,912,099	5,063,377	14,975,476
2004-05 SEEK	9,265,607	5,086,286	14,351,893
2003-04 SEEK	8,597,903	5,009,926	13,607,829
2002-03 SEEK	8,546,025	4,769,485	13,315,510
2001-02 SEEK	8,172,044	4,321,576	12,493,620
2000-01 SEEK	8,386,606	4,179,055	12,565,661

- (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 \$0.6190 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, Simpson County Board of Education, 430 S. College St. Franklin, KY 42135 Telephone: (270) 586-8877.

### **TAX EXEMPTION; NOT 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 more than \$10,000,000 of tax-exempt obligations during the calendar year ending December 31, 2023, the Bonds are not "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.

#### **APPROVAL OF OFFICIAL STATEMENT**

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



**APPENDIX A**

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

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**Demographic and Economic Data**

## SIMPSON COUNTY, KENTUCKY

Franklin, the county seat of Simpson County, is located in south-central Kentucky. Franklin is located 44 miles north of Nashville, Tennessee; 134 miles southwest of Louisville, Kentucky; and 293 miles southeast of St. Louis, Missouri. The city had an estimated 2022 population of 10,444 persons.

Simpson County is located in the Pennyryle Region of south-central Kentucky. The county's southern boundary is formed by the Kentucky-Tennessee state line. Simpson County, which has a total land area of 236 square miles, had an estimated 2022 population of 20,182 persons. Simpson County ranks as one of the top counties in the state in production of wheat and barley for grain, and in tobacco.

### Labor Force

In 2022, Simpson County had a labor force of 9,438 people, with an unemployment rate of 3.4%. The top 5 jobs by occupation were as follows: Production Workers - 1,5953 (18.97%); Office and Administrative Support - 886 (10.54%); Sales - 835 (9.93%); Executive, Managers, and Administrators - 731 (8.7%); and Material Moving - 675 (8.03%);

### Transportation

Major highways directly serving Franklin include U.S. Highway 31W and Kentucky Route 100, both AAA-rated trucking highways. Two interchanges of Interstate 65 are located within four miles of the city. Twenty-six trucking companies provide interstate and/or intrastate service to Franklin. CSX Transportation provides main line rail service to Franklin. The Bowling Green-Warren County Regional Airport, 19 miles north, maintains two paved runways. The nearest scheduled commercial airline service is available at the Nashville International Airport near Nashville, Tennessee, 50 miles south of Franklin.

### Power and Fuel

The Franklin Electric Plant Board provides electric power to Franklin and parts of Simpson County. The major portion of Simpson County is served by the Warren Rural Electric Cooperative Corporation. Natural gas service is provided by the Western Kentucky Gas Company.

### Education

Primary and secondary education is provided to Franklin and Simpson County by the Simpson County School System, which is accredited by the Southern Association of Colleges and Schools. One nonpublic school operates in Simpson County. Ten colleges and universities are located within 52 miles of Franklin. The Bowling Green Technical College and the Kentucky Advanced Technology Center, both located in Bowling Green, offer post-secondary education. The nearest area technology center (ATC) providing secondary education is the Russellville ATC in Russellville.

### Population

The following table lists the population figures for the county and surrounding areas as reported by the U.S. Department of Commerce and Bureau of Census:

<u>Year</u>	<u>Simpson County</u>	<u>City of Franklin</u>
2018	18,216	8,769
2019	18,218	9,003
2020	18,735	8,556
2021	19,745	10,486
2022	20,182	10,444

Source: Kentucky Department of Economic Development

## Population Projections

The following table lists the population figures for the county and surrounding areas as reported by the University of Louisville, Urban Studies Center, State Data Center:

<u>Year</u>	<u>Simpson County</u>
2030	19,034
2025	18,850

## LOCAL GOVERNMENT

### Structure

Franklin is governed by a mayor, four commissioners, and a full-time city manager. The mayor serves a four-year term, while the commissioners each serve two-year terms. Simpson County is governed by a county judge/executive and four magistrates. Each county official serves a four-year term.

### Planning and Zoning

Joint agency - Franklin-Simpson Joint Planning and Zoning Commission  
Participating cities - Franklin  
Zoning enforced - All areas  
Subdivision regulations enforced - All areas  
Local codes enforced - Building and housing in all areas  
Mandatory state codes enforced - Kentucky Plumbing Code, National Electric Code, Kentucky Boiler Regulations and Standards, Kentucky Building Code (modeled after BOCA code)

### Local Fees and Licenses

The City of Franklin levies an occupational license tax of one percent (maximum is F.I.C.A. limit) on wages, salaries, and commissions of individuals for activities conducted within the corporate limits. The City of Franklin also levies an annual business license fee for manufacturers. The fee is \$20 per employee annually with a minimum fee of \$100. All other businesses are levied a fee based upon annual gross receipts at a rate of six hundredths of one percent for the first \$1,000,000 and one hundredth of one percent for gross receipts greater than \$1,000,000 and less than \$10,000,000, and five thousandths of one percent for all gross receipts over \$10,000,000. The minimum fee is \$100.

### Sales and Use Tax

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

### State and Local Property Taxes

The Kentucky Constitution requires the state to tax all classes of taxable property, and state statutes allow local jurisdictions to tax only a few classes. All locally taxed property is subject to county taxes and school district taxes (either a county school district or an independent school district). Property located inside the city limits may also be subject to city property taxes. Property assessments in Kentucky are at 100% fair cash value. Accounts receivable are taxed at 85% of face value. Special local taxing jurisdictions (fire protection districts, watershed districts, and sanitation districts) levy taxes within their operating areas (usually a small portion of community or county).

## EDUCATION

### Primary and Secondary Schools

School	Total Enrollment (2021-22)	Pupil to Teacher Ratio
Simpson County	2,930	15 - 1

### College and Universities Schools

School Name	Location	Undergraduate Enrollment Fall 2021
Asbury University	Wilmore, KY	1,472
Bellarmino University	Louisville, KY	2,407
Campbellsville University	Campbellsville, KY	5,880
Centre College	Danville, KY	1,320
Georgetown College	Georgetown, KY	1,259
Kentucky State University	Frankfort, KY	2,135
Lindsey Wilson College	Columbia, KY	1,750
Midway University	Midway, KY	1,618
Spalding University	Louisville, KY	855
Sullivan University	Louisville, KY	2,625
Transylvania University	Lexington, KY	971
University of Kentucky	Lexington, KY	21,900
University of Louisville	Louisville, KY	15,634

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

### Technical Schools

Vocational School	Location	Enrollment 2021-22
Breckinridge County ATC	Harned, KY	524
Bullitt County ATC	Shepardsville, KY	504
Casey County ATC	Liberty, KY	390
Garrard County ATC	Lancaster, KY	308
Green County ATC	Greensburg, KY	283
Lake Cumberland ATC	Russell Springs, KY	777
Lincoln County ATC	Stanford, KY	241
Marion County ATC	Lebanon, KY	649
Meade County College & Career Center	Brandenburg, KY	474
Nelson County ATC	Bardstown, KY	754
Shelby County ATC	Shelbyville, KY	412

*Source: Kentucky Department of Education*



## **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 Bowling Green 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 Bowling Green Technical College.

## **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**

<b>Firm</b>	<b>Products</b>	<b>Employment</b>	<b>Date Established</b>
Arney Industrial Services	Machinery Setup, Steel Fabrication	10	1994
Franklin Pallet Inc.	Recycle Wood Pallets	28	1996
Gehret Gage, LLC	Manufacture Thread Gauges	12	2019
Great Southern Tape	Adhesive tapes and contact packaging	3	2018
M&M Manufacturing Inc.	Custom metal, aluminum and steel fabrication	10	2018
Paradise Marine Inc.	Custom made rails for storage rings	7	1981
PowerTec Solutions International	Custom DC power, UPS and other standby	5	2018
Traughber Mechanical Services	Custom fabrication	38	1992
Worldwide Technologies	2d and 3d die sets and die forms	70	2018
XYZ CBD Processing LLC	CBD and hemp products	N/A	2019

*Source: Kentucky Cabinet for Economic Development (1/8/2020).*

**APPENDIX B**

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

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

**SIMPSON COUNTY SCHOOL DISTRICT**

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

Year Ended June 30, 2022

**SIMPSON COUNTY SCHOOL DISTRICT**

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**SIMPSON COUNTY SCHOOL DISTRICT**

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Heartland CPAs and Advisors PLLC

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## INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Simpson County School District  
Franklin, Kentucky

### ***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 Simpson County School 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 cash flows, where applicable, thereof for the year then ended in conformity 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; 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Simpson County School 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 Simpson County School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's 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 auditor's 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 Simpson County School 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 Simpson County School Districts 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.

### **Emphasis of Matter**

As discussed in Note 1 to the financial statements, during the year ended June 30, 2022, the District adopted Governmental Accounting Standards Board Statement 87, *Leases* and Statement 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*. Our opinion is not modified with respect to this matter.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 14, budgetary comparison information on pages 64 to 65, schedule of proportionate share of the net pension and OPEB liabilities on pages 66 to 70 and schedule of contributions on pages 71 to 75 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Simpson County School District's basic financial statements. The accompanying combining financial statements, school schedules and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 financial statements, school schedules 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 September 12, 2022, on our consideration of Simpson County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to 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 Simpson County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Simpson County School District's internal control over financial reporting and compliance.



Heartland CPAs and Advisors, PLLC  
Elizabethtown, Kentucky  
September 12, 2022



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



**SIMPSON COUNTY SCHOOL DISTRICT  
FRANKLIN, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2022**

As management of the Simpson County Public 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**

- The beginning General Fund balance for the District was \$7,391,286. The ending General Fund balance was \$7,322,168.
- The majority of General Fund revenues were derived from state sources (61.1%) and local taxes (38.3%). Regular instruction, student support services, instructional support services and school administration account for 78% of the General Fund expenditures. Pupil Transportation expenditures were 5%, maintenance and operations 11%, business functions 3%, and central office support, non-instructional, and fund transfers making up the remaining 3%.
- One continued concern is the impact of unfunded mandates without the compensating increase in SEEK which causes a reflection in the growth of expenses each year. SEEK is an acronym for Support Educational Excellence in Kentucky and is the state formula for funding schools. Salaries and benefits are recurring expenses that will continue to be an issue to the district to maintain quality employees without the State support of proper funding of mandates which can cause a drain on our resources.
- There is a noticeable difference reported between the budgetary and the actual revenue and expenditures due to reporting requirements mandated by the Kentucky Department of Education's (KDE) implementation of GASB regulations. The state's contribution for items including pension, technology, health care costs, operation costs and debt service totaled \$8,437,744 for all funds and is included in the district's revenues and expenditures. These are recorded within the audit as "On-Behalf Payments".
- The Capital Outlay and Facility Support Program of Kentucky (FSPK) Fund remained at a minimum due to utilization of restricted funds for renovations and improvement of facilities.
- There were three facility improvement and building projects in progress during the 2021-2022 school year at the Simpson County School District. The District has completed remodeling student restrooms at Franklin and Simpson Elementary. As the 2022-2023 school year starts, the District is currently adding additional classrooms and upgrading the library at Simpson Elementary. In addition, the District is in the early stages of planning and bidding on two current B-1's. These projects include an Alternative School addition; a Fine Arts addition at the Franklin-Simpson High School; and Athletic Facility Upgrades including tennis courts.

## Notes to Financial Statements:

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on page 26 of this report.

### 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 deferred outflows and liabilities and deferred inflows* using the *accrual basis of accounting*, which is similar to the accounting, used by most private-sector companies. These bases of accounting consider all of 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 net position. 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 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 of 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 and deferred outflows exceeded liabilities and deferred inflows by \$4,891,110 as of June 30, 2022. This was an increase of \$3,024,984 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, furniture and equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The amount of capital assets, net related of debt was \$12,229,929. 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.

## **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 software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary and fiduciary funds. Fiduciary funds are assets that belong to others. The school's activity funds are reported as fiduciary funds. The proprietary fund consists of the school food service 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 Simpson County School District are the general fund and special revenue (grants).

**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 Statements of Activities) and governmental *funds* is reconciled in the financial statements.

**Proprietary Funds** - Proprietary funds use the same basis of accounting as business-type activities; therefore, the statements for the proprietary fund will essentially match. The proprietary fund includes our food service operations.

**Fiduciary Funds** – The schools' activity funds and District scholarship accounts (or agency funds) are the District's fiduciary funds. The fiduciary fund net position at yearend totaled \$136,852 (an increase of \$13,567 from the previous year).

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

### Net Position for the period ending June 30, 2022 and June 30, 2021

Description	Governmental 2022	Governmental 2021	Business-type 2022	Business-type 2021	Total 2022	Total 2021
Current and Other Assets	\$ 13,782,586	\$ 9,443,296	\$ 1,427,362	\$ 984,441	\$ 15,209,948	\$ 10,427,737
Capital Assets	26,297,946	26,413,514	157,454	80,994	26,455,400	26,494,508
<b>Total Assets</b>	<b>40,080,532</b>	<b>35,856,810</b>	<b>1,584,816</b>	<b>1,065,435</b>	<b>41,665,348</b>	<b>36,922,245</b>
Deferred Outflows	4,564,491	4,952,018	452,970	660,983	5,017,461	5,613,001
Long-term Debt	29,074,406	31,264,162	1,747,061	2,689,093	30,821,467	33,953,255
Other Liabilities	4,108,656	3,280,299	18,059	6,050	4,126,715	3,286,349
<b>Total Liabilities</b>	<b>33,183,062</b>	<b>34,544,461</b>	<b>1,765,120</b>	<b>2,695,143</b>	<b>34,948,182</b>	<b>37,239,604</b>
Deferred Inflows	6,297,566	3,251,464	545,951	178,052	6,843,517	3,429,516
<b>Net Position</b>						
Net investment in capital assets	12,072,475	14,013,137	157,454	80,994	12,229,929	14,094,131
Restricted	4,436,888	580,257	-	-	4,436,888	580,257
Unrestricted	(11,344,968)	(11,580,491)	(430,739)	(1,227,771)	(11,775,707)	(12,808,262)
<b>Total Net Position</b>	<b>\$ 5,164,395</b>	<b>\$ 3,012,903</b>	<b>\$ (273,285)</b>	<b>\$ (1,146,777)</b>	<b>\$ 4,891,110</b>	<b>\$ 1,866,126</b>

## Changes in Net Position for June 30, 2022 and June 30, 2021

Description	Governmental 2022	Governmental 2021	Business-type 2022	Business-type 2021	Total 2022	Total 2021
<b>REVENUES:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 248,973	\$ 257,069	\$ 74,682	\$ 19,700	\$ 323,655	\$ 276,769
Operating grants and contributions	8,720,968	7,266,100	2,666,013	2,689,102	11,386,981	9,955,202
Capital grants and contributions	1,075,878	1,082,912	-	-	1,075,878	1,082,912
<b>General revenues:</b>						
Property taxes	8,810,705	8,222,122	-	-	8,810,705	8,222,122
Motor vehicle taxes	942,450	893,705	-	-	942,450	893,705
Utility taxes	1,608,226	1,477,868	-	-	1,608,226	1,477,868
Revenue in lieu of taxes	539,869	532,612	-	-	539,869	532,612
Unmined minerals tax	728	4,598	-	-	728	4,598
Gain on disposal of capital assets	44,966	-	-	-	44,966	-
Investment earnings	39,043	16,339	3,203	723	42,246	17,062
State and formula grants	5,131,847	6,666,520	-	-	5,131,847	6,666,520
Miscellaneous	323,442	45,218	-	-	323,442	45,218
<b>Total revenues</b>	<b>27,487,095</b>	<b>26,465,063</b>	<b>2,743,898</b>	<b>2,709,525</b>	<b>30,230,993</b>	<b>29,174,588</b>
<b>EXPENSES</b>						
<b>Program Activities</b>						
Instruction	12,474,464	12,677,055	-	-	12,474,464	12,677,055
Student support	1,521,777	1,688,070	-	-	1,521,777	1,688,070
Instructional staff support	1,405,413	1,115,847	-	-	1,405,413	1,115,847
District administrative support	799,877	757,587	-	-	799,877	757,587
School administrative support	2,053,647	2,089,561	-	-	2,053,647	2,089,561
Business support	1,133,032	1,133,661	-	-	1,133,032	1,133,661
Plant operation and maintenance	3,273,864	3,748,575	-	-	3,273,864	3,748,575
Student transportation	1,722,268	1,781,800	-	-	1,722,268	1,781,800
Community service activities	499,304	669,165	-	-	499,304	669,165
Other	103,170	14,297	-	-	103,170	14,297
Interest costs	431,845	441,391	-	-	431,845	441,391
<b>Business-type Activities:</b>						
Food service	-	-	2,112,127	2,551,225	2,112,127	2,551,225
Daycare	-	-	529	1,068	529	1,068
<b>Total expenses</b>	<b>25,418,661</b>	<b>26,117,009</b>	<b>2,112,656</b>	<b>2,552,293</b>	<b>27,531,317</b>	<b>28,669,302</b>
Excess (deficiency) before transfers	2,068,434	348,054	631,242	157,232	2,699,676	505,286
Transfers	83,058	-	(83,058)	-	-	-
Increase (decrease) in net position	2,151,492	348,054	548,184	157,232	2,699,676	505,286
Net position, beginning, as restated	3,012,903	2,664,849	(821,469)	(1,304,009)	2,191,434	1,360,840
Net position, ending	\$ 5,164,395	\$ 3,012,903	\$ (273,285)	\$ (1,146,777)	\$ 4,891,110	\$ 1,866,126

- The District's total revenues were \$30,230,993 and the total expenses were \$27,531,317. Revenues exceeded expenses by \$2,699,676.
- State and formula grants account for 17% and operating grants and contributions account for 38% of total revenues. SEEK funds accounted for 34% and local property taxes accounted for 27% of general fund revenues.
- Instruction was the major expense category and accounted for 45% of the total expenditures and 65% of general fund expenditures.

