**DATED NOVEMBER 27, 2023**



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

*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)*

# $300,000
# AUGUSTA INDEPENDENT SCHOOL DISTRICT FINANCE CORPORATION
# SCHOOL BUILDING REVENUE BONDS,
# SERIES OF 2023

**Dated with Delivery: DECEMBER 27, 2023** **Due: as shown below**

Interest on the Bonds is payable each February 1 and August 1, beginning August 1, 2024. The Bonds will mature as to principal on February 1, 2025, and thereafter as shown below. The Bonds are being issued in Book-Entry-Only Form and will be available for purchase in principal amounts of $1,000 and integral multiples thereof.

| Maturity | Amount* | Interest Rate | Reoffering Yield | CUSIP | Maturity | Amount* | Interest Rate | Reoffering Yield | CUSIP |
|---|---|---|---|---|---|---|---|---|---|
| Feb. 1, 2025 | $8,000 | % | % | | Feb. 1, 2035 | $15,000 | % | % | |
| Feb. 1, 2026 | $10,000 | % | % | | Feb. 1, 2036 | $15,000 | % | % | |
| Feb. 1, 2027 | $10,000 | % | % | | Feb. 1, 2037 | $16,000 | % | % | |
| Feb. 1, 2028 | $11,000 | % | % | | Feb. 1, 2038 | $17,000 | % | % | |
| Feb. 1, 2029 | $11,000 | % | % | | Feb. 1, 2039 | $18,000 | % | % | |
| Feb. 1, 2030 | $12,000 | % | % | | Feb. 1, 2040 | $19,000 | % | % | |
| Feb. 1, 2031 | $12,000 | % | % | | Feb. 1, 2041 | $20,000 | % | % | |
| Feb. 1, 2032 | $13,000 | % | % | | Feb. 1, 2042 | $21,000 | % | % | |
| Feb. 1 2033 | $13,000 | % | % | | Feb. 1, 2043 | $22,000 | % | % | |
| Feb. 1, 2034 | $14,000 | % | % | | Feb. 1, 2044 | $23,000 | % | % | |

The Bonds are subject to redemption prior to their stated maturity as described herein.

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 Augusta Independent 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 Augusta Independent Board of Education.

The Augusta Independent (Kentucky) School District Finance Corporation will until December 5, 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, Carriage House, Frankfort, Kentucky 40601.

***As set forth in the "Official Terms and Conditions of Bond Sale," the principal amount of Bonds sold to the successful bidder is subject to a Permitted Adjustment by increasing or decreasing the amount not to exceed $30,000.**

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.

RSA advisors

**AUGUSTA INDEPENDENT**
**BOARD OF EDUCATION**

Laura Bach, Chairperson
Shawn Hennessey, Member
Dionne Laycock, Member
Brian Jett, Member
Chasity Saunders, Member

Lisa McCane, Superintendent/Secretary

**AUGUSTA INDEPENDENT (KENTUCKY) SCHOOL DISTRICT**
**FINANCE CORPORATION**

Laura Bach, President
Shawn Hennessey, Member
Dionne Laycock, Member
Brian Jett, Member
Chasity Saunders, Member

Lisa McCane, Secretary
Timothy Litteral, Treasurer

**BOND COUNSEL**

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

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

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

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

## TABLE OF CONTENTS

**OFFICIAL STATEMENT**
**Relating to the Issuance of**

**$300,000***

**AUGUSTA INDEPENDENT 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 Augusta Independent School District Finance Corporation (the "Corporation") School Building Revenue Bonds, Series of 2023 (the "Bonds").

The Bonds are being issued to finance improvements at Augusta Independent 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 Augusta Independent 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 Augusta Independent 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 December 27, 2023, may be obtained at the office of Dinsmore & Shohl LLP, 50 East Rivercenter Boulevard, Suite 1150, Covington, KY 41011.

## BOOK-ENTRY-ONLY-SYSTEM

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

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

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

## THE CORPORATION

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

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

## KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION

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

Pursuant to the provisions of the Act, the Regulations of the Kentucky Board of Education and the Commission, the Commission has determined that the Board is eligible for participation from the Commission in meeting the costs of construction of the Projects and has entered into a Participation Agreement with the Board whereunder the Commission agrees to pay an annual Agreed Participation equal to approximately $23,854 to be applied to the annual debt service requirements for the Bonds herein identified each year until their retirement; provided, however, that the contractual commitment of the Commission to pay the annual Agreed Participation is limited to the biennial budget period of the Commonwealth, with the first such biennial period terminating on June 30, 2024; the right is reserved in the Commission to terminate its commitment to pay the Agreed Participation after the initial biennial period and every two years thereafter. The obligation of the Commission to make payments of the Agreed Participation shall be automatically renewed each two years for a period of two years unless the Commission shall give notice of its intention not to participate not less than sixty days prior to the end of the biennium; however, by the execution of the Participation Agreement, the Commission has expressed its present intention to continue to pay the Agreed Participation in each successive biennial budget period through Feburary 1, 2044, but such execution does not obligate the Commission to do so.

The General Assembly of the Commonwealth adopted the State's Budget for the fiscal year ending June 30, 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:

| Biennium | Appropriation |
|---|---|
| 1986-88 | $18,223,200 |
| 1988-90 | 14,050,700 |
| 1990-92 | 13,542,800 |
| 1992-94 | 3,075,300 |
| 1994-96 | 2,800,000 |
| 1996-98 | 4,996,000 |
| 1998-00 | 12,141,500 |
| 2000-02 | 8,100,000 |
| 2002-04 | 9,500,000 |
| 2004-06 | 14,000,000 |
| 2006-08 | 9,000,000 |
| 2008-10 | 10,968,000 |
| 2010-12 | 12,656,200 |
| 2012-14 | 8,469,200 |
| 2014-16 | 8,764,000 |
| 2016-18 | 23,019,400 |
| 2018-20 | 7,608,000 |
| 2020-22 | 2,946,900 |
| 2022-24 | 5,305,300 |
| Total | $189,166,500 |

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

## BIENNIAL BUDGET FOR PERIOD ENDING JUNE 30, 2024

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

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

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

The Office of the State Budget Director makes available on its website monthly updates to the General Fund receipts and other Funds of the commonwealth. When published, the updates can be found at www.osbd.ky.gov.

## OUTSTANDING BONDS

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

| Bond Series | Original Principal | Current Principal Outstanding | Principal Assigned to Board | Principal Assigned to Commission | Approximate Interest Rate Range | Final Maturity |
|---|---|---|---|---|---|---|
| 2011 | $540,000 | $270,000 | $248,400 | $291,600 | 3.400% - 4.600% | 2031 |
| 2015 | $1,055,000 | $845,000 | $701,363 | $353,637 | 3.250% | 2035 |
| 2016-REF | $2,665,000 | $1,250,000 | $335,573 | $2,329,427 | 2.000% - 2.200% | 2028 |
| 2021-REF | $349,000 | $234,000 | $161,990 | $187,010 | 0.950% | 2031 |
| TOTALS: | $4,609,000 | $2,599,000 | $1,447,326 | $3,161,674 | | |

## AUTHORITY

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

i) the issuance of approximately $300,000 of Bonds subject to a permitted adjustment of $30,000;

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 December 27, 2023, will bear interest from that date as described herein, payable semi-annually on February 1 and August 1 of each year, commencing August 1, 2024, and will mature as to principal on February 1, 2025, 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 February 1 and August 1 of each year, beginning August 1, 2024 (Record Date is 15th day of month preceding interest due date).

### Redemption

The Bonds maturing on or after February 1, 2033, are subject to redemption at the option of the Corporation prior to their stated maturity on any date falling on or after February 1, 2032, in any order of maturities (less than all of a single maturity to be selected by lot),in whole or in part, upon notice of such prior redemption being given by the Paying Agent in accordance with DTC requirements not less than thirty (30) days prior to the date of redemption, upon terms of the face amount, plus accrued interest, but without redemption premium.

| Redemption Date | Redemption Price |
|---|---|
| February 1, 2032, 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; provided, however, said lien and pledge are on parity with a similar lien and pledge securing the Corporation's School Building Revenue Bonds previously issued to finance or refinance the school building(s) which constitute the school building Project (the "Parity Bonds").

## The Lease; Pledge of Rental Revenues

The Board has leased the school building Project securing the Bonds for an initial period from December 27, 2023, through June 30, 2024, with the option in the Board to renew said Lease from year to year for one year at a time, at annual rentals, sufficient in each year to enable the Corporation to pay, solely from the rental due under the Lease, the principal and interest on all of the Bonds as same become due. The Lease provides further that so long as the Board exercises its annual renewal options, its rentals will be payable according to the terms and provisions of the Lease until February 1, 2044, the final maturity date of the Bonds. Under the lease, the Corporation has pledged the rental revenue to the payment of the Bonds.

# COMMISSION'S PARTICIPATION

The Commission has determined that the Board is eligible for annual participation equal to approximately $23,854 from the Commission's appropriation by the Kentucky General Assembly which will be used to meet all of the debt service of the Bonds. <u>The plan for financing the Project will require the Commission to pay 100% of the debt service of the Bonds.</u>

The Participation Agreement to be entered into with the Board will be limited to the biennial budget period of the Commonwealth of Kentucky, with the first such biennial period terminating on June 30, 2024. The right is reserved in the Commission to terminate the commitment to pay the agreed participation every two years thereafter. The obligation of the Commission to make payments of the agreed participation shall be automatically renewed each two years thereafter unless the Commission gives notice to the Board of its intention not to participate not less than sixty days prior to the end of the biennium. However, the Commission has expressed its intention to continue to pay the agreed participation in successive biennial budget periods through February 1, 2044, but the Commission is not required to do so.

# STATE INTERCEPT

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

## THE PROJECT

After payment of the Bond issuance costs, the Board plans to deposit the net Bond proceeds to finance improvements at Augusta Independent 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.

## 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 plans and specifications 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.

## 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. <u>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.</u>

## 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 0% of the debt service of the Bonds.

| Fiscal Year Ending June 30 | Current Local Bond Payments | ----- School Building Revenue Bonds, Series 2023 ----- (100% SFCC) Principal Portion | Interest Portion | Total Payment | Total Restricted Fund Bond Payments |
|---|---|---|---|---|---|
| 2024 | $91,049 | | | | $91,049 |
| 2025 | $91,293 | $8,000 | $15,502 | $23,502 | $91,293 |
| 2026 | $93,457 | $10,000 | $13,817 | $23,817 | $93,457 |
| 2027 | $95,401 | $10,000 | $13,382 | $23,382 | $95,401 |
| 2028 | $95,530 | $11,000 | $12,947 | $23,947 | $95,530 |
| 2029 | $81,154 | $11,000 | $12,468 | $23,468 | $81,154 |
| 2030 | $74,800 | $12,000 | $11,990 | $23,990 | $74,800 |
| 2031 | $75,457 | $12,000 | $11,468 | $23,468 | $75,457 |
| 2032 | $67,939 | $13,000 | $10,946 | $23,946 | $67,939 |
| 2033 | $65,338 | $13,000 | $10,380 | $23,380 | $65,338 |
| 2034 | $67,657 | $14,000 | $9,763 | $23,763 | $67,657 |
| 2035 | $64,896 | $15,000 | $9,098 | $24,098 | $64,896 |
| 2036 | $67,783 | $15,000 | $8,385 | $23,385 | $67,783 |
| 2037 | | $16,000 | $7,673 | $23,673 | |
| 2038 | | $17,000 | $6,913 | $23,913 | |
| 2039 | | $18,000 | $6,105 | $24,105 | |
| 2040 | | $19,000 | $5,250 | $24,250 | |
| 2041 | | $20,000 | $4,300 | $24,300 | |
| | | $21,000 | $3,300 | $24,300 | |
| | | $22,000 | $2,250 | $24,250 | |
| | | $23,000 | $1,150 | $24,150 | |
| TOTALS: | $1,031,753 | $300,000 | $177,082 | $477,082 | $1,031,753 |

*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:

| | |
|---|---|
| **Sources:** | |
| Par Amount of Bonds | $300,000.00 |
| Total Sources | $300,000.00 |
| **Uses:** | |
| Deposit to Construction Fund | $278,800.00 |
| Underwriter's Discount (2%) | 6,000.00 |
| Cost of Issuance | 15,200.00 |
| Total Uses | $300,000.00 |

## DISTRICT STUDENT POPULATION

Selected school census and average daily attendance for the Augusta Independent School District is as follows:

| Year | Average Daily Attendance | Year | Average Daily Attendance |
|---|---|---|---|
| 2000-01 | 258.5 | 2012-13 | 262.0 |
| 2001-02 | 285.4 | 2013-14 | 268.0 |
| 2002-03 | 229.0 | 2014-15 | 266.8 |
| 2003-04 | 235.7 | 2015-16 | 247.0 |
| 2004-05 | 247.6 | 2016-17 | 255.1 |
| 2005-06 | 254.4 | 2017-18 | 273.6 |
| 2006-07 | 247.8 | 2018-19 | 260.9 |
| 2007-08 | 257.4 | 2019-20 | 253.0 |
| 2008-09 | 256.5 | 2020-21 | 253.0 |
| 2009-10 | 270.6 | 2021-22 | 264.3 |
| 2010-11 | 259.1 | 2022-23 | 264.3 |
| 2011-12 | 258.5 | | |

*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 Augusta Independent School District for certain preceding school years.

| Year | Capital Outlay Allotment | Year | Capital Outlay Allotment |
|---|---|---|---|
| 2000-01 | 25,850.0 | 2012-13 | 26,195.1 |
| 2001-02 | 28,540.0 | 2013-14 | 26,798.1 |
| 2002-03 | 22,900.0 | 2014-15 | 26,681.0 |
| 2003-04 | 23,570.0 | 2015-16 | 24,702.7 |
| 2004-05 | 24,760.0 | 2016-17 | 25,510.0 |
| 2005-06 | 25,440.0 | 2017-18 | 27,360.0 |
| 2006-07 | 24,780.0 | 2018-19 | 26,094.0 |
| 2007-08 | 25,740.0 | 2019-20 | 25,300.0 |
| 2008-09 | 25,650.0 | 2020-21 | 25,302.9 |
| 2009-10 | 27,058.3 | 2021-22 | 26,426.2 |
| 2010-11 | 25,908.2 | 2022-23 | 26,426.2 |
| 2011-12 | 25,848.0 | | |

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

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

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

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

*Local Tax Rates, Property Assessments and Revenue Collections*

| Tax Year | Combined Equivalent Rate | Total Property Assessment | Property Revenue Collections |
|---|---|---|---|
| 2000-01 | 79 | 40,193,894 | 317,532 |
| 2001-02 | 81.4 | 41,116,354 | 334,687 |
| 2002-03 | 80.1 | 40,980,033 | 328,250 |
| 2003-04 | 80.1 | 43,860,804 | 351,325 |
| 2004-05 | 83.3 | 43,986,577 | 366,408 |
| 2005-06 | 86.2 | 47,123,518 | 406,205 |
| 2006-07 | 82.3 | 47,314,826 | 389,401 |
| 2007-08 | 86.2 | 48,014,529 | 413,885 |
| 2008-09 | 84.6 | 49,960,792 | 422,668 |
| 2009-10 | 84.6 | 49,785,324 | 421,184 |
| 2010-11 | 82.2 | 50,760,388 | 417,250 |
| 2011-12 | 89 | 51,670,973 | 459,872 |
| 2012-13 | 90.3 | 53,354,764 | 481,794 |
| 2013-14 | 89.9 | 53,669,235 | 482,486 |
| 2014-15 | 89.8 | 55,433,258 | 497,791 |
| 2015-16 | 90.9 | 55,353,572 | 503,164 |
| 2016-17 | 87.1 | 55,805,919 | 486,070 |
| 2017-18 | 88.9 | 56,234,996 | 499,929 |
| 2018-19 | 93.9 | 61,950,319 | 581,713 |
| 2019-20 | 95.7 | 62,223,799 | 595,482 |
| 2020-21 | 97.1 | 62,103,070 | 603,021 |
| 2021-22 | 95.7 | 62,625,448 | 599,326 |
| 2022-23 | 102.6 | 68,896,217 | 706,875 |

