PRELIMINARY OFFICIAL STATEMENT

DATED JANUARY 3, 2024

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

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

*In the opinion of Bond Counsel, under existing law (i) interest on the Bonds will be excludable from gross income of the holders thereof for purposes of federal taxation and (ii) interest on the Bonds will not be a specific item of tax preference for purposes of the federal alternative minimum tax; however, with respect to certain corporations, interest on the Bonds is taken into account in determining the annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. All subject to the qualifications described herein under the heading "Tax Exemption." The Bonds and interest thereon are exempt from income taxation and ad valorem taxation by the Commonwealth of Kentucky and political subdivisions thereof (see "Tax Exemption" herein)*

# $20,570,000*
# POWELL COUNTY SCHOOL DISTRICT FINANCE CORPORATION
# SCHOOL BUILDING REVENUE BONDS,
# SERIES OF 2024

**Dated with Delivery: FEBRUARY 1, 2024** **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 1-Feb | Amount* | Interest Rate | Reoffering Yield | CUSIP | Maturing 1-Feb | Amount* | Interest Rate | Reoffering Yield | CUSIP |
|---|---|---|---|---|---|---|---|---|---|
| 2025 | $290,000 | % | % | | 2038 | $1,165,000 | % | % | |
| 2026 | $305,000 | % | % | | 2039 | $1,215,000 | % | % | |
| 2027 | $310,000 | % | % | | 2040 | $1,265,000 | % | % | |
| 2028 | $505,000 | % | % | | 2041 | $1,320,000 | % | % | |
| 2029 | $520,000 | % | % | | 2042 | $1,380,000 | % | % | |
| 2030 | $585,000 | % | % | | 2043 | $860,000 | % | % | |
| 2031 | $600,000 | % | % | | 2044 | $900,000 | % | % | |
| 2032 | $620,000 | % | % | | 2045 | $890,000 | % | % | |
| 2033 | $640,000 | % | % | | 2046 | $930,000 | % | % | |
| 2034 | $765,000 | % | % | | 2047 | $975,000 | % | % | |
| 2035 | $785,000 | % | % | | 2048 | $1,020,000 | % | % | |
| 2036 | $815,000 | % | % | | 2049 | $1,065,000 | % | % | |
| 2037 | $845,000 | % | % | | | | | | |

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

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

The Bonds constitute a limited indebtedness of the Powell 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 Powell County Board of Education.

The Powell County (Kentucky) School District Finance Corporation will until January 11, 2024, at 11:00 A.M., E.S.T., receive competitive bids for the Bonds at the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Road, Frankfort, Kentucky 40601.

***As set forth in the "Official Terms and Conditions of Bond Sale," the principal amount of Bonds sold to the successful bidder is subject to a Permitted Adjustment by increasing or decreasing the amount not to exceed $2,055,000.**

***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.

RSA advisors

**POWELL COUNTY**
**BOARD OF EDUCATION**

Kathy Merriman, Chairperson
Brenda Crabtree, Member
Diann Meadows, Member
Kim Hall, Member
Lisa Mays, Member

Sarah Wasson, Superintendent/Secretary

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

Kathy Merriman, President
Brenda Crabtree, Member
Diann Meadows, Member
Kim Hall, Member
Lisa Mays, Member

Sarah Wasson, Secretary
Alicia Frazier, Treasurer

**BOND COUNSEL**

Steptoe & 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 Powell County School District Finance Corporation School Building Revenue Bonds, Series of 2024, identified on the cover page hereof. No person has been authorized by the Corporation or the Board to give any information or to make any representation other than that contained in the Official Statement, and if given or made such other information or representation must not be relied upon as having been given or authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

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

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

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

## TABLE OF CONTENTS

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

**$20,570,000***

**POWELL COUNTY SCHOOL DISTRICT FINANCE CORPORATION**
**SCHOOL BUILDING REVENUE BONDS,**
**SERIES OF 2024**

**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 Powell County School District Finance Corporation (the "Corporation") School Building Revenue Bonds, Series of 2024 (the "Bonds").

The Bonds are being issued to finance the construction of a new elementary school (the "Project").

The Bonds are revenue bonds and constitute a limited indebtedness of the Corporation. The Bonds will be secured by a lien and a pledge of the rental income derived by the Corporation from leasing the school building Project (as hereinafter defined) to the Powell 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 Powell 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 February 1, 2024, 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.

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 $51,900 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, 2049, but such execution does not obligate the Commission to do so.

The General Assembly of the Commonwealth adopted the State's Budget for the fiscal year ending June 30, 2024. Inter alia, the Budget provides $125,216,700 in FY 2022-23 and $126,719,600 in FY 2023-2024 to pay debt service on existing and future bond issues; $58,000,000 of the Commission's previous Offers of Assistance made during the last biennium. It authorizes $85,000,000 in additional Offers of Assistance for the current biennium to be funded in the Budget for the biennium ending June 30, 2026.

The 1986, 1988, 1990, 1992, 1994, 1996, 1998, 2000, 2003, 2005, 2006, 2008, 2010, 2012, 2014, 2016, 2018, 2020 and 2022. Regular Sessions of the Kentucky General Assembly appropriated funds to be used for debt service of participating school districts. The appropriations for each biennium are shown in the following table:

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

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

## BIENNIAL BUDGET FOR PERIOD ENDING JUNE 30, 2024

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

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

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

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

## OUTSTANDING BONDS

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

| Bond Series | Original Principal | Current Principal Outstanding | Principal Assigned to Board | Principal Assigned to Commission | Approximate Interest Rate Range | Final Maturity |
|---|---|---|---|---|---|---|
| 2013 | $5,545,000 | $3,315,000 | $2,133,086 | $3,411,914 | 2.000% - 3.000% | 2033 |
| 2015-REF | $2,685,000 | $885,000 | $1,515,534 | $1,169,466 | 2.250% - 2.400% | 2026 |
| 2016 ENERGY | $3,765,000 | $3,120,000 | $3,765,000 | $0 | 2.000% - 3.000% | 2026 |
| 2016 | $4,120,000 | $3,365,000 | $2,464,529 | $1,655,471 | 2.100% - 3.000% | 2036 |
| 2016-REF | $960,000 | $520,000 | $960,000 | $0 | 2.000% -3.000% | 2028 |
| | $17,075,000 | $11,205,000 | $10,838,149 | $6,236,851 | | |

## AUTHORITY

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

i) the issuance of approximately $20,570,000 of Bonds subject to a permitted adjustment of $2,055,000;

ii) the advertisement for the public sale of the Bonds;

iii) the Official Terms and Conditions for the sale of the Bonds to the successful bidder; and,

iv) the President and Secretary of the Corporation to execute certain documents relative to the sale and delivery of the Bonds.

## THE BONDS

### General

The Bonds will be dated February 1, 2024, 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 from the school building Project; provided, however, said lien and pledge are on parity with a similar lien and pledge securing the Corporation's School Building Revenue Bonds previously issued to finance or refinance the school building(s) which constitute the school Building Project (the "Parity Bonds"). Should the Board default in its obligations under the Lease or fail to renew the Lease, the Registered Owners of Bongs 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 February 1, 2024, 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, 2049, 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 $51,900 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. <u>The plan for financing the Project will require the Commission to pay approximately three percent (3%) of the debt service of the Bonds.</u>

The Participation Agreement to be entered into with the Board will be limited to the biennial budget period of the Commonwealth of Kentucky, with the first such biennial period terminating on June 30, 2024. The right is reserved in the Commission to terminate the commitment to pay the agreed participation every two years thereafter. The obligation of the Commission to make payments of the agreed participation shall be automatically renewed each two years thereafter unless the Commission gives notice to the Board of its intention not to participate not less than sixty days prior to the end of the biennium. However, the Commission has expressed its intention to continue to pay the agreed participation in successive biennial budget periods through February 1, 2049, 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 construction of a new elementary school (the "Project").

The Board has reported construction bids have been let for the Project and award the construction contract is expected prior to the sale and delivery of the Bonds.

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

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

## ESTIMATED BOND DEBT SERVICE

The following table shows by fiscal year the current bond payments of the Board. The plan of financing provides for the Board to meet approximately 97% of the debt service of the Bonds.

| Fiscal Year Ending June 30 | Current Local Bond Payments | ----- School Building Revenue Bonds, Series 2024 ----- | | | | | Total Local Bond Payments |
|---|---|---|---|---|---|---|---|
| | | Principal Portion | Interest Portion | Total Payment | SFCC Portion | Local Portion | |
| 2024 | $607,238 | | | | | | $607,238 |
| 2025 | $609,278 | $290,000 | $853,123 | $1,143,123 | $51,900 | $1,091,223 | $1,700,500 |
| 2026 | $605,918 | $305,000 | $843,843 | $1,148,843 | $51,900 | $1,096,943 | $1,702,860 |
| 2027 | $606,748 | $310,000 | $833,930 | $1,143,930 | $51,900 | $1,092,030 | $1,698,778 |
| 2028 | $426,161 | $505,000 | $823,855 | $1,328,855 | $51,900 | $1,276,955 | $1,703,116 |
| 2029 | $425,742 | $520,000 | $807,190 | $1,327,190 | $51,900 | $1,275,290 | $1,701,032 |
| 2030 | $378,093 | $585,000 | $790,030 | $1,375,030 | $51,900 | $1,323,130 | $1,701,223 |
| 2031 | $382,916 | $600,000 | $770,433 | $1,370,433 | $51,900 | $1,318,533 | $1,701,449 |
| 2032 | $380,584 | $620,000 | $750,333 | $1,370,333 | $51,900 | $1,318,433 | $1,699,016 |
| 2033 | $382,869 | $640,000 | $729,253 | $1,369,253 | $51,900 | $1,317,353 | $1,700,222 |
| 2034 | $281,281 | $765,000 | $707,493 | $1,472,493 | $51,900 | $1,420,593 | $1,701,873 |
| 2035 | $286,449 | $785,000 | $681,100 | $1,466,100 | $51,900 | $1,414,200 | $1,700,649 |
| 2036 | $285,806 | $815,000 | $652,840 | $1,467,840 | $51,900 | $1,415,940 | $1,701,746 |
| 2037 | $285,817 | $845,000 | $621,870 | $1,466,870 | $51,900 | $1,414,970 | $1,700,787 |
| 2038 | | $1,165,000 | $588,070 | $1,753,070 | $51,900 | $1,701,170 | $1,701,170 |
| 2039 | | $1,215,000 | $537,975 | $1,752,975 | $51,900 | $1,701,075 | $1,701,075 |
| 2040 | | $1,265,000 | $485,730 | $1,750,730 | $51,900 | $1,698,830 | $1,698,830 |
| 2041 | | $1,320,000 | $430,070 | $1,750,070 | $51,900 | $1,698,170 | $1,698,170 |
| 2042 | | $1,380,000 | $371,990 | $1,751,990 | $51,900 | $1,700,090 | $1,700,090 |
| 2043 | | $860,000 | $309,890 | $1,169,890 | $51,900 | $1,117,990 | $1,117,990 |
| 2044 | | $900,000 | $270,760 | $1,170,760 | $51,900 | $1,118,860 | $1,118,860 |
| 2045 | | $890,000 | $229,360 | $1,119,360 | | $1,119,360 | $1,119,360 |
| 2046 | | $930,000 | $187,530 | $1,117,530 | | $1,117,530 | $1,117,530 |
| 2047 | | $975,000 | $143,820 | $1,118,820 | | $1,118,820 | $1,118,820 |
| 2048 | | $1,020,000 | $97,995 | $1,117,995 | | $1,117,995 | $1,117,995 |
| 2049 | | $1,065,000 | $50,055 | $1,115,055 | | $1,115,055 | $1,115,055 |
| TOTALS: | $5,944,900 | $20,570,000 | $13,568,535 | $34,138,535 | $1,038,000 | $33,100,535 | $39,045,435 |

*Notes: Numbers are rounded to the nearest $1.00*

## ESTIMATED USE OF BOND PROCEEDS

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

| | |
|---|---|
| **Sources:** | |
| Par Amount of Bonds | $20,570,000.00 |
| Total Sources | $20,570,000.00 |
| **Uses:** | |
| Deposit to Construction Fund | $20,027,470.00 |
| Underwriter's Discount (2%) | 411,400.00 |
| Cost of Issuance | 131,130.00 |
| Total Uses | $20,570,000.00 |

## DISTRICT STUDENT POPULATION

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

| Year | Average Daily Attendance | Year | Average Daily Attendance |
|---|---|---|---|
| 2000-01 | 2,359.9 | 2012-13 | 2,163.4 |
| 2001-02 | 2,284.0 | 2013-14 | 2,164.3 |
| 2002-03 | 2,250.0 | 2014-15 | 2,152.3 |
| 2003-04 | 2,263.7 | 2015-16 | 2,123.7 |
| 2004-05 | 2,276.6 | 2016-17 | 2,153.2 |
| 2005-06 | 2,261.8 | 2017-18 | 2,097.1 |
| 2006-07 | 2,277.0 | 2018-19 | 2,041.5 |
| 2007-08 | 2,242.4 | 2019-20 | 1,952.4 |
| 2008-09 | 2,215.6 | 2020-21 | 1,952.4 |
| 2009-10 | 2,199.2 | 2021-22 | 2,021.6 |
| 2010-11 | 2,186.1 | 2022-23 | 2,021.6 |
| 2011-12 | 2,162.8 | | |

*Source: Kentucky State Department of Education.*

## STATE SUPPORT

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

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

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

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

The following table shows the computation of the capital outlay allotment for the Powell County School District for certain preceding school years.

| **Year** | **Capital Outlay Allotment** | **Year** | **Capital Outlay Allotment** |
|---|---|---|---|
| 2000-01 | 235,990.0 | 2012-13 | 216,339.0 |
| 2001-02 | 228,400.0 | 2013-14 | 216,432.0 |
| 2002-03 | 225,000.0 | 2014-15 | 215,232.0 |
| 2003-04 | 226,370.0 | 2015-16 | 212,368.0 |
| 2004-05 | 227,660.0 | 2016-17 | 215,320.0 |
| 2005-06 | 226,180.0 | 2017-18 | 209,710.0 |
| 2006-07 | 227,700.0 | 2018-19 | 204,146.0 |
| 2007-08 | 224,240.0 | 2019-20 | 195,240.0 |
| 2008-09 | 221,561.0 | 2020-21 | 195,244.7 |
| 2009-10 | 219,924.0 | 2021-22 | 202,160.0 |
| 2010-11 | 218,607.0 | 2022-23 | 202,160.0 |
| 2011-12 | 216,277.0 | | |

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

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

1) The district must have unmet needs as set forth and approved by the State Department of Education in a School Facilities Plan;

2) The district must commit to establish an equivalent tax rate of at least 5 cents, in addition to the 30 cents minimum current equivalent tax rate; and,

3) The new revenues generated by the 5 cent addition, must be placed in a restricted account for school building construction bonding.

## LOCAL SUPPORT

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

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

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

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

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

***Local Thirty Cents Minimum.*** Effective for school years beginning after June 30, 1990, the board of education of each school district shall levy a minimum equivalent tax rate of thirty cents ($0.30) for general school purposes. If a board fails to comply, its members shall be subject to removal from office for willful neglect of duty.

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

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

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

*Local Tax Rates, Property Assessments and Revenue Collections*

| Tax Year | Combined Equivalent Rate | Total Property Assessment | Property Revenue Collections |
|---|---|---|---|
| 2000-01 | 51.9 | 326,362,993 | 1,693,824 |
| 2001-02 | 54.1 | 340,807,344 | 1,843,768 |
| 2002-03 | 50.7 | 358,430,784 | 1,817,244 |
| 2003-04 | 50.7 | 391,509,575 | 1,984,954 |
| 2004-05 | 50.1 | 391,612,694 | 1,961,980 |
| 2005-06 | 47.2 | 423,443,203 | 1,998,652 |
| 2006-07 | 44.5 | 442,124,889 | 1,967,456 |
| 2007-08 | 47.2 | 472,512,408 | 2,230,259 |
| 2008-09 | 51.2 | 488,283,853 | 2,500,013 |
| 2009-10 | 51.2 | 484,323,572 | 2,479,737 |
| 2010-11 | 49.4 | 496,284,557 | 2,451,646 |
| 2011-12 | 49.5 | 504,324,425 | 2,496,406 |
| 2012-13 | 53.5 | 513,022,036 | 2,744,668 |
| 2013-14 | 53.9 | 515,996,535 | 2,781,221 |
| 2014-15 | 54 | 524,764,210 | 2,833,727 |
| 2015-16 | 54.1 | 538,925,433 | 2,915,587 |
| 2016-17 | 55.4 | 552,203,212 | 3,059,206 |
| 2017-18 | 54 | 599,808,787 | 3,238,967 |
| 2018-19 | 50 | 615,041,643 | 3,075,208 |
| 2019-20 | 68.3 | 724,549,654 | 4,948,674 |
| 2020-21 | 46.6 | 748,035,600 | 3,485,846 |
| 2021-22 | 58.6 | 774,431,674 | 4,538,170 |
| 2022-23 | 72.1 | 801,294,673 | 5,777,335 |

## OVERLAPPING BOND INDEBTEDNESS

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

| Issuer | Original Principal Amount | Amount of Bonds Redeemed | Current Principal Outstanding |
|---|---|---|---|
| County of Powell | | | |
| General Obligation | 10,580,000 | 1,490,000 | 9,090,000 |
| Building | 6,275,000 | 1,300,000 | 4,975,000 |
| Vehicles Revenue | 304,403 | 0 | 304,403 |
| City of Clay City | | | |
| Water & Sewer Revenue | 491,000 | 229,700 | 261,300 |
| City of Stanton | | | |
| General Obligation | 664,706 | 40,000 | 624,706 |
| Water & Sewer Revenue | 1,617,000 | 924,400 | 692,600 |
| Special Districts | | | |
| Powell County Extension District | 265,000 | 208,000 | 57,000 |
| Powell Valley Water District | 2,971,000 | 1,114,300 | 1,856,700 |
| Red River Wastewater Authority | 4,900,000 | 689,000 | 4,211,000 |
| Beach Fork Water Commission | 2,417,000 | 1,019,500 | 1,397,500 |
| Totals: | 30,485,109 | 7,014,900 | 23,470,209 |

*Source: Kentucky Department of Local Government*

## SEEK ALLOTMENT

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

| SEEK | Base Funding | Local Tax Effort | Total State & Local Funding |
|---|---|---|---|
| 2000-01 | 9,748,436 | 1,693,824 | 11,442,260 |
| 2001-02 | 9,887,028 | 1,843,768 | 11,730,796 |
| 2002-03 | 9,823,118 | 1,817,244 | 11,640,362 |
| 2003-04 | 10,192,909 | 1,984,954 | 12,177,863 |
| 2004-05 | 10,369,240 | 1,961,980 | 12,331,220 |
| 2005-06 | 10,888,354 | 1,998,652 | 12,887,006 |
| 2006-07 | 10,902,576 | 1,967,456 | 12,870,032 |
| 2007-08 | 11,731,071 | 2,230,259 | 13,961,330 |
| 2008-09 | 11,914,100 | 2,500,013 | 14,414,113 |
| 2009-10 | 10,765,166 | 2,479,737 | 13,244,903 |
| 2010-11 | 10,739,687 | 2,451,646 | 13,191,333 |
| 2011-12 | 11,268,793 | 2,496,406 | 13,765,199 |
| 2012-13 | 11,297,099 | 2,744,668 | 14,041,767 |
| 2013-14 | 11,442,524 | 2,781,221 | 14,223,745 |
| 2014-15 | 11,281,700 | 2,833,727 | 14,115,427 |
| 2015-16 | 11,284,765 | 2,915,587 | 14,200,352 |
| 2016-17 | 11,589,220 | 3,059,206 | 14,648,426 |
| 2017-18 | 11,241,333 | 3,238,967 | 14,480,300 |
| 2018-19 | 11,230,718 | 3,075,208 | 14,305,926 |
| 2019-20 | 10,117,769 | 4,948,674 | 15,066,443 |
| 2020-21 | 9,537,864 | 3,485,846 | 13,023,710 |
| 2021-22 | 10,403,121 | 4,538,170 | 14,941,291 |
| 2022-23 | 10,771,247 | 5,777,335 | 16,548,582 |

(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 $0.7210 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, Powell County Board of Education, 691 Breckinridge Street, Stanton, KY 40380 Telephone (606) 663-3300.