**Financial Analysis of the District Funds  
(Table 3)  
Cost of Services**

Description	Total 2022	Total 2021	Net 2022	Net 2021
Instruction	\$ 12,474,464	\$ 12,677,065	\$ (6,011,052)	\$ (6,148,403)
Support Services	11,909,878	12,315,101	(9,891,201)	(11,734,472)
Community Services & Other	602,474	683,462	(114,622)	(269,574)
Facilities acquisition and construction	-	-	606,188	617,332
Interest costs	431,845	441,391	37,845	24,189
<b>Total Expenses</b>	<b>\$ 25,418,661</b>	<b>\$ 26,117,019</b>	<b>\$ (15,372,842)</b>	<b>\$ (17,510,928)</b>

- The General Fund’s fund balance showed a decrease in fund balance of \$69,118. This is the result of a transfer from the general fund to the construction fund of \$1,300,000 for athletic facility upgrades. Trends in revenues and expenditures remained consistent with prior years.
- The Special Revenue fund balance showed an increase of \$27,072. Projects in the Special Revenue fund are zeroed at year-end with the exception of the KETS Technology project(s).
- The construction fund balance showed an increase of \$3,783,097 due to the three active construction and renovation projects. Other nonmajor governmental funds showed a net increase in fund balance of \$25,734. These funds consist of District and Student Activity Funds along with Capital Outlay, FSPK and Debit Service Funds.
- Other Proprietary Food Service Funds had an increase in funds of \$631,771. The Daycare Fund was officially closed and funds were transferred to the General Fund.
- The District’s General Fund total revenues (not including on-behalf receipts) for the fiscal year ended June 30, 2022, were \$21,304,800. This is \$330,752 more than was budgeted in the final working budget.
- Expenditures were less than budgeted by \$4,940,650. The main reason is that contingencies of \$5,257,395 were budgeted and not intended to be spent.
- The Final Budget and the Original Budget differ primarily because the Original (Tentative) Budget is prepared by the end of May for the next school year and the Final Budget (prepared in September) contains Board approved amendments and final salary allocations.
- The Special Revenue fund budget compared to actual will always differ slightly because the state budget report only shows current fiscal year grant awards. The Special Revenue expenditures will include current year grant expenditures and previous year grant expenditures that were not expended at the end of the previous year.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital and Leased Assets

By June 30, 2022, the District had invested \$56,494,622 in capital and leased assets. This included land, school buildings, athletic facilities, maintenance facilities, computer equipment and administrative offices. The accumulated depreciation and amortization was a total of \$30,039,222. There is \$775,259 of construction in progress throughout the district at June 30, 2022. The following Table 4 shows capital and leased assets, net of depreciation at June 30, 2022 and 2021 and Table 5 shows changes in capital and leased assets for the years ended June 30, 2022 and 2021.

**(Table 4)**  
**Capital and Leased Assets**  
**(Net of Depreciation)**

Category	Governmental 2022	Governmental 2021	Business-type 2022	Business-type 2021	Total 2022	Total 2021
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Land and land improvements	\$ 897,124	\$ 963,139	\$ -	\$ -	\$ 897,124	\$ 963,139
Buildings and improvements	21,571,257	22,658,435	-	-	21,571,257	22,658,435
Technology	1,166,765	1,116,371	12,979	13,508	1,179,744	1,129,879
Leased technology	164,538				164,538	-
Vehicles	1,136,448	1,124,406	-	-	1,136,448	1,124,406
General equipment	582,605	547,213	144,475	67,486	727,080	614,699
Total	25,518,737	26,409,564	157,454	80,994	25,676,191	26,490,558
Construction in progress	779,209	3,950	-	-	779,209	3,950
<b>Total</b>	<b>\$ 26,297,946</b>	<b>\$ 26,413,514</b>	<b>\$ 157,454</b>	<b>\$ 80,994</b>	<b>\$ 26,455,400</b>	<b>\$ 26,494,508</b>

**(Table 5)**  
**Change in Capital and Leased Assets**

Category	Governmental 2022	Governmental 2021	Business-type 2022	Business-type 2021	Total 2022	Total 2021
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 26,413,514	\$ 27,067,025	\$ 80,994	\$ 97,335	\$ 26,494,508	\$ 27,164,360
Additions	1,830,370	1,190,196	110,158	11,289	1,940,528	1,201,485
Retirements	(67,156)	(85,830)	(571)	-	(67,727)	(85,830)
Depreciation	(1,878,782)	(1,757,877)	(33,127)	(27,630)	(1,911,909)	(1,785,507)
Ending balance	\$ 26,297,946	\$ 26,413,514	\$ 157,454	\$ 80,994	\$ 26,455,400	\$ 26,494,508

### BUDGETARY IMPLICATIONS

A fundamental principle of finance is a balanced budget. It is important not to spend more than is received. Unknown circumstances sometimes arise that require expenses in a year that exceed revenues. It is extremely important that the district continue to budget very conservatively. The district received approximately 36% of its general fund revenue through the state funding formula (SEEK). There have been adjustments that caused a very significant decrease in the funding. The SEEK forecasts from the state should be considered only an



estimate of state revenue. If the state does not get the revenue from taxing sources, an adjustment will be made to the funding formula. The district should always be prepared for such reductions in funding.

Approximately 27% of the general fund revenue is from local property tax. The major portion of the tax revenue does not come to the district until the fifth-eighth months of the school year. This means the general fund's beginning fund balance must be used to absorb much of the first five months of expenditures in the school year. Provisions must always be made to have a significant fund beginning balance to start each year. The General Fund has an ending fund balance of \$7,322,168 being brought forward as a beginning balance for next year to continue to effectively maintain quality programs. Some of this surplus is already obligated due to the recurring increase cost of salaries.

By law the budget must have a minimum 2% contingency, but it is recommended that a higher contingency be maintained. The beginning fund balance for the 2022-2023 fiscal year is \$7,322,168 (comprised of nonspendable, restricted, committed, assigned and unassigned funds). Significant Board action that impacts the finances include the approval of a 4% raises for the 2022-2023 school year. The district currently participates in over thirty federal and state grants. All federal funds received by Simpson County are restricted for specific purposes. Many of these grants are funded on a reimbursement basis. This requires the district to pay the expenses of the grant upfront and then apply for reimbursement. At year-end, the District's General Fund was not due any amount from other funds. The district must continue to monitor the grants constantly and get reimbursements in a timely manner. The district must also maintain a significant cash balance in order to pay the expenses of these grants while waiting for reimbursements. In addition, decisions about allocation of funds held in reserve for annual expense must always consider the implication of recurring expense. Personnel expenses are a classic example of recurring expense. Also, additional contingency is required due to the age of the district's buildings where unanticipated major repairs could arise to maintain up-to-date facilities and a good learning environment for all students. Simpson County Schools has made a continuous effort to increase pay raises above the state minimum requirement to compete more with surrounding districts in attracting the best and talented educators.

## **DISTRICT CHALLENGES FOR THE FUTURE**

The economy continues to be an area of concern for all types of organizations and individuals, including our school system. Though there are many indicators pointing to an improved economy in the private sectors, governmental programs including education continue to struggle for funding. Rising inflation, transportation costs, salaries for staff, and teacher shortages continue to be a struggle for our school district. We will have to watch these developments closely as there could be some significant financial implications. Additionally, the state budget included cuts to many educational programs including textbooks/instructional materials, professional development, preschool, and the Kentucky Teacher Internship Program (KTIP) which have adversely impacted our local budget. The investment in education funding has not changed much for our district from the federal level. The Simpson Co. Board of Education is doing its part in giving our students and staff the best opportunity possible by making tough decisions on the tax rate. Simpson County Schools receive less revenue per pupil than most districts in Kentucky, our local efforts have improved our revenue standing within Kentucky. However, we were able to get back on schedule by taking the 4% tax rate this year. This is important as our students deserve the same opportunities and resources other kids receive. With this important investment in our youth, we can continue our march forward of providing our students in Simpson County with a world-class, high quality education that is second to none.

Our vision is to be the best school system in the state of Kentucky that empowers our students to graduate life-ready – academically and socially prepared for college and/or careers! To that end, our mission is simple – to develop all children to their fullest potential and prepare them for the next level of life! We are proud that our school system is among the upper echelon of all school districts in Kentucky. Franklin Simpson High School

continues to shine among high schools with some of the highest college and career readiness rates in the state! Additionally, US News and World Reports named FSHS as one of the Best High Schools in America! Simpson Co. Schools have maintained a strong presence in the education of our students in the midst of the pandemic. Simpson Co. schools have provided every student with a chromebook and internet access to any student that has requested or needed it. We will continue to work toward a personalized learning plan that ensures high expectations and compassion for every student! Simpson County Schools believes in developing every child through college readiness, career readiness and providing multiple opportunities through clubs, athletics and fine arts.

Just like we do for our students, we have very high expectations and compassion for every employee in our school system. Our SCS Team works extremely hard to achieve our vision and mission, focusing our efforts on five fundamental questions that drive the work in our schools:

1. *Do we have a clear plan for building positive, professional relationships with students, their families and one another?*
2. *Do we have clear procedures for making sure we are teaching the standards that we expect all students to know and be able to do in order to graduate college and/or career ready?*
3. *Do we have clear procedures for making sure our students have learned the standards?*
4. *Do we have clear procedures for making sure we “fix it” when students struggle learning and meeting the standards?*
5. *Do we have clear procedures for providing enrichments and “stretch” learning for students who are already meeting or exceeding the standards?*

We will maintain a sharp focus on these guiding questions in our work throughout the 2022-2023 school year and beyond!

Some specific initiatives we are implementing to improve student achievement and help us meet our student achievement goals include the following:

*We have a process, including a monitoring system, to align and continuously renew the district curriculum. Data, including classroom assessment results, should be used to identify gaps in the curriculum as it is implemented.*

- We will continue to refine and renew the district curriculum through on-going planned sessions to further develop our resources, curricular units and assessments around each content standard, specifically the new common core standards in reading and math, as well as the new standards in science and social studies.
- We have implemented district-wide Professional Learning Committees in all schools to monitor student progress on the district curriculum.
- We are implementing Pre/Post testing in Reading, Language and Math in Grades K-8 for all students to measure individual student growth over the year. We are using the STAR Enterprise Assessment to provide diagnostic information that will help teachers deliver targeted instruction to meet individual learner needs.
- At the high school level we are implementing Pre/Post assessment using the ACT series to help ensure every graduate is ready for post-secondary training. Additionally, we have ramped up our Advanced Placement course offerings and implemented a partnership with the Franklin Center of Southcentral Community and Technical College to offer dual credit college courses for students. We also have dual-credit partnerships with WKU and other post-secondary partners. Through these and other programs, students at FSHS earned over 900 hours of college credit last year!

- Our Professional Learning Community (PLC) Work will bring teachers together in collegial work groups to analyze student work and results on classroom assessments and use the data to inform instruction, share and celebrate successful strategies, as well as identify students who need remediation or enrichment in an area. Ultimately, we want to achieve common formative and summative assessments in like courses/content areas that are aligned to the district curriculum and use the results from these assessments to inform instruction and identify students for interventions/enrichments.
- We have started our journey with a new literacy curriculum for grades 4-8 and the plan to implement in 23-24 in grades K-3.

*We will use a variety of methods to gauge the status of the existing district and school cultures. Results of the methods will be used to determine strategies to implement that foster a culture conducive to performance excellence. All staff should be held responsible for the success of all students.*

- We will continue monitoring student attendance, discipline reports, grade distributions, drop-out rates.... We will more closely monitor staff attendance as an indicator as well.
- We will implement surveys of staff, students and parents to gauge our culture and performance perceptions among stakeholders. We will use this information to monitor our culture and develop strategies for improving it on behalf of our students.

*We will execute effective use of planning time using the most current curriculum standards to develop lesson plans and units of study.*

- We will continue our work utilizing high yield instructional strategies, refining our efforts to design effective lessons and units of study around the district curriculum using research-based instructional strategies and engaging resources. We will use time during the work-day for job embedded staff development to work on this and other important initiatives for raising student achievement. One important initiative that ties together the curriculum, instruction and assessment is the development of a growth mindset with our staff to always be striving to improve their delivery of instruction.

Our business is a people business. The adults we have working with our students are critical to our success. Therefore, it's essential to our mission to attract and retain the very best educators possible in order to enhance the instructional program for all students. This requires competitive salaries/benefits and up-to-date resources and facilities. We have upgraded all of our recruitment, assessment and selection systems to improve our ability to attract and hire the very best. We are continuing our new teacher induction program with plans to further develop a career development program for staff at all levels of experience.

We are continuing our support and work with teachers who are working on the prestigious and rigorous National Board Teacher Certification Program. The National Board for Professional Teaching Standards was established in 1987 to advance quality teaching and learning by developing a national vocabulary of teaching standards and recognizing accomplished teaching through administering a voluntary program of National Board Teacher Certification. Today, National Board Teacher Certification is not only a rare, highly-regarded professional distinction, but is also shown by research to have a positive impact on student achievement. We continue to support our teachers in this program and others to inspire growth and development over an entire career.

In our quest to provide our students, staff and visitors with high quality school facilities, we have completed improvements to almost every school building in our district over the past 15 years. Our current District

Facilities Plan approved in the spring of 2019 has as its top priority a new performing arts center for the high school. We completed the construction of the first phase of this project with a new band room and chorus room which opened in January 2014. This music suite was a great addition to the new competition gym/physical education/student wellness center at FSHS in June of 2011. We sincerely hope the General Assembly will consider measures to address adequate facility funds in a manner that will be equitable for school districts across the state. An adequate and equitable funding system would provide the resources necessary to do all of our priority one projects in our current District Facilities Plan. The Local Planning Committee completed the process of developing a new District Facility Plan to submit to the Simpson County Board of Education and the Kentucky Board of Education in the spring of 2019. On this new plan SCS will be looking to build classroom additions at Simpson Elementary(will be completed in December 2022), new alternative learning center at the high school, restroom renovation at Franklin Elementary(completed August 2022) and the Fine Arts center at the high school.

School district funding continues to be a serious issue facing our state and community. Though our school system has consistently ranked in the bottom 5% to 33% of the state in total per pupil funding, we have operated our district efficiently and wisely, which has allowed us to maintain a healthy budget. Consequently, we have been able to maintain most of our programs and services for students without making any major cuts. We have implemented serious “belt tightening” strategies to help us maintain critical programs for our students. These strategies have allowed us to invest a greater proportion of our budget in the instructional areas at a rate well-above the state benchmark. Some key areas we must keep our focus on to maximize our funding are:

- **Improving student attendance** – we need students to be at school in order to teach them. At the same time, our funding mechanism is dependent on student attendance rates. We need our students to attend school every day possible. Good student attendance will improve learning results and our financial outlook. In recent years, we are achieving record-breaking attendance rates!
- **Reducing substitute costs** by improving staff attendance. Just like our students, we need our staff present every day possible to deliver on our mission while saving on the cost of providing a substitute.
- **Selling our surplus equipment** – we scour the district for unused items and sell/auction these items to help us raise revenues and remove clutter at the same time!

Making progress in the above-mentioned initiatives can help us improve our financial outlook and be better able to provide our students and staff with the needed resources to help us achieve our vision/mission for all students. Though we still operate with less revenue per student than most school districts, our rate of return on investment is quite impressive when you consider our excellent performance results! Ultimately, we are going to work hard to ensure the funds we have are targeted toward helping our students learn and be successful in life!

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District’s finances and to show the School District’s accountability for the money it receives. If you have any questions about this report or need additional information, inquiries should be directed to Tim Schlosser, Superintendent or Amanda Spears, Chief Financial Officer (270) 586-8877, 430 South College St., Franklin, KY, 42134.