## OVERLAPPING BOND INDEBTEDNESS

The following table shows any other overlapping bond indebtedness of the Augusta Independent School District or other issuing agency within Bracken County as reported by the State Local Debt Officer for the period ending June 30, 2023.

| Issuer | Original Principal Amount | Amount of Bonds Redeemed | Current Principal Outstanding |
|---|---|---|---|
| County of Bracken | | | |
| Refunding Revenue | 8,410,000 | 220,000 | 8,190,000 |
| City of Augusta | | | |
| Water Revenue | 100,000 | 23,300 | 76,700 |
| Refunding Revenue | 1,150,000 | 245,000 | 905,000 |
| Special Districts | | | |
| Bracken County Extension District | 400,000 | 160,000 | 240,000 |
| Bracken County Water District | 8,860,000 | 2,324,900 | 6,535,100 |
| Totals: | 19,256,000 | 3,037,782 | 16,218,218 |

*Source: 2023 Kentucky Local Debt Report.*

## SEEK ALLOTMENT

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

| SEEK | Base Funding | Local Tax Effort | Total State & Local Funding |
|---|---|---|---|
| 2000-01 | 1,012,699 | 317,532 | 1,330,231 |
| 2001-02 | 1,194,926 | 334,687 | 1,529,613 |
| 2002-03 | 1,141,693 | 328,250 | 1,469,943 |
| 2003-04 | 1,007,361 | 351,325 | 1,358,686 |
| 2004-05 | 1,049,663 | 366,408 | 1,416,071 |
| 2005-06 | 1,145,050 | 406,205 | 1,551,255 |
| 2006-07 | 1,159,278 | 389,401 | 1,548,679 |
| 2007-08 | 1,262,321 | 413,885 | 1,676,206 |
| 2008-09 | 1,336,520 | 422,668 | 1,759,188 |
| 2009-10 | 1,274,453 | 421,184 | 1,695,637 |
| 2010-11 | 1,168,018 | 417,250 | 1,585,268 |
| 2011-12 | 1,238,676 | 459,872 | 1,698,548 |
| 2012-13 | 1,266,498 | 481,794 | 1,748,292 |
| 2013-14 | 1,307,222 | 482,486 | 6,284,708 |
| 2014-15 | 1,322,638 | 497,791 | 1,820,429 |
| 2015-16 | 1,257,244 | 503,164 | 1,760,408 |
| 2016-17 | 1,333,268 | 486,070 | 1,819,338 |
| 2017-18 | 1,476,370 | 499,929 | 1,976,299 |
| 2018-19 | 1,452,863 | 581,713 | 2,034,576 |
| 2019-20 | 1,378,364 | 595,482 | 1,973,846 |
| 2020-21 | 1,310,676 | 603,021 | 1,913,697 |
| 2021-22 | 1,410,762 | 599,326 | 2,010,088 |
| 2022-23 | 1,464,967 | 706,875 | 2,171,842 |

(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 $1.0260 for FY 2022-23. 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; EXEMPTION

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

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

Financial information regarding the Board may be obtained from Superintendent, Augusta Independent, 307 Bracken Street, Augusta, KY 41002 Telephone (606) 756-2545.

## TAX EXEMPTION; BANK QUALIFIED

Bond Counsel is of the opinion that:

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

(B) Interest payable on the Bonds is excludable from gross income under the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, interest on the Bonds will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Code, in computing the alternative minimum tax. The Corporation has covenanted to comply with the applicable provisions of the Code, and such compliance by the corporation is necessary to maintain the federal income tax status described above. No opinion is expressed regarding other federal tax consequences arising with respect to the Bonds.

(C) The Corporation has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265 of the Code.

The Corporation has covenanted to comply with the applicable provisions of the Code, and such compliance by the Corporation is necessary to maintain the federal income tax status described above. No opinion is expressed regarding other federal tax consequences arising with respect to Bonds.

**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 excludible from gross income for federal income tax purposes.

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

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

## 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 Dinsmore & Shohl LLP, Covington, Kentucky, 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 Augusta Independent School District and does not assume any responsibility as to the accuracy or completeness of any of the information in this Official Statement except as to copies of documents denominated "Official Terms and Conditions" and "Bid Form." The financial information supplied by the Board of Education is represented by the Board of Education to be correct. The Corporation deems this preliminary Official Statement to be final for purposes of Securities Exchange Commission Rule 15c2-12(b)(1) as qualified by the cover hereof.

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

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

**By** /s/______________________
**President**

**By** /s/______________________
**Secretary**

# APPENDIX A

## Augusta Independent School District Finance Corporation
## School Building Revenue Bonds
## Series of 2023

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## Demographic and Economic Data

# BRACKEN COUNTY, KENTUCKY

Bracken County, with a 2023 estimated population of 8,440, has a land area of 203 square miles. Brooksville, the county seat of Bracken County, is located in the Outer Bluegrass Region of northern Kentucky. In 2023, Brooksville had an estimated population of 638. Brooksville is located 52 miles southeast of Cincinnati, Ohio; 121 miles northeast of Louisville, Kentucky; and 297 miles southwest of Pittsburgh, PA.

Augusta, situated along the Ohio River in northern Bracken County and located eight miles north of Brooksville, had a 2023 estimated population of 1,098.

### The Economic Framework

In 2022, Bracken County had a labor force of 3,902 people with an unemployment rate of 4.1%. The top 5 jobs by occupation were as follows: office and administrative support - 172 (17.82%); education, training/library - 142 (14.72%); executive, managers, and administrators - 76 (7.88%); sales - 76 (7.88%); and food preparation/serving - 64 (6.63%).

### Transportation

Major highways serving Bracken County include Kentucky Highways 8 and 546, both "AAA"-rated (80,000-pound gross load limit) trucking highways. Kentucky Highways 10, 19, 22 and 1159 are all "AA"-rated (62,000-pound gross load limit) trucking highways. Nineteen common carrier trucking companies provide interstate and/or intrastate service to Bracken County. CSX Transportation provides main line rail service to Augusta. The Cincinnati/Northern Kentucky International Airport near Covington, Kentucky, and the Blue Grass Airport near Lexington, Kentucky, both within 67 miles of Brooksville, provide the nearest scheduled commercial airline services. The Fleming-Mason Airport, 26 miles southeast of Brooksville, has a 5,000-foot paved runway. The Cynthiana-Harrison County Airport, 31 miles southwest of Brooksville, maintains a 3,200-foot paved runway.

### 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 of city limits may also be subject to city property taxes.

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

Property assessments in Kentucky are at 100% fair cash value. A 15% reduction is automatically granted for accounts receivable.

## LABOR MARKET STATISTICS

The Bracken County Labor Market Area includes Bracken County and the adjoining Kentucky counties of Harrison, Mason, Pendleton and Robertson.

### Population

| Area | 2021 | 2022 | 2023 |
|---|---|---|---|
| Bracken County | 8,345 | 8,629 | 8,440 |
| Augusta | 1,147 | 1,122 | 1,098 |
| Brooksville | 661 | 659 | 638 |

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

**Population Projections**

| Area | 2025 | 2030 | 2035 |
|---|---|---|---|
| Bracken County | 7,900 | 7,609 | 7,276 |

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

## EDUCATION

**Public Schools**

| | Augusta Independent | Bracken County |
|---|---|---|
| Total Enrollment (2022-2023) | 294 | 1,095 |
| Pupil-Teacher Ratio (2022-2023) | 13-1 | 15-1 |

*Source: Kentucky Department of Education*

**Vocational Training**

Ky Tech Schools are operated by the Cabinet for Workforce Development and provide secondary (Sec) and postsecondary (P/S) vocational-technical training.

| Vocational School | Location | Enrollment (2022-23) |
|---|---|---|
| Boone County ATC | Hebron, KY | 187 |
| Campbell County ATC | Alexandria, KY | 348 |
| Clark County ATC | Winchester, KY | 559 |
| Harrison County ATC | Cynthiana, KY | 444 |
| Montgomery County ATC | Mt. Sterling, KY | 350 |

*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 established and prospective businesses. Businesses needing customized training should contact a Training and Development Coordinator located on the campus of the Jefferson Technical College in Louisville.

**Assessment Services**

Kentucky Tech Career Connections offers to businesses, education, and government agencies customized assessment in career inventories, interest inventories, pre-hire assessment, psychomotor shills, and academic potential. A Career Connection Assessment Center is located on the campus of the Elizabethtown Technical College.

**Adult Education Service**

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

**Bluegrass State Skills Corporation**

The Bluegrass State Skills Corporation, an independent public corporation created and funded by the Kentucky General Assembly, provides programs of skills training to meet the needs of business and industry from entry level to advanced training, and from upgrading present employees to retraining experienced workers.

The Bluegrass State Skills corporation is the major source for skills training assistance for a new or existing company. The Corporation works in partnership with other employment and job training resources and programs, as well as Kentucky's economic development activities, to package a program customized to meet the specific needs of a company.

**Colleges and Universities**

| Institution | Location | Undergraduate Enrollment (Fall 2022) |
|---|---|---|
| Georgetown College | Georgetown, KY | 1,233 |
| Midway University | Midway, KY | 1,663 |
| Morehead State University | Morehead, KY | 8,218 |
| Northern Kentucky University | Highland Heights, KY | 10,776 |
| Thomas More College | Crestview Hills, KY | 1,829 |
| Transylvania University | Lexington, KY | 981 |
| University of Kentucky | Lexington, KY | 22,735 |

*Source: US News & World Report*

**EXISTING INDUSTRY**

| Firm | Product | Total Employed |
|---|---|---|
| Clopay Plastic Products Co. | Surgical supplies, patient care products, polyethylene & polypropylene film, and residential and commercial garage doors | 353 |

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

# APPENDIX B

**Augusta Independent School District Finance Corporation**
**School Building Revenue Bonds**
**Series of 2023**

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

AUGUSTA INDEPENDENT SCHOOL DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2022

MADDOX & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

Board of Education
Augusta Independent School District
Augusta, Kentucky

### Report on the Audit of the Financial Statements

***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Augusta Independent School District (District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

***Basis of Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial 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 auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement from fraud is higher than 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 judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are condition or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

***Required Supplementary Information***

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

***Other Supplementary Information***

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Maddox & Associates CPAs Inc.
Fort Thomas, Kentucky
November 7, 2022

As management of the Augusta Independent School 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 the District's basic financial statements.

**ACCOMPLISHMENTS**

- The District approved a 2% minimum for classified and certified pay increases
- The District purchased 150 Chromebooks
- The District replaced 11 student computers in the 21st Century lab
- The District installed 6 new flat panel screens
- The District purchased i-Ready Teacher Toolbox and Schools PLP online instructional programs
- The District added Panther Virtual Learning Academy
- The District added a Library Media Specialist position
- The District added a Math Intervention Teacher position
- The District added a School-Based Mental Health Therapist position
- The District added the GEAR UP Kentucky Program and two GEAR UP staff members
- The District added telehealth equipment to the nurse's office
- The District renovated the school library with new carpet, paint, book shelves, and furniture
- The District renovated the staff wellness space with new paint, coffee bar, tables, and furniture
- The District installed a flat panel television in the staff wellness space
- The District replaced the gymnasium stage projector screen
- The District installed door locks on gymnasium exit doors
- The District installed window tint on the library and 21st Century lab windows
- The District installed new air conditioner units in spec. ed., English, and math resource rooms
- The District purchased a new dryer for the consumer science classroom
- The District replaced an upstairs water fountain
- The District added a handicap accessible ramp in the cafeteria
- The District purchased 50 student desks for 3rd and 4th grades
- The District purchased a 2006 school bus

- The District re-sealed and re-striped the parking lots
- The District added 10 new asphalt parking spaces on Bracken Street
- The District repaired FRYSC and science classroom roofs

**FINANCIAL HIGHLIGHTS**

The assets and deferred outflows of the District were more than the liabilities and deferred inflows by $60,449 at the close of the current fiscal year. The unrestricted net position, which represents the amounts available to meet the District's ongoing obligations to citizens and creditors, was a deficit of $706,344. The District is required to provide postemployment benefits to its employees. As a result, the District has recognized substantial liabilities in the financial statements for these benefits. As of June 30, 202, the District had liabilities of $1,473,064 for postemployment benefits, which has caused the deficit balance in the unrestricted net position. The District's total net position increased $292,566.

At the close of the current fiscal year, the District's governmental funds reported combined fund balances of $839,604 an increase of $179,212 from the prior year. Of this amount, $783,629 is available for spending at the District's discretion (unassigned fund balance).

At the close of the current fiscal year, the unassigned fund balance was approximately 18% of total fund expenditures.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis provided here are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) the notes to the financial statements. This report also included supplementary information intended to furnish additional detail to support the basic financial statements themselves.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

The statement of net position presents financial information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position.

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

The governmental activities of the District include general government, police, fire, public works, and recreation.

The government-wide financial statements can be found on pages 10-13 of this report.

**FUND FINANCIAL STATEMENTS**

A fund is a grouping of related accounts that is used to maintain control over resources that have be segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required to be established by State law. However, the District may establish other funds to help it control and manage money for particular purposes.

Governmental funds: Governmental funds are used to account for essentially the same functions reported in the governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resource, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund abd special revenue fund, which are considered to be major funds.

The District adopts and annual appropriated budget for each of the major funds. A budgetary comparison schedule has been provided for the general fund and special revenue fund to demonstrate compliance with this budget.

The fund financial statements can be found on pages 14-24 of this report.

**NOTES TO THE FINANCIAL STATEMENTS**

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-54 of this report.