## TAX EXEMPTION; NOT BANK QUALIFIED

Bond Counsel is of the opinion that:

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

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

(C) As a result of designations and certifications by the Board and the Corporation, indicating the issuance of more than $10,000,000 of tax-exempt obligations during the calendar year ending December 31, 2024, the Bonds are not "qualified tax-exempt obligations" within the meaning of the Internal Revenue Code of 1986, as amended.

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

**Original Issue Premium**

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

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

**Original Issue Discount**

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

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

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

## ABSENCE OF MATERIAL LITIGATION

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

## APPROVAL OF LEGALITY

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

## NO LEGAL OPINION EXPRESSED AS TO CERTAIN MATTERS

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

## BOND RATING

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

## MUNICIPAL ADVISOR

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

## APPROVAL OF OFFICIAL STATEMENT

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

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

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

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

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

# APPENDIX A

**Powell County School District Finance Corporation**
**School Building Revenue Bonds**
**Series of 2024**

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## Demographic and Economic Data

# POWELL COUNTY, KENTUCKY

Stanton, the county seat of Powell County has a 2023 population of 3,228. Powell County has a population of 13,178 in 2023.

### The Economic Framework

In 2023, Powell County has a labor force of 5,123 people with an unemployment rate of 4.1%. The top 5 jobs by occupation are as follows: Office and Administrative Support - 249 (12.82%); Education, Training/Library - 245 (12.61%); Sales - 212 (10.91%); Executive, Managers, and Administrators - 173 (8.9%); and Food Preparation/Serving - 123 (6.33%).

### Education

The Powell County School System provides primary and secondary education to Stanton and Powell County.

## LOCAL GOVERNMENT

### Structure

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

### Property Taxes

All property in Kentucky, except items exempted by the state constitution, is taxed by the state. Property which also may be taxed by local jurisdictions includes land and buildings, finished goods inventories, automobiles, trucks, office furniture and office equipment. Local taxing jurisdictions in Kentucky include counties, cities, and school districts. All property in Kentucky is assessed at 100 percent of fair cash value.

## LABOR MARKET STATISTICS

The Stanton Labor Market Area includes Powell County and the adjoining Kentucky counties of Bath, Bourbon, Clark, Estill, Fayette, Lee, Magoffin, Menifee, Montgomery and Wolfe.

## POPULATION

| Area | 2021 | 2022 | 2023 |
|---|---|---|---|
| Stanton | 3,157 | 3,316 | 3,228 |
| Powell County | 13,108 | 13,356 | 13,178 |

*Source: Kentucky Cabinet for Economic Development*

## POPULATION PROJECTIONS

| Area | 2025 | 2030 | 2035 |
|---|---|---|---|
| Powell County | 13,215 | 13,288 | 13,301 |

*Source: University of Louisville, Urban Studies Center, State Data Center.*

## EDUCATION

### Public Schools

| | Powell County |
|---|---|
| Total Enrollment (2022-2023) | 2,116 |
| Pupil-Teacher Ratio | 15.0-1 |

*Source: Kentucky Department of Education*

### Vocational Training

Vocational training is available at both the state vocational-technical schools and the area vocational education centers. The state vocational-technical schools are post-secondary institutions. The area vocational education centers are designed to supplement the curriculum of high school students. Both the state vocational-technical schools and the area vocational education centers offer evening courses to enable working adults to upgrade current job skills.

Arrangements can be made to provide training in the specific production skills required by an industrial plant. Instruction may be conducted either in the vocational school or in the industrial plant, depending upon the desired arrangement and the availability of special equipment.

Bluegrass State Skills Corporation

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

The Bluegrass State Skills corporation is the primary 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.

| Vocational School | Location | Cumulative Enrollment (2022-23) |
|---|---|---|
| Breathitt County ATC | Jackson, KY | 399 |
| Clark County ATC | Winchester, KY | 559 |
| Clay County ATC | Manchester, KY | 347 |
| Garrard County ATC | Lancaster, KY | 375 |
| Harrison County ATC | Cynthiana, KY | 444 |
| Jackson County ATC | McKee, KY | 337 |
| Knott County ACT | Hindman, KY | 315 |
| Lee County ATC | Beattyville, KY | 265 |
| Leslie County ATC | Hyden, KY | 403 |
| Lincoln County ATC | Stanford, KY | 309 |
| Madison County ATC | Richmond, KY | 723 |
| Mason County ATC | Maysville, KY | 194 |
| Montgomery County ATC | Mt. Sterling, KY | 350 |
| Morgan County ATC | West Liberty, KY | 411 |
| Rockcastle County ATC | Mt. Vernon, KY | 402 |

*Source: Kentucky Department of Education*

**Colleges and Universities**

| Name | Location | Undergraduate Enrollment (Fall 2023) |
|---|---|---|
| Asbury University | Wilmore, Ky. | 1,404 |
| Berea College | Berea, Ky. | 1,433 |
| Centre College | Danville, Ky. | 1,357 |
| Eastern Kentucky University | Richmond, Ky. | 12,072 |
| Georgetown College | Georgetown, Ky. | 1,233 |
| Kentucky State University | Frankfort, Ky. | 1,610 |
| Midway Univeristy | Midway, Ky. | 1,663 |
| Morehead State University | Morehead, Ky. | 8,218 |
| Transylvania University | Lexington, Ky. | 981 |
| University of Kentucky | Lexington, Ky. | 22,735 |

*Source: US News & World Report*

## EXISTING INDUSTRY

| Firm | Product | Total Employed |
|---|---|---|
| **Clay City** | | |
| H & S Lumber Inc. | Rough cut hardwood lumber | 20 |
| **Stanton** | | |
| Gas Bowstrings LLC | Bow Manufacturing | 10 |
| Meridian Brick LLC | Face bricks | 35 |
| Superior Tool & Die | Sheet metal fabricating, tools, dies & fixtures | 3 |

*Source: Kentucky Cabinet for Economic Development (01/08/2020).*

# APPENDIX B

## Powell County School District Finance Corporation
## School Building Revenue Bonds
## Series of 2024

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## Audited Financial Statement ending June 30, 2023

**Powell County School District**

**Audited Financial Statements**
**and Required Supplementary Information**

**June 30, 2023**

**POWELL COUNTY SCHOOL DISTRICT**
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**POWELL COUNTY SCHOOL DISTRICT**
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SUMMERS, MCCRARY & SPARKS, P.S.C.
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS:

AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS

KENTUCKY SOCIETY
OF CERTIFIED PUBLIC ACCOUNTANTS

PRIVATE COMPANIES
PRACTICE SECTION OF THE AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS

THOMAS S. SPARKS, CPA
RYAN R. LASKI, CPA
JUSTIN B. NICHOLS, CPA
EMILY N. JACKSON, CPA

SUSAN A. LACY, CPA

LAURENCE T. SUMMERS
1961-1992
STUART K. MCCRARY, JR., CPA
1982-2022

# INDEPENDENT AUDITOR'S REPORT

To the Kentucky State Committee of School District Audits
Members of the Board of Education
Powell County School District
Stanton, KY 40383

## 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 Powell County School District as of and for the year ended June 30, 2023, 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 Powell County School District, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements prescribed by the Kentucky State Committee for School District Audits in the *Auditor Responsibilities and State Compliance Requirements* sections contained in the Kentucky Public School District's Audit Contract and Requirements. 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 Powell County School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Emphasis of Matter*

As discussed in Note 19 to the financial statements, in 2023 the District adopted new accounting guidance, GASBS No. 96, *Software Information Technology Agreements*. Our opinion is not modified with respect to this matter.



110 EAST LOWRY LANE, LEXINGTON, KY 40503, (859) 264-8785 FAX (859) 264-1736
201 SOUTH MAIN STREET, WINCHESTER, KY 40391, (859) 745-1174 FAX (859) 745-2433

### *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 Powell County School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Powell County School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Powell County School 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, Schedule of District's Proportionate Share of Net Pension Liability, Schedule of District Contributions – Pension, Schedule of District's Proportionate Share of Net OPEB Liability – Medical Insurance Plan, Schedule of District Contributions – Medical Insurance Plan, Schedule of District's Proportionate Share of Net OPEB Liability – Life Insurance Plan, and Schedule of District Contributions – Life Insurance Plan on pages 4-9 and 65-74 be presented to supplement the basic financial statements.



110 East Lowry Lane, Lexington, Ky 40503, (859) 264-8785 Fax (859) 264-1736
201 South Main Street, Winchester, Ky 40391, (859) 745-1174 Fax (859) 745-2433

Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Supplementary Information**

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2023, on our consideration of the Powell County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Powell County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Powell County School District's internal control over financial reporting and compliance.

*Summers, McCrary & Sparks, PSC*

Lexington, KY
October 30, 2023



110 East Lowry Lane, Lexington, Ky 40503, (859) 264-8785 Fax (859) 264-1736
201 South Main Street, Winchester, Ky 40391, (859) 745-1174 Fax (859) 745-2433

As management of the Powell 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, 2023. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements and notes.

## FINANCIAL HIGHLIGHTS/OVERALL DISTRICT HIGHLIGHTS

- The ending cash and cash equivalents for the District for the year ended June 30, 2023 (FY23) was $5,808,230.

- The District ended FY23 with a fund balance in the general fund of $2,680,241 reflecting an increase of 22% from the prior year.

- Bonds are issued as the District constructs and/or renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with the Kentucky Department of Education's stringent compliance regulations. The District's bond debt was reduced $950,000 in FY23.

- At the end of FY23 the District reported a net pension liability of $10,220,885 related to the County Employees Retirement System representing an increase of $1,387,044 compared to the prior year.

## OVERVIEW OF FINANCIAL STATEMENTS

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

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

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities) and operating revenues (business type activities).

The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 10-11 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds.

Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the district are included in the governmental funds.

The basic fund financial statements can be found on pages 12-22 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-64 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets plus deferred outflows of resources were $2,979,736 more than liabilities plus deferred inflows of resources as of June 30, 2023, as compared to ($613,429) at June 30, 2022.

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

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

The breakdown of assets, deferred outflows of resources, liabilities, and net position can be seen on page 10 in the statement of net position, government wide basis.

**Net position for the years ending June 30, 2023 and 2022**

| | 2023 | 2022 | Change |
|---|---|---|---|
| Current Assets | $ 7,367,896 | $ 6,164,832 | $ 1,203,064 |
| Noncurrent Assets | 24,823,105 | 23,148,746 | 1,674,359 |
| **Total Assets** | 32,191,001 | 29,313,578 | 2,877,423 |
| **Deferred Outflows of Resources** | 6,951,586 | 4,977,475 | 1,974,111 |
| Current Liabilities | 1,823,480 | 2,134,459 | (310,979) |
| Noncurrent Liabilities | 29,430,481 | 27,175,032 | 2,255,449 |
| **Total Liabilities** | 31,253,961 | 29,309,491 | 1,944,470 |
| **Deferred Inflows of Resources** | 4,908,890 | 5,594,991 | (686,101) |
| Net Position | | | |
| Investment in Capital Assets (net) | 12,273,432 | 9,507,659 | 2,765,773 |
| Restricted | 4,227,584 | 3,377,773 | 849,811 |
| Unrestricted | (13,521,280) | (13,498,861) | (22,419) |
| **Total Net Position** | $ 2,979,736 | $ (613,429) | $ 3,593,165 |

The following table presents a summary of changes in net position for the fiscal years ended June 30, 2023 and 2022, Governmental Wide Basis.

| | Net Change in Position | | | | | |
|---|---|---|---|---|---|---|
| | Governmental | | Business-type | | Total | |
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| **Revenues:** | | | | | | |
| Local revenue sources | $5,970,807 | $6,318,276 | $103,105 | $76,642 | $6,073,912 | $6,394,918 |
| State revenue sources | $21,760,876 | 12,012,038 | 258,485 | 219,860 | 22,019,361 | 12,231,898 |
| Federal revenue sources | 7,652,878 | 9,033,557 | 1,807,462 | 1,593,404 | 9,460,340 | 10,626,961 |
| Investments | 66,210 | 5,471 | 4,290 | 378 | 70,500 | 5,849 |
| **Total Revenue** | 35,450,771 | 27,369,342 | 2,173,342 | 1,890,284 | 37,624,113 | 29,259,626 |
| **Expenses:** | | | | | | |
| Instruction | 19,150,233 | 10,765,226 | - | - | 19,150,233 | 10,765,226 |
| Student support services | 1,510,994 | 981,665 | - | - | 1,510,994 | 981,665 |
| Instructional support | 1,628,404 | 924,717 | - | - | 1,628,404 | 924,717 |
| District administration | 1,915,640 | 3,808,241 | - | - | 1,915,640 | 3,808,241 |
| School administration | 1,878,988 | 1,308,662 | - | - | 1,878,988 | 1,308,662 |
| Business support | 491,729 | 264,368 | - | - | 491,729 | 264,368 |
| Plant operations | 2,593,596 | 2,228,586 | - | - | 2,593,596 | 2,228,586 |
| Student transportation | 2,122,497 | 2,066,887 | - | - | 2,122,497 | 2,066,887 |
| Community service | 362,026 | 315,304 | - | - | 362,026 | 315,304 |
| Interest on long-term debt | 336,609 | 379,322 | - | - | 336,609 | 379,322 |
| Food service | - | - | 2,040,232 | 1,752,260 | 2,040,232 | 1,752,260 |
| **Total Expenses** | 31,990,716 | 23,042,978 | 2,040,232 | 1,752,260 | 34,030,948 | 24,795,238 |
| Transfers | 51,305 | (87,839) | (51,305) | 87,839 | - | - |
| Change in net position | 3,511,360 | 4,238,525 | 81,805 | 225,863 | 3,593,165 | 4,464,388 |
| Beginning net position | (137,874) | (4,376,399) | (475,555) | (701,418) | (613,429) | (5,077,817) |
| **Ending net position** | 3,373,486 | ($137,874) | (393,750) | ($475,555) | 2,979,736 | (613,429) |

**Governmental Activities**
Instruction comprises 60% of governmental program expenses. Plant Operations expense makes up 8% of government expenses. District and School Administration total 12% of governmental expenses. The remaining expenses for support services, community service activities, transportation and interest account for the final 20% of total governmental expense.

**Business-Type Activities**
The business-type activities include the food service operations. This program had total revenues of $2,173,342 and expenses of $2,040,232 for the fiscal year. Of the revenues, $103,105 was charges for services, and $2,065,947 was from State and Federal grants. Business activities receive no support from tax revenues. The School District will continue to monitor the charges and costs of this activity.

## FUND FINANCIAL ANALYSIS

The following table presents a summary of operations, excluding transfers, for selected funds (including on- behalf payments). Food service amounts are presented on the accrual basis while general and special revenue funds are on the modified accrual basis:

**For the Year ending June 30, 2023**

| | GENERAL FUND | SPECIAL REVENUE FUND | FOOD SERVICE FUND |
|---|---|---|---|
| REVENUES: | | | |
| From local sources: | | | |
| Taxes: | | | |
| Property | $ 2,940,774 | $ - | $ - |
| Motor vehicle | 426,534 | - | - |
| Utilities | 786,295 | - | - |
| Other | 4,403 | - | |
| Earnings on investments | 54,866 | 1,354 | 4,290 |
| Other local revenues | 353,760 | 10,198 | 103,105 |
| Intergovernmental - state | 17,090,364 | 1,067,498 | 258,485 |
| Intergovernmental - federal | 397,475 | 7,255,403 | 1,807,462 |
| TOTAL REVENUES | 22,054,471 | 8,334,453 | 2,173,342 |
| EXPENDITURES: | | | |
| Instruction: | 11,968,497 | 4,649,372 | - |
| Support Services: | | | |
| Student | 902,479 | 498,341 | - |
| Instructional staff | 754,125 | 718,050 | - |
| District administration | 1,594,888 | 176,267 | - |
| School administration | 1,719,767 | 21,967 | - |
| Business | 461,007 | - | - |
| Plant operations and maintenance | 1,968,072 | 46,584 | - |
| Student transportation | 1,830,512 | 892 | - |
| Food service | - | - | 2,040,232 |
| Community service | 3,600 | 323,382 | - |
| Capital outlay | 49,472 | 346,381 | - |
| Debt service | 383,477 | - | - |
| TOTAL EXPENDITURES | 21,635,896 | 6,781,236 | 2,040,232 |
| Excess (Deficit) of Revenues over Expenditures | $ 418,575 | $ 1,553,217 | $ 133,110 |

**For the Year ending June 30, 2022**

| | GENERAL FUND | SPECIAL REVENUE FUND | FOOD SERVICE FUND |
|---|---|---|---|
| REVENUES: | | | |
| From local sources: | | | |
| Taxes: | | | |
| Property | $ 3,489,740 | $ - | $ - |
| Motor vehicle | 491,765 | - | - |
| Utilities | 721,900 | - | - |
| Other | 603 | - | |
| Earnings on investments | (7,009) | 103 | 378 |
| Other local revenues | 269,765 | 17,486 | 76,642 |
| Intergovernmental - state | 15,629,142 | 964,207 | 219,860 |
| Intergovernmental - federal | 299,427 | 8,734,130 | 1,593,404 |
| TOTAL REVENUES | 20,895,333 | 9,715,926 | 1,890,284 |
| EXPENDITURES: | | | |
| Instruction: | 11,192,694 | 3,306,028 | - |
| Support Services: | | | |
| Student | 803,671 | 372,544 | - |
| Instructional staff | 789,416 | 574,694 | - |
| District administration | 1,350,799 | 2,877,849 | - |
| School administration | 1,615,511 | 18,223 | - |
| Business | 295,528 | - | - |
| Plant operations and maintenance | 1,600,128 | 46,709 | - |
| Student transportation | 1,727,238 | 37,301 | - |
| Food service | - | - | 1,752,260 |
| Community service | - | 282,945 | - |
| Capital outlay | 356,212 | 135,906 | - |
| Debt service | 386,731 | - | - |
| TOTAL EXPENDITURES | 20,117,928 | 7,652,199 | 1,752,260 |
| Excess (Deficit) of Revenues over Expenditures | $ 777,405 | $ 2,063,727 | $ 138,024 |

**Capital Assets**

At June 30, 2023, the School District's investment in capital assets for its governmental and business-type activities was $24,823,105, representing an increase of $1,674,359 net of depreciation. This includes intangible subscription assets recognized upon implementation of GASBS No. 96 in the current year.