## **BASIC FINANCIAL STATEMENTS**

**SIMPSON COUNTY SCHOOL DISTRICT**

STATEMENT OF NET POSITION

June 30, 2022

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 12,255,190	\$ 1,103,474	\$ 13,358,664
Inventory		38,691	38,691
Prepaid expenses	3,362		3,362
Receivables:			
Taxes-current	211,854		211,854
Taxes-delinquent	24,201		24,201
Other receivables	7,801		7,801
Intergovernmental-Indirect Federal	1,280,178	285,197	1,565,375
<b>Total Current Assets</b>	<b>13,782,586</b>	<b>1,427,362</b>	<b>15,209,948</b>
<b>Noncurrent Assets</b>			
Non-depreciable capital assets	1,386,190		1,386,190
Depreciable capital assets, net of accumulated depreciation	24,911,756	157,454	25,069,210
<b>Total Noncurrent Assets</b>	<b>26,297,946</b>	<b>157,454</b>	<b>26,455,400</b>
<b>Total Assets</b>	<b>40,080,532</b>	<b>1,584,816</b>	<b>41,665,348</b>
<b>Deferred Outflows of Resources</b>			
Deferred amount on debt refundings	316,209		316,209
TRS OPEB Medical Ins Fund	1,905,000		1,905,000
CERS Pension	1,038,507	223,920	1,262,427
CERS OPEB	1,304,775	229,050	1,533,825
<b>Total Deferred Outflows of Resources</b>	<b>4,564,491</b>	<b>452,970</b>	<b>5,017,461</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	790,256	18,059	808,315
Accrued payroll and related expenses	185,946		185,946
Unearned revenue	1,257,907		1,257,907
Bond obligations	1,430,000		1,430,000
Financed purchases	32,276		32,276
Capital lease obligations	54,368		54,368
Compensated absences	215,821		215,821
Interest payable	142,082		142,082
<b>Total Current Liabilities</b>	<b>4,108,656</b>	<b>18,059</b>	<b>4,126,715</b>
<b>Noncurrent Liabilities</b>			
Bond obligations	12,954,768		12,954,768
Financed purchases	16,587		16,587
Capital lease obligations	102,544		102,544
TRS OPEB Medical Ins Fund	4,704,000		4,704,000
Net pension liability - CERS	8,530,363	1,343,687	9,874,050
Net OPEB liability - CERS	2,560,807	403,374	2,964,181
Compensated absences	205,337		205,337
<b>Total Noncurrent Liabilities</b>	<b>29,074,406</b>	<b>1,747,061</b>	<b>30,821,467</b>
<b>Total Liabilities</b>	<b>33,183,062</b>	<b>1,765,120</b>	<b>34,948,182</b>
<b>Deferred Inflows of Resources</b>			
TRS OPEB Medical Insurance Fund	3,364,000		3,364,000
CERS Pension	1,617,259	315,084	1,932,343
CERS OPEB	1,316,307	230,867	1,547,174
<b>Total Deferred Inflows of Resources</b>	<b>6,297,566</b>	<b>545,951</b>	<b>6,843,517</b>
<b>Net Position</b>			
Net investment in capital assets	12,072,475	157,454	12,229,929
Restricted	4,436,888		4,436,888
Unrestricted	(11,344,968)	(430,739)	(11,775,707)
<b>Total Net Position</b>	<b>\$ 5,164,395</b>	<b>\$ (273,285)</b>	<b>\$ 4,891,110</b>

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

**SIMPSON COUNTY SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2022

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
Instruction	\$ 12,474,464	\$ 248,973	\$ 6,214,439	\$ -	\$ (6,011,052)	\$ -	\$ (6,011,052)
Support services:							
Student	1,521,777		996,693		(525,084)		(525,084)
Instruction staff	1,405,413		349,208		(1,056,205)		(1,056,205)
District administrative	799,877				(799,877)		(799,877)
School administrative	2,053,647				(2,053,647)		(2,053,647)
Business	1,133,032		94,225		(1,038,807)		(1,038,807)
Plant operation and maintenance	3,273,864		280,534		(2,993,330)		(2,993,330)
Student transportation	1,722,268		298,017		(1,424,251)		(1,424,251)
Community service activities	499,304		487,852		(11,452)		(11,452)
Facility acquisition and construction				606,188	606,188		606,188
Other	103,170				(103,170)		(103,170)
Interest on long-term debt	431,845			469,690	37,845		37,845
<b>Total Governmental Activities</b>	<b>25,418,661</b>	<b>248,973</b>	<b>8,720,968</b>	<b>1,075,878</b>	<b>(15,372,842)</b>	<b>-</b>	<b>(15,372,842)</b>
<b>Business-Type Activities:</b>							
Food service	2,112,127	74,682	2,666,013			628,568	628,568
Daycare	529					(529)	(529)
<b>Total Business-Type Activities</b>	<b>2,112,656</b>	<b>74,682</b>	<b>2,666,013</b>	<b>-</b>	<b>-</b>	<b>628,039</b>	<b>628,039</b>
<b>Total Primary Government</b>	<b>\$ 27,531,317</b>	<b>\$ 323,655</b>	<b>\$ 11,386,981</b>	<b>\$ 1,075,878</b>	<b>(15,372,842)</b>	<b>628,039</b>	<b>(14,744,803)</b>
			<b>General Revenues:</b>				
			Taxes:				
			Property taxes		8,810,705		8,810,705
			Motor vehicle taxes		942,450		942,450
			Utility taxes		1,608,226		1,608,226
			Unmined minerals		728		728
			Revenue in lieu of taxes		539,869		539,869
			Gain on disposal of capital assets		44,966		44,966
			Investment earnings		39,043	3,203	42,246
			State and formula grants		5,131,847		5,131,847
			Miscellaneous		323,442		323,442
			Transfers		83,058	(83,058)	-
			<b>Total general revenues and transfers</b>		<b>17,524,334</b>	<b>(79,855)</b>	<b>17,444,479</b>
			Change in net position		2,151,492	548,184	2,699,676
			Net position - beginning		3,012,903	(1,146,777)	1,866,126
			Restatement		-	325,308	325,308.00
			Net position - beginning, as restated		3,012,903	(821,469)	2,191,434
			Net position - ending		<b>\$ 5,164,395</b>	<b>\$ (273,285)</b>	<b>\$ 4,891,110</b>

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

**FUND FINANCIAL STATEMENTS**



**SIMPSON COUNTY SCHOOL DISTRICT**

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2022

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Cash and cash equivalents	\$ 7,446,143	\$ 281,598	\$ 4,155,760	\$ 371,689	\$ 12,255,190
Receivables:					
Taxes - current	211,854				211,854
Taxes - delinquent	24,201				24,201
Other receivables	7,701	100			7,801
Intergovernmental - Indirect Federal		1,280,178			1,280,178
Prepays	3,362				3,362
<b>Total Assets</b>	<b>\$ 7,693,261</b>	<b>\$ 1,561,876</b>	<b>\$ 4,155,760</b>	<b>\$ 371,689</b>	<b>\$ 13,782,586</b>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities</b>					
Accounts payable	\$ 185,147	\$ 238,561	\$ 350,899	\$ 15,649	\$ 790,256
Accrued payroll and related expenses	185,946				185,946
Unearned revenue		1,257,907			1,257,907
<b>Total Liabilities</b>	<b>371,093</b>	<b>1,496,468</b>	<b>350,899</b>	<b>15,649</b>	<b>2,234,109</b>
<b>Fund Balances</b>					
Nonspendable	3,362				3,362
Restricted	210,579	65,408	3,804,861	356,040	4,436,888
Committed	1,086,281				1,086,281
Assigned	511,972				511,972
Unassigned	5,509,974				5,509,974
<b>Total Fund Balances</b>	<b>7,322,168</b>	<b>65,408</b>	<b>3,804,861</b>	<b>356,040</b>	<b>11,548,477</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 7,693,261</b>	<b>\$ 1,561,876</b>	<b>\$ 4,155,760</b>	<b>\$ 371,689</b>	<b>\$ 13,782,586</b>

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

**SIMPSON COUNTY SCHOOL DISTRICT**

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

June 30, 2022

Total fund balance per fund financial statements	\$ 11,548,477
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.	26,297,946
Governmental funds record debt refundings as other financing uses when the issues are refunded. Unamortized losses on refundings are reported on the statement of net position as deferred outflows of resources.	316,209
Governmental funds do not record deferred outflows of resources for pensions and OPEB as those are reported on the statement of net position as deferred outflows of resources.	4,248,282
Governmental funds do not record deferred inflows of resources for pensions and OPEB as those are reported on the statement of net position as deferred inflows of resources.	(6,297,566)
Certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position:	
Bonds payable (net of discounts/premiums)	(14,384,768)
Financed purchases	(48,863)
Capital lease obligations	(156,912)
Interest payable	(142,082)
Net pension liability - CERS	(8,530,363)
Net OPEB liability - CERS	(2,560,807)
Net OPEB liability - TRS MIF	(4,704,000)
Compensated absences	(421,158)
Net position for governmental activities	<u>\$ 5,164,395</u>

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

**SIMPSON COUNTY SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

Year Ended June 30, 2022

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
From local sources:					
Taxes:					
Property	\$ 7,889,423	\$ -	\$ -	\$ 921,282	\$ 8,810,705
Motor vehicle	942,450				942,450
Utilities	1,608,226				1,608,226
Unmined minerals	728				728
Revenue in lieu of taxes	539,869				539,869
Tuition and fees		819			819
Earnings on investments	38,228	184		631	39,043
Other local revenues	134,824	1,017,882		565,853	1,718,559
Intergovernmental - State	17,809,230	1,381,268		1,075,878	20,266,376
Intergovernmental - Indirect Federal	183,945	6,045,455			6,229,400
<b>Total Revenues</b>	<b>29,146,923</b>	<b>8,445,608</b>	<b>-</b>	<b>2,563,644</b>	<b>40,156,175</b>
<b>Expenditures:</b>					
Instruction	18,309,243	6,053,991		485,281	24,848,515
Support services:					
Student	522,612	996,693			1,519,305
Instruction staff	1,022,665	349,208		32,362	1,404,235
District administrative	747,278				747,278
School administrative	2,034,239				2,034,239
Business	1,015,192	94,225			1,109,417
Plant operation and maintenance	2,957,191	280,534			3,237,725
Student transportation	1,431,015	298,017		11,989	1,741,021
Community service activities		487,852			487,852
Other non-instruction	71,288			3,590	74,878
Facilities acquisition and construction			775,259		775,259
Bond issuance costs			96,644		96,644
Debt service:					
Principal				1,300,000	1,300,000
Interest				336,834	336,834
<b>Total Expenditures</b>	<b>28,110,723</b>	<b>8,560,520</b>	<b>871,903</b>	<b>2,170,056</b>	<b>39,713,202</b>
<b>Excess (Deficit) of Revenues over Expenditures</b>	<b>1,036,200</b>	<b>(114,912)</b>	<b>(871,903)</b>	<b>393,588</b>	<b>442,973</b>
<b>Other Financing Sources (Uses):</b>					
Proceeds from disposal of capital assets	22,191				22,191
Capital lease proceeds	213,455				213,455
Insurance proceeds	10,108				10,108
Bond proceeds from revenue bonds			2,995,000		2,995,000
Transfers in	93,314	141,984	1,685,714	1,358,007	3,279,019
Transfers out	(1,444,386)		(25,714)	(1,725,861)	(3,195,961)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,105,318)</b>	<b>141,984</b>	<b>4,655,000</b>	<b>(367,854)</b>	<b>3,323,812</b>
<b>Net Change in Fund Balances</b>	<b>(69,118)</b>	<b>27,072</b>	<b>3,783,097</b>	<b>25,734</b>	<b>3,766,785</b>
<b>Fund Balance, July 1, 2021</b>	<b>7,391,286</b>	<b>38,336</b>	<b>21,764</b>	<b>330,306</b>	<b>7,781,692</b>
<b>Fund Balance, June 30, 2022</b>	<b>\$ 7,322,168</b>	<b>\$ 65,408</b>	<b>\$ 3,804,861</b>	<b>\$ 356,040</b>	<b>\$ 11,548,477</b>

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

**SIMPSON COUNTY SCHOOL DISTRICT**

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

Year Ended June 30, 2022

Net change in total fund balances per fund financial statements	\$ 3,766,785
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which depreciation expense exceeds capital outlays for the year.	(48,412)
The proceeds for the issuance of bonds provide current financial resources and are reported in this fund financial statement but they are presented as liabilities in the statement of net position.	(2,995,000)
The proceeds for the issuance of capital leases provide current financial resources and are reported in this fund financial statement but they are presented as liabilities in the statement of net position.	(213,455)
Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.	1,424,896
In the statement of activities, only the gain (loss) on disposal of capital assets is reported, whereas in the governmental funds, the proceeds for the disposal increased financial resources.	(67,156)
The difference between actuarial pension and OPEB amounts and actual amounts are recorded as adjustments in the statement of activities.	420,302
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.	<u>(136,468)</u>
Change in net position of governmental activities	<u><u>\$ 2,151,492</u></u>

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

**SIMPSON COUNTY SCHOOL DISTRICT**

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2022

	Food Service Fund	Daycare Fund	Total
<b>Assets</b>			
<b><u>Current Assets</u></b>			
Cash and cash equivalents	\$ 1,103,474	\$ -	\$ 1,103,474
Receivables - Intergovernmental Indirect Federal	285,197		285,197
Inventory	38,691		38,691
<b>Total Current Assets</b>	<b>1,427,362</b>	<b>-</b>	<b>1,427,362</b>
<b><u>Noncurrent Assets</u></b>			
Capital assets, net of accumulated depreciation	157,454		157,454
<b>Total Noncurrent Assets</b>	<b>157,454</b>	<b>-</b>	<b>157,454</b>
<b>Total Assets</b>	<b>1,584,816</b>	<b>-</b>	<b>1,584,816</b>
<b>Deferred Outflows of Resources</b>			
CERS Pension	223,920		223,920
CERS OPEB	229,050		229,050
<b>Total Deferred Outflows of Resources</b>	<b>452,970</b>	<b>-</b>	<b>452,970</b>
<b>Liabilities</b>			
<b><u>Current Liabilities</u></b>			
Accounts payable	18,059		18,059
<b>Total Current Liabilities</b>	<b>18,059</b>	<b>-</b>	<b>18,059</b>
<b><u>Noncurrent Liabilities</u></b>			
Net pension liability - CERS	1,343,687		1,343,687
Net OPEB liability - CERS	403,374		403,374
<b>Total Noncurrent Liabilities</b>	<b>1,747,061</b>	<b>-</b>	<b>1,747,061</b>
<b>Total Liabilities</b>	<b>1,765,120</b>	<b>-</b>	<b>1,765,120</b>
<b>Deferred Inflows of Resources</b>			
CERS Pension	315,084		315,084
CERS OPEB	230,867		230,867
<b>Total Deferred Inflows of Resources</b>	<b>545,951</b>	<b>-</b>	<b>545,951</b>
<b><u>Net Position</u></b>			
Net investment in capital assets	157,454	-	157,454
Unrestricted	(430,739)	-	(430,739)
<b>Total Net Position</b>	<b>\$ (273,285)</b>	<b>\$ -</b>	<b>\$ (273,285)</b>

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

**SIMPSON COUNTY SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

Year Ended June 30, 2022

	Food Service Fund	Daycare Fund	Total
<b>Operating Revenues:</b>			
Lunchroom sales	\$ 39,331	\$ -	\$ 39,331
Other operating revenues	35,351		35,351
<b>Total Operating Revenues</b>	74,682	-	74,682
<b>Operating Expenses:</b>			
Salaries and wages	934,611		934,611
Materials and supplies	960,896		960,896
Depreciation	33,021	106	33,127
Other operating expenses	183,292	159	183,451
<b>Total Operating Expenses</b>	2,111,820	265	2,112,085
Operating income (loss)	(2,037,138)	(265)	(2,037,403)
<b>Non-Operating Revenues (Expenses):</b>			
Federal grants	2,409,818		2,409,818
Donated commodities	114,134		114,134
State on-behalf payments	125,931		125,931
State grants	16,130		16,130
Loss on disposal of capital assets	(307)	(264)	(571)
Interest income	3,203		3,203
<b>Total Non-Operating Revenues (Expenses)</b>	2,668,909	(264)	2,668,645
Transfers out		(83,058)	(83,058)
Changes in net position	631,771	(83,587)	548,184
<b>Net Position, July 1, 2021, as previous reported</b>	(905,056)	(241,721)	(1,146,777)
<b>Restatement</b>		325,308	325,308
<b>Net Position, July 1, 2021, restated</b>	(905,056)	83,587	(821,469)
<b>Net Position June 30, 2022</b>	\$ (273,285)	\$ -	\$ (273,285)