**OTHER INFORAMATION**

In addition to the basic financial statements and notes to the financial statements, this report also presents required supplementary information concerning the District's progress in funding its obligations to provide pension and OPEB benefits to its employees. Required supplementary information can be found on pages 56-62 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Net Position

| | June 30, 2022 | June 30, 2021 |
|---|---|---|
| Current assets | $ 1,483,379 | $ 1,011,842 |
| Non-current assets | 3,441,319 | 3,694,372 |
| Total assets | 4,924,698 | 4,706,214 |
| Deferred outflows | 567,147 | 531,617 |
| Current liabilities | 559,695 | 264,601 |
| Non-current liabilities | 4,242,008 | 4,818,092 |
| Total liabilities | 4,801,703 | 5,082,693 |
| Deferred inflows | 629,693 | 357,255 |
| Net invesment in capital assets | 710,818 | 614,271 |
| Restricted | 55,975 | (82,384) |
| Unrestricted | (706,344) | (764,004) |
| Total net position | $ 60,449 | $ (232,117) |

### Governmental Funds – Revenues and Expenditures

| | June 30, 2022 | June 30, 2021 |
|---|---|---|
| Revenues and other sources: | | |
| Local revenue | $ 916,800 | $ 721,022 |
| State revenue | 2,995,715 | 2,930,969 |
| Federal revenue | 723,483 | 480,093 |
| Total revenues | $ 4,635,998 | $ 4,132,084 |

**Governmental Funds – Revenues and Expenditures - Continued**

| | June 30, 2022 | June 30, 2021 |
|---|---|---|
| Expenditures: | | |
| Instruction | $ 2,580,851 | $ 2,254,110 |
| Student support | 201,789 | 228,558 |
| Instruction staff | 51,327 | 55,414 |
| District administrative | 367,337 | 350,180 |
| School administrative | 217,514 | 214,188 |
| Business support | 150,645 | 149,965 |
| Plant operations and maintenance | 333,183 | 295,917 |
| Student transportation | 117,138 | 80,291 |
| Community services | 48,052 | 45,248 |
| Debt service | 391,316 | 383,814 |
| Total expenditures | $ 4,459,152 | $ 4,057,685 |
| Other financing sources (uses) | | |
| Sale of assets | 2,366 | 2,095 |
| | $ 2,366 | $ 2,095 |

**Capital Assets**

| | June 30, 2022 | June 30, 2021 |
|---|---|---|
| Land and improvements | $ 33,061 | $ 35,577 |
| Buildings and improvements | 3,320,550 | 3,570,393 |
| Technology equipment | - | 15,505 |
| Vehicles | 29,562 | 34,347 |
| General equipment | 44,422 | 38,350 |
| Total capital assets | $ 3,427,595 | $ 3,694,172 |

**Long-Term Debt**

| | June 30, 2022 | June 30, 2021 |
|---|---|---|
| Bonds payable | $ 2,728,000 | 3,050,000 |

**REQUESTS FOR INFORMATON**

This financial report is designed to provide a general overview of the District finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Director of Finance, 307 Bracken Street, Augusta, KY 41002.

BASIC FINANCIAL STATEMENTS

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | $ 904,296 | $ 88,994 | $ 993,290 |
| Receivables: | | | |
| Taxes | 35,753 | | 35,753 |
| Intergovernmental | 356,429 | | 356,429 |
| Interfund | 91,786 | | 91,786 |
| Inventory | | 6,121 | 6,121 |
| Right-of-use lease assets - operating | 13,724 | | 13,724 |
| Capital assets, net | 3,411,706 | 15,889 | 3,427,595 |
| Total assets | 4,813,694 | 111,004 | 4,924,698 |
| **Deferred outflows of resources** | | | |
| Debt refundings | 54,014 | | 54,014 |
| OPEB related | 349,384 | 24,337 | 373,721 |
| Pension related | 117,211 | 22,201 | 139,412 |
| Total deferred outflows of resources | 520,609 | 46,538 | 567,147 |


See accompanying notes to financial statements.

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| **Liabilities** | | | |
| Accounts payable | 17,351 | | 17,351 |
| Accrued salaries and benfits | 176,812 | | 176,812 |
| Unearned revenue | 262,711 | | 262,711 |
| Interfund payable | 91,786 | | 91,786 |
| Accrued interest payable | 11,035 | | 11,035 |
| Due within one year: | | | |
| Operating lease - type B | 11,328 | | 11,328 |
| Capital leases | 10,026 | | 10,026 |
| Bonds payable | 329,392 | | 329,392 |
| Due in more than one year: | | | |
| Compensated absences | 17,889 | | 17,889 |
| Operating lease - type B | 2,396 | | 2,396 |
| Capital leases | 10,528 | | 10,528 |
| Bonds payable | 2,387,385 | | 2,387,385 |
| Net OPEB liability | 708,407 | 40,113 | 748,520 |
| Net pension liability | 608,617 | 115,927 | 724,544 |
| Total liabilities | 4,645,663 | 156,040 | 4,801,703 |
| **Deferred inflows of resources** | | | |
| OPEB related | 474,406 | 23,577 | 497,983 |
| Pension related | 110,636 | 21,074 | 131,710 |
| Total deferred inflows of resources | 585,042 | 44,651 | 629,693 |
| **Net position** | | | |
| Net investment in capital assets | 694,929 | 15,889 | 710,818 |
| Restricted | 55,975 | | 55,975 |
| Unrestricted (deficit) | (647,306) | (59,038) | (706,344) |
| Total net position (deficit) | $ 103,598 | $ (43,149) | $ 60,449 |


See accompanying notes to financial statements.

Augusta Independent School District
Statement of Activities
June 30, 2022

| | Expenses | Charges for Services | Operating Grants and Contribution | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|---|---|---|---|
| **Governmental Activities** | | | | | | | |
| Instruction | $ 2,579,640 | $ 16,800 | $ 1,799,219 | $ - | $ (763,621) | $ - | $ (763,621) |
| Support services: | | | | | | | |
| Student | 201,383 | | 76,228 | | (125,155) | | (125,155) |
| Instructional staff | 51,327 | | | | (51,327) | | (51,327) |
| District administration | 363,510 | | | | (363,510) | | (363,510) |
| School administration | 218,363 | | | | (218,363) | | (218,363) |
| Business | 151,150 | | | | (151,150) | | (151,150) |
| Plant operation | 574,698 | | | | (574,698) | | (574,698) |
| Student transportation | 113,457 | | | | (113,457) | | (113,457) |
| Community service | 48,052 | | 48,052 | | - | | - |
| Interest on long-term debt | 78,735 | | | 299,214 | 220,479 | | 220,479 |
| Total governmental activities | 4,380,315 | 16,800 | 1,923,499 | 299,214 | (2,140,802) | | (2,140,802) |
| **Business-Type Activities** | | | | | | | |
| Food service | 224,878 | 9,416 | 249,979 | 0 | | 34,517 | 34,517 |
| Total business-type activities | 224,878 | 9,416 | 249,979 | 0 | | 34,517 | 34,517 |
| Total school district | $ 4,605,193 | $ 26,216 | $ 2,173,478 | $ 299,214 | (2,140,802) | 34,517 | (2,106,285) |


See accompanying notes to financial statements.

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| **General Revenues** | | | |
| Property taxes | 457,476 | | 457,476 |
| Motor vehicle taxes | 40,223 | | 40,223 |
| Utilities tax | 178,430 | | 178,430 |
| State aid | 1,496,485 | | 1,496,485 |
| Investment earnings | 48 | | 48 |
| Other | 226,189 | | 226,189 |
| Total general revenues | 2,398,851 | - | 2,398,851 |
| Change in net position | 258,049 | 34,517 | 292,566 |
| Net position (deficit) - beginning of year | (154,451) | (77,666) | (232,117) |
| Net position (deficit) - end of year | $ 103,598 | $ (43,149) | $ 60,449 |


See accompanying notes to financial statements.

Augusta Independent School District
Balance Sheet – Governmental Funds
June 30, 2022

| | General Fund | Special Revenue Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | $ 857,266 | $ | $ 47,030 | $ 904,296 |
| Receivables: | | | | |
| Taxes | 35,753 | | | 35753 |
| Interfund receivable | 91,786 | | | 91,786 |
| Intergovernmental | | 356,429 | | 356,429 |
| Total assets | $ 984,805 | $ 356,429 | $ 47,030 | $ 1,388,264 |
| **Liabilities** | | | | |
| Accounts payable | $ 15,419 | $ 1,932 | $ - | $ 17,351 |
| Accrued salaries and benefits | 176,812 | | | 176,812 |
| Interfund payable | | 91,786 | | 91,786 |
| Deferred revenue | | 262,711 | | 262,711 |
| Total liabilities | 192,231 | 356,429 | - | 548,660 |
| **Fund balances** | | | | |
| Restricted | 8,945 | | 47,030 | 55,975 |
| Unassigned | 783,629 | | | 783,629 |
| Total fund balances | 792,574 | - | 47,030 | 839,604 |
| Total liabilities and fund balances | $ 984,805 | $ 356,429 | $ 47,030 | $ 1,388,264 |


See accompanying notes to financial statements.

Augusta Independent School District
Reconciliation of the Balance Sheet – Governmental Funds
to the Statement of Net Position
June 30, 2022

| | |
|---|---|
| Total fund balances - governmental funds | $ 839,604 |
| | |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 3,411,706 |
| | |
| Deferred outflow and inflows of resources are applicable to future periods and, therefore, are not reported in the funds. | |
| Deferred outflows - OPEB | 349,384 |
| Deferred outflows - pensions | 117,211 |
| Deferred inflows - OPEB | (474,406) |
| Deferred inflows - pension | (110,636) |
| Debt refunding | 54,014 |
| | |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | |
| Accrued interest payable | (11,035) |
| Capital lease | (20,554) |
| Bonds payable | (2,716,777) |
| Compensated absences | (17,889) |
| Net OPEB liability | (708,407) |
| Net pension liability | (608,617) |
| | |
| Net position of governmental activities | $ 103,598 |


See accompanying notes to financial statements.

| | General Fund | Special Revenue Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **Revenues** | | | | |
| From local sources: | | | | |
| Taxes: | | | | |
| Property | $ 395,061 | $ - | $ 62,416 | $ 457,477 |
| Motor vehicle | 40,223 | | - | 40,223 |
| Utilities | 178,430 | | - | 178,430 |
| Tuition | 16,800 | | - | 16,800 |
| Earnings on investments | 48 | | - | 48 |
| Other local | 66,411 | 44,169 | 113,242 | 223,822 |
| Intergovernmental - state | 1,414,043 | 266,816 | 138,575 | 1,819,434 |
| Intergovernmental - state on-behalf | 877,067 | | 299,214 | 1,176,281 |
| Intergovernmental - federal | | 712,480 | - | 712,480 |
| Intergovernmental - federal direct | 11,003 | | - | 11,003 |
| Total revenues | 2,999,086 | 1,023,465 | 613,447 | 4,635,998 |


See accompanying notes to financial statements.

Augusta Independent School District
Statement of Revenues, Expenditures and Changes in Fund
Balances – Governmental Funds – Continued
June 30, 2022

| | General Fund | Special Revenue Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **Expenditures** | | | | |
| Instruction | 1,514,138 | 943,148 | 123,565 | 2,580,851 |
| Support services: | | | | |
| Student | 125,561 | 76,228 | - | 201,789 |
| Instuction staff | 51,327 | | - | 51,327 |
| District administrative | 367,337 | | - | 367,337 |
| School administrative | 217,514 | | - | 217,514 |
| Business | 150,645 | | - | 150,645 |
| Plant operations | 333,183 | | - | 333,183 |
| Student transportation | 117,138 | | - | 117,138 |
| Community service | | 48,052 | - | 48,052 |
| Debt service | | | | |
| Principal | | | 322,000 | 322,000 |
| Interest | | | 69,316 | 69,316 |
| Total expenditures | 2,876,843 | 1,067,428 | 514,881 | 4,459,152 |
| Excess (deficiency) of revenues over expenditures | 122,243 | (43,963) | 98,566 | 176,846 |
| **Other financing sources (uses)** | | | | |
| Sale of assets | | 2,366 | - | 2,366 |
| Transfers in | 56,399 | 41,597 | 92,102 | 190,098 |
| Transfers out | (5,894) | | (184,204) | (190,098) |
| Total other financing sources (uses) | 50,505 | 43,963 | (92,102) | 2,366 |
| Net change in fund balances | 172,748 | - | 6,464 | 179,212 |
| Fund balances - beginning of year | 619,826 | - | 40,566 | 660,392 |
| Fund balances - end of year | $ 792,574 | $ - | $ 47,030 | $ 839,604 |


See accompanying notes to financial statements.

Augusta Independent School District
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities
June 30, 2022

| | |
|---|---|
| Net change in fund balances - total governmental funds | $ 179,212 |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Governmental funds report capital outlays as expenditures. However, in the statement of actvities, the cost of those asset is allocated over their estimated useful lives and reported as depreciation expense. | (262,050) |
| Repayment of long-term debt are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. | 331,547 |
| Some expenses reported in the statement of activities do not require current financial resources and, therefore, are not reported as expenditures in the funds. | |
| Amortization of bond premiums | (10,282) |
| Change in accrued interest payable | 863 |
| Change in compensated absences | (1,991) |
| Change in OPEB liabilites and deferred amounts | 37,681 |
| Change in pension liabilites and deferred amounts | (16,931) |
| Change in net position of governmental activities | $ 258,049 |


See accompanying notes to financial statements.

| | | Food Service Fund |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | $ | 88,994 |
| Inventory | | 6,121 |
| Total current assets | | 95,115 |
| Non current assets | | |
| Capital assets, net | | 15,889 |
| Total noncurrent assets | | 15,889 |
| Total assets | | 111,004 |
| **Deferred outflows of resources** | | |
| OPEB related | | 24,337 |
| Pension related | | 22,201 |
| Total deferred outflows of resources | | 46,538 |

| | Food Service Fund |
|---|---|
| **Liabilities** | |
| Current liabilities | |
| Accounts payable | 0 |
| Total current liabilities | 0 |
| Noncurrent liabilities | |
| Net OPEB liability | 40,113 |
| Net pension liability | 115,927 |
| Total noncurrent liabilities | 156,040 |
| Total liabilities | 156,040 |
| **Deferred inflows of resources** | |
| OPEB related | 23,577 |
| Pension related | 21,074 |
| Total deferred inflows of resources | 44,651 |
| **Net position** | |
| Net investment in capital assets | 15,889 |
| Unrestricted (deficit) | (59,038) |
| Total net position (deficit) | $ (43,149) |


See accompanying notes to financial statements.

Augusta Independent School District
Statement of Revenues, Expenses and Changes
In Fund Net Position – Proprietary Funds
June 30, 2022

| | Food Service Fund |
|---|---|
| **Operating revenues** | |
| Food service | $ 9,416 |
| Total operating revenues | 9,416 |
| **Operating expenses** | |
| Salaries and wages | 79,736 |
| Employee benefits | 15,325 |
| Purchased services | 9,841 |
| Materials and supplies | 109,900 |
| Other operating expenses | 5,349 |
| Depreciation | 4,727 |
| Total operating expenses | 224,878 |
| Operating loss | (215,462) |
| **Non operating revenues** | |
| Operating grants - state | 2,242 |
| Operating grants - federal | 233,068 |
| Donated commodities | 14,669 |
| Total other financing sources (uses) | 249,979 |
| Net change in fund balances | 34,517 |
| Fund balances - beginning of year | (77,666) |
| Fund balances - end of year | $ (43,149) |


See accompanying notes to financial statements.

| | Food Service Fund |
|---|---|
| **Cash flows from operating activities** | |
| Cash received: | |
| From food service sales | $ 9,416 |
| Cash paid: | |
| To employees | (96,039) |
| To suppliers | (104,326) |
| For operating expenses | (5,349) |
| Net cash used in operating activities | (196,298) |
| **Cash flows from noncapital financing activities** | |
| Non operating grants | 235,310 |
| Net cash provided by noncapital financing activities | 235,310 |
| Net increase in cash | 39,012 |
| Cash - beginning of year | 49,982 |
| Cash - end of year | $ 88,994 |
| | |
| **Reconciliation of operating loss to net cash used in operating activities** | |
| Operating loss | $ (215,462) |
| Adjustments to reconcile operating loss to net cash in operating activities | |
| Depreciation | 4,727 |
| Changes in: | |
| Inventory | 746 |
| Deferred outflows | 7,143 |
| Deferred inflows | 21,903 |
| Net OPEB liability | (18,166) |
| Net pension liability | (11,858) |
| Commodities received | 14,669 |
| Net cash used in operating activities | $ (196,298) |
| | |
| **Noncash activities** | |
| Commodities received from federal | $ 14,669 |
| On-behalf payments received state | $ - |


See accompanying notes to financial statements.