**Debt**

At June 30, 2023, the School District had $12,542,359 in bond and financed purchase debt outstanding, plus a premium of $34,810. $3,561,740 of the District's debt will be paid from the KSFCC funding provided by the State of Kentucky. A total of $1,127,846 is due within one year.

**Comments on Budget Comparisons**

General fund budget compared to actual revenue varied from line item to line item with the ending actual revenues being $1,853,387 more than budget. General fund budget compared to actual expenditures varied from line item to line item with the ending actual expenditures being $324,797 more than budget. The District's total general fund revenues for the fiscal year ended June 30, 2023, before interfund transfers, was $22,054,471, an increase of $1,159,138 from the total revenues of $20,895,333 for 2022.

## FUTURE BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal programs operate on a different fiscal calendar but are reflected in the District overall budget. By law the budget must have a minimum 2% contingency. The District adopted a working budget with $457,699 in contingency (approximately 2.29%).

Questions regarding this report should be directed to Alicia Frazier, Finance Officer (606) 663-3300 or by mail at 691 Breckinridge Street, Stanton, KY 40380.

POWELL COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023

| | PRIMARY GOVERNMENT | | |
|---|---|---|---|
| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL |
| ASSETS: | | | |
| Current Assets | | | |
| Cash and cash equivalents | $ 5,074,901 | $ 733,329 | $ 5,808,230 |
| Investments | 467,849 | - | 467,849 |
| Accounts receivable | | | |
| Taxes | 59,222 | - | 59,222 |
| Accounts | 76,161 | 23,639 | 99,800 |
| Intergovernmental - federal | 901,719 | - | 901,719 |
| Inventory | - | 31,076 | 31,076 |
| Total Current Assets | 6,579,852 | 788,044 | 7,367,896 |
| Noncurrent Assets | | | |
| Non-depreciated capital assets | 5,422,553 | - | 5,422,553 |
| Net depreciated capital assets | 19,351,118 | 43,069 | 19,394,187 |
| Net intangible subscription assets | 6,365 | - | 6,365 |
| Total Noncurrent Assets | 24,780,036 | 43,069 | 24,823,105 |
| TOTAL ASSETS | 31,359,888 | 831,113 | 32,191,001 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred loss on refunding | 33,861 | - | 33,861 |
| Pension - CERS | 2,296,385 | 270,101 | 2,566,486 |
| OPEB - CERS | 1,372,259 | 152,860 | 1,525,119 |
| OPEB - KTRS | 2,826,120 | - | 2,826,120 |
| Total Deferred Outflows of Resources | 6,528,625 | 422,961 | 6,951,586 |
| LIABILITIES: | | | |
| Current Liabilities | | | |
| Accounts payable | 31,738 | 236 | 31,974 |
| Accrued salaries | 64,755 | - | 64,755 |
| Accrued Interest Expense | 63,535 | - | 63,535 |
| Current portion of accrued sick leave | 51,598 | - | 51,598 |
| Grant Advances | 483,772 | - | 483,772 |
| Current portion of financed purchases | 147,846 | - | 147,846 |
| Current portion of bond obligations | 980,000 | - | 980,000 |
| Total Current Liabilities | 1,823,244 | 236 | 1,823,480 |
| Noncurrent Liabilities | | | |
| Noncurrent portion of bond obligations | 10,814,810 | - | 10,814,810 |
| Noncurrent portion of financed purchases | 634,513 | - | 634,513 |
| Noncurrent portion of accrued sick leave | 117,475 | - | 117,475 |
| Net pension liability - CERS | 9,132,406 | 1,088,479 | 10,220,885 |
| Net OPEB liability - CERS | 2,483,980 | 305,818 | 2,789,798 |
| Net OPEB liability - KTRS | 4,853,000 | - | 4,853,000 |
| Total Noncurrent Liabilities | 28,036,184 | 1,394,297 | 29,430,481 |
| TOTAL LIABILITIES | 29,859,428 | 1,394,533 | 31,253,961 |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Pension - CERS | 1,111,402 | 108,349 | 1,219,751 |
| OPEB - CERS | 1,297,197 | 144,942 | 1,442,139 |
| OPEB - KTRS | 2,247,000 | - | 2,247,000 |
| Total Deferred Inflow of Resources | 4,655,599 | 253,291 | 4,908,890 |
| NET POSITION | | | |
| Net Investment in Capital Assets | 12,230,363 | 43,069 | 12,273,432 |
| Restricted - Capital Projects | 3,010,851 | - | 3,010,851 |
| Restricted - Debt Service | 8,779 | - | 8,779 |
| Restricted - Other Purposes | 384,253 | 823,701 | 1,207,954 |
| Unrestricted | (12,260,760) | (1,260,520) | (13,521,280) |
| TOTAL NET POSITION | $ 3,373,486 | $ (393,750) | $ 2,979,736 |

See Accompanying Notes to the Financial Statements

POWELL COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

| | | PROGRAM REVENUES | | | NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION — PRIMARY GOVERNMENT | | |
|---|---|---|---|---|---|---|---|
| FUNCTIONS/PROGRAMS | EXPENSES | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL |
| Primary Government | | | | | | | |
| Governmental Activities: | | | | | | | |
| Instructional | $ 19,150,233 | $ - | $ 7,754,547 | $ - | $ (11,395,686) | $ - | $ (11,395,686) |
| Support Services: | | | | | | | |
| Student | 1,510,994 | - | - | - | (1,510,994) | - | (1,510,994) |
| Instructional staff | 1,628,404 | - | - | - | (1,628,404) | - | (1,628,404) |
| District administration | 1,915,640 | - | - | - | (1,915,640) | - | (1,915,640) |
| School administration | 1,878,988 | - | - | - | (1,878,988) | - | (1,878,988) |
| Business | 491,729 | - | - | - | (491,729) | - | (491,729) |
| Plant operations and maintenance | 2,593,596 | - | - | - | (2,593,596) | - | (2,593,596) |
| Student transportation | 2,122,497 | - | - | - | (2,122,497) | - | (2,122,497) |
| Community service | 362,026 | - | - | - | (362,026) | - | (362,026) |
| Interest on long-term debt | 336,609 | - | - | 451,481 | 114,872 | - | 114,872 |
| Total Governmental Activities | 31,990,716 | - | 7,754,547 | 451,481 | (23,784,688) | - | (23,784,688) |
| Business-Type Activities: | | | | | | | |
| Food service | 2,040,232 | 103,105 | 2,065,947 | - | - | 128,820 | 128,820 |
| Total Business-Type Activities | 2,040,232 | 103,105 | 2,065,947 | - | - | 128,820 | 128,820 |
| Total Primary Government | $ 34,030,948 | $ 103,105 | $ 9,820,494 | $ 451,481 | $ (23,784,688) | $ 128,820 | $ (23,655,868) |
| General Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property | | | | | $ 3,742,068 | $ - | $ 3,742,068 |
| Motor vehicle | | | | | 426,534 | - | 426,534 |
| Utilities | | | | | 786,295 | - | 786,295 |
| Other | | | | | 4,403 | - | 4,403 |
| State aid formula grants | | | | | 21,309,394 | - | 21,309,394 |
| Interest and investment earnings | | | | | 66,210 | 4,290 | 70,500 |
| Gain on disposal | | | | | - | - | - |
| Other local revenues | | | | | 909,839 | - | 909,839 |
| Transfers | | | | | 51,305 | (51,305) | - |
| Total General Revenues | | | | | 27,296,048 | (47,015) | 27,249,033 |
| Change in Net Position | | | | | 3,511,360 | 81,805 | 3,593,165 |
| Net Position beginning | | | | | (137,874) | (475,555) | (613,429) |
| Net Position ending | | | | | $ 3,373,486 | $ (393,750) | $ 2,979,736 |

See Accompanying Notes to the Financial Statements

POWELL COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

| | GENERAL FUND | SPECIAL REVENUE (GRANT) FUNDS | CONSTRUCTION FUND | NON-MAJOR GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|---|---|---|---|---|---|
| ASSETS: | | | | | |
| Cash and cash equivalents | $ 1,747,155 | $ - | $ 2,157,749 | $ 1,169,997 | $ 5,074,901 |
| Investments | 467,849 | - | - | - | 467,849 |
| Interfund receivable | 406,872 | - | - | - | 406,872 |
| Accounts receivable | | | | | |
| Taxes | 59,222 | - | - | - | 59,222 |
| Accounts | 76,161 | - | - | - | 76,161 |
| Intergovernmental - federal | - | 901,719 | - | - | 901,719 |
| TOTAL ASSETS | $ 2,757,259 | $ 901,719 | $ 2,157,749 | $ 1,169,997 | $ 6,986,724 |
| LIABILITIES: | | | | | |
| Interfund payable | $ - | $ 406,872 | $ - | $ - | $ 406,872 |
| Accounts payable | 12,263 | 11,075 | - | 8,400 | 31,738 |
| Sick leave payable | - | - | - | - | - |
| Accrued salaries | 64,755 | - | - | - | 64,755 |
| Grant Advances | - | 483,772 | - | - | 483,772 |
| TOTAL LIABILITIES | 77,018 | 901,719 | - | 8,400 | 987,137 |
| FUND BALANCES: | | | | | |
| Restricted | | | | | |
| Capital projects | - | - | 2,157,749 | 853,102 | 3,010,851 |
| Debt service | - | - | - | 8,779 | 8,779 |
| Sick leave | 84,537 | - | - | - | 84,537 |
| Other | - | - | - | 299,716 | 299,716 |
| Committed | 60,453 | - | - | - | 60,453 |
| Unassigned | 2,535,251 | - | - | - | 2,535,251 |
| TOTAL FUND BALANCES | 2,680,241 | - | 2,157,749 | 1,161,597 | 5,999,587 |
| TOTAL LIABILITIES AND FUND BALANCES | $ 2,757,259 | $ 901,719 | $ 2,157,749 | $ 1,169,997 | $ 6,986,724 |

See Accompanying Notes to the Financial Statements

POWELL COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

| | | |
|---|---|---|
| Total Governmental Fund Balances | $ | 5,999,587 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets are not reported in the fund financial statement because they are not current financial resources, but they are reported in the statement of net position. | | 24,780,036 |
| Deferred outflows of resources are not recorded in the governmental fund financials because they do not affect current resources but are recorded in the statement of net position | | |
| Deferred loss on refunding | | 33,861 |
| Pension - CERS | | 2,296,385 |
| OPEB - CERS | | 1,372,259 |
| OPEB - KTRS | | 2,826,120 |
| Certain assets (obligations) are not a use of financial resourses and therefore, are not reported in the government funds, but are presented in the statement of net position | | |
| Net pension liability - CERS | | (9,132,406) |
| Net OPEB liability - CERS | | (2,483,980) |
| Net OPEB liability - KTRS | | (4,853,000) |
| Deferred inflows of resources are not recorded in the governmental fund financials because they do not affect current resources but are recorded in the statement of net position | | |
| Pension - CERS | | (1,111,402) |
| OPEB - CERS | | (1,297,197) |
| OPEB - KTRS | | (2,247,000) |
| Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and other accrued liabilities) are not reported in the fund financial statement because they are not due and payable, but are presented in the statement of net position as follows: | | |
| Bonds payable | | (11,794,810) |
| Financed purchases | | (782,359) |
| Accrued interest | | (63,535) |
| Accrued sick leave | | (169,073) |
| Net Position of Governmental Activities | $ | 3,373,486 |

See Accompanying Notes to the Financial Statements

POWELL COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

| | GENERAL FUND | SPECIAL REVENUE (GRANT) FUNDS | CONSTRUCTION FUND | NON-MAJOR GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|---|---|---|---|---|---|
| REVENUES: | | | | | |
| From local sources: | | | | | |
| Taxes: | | | | | |
| Property | $ 2,940,774 | $ - | $ - | $ 801,294 | $ 3,742,068 |
| Motor vehicle | 426,534 | - | - | - | 426,534 |
| Utilities | 786,295 | - | - | - | 786,295 |
| Other | 4,403 | - | - | - | 4,403 |
| Earnings on investments | 54,866 | 1,354 | 9,442 | 548 | 66,210 |
| Other local revenues | 353,760 | 10,198 | - | 647,549 | 1,011,507 |
| Intergovernmental - state | 17,090,364 | 1,067,498 | - | 1,906,291 | 20,064,153 |
| Intergovernmental - federal | 397,475 | 7,255,403 | - | - | 7,652,878 |
| TOTAL REVENUES | 22,054,471 | 8,334,453 | 9,442 | 3,355,682 | 33,754,048 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Instruction: | 11,968,497 | 4,649,372 | - | 600,658 | 17,218,527 |
| Support Services: | | | | | |
| Student | 902,479 | 498,341 | - | 2,155 | 1,402,975 |
| Instructional staff | 754,125 | 718,050 | - | 23,370 | 1,495,545 |
| District administration | 1,594,888 | 176,267 | - | - | 1,771,155 |
| School administration | 1,719,767 | 21,967 | - | - | 1,741,734 |
| Business | 461,007 | - | - | - | 461,007 |
| Plant operations and maintenance | 1,968,072 | 46,584 | - | - | 2,014,656 |
| Student transportation | 1,830,512 | 892 | - | - | 1,831,404 |
| Community service | 3,600 | 323,382 | - | - | 326,982 |
| Capital outlay | 49,472 | 346,381 | 2,561,014 | - | 2,956,867 |
| Debt service | 383,477 | - | - | 1,055,754 | 1,439,231 |
| TOTAL EXPENDITURES | 21,635,896 | 6,781,236 | 2,561,014 | 1,681,937 | 32,660,083 |
| Excess (Deficit) of Revenues over Expenditures | 418,575 | 1,553,217 | (2,551,572) | 1,673,745 | 1,093,965 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Operating transfers in | 110,896 | 49,925 | 3,143,373 | 604,272 | 3,908,466 |
| Operating transfers out | (42,454) | (1,603,142) | - | (2,211,565) | (3,857,161) |
| Issuance of debt proceeds | - | - | - | - | - |
| Gain (Loss) on disposal | - | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 68,442 | (1,553,217) | 3,143,373 | (1,607,293) | 51,305 |
| Net Change in Fund Balances | 487,017 | - | 591,801 | 66,452 | 1,145,270 |
| Fund Balance - beginning of year | 2,193,224 | - | 1,565,948 | 1,095,145 | 4,854,317 |
| Fund Balance - end of year | $ 2,680,241 | $ - | $ 2,157,749 | $ 1,161,597 | $ 5,999,587 |

See Accompanying Notes to the Financial Statements

POWELL COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

| | |
|---|---|
| Net Change in Fund Balances - Total Governmental Funds | $ 1,145,270 |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Bond discounts are expensed as incurred in the fund financial statement, but are amortized over the life of the bond in the statement of activities: | |
| Amortization bond premium/discount | 420 |
| Amortization deferred loss on refunding | (8,017) |
| Capital outlays are reported as expenditures in the fund financial statement because they are current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year. | |
| Capital outlays | 2,956,867 |
| Depreciation expense | (1,272,339) |
| Generally, expenditures recognized in the fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activites when they are incurred. | |
| Accrued interest | 4,842 |
| Sick leave | (25,056) |
| Governmental funds report pension and OPEB contributions as expenditures when paid. However, in the Statement of Activities, pension and OPEB expense is the cost of benefits earned, adjusted for member contributions, and the recognition of changes in deferred outflows and inflows of resources related to pensions, and investment experience. | |
| KTRS on-behalf revenue | 1,696,721 |
| KTRS on-behalf pension expense | (1,675,721) |
| KTRS on-behalf OPEB expense | (21,000) |
| Pension expense - CERS | (340,376) |
| OPEB expense - CERS | (293,319) |
| OPEB expense - KTRS | 237,692 |
| Bond and financed purchase payments are recognized as expenditures of current financial resources in the fund financial statement, but are reductions of liabilities in the statement of net position. | 1,105,376 |
| Change in Net Position of Governmental Activities | $ 3,511,360 |

POWELL COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

| | GENERAL FUND | | | |
|---|---|---|---|---|
| | BUDGETED AMOUNTS | | | VARIANCE Favorable |
| | ORIGINAL | FINAL | ACTUAL | (Unfavorable) |
| REVENUES: | | | | |
| From Local Sources: | | | | |
| Taxes: | | | | |
| Property | $ 2,306,310 | $ 2,705,575 | $ 2,940,774 | $ 235,199 |
| Motor vehicle | 414,000 | 400,476 | 426,534 | 26,058 |
| Utilities | 650,000 | 650,000 | 786,295 | 136,295 |
| Other | 3,000 | 3,000 | 4,403 | 1,403 |
| Earnings on investments | 5,000 | 30,000 | 54,866 | 24,866 |
| Other local revenues | 319,140 | 106,210 | 353,760 | 247,550 |
| Intergovernmental - state | 15,663,775 | 16,030,823 | 17,090,364 | 1,059,541 |
| Intergovernmental - federal | 275,000 | 275,000 | 397,475 | 122,475 |
| TOTAL REVENUES | 19,636,225 | 20,201,084 | 22,054,471 | 1,853,387 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Instruction: | 12,166,455 | 12,520,236 | 11,968,497 | 551,739 |
| Support Services: | | | | |
| Student | 823,424 | 912,009 | 902,479 | 9,530 |
| Instructional staff | 775,790 | 715,117 | 754,125 | (39,008) |
| District administration | 1,146,293 | 1,522,637 | 1,594,888 | (72,251) |
| School administration | 1,475,345 | 1,485,326 | 1,746,117 | (260,791) |
| Business | 347,033 | 351,112 | 461,007 | (109,895) |
| Plant operations and maintenance | 1,644,577 | 1,927,589 | 1,991,194 | (63,605) |
| Student transportation | 1,220,306 | 1,489,996 | 1,830,512 | (340,516) |
| Community service | - | - | 3,600 | (3,600) |
| Debt service | 375,688 | 386,347 | 383,477 | 2,870 |
| TOTAL EXPENDITURES | 19,974,911 | 21,310,369 | 21,635,896 | (324,797) |
| Excess (Deficit) of Revenues over Expenditures | (338,686) | (1,109,285) | 418,575 | 1,528,590 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Operating transfers in | 250,341 | 190,688 | 110,896 | (79,792) |
| Operating transfers out | (45,150) | (45,150) | (42,454) | 2,696 |
| Issuance of debt proceeds | | - | - | - |
| Gain (Loss) on disposal | 1,000 | - | - | - |
| Contingency | (457,699) | (1,229,091) | - | 1,229,091 |
| TOTAL OTHER FINANCING SOURCES (USES) | (251,508) | (1,083,553) | 68,442 | 1,151,995 |
| Net Change in Fund Balance | (590,194) | (2,192,838) | 487,017 | 2,680,585 |
| Fund Balance beginning | 590,194 | 2,159,112 | 2,193,224 | 34,112 |
| Fund Balance ending | $ - | $ (33,726) | $ 2,680,241 | $ 2,714,697 |

