

**DATED DECEMBER 5, 2023**

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

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

*In the opinion of Bond Counsel, under existing law (i) interest on the Bonds will be excludable from gross income of the holders thereof for purposes of federal taxation and (ii) interest on the Bonds will not be a specific item of tax preference for purposes of the federal alternative minimum tax; 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)*

**\$2,000,000**  
**HENRY COUNTY SCHOOL DISTRICT FINANCE CORPORATION**  
**SCHOOL BUILDING REVENUE BONDS,**  
**SERIES OF 2023**

**Dated with Delivery: DECEMBER 29, 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 \$5,000 and integral multiples thereof.

Maturing		Interest Rate	Reoffering Yield	CUSIP	Maturing		Interest Rate	Reoffering Yield	CUSIP
1-Feb	Amount*				1-Feb	Amount*			
2025	\$45,000	%	%		2035	\$110,000	%	%	
2026	\$50,000	%	%		2036	\$115,000	%	%	
2027	\$50,000	%	%		2037	\$120,000	%	%	
2028	\$55,000	%	%		2038	\$125,000	%	%	
2029	\$55,000	%	%		2039	\$130,000	%	%	
2030	\$55,000	%	%		2040	\$140,000	%	%	
2031	\$60,000	%	%		2041	\$150,000	%	%	
2032	\$60,000	%	%		2042	\$155,000	%	%	
2033	\$100,000	%	%		2043	\$160,000	%	%	
2034	\$100,000	%	%		2044	\$165,000	%	%	

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

The Henry County (Kentucky) School District Finance Corporation will until December 13, 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 \$200,000.**

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

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

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

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



**HENRY COUNTY  
BOARD OF EDUCATION**

Lori Abney, Chairperson  
Miranda Arnold, Member  
Tony Whaley, Member  
Steve Dent, Member  
Danney Chisholm, Member

Dr. Jim Masters, Superintendent/Secretary

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

Lori Abney, President  
Miranda Arnold, Member  
Tony Whaley, Member  
Steve Dent, Member  
Danney Chisholm, Member

Dr. Jim Masters, Secretary  
Megan Klempner, Treasurer

**BOND COUNSEL**

Step toe & Johnson PLLC  
Louisville, Kentucky

**MUNICIPAL ADVISOR**

RSA Advisors, LLC  
Lexington, Kentucky

**PAYING AGENT AND REGISTRAR**

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

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

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

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

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**OFFICIAL STATEMENT  
Relating to the Issuance of**

**\$2,000,000\***

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

*\*Subject to Permitted Adjustment*

**INTRODUCTION**

The purpose of this Official Statement, which includes the cover page and Appendices hereto, is to set forth certain information pertaining to the Henry County School District Finance Corporation (the "Corporation") School Building Revenue Bonds, Series of 2023 (the "Bonds")

The Bonds are being issued to finance a new Central Office (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 Henry County Board of Education (the "Board") on a year to year basis (see "Security" herein).

All financial and other information presented in this Official Statement has been provided by the Henry County Board of Education from its records, except for information expressly attributed to other sources. The presentation of financial and other information is not intended, unless specifically stated, to indicate future or continuing trends in the financial position or other affairs of the Board. No representation is made that past experience, as is shown by financial and other information, will necessarily continue or be repeated in the future.

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

Copies of the Bond Resolution authorizing the issuance of the Bonds and the Lease Agreement, dated December 29, 2023, may be obtained at the office of Steptoe & Johnson PLLC, Bond Counsel, 700 N. Hurstbourne Parkway, Suite 115, Louisville, Kentucky 40222.

**BOOK-ENTRY-ONLY-SYSTEM**

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

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

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

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

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

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

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

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

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

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

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

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

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

## **THE CORPORATION**

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

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

## **KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION**

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 \$110,851 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 February 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:

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

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

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

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

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

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

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

#### **OUTSTANDING BONDS**

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



<b>Bond Series</b>	<b>Original Principal</b>	<b>Current Principal Outstanding</b>	<b>Principal Assigned to Board</b>	<b>Principal Assigned to Commission</b>	<b>Approximate Interest Rate Range</b>	<b>Final Maturity</b>
2012-REF	\$905,000	\$100,000	\$160,856	\$744,144	2.250%	2024
2013-Energy	\$3,115,000	\$2,130,000	\$3,115,000	\$0	2.000% - 3.000%	2033
2014-REF	\$4,315,000	\$3,455,000	\$3,608,580	\$706,420	2.750% - 4.000%	2030
2016-REF	\$11,875,000	\$5,255,000	\$10,976,266	\$898,734	2.375% - 4.000%	2027
2020	\$895,000	\$785,000	\$0	\$895,000	2.000% - 2.500%	2040
2020-REF	\$3,105,000	\$2,785,000	\$2,084,318	\$1,020,682	1.700% - 1.900%	2031
2022	\$565,000	\$540,000	\$0	\$565,000	1.250% - 3.000%	2042
<b>Totals:</b>	<b>\$24,775,000</b>	<b>\$15,050,000</b>	<b>\$19,945,020</b>	<b>\$4,829,980</b>		

### **AUTHORITY**

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

- i) the issuance of approximately \$2,000,000 of Bonds subject to a permitted adjustment of \$200,000;
- 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 29, 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). US 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 Project financed from the Bond proceeds from the Corporation to the Board. The Bonds are secured by a statutory mortgage lien and pledge of revenue on and from the school building Project. Should the Board default in its obligations under the Lease or fail to renew the Lease, the Registered Owners of Bonds have the right to have a receiver appointed to administer the school building Project but foreclosure and sale are not available as remedies.

### The Lease; Pledge of Rental Revenues

The Board has leased the school building Project securing the Bonds for an initial period from December 29, 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 \$110,851 from the Commission's appropriation by the Kentucky General Assembly which will be used to meet a portion of the debt service of the Bonds. The plan for financing the Project will require the Commission to pay approximately sixty-seven percent (67%) of the debt service of the Bonds.

The Participation Agreement to be entered into with the Board will be limited to the biennial budget period of the Commonwealth of Kentucky, with the first such biennial period terminating on June 30, 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 a new Central Office (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. This State Department of Education supervision and control is believed to be a major contribution toward the maintenance of Kentucky's perfect record of no defaults in payment of its revenue bonds for school purposes.

**ESTIMATED BOND DEBT SERVICE**

The following table shows by fiscal year the current bond payments of the Board. The plan of financing provides for the Board to meet 33% of the debt service of the Bonds.

Fiscal Year Ending June 30	Current Local Bond Payments	----- School Building Revenue Bonds, Series 2023 -----					Total Restricted Fund Bond Payments
		Principal Portion	Interest Portion	Total Payment	Local Portion	SFCC Portion	
2024	\$1,490,340						\$1,490,340
2025	\$1,500,097	\$45,000	\$106,361	\$151,361	\$41,973	\$109,387	\$1,542,071
2026	\$1,499,406	\$50,000	\$95,203	\$145,203	\$34,515	\$110,688	\$1,533,920
2027	\$1,501,983	\$50,000	\$93,003	\$143,003	\$31,015	\$111,988	\$1,532,998
2028	\$1,501,120	\$55,000	\$90,803	\$145,803	\$32,515	\$113,287	\$1,533,635
2029	\$1,556,225	\$55,000	\$88,438	\$143,438	\$33,850	\$109,588	\$1,590,074
2030	\$1,553,744	\$55,000	\$86,073	\$141,073	\$30,085	\$110,988	\$1,583,828
2031	\$1,032,042	\$60,000	\$83,708	\$143,708	\$31,320	\$112,388	\$1,063,362
2032	\$975,893	\$60,000	\$81,128	\$141,128	\$27,227	\$113,901	\$1,003,119
2033		\$100,000	\$78,488	\$178,488	\$67,824	\$110,663	\$67,824
2034		\$100,000	\$73,988	\$173,988	\$66,411	\$107,576	\$66,411
2035		\$110,000	\$69,388	\$179,388	\$69,787	\$109,601	\$69,787
2036		\$115,000	\$64,108	\$179,108	\$67,482	\$111,626	\$67,482
2037		\$120,000	\$58,588	\$178,588	\$64,812	\$113,775	\$64,812
2038		\$125,000	\$52,648	\$177,648	\$66,722	\$110,926	\$66,722
2039		\$130,000	\$46,460	\$176,460	\$68,235	\$108,225	\$68,235
2040		\$140,000	\$39,895	\$179,895	\$69,245	\$110,650	\$69,245
2041		\$150,000	\$32,685	\$182,685	\$68,408	\$114,277	\$68,408
2042		\$155,000	\$24,960	\$179,960	\$67,923	\$112,037	\$67,923
2043		\$160,000	\$16,900	\$176,900	\$69,737	\$107,163	\$69,737
2044		\$165,000	\$8,580	\$173,580	\$65,304	\$108,276	\$65,304
<b>TOTALS:</b>	<b>\$12,610,850</b>	<b>\$2,000,000</b>	<b>\$1,291,398</b>	<b>\$3,291,398</b>	<b>\$1,074,389</b>	<b>\$2,217,009</b>	<b>\$13,685,239</b>

Notes: Numbers are rounded to the nearest \$1.00

**ESTIMATED USE OF BOND PROCEEDS**

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

<b>Sources:</b>	
Par Amount of Bonds	\$2,000,000.00
Total Sources	\$2,000,000.00
<b>Uses:</b>	
Deposit to Construction Fund	\$1,927,450.00
Underwriter's Discount (2%)	40,000.00
Cost of Issuance	32,550.00
Total Uses	\$2,000,000.00

## DISTRICT STUDENT POPULATION

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

Year	Average Daily Attendance	Year	Average Daily Attendance
2000-01	1,917.6	2012-13	1,978.1
2001-02	1,902.5	2013-14	1,948.2
2002-03	1,891.9	2014-15	1,946.3
2003-04	1,955.8	2015-16	1,950.1
2004-05	1,928.7	2016-17	1,931.8
2005-06	1,916.7	2017-18	1,935.4
2006-07	1,930.7	2018-19	1,912.2
2007-08	1,953.4	2019-20	1,866.4
2008-09	1,942.0	2020-21	1,866.4
2009-10	1,981.9	2021-22	1,938.1
2010-11	2,002.0	2022-23	1,938.1
2011-12	2,004.2		

*Source: Kentucky 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 Henry County School District for certain preceding school years.

<b>Year</b>	<b>Capital Outlay Allotment</b>	<b>Year</b>	<b>Capital Outlay Allotment</b>
2000-01	191,760.0	2012-13	197,806.0
2001-02	190,250.0	2013-14	194,822.0
2002-03	189,190.0	2014-15	194,626.0
2003-04	195,580.0	2015-16	195,010.0
2004-05	192,870.0	2016-17	193,180.0
2005-06	191,670.0	2017-18	193,540.0
2006-07	193,070.0	2018-19	191,222.6
2007-08	195,340.0	2019-20	186,640.0
2008-09	194,201.0	2020-21	186,644.9
2009-10	198,189.0	2021-22	193,810.6
2010-11	200,204.0	2022-23	193,810.6
2011-12	200,416.0		

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

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

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

## **LOCAL SUPPORT**

**Homestead Exemption.** Section 170 of the Kentucky Constitution was amended at the General Election held November 2, 1971, to exempt from property taxes \$6,500 of value of single unit residential property of taxpayers 65 years of age or older. The 1972 General Assembly amended KRS Chapter 132 to permit counties and school districts to adjust their local tax revenues lost through the application of this Homestead Exemption. The "Single Unit" qualification has been enlarged to subsequent sessions of the General Assembly to provide that such exemption shall apply to such property maintained as the permanent resident of the owner and the dollar amount has been construed to mean \$6,500 in terms of the purchasing power of the dollar in 1972. Every two years thereafter, if the cost of living index of the U.S. Department of Labor has changed as much as 1%, the maximum exemption shall be adjusted accordingly. Under the cost of living formula, the maximum was increased to \$46,350 effective January 1, 2023.