Augusta Independent School District
Statement of Net Position – Fiduciary Funds
June 30, 2022

| | Trust Funds |
|---|---|
| **Assets** | |
| Cash | $ 38,249 |
| Total assets | $ 38,249 |
| **Net position** | |
| Held in trust | $ 38,249 |


See accompanying notes to financial statements.

| | Trust Funds |
|---|---|
| **Additions** | |
| Interest income | $ 18 |
| Total additions | 18 |
| | |
| **Deductions** | |
| Scholarships paid | 2,000 |
| Total deductions | 2,000 |
| Change in net position | (1,982) |
| Net position - beginning of year | 40,231 |
| Net position - end of year | $ 38,249 |


See accompanying notes to financial statements.

**NOTE 1: ACCOUNTING POLICIES**

***Reporting Entity***

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

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

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

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

> **Augusta Independent Board of Education Finance Corporation** – The Board authorized the establishment of the Augusta Independent Board of Education Finance Corporation (Corporation), (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

***Basis of Presentation***

The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the District at year end. The 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.

**NOTE 1: ACCOUNTING POLICIES (CONTINUED)**

**Government-Wide Financial Statements (Continued)**
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**
During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to determine legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds, if any, are presented in a single column.

Proprietary funds distinguish operating revenue 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 operation. The principal operating revenues of the District's proprietary funds are charges for services. Operating expenses for the proprietary funds include personnel and other expenses related to water and sewer operations. All revenues not meeting these definitions are reported as nonoperating revenues and expenses.

***Fund Accounting***

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are two categories of funds: governmental and proprietary.

**Governmental Fund Types**
Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or may not be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets, deferred outflow, liabilities, and deferred inflows is reported as fund balance. The following are the District's major governmental funds:

*General Fund* - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Kentucky. This is a major fund of the District.

*Special Revenue Fund* – 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 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.

**NOTE 1: ACCOUNTING POLICIES (CONTINUED)**

The following of nonmajor funds of the district:

*District Activity Fund* – This fund is a special revenue fund that accounts for funds received at the school level.

*School Activity Fund* – This fund is a special revenue fund that 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*.

*Capital Outlay Fund* – This Support Education Excellence in Kentucky (SEEK) fund receives those funds designated by the state as capital outlay funds and is restricted for use in financing projects identified by the District's facility plan.

*Building Fund* - This Facility Support Program of Kentucky (FSPK) fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.

*Debt Service Fund* – This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost, as required by state law.

**Proprietary Fund Types** (Enterprise Funds)

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

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

**Government-Wide, Proprietary, and Fiduciary Financial Statements** – The government-wide, proprietary, and fiduciary fund financial statements are prepared using the economic resources measurement focus. With this measurement focus, all assets, deferred outflows, liabilities, and deferred inflows associated with the operation of the District are included on the balance sheet. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place.

**Fund Financial Statements** – Governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (e.g. revenues and other financing sources) and uses (e.g. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which government –wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the financial statements for governmental funds.

**NOTE 1: ACCOUNTING POLICIES (CONTINUED)**

***Cash and Cash Equivalents***

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

***Inventories***

Supplies and materials are charged to expenditures when purchased with the exception of proprietary funds, which record inventory at cost, determined on the first-in, first-out basis.

***Capital Assets***

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of $1,000 with the exception of computers and real property for which there is no threshold. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value to the asset or materially extend an asset's life are not capitalized.

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

| Description | Estimated Lives |
|---|---|
| Buildings and improvements | 25-50 years |
| Land improvements | 20 years |
| Technology equipment | 5 years |
| Vehicles | 5-10 years |
| Audio-visual equipment | 15 years |
| General equipment | 7-10 years |
| Food service equipment | 10-12 years |

***Deferred Outflows of Resources – Pension, OPEB, and Debt Refunding***

The District reports decreases in net position that relates to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary fund statements of net position. The deferred outflows of resources reported in the financial statements include (1) deferred amount arising from the refunding of bonds, (2) deferred outflows of resources for contributions made to the District's defined benefit pension plan between the measurement date of the plan net pension liabilities and the end of District's fiscal year, and (3) deferred outflows of resources related to the changes between the expected and actual experiences for the plan and changes in actuarial assumptions. The deferred refunding amount is being amortized over the remaining life of the refunding bonds as part of interest expense. Deferred outflows for pension contributions will be recognized in the subsequent fiscal year. The deferred outflows related to experience and assumption changes will be recognized in future periods.

**NOTE 1: ACCOUNTING POLICIES (CONTINUED)**

***Deferred Inflows of Resources – Pension and OPEB***

The District reports increases in net position that relates to future periods as deferred inflows of resources in a separate section of its government-wide and proprietary fund statements of net position. The deferred inflows of resources reported in the financial statements arise from changes in the expected and actual experiences for the plan and for changes in assumptions. The deferred inflows related to these changes will be recognized in future periods.

***Net Pension Liability***

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

***Net OPEB Liability***

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

***Accumulated Unpaid Sick Leave Benefits***

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments. The entire compensated absence liability is reported on the government-wide financial statements.

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and retirement incentives that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and capital lease obligations are not recognized as a liability on the governmental fund financial statements until due.

**NOTE 1: ACCOUNTING POLICIES (CONTINUED)**

***Net Position***

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component of net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. Net position restricted for other purposes consists primarily of programs to enhance the security of persons and property.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

***Fund Balances***

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted - is reported as restricted when constraints are placed on the use of resources that 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.

Committed - includes amounts that can be used only for the specific purposes imposed by formal action (ordinance) of District (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless District removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - amounts are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of District.

Unassigned - the residual classification for the general fund and includes all spendable amounts not contained in other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**NOTE 1: ACCOUNTING POLICIES (CONTINUED)**

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within restricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any unrestricted fund balance classifications could be used.

***Property Taxes***

Property taxes are levied in September on the assessed value listed as of the prior January 1 for all the 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 District levies a utility gross receipts license tax on telephone communication services, cablevision services, electric power, water, and gas furnished within the District's boundaries.

***Revenues – Exchange and Non-exchange Transactions***

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

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

***Operating Revenues and Expenses***

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

**NOTE 1: ACCOUNTING POLICIES (CONTINUED)**

***Interfund Activity***

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

***Interfund Balances***

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

***Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature an infrequent in occurrence. Special items are transactions or events that are within the control of the District administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year.

***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 the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates.

***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 GAAP basis are: (1) revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP); and (2) 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. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

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

***Subsequent Events***

The District has evaluated subsequent events for potential recognition and disclosure through November 7, 2022 the date the financial statements were available to be issued.

***Recent Accounting Pronouncements***

In June 2017, the GASB issued Statement No. 87, *Leases.* The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The District adopted the statement in the current reporting period. See Note 6.

**NOTE 2: CASH AND CASH EQUIVALENTS**

At year end the carrying amounts of the District's total cash and cash equivalents was covered by Federal Deposit Insurance Corporation (FDIC) insurance and by collateral agreements and collateral held by the pledging bank's trust department in the District's name.

Custodial Credit Risk – Deposits. For deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned. The District maintains deposits with financial institutions insured by the FDIC. As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2022, all of the District's deposits are insured by the FDIC or covered by security pledges.

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**NOTE 3: CAPITAL ASSETS**

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

| | Balance 7/1/2021 | Additions | Disposals | Balance 6/30/2022 |
|---|---|---|---|---|
| **Govermental Activities** | | | | |
| Land and improvements | $ 94,405 | $ 0 | $ 0 | $ 94,405 |
| Buildings and improvements | 7,610,348 | | | 7,610,348 |
| Technology equipmenmt | 150,407 | | | 150,407 |
| Vehicles | 216,876 | | | 216,876 |
| General equipment | 198,995 | | | 198,995 |
| Total at historical cost | 8,271,031 | 0 | 0 | 8,271,031 |
| Less accumulated depreciation | | | | |
| Land and improvements | 58,828 | 2,516 | | 61,344 |
| Buildings and improvements | 4,039,755 | 250,043 | | 4,289,798 |
| Technology equipmenmt | 150,407 | | | 150,407 |
| Vehicles | 182,529 | 4,785 | | 187,314 |
| General equipment | 165,756 | 4,706 | | 170,462 |
| Total accumulated depreciation | 4,597,275 | 262,050 | - | 4,859,325 |
| Capital assets - net | $ 3,673,756 | $ (262,050) | $ 0 | $ 3,411,706 |

| | Balance 7/1/2021 | Additions | Disposals | Balance 6/30/2022 |
|---|---|---|---|---|
| **Business-type Activities** | | | | |
| Buildings and improvements | $ 427,600 | | | $ 427,600 |
| Technology equipment | 1,985 | | | 1,985 |
| Food service equipment | 84,518 | | | 84,518 |
| Total at historical cost | 514,103 | - | - | 514,103 |
| Less accumulated depreciation | | | | |
| Buildings and improvements | 427,600 | | | 427,600 |
| Technology equipment | 1,985 | | | 1,985 |
| Food service equipment | 63,902 | 4,727 | | 68,629 |
| Total accumulated depreciation | 493,487 | 4,727 | 0 | 498,214 |
| Capital assets - net | $ 20,616 | $ (4,727) | $ 0 | $ 15,889 |

**NOTE 3: CAPITAL ASSETS - CONTINUED**

Depreciation was charged to the following functions:

| | Governmental | Business-type |
|---|---|---|
| Instruction | $ 16,409 | $ |
| Student support | 2,358 | |
| District administration | 480 | |
| Plant operations | 238,018 | |
| Student transportation | 4,785 | |
| Food service | | 4,727 |
| | $ 262,050 | $ 4,727 |

**NOTE 4: BONDS PAYABLE**

The amount shown in the accompanying financial statements as bonds payabe obligations represents the District's future obligations to make lease payments relating to the bonds issued by the Augusta Independent School District Financial Corporation.

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

| Issue Date | Proceeds | Rates | Balance June 30, 2022 |
|---|---|---|---|
| 2015 | $ 1,055,000 | 3.25% | $ 905,000 |
| 2016 | $ 2,665,000 | 2.00% to 2.20% | $1,515,000 |
| 2021 | $ 349,000 | 0.95% | $ 308,000 |

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the sponsoring governmental entity 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 entered into participation agreements with the Kentucky School Facilities Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs.

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 and the Commission at June 30, 2022 for debt service (principal and interest) are as follows:

**NOTE 4: BONDS PAYABLE – CONTINUED**

Changes in bonds payable are as follows:

| Issue | Balance July 1, 2021 | Addtions | Reductions | Balance June 30, 2022 | Amount Due Within One Year |
|---|---|---|---|---|---|
| Series 2015 | $ 930,000 | | $ 25,000 | $ 905,000 | $ 30,000 |
| Series 2016 | 1,775,000 | | 260,000 | 1,515,000 | 265,000 |
| Series 2021 | 345,000 | | 37,000 | 308,000 | 35,000 |
| Total bonds payable | 3,050,000 | - | 322,000 | 2,728,000 | 330,000 |
| Unamortized bond discount | (11,831) | | (608) | (11,223) | (608) |
| Total bonds payable | $ 3,038,169 | $ - | $ 321,392 | $ 2,716,777 | $ 329,392 |

Future minimum debt service on bonds are as follows:

| Year End | Augusta Independent School District | | School Facility Construction Commission | | Total Debt |
|---|---|---|---|---|---|
| June 30 | Interest | Principal | Interest | Principal | Service |
| 2023 | $ 24,998 | $ 68,660 | $ 37,873 | $ 261,340 | $ 392,871 |
| 2024 | 23,639 | 67,409 | 32,323 | 266,591 | 389,962 |
| 2025 | 22,030 | 69,263 | 27,262 | 258,737 | 377,292 |
| 2026 | 20,401 | 73,056 | 22,054 | 263,944 | 379,455 |
| 2027 | 18,610 | 76,792 | 16,734 | 264,208 | 376,344 |
| 2028 | 16,708 | 78,823 | 11,177 | 251,177 | 357,885 |
| 2029 | 14,594 | 66,558 | 5,673 | 37,442 | 124,267 |
| 2030 | 12,804 | 61,996 | 4,866 | 41,004 | 120,670 |
| 2031 | 10,990 | 64,467 | 4,011 | 41,533 | 121,001 |
| 2032 | 9,052 | 58,887 | 3,135 | 21,113 | 92,187 |
| 2033 | 7,150 | 58,188 | 2,438 | 21,812 | 89,588 |
| 2034 | 5,189 | 62,468 | 1,717 | 22,532 | 91,906 |
| 2035 | 3,170 | 61,725 | 973 | 23,275 | 89,143 |
| 2036 | 1,084 | 66,699 | 297 | 18,301 | 86,381 |
| | $ 190,419 | $ 934,991 | $ 170,533 | $ 1,793,009 | $ 3,088,952 |

**NOTE 5: CAPITAL LEASES**

In 2018, the District entered into a lease purchase agreement to finance the purchase of a District transportation vehicle. Remaining future payments under the lease are as follows:

| Year End | Capital Lease | | |
|---|---|---|---|
| June 30 | Interest | Principal | Total |
| 2023 | $ 1,030 | $ 10,026 | $ 11,056 |
| 2024 | 528 | 10,528 | 11,056 |
| | $ 1,558 | $ 20,554 | $ 22,112 |

**NOTE 6: OPERATING LEASES**

The District adopted GASB Statement No. 87, Leases in the current reporting period. The adoption had no effect on beginning fund balances or net position.

Leases in which the District has entered into as leasee are classified as operating leases – Type B. Following is a summary of property under right-of-use leases:

| | |
|---|---|
| Right-of-use equipment | $ 26,579 |
| Accmulated amorization | 12,855 |
| | $ 13,724 |

Remaining future payments under the lease contracts are as follows:

| | |
|---|---|
| 2023 | $ 11,328 |
| 2024 | 6,998 |
| Total remaining payments | 18,326 |
| Less interest component | 4,602 |
| | $ 13,724 |

A summary of lease costs and other lease information is as follows:

| | |
|---|---|
| Operating lease cost | $ 11,328 |

Cash paid for amounts included in the measurement of lease liabilities:

| | |
|---|---|
| Operating leases | $ 11,328 |

Weighted-average remaining lease term

1.61 years

Weighted-average discount rate

3.00%

**NOTE 7: LONG-TERM OBLIGATIONS**

Changes in long-term obligations are as follows:

| Governmental Activities | Balance July 1, 2021 | Addtions | Reductions | Balance June 30, 2022 | Amount Due Within One Year |
|---|---|---|---|---|---|
| Bonds payable | $ 3,038,169 | | $ 321,392 | $ 2,716,777 | 329,392 |
| Capital leases | 30,101 | | 9,547 | 20,554 | 10,026 |
| Operating leases | 19,022 | | 5,298 | 13,724 | 11,328 |
| Compensated absences | 15,898 | 1,991 | | 17,889 | |
| Net OPEB liability | 811,849 | | 103,442 | 708,407 | |
| Net pension liability | 724,113 | | 115,496 | 608,617 | |
| Total long-term liabilities | $ 4,639,152 | $ 1,991 | $ 555,175 | $ 4,085,968 | $ 350,746 |

| Business-type Activities | Balance July 1, 2021 | Addtions | Reductions | Balance June 30, 2022 | Due Within One Year |
|---|---|---|---|---|---|
| Net OPEB liability | 58,279 | | 18,166 | 40,113 | |
| Net pension liability | 127,785 | | 11,858 | 115,927 | |
| Total long-term liabilities | $ 186,064 | $ - | $ 30,024 | $ 156,040 | $ - |

**NOTE 8: PENSION PLANS**

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

**General information about the Teachers' Retirement System of the State of Kentucky (KTRS)**

***Plan description***

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

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

***Benefits provided***

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

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

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees 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 employees (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 employees 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, employees 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 employees hired on or after that date.