See Accompanying Notes to the Financial Statements

POWELL COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2023

| | SPECIAL REVENUE FUND | | | |
|---|---|---|---|---|
| | BUDGETED AMOUNTS | | | VARIANCE Favorable |
| | ORIGINAL | FINAL | ACTUAL | (Unfavorable) |
| REVENUES: | | | | |
| From Local Sources: | | | | |
| Earnings from Investments | $ 1 | $ 1 | $ 1,354 | $ 1,353 |
| Other local revenues | 10,196 | 10,495 | 10,198 | (297) |
| Intergovernmental - state | 931,985 | 1,282,903 | 1,067,498 | (215,405) |
| Intergovernmental - indirect federal | 5,571,586 | 2,628,599 | 7,255,403 | 4,626,804 |
| TOTAL REVENUES | 6,513,768 | 3,921,998 | 8,334,453 | 4,412,455 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Instruction: | 3,328,426 | 2,403,172 | 4,787,603 | (2,384,431) |
| Support Services: | | | | |
| Student | 468,401 | 435,728 | 507,006 | (71,278) |
| Instructional staff | 523,037 | 492,607 | 718,050 | (225,443) |
| District administration | 1,976,941 | 103,115 | 375,752 | (272,637) |
| School administration | 19,038 | 21,883 | 21,967 | (84) |
| Plant operations and maintenance | 46,709 | 46,584 | 46,584 | - |
| Student transportation | - | - | 892 | (892) |
| Community Services | 284,699 | 321,329 | 323,382 | (2,053) |
| TOTAL EXPENDITURES | 6,647,251 | 3,824,418 | 6,781,236 | (2,956,818) |
| Excess (Deficit) of Revenues over Expenditures | (133,483) | 97,580 | 1,553,217 | 1,455,637 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Operating transfers in | 45,150 | 45,150 | 49,925 | (4,775) |
| Operating transfers out | - | (140,688) | (1,603,142) | 1,462,454 |
| TOTAL OTHER FINANCING SOURCES (USES) | 45,150 | (95,538) | (1,553,217) | 1,457,679 |
| Net Change in Fund Balance | (88,333) | 2,042 | - | 2,042 |
| Fund Balance beginning | - | - | - | - |
| Fund Balance ending | $ (88,333) | $ 2,042 | $ - | $ 2,042 |

See Accompanying Notes to the Financial Statements

# POWELL COUNTY SCHOOL DISTRICT
## STATEMENT OF NET POSITION
## PROPRIETARY FUND
## JUNE 30, 2023

| | | FOOD SERVICE FUND |
|---|---|---|
| ASSETS: | | |
| Current Assets | | |
| Cash and cash equivalents | $ | 733,329 |
| Accounts receivable | | 23,639 |
| Inventory | | 31,076 |
| Total Current Assets | | 788,044 |
| | | |
| Noncurrent Assets | | |
| Vehicles | | 8,800 |
| Machinery & equipment | | 626,433 |
| Accumulated depreciation | | (592,164) |
| Total Noncurrent Assets | | 43,069 |
| | | |
| TOTAL ASSETS | | 831,113 |
| | | |
| DEFERRED OUTFLOW OF RESOURCES | | |
| Pension - CERS | | 270,101 |
| OPEB - CERS | | 152,860 |
| | | |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | | 422,961 |
| | | |
| LIABILITIES: | | |
| Current Liabilities | | |
| Accounts Payable | | 236 |
| Total Current Liabilities | | 236 |
| | | |
| Noncurrent Liabilities | | |
| Net Pension Liability - CERS | | 1,088,479 |
| Net OPEB Liability - CERS | | 305,818 |
| Total Noncurrent Liabilities | | 1,394,297 |
| | | |
| TOTAL LIABILITIES | | 1,394,533 |
| | | |
| DEFERRED INFLOW OF RESOURCES | | |
| Pension - CERS | | 108,349 |
| OPEB - CERS | | 144,942 |
| | | |
| TOTAL DEFERRED INFLOWS OF RESOURCES | | 253,291 |
| | | |
| NET POSITION: | | |
| Net Investment in Capital Assets | | 43,069 |
| Restricted | | 823,701 |
| Unrestricted | | (1,260,520) |
| | | |
| TOTAL NET POSITION | $ | (393,750) |

POWELL COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2023

| | | FOOD SERVICE FUND |
|---|---|---|
| OPERATING REVENUES: | | |
| Lunchroom sales | $ | 100,817 |
| Other operating revenue | | 2,288 |
| TOTAL OPERATING REVENUES | | 103,105 |
| | | |
| OPERATING EXPENSES: | | |
| Salaries and wages | | 415,369 |
| Employee benefits | | 437,828 |
| Contract services | | 26,768 |
| Materials and supplies | | 1,144,412 |
| Miscellaneous | | 5,687 |
| Depreciation | | 10,168 |
| TOTAL OPERATING EXPENSES | | 2,040,232 |
| | | |
| Operating Income (Loss) | | (1,937,127) |
| | | |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Federal grants | | 1,675,547 |
| Federal commodities | | 131,915 |
| State grants | | 258,485 |
| Interest income | | 4,290 |
| Gain (Loss) on sale of equipment | | - |
| NON-OPERATING REVENUES (EXPENSES) | | 2,070,237 |
| | | |
| Net income (loss) before operating transfers | | 133,110 |
| | | |
| Transfers In | | - |
| Transfers Out | | (51,305) |
| | | |
| Change in Net Position | | 81,805 |
| | | |
| Total Net Position beginning | | (475,555) |
| | | |
| Total Net Position ending | $ | (393,750) |

POWELL COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2023

| | | FOOD SERVICE FUND |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from customers | $ | 92,097 |
| Cash paid to suppliers | | (1,052,897) |
| Cash paid to employees | | (538,786) |
| Net Cash Provided (Used) by Operating Activities | | (1,499,586) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Transfers | | (51,305) |
| Governmental grants | | 1,687,336 |
| Net Cash Provided (Used) by Noncapital Financing Activities | | 1,636,031 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets | | - |
| Interest received | | 4,290 |
| Net Cash Provided (Used) by Investing Activities | | 4,290 |
| Net Increase (Decrease) in Cash and Cash Equivalents | | 140,735 |
| Cash and cash equivalents beginning | | 592,594 |
| Cash and cash equivalents ending | $ | 733,329 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | |
| Operating Income (Loss) | $ | (1,937,127) |
| Adjustments to Reconcile Net Income (Loss) to Net Cash from Operating Activities: | | |
| Depreciation | | 10,168 |
| On-behalf payments | | 246,697 |
| Donated commodities | | 131,915 |
| Changes in Assets and Liabilities: | | |
| Accounts receivable | | (11,008) |
| Inventory | | (8,181) |
| Accounts payable | | 236 |
| Net pension liability | | 133,905 |
| Net OPEB liability | | 13,313 |
| Deferred outflows | | (45,802) |
| Deferred inflows | | (33,702) |
| Net Cash Provided (Used) by Operating Activities | $ | (1,499,586) |
| Non-cash Items: | | |
| On-behalf payments | $ | 246,697 |
| Donated commodities | $ | 131,915 |

See Accompanying Notes to the Financial Statements

**POWELL COUNTY BOARD OF EDUCATION**
**STATEMENT OF FIDUCIARY NET POSITION**
**FIDUCIARY FUNDS**
**JUNE 30, 2023**

| | | SPECIAL PURPOSE TRUST FUND |
|---|---|---|
| ASSETS: | | |
| Cash and cash equivalents | $ | 17,685 |
| Investments | | 168,673 |
| TOTAL ASSETS | $ | 186,358 |
| NET POSITION: | | |
| Net position - Held in trust | $ | 186,358 |
| TOTAL NET POSITION | $ | 186,358 |

# POWELL COUNTY SCHOOL DISTRICT
# STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
# FIDUCIARY FUNDS
# FOR THE YEAR ENDED JUNE 30, 2023

| | | SPECIAL PURPOSE TRUST FUND |
|---|---|---|
| ADDITIONS | | |
| Contributions | $ | 1,000 |
| Interest Income | | 5,741 |
| Total Additions | | 6,741 |
| | | |
| DEDUCTIONS | | |
| Community service | | 4,000 |
| Total Deductions | | 4,000 |
| | | |
| Change in Net Position | | 2,741 |
| | | |
| Total net position - beginning of year | | 183,617 |
| | | |
| Total net position - end of year | $ | 186,358 |

See Accompanying Notes to the Financial Statements

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Powell County School District (the District) conform to generally accepted accounting principles (GAAP) as applicable to governmental entities in the United States of America. U. S. governmental accounting standards are established by the Governmental Accounting Standards Board (GASB) for state and local governmental entities. The following discussion is a summary of the more significant accounting policies that apply to the District.

### Reporting Entity

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

The District, for financial purposes, includes all the funds and account groups relevant to the operation of the Powell County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which, although associated with the school system, have not originated within the Board itself, such as Parent-Teacher Associations, School-Based Decision-Making Councils, and Family Resource Centers. Student organizations are blended into the Student Activity fund, a Special Revenue fund in accordance with GASBS No. 84, *Fiduciary Funds* and KDE policy.

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

### Blended Component Unit

**Powell County Board of Education Finance Corporation** - In a prior year, the Board resolved to authorize the establishment of the Powell County School District Finance Corporation (a non-stock, non-profit corporation organized under School Bond Act and Chapter 273 and KRS 58.180) (the Corporation) as an agency of the District for financing the costs of school building improvements. The Board members of the Powell County Board of Education also comprise the corporation's Board of Directors. The Corporation does not publish individual component unit financial statements.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of Presentation

The District's basic financial statements present 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 are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within the 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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 accompanied by a total column.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all the District's assets and liabilities, including capital assets as well as long-term liabilities are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the District are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regard to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, transactions between governmental and business-type activities have not been eliminated.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

All governmental funds are accounted for on the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statements of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financial sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year- end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the District are property tax and utility tax. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The District has the following funds:

I. <u>Governmental Fund Types</u>

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

(B) The Special Revenue Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes.

1) The Special Revenue Fund includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

2) The District Activity Fund is a special revenue fund used to account for funds collected at individual schools for operation costs of the school or school district that allows for more flexibility in the expenditure of those funds. This is a non-major fund of the District.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3) The School Activity Fund is a Special Revenue Fund type and is used to account for activities and programs for athletic, community service, and scholastic organizations managed by each school to benefit student activities. This fund was added in FY 2021 after the District implemented GASBS No. 84, *Fiduciary Activity.* This is a non-major fund of the District.

(C) Capital Project Funds are used to account for financial resources used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds). The following are Capital Project Funds:

1) The Support Education Excellence in Kentucky (SEEK), Fund receives those funds designated by the state as Capital Outlay Funds (unless authorized for retention in the General Fund) and is generally restricted for use in financing capital acquisitions. This is a non-major fund of the District.

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

3) The Construction Fund accounts for funds from two sources. First, funds generated by sales of bonds issues are used for various construction and renovation projects. Second, proceeds from the sale of properties and equipment owned by the District are to be used at the discretion of the Board for construction projects in future years. This is a major fund of the District.

(D) The Debt Service Fund accounts for financial resources used for payment of principal and interest and other debt related costs. This is a non-major fund of the District.

II. Proprietary Fund Types (Enterprise Fund)

The 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.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

III. Fiduciary Fund Types (Private-Purpose Trust Fund)
The Private Purpose Trust Fund (Scholarship Fund) is used to report bequests left for charitable payments for scholarship awards. The assets are held by the District in a trustee capacity, whereby the original bequest is preserved as nonexpendable and the interest earnings are available for scholarships for Powell County High School students.

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

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

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

Unearned Revenue – Unearned revenue arises when assets are recognized before eligibility criteria other than time requirements have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue. Unused donated commodities are also reported as inventory and unearned revenue.

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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

### Property Taxes

Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the County. The billings are considered due upon receipt by the taxpayer. However, the actual due 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 when tax revenues are restricted to a specific purpose.

The property tax rates assessed for the year ended June 30, 2023, to finance the General Fund operations were $0.513 per $100 valuation for real property, $0.513 per $100 valuation for business personal property and $0.502 per $100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the delivery, within the district, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

### Cash and Cash Equivalents

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

### Inventory

Inventory consists of food purchased by the District and commodities granted by the United States Department of Agriculture (USDA). The commodities are recognized as revenues and expenditures by the Food Service Fund when consumed. Any material commodities on hand at year end are recorded as inventory. All purchased inventory items are valued at the lower of cost or market (first-in, first-out) using the consumption method and commodities assigned values are based on information provided by the USDA.

### Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Capital Assets (Cont'd)
All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras 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 of the asset or materially extend an assets life are expensed.

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

| | | |
|---|---|---|
| Buildings and improvements | 25-50 | years |
| Land improvements | 20 | years |
| Technology equipment | 5 | years |
| Vehicles | 5-10 | years |
| Audio-visual equipment | 15 | years |
| Food service equipment | 12 | years |
| Furniture and fixtures | 20 | years |
| Rolling Stock | 15 | years |
| Other | 10 | years |

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

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the amount "accrued sick leave" in the general fund. The non-current portion of the liability is not reported in the fund financial statements, but is reflected in the statement of net position.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Budgetary Process

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

a) Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP) during the year and adjusted to modified accrual for the governmental funds at year-end.
b) Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP) during the year and adjusted to modified accrual for the governmental funds at year-end.
c) Capital outlay is budgeted within the departmental budget (budgetary) as opposed to separate classification by character (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 in accordance with state law. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year end.

Interfund Balances

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

Accrued Liabilities and Long-Term Obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the non-current portion of capital leases, accumulated sick leave, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous ("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 they are reported by the CERS and KTRS, respectively. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Both systems publish separate financial statements as described in Note 6.

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous ("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 they are reported by these multiple-employer cost-sharing OPEB systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized by the pension systems when due and payable in accordance with the benefit terms. Investments are reported at fair value by the pension systems. Both systems publish separate financial statements as described in Note 7.

Fund Balances

The District adopted GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) for fiscal year 2011 for its governmental funds. Fund balances for each of the District's governmental funds (General Fund, special revenue funds, capital projects funds, and debt service funds) will be displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable fund balance*—amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.
- *Restricted fund balance*—amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation. Restricted fund balance as of June 30, 2023 consists of $3,010,851 for capital projects in the Construction, SEEK Capital Outlay, and FSPK Building funds, $8,779 for debt service in the Debt Service fund, $299,716 for student activities in the District Activity and Student Activity funds, and $84,537 for sick leave in the General fund.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Fund Balances (Cont'd)

- *Committed fund balance*—amounts that can be spent only for specific purposes determined by a formal action of the board's highest level of decision-making authority, which is a resolution. $60,453 of general fund balance has been committed for the site-based decision making council as of June 30, 2023.

- *Assigned fund balance*—amounts intended to be used by the District for specific purposes that are neither restricted nor committed. The Board or a delegated entity has the authority to assign amounts to be used for specific purposes.

- *Unassigned fund balance*—amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations, using restricted funds first, followed by committed funds, assigned funds, then unassigned funds.

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

Net Position

Net position represents the difference between assets plus deferred outflows of resources less liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets and any deferred outflows/inflows related to debt issued for capital financing. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Operating Revenues and Expenses

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

Receivables from and payables to external parties are reported separately and are not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.

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 the proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Bond Issuance Costs

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts in the financial statements and the accompanying notes. Actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until the appropriate period. The District reports three types of deferred outflows- contributions to the CERS and KTRS pension systems after the measurement period, differences between actual and estimated actuarial assumptions in the two pension systems (see Notes 6 and 7), and the unrecognized portion of a deferred loss on the refinancing of long-term debt (see Note 4).

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until appropriate period. The District reports one type of deferred inflows- those related to the net differences between projected and actual actuarial assumptions for pension and OPEB plans (see Notes 6 and 7).

Lease Liabilities
The lease liability is recognized at the commencement of the lease term, unless the lease is a short-term lease, below the lease capitalization threshold of $5,000, or it transfers ownership of the underlying asset. The lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives) based on a borrowing rate specified in the contract or implicit rate. The lease term includes the noncancelable period of the lease and extensions the District is reasonably certain to exercise. The District monitors changes in circumstances that are expected to significantly affect the amount of a lease liability that may require a remeasurement of its lease.

New Accounting Pronouncements
In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for fiscal years beginning after June 15, 2022. This standard will require similar recognition for right-to-use subscription intangible assets and a corresponding subscription liability that is provided for long-term leases in GASBS No. 87. The District reviewed its current IT subscription services and implemented the standard in the current year. Further details of the implementation are outlined in Note 19.

In June 2023, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections*, that will be effective for these types of changes in fiscal years beginning after June 15, 2023. The District will apply this guidance, when appropriate.

In June 2023, the GASB issued Statement No. 101, *Compensated Absences*, effective for fiscal years beginning after December 15, 2023 (the District's 2025 fiscal year). This standard revises some definitions for compensated absences and consolidates guidance for all types of leave to a single accounting recognition. This standard is not likely to have a material effect on the District's financial statements since they only provide one type of leave that is already recognized using the principles in GASBS No. 101.

## NOTE 2 - CASH AND INVESTMENTS

Deposits and Investments

The Kentucky Revised Statutes authorize the District to invest money subject to its control in obligations of the United States; bonds or certificates of indebtedness of Kentucky and its agencies and instrumentalities; savings and loan associations insured by an agency of the United States up to the amount insured; and national or state banks chartered in Kentucky and insured by an agency of the United States providing such banks pledge as security obligations, as permitted by KRS 41.240 (4), having a current quoted market value at least equal to uninsured deposits.

No investments are reported at amortized cost. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's investments are valued using level 2 inputs.

Investments recorded by the district consist of the following as of June 30, 2023:

| Investment Type | Fair Value Classification | Fund | Fair Value |
|---|---|---|---|
| Guggenheim Annuity Contract | Level 2 | Fiduciary | $168,673 |
| Anthene Annuity Contract | Level 2 | General | 250,251 |
| North American Co. Annuity Contract | Level 2 | General | 217,598 |
| Total Investments | | | $619,492 |

Cash and Cash Equivalents

The Kentucky Revised Statutes authorize the District to invest money subject to its control in obligations of the United States; bonds or certificates of indebtedness of Kentucky and its agencies and instrumentalities; savings and loan associations insured by an agency of the United States up to the amount insured; and national or state banks chartered in Kentucky and insured by an agency of the United States providing such banks pledge as security obligations, as permitted by KRS 41.240 (4), having a current quoted market value at least equal to uninsured deposits. Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

At year end, the District's bank balances were collateralized by securities held by the pledging bank's trust department in the District's name and FDIC Insurance. At year end, the carrying amount of the District's cash and cash equivalents was $5,808,230. The bank balance for the same time was $6,897,730. Due to the nature of the accounts and limitations imposed by the purposes of the various funds, all cash balances are considered to be restricted except for the General Fund.