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

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

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

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

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

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

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

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

*Local Tax Rates, Property Assessments and Revenue Collections*

<b>Tax Year</b>	<b>Combined Equivalent Rate</b>	<b>Total Property Assessment</b>	<b>Property Revenue Collections</b>
2000-01	56.2	447,699,062	2,516,069
2001-02	55.9	481,316,116	2,690,557
2002-03	56.8	510,601,091	2,900,214
2003-04	56.8	535,364,444	3,040,870
2004-05	56.8	567,462,934	3,223,189
2005-06	57.6	596,034,180	3,433,157
2006-07	65.6	618,350,242	4,056,378
2007-08	57.6	653,892,888	3,766,423
2008-09	63.7	682,481,385	4,347,406
2009-10	63.7	686,215,098	4,371,190
2010-11	68.7	690,628,878	4,744,620
2011-12	70.9	694,646,779	4,925,046
2012-13	70.1	712,235,666	4,992,772
2013-14	73.8	705,735,443	5,208,328
2014-15	76.2	717,697,091	5,468,852
2015-16	78.5	723,229,056	5,677,348
2016-17	77	730,343,804	5,623,647
2017-18	78.8	750,722,737	5,915,695
2018-19	79.1	765,800,461	6,057,482
2019-20	79.4	818,743,934	6,500,827
2020-21	77.8	873,184,545	6,793,376
2021-22	78.1	939,250,696	7,335,548
2022-23	78.1	1,024,441,143	8,000,885

**OVERLAPPING BOND INDEBTEDNESS**

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

<b>Issuer</b>	<b>Original Principal Amount</b>	<b>Amount of Bonds Redeemed</b>	<b>Current Principal Outstanding</b>
County of Henry			
General Obligation	135,000	0	135,000
Multiple Purposes Revenue	16,075,000	1,660,000	14,415,000
City of Campbellsburg			
General Obligation	655,000	50,000	605,000
Sewer Revenue	1,155,000	232,000	923,000
City of Eminence			
Water & Sewer Revenue	500,000	254,500	245,500
City of New Castle			
General Obligation	115,000	86,250	28,750
Water & Sewer Revenue	1,245,000	757,300	487,700
Improvement Project Revenue	90,000	19,300	70,700



City of Pleasureville			
General Obligation	50,000	27,500	22,500
Sewer Revenue	674,000	303,000	371,000
City Hall Public Corp.	235,000	218,000	17,000
Special Districts			
Henry County Library Taxing District	4,540,000	454,000	4,086,000
Henry County Water District #2	8,641,000	4,961,000	3,680,000
Totals:	34,110,000	9,022,850	25,087,150

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.

	<b>Base Funding</b>	<b>Local Tax Effort</b>	<b>Total State &amp; Local Funding</b>
2022-23 SEEK	8,889,423	8,000,885	16,890,308
2021-22 SEEK	8,616,696	7,335,548	15,952,244
2020-21 SEEK	8,063,476	6,793,376	14,856,852
2019-20 SEEK	8,673,725	6,500,827	15,174,552
2018-19 SEEK	9,150,046	6,057,482	15,207,528
2017-18 SEEK	9,026,909	5,915,695	14,942,604
2016-17 SEEK	8,940,342	5,623,647	14,563,989
2015-16 SEEK	8,958,610	5,677,348	14,635,958
2014-15 SEEK	8,801,928	5,468,852	14,270,780
2013-14 SEEK	8,887,513	5,208,328	14,095,841
2012-13 SEEK	8,987,110	4,992,772	13,979,882
2011-12 SEEK	9,198,338	4,925,046	14,123,384
2010-11 SEEK	8,299,918	4,744,620	13,044,538
2009-10 SEEK	8,219,088	4,371,190	12,590,278
2008-09 SEEK	8,829,304	4,347,406	13,176,710
2007-08 SEEK	8,886,675	3,766,423	12,653,098
2006-07 SEEK	7,951,859	4,056,378	12,008,237
2005-06 SEEK	7,764,121	3,433,157	11,197,278
2004-05 SEEK	7,318,957	3,223,189	10,542,146
2003-04 SEEK	7,317,279	3,040,870	10,358,149
2002-03 SEEK	6,924,668	2,900,214	9,824,882
2001-02 SEEK	6,794,074	2,690,557	9,484,631
2000-01 SEEK	6,812,105	2,516,069	9,328,174

- (1) Support Education Excellence in Kentucky (SEEK) replaces the minimum foundation program and power equalization funding. Capital Outlay is now computed at \$100 per average daily attendance (ADA). Capital Outlay is included in the SEEK base funding.
- (2) The Board established a current equivalent tax rate (CETR) of \$0.7810 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**

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

As of the date of this Official Statement, the Corporation and the Board are in compliance “in all material respects” with the reporting requirements of the Rule for the past five years.

Financial information regarding the Board may be obtained from Superintendent, Henry County Board of Education, 326 South Main Street, New Castle, KY 40050 Telephone (502) 845-8600.

## TAX EXEMPTION; BANK QUALIFIED

Bond Counsel advises as follows with respect to the Bonds:

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

(B) The interest income from the Bonds is excludable from the gross income of the recipient thereof for Federal income tax purposes under existing law and will not be a specific item of tax preference for purposes of Federal income taxation. However, with respect to certain corporations, interest on the Bonds is taken into account in determining the annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

(C) As a result of designations and certifications by the Board and the Corporation, indicating the issuance of less than \$10,000,000 of tax-exempt obligations during the calendar year ending December 31, 2023, the Bonds are "qualified tax-exempt obligations" within the meaning of the Internal Revenue Code of 1986, as amended.

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

### **Original Issue Premium**

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

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

### **Original Issue Discount**

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

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

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

### **ABSENCE OF MATERIAL LITIGATION**

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

### **APPROVAL OF LEGALITY**

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

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

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

### **BOND RATING**

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

### **MUNICIPAL ADVISOR**

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



## **APPENDIX A**

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

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**Demographic and Economic Data**

## HENRY COUNTY, KENTUCKY

Henry County, located in north-central Kentucky in the Outer Blue Grass Region, has a land area of 289 square miles. The Kentucky River forms the eastern boundary of the county. Henry County had an estimated 2023 population of 15,670 persons.

Eminence, the largest city in Henry County, has an estimated 2023 population of 2,674. Eminence is located 69 miles northwest of Lexington, Kentucky; 38 miles northeast of Louisville, Kentucky; and 65 miles southwest of Cincinnati, Ohio. New Castle, the county seat, has an estimated 2023 population of 880 people.

### **The Economic Framework**

In 2022, Henry County had a labor force of 6,786 people, with an unemployment rate of 3.8%. The top 5 jobs by occupation were as follows: sales - 419 (15.15%); office and administrative support - 372 (13.45%); executive, managers, and administrators - 259 (9.36%); education, training/library - 201 (7.27%); and food preparation/serving - 142 (5.13%).

### **Transportation**

Major AAA-rated trucking highways serving Henry County include Interstate 71, U.S. Highway 421, and Kentucky Route 55. Other AAA-rated highways serving the county include Kentucky Routes 22, 146, 322, and 561. Twenty-one trucking companies provide interstate and/or intrastate service to Henry County. CSX Transportation provides main line rail service to Campbellsburg. The Capital City Airport in Frankfort, 29 miles southeast of Eminence, maintains a 5,000-foot paved runway. The nearest scheduled commercial airline service is available at the Louisville International Airport, 42 miles southwest of Eminence.

### **Power and Fuel**

Electric power is provided to Henry County by the LG&E Energy Corp. and by the East Kentucky Power Cooperative. LG&E Energy Corp. supplies natural gas service to the county.

### **Education**

Primary and secondary education is provided by the Eminence Independent School System and the Henry County School System. Eighteen colleges and universities are located within 60 miles of Eminence. The nearest area technology centers (ATC) providing secondary education are Shelby County Area Technology Center in Shelbyville; Oldham County Area Technology Center in Buckner; and Carroll County ATC in Carrollton. The nearest technical colleges providing post-secondary education are the Central Kentucky Technical College Anderson Campus in Lawrenceburg and the Jefferson Technical College in Louisville. .

## **LOCAL GOVERNMENT**

### **Structure**

Campbellsburg, Eminence, New Castle, and Pleasureville are each governed by a mayor-city council form of government. Henry County is served by a county judge/executive.

### **Planning and Zoning**

Joint agency - Henry County Planning & Zoning Commission

Participating cities - Campbellsburg, Eminence, New Castle, Pleasureville, and Smithfield

Zoning enforced - All areas within Henry County

Subdivision regulations enforced - All areas within Henry County

Local codes enforced - Building and Housing

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

## Local Fees and Licenses

The City of Campbellsburg levies business license fees ranging from \$15 to \$50 and an eight percent insurance premium tax. The City of New Castle levies a \$35 business license fee.

The City of Eminence levies an occupational license tax of 0.75 percent on all wages, commissions, and salaries of individuals employed within the city and on net profits of businesses. The minimum annual tax is \$50 and a maximum annual tax of \$3,000 on net profits.

## 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. Accounts receivable are taxed at 85% of face value.

## LABOR MARKET STATISTICS

The Henry County Labor Market Area includes Henry County and the adjoining Kentucky counties of Carroll, Franklin, Gallatin, Jefferson, Oldham, Owen, Shelby, Trimble and the Indiana counties of Jefferson and Floyd .

### POPULATION

<u>Area</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Henry County	15,624	15,877	15,670
Eminence	2,652	2,708	2,674
New Castle	877	902	880

*Source: Kentucky Cabinet for Economic Development*

### POPULATION PROJECTIONS

<u>Area</u>	<u>2025</u>	<u>2030</u>	<u>2035</u>
Henry County	15,514	15,360	15,081

*Source: University of Louisville, Kentucky State Data Center.*

## EDUCATION

### Public Schools

	<u>Henry County</u>	<u>Eminence Independent</u>
Total Enrollment (2022-2023)	1,915	920
Pupil to Teacher Ratio (2022-2023)	15-1	14-1

*Source: Kentucky Department of Education*



## Vocational-Technical Training

### Customized Training

The Kentucky Tech system, through its Training and Development Coordinators, will provide technical assistance and will identify and develop low-cost customized training programs and services for both established and prospective businesses. Businesses wanting to establish a customized training program should contact a Training and Development Coordinator located at the Jefferson State Regional Technology Center.

### Assessment Services

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

### Adult Education Services

Adult education programs are available to adults who want to develop new skills, improve basic skills, or earn a high school equivalency diploma. In Henry County, adult basic education and adult literacy programs are administered through the Henry County 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 a 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.

## Area Technical Schools

<u>Institution</u>	<u>Location</u>	<u>Enrollment (2022-2023)</u>
Boone County ATC	Hebron, KY	187
Bullitt County ATC	Shepherdsville, KY	664
Campbell County ATC	Alexandria, KY	348
Carroll County ATC	Carrollton, KY	286
Clark County ATC	Winchester, KY	559
Harrison County ATC	Cynthiana, KY	444
Marion County ATC	Lebanon, KY	748
Meade County ATC	Brandenburg, KY	489
Nelson County ATC	Bardstown, KY	754
Shelby County ATC	Shelbyville, KY	430
Trailblazer Academy	Harrodsburg, KY	468

*Source: Kentucky Department of Education*

## Area Colleges and Universities

<u>Institution</u>	<u>Location</u>	<u>Ungraduate Enrollment (Fall 2022)</u>
Asbury University	Wilmore, KY	1,404
Bellarmine University	Louisville, KY	2,343
Centre College	Danville, KY	1,357
Galen College of Nursing	Louisville, KY	3,992
Kentucky State University	Frankfort, KY	1,610
Midway University	Midway, KY	1,663
Sullivan University	Louisville, KY	2,085
Thomas More College	Crestview Hills, KY	1,829
Transylvania University	Lexington, KY	981
University of Kentucky	Lexington, KY	22,735
University of Louisville	Louisville, KY	15,921

Source: US News & World Report

## EXISTING INDUSTRY

<u>Firm</u>	<u>Product</u>	<u>Total Employed</u>
<u>Campbellsburg</u>		
Arvin Sango, Inc.	Automotive exhaust systems	58
Rabbit Hole Spirits, LLC	Bourbon distilling & other spirits	N/A
Victory Hemp Foods LLC	Manufactures products made from hemp	3
<u>Eminence</u>		
Eminence Speaker LLC	Loudspeakers & woofers	100
Hussey Copper	Copper products	200
Hussey Fabrication Products	Copper and aluminum parts fabrication	76
Steel Technologies, Inc.	Steel rolling, annealing & sitting	110
<u>Smithfield</u>		
Gold Axe Brewing Co, LLC	Craft beer	N/A
Safety-Kleen Systems Inc.	Industrial waste management	28

Source: Kentucky Cabinet for Economic Development (1/7/2020)

**APPENDIX B**

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

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

HENRY COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2022

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## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Henry County School District  
New Castle, 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 Henry County 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, statement of school activity funds, 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 2, 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 2, 2022

As management of the Henry County 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 purchased two new school buses.

The district also purchased a new truck for the bus garage to be able to move snow and a new Explorer for the Director of Pupil Personnel to transport students.

New chromebooks were purchased for elementary students to continue our one-to-one initiative.

The district received grants to provide a new playground for the Early Childhood Center.

The high school started a roof project as well as new floors and windows. The controls upgrade was also completed at the high school.

A portion of the middle school roof was replaced and a new roof project began at New Castle Elementary.

New electronic door locks were installed at the middle school, high school and Eastern Elementary to provide safer access.

New cameras were also installed at various locations to provide more security outdoors.

### **FINANCIAL HIGHLIGHTS**

The assets and deferred outflows of the District were less than the liabilities and deferred inflows by \$2,385,996 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 \$6,727,655. 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, 2022, the District had liabilities of \$11,977,627 for postemployment benefits, which has caused the deficit balance in the unrestricted net position. The District's total net position increased \$2,129,616.

At the close of the current fiscal year, the District's governmental funds reported combined fund balances of \$7,584,814 an increase of \$320,856 from the prior year. Of this amount, \$5,693,149 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 20% 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 been 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 resources, 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 and special revenue fund, which are considered to be major funds.