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. KTRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is $2,000 for active contributing employees and $5,000 for retired or disabled employees.

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

***Contributions***

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

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

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

**General information about the County Employees Retirement System Non-Hazardous (CERS)**

***Plan description***

Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (KRS) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from http://kyret.ky.gov/.

***Benefits provided***

CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

| | | |
|---|---|---|
| Tier 1 | Participation date | Before September 1, 2008 |
| | Unreduced retirement | 27 years service or 65 years old |
| | Reduced retirement | At least 5 years service and 55 years old |
| | | At least 25 years service and any age |
| Tier 2 | Participation date | September 1, 2008 - December 31, 2013 |
| | Unreduced retirement | At least 5 years service and 65 years old |
| | | Or age 57+ and sum of service years plus age equal 87 |
| | Reduced retirement | At least 10 years service and 60 years old |
| Tier 3 | Participation date | After December 31, 2013 |
| | Unreduced retirement | At least 5 years service and 65 years old |
| | | Or age 57+ and sum of service years plus age equal 87 |
| | Reduced retirement | Not available |

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are $5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and $10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

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

***Contributions***

Required contributions by the employee are based on the tier:

| | Required contribution |
|---|---|
| Tier 1 | 5% |
| Tier 2 | 5% + 1% for insurance |
| Tier 3 | 5% + 1% for insurance |

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

***CERS***

At June 30, 2022, the District reported a liability of $724,544 for its proportionate share of the net pension liability for CERS. The net pension liability for each plan 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 that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2021, the District's proportion was 0.0114% percent.

***TRS***

The District did not report a liability for the District's proportionate share of the net pension liability for TRS because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The District's proportionate share of the TRS net pension liability associated with the district is $6,016,932.

For the year ended June 30, 2022, the District recognized pension expense of $88,159 related to CERS and $516,847 related to TRS. The District also recognized revenue of $516,847 for TRS support provided by the Commonwealth. At June 30, 2022, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflow | Deferred Inflow | Net Deferral |
|---|---|---|---|
| Change in liability experience | $ 8,320 | $ 7,032 | |
| Change of assumptions | 9,724 | | |
| Change in investment experience | 28,107 | 124,678 | |
| Change in proportionate share of contributions | 33,581 | | |
| | 79,732 | $ 131,710 | $ (51,978) |
| Subsequent contributions | 59,680 | | |
| Total | $ 139,412 | | |

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

The contributions subsequent to the measurement date of $59,680 will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. The net deferral of $(51,978) will be recognized in pension expense as follows:

| Year ending June 30 | Net Deferral |
|---|---|
| 2023 | $ 14,242 |
| 2024 | (14,724) |
| 2025 | (21,256) |
| 2056 | (30,240) |
| | $ (51,978) |

***Actuarial assumptions***

The total pension liability as of June 30, 2021 was based on an actuarial valuation date of June 30, 2020. The Total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2021, using generally accepted accounting principles and was determined using the following actuarial assumptions, applied to all periods included in the measurement. The total pension liability was determine using these actuarial assumptions:

| | |
|---|---|
| Valuation date | 6/30/2020 |
| Actuarial cost method | Entry age normal |
| Asset valuation method | 20% of difference |
| Amotrization method | Level percent of pay |
| Remaining amortization period | 30 years, closed |
| Payroll growth rate | 2.00% |
| Investment return | 6.25% |
| Inflation | 2.30% |
| Salary increase rate - nonhazardous | 3.30% - 10.30% |
| Salary increase rate - hazardous | 3.05% - 18.55% |

For CERS, Mortality rates for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired employees and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other employees. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

For KRS, Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025 set forward for two years for males and one year for females. The actuarial assumptions used were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2015 adopted by the Board on November 19, 2016.

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

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30. 2014. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were 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 then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

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

| CERS | | | KTRS | | |
|---|---|---|---|---|---|
| Asset Class | Target Allocation | Long-term Expected Nominal Return | Asset Class | Target Allocation | Long-term Expected Nominal Return |
| US Equity | 21.75% | 5.70% | Large Cap US Equity | 37.40% | 4.20% |
| Non US Equity | 21.75% | 6.32% | Small Cap US Equity | 2.60% | 4.70% |
| Private Equity | 10.00% | 9.70% | Developed International Equity | 16.50% | 5.30% |
| Specialty Credit/High Yield | 15.00% | 2.80% | Emerging Markets Equity | 5.50% | 5.40% |
| Core Bonds | 10.00% | 0.00% | Fixed Income | 15.00% | -0.10% |
| Cash | 1.50% | -0.60% | High Yield Bonds | 5.00% | 1.70% |
| Real Estate | 10.00% | 5.40% | Additional categories | 5.00% | 2.20% |
| Real Return | 10.00% | 4.50% | Real Estate | 7.00% | 4.00% |
| | | | Private Equity | 7.00% | 6.90% |
| | | | Cash | 2.00% | -0.30% |
| Expected real return | 100.00% | 5.00% | Expected real return | 103.00% | 7.10% |
| Long-term inflation assumption | | 2.30% | Long-term inflation assumption | | 2.50% |

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

***Discount rate***

For CERS, the discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 5.00%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For TRS, the discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. 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 employees until the 2038 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2035 and a municipal bond index rate of 2.13% was applied to all periods of projected benefit payments after 2035. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

Sensitivity of CERS and KTRS proportionate share of net pension liability to changes in the discount rate—The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (I calculated the amounts in this schedule:

| | 1% Decrease 5.25% | Current Discount Rate 6.25% | 1% Increase 7.25% |
|---|---|---|---|
| District's proportionate share of the CERS net pension liability | $ 929,262 | $ 724,544 | $ 555,145 |

***Pension plan fiduciary net position***

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of both CERS and KTRS.

**NOTE 9: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**General information about the Teachers' Retirement System OPEB Plan**

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

**Medical Insurance Plan**

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

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

***Contributions***
In order to fund the post-retirement healthcare benefit, six percent (6%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three percent (3%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and two and one quarter percent (2.25%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

**General information about the County Employee's Retirement System OPEB Plan**

***Plan description***
The District's employees are provide OPEB under provions of Kentucky Revised Statutes. The Kentucky Retirement Systems (KRS) board administers the CERS Insurance Fund. The CERS Insurance fund is a cost-sharing, multiple-employer defined benefit OPEB plan which provides group health insurance benefits for plan members that are regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. OPEB benefits may be extended to beneficiaries of plan members under certain circumstances. The CERS Insurance Fund is included in a public available financial report that can be viewed at www.kyret.ky.gov.

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

***Benefits provided***

Benefits provided

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

For health insurance purposes, employees are grouped into three tiers based on hire date:

| | | |
|---|---|---|
| Tier 1 | Participation date | Before September 1, 2008 |
| | Unreduced retirement | 27 years service or 65 years old |
| | Reduced retirement | At least 5 years service and 55 years old |
| | | At least 25 years service and any age |
| Tier 2 | Participation date | September 1, 2008 - December 31, 2013 |
| | Unreduced retirement | At least 5 years service and 65 years old |
| | | Or age 57+ and sum of service years plus age equal 87 |
| | Reduced retirement | At least 10 years service and 60 years old |
| Tier 3 | Participation date | After December 31, 2013 |
| | Unreduced retirement | At least 5 years service and 65 years old |
| | | Or age 57+ and sum of service years plus age equal 87 |
| | Reduced retirement | Not available |

***Contributions***

For the year ending June 30, 2021, the employer's contribution was 4.76% to the insurance trust for non-hazardous job classifications and 9.52% for hazardous classifications. Participating employers were required to contribute at an actuarially determined rate. 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 basis adopted by the Board. Employees qualifying as Tier 2 or Tier 3 of the CERS plan contribute 1.0% of creditable compensation to an account created for payment of health insurance benefits.

***Implicit Subsidy***

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

## NOTE 9: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

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

At June 30, 2022, the District reported a liability for its proportionate share of the net OPEB liability of $748,520 comprised of $217,520 related to CERS and $531,000 related to TRS.

The District's proportion of the net OPEB liability for CERS was 0.01136% percent and for TRS 0.2475%.

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 that date. 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 entities, actuarially determined.

For the year ended June 30, 2022, the District recognized OPEB expense of $(5,284) related to CERS and $79,470 related to TRS. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | CERS | | |
|---|---|---|---|
| | Deferred Outflow | Deferred Inflow | Net Deferral |
| Change in liability experience | $ 34,205 | $ 64,944 | |
| Change of assumptions | 57,669 | 202 | |
| Change in investment experience | 10,959 | 44,987 | |
| Change in proportionate share of contributions | 16,262 | 13,850 | |
| | 119,095 | $ 123,983 | $ (4,888) |
| Subsequent contributions | 16,294 | | |
| Total | $ 135,389 | | |

| | TRS | | |
|---|---|---|---|
| | Deferred Outflow | Deferred Inflow | Net Deferral |
| Change in liability experience | $ - | $ 316,000 | |
| Change of assumptions | 139,000 | | |
| Change in investment experience | | 57,000 | |
| Change in proportionate share of contributions | 56,000 | 1,000 | |
| | 195,000 | $ 374,000 | $ (179,000) |
| Subsequent contributions | 43,332 | | |
| Total | $ 238,332 | | |

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

| | Total | | |
|---|---|---|---|
| | Deferred Outflow | Deferred Inflow | Net Deferral |
| Change in liability experience | $ 34,205 | $ 380,944 | |
| Change of assumptions | 196,669 | 202 | |
| Change in investment experience | 10,959 | 101,987 | |
| Change in proportionate share of contributions | 72,262 | 14,850 | |
| | 314,095 | $ 497,983 | $ (183,888) |
| Subsequent contributions | 59,626 | | |
| Total | $ 373,721 | | |

The contributions subsequent to the measurement date of $59,626 will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. The net deferral of $(183,888) will be recognized in pension expense as follows:

| Year ending June 30 | Net Deferral |
|---|---|
| 2022 | $ (39,555) |
| 2023 | (45,721) |
| 2024 | (44,225) |
| 2025 | (53,387) |
| 2026 | (1,000) |
| | $ (183,888) |

***Actuarial assumptions***

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

The KRS Board of Trustee 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, 2010". The total OPEB liability as of June 30, 2021 was determined using these updated assumptions.

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

The actuarial assumptions are:

| **Benefits** | 2022 |
| --- | --- |
| | no change |
| **Assumptions** | 2022 |
| Valuation date | 6/30/2020 |
| Actuarial cost method | Entry age normal |
| Amotrization method | Level percent of pay |
| Remaining amortization period | 30 years, closed |
| Payroll growth rate | 2.00% |
| Investment rate of return | 6.25% |
| Inflation | 2.30% |
| Salary increase rate - nonhazardous | 3.30% - 10.30% |
| Salary increase rate - hazardous | 3.05% - 18.55% |
| Health care cost trends: | |
| Pre-65 | 6.250% decreasing to an ultimate rate of 4.05% in 12 years |
| Post-65 | 5.50% decreasing to an ultimate rate of 4.05% in 12 years |

**TRS**

| **Benefits** | 2022 |
| --- | --- |
| | no change |
| **Assumptions** | 2022 |
| Inflation | 2.50% |
| Real wage growth | 25.00% |
| Wage inflation | 275.00% |
| Salary increase rate | 3.50% - 7.50% |
| Investment rate of return - MIF | 7.10% |
| Investment rate of return - LIF | 7.10% |
| Muncipal bond index | 2.13% |
| Single equivalent investment rate - MIF | 7.10% |
| Single equivalent investment rate - LIF | 7.10% |
| Health care cost trends: | |
| Pre-65 | 7.00% decreasing to an ultimate rate of 4.50% by FYE 2031 |
| Post-65 | 5.00% decreasing to an ultimate rate of 4.50% by FYE 2024 |
| Medicare part B premiums | 4.40% with an ultimate rate of 4.50% by FYE 2034 |

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

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

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. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the tables below. The current long-term inflation assumption is 2.30% per annum for both the non-hazardous and hazardous system.

CERS

| Asset Class | Target Allocation | Long-term Expected Nominal Retu |
|---|---|---|
| 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% |
| Expected real return | 100.00% | 5.00% |
| Long-term inflation assumption | | 2.50% |

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

TRS - MIF

| Asset Class | Target Allocation | Long-term Expected Nominal Return |
|---|---|---|
| Global equity | 58.00% | 5.10% |
| Fixed income | 9.00% | -0.10% |
| Real Estate | 6.50% | 4.00% |
| Private equity | 8.50% | 6.90% |
| High Yield | 8.00% | 1.70% |
| Other categories | 9.00% | 2.20% |
| Cash (LIBOR) | 1.00% | -0.30% |
| Expected real return | 100.00% | 7.10% |
| Long-term inflation assumption | | 2.50% |

TRS - LIF

| Asset Class | Target Allocation | Long-term Expected Nominal Return |
|---|---|---|
| US Equity | 40.00% | 4.40% |
| International Equity | 23.00% | 5.60% |
| Fixed Income | 18.00% | -0.10% |
| Real Estate | 6.00% | 4.00% |
| Private Equity | 5.00% | 6.90% |
| Additional Categories | 6.00% | 2.10% |
| Cash (LIBOR) | 2.00% | -0.30% |
| Expected real return | 100.00% | 7.10% |
| Long-term inflation assumption | | 2.50% |

***Discount rate***

The projection of cash flows used to determine the discount rate of 6.25% assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in statute as last amended by House Bill 362 (passed in 2018). The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.50%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 28, 2019. However, the cost associated with the implicit employer subsidy was not included in the calculation of the KRS' actuarial determined contributions, and any cost associated with the implicit study will not be paid out of KRS' trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the KRS plan's CAFR.