POWELL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

## NOTE 3 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2023 was as follows:

| | Beginning Balance | Additions | Disposals | Ending Balance |
|---|---|---|---|---|
| Governmental Activities: | | | | |
| Capital Assets not being depreciated: | | | | |
| Land | $1,220,539 | $0 | $0 | $1,220,539 |
| Construction in Progress | 1,641,000 | 2,561,014 | 0 | 4,202,014 |
| Total Capital Assets not being depreciated | 2,861,539 | 2,561,014 | 0 | 5,422,553 |
| Other Capital Assets | | | | |
| Land Improvements | 1,067,294 | 0 | 0 | 1,067,294 |
| Buildings & Improvements | 36,446,617 | 7,620 | 0 | 36,454,237 |
| Technological Equipment | 754,245 | 8,665 | 0 | 762,910 |
| Vehicles | 4,109,294 | 167,636 | 139,337 | 4,137,593 |
| General Equipment | 1,147,201 | 200,794 | 0 | 1,347,995 |
| Total Other Assets | 43,524,651 | 384,715 | 139,337 | 43,770,029 |
| Less accumulated depreciation for: | | | | |
| Land Improvements | (1,064,735) | (1,383) | 0 | (1,066,119) |
| Buildings & Improvements | (18,009,303) | (1,024,808) | 0 | (19,034,111) |
| Technological Equipment | (675,457) | (21,234) | 0 | (696,691) |
| Vehicles | (2,640,263) | (179,115) | (139,337) | (2,680,041) |
| General Equipment | (900,926) | (41,024) | 0 | (941,949) |
| Total accumulated depreciation | (23,290,684) | (1,267,565) | (139,337) | (24,418,912) |
| Other Capital Assets, net | 20,233,968 | (882,850) | 0 | 19,351,118 |
| Intangible Assets | | | | |
| Subscriptions | 0 | 11,139 | 0 | 11,139 |
| Accumulated amortization | 0 | (4,774) | 0 | (4,774) |
| Intangible Assets, net | 0 | 6,365 | 0 | 6,365 |
| Governmental Activities, net | $23,095,507 | $1,684,529 | $0 | $24,780,036 |
| Business Activities: | | | | |
| Technological Equipment | $8,800 | $0 | $0 | $8,800 |
| General Equipment | 626,433 | 0 | 0 | 626,433 |
| Total | 635,233 | 0 | 0 | 635,233 |
| Less accumulated depreciation for: | | | | |
| Technological Equipment | (8,800) | 0 | 0 | (8,800) |
| General Equipment | (573,195) | (10,168) | 0 | (583,364) |
| Total accumulated depreciation | (581,995) | (10,168) | 0 | (592,164) |
| Business Activities, net | $53,238 | ($10,168) | $0 | $43,069 |

## NOTE 3 - CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to functions of the governmental activities of the District as follows:

| | |
|---|---|
| **Governmental Activities:** | |
| Instruction | $548,578 |
| Support Services: | |
| District Administration | 19,000 |
| School Administration | 2,252 |
| Business Support Services | 141 |
| Plant Operations & Maintenance | 515,541 |
| Student Transportation | 178,827 |
| Community Services | 8,000 |
| Total depreciation expense, governmental activities | $1,272,339 |

Intangible Subscription Assets

In FY 2023, the District implemented the guidance of GASBS No. 96, *Subscription-Based Information Technology Arrangements*, for accounting and reporting subscriptions that had previously been reported as expense when subscription payments were made.

The District has entered into various agreements for subscription based information technology software. The majority of these agreements cover only one fiscal year and are therefore exempt from the requirements under GASBS No. 96. However, the District is currently party to one subscription agreement to which the guidance in GASBS No. 96 is applicable.

In July 2022 the District entered into a subscription agreement with CEV for iCEV software. The term of the subscription is 28 months beginning July 1, 2022. The entire subscription cost of $11,139 was paid up-front in July of 2022. In accordance with GASB 96 this amount was reported as an intangible asset at June 30, 2023, with accumulated amortization of $4,774. The remaining amount will be amortized at $398 per month over the subscription term.

## NOTE 4 – LONG-TERM DEBT AND LEASE OBLIGATIONS

Bonds

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

In connection with the school revenue bonds issued after May 1, 1996, the District entered into "Participation Agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs.

## NOTE 4 - LONG-TERM DEBT AND LEASE OBLIGATIONS (cont'd)

The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.The original amount of each issue, the issue date, interest rates, and outstanding balances of each bond are summarized below:

| Issue | Proceeds | Rates | Maturity Dates | Outstanding Balance June 30, 2023 |
|---|---|---|---|---|
| 2013 | 5,545,000 | 1.50% - 3.00% | 8/1/2028 | 3,315,000 |
| 2015R | 2,685,000 | 2.00% - 2.40% | 8/1/2026 | 1,180,000 |
| 2016 Energy | 3,765,000 | 2.00% - 3.00% | 5/1/1936 | 3,120,000 |
| 2016 | 4,120,000 | 1.15% - 3.00% | 8/1/1936 | 3,525,000 |
| 2016R | 960,000 | 1.10% - 3.00% | 8/1/2028 | 620,000 |
| | $17,075,000 | | | $11,760,000 |

The bonds which may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2023 for debt service (principal and interest) are as follows:

| | Powell County School District | | Kentucky School Construction Commission | | |
|---|---|---|---|---|---|
| Year | Principal | Interest | Principal | Interest | Total |
| 2024 | $616,499 | $207,943 | $363,501 | $87,979 | $1,275,922 |
| 2025 | 638,805 | 194,977 | 371,195 | 80,287 | 1,285,264 |
| 2026 | 665,918 | 181,603 | 379,082 | 72,401 | 1,299,004 |
| 2027 | 693,479 | 166,408 | 356,521 | 64,125 | 1,280,533 |
| 2028 | 538,755 | 151,585 | 266,245 | 56,650 | 1,013,235 |
| 2029-2033 | 2,934,982 | 543,624 | 1,445,018 | 173,760 | 5,097,384 |
| 2034-2038 | 2,109,822 | 127,730 | 380,178 | 21,788 | 2,639,518 |
| | $8,198,260 | $1,573,870 | $3,561,740 | $556,990 | $13,890,860 |

### Defeased Bonds

The District has Series 2015 and 2016 refunding bonds which resulted in differences between the reacquisition price and the net carrying amount of the refunded debt creating deferred outflows of resources of $32,751 and $60,470, respectively. These deferred balances will be amortized to operations yearly for $2,977 and $5,039 through 2026 and 2028, respectively. The total balance of the deferred loss on refunding as of June 30, 2023 was $33,861.

### Financed Purchases

The District finances several buses under financing agreements issued by the Kentucky Interlocal School Transportation Association (KISTA). The following table summarizes the KISTA agreements outstanding as of June 30, 2023:

## NOTE 4 - LONG-TERM DEBT AND LEASE OBLIGATIONS (cont'd)

| KISTA Issue | Maturity Dates | Interest Rates | 2022 Outstanding Balance | Additions | Retirements | 2023 Outstanding Balance |
|---|---|---|---|---|---|---|
| Series 2015 | 3/1/2025 | 2.00% | $63,362 | $0 | 23,079 | $40,283 |
| Series 2016 | 3/1/2026 | 2.00% | 87,121 | 0 | 22,973 | 64,148 |
| Series 2017 | 3/1/2027 | 2.55% | 109,829 | 0 | 22,302 | 87,527 |
| Series 2019 | 3/1/2029 | 3.00% | 152,960 | 0 | 21,861 | 131,099 |
| Series 2020 | 3/1/2030 | 2.00% | 91,599 | 0 | 11,191 | 80,408 |
| Series 2021 | 3/1/2031 | 3.10% | 432,864 | 0 | 53,970 | 378,894 |
| Totals | | | $937,735 | $0 | $155,376 | $782,359 |

Future minimum lease payments under the terms of the leases are as follows:

| Fiscal Year Ended June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2024 | 147,846 | 15,298 | 163,144 |
| 2025 | 146,800 | 12,213 | 159,013 |
| 2026 | 125,368 | 9,050 | 134,418 |
| 2027 | 106,912 | 6,431 | 113,343 |
| 2028 | 80,737 | 4,303 | 85,040 |
| 2029-2031 | 174,696 | 4,985 | 179,681 |
| | $782,359 | $52,281 | $834,640 |

The following is an analysis of the leased property under capital leases by class at June 30, 2023:

| Class of Property | Amount |
|---|---|
| Buses Book Value | $841,901 |

The following is a summary of the District's long-term debt transactions for the year ended June 30, 2023:

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Bonds | $12,710,000 | $0 | $950,000 | $11,760,000 | $980,000 |
| Bond Premium | 35,230 | 0 | 420 | 34,810 | 0 |
| Financed purchases | 937,735 | 0 | 155,376 | 782,359 | 147,846 |
| Sick Leave | 144,017 | 86,637 | 61,581 | 169,073 | 51,598 |
| Total | $13,826,982 | $86,637 | $1,167,377 | $12,746,242 | $1,179,444 |

## NOTE 5 - COMMITMENTS UNDER SHORT-TERM LEASES

Commitments under short-term lease agreements for office equipment provided for the minimum future rental payments as of June 30, 2023 are as follows:

| Year Ending June 30: | Amount |
|---|---|
| 2024 | $2,857 |

## NOTE 5 - COMMITMENTS UNDER SHORT-TERM LEASES (Cont'd)

Expenditures for equipment under short-term leases for the year ended June 30, 2023 totaled $16,632.

During analysis of the implementation of GASB 87 (See Note 1) it was determined the district only had leases for the short-term equipment agreements that meet the provisions of GASB No. 87, paragraph 16. Short-term leases are recognized as outflows based on the payment provisions of the contracts.

## NOTE 6 – RETIREMENT 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 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 Public Pensions Authority (KPPA), an agency of the Commonwealth of Kentucky. As of April 1, 2021, Kentucky Revised Statute ("KRS") Section 78.782 shifted the governance of CERS to a separate Board of Trustees of the County Employees Retirement System. The CERS Board manages the CERS trust, including investment management.

KPPA provides the day-to-day administration (KRS 61.505) for accounting and benefit administration for CERS. The Kentucky General Assembly has the authority to establish and amend benefit provisions. The Kentucky Public Pensions Authority 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.

**NOTE 6 – RETIREMENT PLANS (Cont'd)**

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

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

Cost of living adjustments are provided at the discretion of the General Assembly. In 2013, the General Assembly established funding status thresholds which must be achieved before another COLA can be awarded to retirees.

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.

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.

Employer Contributions – For the year ended June 30, 2023, employer contributions were established by the County Employees Retirement Systems in December 2021. The governing Board establishes employer contribution rates based on the annual actuarial valuation completed in November each year for the fiscal year beginning the following July 1. For fiscal year 2023, the employer contribution rate for CERS nonhazardous pensions was 23.4% and hazardous pensions was 42.81%. In fiscal year 2022, these rates were 22.78% and 35.60%, respectively. Rates for both 2023 and 2022 reflect the adjustments enacted by the Kentucky General Assembly to phase-in the actuarially determined rates. (See Note 7 for additional rate information for the OPEB plans.)

**NOTE 6 – RETIREMENT PLANS (Cont'd)**

Employee Contributions – Required contributions by the employee are based on the tier:

| | NonHazardous | Hazardous |
|---|---|---|
| Tier 1 | 5% | 8% |
| Tier 2 | 5% + 1% for insurance | 8% + 1% for insurance |
| Tier 3 | 5% + 1% for insurance | 8% + 1% for insurance |

*General information about the Teachers' Retirement System of the State of Kentucky ("TRS of Ky")*

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 (TRS of Ky)—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. TRS of Ky was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. TRS of Ky is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS of Ky issues a separate publicly available financial report that can be obtained from the TRS of Ky website, at https://trs.ky.gov/administration/financial-reports-information/.

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.

Employees 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 is 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.

## NOTE 6 – RETIREMENT PLANS (Cont'd)

Effective July 1, 2008, the System was amended to change the benefit structure for employees hired on or after that date. Members hired after July 1, 2008, must complete 27 years of service, attain age 60 and 5 years of service, or attain age 55 and 10 years of service. The annual retirement allowance for members hired after July 1, 2008, is 1.7% for 10 years or less of service; 2.0% for 10 -20 years; 2.3% for 20 – 26 years; 2.5% for 26 – 30 years; or 3.0% for more than 30 years of service. The annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

In 2021, the Kentucky General Assembly added a fourth tier to the TRS System. Members hired on or after January 1, 2022, will be eligible for a combined defined benefit and defined contribution plan. The defined benefit portion is based on length of service, final average salary, a multiplier, and the annuity option selected by the member. The defined contribution benefit portion is determined by an account balance funded by mandatory and voluntary contributions and the payment options selected by the member.

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. TRS of Ky 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.

TRS provides disability retirement allowance for members who are totally and permanently disabled after completing at least 5 years of service, but less than 27 years. The disability allowance is equal to 60% of the member's final average salary, payable over an entitlement period equal to 25% of the service credited to the member at the date of disability or five years, whichever is longer.

If the member is still disabled after the end of the entitlement period, the member receives a service retirement allowance, including additional service credit for the period of disability retirement. This extended allowance will not be less than $6,000 and is not reduced for retirement prior to age 60 or completion of 27 years of service.

TRS provides a death benefit to a surviving spouse of an active member with less than 10 years of service. This benefit is $2,880 per year unless the spouse has income from other sources that exceed $6,600 which will reduce this death benefit to $2,160 per year. A surviving spouse of an active member with 10 or more years of service is eligible for a death benefit actuarially equivalent to the allowance that the member would have received upon retirement. This benefit will commence on the date the deceased member would have been eligible for the service retirement and is payable during the life of the spouse. Additional benefits are provided for unmarried children under age 18 who are also survivors of the deceased member.

**NOTE 6 – RETIREMENT PLANS (Cont'd)**

If an employee terminates 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.

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). Tiers 1, 2, and 3 non-university employees are required to contribute 9.105% of their salaries to the System for pension benefits. (See OPEB discussion for additional contribution rates.) For the FY22 measurement period, the Commonwealth of Kentucky, as a non-employer contributing entity, paid matching contributions at the rate of 16.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 17.105% for those hired after July 1, 2008, for pension benefits. (See OPEB discussion for additional contribution rates.) The 2020 actuarially determined combined member and state contribution rates for the fiscal year ended June 30, 2023 was 30.665% for non-university members hired before July 1, 2008, and 31.665% for those hired after July 1, 2008. The 2019 actuarially determined combined member and state contribution rates for the fiscal year ended June 30, 2022 was 38.56% for non-university members hired before July 1, 2008, and 39.56% for those hired after July 1, 2008. The Kentucky General Assembly increased the employer contribution in the state's fiscal year 2022 budget to reflect the actuarially determined rates, less the employee contribution.

The mandatory pension contribution for Tier 4 non-university employees hired on or after January 1, 2022, is 11%. Employer rates for Tier 4 are 10%. (See OPEB Note 7 for additional contribution rates.) Those employees may voluntarily contribute an additional amount, not to exceed the earnings on a paycheck.

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

At June 30, 2023, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for TRS of Ky because the Commonwealth of Kentucky provides the pension support directly to TRS of Ky on behalf of the District in a special funding situation. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

| | | |
|---|---|---|
| District's proportionate share of the net CERS pension liability | $ | 10,220,885 |
| Commonwealth's proportionate share of the net KTRS pension liability associated with the District | | 45,943,187 |
| | $ | 56,164,072 |

**NOTE 6 – RETIREMENT PLANS (Cont'd)**

The net pension liability for each plan was measured as of June 30, 2022, 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 actuarial liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2023, the District's proportion was 0.141387 percent. For the year ended June 30, 2023, the District recognized pension expense of $376,747 related to CERS and expense of $3,546,527 related to TRS of Ky. The District also recognized on-behalf revenue of $3,361,833 for TRS of Ky support provided by the Commonwealth paid directly to TRS of Ky.

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 10,927 | $ 91,021 |
| Changes of assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | 1,390,756 | 1,128,730 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 355,064 | - |
| District contributions subsequent to the measurement date | 809,739 | - |
| | $ 2,566,486 | $ 1,219,751 |

$809,739 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

| Year ended June 30: | |
|---|---|
| 2023 | $ 249,861 |
| 2024 | $ 82,673 |
| 2025 | $ (85,890) |
| 2026 | $ 290,352 |
| 2027 | $ - |

## NOTE 6 – RETIREMENT PLANS (Cont'd)

Actuarial assumptions - The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | CERS | TRS of Ky |
|---|---|---|
| Price inflation | 2.30% | 2.5% |
| Cost-of-living adjustment | 0.0% | 0.0% |
| Salary increases | 3.30% - 10.30% | 3.0-7.5% |
| Investment rate of return | 6.25% | 7.1% |

Actuarial assumptions - The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | CERS | TRS of Ky |
|---|---|---|
| Inflation | 2.30% | 2.50% |
| Payroll growth rate | 2.00% | N/A |
| Cost-of-living adjustment | 0.00% | 1.5% |
| Salary Increases-NonHazardous | 3.30% - 10.30% | 3.0-7.5% |
| Salary Increases-Hazardous | 3.55% - 19.05% | N/A |
| Investment rate of return | 6.25% | 7.10% |

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

For TRS of Ky, mortality rates were based on the Pub2010 (Teachers Benefit-Weighted Mortality Table projected generationally with MP-2020 and various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members. The actuarial assumptions used were based on the results of an actuarial experience study for the 5-year period ending June 30, 2020, adopted by the board on September 20, 2021. The assumed long-term investment rate of return was changed from 7.50 percent to 7.10 percent and the price inflation assumption was lowered from 3.0 percent to 2.5 percent. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years, at a minimum. The most recent analysis, performed for the period covering fiscal years 2014 through 2018, is outlined in a report dated April 18, 2019.

## NOTE 6 – RETIREMENT PLANS (Cont'd)

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 is summarized the table below. The current long-term inflation assumption is 2.3% per annum for both the non-hazardous and hazardous plan.

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| **Equity:** | **60.00%** | |
| Public Equity | 50.00% | 4.45% |
| Private Credit | 10.00% | 10.15% |
| **Fixed Income:** | **20.00%** | |
| Core Bonds | 10.00% | 0.28% |
| High Yield Credit | 10.00% | 2.28% |
| Cash | 0.00% | -0.91% |
| **Inflation Protected:** | **20.00%** | |
| Real Estate | 7.00% | 3.67% |
| Real Return | 13.00% | 4.07% |
| Total | 100.00% | |
| **Expected Real Return** | | **4.28%** |
| **Long Term Inflation Assumption** | | **2.30%** |
| **Expected Nominal Return for Portfolio** | | **6.58%** |

For TRS of Ky, 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 TRS of Ky's investment consultant, are summarized in the following table:

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

**NOTE 6 – RETIREMENT PLANS (Cont'd)**

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 6.25%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

Sensitivity of CERS and TRS of Ky 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:

| | | 1% Decrease | | Current Discount Rate | | 1% Increase |
|---|---|---|---|---|---|---|
| CERS | | 5.25% | | 6.25% | | 7.25% |
| District's proportionate share of net pension liability | $ | 12,774,839 | $ | 10,220,885 | $ | 8,108,554 |
| KTRS | | 6.10% | | 7.10% | | 8.10% |
| District's proportionate share of net pension liability | $ | - | $ | - | $ | - |

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 TRS of Ky.

Deferred Compensation

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, was amended by GASBS No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*.

## NOTE 6 – RETIREMENT PLANS (Cont'd)

The GASB standards allow entities with little or no administrative involvement who do not perform the investing function for these plans to omit plan assets and related liabilities for these defined contribution plans from their financial statements. The District therefore does not show these assets and liabilities in this financial statement.

## NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS

The District's employees are provided with two OPEB 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 Teachers Retirement System of Kentucky (TRS of Ky) covers positions requiring teaching certification or otherwise requiring a college degree. Retired District employees receive some health care benefits depending on their length of service. In accordance with Kentucky Revised Statutes, these benefits are provided and advance funded on an actuarially determined basis through the CERS and TRS of Ky plans. The change in governance for CERS discussed in Note 5 for pension plan governance also applies to the CERS OPEB plans. The Kentucky Public Pensions Authority's publicly available financial report includes the CERS OPEB plan reports and may be obtained from http://kyret.ky.gov/. TRS of Ky issues a publicly available financial report that can be obtained at http://www.TRS of Ky.ky.gov/05_publications/index.htm.