The District adopts an 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 INFORMATION**

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**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Current assets	\$ 9,986,973	\$ 8,410,668
Non-current assets	<u>20,737,209</u>	<u>20,404,731</u>
Total assets	<u>30,724,182</u>	<u>28,815,399</u>
Deferred outflows	3,644,138	4,098,340
Current liabilities	1,526,684	2,289,297
Non-current liabilities	<u>30,141,692</u>	<u>32,460,063</u>
Total liabilities	<u>31,668,376</u>	<u>34,749,360</u>
Deferred inflows	5,085,940	2,679,991
Net investment in capital assets	2,668,363	1,749,343
Restricted	1,673,296	(11,394,808)
Unrestricted	<u>(6,727,655)</u>	<u>5,129,853</u>
Total net position	<u>\$ (2,385,996)</u>	<u>\$ (4,515,612)</u>

**Governmental Funds – Revenues and Expenditures**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Revenues and other sources:		
Local revenue	\$ 8,745,022	\$ 7,434,876
State revenue	16,100,307	10,696,806
Federal revenue	<u>3,701,772</u>	<u>2,011,636</u>
Total revenues	<u>\$ 28,547,101</u>	<u>\$ 20,143,318</u>
Expenditures:		
Instruction	\$ 15,164,349	\$ 13,449,857
Student support	1,673,912	1,570,527
Instruction staff	1,439,788	1,295,304
District administrative	902,885	826,926
School administrative	1,357,463	1,357,003
Business support	600,786	580,329
Plant operations and maintenance	2,135,048	1,903,678
Student transportation	1,866,459	1,360,823
Food service	15,478	33,584
Community services	190,478	176,603
Facility acquisition and construction	1,392,146	727,985
Debt service	<u>2,071,781</u>	<u>2,063,172</u>
Total expenditures	<u>\$ 28,810,573</u>	<u>\$ 25,345,791</u>

**Capital Assets**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Land	\$ 285,300	\$ 285,300
Land and improvements	144,815	\$ 108,045
Buildings and improvements	17,352,165	17,842,703
Technology equipment	73,709	60,529
Vehicles	1,102,219	983,964
General equipment	364,951	320,532
Construction in progress	<u>1,348,456</u>	<u>803,658</u>
Total capital assets	<u>\$ 20,671,615</u>	<u>\$ 20,404,731</u>

**Long-Term Debt**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Bonds payable	\$ 18,030,000	19,065,000

**REQUESTS FOR INFORMATION**

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 Finance Officer, Megan Klempner, 326 S. Main Street, New Castle, Kentucky 40050.

## BASIC FINANCIAL STATEMENTS

Henry County School District  
Statement of Net Position  
June 30, 2022

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 8,040,897	\$ 786,634	\$ 8,827,531
Receivables:			
Taxes	133,460		133,460
Intergovernmental	771,402	206,141	977,543
Inventory		48,439	48,439
Right-of-use lease assets - operating	65,594		65,594
Capital assets, net	20,455,328	216,287	20,671,615
<b>Total assets</b>	<b>29,466,681</b>	<b>1,257,501</b>	<b>30,724,182</b>
<b>Deferred outflows of resources</b>			
OPEB related	2,343,249	154,115	2,497,364
Pension related	999,753	147,021	1,146,774
<b>Total deferred outflows of resources</b>	<b>3,343,002</b>	<b>301,136</b>	<b>3,644,138</b>



Henry County School District  
Statement of Net Position - Continued  
June 30, 2022

	Governmental Activities	Business-Type Activities	Total
<b>Liabilities</b>			
Accounts payable	1,078,101	69,285	1,147,386
Unearned revenue	282,844		282,844
Accrued interest payable	96,454		96,454
Due within one year:			
Lease obligation - operating lease	24,304		24,304
Bonds payable	1,672,942		1,672,942
Due in more than one year:			
Compensated absences	95,219		95,219
Lease obligation - operating lease	41,290		41,290
Bonds payable	16,330,310		16,330,310
Net OPEB liability	4,910,432	265,444	5,175,876
Net pension liability	5,917,523	884,228	6,801,751
<b>Total liabilities</b>	<b>30,449,419</b>	<b>1,218,957</b>	<b>31,668,376</b>
<b>Deferred inflows of resources</b>			
OPEB related	3,451,369	148,584	3,599,953
Pension related	1,292,809	193,178	1,485,987
<b>Total deferred inflows of resources</b>	<b>4,744,178</b>	<b>341,762</b>	<b>5,085,940</b>
<b>Net position</b>			
Net investment in capital assets	2,452,076	216,287	2,668,363
Restricted (deficit)	1,891,665	(218,369)	1,673,296
Unrestricted (deficit)	(6,727,655)		(6,727,655)
<b>Total net position (deficit)</b>	<b>\$ (2,383,914)</b>	<b>\$ (2,082)</b>	<b>\$ (2,385,996)</b>

Henry County School District  
Statement of Activities  
June 30, 2022

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contribution</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Governmental Activities</b>							
Instruction	\$ 14,431,616	\$ -	\$ 10,326,463	\$ -	\$ (4,105,153)	\$ -	\$ (4,105,153)
Support services:							
Student	1,771,325		286,231		(1,485,094)		(1,485,094)
Instructional staff	1,489,818		430,136		(1,059,682)		(1,059,682)
District administration	937,605		24,895		(912,710)		(912,710)
School administration	1,416,638		2,158		(1,414,480)		(1,414,480)
Business	678,932				(678,932)		(678,932)
Plant operation	4,449,140		330,645		(4,118,495)		(4,118,495)
Food service	67,996				(67,996)		(67,996)
Student transportation	1,932,958		52,518		(1,880,440)		(1,880,440)
Community service	231,472		190,479		(40,993)		(40,993)
Interest on long-term debt	403,969			381,253	(22,716)		(22,716)
<b>Total governmental activities</b>	<b>27,811,469</b>	<b>-</b>	<b>11,643,525</b>	<b>381,253</b>	<b>(15,786,691)</b>		<b>(15,786,691)</b>
<b>Business-Type Activities</b>							
Food service	498,115	166,137	1,742,376	0		1,410,398	1,410,398
<b>Total business-type activities</b>	<b>498,115</b>	<b>166,137</b>	<b>1,742,376</b>	<b>0</b>		<b>1,410,398</b>	<b>1,410,398</b>
<b>Total school district</b>	<b>\$ 28,309,584</b>	<b>\$ 166,137</b>	<b>\$ 13,385,901</b>	<b>\$ 381,253</b>	<b>(15,786,691)</b>	<b>1,410,398</b>	<b>(14,376,293)</b>

Henry County School District  
Statement of Activities- Continued  
June 30, 2022

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>General Revenues</b>			
Property taxes	5,959,105		5,959,105
Motor vehicle taxes	767,593		767,593
Utilities tax	723,789		723,789
State aid	8,422,885		8,422,885
Investment earnings	61,169	4,685	65,854
Other	587,782	3,901	591,683
Transfers	19,329	(44,329)	(25,000)
<b>Total general revenues</b>	<b>16,541,652</b>	<b>(35,743)</b>	<b>16,505,909</b>
Change in net position	754,961	1,374,655	2,129,616
Net position (deficit) - beginning of year	(3,138,875)	(1,376,737)	(4,515,612)
<b>Net position (deficit) - end of year</b>	<b>\$ (2,383,914)</b>	<b>\$ (2,082)</b>	<b>\$ (2,385,996)</b>

Henry County School District  
 Balance Sheet – Governmental Funds  
 June 30, 2022

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents (deficit)	\$ 7,124,914	\$ (281,547)	\$ 836,803	\$ 360,727	\$ 8,040,897
Accounts receivable	133,459	771,402			904,861
<b>Total assets</b>	<b>\$ 7,258,373</b>	<b>\$ 489,855</b>	<b>\$ 836,803</b>	<b>\$ 360,727</b>	<b>\$ 8,945,758</b>
<b>Liabilities</b>					
Accounts payable	\$ 161,947	\$ 207,011	\$ 708,067	\$ 1,075	\$ 1,078,100
Unearned revenue		282,844			282,844
<b>Total liabilities</b>	<b>161,947</b>	<b>489,855</b>	<b>708,067</b>	<b>1,075</b>	<b>1,360,944</b>
<b>Fund balances</b>					
Restricted	92,519		128,736		221,255
Committed	1,310,758			359,652	1,670,410
Unassigned	5,693,149				5,693,149
<b>Total fund balances</b>	<b>7,096,426</b>	<b>0</b>	<b>128,736</b>	<b>359,652</b>	<b>7,584,814</b>
<b>Total liabilities and fund balances</b>	<b>\$ 7,258,373</b>	<b>\$ 489,855</b>	<b>\$ 836,803</b>	<b>\$ 360,727</b>	<b>\$ 8,945,758</b>

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

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Total fund balances - governmental funds \$ 7,584,814

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. 20,455,328

Deferred outflow and inflow of resources are applicable to future  
 periods and, therefore, are not reported in the funds.

Deferred outflows - OPEB	2,343,249
Deferred outflows - pensions	999,753
Deferred inflows - OPEB	(3,451,369)
Deferred inflows - pension	(1,292,809)

Long-term liabilities are not due and payable in the current period  
 and, therefore, are not reported in the funds.

Accrued interest payable	(96,454)
Bonds payable	(18,003,252)
Compensated absences	(95,219)
Net OPEB liability	(4,910,432)
Net pension liability	(5,917,523)

Net position of governmental activities \$ (2,383,914)

Henry County School District  
Statement of Revenues, Expenditures and Changes in Fund  
Balances – Governmental Funds  
June 30, 2022

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	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
From local sources:					
Taxes:					
Property	\$ 5,134,619	\$	\$	\$ 824,486	\$ 5,959,105
Motor vehicle	652,828			114,764	767,592
Utilities	723,789				723,789
Earnings on investments	58,791	312	1,152	914	61,169
Other local revenue	75,579	309,272		467,262	852,113
State on-behalf	5,480,145			381,254	5,861,399
State sources	8,479,179	1,111,118		1,029,865	10,620,162
Federal sources	72,767	3,629,005			3,701,772
<b>Total revenues</b>	<b>20,677,697</b>	<b>5,049,707</b>	<b>1,152</b>	<b>2,818,545</b>	<b>28,547,101</b>

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

	General	Special	Construction	Other	Total
	Fund	Revenue	Fund	Governmental	Governmental
<b>Expenditures</b>				Funds	Funds
Instruction	11,287,256	3,450,287		426,806	15,164,349
Support services:					
Student	1,387,476	286,231		205	1,673,912
Instruction staff	1,000,604	430,136		9,048	1,439,788
District administrative	877,990	24,895			902,885
School administrative	1,355,305	2,158			1,357,463
Business support	600,786				600,786
Plant operation and maintenance	1,804,403	330,645			2,135,048
Student transportation	1,813,941	52,518			1,866,459
Food service	15,478				15,478
Community services		190,478			190,478
Facility acquisition and construction			1,392,146		1,392,146
Debt service					
Principal				1,600,000	1,600,000
Interest				471,781	471,781
<b>Total expenditures</b>	<b>20,143,239</b>	<b>4,767,348</b>	<b>1,392,146</b>	<b>2,507,840</b>	<b>28,810,573</b>
Excess of revenues over (under) expenditures	534,458	282,359	(1,390,994)	310,705	(263,472)
<b>Other financing sources (uses)</b>					
Transfers in	386,808	40,700	825,996	1,796,829	3,050,333
Transfers out	(632,529)	(323,059)		(2,075,417)	(3,031,005)
Bond proceeds			565,000		565,000
<b>Total other financing sources (uses)</b>	<b>(245,721)</b>	<b>(282,359)</b>	<b>1,390,996</b>	<b>(278,588)</b>	<b>584,328</b>
Net change in fund balances	288,737	0	2	32,117	320,856
Fund balances - beginning	6,807,689	0	128,734	327,535	7,263,958
<b>Fund balances - end of year</b>	<b>\$ 7,096,426</b>	<b>\$ 0</b>	<b>\$ 128,736</b>	<b>\$ 359,652</b>	<b>\$ 7,584,814</b>

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

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Net change in fund balances - total governmental funds \$ 320,856

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those asset is  
 allocated over their estimated useful lives and reported as depreciation  
 expense.

198,944

The issuance of long-term debt provides current financial resources  
 to governmental funds, but the proceeds increase long-term liabilities  
 in the statement of net position.

(565,000)

Repayment of long-term debt are expenditures in the governmental  
 funds, but the repayment reduces long-term liabilities in the statement  
 of net position.