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

**SIMPSON COUNTY SCHOOL DISTRICT**

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended June 30, 2022

	Food Service Fund	Daycare Fund	Total
<b>Cash Flows from Operating Activities</b>			
Cash received from:			
Lunchroom sales	\$ 39,331	\$ -	\$ 39,331
Other activities	39,993		39,993
Cash paid to/for:			
Employees	(849,492)		(849,492)
Supplies	(833,700)	(159)	(833,859)
Other activities	(183,292)		(183,292)
<b>Net Cash Used by Operating Activities</b>	(1,787,160)	(159)	(1,787,319)
<b>Cash flows from Non-Capital Financing Activities</b>			
Federal grants	2,183,561		2,183,561
State grants	16,130		16,130
Transfers to other funds		(83,059)	(83,059)
<b>Net Cash Provided by Non-Capital Financing Activities</b>	2,199,691	(83,059)	2,116,632
<b>Cash Flows from Capital and Related Financing Activities</b>			
Purchase of capital assets	(110,158)		(110,158)
<b>Net Cash Used by Capital and Related Financing Activities</b>	(110,158)	-	(110,158)
<b>Cash Flows from Investing Activities</b>			
Receipt of interest income	3,203		3,203
Net increase (decrease) in cash and cash equivalents	305,576	(83,218)	222,358
<b>Balances, beginning of year</b>	797,898	83,218	881,116
<b>Balances, end of year</b>	<u>\$ 1,103,474</u>	<u>\$ -</u>	<u>\$ 1,103,474</u>
Reconciliation of operating income loss to net cash used by operating activities:			
Operating loss	\$ (2,037,138)	\$ (265)	\$ (2,037,403)
Adjustments to reconcile operating income loss to net cash used by operating activities:			
Depreciation	33,021	106	33,127
State on-behalf payments	125,931		125,931
Donated commodities	114,134		114,134
GASB 68 pension adjustment	(36,077)		(36,077)
GASB 75 OPEB adjustment	(4,735)		(4,735)
Change in assets and liabilities:			
Other receivables	4,642		4,642
Inventory	1,053		1,053
Accounts payable	12,009		12,009
<b>Net cash used by operating activities</b>	<u>\$ (1,787,160)</u>	<u>\$ (159)</u>	<u>\$ (1,787,319)</u>
<b>Schedule of non-cash transactions:</b>			
Donated commodities received from federal government	<u>\$ 114,134</u>	<u>\$ -</u>	<u>\$ 114,134</u>
State on-behalf payments	<u>\$ 125,931</u>	<u>\$ -</u>	<u>\$ 125,931</u>
CERS pension	<u>\$ (36,077)</u>	<u>\$ -</u>	<u>\$ (36,077)</u>
CERS OPEB	<u>\$ (4,735)</u>	<u>\$ -</u>	<u>\$ (4,735)</u>

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

**SIMPSON COUNTY SCHOOL DISTRICT**

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

June 30, 2022

	<u>Custodial Fund - Scholarship</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 136,852
<b>Total Assets</b>	<u>\$ 136,852</u>
<b>Net Position</b>	
Restricted for Scholarships	\$ 136,852
<b>Total Liabilities</b>	<u>\$ 136,852</u>

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



**SIMPSON COUNTY SCHOOL DISTRICT**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

Year Ended June 30, 2022

	<u>Custodial Fund - Scholarship</u>
<b>Additions</b>	
Contributions	\$ 115,028
Net interest and investment gains	<u>195</u>
	115,223
<b>Deductions</b>	
Scholarships paid	<u>(101,656)</u>
Change in net position	13,567
<b>Net Position, July 1, 2021</b>	<u>123,285</u>
<b>Net Position, June 30, 2022</b>	<u><u>\$ 136,852</u></u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

## **SIMPSON COUNTY SCHOOL DISTRICT**

### **NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2022

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Simpson County School District (the "District") have been prepared to conform with Accounting Principles Generally Accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

##### **A. REPORTING ENTITY**

The Simpson County Board of Education ("Board"), a five-member group, is the level of government, which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Simpson County School District. 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.

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. In accordance with GASB 14, "The Financial Reporting Entity," as amended by GASB 39, "Determining Whether Certain Organizations Are Component Units", 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 or 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. Applying this definition, District management has determined that the component unit reportable within the accompanying financial statements is the Simpson County School District Finance Corporation, (the "Corporation"). 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 Boosters, Parent-Teacher Associations, etc.

Blended Component Unit - Simpson County School District Finance Corporation – In a prior year, the Board of Education resolved to authorize the establishment of the Simpson County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors. Therefore, the financial activities of the Corporation have been blended (reported as if it were part of the District) with those of the District. The Corporation does not publish individual component unit financial statements.

##### **B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

###### **Government-wide Financial Statements**

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds.

## **SIMPSON COUNTY SCHOOL DISTRICT**

### **NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

June 30, 2022

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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

#### Fund Financial Statements

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

The Governmental Funds are accounted for on the "flow of current financial resources" measurement focus. This measurement focus is based on the concept of accountability, which includes measuring interperiod equity whether current year revenues were sufficient to pay for current year services. The Proprietary Funds are accounted for on an "economic resources" measurement focus. Accordingly, the Statement of Revenues, Expenses and Changes in Fund Net Position for the Proprietary Funds reports increases and decreases in total economic net worth. The private purpose trust fund is reported using the economic resources measurement focus.

#### Governmental Funds

Governmental Funds are those through which most District functions are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in the Proprietary Fund and Fiduciary Funds) are accounted for through Governmental Funds. The measurement focus is upon determination of changes in financial resources rather than upon determination of net income:

- (A) The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.

## SIMPSON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.
- (C) The District Activity Fund is a Special Revenue Fund type and is used to account for funds received at the District level.
- (D) The School Activity Fund is a Special Revenue Fund type and accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.
- (E) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
  - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
  - 2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
  - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- (F) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest and related costs; and for the payment of interest on notes payable, as required by Kentucky Law.

#### Proprietary Funds

Proprietary Funds are used to account for ongoing organizations and activities, which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Operating expenses include salaries, benefits, supplies and other items. All items not meeting this definition are reported as nonoperating revenues and expenses. The District has two Proprietary Funds.

## **SIMPSON COUNTY SCHOOL DISTRICT**

### **NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

June 30, 2022

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

- (A) The Food Service Fund is used to account for school food service activities, including the National School Lunch and Breakfast Programs, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA and for on-behalf payments for retirement and health insurance paid by the State of Kentucky. This is a major fund of the District.
- (B) The Daycare Fund accounts for the daycare operations of the District. Amounts have been recorded for on-behalf payments for retirement and health insurance paid by the State of Kentucky. This fund was closed during the year.

#### Fiduciary Funds

Fiduciary Funds are used to account for assets held by the District on behalf of outside related organizations or on behalf of other funds within the District.

The Custodial Fund – Scholarship is used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments for which the District acts as an agent.

#### BASIS OF ACCOUNTING

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

#### Modified Accrual

Under the modified accrual basis, revenues are recognized in the accounting period in which they become susceptible to accrual, i.e., both available and measurable. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Significant revenues susceptible to accrual include ad valorem taxes, reimbursable-type grants and interest on investments. The District considers all revenues (with the exception of the expenditure-driven grants) as available if they are collected within sixty (60) days after year-end. The expenditure driven grants are considered available if received within one year from the balance sheet date. Property tax revenue is recognized when taxes are received, except at year end when revenue is recognized for taxes received by the District within sixty (60) days subsequent to fiscal year end. Expenditures are recognized in the accounting period in which the liability is incurred. However, exceptions include the amount of unmatured principal and interest on general long-term debt, compensated absences, claims and judgments and certain prepaids which are recognized when due/paid.

## **SIMPSON COUNTY SCHOOL DISTRICT**

### **NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

June 30, 2022

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

In applying the susceptible to accrual concept to revenues from Federal and State sources, the legal contractual requirements of the numerous individual programs are used as guidance. Revenue from grants and entitlements is recognized when all eligibility requirements have been satisfied. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before the District will receive any amounts; therefore, revenues are recognized based upon the occurrence of expenditures. In the other type, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed legal and contractual requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met. In all cases, monies received before the revenue recognition criteria have been met are reported as unearned revenue.

#### Accrual

Under the accrual basis of accounting, revenues are recognized in the period earned and expenses are recognized in the period incurred.

#### Revenue Recognition

State Revenue Sources - Revenues from State sources for current operations are primarily from the Support Education Excellence in Kentucky ("SEEK"), administered by the Kentucky Department of Education ("KDE"). The District files reports on average daily attendance ("ADA") student membership with the KDE. The KDE accumulates information from these reports and calculates the allocation of SEEK funds to the District. After review and verification of ADA reports and supporting documentation, the KDE may adjust subsequent fiscal period allocations of SEEK funding. Normally, such adjustments are treated as reductions of revenue in the year the reduction is made, as amounts are not significant.

Property Taxes - On an accrual basis, property tax revenue anticipated to be collected is recognized in the fiscal year for which it is levied. Delinquent taxes collected in subsequent periods are recognized as revenue during the fiscal year in which they are received.

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

### **C. BUDGETARY POLICIES**

#### Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

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

**SIMPSON COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. All budget appropriations lapse at year-end.

**D. ENCUMBRANCES**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve a portion of an applicable appropriation, is utilized for budgetary control purposes. Encumbrances are not the equivalent of expenditures, and accordingly, amounts assigned for encumbrances at the governmental fund level indicate that portion of the fund balance segregated for expenditure upon vendor performance.

**E. CASH AND CASH EQUIVALENTS**

For purposes of the statement of cash flows, cash equivalents are considered to be demand deposits, money market funds, and other investments with an original maturity of 90 days or less.

**F. INVENTORIES**

Supplies and materials are charged to expenditures when purchased (purchases method) with the exception of the proprietary funds, which record inventory at the lower of cost, determined by first-in first-out ("FIFO") method, or market.

**G. PREPAID ITEMS**

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



## SIMPSON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

##### H. 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, except for technology items greater than \$5,000 are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets' life are not. All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	25-50 years
Technology equipment	5 years
Vehicles	5-10 years
General equipment	5-15 years
Food service equipment	5-12 years

##### I. LONG-TERM DEBT

In the fund-level financial statements, governmental funds report the face amount of debt issued, as well as any premiums (discounts) as other financing sources (uses). Debt issuance costs are reported as debt service expenditures. In the government-wide financial statements, long-term debt is reported as liabilities in the statement of net position. Bond premiums/discounts are amortized over the life of the bonds and shown as an offset of bonds payable while deferred amounts on advance refundings are amortized over the shorter of the remaining life of the refunded bonds or the life of the new bonds both in a systematic and rational method, which approximates the effective-interest method and shown as deferred outflows of resources.

##### J. COMPENSATED ABSENCES

Compensated absences are payments to employees for accumulated sick leave. These amounts also include the related employer's share of applicable taxes and retirement contributions. District employees may accumulate unused sick leave up to a specified amount depending on their date of hire. Sick leave is payable to employees upon termination or retirement at 30% of the current rate of pay on the date of termination or retirement. The District uses the termination method to calculate the compensated absences amounts. The entire compensated absence liability is reported on the government-wide financial statements. The current portion is the amount estimated to be used in the following year. An expenditure is recognized in the governmental fund as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

## **SIMPSON COUNTY SCHOOL DISTRICT**

### **NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

June 30, 2022

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

##### **K. ACCOUNTING ESTIMATES**

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

##### **L. PENSION AND OPEB PLANS**

For purposes of measuring the net pension liability, net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the Teachers' Retirement System Kentucky (TRS) and County Employees Retirement System (CERS) and additions to/deductions from TRS's and CERS's fiduciary net position have been determined on the same basis as they are reported by TRS 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.

##### **M. NET POSITION**

Net position is divided into three components:

1. Net investment in capital assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
2. Restricted net position – consist of net position that is restricted by the District's creditors (for example, through debt covenants), by grantors (federal, state and local) and by other contributors.
3. Unrestricted – all other net position is reported in this category.

##### **N. IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES**

###### **Recently Issued And Adopted Accounting Principles**

In June 2017, the GASB issued Statement 87, *Leases*. This statement is effective for periods beginning after December 15, 2019, but was delayed by eighteen months with the issuance of GASB 95. This adoption did not have an effect on the financial statements.

In June 2020, the GASB issued Statement 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*. This adoption did not have an effect on the financial statements.

## SIMPSON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

##### Recently Issued Accounting Pronouncements

In May 2019, the GASB issued Statement 91, *Conduit Debt Obligations*. This statement is effective for periods beginning after December 15, 2020, but was delayed by one year with the issuance of GASB 95. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In March 2020, the GASB issued Statement 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This statement is effective for periods beginning after June 15, 2022. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In May 2020, the GASB issued Statement 96, *Subscription-Based Information Technology Arrangements*. This statement is effective for periods beginning after June 15, 2022. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In October 2021, the GASB issued Statement 98, *The Annual Comprehensive Financial Report*. This statement is effective for periods beginning after December 15, 2021. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In October 2021, the GASB issued Statement 99, *Omnibus 2022*. This statement is effective for periods beginning after December 15, 2021. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2022, the GASB issued Statement 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. This statement is effective for periods beginning after June 15, 2023. Management is currently evaluating the impact of the adoption of this statement on the Board's financial statements.

In June 2022, the GASB issued Statement 101, *Compensated Absences*. This statement is effective for periods beginning after December 15, 2023. Management is currently evaluating the impact of the adoption of this statement on the Board's financial statements.

## SIMPSON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

#### NOTE 2 – PROPERTY TAXES

Property Tax Revenues – Property taxes are normally levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund. The usual collection date is the period from November 1 through December 31. Property tax bills paid prior to December 1 receive a two percent discount. Property taxes received after December 31, are considered to be delinquent and the County Attorney can file a lien against the property.

#### Property Taxes

The property tax rates assessed for the year ended June 30, 2022, to finance operations were \$.534 per \$100 valuation for real property, \$.534 per \$100 valuation for business personal property and \$.546 per \$100 valuation for motor vehicles. The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the District, of telephonic and telegraphic communications services, cablevision services, electric power, water, and gas.

#### NOTE 3 – DEPOSITS

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's policy is to have all deposits secured by pledged securities. At June 30, 2022, \$14,412,090 of the District's bank balance of \$14,929,895 was exposed to custodial credit risk. \$14,175,962 of the bank balance not covered by depository insurance was collateralized by securities held by the pledging financial institution and \$236,128 was uncollateralized.

#### NOTE 4 – INTERFUND ACTIVITIES

The following transfers were made during the year:

From Fund	To Fund	Purpose	Amount
General	Special Revenue	Grants	\$ 141,984
General	Construction	Construction	1,300,000
General	Nonmajor Governmental	Operations	2,402
Construction	Construction	Internal	25,714
Nonmajor Governmental	General	Athletics	10,256
Nonmajor Governmental	Nonmajor Governmental	Internal	188,461
Nonmajor Governmental	Nonmajor Governmental	Debt Service	1,167,144
Nonmajor Governmental	Construction	COFT	79,000
Nonmajor Governmental	Construction	BFFT	281,000
Daycare	General	Close Fund	83,058
			<u>\$ 3,279,019</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund for debt service payments, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**SIMPSON COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

**NOTE 5 - CAPITAL ASSETS**

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

Governmental Activities	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 606,981	\$ -	\$ -	\$ 606,981
Construction in progress	3,950	775,259		779,209
<b>Total Capital Assets Not Being Depreciated</b>	<b>610,931</b>	<b>775,259</b>	<b>-</b>	<b>1,386,190</b>
<b>Other Capital Assets:</b>				
Land improvements	2,239,852		(20,633)	2,219,219
Buildings and improvements	44,013,092			44,013,092
Technology equipment	3,217,710	456,878	(1,333,436)	2,341,152
Leased technology equipment		213,455		213,455
Vehicles	3,342,004	259,880	(240,720)	3,361,164
General equipment	2,140,686	124,898	(11,649)	2,253,935
<b>Total Other Capital Assets at Historical Cost</b>	<b>54,953,344</b>	<b>1,055,111</b>	<b>(1,606,438)</b>	<b>54,402,017</b>
<b>Less Accumulated Depreciation For:</b>				
Land improvements	1,883,694	58,940	(13,558)	1,929,076
Buildings and improvements	21,354,657	1,087,178		22,441,835
Technology equipment	2,101,339	354,750	(1,281,702)	1,174,387
Vehicles	2,217,598	241,428	(234,310)	2,224,716
General equipment	1,593,473	87,569	(9,712)	1,671,330
<b>Less Accumulated Amortization For:</b>				
Leased technology equipment		48,917		48,917
<b>Total accumulated depreciation and amortization</b>	<b>29,150,761</b>	<b>1,878,782</b>	<b>(1,539,282)</b>	<b>29,490,261</b>
<b>Total Other Capital Assets, net</b>	<b>25,802,583</b>	<b>(823,671)</b>	<b>(67,156)</b>	<b>24,911,756</b>
<b>Governmental Activities Capital Assets - Net</b>	<b>\$ 26,413,514</b>	<b>\$ (48,412)</b>	<b>\$ (67,156)</b>	<b>\$ 26,297,946</b>

Depreciation and amortization was charged to governmental functions as follows:

Function	Amount
Instruction	\$ 1,291,331
Instructional staff	554
District administration	30,191
School administration	6,412
Business support	812
Plant	346,302
Transportation	203,180
	<u>\$ 1,878,782</u>

**SIMPSON COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

**NOTE 5 - CAPITAL ASSETS – CONTINUED**

Capital asset activity for business-type activities for the fiscal year ended June 30, 2022, was as follows:

Business-Type Activities	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022
Capital Assets Being Depreciated:				
Technology equipment	\$ 69,251	\$ 4,830	\$ (42,342)	\$ 31,739
Food service equipment	571,807	105,328	(2,459)	674,676
Totals at historical cost	641,058	110,158	(44,801)	706,415
Less Accumulated Depreciation For:				
Technology equipment	55,743	5,095	(42,078)	18,760
Food service equipment	504,321	28,032	(2,152)	530,201
Total accumulated depreciation	560,064	33,127	(44,230)	548,961
Business-Type Activities Capital Assets - Net	\$ 80,994	\$ 77,031	\$ (571)	\$ 157,454

**NOTE 6 – RISK MANAGEMENT**

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

**SIMPSON COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2022

**NOTE 7 – LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities for the year ended June 30, 2022, is as follows:

Description	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Due Within One Year
<b>Governmental Activities:</b>					
Bonds and Leases Payable:					
Revenue bonds	\$ 12,735,000	\$ 2,995,000	\$ (1,300,000)	\$ 14,430,000	\$ 1,430,000
Financed purchases	117,216		(68,353)	48,863	32,276
Capital leases	-	213,455	(56,543)	156,912	54,368
	12,852,216	3,208,455	(1,424,896)	14,635,775	1,516,644
Less Discounts and Premiums	(47,576)		2,344	(45,232)	-
Total Bonds and Leases Payable	12,804,640	3,208,455	(1,422,552)	14,590,543	1,516,644
Other Liabilities:					
Compensated absences	379,701	117,384	(75,927)	421,158	215,821
Total Other Liabilities	379,701	117,384	(75,927)	421,158	215,821
Total Governmental Activities Long-Term Liabilities	\$ 13,184,341	\$ 3,325,839	\$ (1,498,479)	\$ 15,011,701	\$ 1,732,465

The debt service fund is primarily responsible for paying the bond obligations through funding from the General, Capital Outlay and FSPK funds. The general fund is primarily responsible for paying compensated absences and KSBIT.