### CERS Other Postemployment Benefits

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

Benefits Provided—Percentage of premium subsidies ranges from 0% for less than 4 years of service to 100% for 20 years or more of service. For members who initiated participation in the CERS system after July 1, 2003 until August 31, 2008, members must have 120 months of service in a state-administered retirement system to qualify for participation in the KRS health plans. Members who began participating with KRS on or after September 1, 2008, must have 180 months of service upon retirement to participate in the KRS health plans. Non- hazardous retirees receive $10 toward the monthly premium for each full year of service.

Hazardous retirees receive $15 toward the monthly premium and the hazardous retiree's spouse may also receive this contribution upon the retiree's death. The monthly insurance benefit has been increased annually by a Cost of Living Adjustment (COLA) since July 2004.

## NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Cont'd)

Contributions—CERS allocates a portion of the employer contributions to the health insurance benefit plans. CERS allocated 3.39% in FY 2023 and 4.17% in FY 2022 for the actuarially required contribution rate paid by employers for funding the nonhazardous healthcare benefit. Contributions for the hazardous OPEB plan were 6.78% in FY 2023 and 8.73% in FY 2022. In addition, 1% of the Tier 2 and 3 employee contributions are allocated to the health insurance plan for both hazardous and nonhazardous plans. OPEB contribution rates are declining as the funded status for CERS health insurance benefit plans approach 100%.

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

At June 30, 2023, the District reported a liability of $2,789,798 for its proportionate share of the CERS collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the District's proportion was 0.141362 percent. The District recognized OPEB expense of $324,662 as the OPEB liability and deferred outflows of resources increased and the related deferred inflows of resources decreased.

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

| **CERS** | **Deferred Outflows of Resources** | **Deferred Inflows of Resources** |
|---|---|---|
| Differences between expected and actual experience | $ 280,816 | $ 639,766 |
| Changes of assumptions | 441,226 | 363,568 |
| Net difference between projected and actual earnings on OPEB plan investments | 519,489 | 406,258 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 166,280 | 32,547 |
| District contributions subsequent to the measurement date | 117,308 | - |
| | $ 1,525,119 | $ 1,442,139 |

Of the total amount reported as deferred outflows of resources related to OPEB, $117,308 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

## NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Cont'd)

| Year ended June 30: | | |
|---|---|---|
| 2023 | $ | 40,226 |
| 2024 | $ | 41,042 |
| 2025 | $ | (136,584) |
| 2026 | $ | 20,988 |
| 2027 | $ | - |
| Thereafter | $ | - |

*Actuarial assumptions* – The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Investment rate of return | 6.25%, net of OPEB plan investment expense, including inflation. |
| Projected salary increases | 3.30% - 10.30%, for non-hazardous, depending on years of service<br>3.55% to 19.05%, for hazardous, depending on years of service |
| Inflation rate | 2.30% |
| Healthcare cost trend rates: | |
| Under 65 | Initial trend rate starts at 6.40%, January 2021, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years |
| Ages 65 and Older | Initial trend starting at 6.3%, January 2021, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years |
| Municipal Bond Index Rate | 3.69% for both hazardous and non-hazardous |
| Discount Rate | 5.70% non-hazardous and 5.61% hazardous |

Post-retirement mortality rates (non-disabled) used a system-specific mortality table based on mortality experience from 2013 – 2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2021 valuation were based on a review of recent plan experience for the period covering fiscal years 2014 through 2018, is outlined in a report dated April 18, 2019. The investment return, price inflation, and payroll growth assumption were adopted by the Board in May 2021 for use with the June 30, 2021 valuation in order to reflect future economic expectations.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years, at a minimum. The most recent analysis, performed for the period covering fiscal years 2014 through 2018, is outlined in a report dated April 18, 2019. The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized the table below. The current long-term inflation assumption is 2.3% per annum for both the non-hazardous and hazardous plan.

## NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Cont'd)

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| **Equity:** | **60.00%** | |
| Public Equity | 50.00% | 4.45% |
| Private Credit | 10.00% | 10.15% |
| **Fixed Income:** | **20.00%** | |
| Core Bonds | 10.00% | 0.28% |
| High Yield Credit | 10.00% | 2.28% |
| Cash | 0.00% | -0.91% |
| **Inflation Protected:** | **20.00%** | |
| Real Estate | 7.00% | 3.67% |
| Real Return | 13.00% | 4.07% |
| Total | 100.00% | |
| **Expected Real Return** | | **4.28%** |
| **Long Term Inflation Assumption** | | **2.30%** |
| **Expected Nominal Return for Portfolio** | | **6.58%** |

*Discount rate* – The single discount rate of 5.70% for CERS nonhazardous and 5.61% for CERS hazardous was used to measure the total OPEB liability as of June 30, 2022. The Single discount rate is based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 3.69%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2022.

Future contributions are projected in accordance with the current funding policy mandated in Ky Revised Statutes 61.565, as amended, which includes the requirement that each participating employer in the System contribute the actuarially determined contribution rate, which is determined using a closed funding period (the Kentucky General Assembly reset the amortization period to 30 years in 2020) and the actuarial assumptions and methods adopted by the Board of Trustees. Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system.

However, the cost associated with the implicit employer subsidy for non-Medicare retirees is not currently included in the calculation of the System's actuarial determined contributions and any cost associated with the implicit subsidy is not paid out of the System's trust. The implicit rate subsidy is paid by the Commonwealth of Kentucky self-insurance fund, Kentucky Employees Health Plan. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

**NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Cont'd)**

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.70%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.70%) or 1-percentage-point higher (6.70%) than the current rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| CERS | 4.70% | 5.70% | 6.70% |
| District's proportionate share of net OPEB liability | $ 3,729,515 | $ 2,789,798 | $ 2,012,965 |

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

| | 1% Decrease | Current Health Care Trend Rate | 1% Increase |
|---|---|---|---|
| CERS | | | |
| District's proportionate share of net OPEB liability | $ 2,074,153 | $ 2,789,798 | $ 3,649,153 |

The Kentucky Public Pensions Authority's publicly available financial report includes financial reports for the CERS OPEB plans and may be obtained from http://kyret.ky.gov/.

**TRS of Ky POST-EMPLOYMENT HEALTH CARE BENEFITS**

The Commonwealth of Kentucky (State) reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the TRS of Ky Medical Insurance and Life Insurance Plans in a special funding situation for local school districts. Local school districts include a proportionate share of the liability, deferred outflows of resources and deferred inflows of resources, and expenses for the cost-sharing medical insurance plan.

Plan description—In addition to the pension benefits described in Note 6, KRS 161.675 requires TRS of Ky to provide post-employment healthcare benefits to eligible employees and dependents. The TRS of Ky Medical Insurance Fund is a cost-sharing multiple-employer defined benefit plan. Changes made to the medical plan may be made by the TRS of Ky Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

## NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Cont'd)

Benefits Provided—To be eligible for medical benefits, the member must have retired either for service or disability. The TRS of Ky 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 TRS of Ky Medicare Eligible Health Plan.

Contributions–KRS 161.540 requires non-university members to contribute 3.75% to fund the post-retirement healthcare benefit, including members in Tier 4 hired after January 1, 2022. The Commonwealth of Kentucky contributes three quarters percent (.75%) from state appropriation and local school district employers contribute three percent (3.00%). In addition, the state contributes 1.57% for the cost of health insurance for retirees who are not eligible for Medicare. The total member and employer actuarially determined contribution based on the 2021 valuation was 4.62% for school district employees. The FY 22 difference between the total contributions and actuarially determined contribution (4.45%) was applied to reduce the unfunded actuarial accrued liability. The FY21 total member and employer actuarially determined contribution rate was 4.64% and 4.44% (the excess payment) was applied to the unfunded actuarial accrued liability.

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

At June 30, 2023, the District reported a liability of $4,853,000 for its proportionate share of the collective net OPEB liability for medical insurance.

The collective net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the District's proportion was 0.195494 percent.

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

| | | |
|---|---|---|
| District's proportionate share of the net KTRS OPEB liability | $ | 4,853,000 |
| Commonwealth's proportionate share of the net KTRS OPEB liability associated with the District | | 1,594,000 |
| Total | $ | 6,447,000 |

## NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Cont'd)

For the fiscal year ended June 30, 2023, the District recognized a decrease in OPEB expense of $237,692 as the liability decreased, deferred outflows and inflows of resource increased, and deferred contributions increased. In addition, the District recognized on-behalf revenue and expenses of $85,216 for support provided by the State as a nonemployer contributing entity.

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

| KTRS | | Deferred Outflows of Resources | | Deferred Inflows of Resources |
|---|---|---|---|---|
| Differences between expected and actual experience | $ | - | $ | 2,040,000 |
| Changes of assumptions | | 986,000 | | - |
| Net difference between projected and actual earnings on OPEB plan investments | | 258,000 | | - |
| Changes in proportion and differences between District contributions and proportionate share of contributions | | 1,323,000 | | 207,000 |
| District contributions subsequent to the measurement date | | 259,120 | | - |
| | $ | 2,826,120 | $ | 2,247,000 |

Of the total amount reported as deferred outflows of resources related to OPEB, $259,120 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

| Year ended June 30: | | |
|---|---|---|
| 2023 | $ | (152,000) |
| 2024 | $ | (94,000) |
| 2025 | $ | (38,000) |
| 2026 | $ | 277,000 |
| 2027 | $ | 239,000 |
| Thereafter | $ | 88,000 |

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

| | |
|---|---|
| Investment rate of return | 7.1%, net of OPEB plan investment expense, including inflation. |
| Projected salary increases | 3.00 – 7.50%, including inflation |
| Inflation rate | 2.50% |
| Wage Inflation | 2.75% |
| Single Equivalent Interest Rate | 7.10%, net of OPEB Plan investment expense, including inflation |

## NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Cont'd)

| | |
|---|---|
| Healthcare cost trend rates | |
| Under 65 | 7.0% for FYE 2022 decreasing to an ultimate rate of 4.50% by FY 2032 |
| Ages 65 and Older | 5.125% for FYE 2022 decreasing to an ultimate rate of 4.50% by FY 2025 |
| Medicare Part B Premiums | 6.97% for FYE 2022 with an ultimate rate of 4.50% by 2034 |

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the in the June 30, 2021 valuation were based on the results of the most recent actuarial experience studies for the System, which covered the five-year period ending June 30, 2020, adopted by the Board on September 20, 2021.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends) used in the June 30, 2021 valuation of the Health Trust were based on a review of recent plan experience done concurrently with the June 30, 2021 valuation. The health care cost trend assumption was updated for the June 30, 2021 valuation and was shown as an assumption change in the TOL roll forward, while the change in initial per capita claims costs were included with experience in the TOL roll forward.

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

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Global Equity | 58.0% | 5.10 % |
| Fixed Income | 9.0% | (0.10)% |
| Real Estate | 6.5% | 4.00 % |
| Private Equity | 8.5% | 6.90 % |
| High Yield Credit | 8.0% | 1.70 % |
| Other Additional Categories | 9.0% | 2.20 % |
| Cash | 1.0% | (0.30)% |
| Total | 100.0% | |

## NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Cont'd)

*Discount rate* - The discount rate used to measure the total health care OPEB liability was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection's basis was an actuarial valuation performed as of June 30, 2021. In addition to the actuarial methods and assumptions of the June 30, 2021 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 2.75%
- The pre-65 retiree health care costs for members retired on or after July 1, 2010 were assumed to be paid by either the State or the retirees themselves.
- Administrative expenses, except the administrative fee of $8 PMPM paid to KEHP by TRS, were assumed to paid in all years by the employer as they come due and are not considered in the cash flow projections.
- Cash flows occur mid-year.
- Future contributions to the Health Trust were based upon the contribution rates defined in statute and the projected payroll of active employees. Per KRS 161.540(1)(c).3 and 161.550(5), when the Health Trust achieves a sufficient prefunded status, as determined by the retirement system's actuary, the following Health Trust statutory contributions are to be decreased, suspended, or eliminated:
    - Employee contributions
    - School District/University Contributions
    - State Contributions for KEHP premium subsidies payable to retirees who retire after June 30, 2010.

  These adjustments were incorporated into the valuation with open group projections that assumed an equal, pro rata reduction to the current statutory amounts in the years if/when the Health Trust is projected to achieve a Funded Ratio of 100% or more. Here, the current statutory amounts are adjusted to achieve total contributions equal to the Actuarially Determined Contribution (ADC), as determined by the prior year's valuation and in accordance with the Health Trust's funding policy. As the specific methodology to be used for the adjustments has yet to be determined, there may be differences between the projected results and future experience. This may also include any changes to retiree contributions for KEHP coverage pursuant to KRS 161.675(4)(b).
- Adjustments to the statutory contributions in future years were based on the following assumptions:
    - Liabilities and cash flows are net of expected retiree contributions and any implicit subsidies attributable to coverage while participating in KEHP.
    - Estimates for new entrants were based on the assumption that active headcounts would remain flat for all future years.

## NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Cont'd)

Based on these assumptions, the Health Trust's fiduciary net position was projected to be sufficient to pay benefits.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 7.10%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| KTRS | 6.10% | 7.10% | 8.10% |
| District's proportionate share of MIF net OPEB liability | $ 6,089,000 | $ 4,853,000 | $ 3,830,000 |

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

| | 1% Decrease | Current Health Care Trend Rate | 1% Increase |
|---|---|---|---|
| KTRS | | | |
| District's proportionate share of net OPEB liability | $ 3,638,000 | $ 4,853,000 | $ 6,364,000 |

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

### TRS Life Insurance Plan

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

*Benefits provided* – TRS provides a life insurance benefit of $5,000 payable for members who retire based on service or disability. TRS provides a life insurance benefit of $2,000 payable for its active contributing members. The life insurance benefit is payable upon the death of the member to the member's estate or to a party designated by the member.

## NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Cont'd)

*Contributions* – The Commonwealth of Kentucky contributed 0.08% of salary to the Life Insurance Trust for the fiscal year ended June 30, 2023 and 0.07% for fiscal year June 30, 2022. The actuarial determined contribution rate for FY 23 was 0.08% and 0.07% for FY 22.

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

At June 30, 2023, the District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

| | |
|---|---|
| District's proportionate share of the net OPEB liability | $ 0 |
| State's proportionate share of the net OPEB liability associated with the District | 79,000 |
| Total | $ 79,000 |

For the year ended June 30, 2023, the District recognized OPEB revenue and expense of $6,053 for support provided by the State.

*Actuarial assumptions* – The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the in the June 30, 2020 valuation were based on the results of the most recent actuarial experience studies for the System, which covered the five-year period ending June 30, 2020, adopted by the Board on September 20, 2021.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends) used in the June 30, 2021 valuation of the Health Trust were based on a review of recent plan experience done concurrently with the June 30, 2021 valuation.

## NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Cont'd)

The health care cost trend assumption was updated for the June 30, 2021 valuation and was shown as an assumption change in the TOL roll forward, while the change in initial per capita claims costs were included with experience in the TOL roll forward.

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| U. S. Equity | 40.0% | 4.40 % |
| International Equity | 23.0% | 5.60% |
| Fixed Income | 18.0% | (0.10)% |
| Real Estate | 6.0% | 4.00 % |
| Private Equity | 5.0% | 6.90 % |
| Other Additional Categories | 6.0% | 2.10 % |
| Cash | 2.0% | (0.30)% |
| Total | 100.0% | |

*Single Equivalent Interest Rate* - The discount rate used to measure the total OPEB liability for life insurance was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection's basis was an actuarial valuation performed as of June 30, 2021. In addition to the actuarial methods and assumptions of the June 30, 2021 actuarial valuation, the following actuarial methods and assumptions were used in the projection of the Life Trust's cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 2.75%.
- The employer will contribute the Actuarially Determined Contribution (AC) in accordance with the Life Trust's funding policy determined by a valuation performed on a date two years prior to the beginning of the fiscal year in which the ADC applied.
- Administrative expenses were assumed to paid in all years by the employer as they come due and are not considered in the cash flow projections.
- Active employees do not explicitly contribute to the plan.
- Cash flows occur mid-year.

Based on these assumptions, the Life Trust's fiduciary net position was projected to be sufficient to pay all benefits for all current members.

## NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Cont'd)

*OPEB plan fiduciary net position* – TRS of Ky issues a publicly available financial report that can be obtained at http://www.TRS of Ky.ky.gov/05_publications/index.htm.

## NOTE 8 – 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. At June 30, 2023, this amount totaled $169,073.

## NOTE 9 - INSURANCE AND RELATED ACTIVITIES

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

## NOTE 10 - CONTINGENCIES

Funding for the District's Grant Funds is provided by federal, state and local government agencies. These funds are to be used for designated purposes only. If, based upon the grantor's review, the funds are considered not to have been used for the intended purpose the grantor may request a refund of monies advanced, or to refuse to reimburse the District for its disbursements. The amount of such future refunds and un-reimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantor's intent to continue their programs. In addition, the District operates in a heavily regulated environment. The operations of the District are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U.S. Department of Education and the Kentucky Department of Education. Such administrative directives, rules and regulations are subject to change by an act of Congress or the Kentucky Legislature or an administrative change mandated by the Kentucky Department of Education. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

## NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for worker's compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage.

Contributions to the Workers' Compensation Fund are based on premium rates established by such a fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four months after the expiration of the self-insurance term. The liability insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage, and for any reason, by giving ninety days notice. In the event the Trust terminated coverage, any amount remaining in the Fund would be returned to the member on a pro rata basis.

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

## NOTE 12 - COBRA

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

## NOTE 13 - DEFICIT OPERATING/ FUND BALANCES

The Food Service Fund is operating with a deficit fund balance of $393,750 at June 30, 2023. The following funds had operations that resulted in a current year deficit after transfers and other financing sources (see Note 14) resulting in the following reductions of fund balances:

| | |
|---|---|
| Building Fund | $157,621 |
| Debt Service | $1 |

## NOTE 14 – INTERFUND TRANSACTIONS

The following transfers were made during the year:

| From Fund | To Fund | Purpose | Amount |
|---|---|---|---|
| General | Special Revenue | KETS Matching | $42,454 |
| Special Revenue | General | Indirect Costs | $59,591 |
| Special Revenue | Construction | Construction | $1,543,551 |
| Building | Construction | Construction | $1,599,822 |
| Building | Debt Service | Debt Service | $604,272 |
| Building | Special Revenue | Indirect Costs | $7,471 |
| Food Service | General | Indirect Costs | $51,305 |

## NOTE 15 - ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2023, the Commonwealth of Kentucky contributed estimated payments on behalf of the District as follows:

| | | |
|---|---|---|
| Kentucky Teachers Retirement System | $ | 4,283,178 |
| Health & Life Insurance | | 2,337,892 |
| Technology | | 100,631 |
| Debt Service | | 451,481 |
| **Recognized at the Fund Level** | $ | 7,173,182 |
| Additional pension expense recognized at the Government-Wide Level | $ | 1,696,721 |
| **Total On-Behalf** | $ | 8,869,903 |

These payments were recorded in the appropriate revenue and expense accounts on the statement of revenue, expenses, and changes in fund balance as follows:

| | | |
|---|---|---|
| General Fund | $ | 6,475,004 |
| Food Service Fund | | 246,697 |
| Debt Service Fund | | 451,481 |
| Total | $ | 7,173,182 |

## NOTE 16– LITIGATION

The District is subject to several 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 the cases presently in progress.