1,600,000

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 discount

(2,057)

Change in accrued interest payable

76,179

Change in compensated absences

2,003

Change in OPEB liabilities and deferred amounts

(772,118)

Change in pension liabilities and deferred amounts

(103,846)

Change in net position of governmental activities

\$ 754,961



Henry County School District  
Statement of Net Position – Proprietary Funds  
June 30, 2022

---

	<u>Food Service</u>
<b>Assets</b>	
<b>Current assets</b>	
Cash and cash equivalents	\$ 786,634
Accounts receivable	206,141
Inventories for consumption	48,439
<hr/>	<hr/>
Total current assets	1,041,214
<b>Noncurrent assets</b>	
Capital assets, net	216,287
<hr/>	<hr/>
Total noncurrent assets	216,287
<hr/>	<hr/>
Total assets	1,257,501
<b>Deferred outflows</b>	
OPEB related	154,115
Pension related	147,021
<hr/>	<hr/>
Total deferred outflows	301,136

Henry County School District  
Statement of Net Position – Proprietary Funds - Continued  
June 30, 2022

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	Food Service
<b>Liabilities</b>	
<b>Current liabilities</b>	
Accounts payable	69,285
<b>Total current liabilities</b>	<b>69,285</b>
<b>Long-term liabilities</b>	
Net pension liability	884,228
Net OPEB liability	265,444
<b>Total long-term liabilities</b>	<b>1,149,672</b>
<b>Total liabilities</b>	<b>1,218,957</b>
<b>Deferred outflows</b>	
OPEB related	148,584
Pension related	193,178
<b>Total deferred outflows</b>	<b>341,762</b>
<b>Net position</b>	
Net investment in capital assets	216,287
Restricted	(218,369)
<b>Tota net position (deficit)</b>	<b>\$ (2,082)</b>

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

---

	Food Service Fund
<b>Operating revenues</b>	
Food service	\$ 54,242
Other operating revenue	115,795
<b>Total operating revenues</b>	<b>170,037</b>
<b>Operating expenses</b>	
Salaries and wages	475,958
Employee benefits	(702,518)
Purchased services	47,192
Materials and supplies	547,161
Other operating expenses	98,973
Depreciation	31,349
<b>Total operating expenses</b>	<b>498,115</b>
<b>Operating loss</b>	<b>(328,078)</b>
<b>Non operating revenues</b>	
Operating grants - state	134,583
Operating grants - federal	1,576,274
Donated commodities	31,519
Transfers in	
Transfers out	(44,328)
Interest income	4,685
<b>Total other financing sources (uses)</b>	<b>1,702,733</b>
<b>Net change in fund balances</b>	<b>1,374,655</b>
<b>Fund balances - beginning of year</b>	<b>(1,376,737)</b>
<b>Fund balances - end of year</b>	<b>\$ (2,082)</b>

Henry County School District  
Statement of Cash Flows – Proprietary Funds  
June 30, 2022

	<u>Food Service</u>
<b>Cash flows from operating activities</b>	
Cash received:	
From food service sales	\$ 54,242
From other activities	115,795
Cash paid:	
To employees	(747,995)
To suppliers	(562,210)
For operating expenses	(98,973)
Cash transfer	(44,328)
<u>Net cash used in operating activities</u>	<u>(1,283,469)</u>
<b>Cash flows from noncapital financing activities</b>	
Non operating grants	1,569,900
<u>Net cash provided by noncapital financing activities</u>	<u>1,569,900</u>
<b>Cash flows from investing activities</b>	
Purchases of equipment	(99,289)
Interest on investments	4,685
<u>Net cash provided by investing activities</u>	<u>(94,604)</u>
<u>Net increase in cash</u>	<u>191,827</u>
<u>Cash - beginning of year</u>	<u>594,807</u>
<u>Cash - end of year</u>	<u>\$ 786,634</u>
<b>Reconciliation of operating loss to net cash used in operating activities</b>	
Operating loss	\$ (328,078)
Adjustments to reconcile operating loss to net cash in operating activities	
Depreciation	31,349
Transfers out	(44,328)
Changes in:	
Inventory	(13,783)
Payables	14,407
Deferred outflows	277,899
Deferred inflows	(75,668)
Net OPEB liability	(729,003)
Net pension liability	(447,783)
Commodities received	31,519
<u>Net cash used in operating activities</u>	<u>\$ (1,283,469)</u>
<b>Noncash activities</b>	
Commodities received from federal	<u>\$ 31,519</u>
On-behalf payments received state	<u>\$ 121,819</u>

Henry County School District  
Statement of Net Position – Fiduciary Funds  
June 30, 2022

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	Trust Funds
<b>Assets</b>	
Cash	\$ 140,270
<b>Total assets</b>	<b>\$ 140,270</b>
<b>Liabilities</b>	
Accounts payable	1,417
<b>Total liabilities</b>	<b>1,417</b>
<b>Net position</b>	
Restricted	\$ 138,853

Henry County School District  
Statement of Changes in Net Position – Fiduciary Funds  
June 30, 2022

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	Trust Funds
<b>Additions</b>	
Contributions	\$ 16,244
Funds transfer	25,000
Interest income	16,506
<hr/>	
Total additions	<hr/> 57,750
<b>Deductions</b>	
Community services	20,214
<hr/>	
Total deductions	<hr/> 20,214
Change in net position	37,536
Net position - beginning of year	101,317
<hr/>	
Net position - end of year	<hr/> \$ 138,853

**NOTE 1: ACCOUNTING POLICIES**

***Reporting Entity***

The Henry County Board of Education (Board), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary education within the jurisdiction of Henry County Board of Education (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined 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:

**Henry County Board of Education Finance Corporation** – The Board authorized the establishment of the Henry County 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)**

*Construction Fund* - The construction fund is used to account for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

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:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
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 and 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 2, 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 5.

**NOTE 2: CASH AND CASH EQUIVALENTS**

At year end the carrying amounts of the District's total cash and cash equivalents was \$9,732,190 which 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.

**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
<b>Governmental Activities</b>				
Land	\$ 285,300	\$ 0	\$ 0	\$ 285,300
Land and improvements	505,937	45,691		551,628
Buildings and improvements	48,044,322	830,256		48,874,578
Technology equipmenmt	1,264,990	50,670		1,315,660
Vehicles	3,255,375	293,388		3,548,763
General equipment	655,457	20,914		676,371
Construction in progress	803,658	1,348,456	803,658	1,348,456
<b>Total at historical cost</b>	<b>54,815,039</b>	<b>2,589,375</b>	<b>803,658</b>	<b>56,600,756</b>
Less accumulated depreciation				
Land and improvements	397,892	8,921		406,813
Buildings and improvements	30,201,619	1,320,794		31,522,413
Technology equipmenmt	1,204,569	37,490		1,242,059
Vehicles	2,271,411	175,133		2,446,544
General equipment	483,164	44,435		527,599
<b>Total accumulated depreciation</b>	<b>34,558,655</b>	<b>1,586,773</b>	<b>-</b>	<b>36,145,428</b>
<b>Capital assets - net</b>	<b>\$ 20,256,384</b>	<b>\$ 1,002,602</b>	<b>\$ 803,658</b>	<b>\$ 20,455,328</b>

**NOTE 3: CAPITAL ASSETS – CONTINUED**

	Balance 7/1/2021	Additions	Disposals	Balance 6/30/2022
<b>Business-type Activities</b>				
General equipment	\$ 766,369	\$ 99,289	\$ 80,807	\$ 784,851
Technology equipment	6,810			6,810
<b>Total at historical cost</b>	<b>773,179</b>	<b>99,289</b>	<b>80,807</b>	<b>791,661</b>
Less accumulated depreciation				
General equipment	618,130	31,349	80,807	568,672
Technology equipment	6,702			6,702
<b>Total accumulated depreciation</b>	<b>624,832</b>	<b>31,349</b>	<b>80,807</b>	<b>575,374</b>
<b>Capital assets - net</b>	<b>\$ 148,347</b>	<b>\$ 67,940</b>	<b>\$ 0</b>	<b>\$ 216,287</b>

Depreciation was charged to the following functions:

	Governmental	Business-type
Instruction	\$ 63,613	\$
Student support	24,808	
District admin support	5,914	
School admin support	4,089	
Business support	29,291	
Plant operations	1,296,344	
Food service		31,349
Student transportation	161,814	
Community services	900	
	<b>\$ 1,586,773</b>	<b>\$ 31,349</b>



**NOTE 4: LONG-TERM OBLIGATIONS**

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued by the Henry County 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
2012	\$ 905,000	1.875% - 2.250	\$ 195,000
2013	\$ 3,115,000	1.400% - 3.000	\$ 2,270,000
2014	\$ 4,315,000	2.000% - 4.000	\$ 3,550,000
2016	\$ 11,875,000	2.000% - 3.000	\$ 7,640,000
2020	\$ 895,000	2.000% - 2.500	\$ 825,000
2020-Ref	\$ 3,105,000	0.600% - 1.700	\$ 2,985,000
2022	\$ 565,000	1.25% to 3.00%	\$ 565,000

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.

Changes in bonds payable are as follows:

Issue	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Amount Due Within One Year
Series 2012	\$ 290,000		\$ 95,000	\$ 195,000	\$ 95,000
Series 2013	2,400,000		130,000	2,270,000	140,000
Series 2014	3,645,000		95,000	3,550,000	95,000
Series 2016	8,780,000		1,140,000	7,640,000	1,180,000
Series 2020	860,000		35,000	825,000	40,000
Series 2020-Ref	3,090,000		105,000	2,985,000	100,000
Series 2022		565,000		565,000	25,000
Total bonds payable	19,065,000	565,000	1,600,000	18,030,000	1,675,000
Unamortized bond discount	(28,806)		(2,058)	(26,748)	(2,058)
Total bonds payable	\$ 19,036,194	\$ 565,000	\$ 1,597,942	\$ 18,003,252	\$ 1,672,942

**NOTE 4: LONG-TERM OBLIGATIONS - CONTINUED**

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:

Year End June 30	Henry County School District		School Facility Construction Commission		Total Debt Service
	Principal	Interest	Principal	Interest	
2023	\$ 1,324,257	\$ 369,069	\$ 350,743	\$ 72,812	\$ 2,116,881
2024	1,353,445	342,344	356,555	66,772	2,119,116
2025	1,401,113	311,434	293,887	59,494	2,065,928
2026	1,446,020	277,635	298,980	53,289	2,075,924
2027	1,495,745	241,549	304,255	46,718	2,088,267
2028	1,546,238	206,886	283,762	40,039	2,076,925
2029	1,632,227	145,421	217,773	34,515	2,029,936
2030	1,693,977	125,816	221,023	29,863	2,070,679
2031	1,254,633	51,409	170,367	27,629	1,504,038
2032	1,231,709	25,684	148,291	21,468	1,427,152
2033	285,000	8,550	70,000	19,212	382,762
2034			80,000	17,450	97,450
2035			80,000	15,425	95,425
2036			80,000	13,400	93,400
2037			80,000	11,250	91,250
2038			80,000	9,100	89,100
2039			90,000	6,950	96,950
2040			90,000	4,525	94,525
2041			35,000	2,100	37,100
2042			35,000	1,050	36,050
	<u>\$ 14,664,364</u>	<u>\$ 2,105,797</u>	<u>\$ 3,365,636</u>	<u>\$ 553,061</u>	<u>\$ 20,688,858</u>

**NOTE 4: LONG-TERM OBLIGATIONS - CONTINUED**

Changes in long-term obligations are as follows:

	Balance			Balance	Amount
<u>Governmental Activities</u>	<u>July 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2022</u>	<u>Due Within One Year</u>
Bonds payable	\$ 19,036,194	\$ 565,000	\$ 1,597,942	\$ 18,003,252	\$ 1,672,942
Operating leases	46,784	47,864	29,054	65,594	24,304
Compensated absences	97,222		2,003	95,219	
Net OPEB liability	5,390,118		479,686	4,910,432	
Net pension liability	7,219,793		1,302,270	5,917,523	
<u>Total long-term liabilities</u>	<u>\$ 31,790,111</u>	<u>\$ 612,864</u>	<u>\$ 3,410,955</u>	<u>\$ 28,992,020</u>	<u>\$ 1,697,246</u>

	Balance			Balance	Amount
<u>Business-type Activities</u>	<u>July 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2022</u>	<u>Due Within One Year</u>
Net OPEB liability	\$ 994,447		\$ 729,003	\$ 265,444	
Net pension liability	1,332,011		447,783	884,228	
<u>Total long-term liabilities</u>	<u>\$ 2,326,458</u>	<u>\$ -</u>	<u>\$ 1,176,786</u>	<u>\$ 1,149,672</u>	<u>\$ -</u>

**NOTE 5: 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 lessee are classified as operating leases – Type B. Following is a summary of property under right-of-use leases:

Right-of-use equipment	\$ 151,830
Accumulated amorization	<u>86,236</u>
	<u>\$ 65,594</u>

**NOTE 5: OPERATING LEASES – CONTINUED**

Remaining future payments under the lease contracts are as follows:

2023	\$	28,372
2024		22,644
2025		12,696
2026		11,544
Total remaining payments		<u>75,256</u>
Less interest component		<u>9,662</u>
	\$	<u>65,594</u>

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

Operating lease cost	\$	35,364
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Cash paid for amounts included in the measurement of lease liabilities:

Operating leases	\$	35,364
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Weighted-average remaining lease term  
3.67 years

Weighted-average discount rate  
7.00%

**NOTE 6: 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](http://www.ktrs.ky.gov/05_publications/index.htm).

**NOTE 6: 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 6: 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 Unreduced retirement Reduced retirement	Before September 1, 2008 27 years service or 65 years old At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date Unreduced retirement  Reduced retirement	September 1, 2008 - December 31, 2013 At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87 At least 10 years service and 60 years old
Tier 3	Participation date Unreduced retirement  Reduced retirement	After December 31, 2013 At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87 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 6: PENSION PLANS (CONTINUED)**

**Contributions**

Required contributions by the employee are based on the tier:

	<u>Required contribution</u>
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 \$6,801,751 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 0.1150% 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 \$36,034,574.