Bond Liabilities

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

Issue Date	Proceeds	Rate
2007	\$ 2,150,000	3.50% - 3.80%
2012R	7,450,000	1.00% - 2.25%
2013	1,735,000	1.60% - 4.00%
2014R	4,680,000	1.00% - 3.45%
2015R	4,100,000	2.00% - 2.25%
2015	670,000	2.90%
2016	1,115,000	2.00% - 3.125%
2022	2,995,000	2.00% - 3.625%

On May 4, 2022, the District issued \$2,995,000 in School Building Revenue Bonds at an average interest rate of 3.56 percent. The net proceeds of \$2,898,356 (after \$96,644 in bond issuance costs) were deposited in the Construction Fund.

## SIMPSON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2022

#### NOTE 7 – LONG-TERM LIABILITIES – CONTINUED

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Simpson 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 “participation agreements” with the Kentucky School Facilities Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

The 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:

Year	Principal	Interest	Participation	District's Portion
2023	1,430,000	\$ 405,917	\$ 641,376	\$ 1,194,541
2024	1,455,000	376,319	640,390	1,190,929
2025	1,485,000	342,565	639,390	1,188,175
2026	1,510,000	297,406	638,390	1,169,016
2027	1,470,000	257,665	565,720	1,161,945
2028-2032	4,410,000	808,106	1,464,948	3,753,158
2033-2037	1,715,000	308,949	1,020,737	1,003,212
2038-2042	955,000	104,631	863,300	196,331
	<u>\$ 14,430,000</u>	<u>\$ 2,901,558</u>	<u>\$ 6,474,251</u>	<u>\$ 10,857,307</u>



**SIMPSON COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2022

**NOTE 7 – LONG-TERM LIABILITIES – CONTINUED**

Financed Purchases

The following is an analysis of the leased property under financed purchases by class. These assets are included in capital assets and are depreciated:

Classes of Property

Buses	
Gross amount of assets	\$ 356,976

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2022:

<u>Description</u>	<u>Year</u>	<u>Amount</u>
	2023	\$ 33,540
	2024	<u>17,085</u>
Total minimum lease payments		50,625
Less: Amount representing interest		<u>(1,762)</u>
Present Value of Net Minimum Lease Payments		<u>\$ 48,863</u>

Capital Leases

The following is an analysis of the leased property under financed purchases by class. These assets are included in capital assets and are depreciated:

Classes of Property

Copiers	
Gross amount of assets	\$ 213,455

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2022:

<u>Description</u>	<u>Year</u>	<u>Amount</u>
	2023	\$ 56,543
	2024	56,543
	2025	<u>56,543</u>
Total minimum lease payments		169,629
Less: Amount representing interest		<u>(12,717)</u>
Present Value of Net Minimum Lease Payments		<u>\$ 156,912</u>

## **SIMPSON COUNTY SCHOOL DISTRICT**

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2022

#### **NOTE 8 – PENSION PLANS**

##### Plan Descriptions

The Simpson County School District participates in the Teachers' Retirement System of the State of Kentucky (TRS), a component unit of the Commonwealth of Kentucky which includes certified employees and the County Employees' Retirement System (CERS), a component unit of the Commonwealth of Kentucky which includes all other employees, both of which are cost-sharing multiple-employer defined benefit plans. TRS, which qualifies as a special funding situation under GASB 68, and CERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. TRS is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Retirement Systems (KERS) administers the CERS. The TRS and CERS issue a publicly available financial reports that include financial statements and required supplementary information. TRS' report may be obtained at [www.trs.ky.gov](http://www.trs.ky.gov). CERS' report may be obtained at [www.kyret.ky.gov](http://www.kyret.ky.gov).

##### **TRS**

###### ***Retirement Plan***

###### Benefits Provided

*For Members Before July 1, 2008:*

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

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

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

The final average salary is the member's five (5) highest annual salaries except members at least age fifty-five (55) with twenty-seven (27) or more years of service may use their three (3) 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. The System also provides disability benefits for vested members at the rate of sixty percent (60%) of the final average salary. Cost of living increases are one and one-half percent (1.5%) annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

## **SIMPSON COUNTY SCHOOL DISTRICT**

### **NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**

June 30, 2022

#### **NOTE 8 – PENSION PLANS – CONTINUED**

*For Members On or After July 1, 2008:*

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

- 1.) Attain age sixty (60) and complete five (5) years of Kentucky service, or
- 2.) Complete twenty-seven (27) years of Kentucky service, or
- 3.) Attain age fifty-five (55) and complete ten (10) years of Kentucky service.

The annual retirement allowance for non-university members is equal to: (a) one and seven tenths percent (1.7%) of final average salary for each year of credited service if their service is 10 years or less; (b) two percent (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) two and three tenths percent (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) two and one half percent (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) three percent (3.0%) of final average salary for years of credited service greater than 30 years.

The annual retirement allowance for university members is equal to: (a) one and one-half percent (1.5%) of final average salary for each year of credited service if their service is 10 years or less; (b) one and seven tenths percent (1.7%) 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) one and eighty five hundredths percent (1.85%) of final average salary for each year of credited service if their service is greater than 20 years but less than 27 years; (d) two percent (2.0%) of final average salary for each year of credited service if their service is greater than or equal to 27 years.

The final average salary is the member's five (5) highest annual salaries except members at least age fifty-five (55) with twenty-seven (27) or more years of service may use their three (3) 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.

#### Contributions

Contribution rates are established by Kentucky Revised Statutes. The State contributes 100 percent of school districts' contractually required contributions, which are actuarially determined. Employees are required to contribute 12.855 percent of their annual salary. The school districts' contractually required contribution rate for the year ended June 30, 2022, was 13.105 percent of salaries for members in the plan before July 1, 2008 and 14.105 percent of salaries for members who started their account after June 30, 2008. The District made no contributions to the pension plan for the year ended June 30, 2022. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

## SIMPSON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2022

#### NOTE 8 – PENSION PLANS – CONTINUED

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

At June 30, 2022, the District reported no net pension liability because it did not have a proportionate share of the net pension liability. There was no amount recognized by the District as its proportionate share of the net pension liability. The related State share of the net pension liability was \$53,624,171.

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. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2021, the District's proportion was .4121 percent.

For the year ended June 30, 2022, the District recognized pension expense of negative \$8,353,763 and revenue of negative \$8,353,763 (\$4,280,460 in the governmental funds and negative \$12,634,223 in government-wide activities) for support provided by the State. At June 30, 2022, the District reported no deferred outflows of resources and no deferred inflows of resources related to TRS.

##### Actuarial Assumptions

The total pension 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 percent
Salary increases	3.50 – 7.30 percent, including inflation
Investment rate of return	7.10 percent, net of pension plan investment expense, including inflation
Municipal Bond Index Rate	2.13%

Mortality rates were based on the Pub-2010 (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 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.

**SIMPSON COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2022

**NOTE 8 – PENSION PLANS – CONTINUED**

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap U.S. Equity	37.4%	4.2%
Small Cap U.S. Equity	2.6%	4.7%
Developed International Equity	16.5%	5.3%
Emerging Markets Equity	5.5%	5.4%
Fixed Income	15.0%	-0.1%
High Yield Bonds	2.0%	1.7%
Other	5.0%	2.2%
Real Estate	7.0%	4.0%
Private Equity	7.0%	6.9%
Cash	2.0%	-0.3%
	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. It was assumed that Plan member contributions will be made at the current contribution rates and that Employer contributions will be made at the Actuarially Determined Contribution rates for all fiscal years in the future. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Of The Net Pension Liability To Changes In The Discount Rate

The District has no proportional share of the net pension liability. The following presents the sensitivity of the System’s net pension liability calculated using the discount rate of 7.10 percent, as well as what the System’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
System's net pension liability (in thousands)	\$ 18,389,990	\$ 13,605,788	\$ 9,631,759

## **SIMPSON COUNTY SCHOOL DISTRICT**

### **NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**

June 30, 2022

#### **NOTE 8 – PENSION PLANS – CONTINUED**

##### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position, which has been determined on the same basis as that used by the plan, is available in the separately issued TRS financial report. The financial statements are prepared on the accrual basis of accounting. Member contributions and employer matching contributions are recognized in the fiscal year due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

##### **CERS**

##### Benefits Provided

The system provides for retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of members under certain circumstances. Prior to July 1, 2009, cost-of-living adjustments (COLA) 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. Effective July 1, 2009, and on July 1 of each year thereafter through June 30, 2014, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgment, the welfare of the Commonwealth so demands. No COLA has been granted since July 1, 2011.

The Board of Trustees 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, 2021, was determined using these updated assumptions.

Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 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 the Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020. There were no other material plan provision changes.

##### Contributions

For the fiscal year ended June 30, 2022, plan members who began participating prior to September 1, 2008, were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The 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 Board. The school districts' contractually required contribution rate for the year ended June 30, 2022, was 21.17 percent of annual creditable compensation. Contributions to the pension plan from the District were \$947,763.

**SIMPSON COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2022

**NOTE 8 – PENSION PLANS – CONTINUED**

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 \$9,874,050 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 June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2021, the District's proportion was 0.154868 percent, which was a decrease of .011507 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$780,585. At June 30, 2022, the District reported its proportionate share of the CERS deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 113,384	\$ 95,834
Changes in actuarial assumptions	132,522	
Difference between projected and actual investment earnings		1,316,046
Changes in proportion and differences between employer contributions and proportionate share of contributions	68,758	520,463
Contributions paid to CERS subsequent to the measurement date	947,763	
	<u>\$ 1,262,427</u>	<u>\$ 1,932,343</u>

The amount reported as deferred outflows for District contributions subsequent to the measurement date of \$947,763 will be recognized as a reduction of the net pension liability in the year ending 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:

Year Ending June 30	Pension Expense Amount
2023	\$ (332,532)
2024	(559,449)
2025	(313,580)
2026	(412,118)
	<u>\$ (1,617,679)</u>

**SIMPSON COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2022

**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, applied to all periods included in the measurement:

Inflation	2.30 percent
Salary increases	3.30 percent to 10.30%, varies by service, including inflation
Investment rate of return	6.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2018 and adopted by the Board on April 18, 2019.

The long-term expected return on plan assets 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.



**SIMPSON COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2022

**NOTE 8 – PENSION PLANS – CONTINUED**

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Real Estate	10.00%	5.40%
Real Return	10.00%	4.55%
Total	<u>100.00%</u>	

Discount Rate

The projection of cash flows used to determine the discount rate of 6.25% for CERS Non-hazardous and CERS 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). 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 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 percent, 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 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	<u>1% Decrease (5.25%)</u>	<u>Current Discount Rate (6.25%)</u>	<u>1% Increase (7.25%)</u>
District's proportionate share of the net pension liability	\$ 12,663,937	\$ 9,874,050	\$ 7,565,483

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position, which has been determined on the same basis as that used by the plan, is available in the separately issued CERS financial report. The financial statements are prepared on the accrual basis of accounting. Member contributions and employer matching contributions are recognized in the fiscal year due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

## **SIMPSON COUNTY SCHOOL DISTRICT**

### **NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**

June 30, 2022

#### **NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS**

##### Plan Descriptions

The Simpson County School District participates in the Teachers' Retirement System of the State of Kentucky (TRS), a component unit of the Commonwealth of Kentucky which includes certified employees and the County Employees' Retirement System (CERS), a component unit of the Commonwealth of Kentucky which includes all other employees, both of which are cost-sharing multiple-employer defined benefit plans. TRS, which qualifies as a special funding situation for the Life Insurance Fund under GASB 75, and CERS provide other post-employment benefits to plan members and beneficiaries. TRS is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Retirement Systems (KERS) administers the CERS. The TRS and CERS issue a publicly available financial reports that include financial statements and required supplementary information. TRS' report may be obtained at [www.trs.ky.gov](http://www.trs.ky.gov). CERS' report may be obtained at [www.kyret.ky.gov](http://www.kyret.ky.gov).

##### **TRS**

##### General Information about the OPEB Plan

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

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

##### **Medical Insurance Fund**

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

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

## SIMPSON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2022

#### NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

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

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

At June 30, 2022, the District reported a liability of \$4,704,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 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 to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021, the District's proportion was .397236 percent, which was an increase of .006697 percent from its proportion measured as of June 30, 2020.

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	\$	4,704,000
State proportionate share of the net OPEB liability associated with the District		<u>3,820,000</u>
Total	\$	<u><u>8,524,000</u></u>

For the year ended June 30, 2022, the District recognized OPEB expense of negative \$173,000 and revenue of \$315,998 for support provided by the Commonwealth. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

**SIMPSON COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2022

**NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED**

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ 1,230,000	\$ -
Difference between projected and actual economic experience		2,797,000
Difference between projected and actual investment earnings		502,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	254,000	65,000
Contributions paid to TRS subsequent to the measurement date	421,000	
	<u>\$ 1,905,000</u>	<u>\$ 3,364,000</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$421,000 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:

Year Ending June 30	OPEB Expense Amount
2023	\$ (468,000)
2024	(470,000)
2025	(445,000)
2026	(416,000)
2027	(93,000)
Thereafter	12,000
	<u>\$ (1,880,000)</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:

Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.00 – 7.50%, including inflation
Inflation rate	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Healthcare cost trend rates	
Under 65	7.00% for FY 2021 decreasing to an ultimate rate of 4.50% by FY 2031
Ages 65 and Older	5.05% for FY 2022 decreasing to an ultimate rate of 4.50% by FY 2024
Medicare Part B Premiums	4.40% for FY 2021 with an ultimate rate of 4.50% by 2034
Municipal Bond Index Rate	2.13%
Discount Rate	7.10%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including inflation

## SIMPSON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2022

#### NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

Mortality rates were based on the Pub-2010 (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 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 health care cost trend assumption was updated for the June 30, 2020 valuation and was shown as an assumption change in the TOL roll forward, while the change in initial per capita claims costs were included with experience in the TOL roll forward.

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	58.0%	5.1%
Fixed Income	9.0%	-0.1%
Real Estate	6.5%	4.0%
Private Equity	8.5%	6.9%
High Yield	8.0%	1.7%
Other	9.0%	2.2%
Cash (LIBOR)	1.0%	-0.3%
	<u>100.0%</u>	

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.