***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 net OPEB liability calculated using the discount rate of 8.00% for TRS and 5.34% for CERS as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

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

| | 1% Decrease 6.10% | Current Discount Rate 7.10% | 1% Increase 8.10% |
|---|---|---|---|
| District's proportionate share of the TRS net OPEB liability | $ 680,000 | $ 531,000 | $ 408,000 |

| | 1% Decrease 4.34% | Current Discount Rate 5.34% | 1% Increase 6.34% |
|---|---|---|---|
| District's proportionate share of the CERS net OPEB liability | $ 298,653 | $ 217,520 | $ 150,937 |
| Total | $ 978,653 | $ 748,520 | $ 558,937 |

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

The following presents the District's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|---|---|---|
| District's proportionate share of the KTRS net OPEB liability | $ 386,000 | $ 531,000 | $ 712,000 |
| District's proportionate share of the CERS net OPEB liability | 156,588 | 217,520 | 291,065 |
| Total | $ 542,588 | $ 748,520 | $ 1,003,065 |

**OPEB plan fiduciary net position**

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

## NOTE 10: CONTINGENCIES

***Grants***

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

***Litigation***

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

## NOTE 11: RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The District has obtained insurance coverage through a commercial insurance company. In addition, the District has effectively managed risk through various employee education and prevention programs. All risk general liability management activities are accounted for in the General Fund. Expenditures and claims are recognized when probable that a loss has occurred and the amount of loss can be reasonably estimated.

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.

Management estimates that the amount of actual or potential claims against the District as of June 30, 2022 will not materially affect the financial condition of the District. Therefore, the General Fund contains no provision for estimated claims. Settled claims resulting from these risks have not exceeded insurance coverage amounts in any of the past three fiscal years.

## NOTE 12: FUND TRANSFERS

The following transfers were made during the year:

| Type | From Fund | To Fund | Purpose | Amount |
|---|---|---|---|---|
| Operating | General | Special Revenue | Technology Match | $ 5,894 |
| Operating | Capital Outlay | General Fund | Capital Outlay | 26,426 |
| Operating | Building | General Fund | Capital Outlay | 29,973 |
| Operating | Building | Special Revenue | Capital Outlay | 35,703 |
| Operating | Building | Debt Service | Debt Servicce | 92,102 |
| | | | | $ 190,098 |

**NOTE 12: ON-BEHALF PAYMENTS**

For the year ended June 30, 2022 payments of $769,391were made by the Commonwealth of Kentucky on behalf of the District for insurance benefits, retirement benefits, technology, and debt service. The following amounts were recorded in the Statement of Activities and the Statement of Revenue, Expenditures, and Changes in Fund Balance:

| Fund | |
|---|---|
| General | $ 877,067 |
| Debt service | 299,214 |
| | $ 1,176,281 |

| Type | |
|---|---|
| Retirement | $ 516,847 |
| Health insurance less federal reimbursement | 264,541 |
| Life insurance | 586 |
| Adminsitrative fee | 4,680 |
| HRA/Dental/Vision insurance | 27,300 |
| Technology | 63,113 |
| Debt service | 299,214 |
| | $ 1,176,281 |

REQUIRED SUPPLEMENTARY INFORMATION

Augusta Independent School District
Budgetary Comparison Schedule – General Fund
June 30, 2022

| | Budgeted Amounts | | | Variance |
|---|---|---|---|---|
| | Original | Final | Actual | Final to Actual |
| **Revenues** | | | | |
| Local sources | $ 587,002 | $ 587,002 | $ 696,973 | $ 109,971 |
| State sources | 2,330,988 | 2,330,988 | 2,291,110 | (39,878) |
| Federal sources | 9,800 | 9,800 | 11,003 | 1,203 |
| Total revenues | 2,927,790 | 2,927,790 | 2,999,086 | 71,296 |
| **Expenditures** | | | | |
| Instruction | 1,628,570 | 1,628,570 | 1,514,138 | 114,432 |
| Support services: | | | | - |
| Student | 140,901 | 140,901 | 125,561 | 15,340 |
| Instuction staff | 56,907 | 56,907 | 51,327 | 5,580 |
| District administrative | 349,155 | 349,155 | 367,337 | (18,182) |
| School administrative | 220,997 | 220,997 | 217,514 | 3,483 |
| Business | 158,346 | 158,346 | 150,646 | 7,700 |
| Plant operations | 315,039 | 315,039 | 333,182 | (18,143) |
| Student transportation | 104,965 | 104,965 | 117,138 | (12,173) |
| Contingency | 679,765 | 679,765 | | 679,765 |
| Total expenditures | 3,654,645 | 3,654,645 | 2,876,843 | 777,802 |
| Excess (deficiency) of revenues over expenditures | (726,855) | (726,855) | 122,243 | (706,506) |
| **Other financing sources (uses)** | | | | |
| Transfers in | 112,342 | 112,342 | 56,399 | (55,943) |
| Transfers out | (5,313) | (5,313) | (5,894) | (581) |
| Total other financing sources (uses) | 107,029 | 107,029 | 50,505 | (56,524) |
| Net change in fund balances | (619,826) | (619,826) | 172,748 | 792,574 |
| Fund balances - beginning of year | 619,826 | 619,826 | 619,826 | - |
| Fund balances - end of year | $ - | $ - | $ 792,574 | $ 792,574 |

Augusta Independent School District
Budgetary Comparison Schedule – Special Revenue Fund
June 30, 2022

| | Budgeted Amounts | | | Variance |
|---|---|---|---|---|
| | Original | Final | Actual | Final to Actual |
| **Revenues** | | | | |
| Local sources | $ 44,383 | $ 44,383 | $ 44,169 | $ (214) |
| State sources | 305,088 | 305,088 | 266,816 | (38,272) |
| Federal sources | 1,773,202 | 1,773,202 | 712,480 | (1,060,722) |
| Total revenues | 2,122,673 | 2,122,673 | 1,023,465 | (1,099,208) |
| **Expenditures** | | | | |
| Instruction | 1,953,895 | 1,953,895 | 943,148 | 1,010,747 |
| Support services: | | | | - |
| Student | 136,007 | 136,007 | 76,228 | 59,779 |
| Community services | 98,558 | 98,558 | 48,052 | 50,506 |
| Total expenditures | 2,188,460 | 2,188,460 | 1,067,428 | 1,121,032 |
| Excess (deficiency) of revenues over expenditures | (65,787) | (65,787) | (43,963) | (2,220,240) |
| **Other financing sources (uses)** | | | | |
| Sale of assets | (2,412) | (2,412) | 2,366 | 4,778 |
| Transfers in | 4,732 | 4,732 | 41,597 | 36,865 |
| Total other financing sources (uses) | 2,320 | 2,320 | 43,963 | 41,643 |
| Net change in fund balances | (63,467) | (63,467) | - | 63,467 |
| Fund balances - beginning of year | - | - | - | - |
| Fund balances - end of year | $ (63,467) | $ (63,467) | $ - | $ 63,467 |

Augusta Independent School District
Schedule of District's Proportionate Share of the Net Pension Liability
And Contributions - TRS
June 30, 2022

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

| As of June 30, | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|
| Measurement period as of June | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| District's proportion of the net pension liability | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% |
| District's proportionate share of the net pension liability | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| State's proportionate share of the net pension liability | $ 6,016,932 | $ 6,277,301 | $ 6,079,809 | $ 5,824,015 | $ 11,389,956 | $ 12,893,317 | $ 10,113,739 | $ 8,823,040 |
| District's covered payroll | $ 1,464,418 | $ 1,403,133 | $ 1,387,067 | $ 1,360,133 | $ 1,269,533 | $ 1,438,279 | $ 1,377,477 | $ 1,341,022 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Plan fiduciary net position as a percentage of the total pension liability | 65.59% | 58.27% | 58.76% | 59.30% | 39.83% | 35.22% | 42.49% | 45.59% |

**Schedule of District's Contributions - TRS**

| As of June 30, | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|---|
| Contractually required contribu | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Actual contribution | - | - | - | - | - | - | - | - | - |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| District's covered payroll | $ 1,444,400 | $ 1,464,418 | $ 1,403,133 | $ 1,387,067 | $ 1,360,133 | $ 1,269,533 | $ 1,438,279 | $ 1,377,477 | $ 1,341,022 |
| Contributions as a percentage of covered payroll | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

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

| As of June 30, | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|
| Measurement period as of June 30, | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| District's proportion of the net pension liability | 0.0114% | 0.0111% | 0.0105% | 0.0097% | 0.0186% | 0.0124% | 0.0170% | 0.0142% |
| District's proportionate share of the net pension liability | $ 724,544 | $ 851,898 | $ 739,736 | $ 588,567 | $ 694,319 | $ 609,574 | $ 546,927 | $ 462,000 |
| District's covered payroll | $ 286,585 | $ 286,996 | $ 259,543 | $ 254,682 | $ 294,834 | $ 295,330 | $ 263,520 | $ 326,847 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 252.82% | 296.83% | 285.01% | 231.10% | 235.49% | 206.40% | 207.55% | 141.35% |
| Plan fiduciary net position as a percentage of the total pension liability | 55.95% | 47.81% | 50.45% | 53.54% | 53.32% | 55.50% | 59.97% | 66.80% |

## Schedule of District's Contributions - CERS

| As of June 30, | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 59,680 | $ 55,310 | $ 55,390 | $ 42,098 | $ 36,878 | $ 41,130 | $ 36,680 | $ 33,601 | $ 44,910 |
| Actual contribution | 59,680 | 55,310 | 55,390 | 42,098 | 36,878 | 41,130 | 36,680 | 33,601 | 44,910 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| District's covered payroll | $ 281,908 | $ 286,585 | $ 286,996 | $ 259,543 | $ 254,682 | $ 294,834 | $ 295,330 | $ 263,520 | $ 326,847 |
| Contributions as a percentage of covered payroll | 21.17% | 19.30% | 19.30% | 16.22% | 14.48% | 13.95% | 12.42% | 12.75% | 13.74% |

**Schedule of District's Proportionate Share of the Net OPEB Liability - TRS Medical Insurance Plan**

| As of June 30, | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Measurement period as of June 30, | 2021 | 2020 | 2019 | 2018 | 2017 |
| District's proportion of the net OPEB liability | 0.0248% | 0.0239% | 0.0239% | 0.0229% | 0.0222% |
| District's proportionate share of the net OPEB liability | $ 531,000 | $ 602,000 | $ 699,000 | $ 795,000 | $ 793,000 |
| State's proportionate share of the net OPEB liability | $ 431,000 | $ 482,000 | $ 565,000 | $ 685,000 | $ 647,000 |
| District's covered payroll | $ 1,464,418 | $ 1,403,133 | $ 1,387,066 | $ 1,360,133 | $ 1,269,533 |
| District's proportionate share of the net OPEB liability as a percentage of its covered payroll | 36.26% | 42.90% | 50.39% | 58.45% | 62.46% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 51.47% | 32.58% | 32.58% | 25.54% | 21.18% |

**Schedule of District's Contributions - TRS Medical Insurance Plan**

| As of June 30, | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|
| Contractually required contribution | $ 43,332 | $ 43,932 | $ 42,094 | $ 41,612 | $ 40,804 | $ 38,086 |
| Actual contribution | 43,332 | 43,932 | 42,094 | 41,612 | 40,804 | 38,086 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - |
| District's covered payroll | $ 1,444,400 | $ 1,464,418 | $ 1,403,133 | $ 1,387,066 | $ 1,360,133 | $ 1,269,533 |
| Contributions as a percentage of covered payroll | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |

**Schedule of District's Proportionate Share of the Net OPEB Liability - TRS Life Insurance Plan**

| As of June 30, | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Measurement period as of June 30, | 2021 | 2020 | 2019 | 2018 | 2017 |
| District's proportion of the net OPEB liability | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% |
| District's proportionate share of the net OPEB liability | $ - | $ - | $ - | $ - | $ - |
| State's proportionate share of the net OPEB liability | $ 6,000 | $ 15,000 | $ 13,000 | $ 12,000 | $ 9,000 |
| District's covered payroll | $ 1,464,418 | $ 1,403,133 | $ 1,387,066 | $ 1,360,133 | $ 1,269,533 |
| District's proportionate share of the net OPEB liability as a percentage of its covered payroll | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 89.15% | 71.57% | 73.40% | 74.97% | 79.99% |

**Schedule of District's Contributions -TRS Life Insurance Plan**

| As of June 30, | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|
| Contractually required contribution | $ - | $ - | $ - | $ - | $ - | $ - |
| Actual contribution | - | - | - | - | - | - |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - |
| District's covered payroll | $ 1,444,400 | $ 1,464,418 | $ 1,403,133 | $ 1,387,066 | $ 1,360,133 | $ 1,269,533 |
| Contributions as a percentage of covered payroll | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

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

| As of June 30, | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Measurement period as of June 30, | 2021 | 2020 | 2019 | 2018 | 2017 |
| District's proportion of the net OPEB liability | 0.0114% | 0.0111% | 0.0106% | 0.0097% | 0.0119% |
| District's proportionate share of the net OPEB liability | $ 217,520 | $ 268,128 | $ 177,497 | $ 171,582 | $ 238,467 |
| District's covered payroll | $ 286,585 | $ 286,996 | $ 259,543 | $ 254,682 | $ 294,834 |
| District's proportionate share of the net OPEB liability as a percentage of its covered payroll | 75.90% | 93.43% | 68.39% | 67.37% | 80.88% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 58.41% | 51.67% | 60.44% | 57.62% | 52.39% |

### Schedule of District's Contributions - CERS

| As of June 30, | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|
| Contractually required contribution | $ 16,294 | $ 13,641 | $ 13,661 | $ 13,652 | $ 11,970 | $ 13,945 |
| Actual contribution | 16,294 | 13,641 | 13,661 | 13,652 | 11,970 | 13,945 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - |
| District's covered payroll | $ 281,903 | $ 286,585 | $ 286,996 | $ 259,543 | $ 254,682 | $ 294,834 |
| Contributions as a percentage of covered payroll | 5.78% | 4.76% | 4.76% | 5.26% | 4.70% | 4.73% |

SUPPLEMENTARY INFORMATION

Augusta Independent School District
Combining Balance Sheet – Nonmajor Funds
June 30, 2022

| | District Activity Fund | School Activity Fund | Capital Outlay Fund | Building Fund | Debt Service Fund | Total Governmental Funds |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents | $ 207 | $ 29,890 | $ | $ 16,933 | $ | $ 47,030 |
| Total assets | $ 207 | $ 29,890 | $ - | $ 16,933 | $ - | $ 47,030 |
| **Fund balances** | | | | | | |
| Restricted | 207 | 29,890 | | 16,933 | | 47,030 |
| Total fund balances | 207 | 29,890 | - | 16,933 | - | 47,030 |
| Total liabilities and fund balances | $ 207 | $ 29,890 | $ - | $ 16,933 | $ - | $ 47,030 |

Augusta Independent School District
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances – Nonmajor Funds
June 30, 2022

| | District Activity Fund | School Activity Fund | Capital Outlay Fund | Building Fund | Debt Service Fund | Total Governmental Funds |
|---|---|---|---|---|---|---|
| **Revenues** | | | | | | |
| From local sources: | | | | | | |
| Taxes: | | | | | | |
| Property | $ | $ | $ | $ 62,416 | $ | $ 62,416 |
| Other local | 4,462 | 108,780 | | | | 113,242 |
| Intergovernmental - state | | | 26,426 | 112,149 | | 138,575 |
| Intergovernmental - state on-behalf | | | | | 299,214 | 299,214 |
| Total revenues | 4,462 | 108,780 | 26,426 | 174,565 | 299,214 | 613,447 |
| **Expenditures** | | | | | | |
| Instruction | 5,485 | 118,080 | | | | 123,565 |
| Debt service | | | | | | |
| Principal | | | | | 322,000 | 322,000 |
| Interest | | | | | 69,316 | 69,316 |
| Total expenditures | 5,485 | 118,080 | - | - | 391,316 | 514,881 |
| Excess (deficiency) of revenues over expenditures | (1,023) | (9,300) | 26,426 | 174,565 | (92,102) | 98,566 |
| **Other financing sources (uses)** | | | | | | |
| Transfers in | | | | | 92,102 | 92,102 |
| Transfers out | | | (26,426) | (157,778) | | (184,204) |
| Total other financing sources (uses) | - | - | (26,426) | (157,778) | 92,102 | (92,102) |
| Net change in fund balances | (1,023) | (9,300) | - | 16,787 | - | 6,464 |
| Fund balances - beginning of year | 1,230 | 39,190 | | 146 | | 40,566 |
| Fund balances - end of year | $ 207 | $ 29,890 | $ - | $ 16,933 | $ - | $ 47,030 |