For the year ended June 30, 2022, the District recognized pension expense of \$619,450 related to CERS and \$3,092,128 related to TRS. The District also recognized revenue of \$3,092,128 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:

	<u>Deferred Outflow</u>	<u>Deferred Inflow</u>	<u>Net Deferral</u>
Change in liability experience	\$ 78,105	\$ 66,016	
Change of assumptions	91,288		
Change in investment experience	263,863	1,170,422	
Change in proportionate share of contributions	21,064	249,549	
	<u>454,320</u>	<u>\$ 1,485,987</u>	<u>\$ (1,031,667)</u>
Subsequent contributions	692,454		
Total	<u>\$ 1,146,774</u>		

**NOTE 6: PENSION PLANS (CONTINUED)**

The contributions subsequent to the measurement date of \$692,454 will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. The net deferral of \$(1,031,667) will be recognized in pension expense as follows:

Year ending June 30	Net Deferral
2023	\$ (212,970)
2024	(323,754)
2025	(211,056)
2056	(283,887)
	<u>\$ (1,031,667)</u>

***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 6: 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	Asset Class	Target Allocation	Long-term Expected
		Nominal Return			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	<u>100.00%</u>	<u>5.00%</u>	Expected real return	<u>103.00%</u>	<u>7.10%</u>
Long-term inflation assumption		<u>2.30%</u>	Long-term inflation assumption		<u>2.50%</u>

**NOTE 6: 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:

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
	<b>5.25%</b>	<b>6.25%</b>	<b>7.25%</b>
District's proportionate share of the CERS net pension liability	\$ 8,723,568	\$ 6,801,751	\$ 5,211,492

***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 7: 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](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](http://www.kyret.ky.gov).

**NOTE 7: 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 7: 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 \$5,175,876 comprised of \$2,041,876 related to CERS and \$3,134,000 related to TRS.

The District's proportion of the net OPEB liability for CERS was 0.1115% percent and for TRS 0.1186%.

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 \$291,531 related to CERS and \$353,867 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	\$ 321,086	\$ 609,636	
Change of assumptions	541,340	1,899	
Change in investment experience	102,876	422,299	
Change in proportionate share of contributions	22,690	109,119	
	987,992	<u>\$ 1,142,953</u>	<u>\$ (154,961)</u>
Subsequent contributions	189,061		
Total	<u>\$ 1,177,053</u>		

	TRS		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ -	\$ 1,864,000	
Change of assumptions	820,000		
Change in investment experience		334,000	
Change in proportionate share of contributions	171,000	259,000	
	991,000	<u>\$ 2,457,000</u>	<u>\$ (1,466,000)</u>
Subsequent contributions	329,311		
Total	<u>\$ 1,320,311</u>		

**NOTE 7: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

	Total		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 321,086	\$ 2,473,636	
Change of assumptions	1,361,340	1,899	
Change in investment experience	102,876	756,299	
Change in proportionate share of contributions	193,690	368,119	
	<u>1,978,992</u>	<u>\$ 3,599,953</u>	<u>\$ (1,620,961)</u>
Subsequent contributions	<u>518,372</u>		
Total	<u>\$ 2,497,364</u>		

The contributions subsequent to the measurement date of \$518,372 will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. The net deferral of \$(1,620,961) will be recognized in pension expense as follows:

Year ending June 30	Net Deferral
2022	\$ (346,224)
2023	(396,722)
2024	(354,058)
2025	(434,957)
2026	<u>(89,000)</u>
	<u>\$ (1,620,961)</u>

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

The actuarial assumptions are:

<b>Benefits</b>	<u>2022</u>
	no change
<b>Assumptions</b>	<u>2022</u>
Valuation date	6/30/2020
Actuarial cost method	Entry age normal
Amortization 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
 <b>TRS</b>	
<b>Benefits</b>	<u>2022</u>
	no change
<b>Assumptions</b>	<u>2022</u>
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%
Municipal 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 7: 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 years 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 Return
US Equity	21.75%	5.70%
Non US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Real Estate	10.00%	5.40%
Real Return	10.00%	4.55%
Expected real return	<u>100.00%</u>	<u>5.00%</u>
Long-term inflation assumption		<u>2.50%</u>



**NOTE 7: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

TRS - MIF			TRS - LIF		
Asset Class	Target Allocation	Long-term Expected	Asset Class	Target Allocation	Long-term Expected
		Nominal Return			Nominal Return
Global equity	58.00%	5.10%	US Equity	40.00%	4.40%
Fixed income	9.00%	-0.10%	International Equity	23.00%	5.60%
Real Estate	6.50%	4.00%	Fixed Income	18.00%	-0.10%
Private equity	8.50%	6.90%	Real Estate	6.00%	4.00%
High Yield	8.00%	1.70%	Private Equity	5.00%	6.90%
Other categories	9.00%	2.20%	Additional Categories	6.00%	2.10%
Cash (LIBOR)	1.00%	-0.30%	Cash (LIBOR)	2.00%	-0.30%
Expected real return	<u>100.00%</u>	<u>7.10%</u>	Expected real return	<u>100.00%</u>	<u>7.10%</u>
Long-term inflation assumption		<u>2.50%</u>	Long-term inflation assumption		<u>2.50%</u>

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

	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
	<b>6.10%</b>	<b>Discount Rate</b>	<b>8.10%</b>
		<b>7.10%</b>	
District's proportionate share of the TRS net OPEB liability	\$ 4,012,000	\$ 3,134,000	\$ 2,408,000
		<b>Current</b>	
	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
	<b>4.34%</b>	<b>5.34%</b>	<b>6.34%</b>
District's proportionate share of the CERS net OPEB liability	\$ 2,803,480	\$ 2,041,876	\$ 1,416,853
<b>Total</b>	<b>\$ 6,815,480</b>	<b>\$ 5,175,876</b>	<b>\$ 3,824,853</b>

**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:

	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
		<b>Trend Rate</b>	
District's proportionate share of the TRS net OPEB liability	\$ 2,277,000	\$ 3,134,000	\$ 4,201,000
District's proportionate share of the CERS net OPEB liability	1,469,908	2,041,876	2,732,250
<b>Total</b>	<b>\$ 3,746,908</b>	<b>\$ 5,175,876</b>	<b>\$ 6,933,250</b>

**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 8: 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 9: 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 10: FUND TRANSFERS**

The following transfers were made during the year:

From	To	Purpose	Amount
General fund	Special revenue	Technology Match	\$ 40,700
General fund	Construction fund	Capital outlay	377,599
General fund	Debt service	Debt service	189,230
General fund	Trust fund	Operating	25,000
Special revenue	General fund	Indirect costs	174,663
Special revenue	Construction fund	Capital outlay	148,396
Student activity	District activity	District activity	106,302
Capital outlay	General fund	Capital outlay	167,817
Capital outlay	Construction fund	Capital outlay	25,994
Building fund	Construction fund	Capital outlay	274,005
Building fund	Debt service	Debt service	1,501,299
Food service	General fund	Indirect costs	44,328
			<u>\$ 3,075,333</u>

**NOTE 11: ON-BEHALF PAYMENTS**

For the year ended June 30, 2022 payments 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	\$ 5,480,144
Debt service	381,254
Food service	121,819
	<u>\$ 5,983,217</u>

  

Type	
Retirement	\$ 3,092,128
Health insurance less federal reimbursement	2,233,865
Life insurance	3,842
Administrative fee	30,664
HRA/Dental/Vision insurance	143,587
Technology	97,877
Debt service	381,254
	<u>\$ 5,983,217</u>

## REQUIRED SUPPLEMENTARY INFORMATION

Henry County School District  
 Budgetary Comparison Schedule – General Fund  
 June 30, 2022

	Budgeted Amounts		Actual	Variance
	Original	Final		Final to Actual
<b>Revenues</b>				
Local sources	\$ 6,348,627	\$ 6,348,627	\$ 6,645,606	\$ 296,979
State sources	13,972,672	13,972,672	13,959,324	(13,348)
Federal sources	30,000	30,000	72,767	42,767
<b>Total revenues</b>	<b>20,351,299</b>	<b>20,351,299</b>	<b>20,677,697</b>	<b>326,398</b>
<b>Expenditures</b>				
Instruction	11,506,433	11,506,433	11,287,256	219,177
Support services:				-
Student	1,386,371	1,386,371	1,387,476	(1,105)
Instuction staff	1,100,377	1,100,377	1,000,604	99,773
District administrative	955,657	955,657	877,990	77,667
School administrative	1,383,228	1,383,228	1,355,305	27,923
Business	497,778	497,778	600,786	(103,008)
Plant operations	1,914,747	1,914,747	1,804,403	110,344
Student transportation	1,877,000	1,877,000	1,813,941	63,059
Food service	18,166	18,166	15,478	2,688
Contingency	4,915,438	4,915,438		4,915,438
<b>Total expenditures</b>	<b>25,555,195</b>	<b>25,555,195</b>	<b>20,143,239</b>	<b>5,411,956</b>
Excess (deficiency) of revenues over expenditures	(5,203,896)	(5,203,896)	534,458	(5,085,558)
<b>Other financing sources (uses)</b>				
Transfers in	33,000	33,000	386,808	353,808
Transfers out	(228,230)	(228,230)	(632,529)	(404,299)
<b>Total other financing sources (uses)</b>	<b>(195,230)</b>	<b>(195,230)</b>	<b>(245,721)</b>	<b>(50,491)</b>
Net change in fund balances	(5,399,126)	(5,399,126)	288,737	5,687,863
Fund balances - beginning of year	5,399,126	5,399,126	6,807,689	1,408,563
<b>Fund balances - end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,096,426</b>	<b>\$ 7,096,426</b>

Henry County School District  
 Budgetary Comparison Schedule – Special Revenue Fund  
 June 30, 2022

	Budgeted Amounts		Actual	Variance
	Original	Final		Final to Actual
<b>Revenues</b>				
Local sources	\$ 550,425	\$ 550,425	\$ 309,584	\$ (240,841)
State sources	1,042,280	1,042,280	1,111,118	68,838
Federal sources	6,206,488	6,206,488	3,629,005	(2,577,483)
<b>Total revenues</b>	<b>7,799,193</b>	<b>7,799,193</b>	<b>5,049,707</b>	<b>(2,749,486)</b>
<b>Expenditures</b>				
Instruction	3,886,177	3,886,177	3,450,287	435,890
Support services:				
Student	178,428	178,428	286,231	(107,803)
Instruction staff	312,078	312,078	430,136	(118,058)
District admin	84,740	84,740	24,895	59,845
School admin	2,141	2,141	2,158	(17)
Plant operations	2,664,324	2,664,324	330,645	2,333,679
Student transportation			52,518	(52,518)
Community services	212,344	212,344	190,478	21,866
<b>Total expenditures</b>	<b>7,340,232</b>	<b>7,340,232</b>	<b>4,767,348</b>	<b>2,572,884</b>
Excess (deficiency) of revenues over expenditures	458,961	458,961	282,359	(5,322,370)
<b>Other financing sources (uses)</b>				
Transfers in	39,000	39,000	40,700	1,700
Transfers out	(497,961)	(497,961)	(323,059)	174,902
<b>Total other financing sources (uses)</b>	<b>(458,961)</b>	<b>(458,961)</b>	<b>(282,359)</b>	<b>176,602</b>
Net change in fund balances	-	-	-	-
Fund balances - beginning of year	-	-	-	-
<b>Fund balances - end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Henry County 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	\$ 36,074,574	\$ 39,102,921	\$ 38,952,151	\$ 36,494,962	\$ 78,730,791	\$ 85,332,602	\$ 71,084,223	\$ 58,884,996
District's covered payroll	\$ 9,653,868	\$ 9,480,361	\$ 9,549,297	\$ 9,097,816	\$ 9,254,519	\$ 8,310,672	\$ 9,088,052	
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%	#DIV/0!
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
Contractually required contribu	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Actual contribution	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 10,977,033	\$ 9,653,868	\$ 9,480,361	\$ 9,549,297	\$ 9,097,816	\$ 9,254,519	\$ 8,310,672	\$ 9,088,052
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%



Henry County School District  
Schedule of District's Proportionate Share of the Net Pension Liability  
And Contributions - CERS  
June 30, 2022

**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	0.1150%	0.1115%	0.1135%	0.1105%	0.1102%	0.1138%	0.1108%	0.1125%
District's proportionate share of the net pension liability	\$ 6,801,751	\$ 8,551,804	\$ 7,981,029	\$ 6,731,309	\$ 6,453,154	\$ 5,604,969	\$ 4,765,599	\$ 3,649,000
District's covered payroll	\$ 2,814,296	\$ 2,478,455	\$ 2,940,681	\$ 2,157,759	\$ 2,736,942	\$ 2,735,206	\$ 2,562,830	\$ -
District's proportionate share of the net pension liability as a percentage of its covered payroll	241.69%	345.05%	271.40%	311.96%	235.78%	204.92%	185.95%	#DIV/0!
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	\$ 692,454	\$ 676,736	\$ 596,332	\$ 631,660	\$ 374,454	\$ 323,421	\$ 330,930	\$ 460,785	
Actual contribution	692,454	676,736	596,332	631,660	374,454	323,421	330,930	460,785	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 3,270,921	\$ 2,814,296	\$ 2,478,455	\$ 2,940,681	\$ 2,157,759	\$ 2,736,942	\$ 2,735,206	\$ 2,562,830	
Contributions as a percentage of covered payroll	21.17%	24.05%	24.06%	21.48%	17.35%	11.82%	12.10%	17.98%	#DIV/0!