**SIMPSON COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2022

**NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED**

Sensitivity Of The District's Proportionate Share Of The Net OPEB Liability To Changes In The Discount Rate

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 7.10%, 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 rate:

Description	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net OPEB liability	\$ 6,022,000	\$ 4,704,000	\$ 3,614,000

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

Description	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 3,417,000	\$ 4,704,000	\$ 6,305,000

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

**Life Insurance Fund**

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

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

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

## SIMPSON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2022

#### NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

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

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 OPEB liability was \$0 and the Commonwealth's total portion of the net OPEB liability that was associated with the District was \$51,000.

For the year ended June 30, 2022, the District recognized OPEB expense of \$7,782 and revenue of \$7,782 for support provided by the Commonwealth. At June 30, 2022, the District reported no deferred outflows of resources and deferred inflows of resources related to the OPEB

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:

Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.00 – 7.50%, including inflation
Inflation rate	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Municipal Bond Index Rate	2.13%
Discount Rate	7.10%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including inflation

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 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 health care cost trend assumption was updated for the June 30, 2020 valuation and was shown as an assumption change in the TOL roll forward, while the change in initial per capita claims costs were included with experience in the TOL roll forward.

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.

**SIMPSON COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2022

**NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED**

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. Equity	40.0%	4.4%
International Equity	23.0%	5.6%
Fixed Income	18.0%	-0.1%
Real Estate	6.0%	4.0%
Private Equity	5.0%	6.9%
Other	6.0%	2.1%
Cash (LIBOR)	2.0%	-0.3%
	100%	

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.

Sensitivity Of The Net OPEB Liability To Changes In The Discount Rate

The District has no proportional share of the net OPEB liability. The following presents the sensitivity of the System's net pension liability calculated using the discount rate of 7.10 percent, as well as what the System’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

Description	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
System's net OPEB liability (in thousands)	\$ 30,217	\$ 13,078	\$ (800)

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



## SIMPSON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2022

#### NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

##### CERS

Plan description – The Kentucky Retirement Systems' Insurance Fund (Insurance Fund) was established to provide hospital and medical insurance for eligible members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of premiums to purchase hospital and medical insurance.

Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 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 the Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020. There were no other material plan provision changes.

Benefits provided – For members participating prior to July 1, 2003, KRS pays a percentage of the monthly premium for single coverage based upon the service credit accrued at retirement. Members participating on or after July 1, 2003, and before September 1, 2008, are required to earn at least 10 years of service credit in order to be eligible for insurance benefits at retirement. Members participating on or after September 1, 2008 are required to earn at least 15 years of service credit in order to be eligible for insurance benefits at retirement. The monthly health insurance contribution will be \$10 for each year of earned service increased by the CPI prior to July 1, 2009, and by 1.5% annually from July 1, 2009.

Contributions – For the fiscal year ended June 30, 2022, plan members who began participating prior to September 1, 2008, were required to contribute 0% of their annual creditable compensation. Those members who began participating on, or after, September 1, 2008 and before January 1, 2014 were required to contribute 1% of their annual creditable compensation. Those members who began participating on, or after, January 1, 2014 were required to contribute 1% of their annual creditable compensation but their contribution is not credited to their account and is not refundable. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The 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 Board. The school districts' contractually required contribution rate for the year ended June 30, 2022, was 5.78 percent of annual creditable compensation. Contributions to the pension plan from the District were \$258,766.

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

At June 30, 2022, the District reported a liability of \$2,964,181 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 a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2021, the District's proportion was 0.154832 percent, which was a decrease of .0011496 percent from its proportion measured as of June 30, 2020.

**SIMPSON COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2022

**NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED**

For the year ended June 30, 2022, the District recognized OPEB expense of \$339,003. At June 30, 2022, the District reported its proportionate share of the CERS deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 466,118	\$ 885,006
Changes in actuarial assumptions	785,861	2,756
Difference between projected and actual investment earnings		463,705
Changes in proportion and differences between employer contributions and proportionate share of contributions	23,080	195,707
Contributions paid to CERS subsequent to the measurement date	258,766	
	\$ 1,533,825	\$ 1,547,174

Of the total amount reported as deferred outflows of resources related to OPEB, \$258,766 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:

Year Ending June 30	OPEB Expense Amount
2023	\$ 30,350
2024	(40,035)
2025	(45,607)
2026	(216,823)
	\$ (272,115)

## SIMPSON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2022

#### NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

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:

Investment rate of return	6.25%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.30% to 10.30%, varies by service
Inflation rate	2.30%
Real Wage Growth	2.00%
Healthcare Trend Rate:	
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.
Post-65	Initial trend starting at 6.30% at January 1, 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Municipal Bond Index Rate	1.92%
Discount Rate	5.20%

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2018 and adopted by the Board on April 18, 2019.

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates 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.

**SIMPSON COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2022

**NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED**

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Real Estate	10.00%	5.40%
Real Return	<u>10.00%</u>	4.55%
Total	<u>100.00%</u>	

Discount Rate

The projection of cash flows used to determine the discount rate of 5.20% assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 28 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 1.92%, as reported in Fidelity Index’s “20 –Year Municipal GO AA Index” as of June 30, 2021. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the ACFR.

Sensitivity Of The District's Proportionate Share Of The Net OPEB Liability To Changes In The Discount Rate

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

Description	1% Decrease (4.20%)	Current Discount Rate (5.20%)	1% Increase (6.20%)
District's proportionate share of the net OPEB liability	\$ 4,069,798	\$ 2,964,181	\$ 2,056,839

## SIMPSON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2022

#### NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

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

Description	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 2,133,858	\$ 2,964,181	\$ 3,966,394

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

#### DEFERRED COMPENSATION

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Sections 457, 401(k) and 403(b). The Plans, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administrative involvement who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The District, therefore, does not show these assets and liabilities on these financial statements.

#### NOTE 10 – FUND BALANCES

Nonspendable fund balances are those that cannot be spent on future obligations. At June 30, 2022, there were \$3,362 of nonspendable fund balances related to prepaid items.

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 \$210,579 restricted for sick leave in the General Fund, \$65,408 restricted for grants in the Special Revenue Fund, \$84,932 restricted for future school activities in the District Activity Fund, \$189,3270 restricted for future school activities in the Student Activity Fund, \$35,837 restricted for capital projects in the SEEK Capital Outlay Fund, \$45,880 restricted for capital projects in the FSPK Fund, \$3,804,861 restricted for capital projects in the Construction Fund and \$21 restricted for debt service in the Debt Service Fund.

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 General Fund commitments at June 30, 2022: \$83,254 for future construction and \$1,003,027 for a minimum fund balance policy.

## **SIMPSON COUNTY SCHOOL DISTRICT**

### **NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**

June 30, 2022

#### **NOTE 10 – FUND BALANCES – CONTINUED**

Assigned fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. There was no amount assigned related to encumbrances at June 30, 2022 in the General Fund. Assigned fund balance also includes (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. The amount assigned in the General Fund was \$511,972 (\$100,000 for unemployment, \$285,860 for future CTE, \$48,078 for site-based carryover, \$67,000 for SRO startup costs and \$11,034 for other operational items).

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.

The District considers unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Also, the District has established the order of assigned, committed and restricted when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Statutorily, the Kentucky Department of Education may assume financial control over any school district whose fund balance drops below 2% of the total expenditures of certain funds. To maintain balances above this level, they recommend reserving at least 5%. On June 30, 2022, the Board had committed \$1,003,027 of funds to ensure fund balance remains above these levels. While these funds have been properly committed and not budgeted for future years' expenditures, there is no mandate on how these funds would be used if the Board fell below this floor.

#### **NOTE 11 – COMMITMENTS AND CONTINGENCIES**

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

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 basic financial statements as a result of the cases presently in progress.

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

The District also has construction commitments for on-going projects at June 30, 2022.

**SIMPSON COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

**NOTE 12 – DEFICIT FUND BALANCE/NET POSITION**

The Food Service Fund had a deficit net position at June 30, 2022 in the amount of \$273,285. The deficit net position is a result of the recording of the net pension liability for CERS as part of GASB Statement 68 and the net OPEB liability for CERS as part of GASB Statement 75.

The following funds had operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance/net position:

<u>Fund</u>	<u>Amount</u>
General Fund	\$ 69,118
Daycare Fund	83,587

**NOTE 13 – ON-BEHALF PAYMENTS**

The District receives on-behalf payments from the Commonwealth of Kentucky for items including pension, technology, health care costs, operating costs and debt service. The amounts received and funds where these items were recorded for the fiscal year ended June 30, 2022 were as follows:

<u>Description</u>	<u>Amount</u>
Health	\$ 3,511,136
Life	5,151
Admin	41,168
HRA	151,725
TRS Pension	4,280,460
TRS OPEB	323,780
Technology	100,692
Debt Service	469,690
Less: Federal Reimbursement	<u>(446,058)</u>
Total on-behalf	<u>\$ 8,437,744</u>

Recorded as follows:

General Fund	\$ 7,842,123
Food Service Fund	125,931
Debt Service Fund	<u>469,690</u>
	<u>\$ 8,437,744</u>

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**SIMPSON COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2022

**NOTE 15 – RESTATEMENT**

The District closed the Daycare Fund during the year which resulted in the net position being restated by \$325,308.



**REQUIRED SUPPLEMENTARY INFORMATION**

**SIMPSON COUNTY SCHOOL DISTRICT**

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

GENERAL FUND

Year Ended June 30, 2022

	<u>Original</u>	<u>Final</u>	<u>Actual</u>
<b>Revenues:</b>			
From local sources:			
Taxes:			
Property	\$ 7,790,122	\$ 7,932,001	\$ 7,889,423
Motor vehicle	756,692	786,231	942,450
Utilities	1,600,000	1,600,000	1,608,226
Unmined minerals	1,000	1,000	728
Revenue in lieu of taxes	500,000	515,000	539,869
Earnings on investments	30,000	16,000	38,228
Other local revenues	27,000	37,000	134,824
Intergovernmental - State	9,564,208	9,926,816	17,809,230
Intergovernmental - Indirect Federal	100,000	160,000	183,945
<b>Total Revenues</b>	<u>20,369,022</u>	<u>20,974,048</u>	<u>29,146,923</u>
<b>Expenditures:</b>			
Instruction	12,366,487	12,195,293	18,309,243
Support services:			
Student	1,097,435	383,900	522,612
Instruction staff	734,104	661,011	1,022,665
District administrative	656,311	659,706	747,278
School administrative	1,439,413	1,434,187	2,034,239
Business	749,265	744,260	1,015,192
Plant operation and maintenance	2,721,975	2,594,487	2,957,191
Student transportation	1,204,979	1,207,723	1,431,015
Other non-instruction	3,627,485	5,328,683	71,288
<b>Total Expenditures</b>	<u>24,597,454</u>	<u>25,209,250</u>	<u>28,110,723</u>
<b>Excess (Deficit) of Revenues over Expenditures</b>	(4,228,432)	(4,235,202)	1,036,200
<b>Other Financing Sources (Uses):</b>			
Proceeds from disposal of capital assets	3,000	3,000	22,191
Capital lease proceeds			213,455
Insurance proceeds			10,108
Transfers in			93,314
Transfers out	(133,430)	(1,444,237)	(1,444,386)
<b>Total Other Financing Sources (Uses)</b>	<u>(130,430)</u>	<u>(1,441,237)</u>	<u>(1,105,318)</u>
<b>Net Change in Fund Balances</b>	(4,358,862)	(5,676,439)	(69,118)
<b>Fund Balance, July 1, 2021</b>	<u>4,358,862</u>	<u>5,676,439</u>	<u>7,391,286</u>
<b>Fund Balance, June 30, 2022</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,322,168</u>

Both inflows and outflows are equally different in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds by the amount of on-behalf payments of \$7,842,123.

**SIMPSON COUNTY SCHOOL DISTRICT**

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

**SPECIAL REVENUE FUND**

Year Ended June 30, 2022

	Original	Final	Actual
<b>Revenues:</b>			
Earnings on investments	\$ -	\$ 164	\$ 184
Tuition and fees		16,750	819
Other local revenues	14,334	99,038	1,017,882
Intergovernmental - State	1,380,489	1,350,440	1,381,268
Intergovernmental - Indirect Federal	2,301,235	8,819,646	6,045,455
<b>Total Revenues</b>	<b>3,696,058</b>	<b>10,286,038</b>	<b>8,445,608</b>
<b>Expenditures:</b>			
Instruction	3,240,926	4,390,739	6,053,991
Support services:			
Student	101,023	2,780,007	996,693
Instruction staff		1,065,589	349,208
Business	30,075	89,477	94,225
Plant operation and maintenance	16,106	736,140	280,534
Student transportation	29,871	616,589	298,017
Community service activities	411,487	749,481	487,852
<b>Total Expenditures</b>	<b>3,829,488</b>	<b>10,428,022</b>	<b>8,560,520</b>
<b>Excess (Deficit) of Revenues over Expenditures</b>	<b>(133,430)</b>	<b>(141,984)</b>	<b>(114,912)</b>
<b>Other Financing Sources (Uses):</b>			
Transfers in	133,430	141,984	141,984
<b>Total Other Financing Sources (Uses)</b>	<b>133,430</b>	<b>141,984</b>	<b>141,984</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>-</b>	<b>27,072</b>
<b>Fund Balance, July 1, 2021</b>	<b>-</b>	<b>-</b>	<b>38,336</b>
<b>Fund Balance, June 30, 2022</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 65,408</b>

**SIMPSON COUNTY SCHOOL DISTRICT**

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

June 30, 2022

Last 10 Years \*

	2022	2021	2020	2019
Proportion of the net pension liability	0.154868%	0.166375%	0.164524%	0.162649%
Proportionate share of the net pension liability	\$ 9,874,050	\$ 12,760,825	\$ 11,571,046	\$ 9,905,820
Covered payroll	\$ 3,973,020	\$ 4,308,512	\$ 4,174,047	\$ 4,077,800
Proportionate share of the net pension liability as percentage of covered payroll	248.5%	296.2%	277.2%	242.9%
Plan fiduciary net position as a percentage of the total pension liability	57.33%	47.81%	50.45%	53.54%
	2018	2017	2016	2015
Proportion of the net pension liability	0.163166%	0.162875%	0.162639%	0.161299%
Proportionate share of the net pension liability	\$ 9,550,608	\$ 8,019,348	\$ 6,992,722	\$ 5,233,000
Covered payroll	\$ 4,024,830	\$ 3,894,942	\$ 3,778,484	\$ 3,730,579
Proportionate share of the net pension liability as percentage of covered payroll	237.3%	205.9%	185.1%	140.3%
Plan fiduciary net position as a percentage of the total pension liability	53.30%	55.50%	59.97%	66.80%

\* Fiscal year 2015 was the first year of implementation, therefore, only eight years are shown.

**SIMPSON COUNTY SCHOOL DISTRICT**

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

June 30, 2022

Last 10 Years \*

	<u>2022</u>	<u>2021</u>	
Proportion of the net OPEB liability	0.154832%	0.166328%	
Proportionate share of the net OPEB liability	\$ 2,964,181	\$	4,016,315
Covered payroll	\$ 3,973,020	\$	4,308,512
Proportionate share of the net OPEB liability as percentage of covered payroll	74.61%	93.22%	
Plan fiduciary net position as a percentage of the total OPEB liability	62.91%	51.67%	
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Proportion of the net OPEB liability	0.164483%	0.162643%	0.163166%
Proportionate share of the net OPEB liability	\$ 2,766,531	\$ 2,887,695	\$ 3,280,195
Covered payroll	\$ 4,174,047	\$ 4,077,800	\$ 4,024,830
Proportionate share of the net OPEB liability as percentage of covered payroll	66.28%	70.82%	81.50%
Plan fiduciary net position as a percentage of the total OPEB liability	60.44%	57.62%	52.39%

\* Fiscal year 2018 was the first year of implementation, therefore, only five years are shown.

**SIMPSON COUNTY SCHOOL DISTRICT**

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

June 30, 2022

Last 10 Years \*

	2022	2021	2020	2019
Proportion of the net pension liability	0.412100%	0.405600%	0.409200%	0.405400%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -
State proportionate share of the net pension liability associated with the District	53,624,171	57,491,640	55,834,158	53,080,664
Total	\$ 53,624,171	\$ 57,491,640	\$ 55,834,158	\$ 53,080,664
Covered payroll	\$ 13,511,765	\$ 13,336,919	\$ 13,098,920	\$ 12,771,497
District's proportionate share of the net pension liability as a percentage of covered payroll	0.0%	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	65.60%	58.30%	58.80%	59.30%

  

	2018	2017	2016	2015
Proportion of the net pension liability	0.402800%	0.403200%	0.394800%	0.383600%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -
State proportionate share of the net pension liability associated with the District	108,683,795	118,935,585	91,869,523	78,836,294
Total	\$ 108,683,795	\$ 118,935,585	\$ 91,869,523	\$ 78,836,294
Covered payroll	\$ 12,525,923	\$ 12,616,544	\$ 12,313,546	\$ 11,972,374
District's proportionate share of the net pension liability as a percentage of covered payroll	0.0%	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	39.80%	35.20%	42.50%	45.59%

\* Fiscal year 2015 was the first year of implementation, therefore, only eight years are shown.