Augusta Independent School District
Schedule of Receipts, Disbursements, and Fund Balance
School Activity Funds
June 30, 2022

| Fund Name | Cash Balance July 1, 2021 | Receipts | Expenditure | Transfers | Cash Balance June 30, 2022 |
|---|---|---|---|---|---|
| Student enhancement | $ 2,922 | $ 9,791 | $ 13,181 | 2769 | $ 2,301 |
| Faculty enhancement | 3,638 | 2,366 | 3,490 | 200 | 2,714 |
| Drama club | 2,195 | 1,073 | 854 | | 2,414 |
| Beta club | 9 | 140 | 140 | | 9 |
| Blessing box/helping har | 437 | | | | 437 |
| Gifted and talented | 186 | | | | 186 |
| FCCLA | 1,497 | | | | 1,497 |
| FBLA | 922 | 40 | 245 | | 717 |
| Champions | 4,305 | 1,000 | 5,317 | 1,247 | 1,235 |
| Film fest | 776 | | | | 776 |
| Band | 625 | 5,898 | 6,008 | | 515 |
| Athletics | 183 | 61,450 | 57,095 | (4,216) | 322 |
| Robotics | 912 | 1,582 | 1,464 | | 1,030 |
| Class of 2025 | 1,072 | 500 | | | 1,572 |
| Class of 2024 | 2,605 | 3,411 | 4,063 | | 1,953 |
| Class of 2029 | 114 | | | | 114 |
| Class of 2028 | 70 | | | | 70 |
| Class of 2027 | 338 | | | | 338 |
| Class of 2026 | 518 | 1,025 | 477 | | 1,066 |
| Class of 2023 | 3,114 | 4,712 | 1,274 | | 6,552 |
| Class of 2022 | 7,771 | 11,545 | 19,183 | | 133 |
| Class of 2021 | 66 | | | | 66 |
| Class of 2020 | 32 | | (32) | | 64 |
| Class of 2030 | 40 | | | | 40 |
| Class of 2031 | 32 | | | | 32 |
| Library | 1,616 | 2,473 | 2,615 | | 1,474 |
| Yearbook/newspaper | 1,784 | 274 | 1,307 | | 751 |
| Senior trip deposit | 178 | | | | 178 |
| Sources of strength | 933 | 1,500 | 1,399 | | 1,034 |
| Gracie account | 13 | | | | 13 |
| Senior scholarship | 287 | | | | 287 |
| Due to student groups | $ 39,190 | $ 108,780 | $ 118,080 | $ - | $ 29,890 |

| Federal Grantor<br>Pass-Through Grantor<br>Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Total Federal Expenditures | |
|---|---|---|---|---|
| **U.S. Department of Education** | | | | |
| ***Passed through the Kentucky Department of Education*** | | | | |
| Title II- Improving Teacher Quality | 84.010 | 3100002 20 | $ 54,998 | |
| Title II- Improving Teacher Quality | 84.010 | 3100002 21 | 97,448 | |
| Total CFDA 84.010 | | | | 152,446 |
| Title I - Grants to Local Educational Agencies | 84.027 | 3810002 19 | 1,374 | |
| Title I - Grants to Local Educational Agencies | 84.027 | 3810002 20 | 34,789 | |
| Title I - Grants to Local Educational Agencies | 84.027 | 3810002 21 | 53,233 | |
| Title I - Grants to Local Educational Agencies | 84.027 | 4910002 21 | 10,187 | |
| Total CFDA 84.027 | | | | 99,583 |
| Career and Technical Education | 84.048 | 3710002 19 | 211 | |
| Career and Technical Education | 84.048 | 3710002 20 | 2,612 | |
| Career and Technical Education | 84.048 | 3710002 21 | 1,992 | |
| Total CFDA 84.048 | | | | 4,815 |
| Special Education Preschool Grants | 84.173 | 3800002 20 | 3,576 | |
| Special Education Preschool Grants | 84.173 | 3800002 21 | 7,903 | |
| Special Education Preschool Grants | 84.173 | 4900002 21 | 2,168 | |
| Total CFDA 84.173 | | | | 13,647 |
| Supporting Effective Instruction State Grants | 84.367 | 3230002 20 | $ 4,246 | |
| Supporting Effective Instruction State Grants | 84.367 | 3230002 21 | 12,220 | |
| Total CFDA 84.367 | | | | 16,466 |
| Student Support and Academic Enrichment Program | 84.424 | 3420002 20 | $ 937 | |
| Student Support and Academic Enrichment Program | 84.424 | 3420002 21 | 10,000 | |
| Total CFDA 84.424 | | | | 10,937 |
| Education Stabilization Fund | 84.425D | 4200002 21 | 295,141 | |
| Education Stabilization Fund | 84.425D | 4200003 21 | 14,023 | |
| Education Stabilization Fund | 84.425D | 4300005 21 | 411 | |
| Education Stabilization Fund | 84.425D | 4980002 21 | 4,805 | |
| Total CFDA 84.425 | | | | 314,380 |
| **Total U.S. Department of Education** | | | | **612,274** |

| Federal Grantor<br>Pass-Through Grantor<br>Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Total Federal Expenditures | |
|---|---|---|---|---|
| **U.S. Department of Health and Human Services** | | | | |
| ***Passed through the Kentucky Department of Education*** | | | | |
| Cooperative Agreements to Promote Adolescent Health | 93.079 | 2100001 21 | 300 | |
| **Total U.S. Department of Health and Human Services** | | | | **300** |
| **U.S. Department of Agriculture** | | | | |
| **Child Nutrition Cluster** | | | | |
| ***Passed through Kentucky Department of Education*** | | | | |
| School Breakfast Program | 10.553 | 7760005 21 | 6,917 | |
| School Breakfast Program | 10.553 | 7760005 22 | 41,659 | |
| Total CFDA 10.553 | | | | 48,576 |
| National School Lunch Program | 10.555 | 7750002 21 | 21,350 | |
| National School Lunch Program | 10.555 | 7750002 22 | 132,902 | |
| National School Lunch Program | 10.555 | 7970000 21 | 16,746 | |
| National School Lunch Program | 10.555 | 9980000 22 | 12,879 | |
| Total CFDA 10.555 | | | | 183,877 |
| **Total Child Nutrition Cluster** | | | | **232,453** |
| State Administrative Expenses for Child Nutrition | 10.560 | 7700001 21 | 653 | |
| Total CFDA 10.560 | | | | 653 |
| Pandemic EBT Administrative Costs | 10.649 | 9990000 21 | 614 | |
| Total CFDA 10.560 | | | | 614 |
| **Total U.S. Department of Agriculturre** | | | | **233,720** |
| **Total Expenditures of Federal Awards** | | | **$** | **845,994** |

**NOTE 1: BASIS OF PRESENTATION**

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

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

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, 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 3: INDIRECT COST RATE**

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

**NOTE 4: SUBRECIPIENTS**

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

MADDOX & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Kentucky State Committee for School District Audits
Members of the Board of Education
Augusta Independent School District
Augusta, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *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 Augusta Independent School District (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 and have issued our report thereon dated November 7, 2022.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of the District in a separate letter dated November 7, 2022.

**Purpose of this Report**

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

Maddox & Associates CPAs Inc.

Fort Thomas, Kentucky
November 7, 2022

MADDOX & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Kentucky State Committee for School District Audits
Members of the Board of Education
Augusta Independent School District
Augusta, Kentucky

We have audited Augusta Independent School District's (District) compliance with the types of compliance requirements described in OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**
Management is responsible for compliance with federal statues, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

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

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

**Report on Compliance for Each Major Program**
We have audited the District's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

**Purpose of this Report**

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose

Maddox & Associates CPAs Inc.

Fort Thomas, Kentucky
November 7, 2022

## SECTION I - SUMMARY OF AUDITOR'S RESULTS

### Financial Statements

| | | | | |
|---|---|---|---|---|
| Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified | | | |
| Internal control over financial reporting: | | | | |
| Material weakness(es) identified? | | Yes | X | No |
| Significant deficiency(ies) identified? | | 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? | | Yes | X | None reported |
| Type of report the auditor issued on compliance with major programs: | Unmodified | | | |
| Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance (2 CFD 500.516(a))? | X | Yes | | None reported |

### Identification of Major Programs

| CFDA Number(s) | Name of Federal Program or Cluster |
|---|---|
| 84.425 | Education Stabilization Fund |

| | | | | |
|---|---|---|---|---|
| Dollar threshhold used to distinguish between Type A and Type B programs: | $ 750,000 | | | |
| Auditee qualified as low-risk auditee | | Yes | X | No |

## SECTION II - FINANCIAL STATEMENT FINDINGS

None reported

## SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

NO PRIOR FINDINGS

MADDOX & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Kentucky State Committee for School District Audits
Members of the Board of Education
Augusta Independent School District
Augusta, Kentucky

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

However, during our audit we became aware of matters that our opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and recommendations regarding these matters. Any uncorrected comments from the prior year have been listed in this letter. A separate reported dated November 7, 2022 contains our report on the District's internal control. This letter does not affect our report dated November 7, 2022 on the financial statements of the District.

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

Maddox & Associates CPAs Inc.
November 7, 2022

## Current Year Comments

**Activity Funds**
**2022-01**
In our testing of activity funds receipts, we noted several instances in which deposits were not made on the next business day as required by Accounting Procedures for Kentucky School Activity Funds.

***District's Response***
Staff will be trained on the appropriate requirements and required documentation.

## Prior Year Comments

**Activity Funds**
**2021-01**
In our testing of activity funds disbursements, we noted several instances in which disbursement forms were not being signed by an authorized person

This comment was not repeated in the current year.

# APPENDIX C

**Augusta Independent 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**

**$300,000***
**Augusta Independent School District Finance Corporation**
**School Building Revenue Bonds, Series 2023**
**Dated December 27, 2023**
**SALE: Tuesday, December 5, 2023 at 11:00 AM, E.T.**

As advertised on BiDCOMP™/PARITY™, the Secretary of the Augusta Independent School District Finance Corporation (the "Corporation") will until December 5, 2023, at the hour of 11:00 A.M., E.T., at the office of the Executive Director of the Kentucky School Facilities Construction, 700 Louisville Road, Frankfort, Kentucky 40601, receive sealed competitive bids for the revenue bonds (the "Bonds") herein described. To be considered, Bids must be submitted on an Official Bid Form and must be delivered to the Secretary at the address indicated on the date of sale no later than the hour indicated. Bids will be opened by the Secretary and may be accepted without further action by the Corporation's Board of Directors.

*Subject to Permitted Adjustment increasing or decreasing the issue by $30,000.

**STATUTORY AUTHORITY, PURPOSE OF ISSUE AND SECURITY**

The 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. The 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.

The Bonds are being issued to finance the costs of the acquisition, construction, installation, and equipping of improvements at Augusta Independent School (the "Project") and are secured by a statutory mortgage lien upon and a pledge of the revenues from the rental of the school building to the Board of Education of Augusta Independent School District (the "Board") under a Contract, Lease and Option (the "Lease") on a year to year basis; the first rental period ending June 30, 2024. The statutory mortgage lien securing the Bonds is limited in its application to the exact site of the Project constructed from the proceeds of the Bonds, real estate unoccupied by the Project is unencumbered. The Board has reserved the right to obtain the release of the statutory mortgage lien and revenue pledge on the site of the Project by effecting the redemption or defeasance of the proportionate part of the Bonds then outstanding as was expended on the site being released. Should the Board default in its obligations under the Lease or fail to renew the Lease, the Registered Owners of the Bonds have the right to have a receiver appointed to administer the Project under KRS 162.220; foreclosure and sale are not available as remedies.

The rental of the Project from the Corporation to the Board is to be effected under the Lease, whereunder the Project is leased to the Board for an initial period ending June 30, 2024, 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 is legally obligated only for the initial rental period and for one year at a time thereafter each time the Lease is renewed.

Although the Board is obligated to pay the Corporation annual rentals in the full amount of the principal and interest requirements on the Bonds for each year in which the Lease is renewed, the Board has entered into the Lease in reliance upon a certain Participation Agreement by and between the Board and the Kentucky School Facilities Commission (the "Commission"). Under the terms of the Participation Agreement, the Commission has agreed to pay annually, until February 1, 2044 directly to the Paying Agent for the Bonds a stated agreed participation of approximately 2% of the debt service requirements for the Bonds herein identified until such date, subject to the constitutional restrictions limiting the commitment to the biennial; said annual amount is to be applied only to the principal and interest requirements of the Bonds so long as the Board renews the Lease. Under the Lease, the Board has pledged and assigned all of its rights under the Participation Agreement in and to the Agreed Participation to the Corporation in order to secure the Bonds and has agreed to pay that portion of the rentals in excess of the Agreed Participation for each year in which the Lease is renewed.

## KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION

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

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 §§ 157.611 through 157.640 of the Kentucky Revised Statutes, as repealed, amended, and reenacted (the "Act") for the purpose of assisting local school districts in meeting the school construction needs of the Commonwealth in a manner which will ensure an equitable distribution of funds based upon unmet need. Pursuant to the provisions of the Act, the Regulations of the State Board of Education and of the Commission, the Commission has determined that the Board is eligible for participation from the Commission in meeting the costs of the Projects and has entered into the Participation Agreement with the Board whereunder the Commission agrees to pay an Agreed Participation equal to approximately 2% of the debt service requirements each year to be applied only to the payment of the principal and interest requirements on the Bonds; provided, however, that the contractual commitment of the Commission to pay the annual Agreed Participation is limited to the biennial budget period of the Commonwealth, with the first such biennial period terminating on June 30, 2024. The right is reserved in the Commission to terminate the commitment to pay the Agreed Participation every two years thereafter. The obligation of the Commission to make payments of the Agreed Participation shall be automatically renewed each two years for a period of two years unless the Commission shall give notice of its intention not to participate not less than sixty days prior to the end of the biennium; however, by execution of the Participation Agreement, the Commission has expressed its present intention to continue to pay the Agreed Participation in each successive biennial budget period until the retirement of all of the Bonds, but such execution does not obligate the Commission to do so.

## ADDITIONAL PARITY BONDS FOR COMPLETION OF PROJECT

The Corporation has reserved the right and privilege of issuing additional bonds from time to time payable from the income and revenues of the Project and secured by the same statutory mortgage lien and pledge of revenues, but only if and to the extent the issuance of such additional parity bonds may be necessary to pay the costs, for which funds are not otherwise available, of completing the construction of the Project in accordance with the plans and specifications of the architect in charge of the Project, which plans have been completed, approved by the Commissioner of the Department of Education, the Board of Education, and filed in the office of the Secretary of the Corporation, and the issuance thereof shall be approved by the proper agents of the State Department of Education as required by law, and a Supplemental Contract, Lease and Option shall have been entered into whereunder the annual rental payments during the life of such additional bonds.