Henry County School District  
 Schedule of District's Proportionate Share of the Net OPEB Liability  
 And Contributions – TRS Medical Insurance Fund  
 June 30, 2022

**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	0.1186%	0.1463%	0.1508%	0.1422%	0.1526%
District's proportionate share of the net OPEB liability	\$ 3,134,000	\$ 3,693,000	\$ 4,414,000	\$ 4,935,000	\$ 5,440,000
State's proportionate share of the net OPEB liability	\$ 2,545,000	\$ 2,958,000	\$ 3,564,000	\$ 4,253,000	\$ 647,000
District's covered payroll	\$ 9,653,868	\$ 9,480,361	\$ 9,549,297	\$ 9,097,816	\$ 9,254,519
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	32.46%	38.95%	46.22%	54.24%	58.78%
Plan fiduciary net position as a percentage of the total OPEB liability	51.47%	39.05%	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	\$ 329,311	\$ 258,448	\$ 262,583	\$ 253,380	\$ 261,365	
Actual contribution	329,311	258,448	262,583	253,380	261,365	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 10,977,033	\$ 9,653,868	\$ 9,480,361	\$ 9,549,297	\$ 9,097,816	\$ 9,254,519
Contributions as a percentage of covered payroll	3.00%	2.68%	2.77%	2.65%	2.87%	0.00%

Henry County School District  
 Schedule of District's Proportionate Share of the Net OPEB Liability  
 And Contributions – TRS Life Insurance Fund  
 June 30, 2022

**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	\$ 34,000	\$ 89,000	\$ 83,000	\$ 73,000	\$ 59,000
District's covered payroll	\$ 9,653,868	\$ 9,480,361	\$ 9,549,297	\$ 9,097,816	\$ 9,254,519
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	\$ 10,977,033	\$ 9,653,868	\$ 9,480,361	\$ 9,549,297	\$ 9,097,816	\$ 9,254,519
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Henry County School District  
 Schedule of District's Proportionate Share of the Net OPEB Liability  
 And Contributions – CERS  
 June 30, 2022

**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	0.1115%	0.1115%	0.1134%	0.4405%	0.1102%
District's proportionate share of the net OPEB liability	\$ 2,041,876	\$ 2,691,565	\$ 1,905,161	\$ 1,962,261	\$ 2,216,362
District's covered payroll	\$ 2,814,296	\$ 2,478,455	\$ 2,940,681	\$ 2,157,759	\$ 2,736,942
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	72.55%	108.60%	64.79%	90.94%	80.98%
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	\$ 189,061	\$ 135,946	\$ 150,563	\$ 128,749	\$ 140,872	
Actual contribution	189,061	135,946	150,563	128,749	140,872	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 3,270,921	\$ 2,814,296	\$ 2,478,455	\$ 2,940,681	\$ 2,157,759	\$ 2,736,942
Contributions as a percentage of covered payroll	5.78%	4.83%	6.07%	4.38%	6.53%	0.00%

SUPPLEMENTARY INFORMATION

Henry County School District  
 Combining Balance Sheet – Nonmajor Funds  
 June 30, 2022

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	District Activity Fund	Student Activity Fund	Capital Outlay Fund	Building Fund	Debt Service Fund	Total Nonmajor Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 157,439	\$ 203,288	\$	\$	\$	\$ 360,727
Total assets	<u>\$ 157,439</u>	<u>\$ 203,288</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 360,727</u>
<b>Liabilities</b>						
Accounts payable	\$ 1,075	\$	\$	\$	\$	\$ 1,075
Total liabilities	<u>1,075</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,075</u>
<b>Fund balances</b>						
Committed	<u>156,364</u>	<u>203,288</u>				<u>359,652</u>
Total fund balances	<u>156,364</u>	<u>203,288</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>359,652</u>
Total liabilities and fund balances	<u>\$ 157,439</u>	<u>\$ 203,288</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 360,727</u>

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

	District Activity Fund	Student Activity Fund	Capital Outlay Fund	Building Fund	Debt Service Fund	Total Nonmajor Governmental Funds
<b>Revenues</b>						
From local sources:						
Taxes:						
Property	\$	\$	\$	\$ 824,486	\$ 0	\$ 824,486
Motor vehicle				114,764		114,764
Earnings on investments	914					914
Other local revenue	4,860	462,402				467,262
State on-behalf					381,254	381,254
State sources			193,811	836,054		1,029,865
<b>Total revenues</b>	<b>5,774</b>	<b>462,402</b>	<b>193,811</b>	<b>1,775,304</b>	<b>381,254</b>	<b>2,818,545</b>
<b>Expenditures</b>						
Instruction	51,820	374,986				426,806
Support services:						
Student	205					205
Instruction staff	9,048					9,048
Principal					1,600,000	1,600,000
Interest					471,781	471,781
<b>Total expenditures</b>	<b>61,073</b>	<b>374,986</b>	<b>0</b>	<b>-</b>	<b>2,071,781</b>	<b>2,507,840</b>
Excess of revenues over (under) expenditures	(55,299)	87,416	193,811	1,775,304	(1,690,527)	310,705
<b>Other financing sources (uses)</b>						
Transfers in	106,302				1,690,527	1,796,829
Transfers out		(106,302)	(193,811)	(1,775,304)		(2,075,417)
<b>Total other financing sources (uses)</b>	<b>106,302</b>	<b>(106,302)</b>	<b>(193,811)</b>	<b>(1,775,304)</b>	<b>1,690,527</b>	<b>(278,588)</b>
Net change in fund balances	51,003	(18,886)	0	0	0	32,117
Fund balances - beginning	105,361	222,174	0	0	0	327,535
Fund balances - end of year	\$ 156,364	\$ 203,288	\$ 0	\$ 0	\$ 0	\$ 359,652

Henry County School District  
 Schedule of Receipts, Disbursements, and Fund Balance  
 School Activity Funds  
 June 30, 2022

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Fund Name	Cash Balance				Cash Balance June 30, 2022
	July 1, 2021	Receipts	Expenditure	Transfers	
General	\$ 256	\$ 2,135	\$ 2,323	316	\$ 384
Chrome book DAF	528	1,514	2,042		-
Chrome book DAF	330	11,983	12,228		85
Educators rising	349				349
Judy Lea memorial	47				47
Parking permits		350	330		20
Instructional DAF	180	17,150	17,270		60
Band	998	19,632	19,500	2,206	3,336
ROTC	2,080	7,883	6,584	460	3,839
Technology student assoc	1,217	600	1,734	(40)	43
Engineering	295	4,112	4,885	3,860	3,382
Agriculture	16,003	8,700	9,521		15,182
Library		39		(39)	-
Freshman		3,490	400		3,090
Sophomore		5,035	202		4,833
Junior	8,894	6,617	2,827	(8,801)	3,883
Senior	198	31,369	37,830	9,561	3,298
Project graduation	884			(884)	-
Wildcat PC pros	40				40
Spanish club	370	179		(40)	509
FMD	2,539	5,894	5,381	550	3,602
Digital photo/media	852				852
Art club	140	910	941		109
Chess club	489				489
FBLA	9,703	200	4,511	(40)	5,352
Y club	60				60
FFA	6,061	10,997	12,379	(150)	4,529
BETA	7,283	1,800	3,003	(39)	6,041
National honor society	393	700	1,033	(39)	21
Pep club		1,113	821		292
HOSA	285	1,611	1,191		705



Henry County School District  
 Schedule of Receipts, Disbursements, and Fund Balance  
 School Activity Funds  
 June 30, 2022

	Cash Balance July 1, 2021	Receipts	Expenditure	Transfers	Cash Balance June 30, 2022
Science club	372	500	500		372
Academic team	413			(39)	374
Journalism/yearbook	7,102	4,180	9,940		1,342
FCA	2,160	720			2,880
Concession	12,703	27,659	33,869	(4,481)	2,012
Drink/snack	158		128		30
TW drink machine	137	132	246		23
School pictures	639	599	1,238		-
Atheletic	12,143	101,400	100,534	(2,772)	10,237
Football	815	4,800			5,615
Baseball	19,726	26,965	28,978	430	18,143
Boys basketball	2,984	8,874	15,851	3,993	-
Girls basketball	3,795	7,366	8,309	430	3,282
Softball	4,440	1,020	2,697		2,763
Cross country	1,177	3,200	660		3,717
Boys golf	90				90
Girls golf	199	78	200		77
Track	2,218	2,938	5,285	1,260	1,131
Volleyball	6,528	11,758	11,395		6,891
HC youth basketball	459	11,584	7,322	(4,721)	-
Boys soccer	3,011	100	2,994		117
Girls soccer	7,921	2,595	7,614	1,175	4,077
8th reg BC association	3,451	1,005	2,691	465	2,230
Cheerleaders	452	3,501	1,523		2,430
Wildcat swim team	919	607	643		883
Start up		1,830	1,830		-
PSAT	153	176	180		149
Due to student groups	\$ 156,182	\$ 380,619	\$ 398,856	\$ -	\$ 137,945

Henry County School District  
 Schedule of Receipts, Disbursements, and Fund Balance  
 School Activity Funds  
 June 30, 2022

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	Cash Balance			Cash Balance
	<u>July 1, 2021</u>	<u>Receipts</u>	<u>Expenditure</u>	<u>June 30, 2022</u>
Henry County High School	\$ 156,182	\$ 380,619	\$ 398,856	\$ 137,945
Henry County Gaming		202		202
Henry County Middle School	53,979	43,883	44,561	53,301
Campbellsburg Elementary	2,291	13,222	12,098	3,415
Eastern Elementary	763	6,502	6,408	857
New Caste Elementary	8,959	17,974	19,365	7,568
	<u>\$ 222,174</u>	<u>\$ 462,402</u>	<u>\$ 481,288</u>	<u>\$ 203,288</u>

Henry County School District  
Schedule of Expenditures of Federal Awards  
June 30, 2022

Federal Grantor Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<b>U.S. Department of Education</b>			
<i>Passed through the Kentucky Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010A	3100002 19	\$ 12,583
Title I Grants to Local Educational Agencies	84.010A	3100002 20	163,325
Title I Grants to Local Educational Agencies	84.010A	3100002 21	408,737
Total CFDA 84.010			584,645
Special Education - Grants to States (IDEA, Part B)	84.027A	3810002 19	14,354
Special Education - Grants to States (IDEA, Part B)	84.027A	3810002 20	51,378
Special Education - Grants to States (IDEA, Part B)	84.027A	3810002 21	382,842
Total CFDA 84.027			448,574
Career and Technical Education	84.048	3710002 20	4,230
Career and Technical Education	84.048	3710002 21	12,267
Total CFDA 84.048			16,497
Special Education Preschool Grants	84.173A	3800002 20	7,212
Special Education Preschool Grants	84.173A	3800002 21	4,379
Total CFDA 84.173			11,591
Rural Education	84.358	3140002.19	1,101
Rural Education	84.358	3140002.20	27,447
Total CFDA 84.358			28,548
Supporting Effective Instruction State Grants	84.367	3230002 20	22,024
Supporting Effective Instruction State Grants	84.367	3230002 21	23,863
Total CFDA 84.367			45,887
Student Support and Academic Enrichment Program	84.424	3420002 20	5,897
Student Support and Academic Enrichment Program	84.424	3420002 21	39,482
Total CFDA 84.424			45,379
Education Stabilization Fund	84.425D	4000002.20	234,680
Education Stabilization Fund	84.425D	4200002.21	1,052,983
Education Stabilization Fund	84.425D	4200003.21	73,275
Education Stabilization Fund	84.425D	4000003 20	2,661
Education Stabilization Fund	84.425U	4300002 21	913,524
Education Stabilization Fund	84.425U	4300003 21	2,589
Education Stabilization Fund	84.027X	4910002 21	85,618
Education Stabilization Fund	84.173X	4900002 21	12,702
Total CFDA 84.425			2,378,032
<b>Total U.S. Department of Education</b>			<b>3,559,153</b>

Henry County School District  
 Schedule of Expenditures of Federal Awards  
 June 30, 2022

Federal Grantor Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<b>U.S. Department of Agriculture</b>			
<b>Child Nutrition Cluster</b>			
<i>Passed through Kentucky Department of Education</i>			
School Breakfast Program	10.553	7760005 21	75,130
School Breakfast Program	10.553	7760005 22	310,313
Total CFDA 10.553			385,443
National School Lunch Program	10.555	7750002 21	190,106
National School Lunch Program	10.555	7750002 22	717,069
National School Lunch Program	10.555	9980000 22	54,295
Total CFDA 10.555			961,470
Summer Food Service Program	10.559	7690024 21	12,970
Summer Food Service Program	10.559	7690024 22	126,512
Total CFDA 10.559			139,482
<b>Total Child Nutrition Cluster</b>			<b>1,486,395</b>
State Administrative Expenses for Child Nutrition	10.560	7700001 21	1,092
Total CFDA 10.560			1,092
Pandemic EBT Administrative Costs	10.649	9990000 21	3,063
Total CFDA 10.560			3,063
<b>Total U.S. Department of Agriculture</b>			<b>1,490,550</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 5,049,703</b>

**NOTE 1: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Henry County 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.