## NOTE 17– SUBSEQUENT EVENTS

In preparing these financial statements, management of the District has evaluated events and transaction for potential recognition or disclosure through October 30, 2023, the date the financial statements were available to be issued.

## NOTE 18 – RISKS AND UNCERTAINTIES

Prior to the year ended June 30, 2023, the World Health Organization declared the coronavirus disease (COVID-19) outbreak to be a pandemic. COVID -19 continues to spread across the globe and is impacting worldwide economic activity. The continued spread of the disease represents a significant risk that operations will continue to be disrupted for the foreseeable future. The full extent to which COVID-19 impacts the District will depend on future developments which are highly uncertain and cannot be predicted.

## NOTE 19 - SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The District adopted the provisions of GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs). The objective of this Statement is to better meet the information needs of financial statement users by establishing uniform accounting and financial reporting requirements for SBITAs, improving the comparability of financial statements among governments that have entered into SBITAs, and enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. Implementation of this standard as of July 1, 2022 had no effect on beginning balance, but did have a material effect on the government-wide financial statements in the current year as outlined below:

| | Prior to GASB No. 96 | After Implementation of GASBS No. 96 | Effect of Implementation |
|---|---|---|---|
| **Statement of Net Position** | | | |
| Net intangible subscription asset | $ - | $ 6,365 | $ 6,365 |
| Net investment in capital assets | $ 12,223,998 | $ 12,230,363 | $ 6,365 |
| **Statement of Activities** | | | |
| District administration | $ 1,922,005 | $ 1,915,640 | $ (6,365) |

POWELL COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

POWELL COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2023

| | Reporting Fiscal Year (Measurement Date) 2023 (2022) | Reporting Fiscal Year (Measurement Date) 2022 (2021) | Reporting Fiscal Year (Measurement Date) 2021 (2020) | Reporting Fiscal Year (Measurement Date) 2020 (2019) | Reporting Fiscal Year (Measurement Date) 2019 (2018) | Reporting Fiscal Year (Measurement Date) 2018 (2017) | Reporting Fiscal Year (Measurement Date) 2017 (2016) | Reporting Fiscal Year (Measurement Date) 2016 (2015) |
|---|---|---|---|---|---|---|---|---|
| **COUNTY EMPLOYEES RETIREMENT SYSTEM:** | | | | | | | | |
| District's proportion of the net pension liability | 0.141387% | 0.138553% | 0.131814% | 0.122517% | 0.124204% | 0.128885% | 0.135900% | 0.137300% |
| District's proportionate share of the net pension liability | $ 10,220,885 | $ 8,833,841 | $ 10,110,025 | $ 8,616,674 | $ 7,564,402 | $ 7,554,035 | $ 6,690,266 | $ 5,901,516 |
| District's covered-employee payroll | $ 4,008,566 | $ 3,389,854 | $ 3,246,252 | $ 3,100,092 | $ 3,088,791 | $ 2,771,090 | $ 3,299,597 | $ 4,439,208 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 254.98% | 260.60% | 311.44% | 277.90% | 244.90% | 272.60% | 202.80% | 132.90% |
| Plan fiduciary net position as a percentage of the total pension liability | 52.42% | 57.33% | 47.81% | 50.45% | 53.54% | 53.30% | 55.50% | 59.97% |
| **KENTUCKY TEACHER'S RETIREMENT SYSTEM:** | | | | | | | | |
| District's proportion of the net pension liability | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| District's proportionate share of the net pension liability | - | - | - | - | - | - | - | - |
| State's proportionate share of the net pension liability associated with the District | $ 45,943,187 | $ 36,890,994 | $ 38,480,449 | $ 38,428,357 | $ 37,503,211 | $ 83,434,442 | $ 90,120,765 | $ 71,163,841 |
| Total | $ 45,943,187 | $ 36,890,994 | $ 38,480,449 | $ 38,428,357 | $ 37,503,211 | $ 83,434,442 | $ 90,120,765 | $ 71,163,841 |
| District's covered-employee payroll | $ 10,674,087 | $ 10,019,908 | $ 9,484,797 | $ 10,580,700 | $ 9,479,900 | $ 10,155,609 | $ 10,227,610 | $ 10,097,712 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Plan fiduciary net position as a percentage of the total pension liability | 56.41% | 65.59% | 58.27% | 58.80% | 59.30% | 56.40% | 54.60% | 55.30% |

**Note:** Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.
**Note:** These amounts are based on the prior year's measurement period, not the District's fiscal year.

**POWELL COUNTY SCHOOL DISTRICT**
**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF DISTRICT CONTRIBUTIONS - PENSION**
**FOR THE YEAR ENDED JUNE 30, 2023**

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|---|---|
| **COUNTY EMPLOYEES RETIREMENT SYSTEM:** | | | | | | | | |
| Contractually required contribution | $ 809,739 | $ 830,079 | $ 691,512 | $ 660,212 | $ 502,835 | $ 447,257 | $ 386,567 | $ 409,810 |
| Contributions in relation to the contractually required contribution | 809,739 | 830,079 | 691,512 | 660,212 | 502,835 | 447,257 | 386,567 | 409,810 |
| Contribution deficiency (excess) | | | 0 | 0 | - | - | - | - |
| District's covered-employee payroll | $ 3,460,423 | $ 3,921,016 | $ 3,582,967 | $ 3,420,790 | $ 3,100,092 | $ 3,088,791 | $ 2,771,090 | $ 3,299,597 |
| District's contributions as a percentage of its covered-employee payroll | 23.40% | 21.17% | 19.30% | 19.30% | 16.22% | 14.48% | 13.95% | 12.42% |
| **KENTUCKY TEACHER'S RETIREMENT SYSTEM:** | | | | | | | | |
| Contractually required contribution | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Contributions in relation to the contractually required contribution | - | - | - | - | - | - | - | - |
| Contribution deficiency (excess) | - | - | - | - | - | - | - | - |
| District's covered-employee payroll | $ 9,201,063 | $ 10,674,087 | $ 10,019,908 | $ 9,407,819 | $ 10,580,700 | $ 9,479,900 | $ 10,155,609 | $ 10,227,610 |
| District's contributions as a percentage of its covered-employee payroll | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

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

**COUNTY EMPLOYEES RETIREMENT SYSTEM:**

The actuarially determined contribution rates are determined on an annual basis using the actuarial valuation conducted two years prior to the year in which the contribution will be assessed.

**2020 Changes of Assumptions** –The amortization period for the unfunded liability was reset as of June 30, 2019, to a closed 30-year period.

**2019 Changes of Assumptions** – The 2019 actuarial valuation used updated mortality tables for all categories of members and beneficiaries and a system-specific mortality table for non-disabled retirees. In 2019, mortality rates for active members were based on the PUB-2010 General Mortality table, for the nonhazardous members and the PUB-2010 Public Safety Mortality table for the hazardous members, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. Post-retirement mortality rates (non-disabled) used a system-specific mortality table based on mortality experience from 2013 – 2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The PUB-2010 Disabled Mortality Table is used for post-retirement mortality for disabled retirees with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. Previous valuations were based on RP-2000 Combined Mortality Tables.

**2017 Changes of Assumptions** – For the 2017 actuarial valuation, several key actuarial assumptions were revised. Changes in assumptions prior to 2016 provided minor adjustments to the actuarial measurements. The following table outlines the actuarial methods and assumptions that were used in 2019 and 2016 to determine contribution rates reported for all systems:

| Assumption | 2017 Valuation | 2016 Valuation |
|---|---|---|
| Actuarial Cost Method | Entry Age Normal | Entry Age Normal |
| Amortization Method | Level of Percentage of Payroll, closed | Level of Percentage of Payroll, closed |
| Remaining Amortization Period | 26 Years | 27 Years |
| Asset Valuation Method | 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized | 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized |
| Post-retirement benefit adjustments | 0.00% | 0.00% |
| Inflation | **2.30%** | **3.25%** |
| Salary Increase | **3.3% to 11.55%** varies by service), average, including Inflation | **4%**, average, including Inflation |
| Investment Rate of Return | **6.25%**, Net of Pension Plan Investment Expense, including Inflation | **7.5%**, Net of Pension Plan Investment Expense, including Inflation |

**COUNTY EMPLOYEES RETIREMENT SYSTEM (Cont'd):**

Changes of Benefit Terms -

2014: A cash balance plan was introduced for member whose participation date begins on or after January 1, 2014

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

1. Tiered Structure for benefit accrual rates
2. New retirement eligibility requirements
3. Different rules for the computation of final average compensation

**KENTUCKY TEACHER'S RETIREMENT SYSTEM:**

**2022 Changes to Benefit Terms** – A new benefit tier was added for members joining the system on and after January 1, 2022. This tier increases the retirement age to either age 57 and 10 years of service or attainment of age 65 and 5 years of service. This tier includes a defined benefit foundational benefit based on service and final average salary plus a defined contribution supplemental benefit. More details about this new tier are available on the TRS website, https://trs.ky.gov/active-members/trs-1-trs-2-and-trs-3-member-information.

**2021 Changes of Assumptions** – The 2020 experience study was used to adjust rates of withdrawal, retirement, disability, mortality, and rates of salary increases to reflect actual experience more closely. The expectation of mortality was changed to the Pub 2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, set-backs, and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees, and actives. The assumed long-term investment rate of return was changed from 7.50% to 7.10% and the price inflation assumption was lowered from 3.00% to 2.50%. In addition, the calculation of SEIR results in an assumption change from 7.50% to 7.10%.

**2018 Changes of Assumptions** – The 2018 actuarial analysis for TRS of Ky indicated that cash flow for the system would be sufficient to pay benefits in all periods. As a result, the discount rate for the 2018 study was the same as the long-term expected yield of 7.5%. In 2017, the analysis used a blended rate of 4.49% which included the application of the municipal bond index to periods after 2038. The actuarial gains for this change will be recognized over the average remaining service lives for active members (10.6 years for the 2020 valuation) and are creating negative pension expense for the TRS pension system.

**2017 Changes of Assumptions** – The Single Equivalent Interest Rate was increased from 4.20% to 4.49%.

**2016 Changes of Assumptions** – The Single Equivalent Interest Rate was decreased from 4.88% to 4.20%. Rates of withdrawal, retirement, disability and mortality were adjusted based on an experience study conducted in 2015. The Assumed Salary Scale, Price Inflation, and Wage Inflation were also decreased.

**2015 Changes of Assumptions** – The Single Equivalent Interest Rate was decreased from 5.23% to 4.88%.

**2014 Changes of Assumptions** – The Single Equivalent Interest Rate was increased from 5.16% to 5.23%.

**POWELL COUNTY SCHOOL DISTRICT**
**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY - MEDICAL INSURANCE PLAN**
**FOR THE YEAR ENDED JUNE 30, 2023**

| | Reporting Fiscal Year (Measurement Date) 2023 (2022) | Reporting Fiscal Year (Measurement Date) 2022 (2021) | Reporting Fiscal Year (Measurement Date) 2021 (2020) | Reporting Fiscal Year (Measurement Date) 2020 (2019) | Reporting Fiscal Year (Measurement Date) 2019 (2018) | Reporting Fiscal Year (Measurement Date) 2018 (2017) |
|---|---|---|---|---|---|---|
| **COUNTY EMPLOYEES RETIREMENT SYSTEM:** | | | | | | |
| District's proportion of the net OPEB liability | 0.141362% | 0.138520% | 0.131776% | 0.122485% | 0.124199% | 0.128885% |
| District's proportionate share of the net OPEB liability | $ 2,789,798 | $ 2,651,896 | $ 3,181,990 | $ 2,060,145 | $ 2,205,129 | $ 2,591,029 |
| District's covered-employee payroll | $ 4,008,566 | $ 3,389,854 | $ 3,246,252 | $ 3,100,092 | $ 3,088,791 | $ 2,771,090 |
| District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll | 69.60% | 78.23% | 98.02% | 66.45% | 71.39% | 93.50% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 60.95% | 62.91% | 51.67% | 60.44% | 57.62% | 52.40% |
| **KENTUCKY TEACHER'S RETIREMENT SYSTEM:** | | | | | | |
| District's proportion of the net OPEB liability | 0.195494% | 0.151274% | 0.145435% | 0.150307% | 0.148137% | 0.161762% |
| District's proportionate share of the net OPEB liability | $ 4,853,000 | $ 3,246,000 | $ 3,670,000 | $ 4,399,000 | $ 5,139,931 | $ 5,768,080 |
| State's proportionate share of the net OPEB liability associated with the District | $ 1,594,000 | $ 2,636,000 | $ 3,674,000 | $ 3,553,000 | $ 4,430,000 | $ 4,712,000 |
| Total | $ 6,447,000 | $ 5,882,000 | $ 7,344,000 | $ 7,952,000 | $ 9,569,931 | $ 10,480,080 |
| District's covered-employee payroll | $ 8,643,862 | $ 8,950,573 | $ 8,561,717 | $ 10,580,700 | $ 9,479,900 | $ 10,155,609 |
| District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll | 56.14% | 36.27% | 42.87% | 41.58% | 54.22% | 56.80% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 47.75% | 51.74% | 39.05% | 32.58% | 25.50% | 21.18% |

**Note:** Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.
**Note:** These amounts are based on the prior year's measurement period, not the District's fiscal year.

**POWELL COUNTY SCHOOL DISTRICT**
**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF DISTRICT CONTRIBUTIONS - MEDICAL INSURANCE PLAN**
**FOR THE YEAR ENDED JUNE 30, 2023**

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|
| **COUNTY EMPLOYEES RETIREMENT SYSTEM:** | | | | | | |
| Contractually required contribution | $ 117,308 | $ 226,635 | $ 170,549 | $ 162,829 | $ 163,065 | $ 145,173 |
| Contributions in relation to the contractually required contribution | 117,308 | 226,635 | 170,549 | 162,829 | 163,065 | 145,173 |
| Contribution deficiency (excess) | - | - | - | - | - | - |
| District's covered-employee payroll | $ 3,460,423 | $ 3,921,016 | $ 3,582,967 | $ 3,420,790 | $ 3,100,092 | $ 3,088,791 |
| District's contributions as a percentage of its covered-employee payroll | 3.39% | 5.78% | 4.76% | 4.76% | 5.26% | 4.70% |
| **KENTUCKY TEACHER'S RETIREMENT SYSTEM:** | | | | | | |
| Contractually required contribution | $ 259,120 | $ 259,428 | $ 268,524 | $ 282,235 | $ 317,421 | $ 284,397 |
| Contributions in relation to the contractually required contribution | 259,120 | 259,428 | 268,524 | 282,235 | 317,421 | 284,397 |
| Contribution deficiency (excess) | - | - | - | - | - | - |
| District's covered-employee payroll | $ 7,527,284 | $ 8,643,862 | $ 8,950,573 | $ 9,407,819 | $ 10,580,700 | $ 9,479,900 |
| District's contributions as a percentage of its covered-employee payroll | 3.44% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |

**Note:** Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.
**Note:** These amounts are based on the prior year's measurement period, not the District's fiscal year.

**COUNTY EMPLOYEES RETIREMENT SYSTEM:**

Valuation Date: June 30, 2021

**2022 Changes in Actuarial Assumptions**: Discount rate used to calculate the total OPEB liability increased from 5.20% to 5.70% for the CERs non-hazardous insurance plan.

**2021 Changes in Actuarial Assumptions:** Initial rates for health cost trends for retirees under age 65 were lowered from 6.4% to 6.25% and rates for retirees ages 65 or older were increased from 2.9% to 5.5%. Municipal bond index rate was lowered from 2.45% to 1.92% (Fidelity 20-Year Municipal GO AA Index). And the single discount rate for the CERS non-hazardous insurance plan was lowered from 5.34% to 5.20%.

**2017 Changes in Actuarial Assumptions:** The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions which were changed from the 2016 actuarial valuation, applied to all periods included in the measurement:

| | |
|---|---|
| Investment rate of Return | 6.25%, net of OPEB plan investment expense, including inflation. |
| Projected salary increases | 4% average |
| Inflation rate | 3.25% |
| Healthcare cost trend rates | |
| Under 65 | Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years |
| Ages 65 and Older | Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years |
| Municipal Bond Index Rate | 3.56% |
| Discount Rate | 5.84% |

**KENTUCKY TEACHER'S RETIREMENT SYSTEM:**

Valuation Date: June 30, 2021

**2022 Changes to Benefit Terms**: A new benefit tier was added for members joining the system on and after January 1, 2022. This tier increases the retirement age to either age 57 and 10 years of service or attainment of age 65 and 5 years of service. This tier includes a defined benefit foundational benefit based on service and final average salary plus a defined contribution supplemental benefit. More details about this new tier are available on the TRS website, https://trs.ky.gov/active-members/trs-1-trs-2-and-trs-3-member-information.

**2021 Changes to Actuarial Assumptions:**

- In the 2020 experience study, rates of withdrawal, retirement, disability, mortality, and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, setbacks, and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees, and actives.
- The assumed long-term investment rate of return was changed from 8.00% for the Health Trust to 7.10% The price inflation assumption was lowered from 3.00% to 2.5%
- The rates of member participation and spousal participation were adjusted to reflect actual experience more closely.

**2020 Changes to Actuarial Assumptions:** The actuary updated the health care trend rates based on current economic data.

**2019 Changes to Actuarial Assumptions:** The State's biennial budget for the two years ended June 30, 2022, included the actuarially determined contribution (ADC) rate for the TRS of Ky system plus additional contributions to address the shortfall from previous years. The actuarial analysis for the June 30, 2019 measurement included an assumption that future state contributions would be based on the ADC which provides sufficient funding for all future periods. As a result, TRS used the long-term rate of return, 7.5%, as the 2019 discount rate instead of a blended rate that included the municipal bond index for certain future periods.

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

**POWELL COUNTY SCHOOL DISTRICT**
**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY - LIFE INSURANCE PLAN**
**FOR THE YEAR ENDED JUNE 30, 2023**

| | Reporting Fiscal Year (Measurement Date) 2023 (2022) | Reporting Fiscal Year (Measurement Date) 2022 (2021) | Reporting Fiscal Year (Measurement Date) 2021 (2020) | Reporting Fiscal Year (Measurement Date) 2020 (2019) | Reporting Fiscal Year (Measurement Date) 2019 (2018) | Reporting Fiscal Year (Measurement Date) 2018 (2017) |
|---|---|---|---|---|---|---|
| **KENTUCKY TEACHER'S RETIREMENT SYSTEM:** | | | | | | |
| District's proportion of the net OPEB liability | 0% | 0% | 0% | 0% | 0% | 0% |
| District's proportionate share of the net OPEB liability | - | - | - | - | - | - |
| State's proportionate share of the net OPEB liability associated with the District | $ 79,000 | $ 35,000 | $ 89,000 | $ 83,000 | $ 76,000 | $ 63,000 |
| Total | $ 79,000 | $ 35,000 | $ 89,000 | $ 83,000 | $ 76,000 | $ 63,000 |
| District's covered-employee payroll | $ 8,643,862 | $ 8,950,573 | $ 8,561,717 | $ 10,580,700 | $ 9,479,900 | $ 10,155,609 |
| District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 73.97% | 89.15% | 71.57% | 73.40% | 75.00% | 79.99% |

**Note:** Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.
**Note:** These amounts are based on the prior year's measurement period, not the District's fiscal year.