## BOND MATURITIES, PRIOR REDEMPTION PROVISIONS AND PAYING AGENT

The Bonds shall be in denominations in multiples of $5,000 within the same maturity, bear interest from December 17, 2023, payable on August 1, 2024, and semiannually thereafter and shall mature as to principal on February 1st in each of the years as follows:

| MATURITY | AMOUNT* | MATURITY | AMOUNT* |
|---|---|---|---|
| February 1, 2025 | $8,000 | February 1, 2035 | $15,000 |
| February 1, 2026 | 10,000 | February 1, 2036 | 15,000 |
| February 1, 2027 | 10,000 | February 1, 2037 | 16,000 |
| February 1, 2028 | 11,000 | February 1, 2038 | 17,000 |
| February 1, 2029 | 11,000 | February 1, 2039 | 18,000 |
| February 1, 2030 | 12,000 | February 1, 2040 | 19,000 |
| February 1, 2031 | 12,000 | February 1, 2041 | 20,000 |
| February 1, 2032 | 13,000 | February 1, 2042 | 21,000 |
| February 1, 2033 | 13,000 | February 1, 2043 | 22,000 |
| February 1, 2034 | 14,000 | February 1, 2034 | 23,000 |

The Bonds maturing on or after February 1, 2033, are subject to redemption prior to their stated maturities on any date falling on or after February 1, 2032, in such order of maturities as the Corporation may determine (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 by regular United States Mail to the registered Owners of the Bonds so selected not less than thirty days prior to the date of redemption, upon terms of the face amount, plus accrued interest to the date of redemption.

The Bonds are further subject to extraordinary optional redemption prior to their stated maturities on any date, in such order of maturities as the Corporation may determine (less than all of a single maturity to be selected by lot), in whole or in part, from the proceeds of casualty insurance received upon the total destruction by fire, lightning, windstorm or other hazard of any of the buildings constituting the Project, upon notice of such prior redemption being given by the Paying Agent by regular United States Mail to the registered Owners of the Bonds so selected not less than thirty days prior to the date of redemption, upon terms of the face amount, plus accrued interest to the date of redemption.

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 each Registered Owner of records of the 15th day of each month preceding the due date by regular United States Mail postmarked as of the interest due date. Principal shall be paid upon submission of matured Bond Certificates to the Paying Agent. Subsequent to the initial delivery of the Bonds, upon the submission of proper authentication, the Bond Registrar shall transfer ownership of Bonds within three business days of receipt without expense to the Registered Owner.

## FINAL OFFICIAL STATEMENT

The Corporation shall provide to the successful purchaser a Final Official Statement. Arrangements have been made with the printer of the Preliminary Official Statement, upon submission of completion text, to print a reasonable quantity of Final Official Statements in sufficient time to meet the delivery requirements of the successful bidder under SEC or Municipal Securities Rulemaking Board delivery requirements. The successful bidder shall be required to pay for the printing of the Final Official Statement.

## BOND MATURITIES, PRIOR REDEMPTION PROVISIONS AND PAYING AGENT

The Bonds will mature, have interest payment dates, be subject to redemption, have a Paying Agent and Registrar, be subject to the issuance of additional bonds and have other conditions and restrictions as set forth in the Preliminary Official Statement describing the Bonds. Reference is made to the Preliminary Official Statement for such information and for information regarding the District and the Corporation.

## BIDDING CONDITIONS AND RESTRICTIONS

(A) Bids must be made on Official Bid Form, contained in the Official Statement available from the undersigned or RSA Advisors, LLC 147 East Third Street, Lexington, Kentucky 40508, enclosed in sealed envelopes marked "Bid for School Building Revenue Bonds." Bids may alternatively be submitted electronically via BiDCOMP™/PARITY™ system. Electronic bids for the Bonds must be submitted through the BiDCOMP™/PARITY™ system and no other provider of electronic bidding services will be accepted. Subscription to the BiDCOMP™/PARITY™ 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 the BiDCOMP™/PARITY™ system 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 the BiDCOMP™/PARITY™ system 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 the BiDCOMP™/PARITY™ system 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 the BiDCOMP™/PARITY™ system. The use of the BiDCOMP™/PARITY™ system facilities are at the sole risk of the prospective bidders. For further information regarding the BiDCOMP™/PARITY™ system, potential bidders may contact BiDCOMP™/PARITY™, 1359 Broadway - 2nd Floor, New York, NY 10018, Telephone: (800) 850-7422. Notwithstanding the foregoing non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form.

(B) Bidders are required to bid for the entire issue of Bonds at a minimum price of not less than $294,000 (98% of par) PAYABLE IN IMMEDIATELY AVAILABLE FUNDS. Interest rates for the Bonds must be in multiples one eighth of one percent (0.125%) and/or one one hundredth of one percent (0.010%), 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 for any maturity shall not be less than the interest rate for any preceding maturity. There is no limit on the number of different interest rates.

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

(D) The determination of the best purchase bid for the Bonds shall be made on the basis of all bids submitted for exactly $300,000 principal amount of Bonds offered for sale under the terms and conditions herein specified; but the Corporation may adjust the principal amount of Bonds which may be awarded to such best bidder upward by up to $30,000 or downward in an amount determined to be in the best interest of the Corporation. The Corporation will accept or reject such best bid, provided, however, a Permitted Adjustment is reserved hereunder and the Corporation reserves the right to increase the total amount of Bonds by 10% or decrease the total amount of Bonds by an amount determined by the Corporation to be in its best interest. In the event of any such Permitted Adjustment, no rebidding or recalculation of a submitted bid will be required or permitted. The Corporation also has the right to adjust the individual principal maturity amounts, even if the total amount of the Bonds does not change, in order to promote desired annual debt service levels. If the principal amount of any maturity of the Bonds is revised after the award, the interest rate and reoffering price for each maturity and the Underwriter's Discount on the Bonds as submitted by the successful bidder shall be held constant.

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

If less than three 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 be required to 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, (ii) the initial offering price to the public as of the Sale Date of any Maturity of the Bonds, and (iii) that they neither offered nor sold any of the Bonds of any 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 winning bidder shall advise the Corporation on the Sale Date if any maturity of the Bonds satisfies the 10% test set forth in (i) above as of the date and time of the award of the Bonds.

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

(i) *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.

(ii) *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.

(iii) *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.

(iv) *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 December 5, 2023.

(v) *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).

(F) CUSIP identification numbers will be printed on the Bonds at the expense of the purchaser. The purchaser shall pay the CUSIP Service Bureau Charge and the cost of printing the Final Official Statement. 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 the Bonds in accordance with the terms of any accepted proposal for the purchase of the Bonds.

(G) The Corporation shall provide to the successful purchaser a Final Official Statement in accordance with SEC Rule 15c2-12, as amended. Arrangements have been made with the printer of the Preliminary Official Statement, upon submission of completion text, to print a reasonable quantity of Final Official Statements in sufficient time to meet the delivery requirements of the successful bidder under SEC or Municipal Securities Rulemaking Board Delivery Requirements. The successful bidder shall be required to pay for the printing of the Final Official Statement.

(H) 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 to the order of the Corporation an amount equal to 2% of the amount of the principal amount of Bonds awarded by the close of business on the day following the award. The good faith amount 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 the Bonds unless delivery is made within 45 days from the date the bid is accepted.

(I) The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. They 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 for each maturity of the Bonds of each series, each in the aggregate principal amount of such maturity, and will be deposited with DTC. Purchases of the Bonds under the DTC system must be made by or through securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations (the "Direct Participants"), which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (a "Beneficial Owner") is in turn to be recorded on the records of Direct Participants or securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant (the "Indirect Participants"). 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 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 the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

(J) The purchaser shall be required to supply the Bond Registrar with the name, address, social security number or taxpayer identification number, principal amount and principal maturities for each person or entity in whose name Bonds are to be registered. Failure of a purchaser to fully designate the Registered Owners of Bonds shall result in the issuance of Bond Certificates by the Registrar in the purchaser's "street name" (to the extent a purchaser fails to designate).

(K) 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 Dinsmore & Shohl LLP, Covington, Kentucky, which Opinion will be qualified in accordance with the section hereof on TAX TREATMENT.

(L) The successful purchaser may require that a portion of the Bonds be term bonds maturing on one or more dates (the "Term Bonds"); provided, however, that the Term Bonds shall be subject to mandatory sinking fund redemption by lot at a redemption price of 100% of the principal amount thereof plus accrued interest to the date of redemption on February 1st of the years and in the principal amounts set forth in the final adjusted maturity schedule as seen on page 2 of the successful bid.

(M) Prospective bidders are advised that RSA Advisors, LLC has been employed as Financial Advisor in connection with the issuance of the Bonds. RSA Advisors, LLC'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.

(N) As required by the Code, the purchaser of the Bonds will be required to certify to the Corporation as to certain of their activities regarding any reoffering to the public of the Bonds, including any reoffering prices.

## CONTINUING DISCLOSURE; EXEMPTION

In accordance with Securities and Exchange Commission Rule 15c2-12, as amended (the "Rule") the Bonds are exempt from the continuing disclosure requirements of the Rule

## TAX TREATMENT

Bond Counsel is of the opinion that:

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

(B) Interest payable on the Bonds is excludable from gross income under the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, interest on the Bonds will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Code, in computing the alternative minimum tax; however, interest on any Bonds held by an "applicable corporation" is included in annual "adjusted financial statement income" for purposes of calculating the alternative minimum tax imposed on applicable corporations for tax years beginning after December 31, 2023 The Corporation has covenanted to comply with the applicable provisions of the Code, and such compliance by the corporation is necessary to maintain the federal income tax status described above. No opinion is expressed regarding other federal tax consequences arising with respect to the Bonds.

(C) The Corporation has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265 of the Code.

**AUGUSTA INDEPENDENT SCHOOL DISTRICT FINANCE CORPORATION**

By /s/ Lisa McCane
Secretary

# APPENDIX D

**Augusta Independent School District Finance Corporation**
**School Building Revenue Bonds**
**Series of 2023**

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## Official Bid Form

## OFFICIAL BID FORM

Subject to the terms and conditions set forth in the Official Terms and Conditions of Bond Sale for $300,000* of School Building Revenue Bonds, Series 2023, dated the date of initial issuance and delivery (the "Bonds") offered for sale by the Augusta Independent School District Finance Corporation (the "Corporation"), an agency and instrumentality acting on behalf of the Board of Education of the Augusta Independent School District and in accordance with the Notice of Bond Sale, as advertised in conformity with Chapter 424 of the Kentucky Revised Statutes, to all of which the undersigned agrees, the undersigned hereby submits the following offer to purchase the Bonds.

We hereby bid for said $300,000* principal amount of the Bonds, the total sum of $_________ (not less than $30,000) plus accrued interest from December 17, 2023, at the following annual rate(s), payable semiannually (rates on ascending scale, number of interest rates unlimited):

| MATURITY | AMOUNT* | INTEREST RATE | MATURITY | AMOUNT* | INTEREST RATE |
|---|---|---|---|---|---|
| February 1, 2025 | $8,000 | _____% | February 1, 2035 | $15,000 | _____% |
| February 1, 2026 | 10,000 | _____% | February 1, 2036 | 15,000 | _____% |
| February 1, 2027 | 10,000 | _____% | February 1, 2037 | 16,000 | _____% |
| February 1, 2028 | 11,000 | _____% | February 1, 2038 | 17,000 | _____% |
| February 1, 2029 | 11,000 | _____% | February 1, 2039 | 18,000 | _____% |
| February 1, 2030 | 12,000 | _____% | February 1, 2040 | 19,000 | _____% |
| February 1, 2031 | 12,000 | _____% | February 1, 2041 | 20,000 | _____% |
| February 1, 2032 | 13,000 | _____% | February 1, 2042 | 21,000 | _____% |
| February 1, 2033 | 13,000 | _____% | February 1, 2043 | 22,000 | _____% |
| February 1, 2034 | 14,000 | _____% | February 1, 2034 | 23,000 | _____% |

*Subject to Permitted Adjustment.

We understand this bid may be accepted for as much as $300,000 of the Bonds or as little as is deemed by the Issuer to be in the Issuer's best interest, at the same price per $1,000 Bond, with the variation in such amount occurring in any maturity of all maturities, which will be determined by the Corporation at the time of acceptance of the best bid.

It is understood that the Corporation will furnish the final, approving Legal Opinion of Dinsmore & Shohl LLP, Bond Counsel, of Covington, Kentucky.

No certified or bank cashier's check will be required to accompany the 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 day following the award. The good faith amount will be applied (without interest) to the purchase price when the Bonds are tendered for delivery.

Electronic bids for the Bonds must be submitted through BiDCOMP™/PARITY™ and no other provider of electronic bidding services will be accepted. Subscription to the BiDCOMP™/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 BiDCOMP™/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 BiDCOMP™/PARITY™

conflict with the terms of the Official Terms and Conditions of Sale of Bonds, the Official Terms and Conditions of Sale of Bonds shall prevail. Electronic bids made through the facilities of BiDCOMP™/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 BiDCOMP™/PARITY™. The use of BiDCOMP™/PARITY™ facilities are at the sole risk of the prospective bidders. For further information regarding BiDCOMP™/PARITY™, potential bidders may contact BiDCOMP™/PARITY™, 1359 Broadway - 2nd Floor, New York, NY 10018, Telephone: (800) 850-7422. Notwithstanding the foregoing non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form.

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

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

If less than three 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 be required to 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 neither offered nor sold any of the Bonds of any 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 December 5, 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).

If we are the successful bidder, we agree to accept and make payment for the Bonds in Federal Funds within forty-five days from the date of sale in accordance with the terms of the sale.

Respectfully submitted,

_________________________________
Bidder

_________________________________
Address

By: ______________________________
Signature

Total interest cost from December 17, 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 the Secretary of the Augusta Independent School District Finance Corporation for $_________________ principal amount of Bonds at the price of $_______________ as follows:

| MATURITY | AMOUNT | INTEREST RATE | MATURITY | AMOUNT | INTEREST RATE |
|---|---|---|---|---|---|
| February 1, 2025 | $________ | _____% | February 1, 2035 | $________ | _____% |
| February 1, 2026 | ________ | _____% | February 1, 2036 | ________ | _____% |
| February 1, 2027 | ________ | _____% | February 1, 2037 | ________ | _____% |
| February 1, 2028 | ________ | _____% | February 1, 2038 | ________ | _____% |
| February 1, 2029 | ________ | _____% | February 1, 2039 | ________ | _____% |
| February 1, 2030 | ________ | _____% | February 1, 2040 | ________ | _____% |
| February 1, 2031 | ________ | _____% | February 1, 2041 | ________ | _____% |
| February 1, 2032 | ________ | _____% | February 1, 2042 | ________ | _____% |
| February 1, 2033 | ________ | _____% | February 1, 2043 | ________ | _____% |
| February 1, 2034 | ________ | _____% | February 1, 2034 | ________ | _____% |

Dated: December 5, 2023

_____________________________
Secretary
Augusta Independent School District
Finance Corporation