Kentucky State Committee for School District Audits  
Members of the Board of Education  
Henry County School District  
New Castle, 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 Henry County 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 2, 2022.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Henry County 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 Henry County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Henry County School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the 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 2, 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 2, 2022



Kentucky State Committee for School District Audits  
Members of the Board of Education  
Henry County School District  
New Castle, Kentucky

We have audited Henry County 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 statutes, 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 2, 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
10.553/10.555/10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee

  X   Yes             No

**SECTION II - FINANCIAL STATEMENT FINDINGS**

None reported

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported

NO PRIOR FINDINGS



Kentucky State Committee for School District Audits  
Members of the Board of Education  
Henry County School District  
New Castle, Kentucky

In planning and performing our audit of the financial statements of Henry County 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 report dated November 2, 2022 contains our report on the District's internal control. This letter does not affect our report dated November 2, 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 2, 2022

**Current Year Comments**

No current year findings

**Prior Year Comments**

**Central Office**

It was noted that one travel reimbursement standard invoice was not stamped as paid or otherwise defaced

This comment was not repeated in the current year.

**Activity Funds**

Henry County Middle School - It was noted that an annual AFR was not prepared in a timely manner.

This comment was not repeated in the current year.

**APPENDIX C**

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

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**Continuing Disclosure Undertaking Agreement**

## CONTINUING DISCLOSURE UNDERTAKING AGREEMENT

This Continuing Disclosure Undertaking Agreement ("Agreement") made and entered into as of December 29, 2023 by and between the Board of Education of Henry County, Kentucky ("Board"); the Henry County School District Finance Corporation, an agency and instrumentality of the Board ("Corporation") and the Registered and Beneficial Owners of the Bonds hereinafter identified as third-party beneficiaries to this Agreement. For the purposes of this Agreement "Beneficial Owner" means the person or entity treated as the owner of the Bonds for federal income tax purposes and "Registered Owner" means the person or entity named on the registration books of the bond registrar.

### WITNESSETH:

WHEREAS, the Corporation has acted as issuing agency for the Board pursuant to the provisions of Section 162.385 of the Kentucky Revised Statutes ("KRS") and the Corporation's Bond Resolution in connection with the authorization, sale and delivery of \$2,000,000 of the Corporation's School Building Revenue Bonds, Series of 2023, dated December 29, 2023 ("Bonds"), which Bonds were offered for sale under the terms and conditions of a Final Official Statement ("FOS") prepared by RSA Advisors, LLC, Lexington, Kentucky ("Municipal Advisor") and approved by the authorized representatives of the Board and the Corporation, and

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

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

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

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

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

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

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

For the purposes of the Rule "annual financial information" means financial information and operating data provided annually, of the type included in the FOS with respect to the Board in accordance with guidelines established by the National Federation of Municipal Analysts, and shall include annual audited financial statements for the Board in order that the recipients will be provided with ongoing information regarding revenues and operating expenses of the Board and the information provided in the FOS under the headings "OUTSTANDING BONDS", "BOND DEBT SERVICE", "DISTRICT STUDENT POPULATION", "LOCAL SUPPORT - Local Tax Rates, Property Assessment and Revenue Collections and SEEK Allotment". If audited financial statements are not available when the annual financial information is filed, unaudited financial statements shall be included, to be followed by audited financial statements when available.

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

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

## **2. MATERIAL EVENTS NOTICES**

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

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



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

- (A) Debt obligation;
- (B) Derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or
- (C) Guarantee of paragraph (A) or (B) above.

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

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

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

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

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

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

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

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

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

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

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

**7. AMENDMENT; WAIVER**

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

- (a) If the amendment or waiver relates to the provisions of Section 1, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;
- (b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) The amendment or waiver either (i) is approved by the holders of the Bonds in the same manner as provided in the Bond Resolution for amendments to the Bond Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Registered Owners or Beneficial Owners of the Bonds.

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

**8. DEFAULT**

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

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

**BOARD OF EDUCATION OF HENRY COUNTY,  
KENTUCKY**

Attest:

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Secretary

**HENRY COUNTY SCHOOL  
DISTRICT FINANCE CORPORATION**

Attest:

\_\_\_\_\_  
President

\_\_\_\_\_  
Secretary

**APPENDIX D**

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

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**Official Terms and Conditions of Bond Sale**

## **OFFICIAL TERMS AND CONDITIONS OF BOND SALE**

**\$2,000,000\***

**Henry County School District Finance Corporation  
School Building Revenue Bonds, Series of 2023  
Dated December 29, 2023**

**SALE: December 13, 2023 AT 11:00 A.M., E.S.T.**

As published on PARITY®, a nationally recognized electronic bidding system, the Henry County School District Finance Corporation ("Corporation") will until December 13, 2023, at the hour of 11:00 A.M., E.S.T., in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Rd, Carriage House, Frankfort, KY 40601, receive competitive bids for the revenue bonds herein described. To be considered, bids must be submitted on an Official Bid Form and must be delivered to the Corporation at the address indicated on the date of sale no later than the hour indicated. Bids may be submitted manually or by facsimile or electronically via PARITY. Bids will be considered by the Corporation and may be accepted without further action by the Corporation's Board of Directors.

Subject to a Permitted Adjustment\* increasing or decreasing the issue by up to \$200,000.

### **HENRY COUNTY SCHOOL DISTRICT FINANCE CORPORATION**

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

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

These Bonds are authorized pursuant to KRS 162.120 through 162.300, 162.385, and KRS 58.180 and are issued in accordance with a Resolution of the Corporation's Board of Directors. Said Bonds are revenue bonds and constitute a limited indebtedness of the Corporation payable from rental revenues derived by the Corporation from the Board under the Lease identified below. Said Bonds are being issued to finance construction of a new Central Office (the "Project") and are secured by a lien upon and a pledge of the revenues from the rental of the school building Project property to the Board under the Lease on a year to year basis; the first rental period ending June 30, 2024.

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

The rental of the school building Project property from the Corporation to the Board is to be effected under a certain Lease Agreement by and between the Corporation and the Board (the "Lease"), whereunder the school building Project property is leased to the Board for the initial period ending June 30, 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 being legally obligated only for the initial rental period and for one year at a time thereafter each time the Lease is renewed.

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

Although the Board is obligated to pay the Corporation annual rentals in the full amount of the principal and interest requirements for the Bonds for each year in which the Lease is renewed, the Board has entered into the Lease in reliance upon a certain Participation Agreement by and between the Board and the Kentucky School Facilities Construction Commission (the "Commission"). Under the terms of the Participation Agreement, the Commission has agreed to pay annually directly to the Paying Agent for the Bonds a stated Agreed Participation equal to approximately \$110,851 to be applied to the annual debt service requirements for the Bonds herein identified until their retirement, subject to the constitutional restrictions limiting the commitment to the biennium; said annual amount is to be applied only to the principal and interest requirements of the Bonds so long as the Board renews the Lease. Under the Lease, the Board has pledged and assigned all of its rights under the Participation Agreement in and to the Agreed Participation to the Corporation in order to secure the Bonds and has agreed to pay that portion of the rentals in excess of said Agreed Participation for each year in which the Lease is renewed.

### **KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION**

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

Pursuant to the provisions of the Act, the Regulations of the Kentucky Board of Education and the Commission, the Commission has determined that the Board is eligible for participation from the Commission in meeting the costs of construction of the Projects and has entered into a Participation Agreement with the Board whereunder the Commission agrees to pay an annual Agreed Participation equal to approximately \$110,851 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 until the retirement of all of the Bonds, but such execution does not obligate the Commission to do so.

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

**ADDITIONAL PARITY BONDS**

The Corporation has reserved the right and privilege of issuing additional bonds from time to time payable from the income and revenues of said lands and school building Project property and secured by a statutory mortgage lien and pledge of revenues, but only if and to the extent the issuance of such additional parity bonds are in accordance with the plans and specifications which have been approved by the Board, Commissioner of Education, and filed in the office of the Secretary of the Corporation and a Lease shall be entered into whereunder the annual rental payments during the life of such additional bonds shall be increased by the amount of the annual principal and interest requirements of such additional bonds.

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

All such Bonds shall be in denominations in multiples of \$5,000 within the same maturity, bear interest from December 29, 2023, payable on August 1, 2024, and semi annually thereafter and shall mature as to principal on February 1 in each of the years as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2025	\$ 45,000	2035	\$110,000
2026	50,000	2036	115,000
2027	50,000	2037	120,000
2028	55,000	2038	125,000
2029	55,000	2039	130,000
2030	55,000	2040	140,000
2031	60,000	2041	150,000
2032	60,000	2042	155,000
2033	100,000	2043	160,000
2034	100,000	2044	165,000

\*Subject to a Permitted Adjustment of the amount of Bonds awarded of up to \$200,000 which may be applied in any or all maturities.

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.

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

The Bonds are to be issued in fully registered form (both principal and interest). U.S. Bank Trust Company, National Association, Louisville, Kentucky, has been designated as the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date to Cede & Co. Principal and interest will be payable through the Book-Entry-Only-System administered by The Depository Trust Company: Please see "BOOK-ENTRY-ONLY-SYSTEM" below. Interest on the Bonds will be paid at rates to be established upon the basis of competitive bidding as hereinafter set forth, such interest to be payable on August 1 and February 1 of each year, beginning August 1, 2024 (Record Date is the 15th day of month preceding interest due date).

**BIDDING CONDITIONS AND RESTRICTIONS**

(A) Bids must be made on Official Bid Form, contained in Information for Bidders available from the undersigned or RSA Advisors, LLC, Lexington, Kentucky, by visiting [www.rsamuni.com](http://www.rsamuni.com) submitted manually, by facsimile or electronically via PARITY®.

(B) Electronic bids for the Bonds must be submitted through PARITY® and no other provider of electronic bidding services will be accepted. Subscription to the PARITY® Competitive Bidding System is required in order to submit an electronic bid. The Corporation will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by PARITY® shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in PARITY® conflict with the terms of the Official Terms and Conditions of Bond Sale, this Official Terms and Conditions of Sale of Bonds shall prevail. Electronic bids made through the facilities of PARITY® shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to the Corporation. The Corporation shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by PARITY®. The use of PARITY® facilities are at the sole risk of the prospective bidders. For further information regarding PARITY®, potential bidders may contact PARITY®, telephone (212) 404-8102. Notwithstanding the foregoing, non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form.

(C) The minimum bid shall be not less than \$1,960,000 (98% of par) plus accrued interest. Interest rates shall be in multiples of 1/8 or 1/20 of 1% or both. Only one interest rate shall be permitted per Bond, and all Bonds of the same maturity shall bear the same rate. Interest rates must be on an ascending scale, in that the interest rate stipulated in any year may not be less than that stipulated for any preceding maturity. There is no limit on the number of different interest rates.

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

(E) The determination of the best purchase bid for said Bonds shall be made on the basis of all bids submitted for exactly \$2,000,000 principal amount of Refunding Bonds offered for sale under the terms and conditions herein specified, but the Corporation may adjust the principal amount of Bonds upward or downward by \$200,000 (the "Permitted Adjustment") which may be awarded to such best bidder may be a minimum of \$1,800,000 or a maximum of \$2,200,000. In the event of such Permitted Adjustment, no rebidding or recalculation of a submitted bid will be required or permitted and the Underwriter's Discount on the Bonds as submitted by the successful bidder shall be held constant. The Underwriter's Discount shall be defined as the difference between the purchase price of the Bonds submitted by the bidder and the price at which the Bonds will be issued to the public, calculated from information provided by the bidder, divided by the par amount of the Bonds bid. The price of which such adjusted principal amount of Bonds will be sold will be the same price per \$5,000 of Bonds as the price per \$5,000 for the \$2,000,000 of Bonds bid.

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

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

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

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

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

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

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

(d)  *Sale Date*  means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is December 13, 2023.

(e)  *Underwriter*  means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

(G) The successful bidder may elect to notify the Municipal Advisor within twenty-four (24) hours of the award of the Bonds that certain serial maturities as awarded may be combined with immediately succeeding serial maturities as one or more Term Bonds; provided, however, (a) bids must be submitted to permit only a single interest rate for each term bond specified, and (b) Term Bonds will be subject to mandatory redemption by lot on February 1 in accordance with the maturity schedule setting the actual size of the issue.

(H) CUSIP identification numbers will be printed on the Bonds at the expense of the Corporation. The purchaser shall pay the CUSIP Service Bureau Charge. Improper imprintation or the failure to imprint CUSIP numbers shall not constitute cause for a failure or refusal by the purchaser to accept delivery of and pay for said Bonds in accordance with the terms of any accepted proposal for the purchase of said Bonds.