**SIMPSON COUNTY SCHOOL DISTRICT**

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE TRS NET OPEB LIABILITY  
- MEDICAL INSURANCE FUND

June 30, 2022

Last 10 Years \*

	2022	2021	
Proportion of the net OPEB liability	0.397236%	0.390539%	
District's proportionate share of the net OPEB liability	\$ 4,704,000	\$ 5,473,000	
State proportionate share of the net OPEB liability associated with the District	3,820,000	4,384,000	
Total	\$ 8,524,000	\$ 9,857,000	
Covered - employee payroll	\$ 12,234,376	\$ 13,033,333	
District's proportionate share of the net OPEB liability as percentage of covered payroll	38.45%	41.99%	
Plan fiduciary net position as a percentage of the total OPEB liability	51.70%	39.10%	
	2020	2019	2018
Proportion of the net OPEB liability	0.393463%	0.387960%	0.384260%
District's proportionate share of the net OPEB liability	\$ 6,371,000	\$ 7,230,000	\$ 7,542,000
State proportionate share of the net OPEB liability associated with the District	5,145,000	6,231,000	6,160,000
Total	\$ 11,516,000	\$ 13,461,000	\$ 13,702,000
Covered - employee payroll	\$ 12,766,667	\$ 12,310,951	\$ 11,920,518
District's proportionate share of the net OPEB liability as percentage of covered payroll	49.90%	58.73%	63.27%
Plan fiduciary net position as a percentage of the total OPEB liability	32.60%	32.60%	25.50%

\* Fiscal year 2018 was the first year of implementation, therefore, only five years are shown.

**SIMPSON COUNTY SCHOOL DISTRICT**

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE TRS NET OPEB LIABILITY  
- LIFE INSURANCE FUND

June 30, 2022

Last 10 Years \*

	2022	2021	
Proportion of the net OPEB liability	0.388351%	0.381910%	
District's proportionate share of the net OPEB liability	\$ -	\$ -	
State proportionate share of the net OPEB liability associated with the District	51,000	133,000	
Total	\$ 51,000	\$ 133,000	
Covered payroll	\$ 13,511,765	\$ 13,336,919	
District's proportionate share of the net OPEB liability as percentage of covered payroll	0.0%	0.0%	
Plan fiduciary net position as a percentage of the total OPEB liability	89.20%	71.60%	

  

	2020	2019	2018
Proportion of the net OPEB liability	0.384684%	0.379128%	0.375577%
District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -
State proportionate share of the net OPEB liability associated with the District	120,000	107,000	82,000
Total	\$ 120,000	\$ 107,000	\$ 82,000
Covered payroll	\$ 13,098,920	\$ 12,771,497	\$ 12,525,923
District's proportionate share of the net OPEB liability as percentage of covered payroll	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total OPEB liability	73.40%	75.00%	80.00%

\* Fiscal year 2018 was the first year of implementation, therefore, only five years are shown.



**SIMPSON COUNTY SCHOOL DISTRICT**

SCHEDULE OF CONTRIBUTIONS TO CERS PENSION

June 30, 2022

Last 10 Years \*

	2022	2021	2020	2019
Contractually required contribution (actuarially determined)	\$ 947,763	\$ 766,793	\$ 831,543	\$ 677,030
Contribution in relation to the actuarially determined contributions	947,763	766,793	831,543	677,030
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 4,476,919	\$ 3,973,020	\$ 4,308,512	\$ 4,174,047
Contributions as a percentage of covered payroll	21.17%	19.30%	19.30%	16.22%
	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 590,465	\$ 561,463	\$ 483,752	\$ 481,756
Contribution in relation to the actuarially determined contributions	590,465	561,463	483,752	481,756
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 4,077,800	\$ 4,024,830	\$ 3,894,942	\$ 3,778,484
Contributions as a percentage of covered payroll	14.48%	13.95%	12.42%	12.75%

\* Fiscal year 2015 was the first year of implementation, therefore, only eight years are shown.

**SIMPSON COUNTY SCHOOL DISTRICT**

SCHEDULE OF CONTRIBUTIONS TO TRS PENSION

June 30, 2022

Last 10 Years \*

	2022	2021	2020	2019
Contractually required contribution (actuarially determined)	\$ -	\$ -	\$ -	\$ -
Contribution in relation to the actuarially determined contributions	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 14,833,175	\$ 13,511,765	\$ 13,336,919	\$ 13,098,920
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	
	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ -	\$ -	\$ -	\$ -
Contribution in relation to the actuarially determined contributions	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 12,771,497	\$ 12,525,923	\$ 12,616,544	\$ 12,313,546
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

\* Fiscal year 2015 was the first year of implementation, therefore, only eight years are shown.

**SIMPSON COUNTY SCHOOL DISTRICT**

SCHEDULE OF CONTRIBUTIONS TO CERS OPEB

June 30, 2022

Last 10 Years \*

	<u>2022</u>	<u>2021</u>	
Contractually required contribution (actuarially determined)	\$ 258,766	\$	189,116
Contribution in relation to the actuarially determined contributions	<u>258,766</u>		<u>189,116</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$</u>	<u>-</u>
Covered payroll	\$ 4,476,919	\$	3,973,020
Contributions as a percentage of covered payroll	5.78%		4.76%
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution (actuarially determined)	\$ 205,085	\$ 219,555	\$ 191,657
Contribution in relation to the actuarially determined contributions	<u>205,085</u>	<u>219,555</u>	<u>191,657</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 4,308,512	\$ 4,174,047	\$ 4,077,800
Contributions as a percentage of covered payroll	4.76%	5.26%	4.70%

\* Fiscal year 2018 was the first year of implementation, therefore, only five years are shown.

**SIMPSON COUNTY SCHOOL DISTRICT**

SCHEDULE OF CONTRIBUTIONS TO TRS MEDICAL INSURANCE FUND

June 30, 2022

Last 10 Years \*

	2022	2021	
Contractually required contribution (actuarially determined)	\$ 421,000	\$	367,000
Contribution in relation to the actuarially determined contributions	421,000	367,000	
Contribution deficiency (excess)	\$ -	\$	-
Covered payroll	\$ 14,044,258	\$	12,234,376
Contributions as a percentage of covered payroll	3.00%	3.00%	

  

	2020	2019	2018
Contractually required contribution (actuarially determined)	\$ 391,000	\$ 383,000	\$ 369,000
Contribution in relation to the actuarially determined contributions	391,000	383,000	369,000
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 13,033,333	\$ 12,766,667	\$ 12,310,951
Contributions as a percentage of covered payroll	3.00%	3.00%	3.00%

\* Fiscal year 2018 was the first year of implementation, therefore, only five years are shown.

**SIMPSON COUNTY SCHOOL DISTRICT**

SCHEDULE OF CONTRIBUTIONS TO TRS - LIFE INSURANCE FUND

June 30, 2022

Last 10 Years \*

	2022		2021			
Contractually required contribution (actuarially determined)	\$	-	\$	-		
Contribution in relation to the actuarially determined contributions		-		-		
Contribution deficiency (excess)	\$	-	\$	-		
Covered payroll	\$	14,833,175	\$	13,511,765		
Contributions as a percentage of covered payroll		0.00%		0.00%		
	2020		2019		2018	
Contractually required contribution (actuarially determined)	\$	-	\$	-	\$	-
Contribution in relation to the actuarially determined contributions		-		-		-
Contribution deficiency (excess)	\$	-	\$	-	\$	-
Covered payroll	\$	13,336,919	\$	13,098,920	\$	12,771,497
Contributions as a percentage of covered payroll		0.00%		0.00%		0.00%

\* Fiscal year 2018 was the first year of implementation, therefore, only five years are shown.

## **SIMPSON COUNTY SCHOOL DISTRICT**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2022**

#### **CERS PENSION**

*Changes of benefit terms.* There were no changes in benefit terms for 2015 through 2022.

*Changes of assumptions (as of June 30 of the year measurement date):*

2014 – The assumed investment rate of return was decreased from 7.75% to 7.50%. The assumed rate of inflation was reduced from 3.50% to 3.25%. The assumed rate of wage inflation was reduced from 1.00% to 0.75%. Payroll growth assumption was reduced from 4.50% to 4.00%. The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted. The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

2015 and 2016 – No changes.

2017 – The assumed investment return was changed from 7.50% to 6.25%. The price inflation assumption was changed from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service. The payroll growth assumption (applicable for the amortization unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%.

2018 – No changes.

2019 – Salary rates were increased from 3.05% average to 3.30 percent to 10.30%, varies by service. Annual rates of retirement, disability, withdrawal and mortality were updated based on the 2018 experience study and the percent of disabilities assumed to occur in the line of duty was updated from 0% to 2% for non-hazardous members.

2020 and 2021 – No changes.

**SIMPSON COUNTY SCHOOL DISTRICT**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2022

**CERS OPEB**

*Changes of benefit terms.* There were no changes in benefit terms for 2018 to 2022.

*Changes of assumptions (as of June 30 of the year measurement date):*

2017 – The assumed investment return was changed from 7.50% to 6.25%. The price inflation assumption was changed from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service. The payroll growth assumption (applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%. For the Non-Hazardous Plan, the single discount rate changed from 6.89% to 5.84%.

2018 – No changes

2019 – The discount rate was changed from 5.85% to 5.68%. Annual salary increases and annual rates of retirement, disability, withdrawal and mortality were updated based on the 2018 experience study and the percent of disabilities assumed to occur in the line of duty was updated from 0% to 2% for non-hazardous members.

2020 – The discount rate was changed from 5.68% to 5.34%.

2021 – The discount rate was changed from 5.34% to 5.20%. The municipal bond rate was changed from 2.45% to 1.92%.

## **SIMPSON COUNTY SCHOOL DISTRICT**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2022**

#### **TRS PENSION**

*Changes of benefit terms.* There were no changes in benefit terms for 2015 through 2022.

*Changes of assumptions (as of June 30 of the year measurement date):*

2014 – In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the Board adopted an interest smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions. Beginning with the 2014 valuation, the interest smoothing methodology is no longer used. In 2014, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.16% to 5.23%.

2015 – The calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.23% to 4.88%. In the 2016 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience.

2016 – 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%.

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

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

2019 and 2020 – No changes

2021 – 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 Pub-2010 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 percent to 7.10 percent and the price inflation assumption was lowered from 3.00 percent to 2.50 percent. In addition, the calculation of the SEIR results in an assumption change from 7.50% to 7.10%.



**SIMPSON COUNTY SCHOOL DISTRICT**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2022

**TRS OPEB**

*Changes of benefit terms.*

2018 – MIF – 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.

LIF – No changes

2019, 2020, 2021 and 2022 – No changes for MIF or LIF

*Changes of assumptions (as of June 30 of the year measurement date):*

2017 – No changes for MIF or LIF

2018 – MIF updated the health care trend rates. No changes for the LIF

2019 – No changes for MIF or LIF

2020 – MIF updated the health care trend rates. No changes for the LIF

2021 – MIF and LIF – 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 Pub-2010 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 MIF and .50% for the LIF to 7.10%. The price inflation assumption was lowered from 3.00% to 2.50%

**SUPPLEMENTARY INFORMATION**

**SIMPSON COUNTY SCHOOL DISTRICT**

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2022

	District Activity Fund	Student Activity Fund	SEEK Capital Outlay Fund	FSPK Fund	Debt Service Fund	Total Nonmajor Governmental Funds
<b>Assets:</b>						
Cash and cash equivalents	\$ 100,581	\$ 189,370	\$ 35,837	\$ 45,880	\$ 21	\$ 371,689
<b>Total Assets</b>	<u>\$ 100,581</u>	<u>\$ 189,370</u>	<u>\$ 35,837</u>	<u>\$ 45,880</u>	<u>\$ 21</u>	<u>\$ 371,689</u>
<b>Liabilities and Fund Balances:</b>						
<b>Liabilities</b>						
Accounts payable	\$ 15,649	\$ -	\$ -	\$ -	\$ -	\$ 15,649
<b>Total Liabilities</b>	<u>15,649</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,649</u>
<b>Fund Balances</b>						
Restricted	84,932	189,370	35,837	45,880	21	356,040
<b>Total Fund Balances</b>	<u>84,932</u>	<u>189,370</u>	<u>35,837</u>	<u>45,880</u>	<u>21</u>	<u>356,040</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 100,581</u>	<u>\$ 189,370</u>	<u>\$ 35,837</u>	<u>\$ 45,880</u>	<u>\$ 21</u>	<u>\$ 371,689</u>

**SIMPSON COUNTY SCHOOL DISTRICT**

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

Year Ended June 30, 2022

	District Activity Fund	Student Activity Fund	SEEK Capital Outlay Fund	FSPK Fund	Debt Service Fund	Total Nonmajor Governmental Funds
<b>Revenues</b>						
From local sources:						
Property taxes	\$ -	\$ -	\$ -	\$ 921,282	\$ -	\$ 921,282
Other local revenue	230,460	335,393				565,853
Earnings on investments		631				631
Intergovernmental - State			273,740	332,448	469,690	1,075,878
<b>Total Revenues</b>	<b>230,460</b>	<b>336,024</b>	<b>273,740</b>	<b>1,253,730</b>	<b>469,690</b>	<b>2,563,644</b>
<b>Expenditures</b>						
Instruction	198,011	287,270				485,281
Support services:						
Instruction staff		32,362				32,362
Student transportation		11,989				11,989
Other non-instruction		3,590				3,590
Debt service:						
Principal					1,300,000	1,300,000
Interest					336,834	336,834
<b>Total Expenditures</b>	<b>198,011</b>	<b>335,211</b>	<b>-</b>	<b>-</b>	<b>1,636,834</b>	<b>2,170,056</b>
<b>Excess (Deficit) of Revenues over Expenditures</b>	<b>32,449</b>	<b>813</b>	<b>273,740</b>	<b>1,253,730</b>	<b>(1,167,144)</b>	<b>393,588</b>
Other Financing Sources (Uses)						
Transfers in	2,402	188,461			1,167,144	1,358,007
Transfers out	(10,256)	(188,461)	(273,646)	(1,253,498)		(1,725,861)
<b>Total Other Financing Sources (Uses)</b>	<b>(7,854)</b>	<b>-</b>	<b>(273,646)</b>	<b>(1,253,498)</b>	<b>1,167,144</b>	<b>(367,854)</b>
<b>Change in Fund Balances</b>	<b>24,595</b>	<b>813</b>	<b>94</b>	<b>232</b>	<b>-</b>	<b>25,734</b>
<b>Fund balance, July 1, 2021</b>	<b>60,337</b>	<b>188,557</b>	<b>35,743</b>	<b>45,648</b>	<b>21</b>	<b>330,306</b>
<b>Fund balance, June 30, 2022</b>	<b>\$ 84,932</b>	<b>\$ 189,370</b>	<b>\$ 35,837</b>	<b>\$ 45,880</b>	<b>\$ 21</b>	<b>\$ 356,040</b>

**SIMPSON COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES**  
**ALL SCHOOLS**  
**YEAR ENDED JUNE 30, 2022**

<u>SCHOOL</u>	<u>CASH BALANCE July 1, 2021</u>	<u>RECEIPTS</u>	<u>DISBURSE- MENTS</u>	<u>CASH BALANCE June 30, 2022</u>	<u>RECEIVABLES June 30, 2022</u>	<u>ACCOUNTS PAYABLE June 30, 2022</u>	<u>DUE TO STUDENT GROUPS June 30, 2022</u>
Franklin Elementary	\$ 3,878	\$ 22,605	\$ 23,244	\$ 3,239	\$ -	\$ -	\$ 3,239
Lincoln Elementary	12,765	23,764	23,105	13,424	-	-	13,424
Simpson Elementary	7,986	48,091	40,377	15,700	-	-	15,700
Franklin-Simpson Middle	58,228	139,010	130,252	66,986	-	-	66,986
Franklin-Simpson High	105,700	291,015	306,694	90,021	-	-	90,021
	<u>\$ 188,557</u>	<u>\$ 524,485</u>	<u>\$ 523,672</u>	<u>\$ 189,370</u>	<u>\$ -</u>	<u>\$ -</u>	<u>189,370</u>

**SIMPSON COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES**  
**FRANKLIN-SIMPSON HIGH SCHOOL**  
**YEAR ENDED JUNE 30, 2022**