(I) The Corporation will provide to the successful purchaser a Final Official Statement in accordance with SEC Rule 15c2-12. A Final Official Statement will be provided in Electronic Form to the successful bidder, in sufficient time to meet the delivery requirements of the successful bidder under SEC and Municipal Securities Rulemaking Board Delivery Requirements. The successful bidder will be required to pay for the printing of Final Official Statements.

(J) Bids need not be accompanied by a certified or bank cashier's good faith check, BUT the successful bidder will be required to wire transfer an amount equal to 2% of the amount of the principal amount of Bonds awarded to the order of the Corporation by the close of business on the day following the award. Said good faith amount which will be forfeited as liquidated damages in the event of a failure of the successful bidder to take delivery of such Bonds when ready. The good faith amount (without interest) will be applied to the purchase price upon delivery of the Bonds. The successful bidder shall not be required to take up and pay for said Bonds unless delivery is made within 45 days from the date the bid is accepted.

(K) Delivery will be made utilizing the DTC Book-Entry-Only-System.



(L) The Corporation reserves the right to reject any and all bids or to waive any informality in any bid. The Bonds are offered for sale subject to the principal and interest not being subject to Federal or Kentucky income taxation or Kentucky ad valorem taxation on the date of their delivery to the successful bidder, in accordance with the Final Approving Legal Opinion of Steptoe & Johnson PLLC, Bond Counsel, Louisville, Kentucky, which Opinion will be qualified in accordance with the section hereof on TAX EXEMPTION.

(M) The Corporation and the Board agree to cooperate with the successful bidder in the event said purchaser desires to purchase municipal bond insurance regarding the Bonds; provided, however, that any and all expenses incurred in obtaining said insurance shall be solely the obligation of the successful bidder should the successful bidder so elect to purchase such insurance.

### **STATE SUPPORT OF EDUCATION**

The 1990 Regular Session of the General Assembly of the Commonwealth enacted a comprehensive legislative package known as the Kentucky Education Reform Act ("KERA") designed to comply with the mandate of the Kentucky Supreme Court that the General Assembly provide for as efficient and equitable system of schools throughout the State.

KERA became fully effective on July 13, 1990. Elementary and Secondary Education in the Commonwealth is supervised by the Commissioner of Education as the Chief Executive Officer of the State Department of Education ("DOE"), an appointee of the reconstituted State Board for Elementary and Secondary Education (the "State Board"). Some salient features of KERA are as follows:

KRS 157.330 establishes the fund to Support Education Excellence in Kentucky ("SEEK") funded from biennial appropriations from the General Assembly for distribution to school districts. The base funding guaranteed to each school district by SEEK for operating and capital expenditures is determined in each fiscal year by dividing the total annual SEEK appropriation by the state-wide total of pupils in average daily attendance ("ADA") in the preceding fiscal year; the ADA for each district is subject to adjustment to reflect the number of at risk students (approved for free lunch programs under state and federal guidelines), number and types of exceptional children, and transportation costs.

KRS 157.420 establishes a formula which results in the allocation of funds for capital expenditures in school districts at \$100 per ADA pupil which is included in the SEEK allotment (\$4,000) for the current biennium which is required to be segregated into a Capital Outlay Allotment Fund which may be used only for (1) direct payment of construction costs; (2) debt service on voted and funding bonds; (3) lease rental payments in support of bond issues; (4) reduction of deficits resulting from over expenditures for emergency capital construction; and (5) a reserve for each of the categories enumerated in 1 through 4 above.

KRS 160.470(12)(a) requires that effective for fiscal years beginning July 1, 1990 each school district shall levy a minimum equivalent tax rate of \$.30 for general school purposes. The equivalent tax rate is defined as the rate which results when the income collected during the prior year from all taxes levied by the district (including utilities gross receipts license and special voted) for school purposes is divided by the total assessed value of property, plus the assessment for motor vehicles certified by the Revenue Cabinet of the Commonwealth. Any school district board of education which fails to comply with the minimum equivalent tax rate levy shall be subject to removal from office.

KRS 160.470(12)(2) provides that for fiscal years beginning July 1, 1990 each school district may levy an equivalent tax rate which will produce up to 15% of those revenues guaranteed by the SEEK program. Any increase beyond the 4% annual limitation imposed by KRS 132.017 is not subject to the recall provisions of that Section. Revenue generated by the 15% levy is to be equalized at 150% of the state-wide average per pupil equalized assessment.

KRS 157.440(2) permits school districts to levy up to 30% of the revenue guaranteed by the SEEK program, plus the revenue produced by the 15% levy, but said additional tax will not be equalized with state funds and will be subject to recall by a simple majority of those voting on the question.

KRS 157.620(1) also provides that in order to be eligible for participation from the Kentucky School Facilities Construction Commission for debt service on bond issues the district must levy a tax which will produce revenues equivalent to \$.05 per \$100 of the total assessed value of all property in the district (including tangible and intangible property and motor vehicles) in addition to the minimum \$.30 levy required by KRS 160.470(12). A district having a special voted tax which is equal to or higher than the required \$.05 tax, must commit and segregate for capital purposes at least an amount equal to the required \$.05 tax. Those districts which levy the additional \$.05 tax are also eligible for participation in the Kentucky Facilities Support ("KFS") program for which funds are appropriated separately from SEEK funds and are distributed to districts in accordance with a formula taking into account outstanding debt and funds available for payment from both local and state sources under KRS 157.440(1)(b).

KRS 160.460 provides that as of July 1, 1994 all real property located in the Commonwealth subject to local taxation shall be assessed at \$57,158 to be applied to fair cash value.

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

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

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

The General Assembly recently adopted a budget for the biennial period ending June 30, 2024 which was approved and signed by the Governor. Such budget became effective beginning July 1, 2022. The Office of the State Budget Director makes available on its website monthly updates to the General Fund receipts and other Funds of the commonwealth. When published, the updates can be found at [www.osbd.ky.gov](http://www.osbd.ky.gov).

### **POTENTIAL LEGISLATION**

No assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax exemption of such interest. In addition, current and future legislative proposals, if enacted into law, may cause interest on state or local government bonds (whether issued before, on the date of, or after enactment of such legislation) to be subject, directly or indirectly, to federal income taxation by, for example, changing the current exclusion or deduction rules to limit the amount of interest on such bonds that may currently be treated as tax exempt by certain individuals. For example, on August 16, 2022, President Biden signed the Inflation Reduction Act of 2022 (the "Inflation Reduction Act"). The Inflation Reduction Act imposes a minimum tax of 15 percent of the adjusted financial statement income of certain corporations whose income exceeds stated thresholds for tax years beginning after December 31, 2022. Under the Inflation Reduction Act, interest on debt obligations otherwise exempt from federal income tax would be included in the calculation of adjusted financial statement income for corporations subject to the minimum tax. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation.

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

## **CONTINUING DISCLOSURE**

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

Financial information regarding the Board may be obtained from Superintendent, Henry County Board of Education, 326 S. Main Street, New Castle, Kentucky 40050 (502.845.8600).

## **TAX EXEMPTION; BANK QUALIFIED**

Bond Counsel advises as follows with respect to the Bonds:

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

(B) The interest income from the Bonds is excludable from the gross income of the recipient thereof for Federal income tax purposes under existing law and interest on the Bonds will not be a specific item of tax preference for purposes of calculating the Federal alternative minimum tax; however, with respect to certain corporations, interest on the Bonds is taken into account in determining the annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

(C) As a result of certifications by the Board and the Corporation, indicating the issuance of less than \$10,000,000 of tax-exempt obligations during the calendar year ending December 31, 2023, the Bonds may be treated by financial institutions as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code.

## **BOOK-ENTRY-ONLY-SYSTEM**

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

DTC will act as securities depository for the Bonds. The Bonds initially will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond Certificate will be issued, in the aggregate principal amount of the Bonds, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. "Direct Participants" include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its participants are on file with the Securities and Exchange Commission.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

Principal and interest payments of the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' account on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Issuer, or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer or the Trustee, disbursements of such payments to Direct Participants shall be the responsibility of DTC, and disbursements of such payment to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Beneficial Ownership Interests purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Beneficial Ownership Interests by causing the Direct Participant to transfer the Participant's interest in the Beneficial Ownership Interests, on DTC's records, to the purchaser or the Trustee, as appropriate. The requirements for physical delivery of Bonds in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Bond Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered by the Bond Registrar.

NEITHER THE ISSUER, THE BOARD NOR THE BOND REGISTRAR/PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE BOND REGISTRAR/PAYING AGENT AS BEING AN OWNER WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PURCHASE PRICE OF TENDERED BONDS OR THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE BOND RESOLUTION TO BE GIVEN TO HOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

**HENRY COUNTY SCHOOL  
DISTRICT FINANCE CORPORATION**

By /s/ Dr. Jim Master  
Secretary

**APPENDIX E**

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

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**Official Bid Form**

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

The Henry County School District Finance Corporation ("Corporation" or "Issuer"), will until 11:00 A.M., E.S.T., on December 13, 2023, receive in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Road, Carriage House, Frankfort, Kentucky 40601, (telephone 502-564-5582; fax 888-979-6152) competitive bids for its \$2,000,000 School Building Revenue Bonds, Series of 2023, dated December 29, 2023; maturing February 1, 2025 through 2044 ("Bonds").

We hereby bid for said \$2,000,000\* principal amount of Bonds, the total sum of \$\_\_\_\_\_ (not less than \$1,960,000) plus accrued interest from December 29, 2023 payable August 1, 2024 and semiannually thereafter at the following annual rates, (rates on ascending scale in multiples of 1/8 or 1/20 of 1%; number of interest rates unlimited) and maturing as to principal on February 1 in the years as follows:

<u>Year</u>	<u>Amount*</u>	<u>Rate</u>	<u>Year</u>	<u>Amount*</u>	<u>Rate</u>
2025	\$ 45,000	_____%	2035	\$110,000	_____%
2026	50,000	_____%	2036	115,000	_____%
2027	50,000	_____%	2037	120,000	_____%
2028	55,000	_____%	2038	125,000	_____%
2029	55,000	_____%	2039	130,000	_____%
2030	55,000	_____%	2040	140,000	_____%
2031	60,000	_____%	2041	150,000	_____%
2032	60,000	_____%	2042	155,000	_____%
2033	100,000	_____%	2043	160,000	_____%
2034	100,000	_____%	2044	165,000	_____%

\* Subject to Permitted Adjustment

We understand this bid may be accepted for as much as \$2,200,000 of Bonds or as little as \$1,800,000 of Bonds, at the same price per \$5,000 Bond, with the variation in such amount occurring in any maturity or all maturities, which will be determined at the time of acceptance of the best bid.

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

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

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

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

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

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

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

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

(d) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is December 13, 2023.

(e) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

Electronic bids for the Bonds must be submitted through PARITY® and no other provider of electronic bidding services will be accepted. Subscription to the PARITY® Competitive Bidding System is required in order to submit an electronic bid. The Corporation will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by PARITY® shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in PARITY® conflict with the terms of the Official Terms and Conditions of Sale of Bonds, this Official Terms and Conditions of Sale of Bonds shall prevail. Electronic bids made through the facilities of PARITY® shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to the Corporation. The Corporation shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by

PARITY®. The use of PARITY® facilities are at the sole risk of the prospective bidders. For further information regarding PARITY®, potential bidders may contact PARITY®, telephone (212) 404-8102. Notwithstanding the foregoing, non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form.

The successful bidder may elect to notify the Municipal Advisor within twenty-four (24) hours of the award of the Bonds that certain serial maturities as awarded may be combined with immediately succeeding serial maturities as one or more Term Bonds; provided, however, (a) bids must be submitted to permit only a single interest rate for each Term Bond specified, and (b) Term Bonds will be subject to mandatory redemption on February 1 in accordance with the maturity schedule setting the actual size of the issue.

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

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

No certified or bank cashier's check will be required to accompany a bid, but the successful bidder shall be required to wire transfer an amount equal to 2% of the principal amount of Bonds awarded by the close of business on the date following the award. Said good faith amount will be applied (without interest) to the purchase price on delivery. Wire transfer procedures should be arranged through U.S. Bank Trust Company, National Association, Louisville, Kentucky, Attn: Mr. Charles Lush (502.797.6421).

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

If we are the successful bidder, we agree to accept and make payment for the Bonds in Federal Funds on or about December 29, 2023 and upon acceptance by the Issuer's Municipal Advisor this Official Bid Form shall become the Bond Purchase Agreement.

Respectfully submitted,

\_\_\_\_\_ Bidder

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

\_\_\_\_\_ Address

Total interest cost from December 29, 2023 to final maturity \$ \_\_\_\_\_

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

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

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

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

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

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>
2025	_____,000	_____%	2035	_____,000	_____%
2026	_____,000	_____%	2036	_____,000	_____%
2027	_____,000	_____%	2037	_____,000	_____%
2028	_____,000	_____%	2038	_____,000	_____%
2029	_____,000	_____%	2039	_____,000	_____%
2030	_____,000	_____%	2040	_____,000	_____%
2031	_____,000	_____%	2041	_____,000	_____%
2032	_____,000	_____%	2042	_____,000	_____%
2033	_____,000	_____%	2043	_____,000	_____%
2034	_____,000	_____%	2044	_____,000	_____%

Dated: December 13, 2023

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