NAME OF ACTIVITY	CASH		DISBURSE- MENTS	CASH		RECEIVABLES June 30, 2022	ACCOUNTS PAYABLE June 30, 2022	STUDENT GROUPS June 30, 2022
	BALANCES July 1, 2021	RECEIPTS		BALANCES June 30, 2022				
General Fund	\$ 2,555	\$ 444	\$ 2,245	\$ 754	\$ -	\$ -	\$ 754	
Change Fund	-	7,500	7,500	-	-	-	-	
AP testing	10,549	2,633	4,046	9,136	-	-	9,136	
Homecoming Activities	-	4,914	4,773	141	-	-	141	
Parking tags	735	1,800	1,426	1,109	-	-	1,109	
Postage	395	55	21	429	-	-	429	
Prom	1,988	5,425	6,100	1,313	-	-	1,313	
Student Council	494	2,044	2,220	318	-	-	318	
Student Fees	-	8,945	8,945	-	-	-	-	
Student Vending	1,490	3,303	4,106	687	-	-	687	
Teachers Vending	480	2,850	2,633	697	-	-	697	
Tech Rentals	4,156	-	3,359	797	-	-	797	
The Hub Store	3,643	8,905	3,556	8,992	-	-	8,992	
Trip Fund	49	-	-	49	-	-	49	
Yearbook	12,061	15,073	13,269	13,865	-	-	13,865	
Ag Construction Class	741	978	1,646	73	-	-	73	
Art	118	40	54	104	-	-	104	
Band	78	-	-	78	-	-	78	
Beta	1,202	5,972	6,988	186	-	-	186	
Chorus	271	7,697	6,260	1,708	-	-	1,708	
Consumer Science	-	2,660	2,660	-	-	-	-	
DECA	591	4,675	5,261	5	-	-	5	
Diversity	161	1,330	1,391	100	-	-	100	
Drama	756	-	-	756	-	-	756	
FAP	110	-	-	110	-	-	110	
FBLA	2,935	5,189	7,131	993	-	-	993	
FCA	1,006	-	-	1,006	-	-	1,006	
FCCLA	-	3,861	3,437	424	-	-	424	
FFA	1,292	13,746	13,387	1,651	-	-	1,651	
FFA Grants	1,644	-	-	1,644	-	-	1,644	
FFA Mum sales	976	5,457	4,804	1,629	-	-	1,629	
FFA Poinsettia sales	888	1,195	1,054	1,029	-	-	1,029	
FFA Barren	5,433	120	5,553	-	-	-	-	
Horticulture	8,188	8,768	9,870	7,086	-	-	7,086	
HOSA	8,719	9,328	12,660	5,387	-	-	5,387	
HOSA - MNA	859	300	-	1,159	-	-	1,159	
Human services	184	-	184	-	-	-	-	
International club	11,656	4,412	738	15,330	-	-	15,330	
Travel Club - Legends	8,534	-	8,534	-	-	-	-	
KYA Y - CLUB	761	-	-	761	-	-	761	
Mu Alpha Theta	149	145	118	176	-	-	176	
Spanish Club	101	-	-	101	-	-	101	
Speech	20	-	-	20	-	-	20	
STLP	570	1,058	1,326	302	-	-	302	
Teenage Republicans	444	-	-	444	-	-	444	
Video Production	1,688	1,030	688	2,030	-	-	2,030	
Young Democrats	155	-	-	155	-	-	155	
Welding	234	12,208	6,775	5,667	-	-	5,667	
Class of 2022	361	-	361	-	-	-	-	
Class of 2023	17	406	194	229	-	-	229	
Athletics	6,263	42,099	46,971	1,391	-	-	1,391	
Athletics:play-offs only	-	12,860	12,860	-	-	-	-	
Athletic Sweep	-	72,972	72,972	-	-	-	-	
Junior Wildcat Basketball	-	10,636	10,636	-	-	-	-	
Sub Total	105,700	293,033	308,712	90,021	-	-	90,021	
Interfund Transfers	-	2,018	2,018	-	-	-	-	
<b>TOTAL</b>	<b>\$ 105,700</b>	<b>\$ 291,015</b>	<b>\$ 306,694</b>	<b>\$ 90,021</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 90,021</b>	

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**SIMPSON COUNTY SCHOOL DISTRICT**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022

FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS THROUGH ENTITY IDENTIFYING NUMBER	PROVIDED TO SUBRECIPIENTS	TOTAL FEDERAL EXPENDITURES
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Child Nutrition Cluster -				
Passed Through State Department of Education:				
National School Lunch Program	10.555	7750002-21 7750002-22		\$ 244,388 857,729
School Breakfast Program	10.553	7760005-21 7760005-22		96,572 449,650
Summer Food Service Program for Children	10.559	7690024-21 7740023-21 7740023-22		12,011 55,551 285,197
Non-Cash Assistance (Commodities)				
National School Lunch Program	10.555	057502-02		<u>114,134</u>
<b>TOTAL CHILD NUTRITION CLUSTER</b>				<u>2,115,232</u>
Passed Through State Department of Education				
State Administrative Expenses for Child Nutrition	10.560	7700001-21		<u>1,315</u>
COVID-19 State Pandemic Electronic Benefit Transfer (P-EBT)				
Administrative Costs Grant	10.649	9990000-21		<u>3,063</u>
<b>TOTAL U.S. DEPT. OF AGRICULTURE</b>				<u>2,119,610</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Special Education Cluster -				
Passed Through State Department of Education:				
Special Education - Grants to States	84.027	3810002-19 3810002-20 3810002-21 4910002-21		15,115 95,873 587,657 58,261
COVID-19 Special Education - Grants to States				<u>756,906</u>
Special Education - Preschool Grants	84.173	3800002-20 3800002-21 3800003-19 3800003-20 4900002-21		17,214 52,751 139,254 182,322 17,391
COVID-19 Special Education - Preschool Grants				<u>408,932</u>
<b>TOTAL SPECIAL EDUCATION CLUSTER</b>				<u>1,165,838</u>
<u>OTHER U.S. DEPARTMENT OF EDUCATION PROGRAMS</u>				
Passed Through State Department of Education				
Title I Grants to Local Educational Agencies	84.010	3100002-18 3100002-19 3100002-20 3100002-21 3100202-20 3100202-21		2,062 7,701 82,534 699,629 81,530 91,084
				<u>964,540</u>
Career and Technical Education - Basic Grants to States	84.048	3710002-20 3710002-21		7,822 42,172
				<u>49,994</u>
Special Education - State Personnel Development	84.323	3840001-20 3840001-21		20,079 74,910
				<u>94,989</u>

The accompanying notes are an integral part of this schedule.



**SIMPSON COUNTY SCHOOL DISTRICT**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONCLUDED

YEAR ENDED JUNE 30, 2022

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>PROVIDED TO SUBRECIPIENTS</u>	<u>TOTAL FEDERAL EXPENDITURES</u>
Rural Education	84.358	3140002-20		<u>18,303</u>
English Language Acquisition State Grants	84.365	3300002-19		200
		3300002-20		3,125
		3300002-21		<u>12,633</u>
				<u>15,958</u>
Supporting Effective Instruction - State Grants	84.367	3230002-19		5,991
		3230002-20		38,705
		3230002-21		<u>24,100</u>
				<u>68,796</u>
School Improvement Grants	84.377	3100302-16		<u>15,243</u>
Student Support and Academic Enrichment Program	84.424	3420002-19		2,000
		3420002-20		1,450
		3420002-21		<u>113,194</u>
				<u>116,644</u>
COVID-19 Education Stabilization Fund	84.425C	GEER		6,669
	84.425D	4000002-20		26,237
	84.425D	4000002-21		1,686,823
	84.425D	4200003-21		42,762
	84.425U	4300002-21		1,720,367
	84.425U	4300005-21		<u>54,676</u>
				<u>3,537,534</u>
TOTAL U.S. DEPARTMENT OF EDUCATION				<u>6,047,839</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ -</u>	<u>\$ 8,167,449</u>

The accompanying notes are an integral part of this schedule.

## **SIMPSON COUNTY SCHOOL DISTRICT**

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

Year Ended June 30, 2022

#### **NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Simpson County School 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 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 Simpson County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of Simpson County School District.

#### **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### **NOTE C – FOOD DISTRIBUTION**

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

#### **NOTE D – INDIRECT COST RATE**

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**SIMPSON COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2022**

**Section I – Summary of Auditor’s Results**

**Financial Statements:**

Type of auditor’s report issued (unmodified):

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_yes \_\_\_X\_\_\_no
  
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_yes \_\_\_X\_\_\_none reported

Noncompliance material to financial statements noted? \_\_\_\_\_yes \_\_\_X\_\_\_no

**Federal Awards:**

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_yes \_\_\_X\_\_\_no
  
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_yes \_\_\_X\_\_\_none reported

Type of auditor’s report issued on compliance for major programs (unmodified):

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

**Section I – Summary of Auditor’s Results - Continued**

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
	<b>DEPARTMENT OF EDUCATION</b>
84.010	Title I Grants to Local Educational Agencies
84.425C/84.425D/84.425U	COVID-19 Education Stabilization Fund

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

Auditee qualified as low-risk auditee?  yes  no

**Section II – Financial Statement Findings**

**No matters were reported.**

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

**No matters were reported.**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

**SIMPSON COUNTY SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

Year Ended June 30, 2022

There were no prior findings.

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





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Heartland CPAs and Advisors PLLC

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

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Simpson County School District  
Franklin, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Simpson County School District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Simpson County School District's basic financial statements, and have issued our report thereon dated September 12, 2022.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Simpson County School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 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 have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Simpson County School District's financial statements are free of 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*.

We noted certain matters that we reported to management of Simpson County School District in a separate letter dated September 12, 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 District'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.



Heartland CPAs and Advisors, PLLC  
Elizabethtown, Kentucky  
September 12, 2022

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



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Heartland CPAs and Advisors PLLC

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

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Simpson County School District  
Franklin, Kentucky

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

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

We have audited Simpson County School District's 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 Simpson County School District's major federal programs for the year ended June 30, 2022. Simpson County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Simpson County School District complied, in all material respects, with the 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 financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I and II of the Independent Auditor's Contract. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Simpson County School 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 Simpson County School 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 Simpson County School District's federal programs.

### **Auditor's 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 Simpson County School 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*, the Uniform Guidance and the requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I and II of the Independent Auditor's Contract 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 Simpson County School 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 Simpson County School 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 Simpson County School 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Simpson County School 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 Auditor's Responsibilities for the Audit of Compliance section above 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.

*Heartland CPAs and Advisors, PLLC*

Heartland CPAs and Advisors, PLLC  
Elizabethtown, Kentucky  
September 12, 2022

**MANAGEMENT LETTER AND COMMENTS**



HCA

Heartland CPAs and Advisors PLLC

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Kentucky State Committee for School District Audits  
Members of the Board of Education  
Simpson County School District  
Franklin, Kentucky

In planning and performing our audit of the basic financial statements of Simpson County School 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 several matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. Any uncorrected comments from the prior year have been included in the memorandum. A separate report dated September 12, 2022, contains our report on the District's internal control. This letter does not affect our report dated September 12, 2022, on the financial statements of the Simpson County School District.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and their implementation is currently being reviewed. 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.

This report is intended solely for the information and use of management, the members of the Simpson County Board of Education, others within the District, the Kentucky Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Heartland CPAs and Advisors, PLLC*

Heartland CPAs and Advisors, PLLC  
Elizabethtown, Kentucky  
September 12, 2022



SIMPSON COUNTY SCHOOL DISTRICT

COMMENTS

June 30, 2022

**UNCORRECTED PRIOR YEAR COMMENTS**

**FRANKLIN-SIMPSON MIDDLE SCHOOL**

**INVENTORY CONTROL WORKSHEET**

We noted that the Inventory Control Worksheet (F-SA-5) that was on file for the boys basketball concessions was a blank form when the receipts indicated that there was income activity in January and February of 2022.

We also noted that the Inventory Control Worksheet (F-SA-5) that was on file for the girls basketball concessions was a blank form when the receipts indicated that there was income activity in January and February of 2022.

Redbook requires inventory control worksheets to be completed on a monthly basis to document the flow of inventory.

**MANAGEMENT RESPONSE**

Redbook procedures have been reviewed with the Bookkeeper. Effective September 12, 2022, the school will no longer be selling concessions at basketball games.

**APPENDIX C**

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

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**Continuing Disclosure Undertaking Agreement**

## CONTINUING DISCLOSURE UNDERTAKING AGREEMENT

This Continuing Disclosure Undertaking Agreement ("Agreement") made and entered into as of March 8, 2023, by and between the Board of Education of Simpson County, Kentucky ("Board"); the Simpson 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 \$10,650,000 of the Corporation's School Building Revenue Bonds, Series 2023, dated as of March 8, 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 SIMPSON COUNTY  
KENTUCKY SCHOOL DISTRICT**

Attest:

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Secretary

**SIMPSON COUNTY SCHOOL  
DISTRICT FINANCE CORPORATION**

Attest:

\_\_\_\_\_  
President

\_\_\_\_\_  
Secretary

**APPENDIX D**

**Simpson 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**

**\$10,650,000\***

**Simpson County School District Finance Corporation  
School Building Revenue Bonds, Series of 2023  
Dated as of March 8, 2023**

**SALE: February 15, 2023 AT 11:00 A.M., E.S.T.**

As published on PARITY®, a nationally recognized electronic bidding system, the Simpson County School District Finance Corporation ("Corporation") will until February 15, 2023, at the hour of 11:00 A.M., E.S.T., in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville 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 \$1,065,000.

### **SIMPSON 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 Simpson 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 athletic improvements and a new Auditorium at Franklin Simpson High School (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.

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 8, 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	\$ 10,000	2034	\$ 590,000
2025	10,000	2035	720,000
2026	10,000	2036	735,000
2027	10,000	2037	865,000
2028	140,000	2038	895,000
2029	145,000	2039	930,000
2030	150,000	2040	965,000
2031	155,000	2041	1,010,000
2032	560,000	2042	1,045,000
2033	575,000	2043	1,130,000

\*Subject to a Permitted Adjustment of the amount of Bonds awarded of up to \$1,065,000 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). U.S. Bank Trust Company, National Association, Louisville, Kentucky, has been designated as the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date to Cede & Co. Principal and interest will be payable through the

Book-Entry-Only-System administered by The Depository Trust Company: Please see "BOOK-ENTRY-ONLY-SYSTEM" below. Interest on the Bonds will be paid at rates to be established upon the basis of competitive bidding as hereinafter set forth, such interest to be payable on 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 \$10,437,000 (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 \$10,650,000 principal amount of Bonds offered for sale hereunder, but the Corporation may adjust the principal amount of Bonds upward or downward by \$1,065,000 (the "Permitted Adjustment") which may be awarded to such best bidder may be a minimum of \$9,585,000 or a maximum of \$11,715,000. 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 \$10,650,000 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 15, 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, 2022**

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

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

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, Simpson County Board of Education, 430 S. College Street, Franklin, Kentucky 42134, Telephone 502-349-7000.

### **TAX EXEMPTION; NOT 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 computing 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 MORE than \$10,000,000 of tax-exempt obligations during the calendar year ending December 31, 2023, the Bonds may NOT 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.

**SIMPSON COUNTY SCHOOL DISTRICT  
FINANCE CORPORATION**

By /s/Tim Schlosser  
Secretary

**APPENDIX E**

**Simpson 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 Simpson County School District Finance Corporation ("Corporation" or "Issuer"), will until 11:00 A.M., E.S.T., on February 15, 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 \$10,650,000 School Building Revenue Bonds, Series of 2023, dated March 8, 2023; maturing March 1, 2024 through 2043 ("Bonds").

We hereby bid for said \$10,650,000\* principal amount of Bonds, the total sum of \$ \_\_\_\_\_ (not less than \$10,437,000) plus accrued interest from March 8, 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	\$ 10,000	_____ %	2034	\$ 590,000	_____ %
2025	10,000	_____ %	2035	720,000	_____ %
2026	10,000	_____ %	2036	735,000	_____ %
2027	10,000	_____ %	2037	865,000	_____ %
2028	140,000	_____ %	2038	895,000	_____ %
2029	145,000	_____ %	2039	930,000	_____ %
2030	150,000	_____ %	2040	965,000	_____ %
2031	155,000	_____ %	2041	1,010,000	_____ %
2032	560,000	_____ %	2042	1,045,000	_____ %
2033	575,000	_____ %	2043	1,130,000	_____ %

\* Subject to Permitted Adjustment

We understand this bid may be accepted for as much as \$11,715,000 of Bonds or as little as \$9,585,000 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 15, 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 September 1 in accordance with the maturity schedule setting the actual size of the issue.

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

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

No certified or bank cashier's check will be required to accompany a bid, but the successful bidder shall be required to wire transfer an amount equal to 2% of the principal amount of Bonds awarded by the close of business on the date following the award. Said good faith amount will be applied (without interest) to the purchase price on delivery. Wire transfer procedures should be arranged through U.S. Bank Trust Company, National Association, Louisville, Kentucky, Attn: Mr. Charles Lush (502-562-6436).

Bids must be submitted only on this form and must be fully executed.

If we are the successful bidder, we agree to accept and make payment for the Bonds in Federal Funds on or about March 8, 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 8, 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 Simpson 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 15, 2023

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