**POWELL COUNTY SCHOOL DISTRICT**
**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF DISTRICT CONTRIBUTIONS - LIFE INSURANCE PLAN**
**FOR THE YEAR ENDED JUNE 30, 2023**

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|
| **KENTUCKY TEACHER'S RETIREMENT SYSTEM:** | | | | | | |
| Contractually required contribution | $ - | $ - | $ - | $ - | $ - | $ - |
| Contributions in relation to the contractually required contribution | - | - | - | - | - | - |
| Contribution deficiency (excess) | - | - | - | - | - | - |
| District's covered-employee payroll | $ 7,527,284 | $ 8,643,862 | $ 8,950,573 | $ 9,407,819 | $ 10,580,700 | $ 9,479,900 |
| District's contributions as a percentage of its covered-employee payroll | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

**Note:** Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.
**Note:** These amounts are based on the prior year's measurement period, not the District's fiscal year.

## KENTUCKY TEACHER'S RETIREMENT SYSTEM:

Valuation Date: June 30, 2021

### 2021 Changes to assumptions:

- In the 2020 experience study, rates of withdrawal, retirement, disability, mortality, and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, setbacks, and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees, and actives.
- The assumed long-term investment rate of return was changed from 7.50% for the Life Trust to 7.10% The price inflation assumption was lowered from 3.00% to 2.5%
- The rates of member participation and spousal participation were adjusted to reflect actual experience more closely.

### 2017 Changes to benefit terms:

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

POWELL COUNTY SCHOOL DISTRICT

SUPPLEMENTAL SCHEDULES

POWELL COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2023

| | SEEK CAPITAL OUTLAY FUND | FSPK BUILDING FUND | STUDENT ACTIVITY FUND | DEBT SERVICE FUND | DISTRICT ACTIVITY FUND | TOTAL NON-MAJOR GOVERNMENTAL FUNDS |
|---|---|---|---|---|---|---|
| ASSETS: | | | | | | |
| Cash and cash equivalents | $ 404,454 | $ 448,648 | $ 304,509 | $ 8,779 | $ 3,607 | $ 1,169,997 |
| Interfund receivable | - | - | - | - | - | - |
| Accounts receivable | - | - | - | - | - | - |
| TOTAL ASSETS | $ 404,454 | 448,648 | $ 304,509 | $ 8,779 | $ 3,607 | $ 1,169,997 |
| LIABILITIES: | | | | | | |
| Accounts Payable | $ - | $ | $ 8,400 | $ - | $ - | $ 8,400 |
| TOTAL LIABILITIES | - | - | 8,400 | - | - | 8,400 |
| FUND BALANCES: | | | | | | |
| Assigned | - | - | - | - | - | - |
| Restricted | 404,454 | 448,648 | 296,109 | 8,779 | 3,607 | 1,161,597 |
| TOTAL FUND BALANCES | 404,454 | 448,648 | 296,109 | 8,779 | 3,607 | 1,161,597 |
| TOTAL LIABILITIES AND FUND BALANCES | $ 404,454 | $ 448,648 | $ 304,509 | $ 8,779 | $ 3,607 | $ 1,169,997 |

POWELL COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

| | SEEK CAPITAL OUTLAY FUND | FSPK BUILDING FUND | STUDENT ACTIVITY FUND | DEBT SERVICE FUND | DISTRICT ACTIVITY FUND | TOTAL NON-MAJOR GOVERNMENTAL FUNDS |
|---|---|---|---|---|---|---|
| REVENUES: | | | | | | |
| From local sources: | | | | | | |
| Taxes: | | | | | | |
| Property | $ - | $ 801,294 | $ - | $ - | $ - | $ 801,294 |
| Earnings on investments | - | - | 548 | - | - | 548 |
| Other local revenues | - | - | 639,384 | - | 8,165 | 647,549 |
| Intergovernmental - State | 202,160 | 1,252,650 | - | 451,481 | - | 1,906,291 |
| TOTAL REVENUES | 202,160 | 2,053,944 | 639,932 | 451,481 | 8,165 | 3,355,682 |
| Expenditures: | | | | | | |
| Instruction | - | - | 597,374 | - | 3,284 | 600,658 |
| Student Support | - | - | 2,155 | - | - | 2,155 |
| Instructional Support | - | - | 20,332 | - | 3,038 | 23,370 |
| Student Transportation | - | - | - | - | - | - |
| Community Service | - | - | - | - | - | - |
| Capital Outlay | - | - | - | - | - | - |
| Debt Service | - | - | - | 1,055,754 | - | 1,055,754 |
| TOTAL EXPENDITURES | - | - | 619,861 | 1,055,754 | 6,322 | 1,681,937 |
| Excess (Deficit) of Revenues over Expenditures | 202,160 | 2,053,944 | 20,071 | (604,273) | 1,843 | 1,673,745 |
| OTHER FINANCING SOURCES (USES): | | | | | | |
| Operating transfers in | - | - | - | 604,272 | - | 604,272 |
| Operating transfers out | - | (2,211,565) | - | - | - | (2,211,565) |
| TOTAL OTHER FINANCING SOURCES (USES) | - | (2,211,565) | - | 604,272 | - | (1,607,293) |
| Net Change in Fund Balances | 202,160 | (157,621) | 20,071 | (1) | 1,843 | 66,452 |
| Fund balance - beginning of year | 202,294 | 606,269 | 276,038 | 8,780 | 1,764 | 1,095,145 |
| Fund balance - end of year | $ 404,454 | 448,648 | $ 296,109 | $ 8,779 | $ 3,607 | $ 1,161,597 |

**POWELL COUNTY SCHOOL DISTRICT**
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**
**SCHOOL ACTIVITY FUNDS**
**FOR THE YEAR ENDED JUNE 30, 2023**

| | Deposits Held in Custody for Students June 30, 2022 | Revenues | Expenses | Deposits Held in Custody for Students June 30, 2023 |
|---|---|---|---|---|
| Powell County High School | $ 182,328 | $ 508,873 | $ 489,498 | $ 201,703 |
| Powell County Middle School | 45,376 | 110,465 | 109,165 | 46,676 |
| Stanton Elementary | 21,903 | 24,535 | 23,680 | 22,758 |
| Bowen Elementary | 15,512 | 15,388 | 17,106 | 13,794 |
| Clay City Elementary | 10,919 | 36,280 | 36,021 | 11,178 |
| Interfund Transfers | | (55,609) | (55,609) | |
| | $ 276,038 | $ 639,932 | $ 619,861 | $ 296,109 |

**POWELL COUNTY SCHOOL DISTRICT**
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**
**POWELL COUNTY COUNTY HIGH SCHOOL ACTIVITY FUNDS**
**FOR THE YEAR ENDED JUNE 30, 2023**

| ACCOUNTS: | Deposits Held in Custody for Students June 30, 2022 | Revenues | Expenses | Deposits Held in Custody for Students June 30, 2023 |
|---|---|---|---|---|
| General Fund | $ 6,169 | $ 1,084 | $ 2,352 | $ 4,901 |
| Teacher Vending | 662 | 1,238 | 640 | 1,260 |
| Foundation Scholarships | - | - | - | - |
| Student Activities | 2,030 | 229 | 1,299 | 960 |
| AP-Dual Credit English | 1,122 | - | 588 | 534 |
| Courtesy Committee | 59 | - | 59 | - |
| Float Fund | 480 | 300 | 336 | 444 |
| PTO | 543 | 1,635 | 1,055 | 1,123 |
| Art Class Fee | 465 | - | - | 465 |
| Pirates for Paws | 382 | - | - | 382 |
| STLP | 19 | - | - | 19 |
| Tech Replacement Fee | 50 | 300 | - | 350 |
| FMD/SpEd | 62 | - | - | 62 |
| EBD/SpEd | 35 | - | 35 | - |
| FMD Classroom | 1 | - | - | 1 |
| Connect | 13 | 378 | 30 | 361 |
| SR Breakfast 2024 | 59 | 290 | 349 | - |
| Science Grant | 1 | - | - | 1 |
| Student Testing | 1,579 | - | - | 1,579 |
| Christmas Tea | 423 | - | - | 423 |
| Graduation Honors | 2,724 | 2,700 | 2,148 | 3,276 |
| Social Studies Grant | 131 | 35 | - | 166 |
| Key Club | 156 | 645 | 602 | 199 |
| Senior Breakfast | 67 | 5,773 | 5,352 | 488 |
| Bass Team | 942 | 12,722 | 13,664 | - |
| Advance KY | - | - | - | - |
| Substitutes | 270 | - | - | 270 |
| Scholarships | - | - | - | - |
| Chess Club | 231 | - | 169 | 62 |
| Commited to Give | 675 | - | 125 | 550 |
| Upper Room | 24 | - | - | 24 |
| Academic Team | 1,866 | 2,560 | 3,630 | 796 |
| Student Parking | 37 | 790 | - | 827 |
| Library | 52 | - | - | 52 |
| Spanish | 454 | 210 | 448 | 216 |
| Entrepreneurship | 1,797 | - | 56 | 1,741 |
| Home Economics | 248 | - | - | 248 |
| Registration Fees | 10,219 | 35 | - | 10,254 |
| Prom | 5,540 | 5,585 | 4,085 | 7,040 |
| Senior Class Trip | 204 | 20,877 | 20,891 | 190 |
| Class of 2021 | 113 | - | 113 | - |
| Class of 2022 | - | - | - | - |

**POWELL COUNTY SCHOOL DISTRICT**
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**
**POWELL COUNTY COUNTY HIGH SCHOOL ACTIVITY FUNDS**
**FOR THE YEAR ENDED JUNE 30, 2023**

| ACCOUNTS: | Deposits Held in Custody for Students June 30, 2022 | Revenues | Expenses | Deposits Held in Custody for Students June 30, 2023 |
|---|---|---|---|---|
| Band | $ 3,492 | $ 5,713 | $ 8,171 | $ 1,034 |
| FBLA | 3,687 | 13,042 | 9,355 | 7,374 |
| Ecology Club | 990 | 49,673 | 49,561 | 1,102 |
| YSC | 3,716 | 3,745 | 2,188 | 5,273 |
| Snack Shack | 6,363 | 23,058 | 28,580 | 841 |
| Band Uniform | 2 | - | - | 2 |
| Marching Band | 12,825 | 13,746 | 24,096 | 2,475 |
| Class of 2026 | - | 80 | - | 80 |
| Yearbook | 11,588 | 2,875 | 6,018 | 8,445 |
| Pirates PBIS Store | 162 | - | - | 162 |
| AG Shop | 440 | 400 | 400 | 440 |
| Counselors | 663 | 480 | 869 | 274 |
| Class of 2024 | - | 251 | - | 251 |
| DECA | 1,051 | - | - | 1,051 |
| Gear-Up Projects | 6 | - | - | 6 |
| Government Club | 71 | 110 | - | 181 |
| Science Olympiad | - | - | - | - |
| PCHS Dance Team | 140 | - | - | 140 |
| Charitable Organizations | - | - | - | - |
| Locker Rental | 15 | - | - | 15 |
| Beta Club | 2,052 | 2,275 | 1,171 | 3,156 |
| Drama Club | 1,119 | - | - | 1,119 |
| FCA | 174 | - | - | 174 |
| FFA | 1,112 | 26,849 | 23,421 | 4,540 |
| FCCLA | 3,840 | 7,046 | 4,775 | 6,111 |
| FCCLA Region 15 | 20 | - | - | 20 |
| Playschool | - | 320 | 133 | 187 |
| Educators Rising | 407 | - | - | 407 |
| FEA Club | - | - | - | - |
| Sew What | 2,661 | - | - | 2,661 |
| Pep Club | 538 | 819 | 849 | 508 |
| TSA | 6 | 5,899 | 3,646 | 2,259 |
| Special Oylmpics | - | - | - | - |
| HOSA | 395 | 1,017 | - | 1,412 |
| Construction Club | 152 | - | - | 152 |
| Skills Club | 6 | - | - | 6 |
| HOSA Competition | 8 | - | - | 8 |
| Bus Garage | 29 | 137 | 127 | 39 |
| Futsol | 10 | - | - | 10 |
| Badminton Club | 122 | 345 | 330 | 137 |
| Athletics | 29,715 | 84,776 | 101,070 | 13,421 |

**POWELL COUNTY SCHOOL DISTRICT**
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**
**POWELL COUNTY COUNTY HIGH SCHOOL ACTIVITY FUNDS**
**FOR THE YEAR ENDED JUNE 30, 2023**

| ACCOUNTS: | Deposits Held in Custody for Students June 30, 2022 | Revenues | Expenses | Deposits Held in Custody for Students June 30, 2023 |
|---|---|---|---|---|
| Baseball | $ 12,345 | $ 36,484 | $ 29,010 | $ 19,819 |
| Boys Basketball | 1,404 | 17,806 | 16,156 | 3,054 |
| Girls Basketball | 1,969 | 10,576 | 7,189 | 5,356 |
| Cheerleaders Varsity | 874 | 10,943 | 11,555 | 262 |
| Concessions | 2,001 | 22,914 | 7,902 | 17,013 |
| Football | 1,493 | 20,217 | 21,710 | - |
| Boys Golf | 2,149 | 1,100 | 2,375 | 874 |
| Girls Golf | 954 | 2,472 | 2,758 | 668 |
| Softball | 2,057 | 16,172 | 9,567 | 8,662 |
| Track | 629 | 2,036 | 2,665 | - |
| Boys Soccer | 3,983 | 14,629 | 9,441 | 9,171 |
| Cross Country | 4,763 | 1,693 | 2,544 | 3,912 |
| Volleyball | 1,111 | 13,353 | 9,358 | 5,106 |
| PE Club | 300 | - | - | 300 |
| Youth Football | 9,085 | 13,240 | 14,960 | 7,365 |
| Ahtletic Field Trip | 1 | - | - | 1 |
| Girls Soccer | 5,930 | 13,243 | 12,873 | 6,300 |
| Football Support | - | - | - | - |
| 14th Region | - | - | - | - |
| Xteam | 1,945 | 11,953 | 5,746 | 8,152 |
| Cross County Regional | - | - | - | - |
| Cross Country Area 7 | 160 | - | - | 160 |
| Student Field Trip | - | - | - | - |
| Band Trip | 178 | - | - | 178 |
| Band Parent Organization | 1,230 | - | 903 | 327 |
| Gen Athletics/Extras | 286 | - | - | 286 |
| TOTALS | $ 182,328 | $ 508,873 | $ 489,498 | $ 201,703 |

**POWELL COUNTY BOARD OF EDUCATION**
**Schedule of Expenditures of Federal Awards By Grant**
**For the Year Ended June 30, 2023**

| *Federal Grantor/Program or Cluster Title* | *Federal Assistance listing number* | *Name of Grant - Grant ID No.* | *Federal Expenditures($)* |
|---|---|---|---|
| **Passed Through Kentucky Department of Education** | | | |
| **United States Department of Agriculture** | | | |
| ***Child Nutrition Cluster-Cluster*** | | | |
| National School Lunch Program (NSLP) | 10.555 | 4003432 COMMODITIES | $131,915 |
| National School Lunch Program | 10.555 | 7750002-22 | 226,922 |
| National School Lunch Program | 10.555 | 7750002-23 | 978,352 |
| National School Lunch Program | 10.555 | 9980000-22 | 56,148 |
| National School Lunch Program | 10.555 | 9980000-23 | 27,257 |
| School Breakfast Program | 10.553 | 7760005-22 | 63,335 |
| School Breakfast Program | 10.553 | 7760005-23 | 283,418 |
| Summer School Feeding Program | 10.559 | 7690024-22 | 1,143 |
| Summer School Feeding Program | 10.559 | 7740023-22 | 11,105 |
| *Total Child Nutrition Cluster-Cluster* | | | 1,779,595 |
| State Pandemic Adm Cost Grant | 10.649 | 9990000-22 | 3,135 |
| State Administrative Expenses Child Nutrition | 10.560 | 7700001-22 | 2,477 |
| ***Total United States Department of Agriculture*** | | | 1,785,207 |
| **United States Department of Education** | | | |
| *Special Education Cluster (IDEA)-Cluster* | | | |
| Special Education - Grants to States (IDEA, Part B) | | | |
| Special Education - Grants to States (IDEA, Part B) | 84.027 | 3810002-21 | 139,157 |
| Special Education - Grants to States (IDEA, Part B) | 84.027 | 4910002-21 ARP IDEA B--478I | 93,067 |
| Special Education - Grants to States (IDEA, Part B) | 84.027 | 3810002-22 | 362,997 |
| *Total Special Education - Grants to States (IDEA, Part B)* | | | 595,221 |
| Special Education - Preschool Grants (IDEA Preschool) | | | |
| Special Education - Preschool Grants (IDEA Preschool) | 84.173 | 3800002-22 | 26,480 |
| Special Education - Preschool Grants (IDEA Preschool) | 84.173 | 3800002-21 | 4,238 |
| Special Education - Preschool Grants (IDEA Preschool) | 84.173 | 4900002-21 ARP IDEA B PRESCHOOL | 5,063 |
| *Total Special Education - Preschool Grants (IDEA Preschool)* | | | 35,781 |
| *Total Special Education Cluster (IDEA)-Cluster* | | | 631,002 |
| *Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)* | | | |
| Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA) | 84.010 | 3100002-20 | 2,123 |
| Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA) | 84.010 | 3100002-21 | 644,061 |
| Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA) | 84.010 | 3100002-22 | 745,518 |
| *Total Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)* | | | 1,391,702 |

The accompanying notes are an integral part of this schedule.

**POWELL COUNTY BOARD OF EDUCATION**
**Schedule of Expenditures of Federal Awards By Grant**
**For the Year Ended June 30, 2023**

| Federal Grantor/Program or Cluster Title | Federal Assistance listing number | Name of Grant - Grant ID No. | Federal Expenditures($) |
|---|---|---|---|
| *Migrant Education — State Grant Program (Title 1, Part C of ESEA)* | | | |
| Migrant Education — State Grant Program (Title 1, Part C of ESEA) | 84.011 | 3110002-21 | 18,353 |
| Migrant Education — State Grant Program (Title 1, Part C of ESEA) | 84.011 | 3110002-22 | 39,515 |
| *Total Migrant Education — State Grant Program (Title 1, Part C of ESEA)* | | | 57,868 |
| *Innovative Approaches to Literacy; Promise Neighborhoods; Full-Service Community Schools; and Congressionally Directed Spending for Elementary and Secondary Education Community Projects* | | | |
| Innovative Approaches to Literacy; Promise Neighborhoods; Full-Service Community Schools; and Congressionally Directed Spending for Elementary and Secondary Education Community Projects | 84.215 | FULL SERVICE COMMUNITY SCHOOLS-SUP--518JC | 2,042 |
| *Total Innovative Approaches to Literacy; Promise Neighborhoods; Full-Service Community Schools; and Congressionally Directed Spending for Elementary and Secondary Education Community Projects* | | | 2,042 |
| *Rural Education* | | | |
| Rural Education | 84.358 | 3140002-20 | 1,264 |
| Rural Education | 84.358 | 3140002-21 | 48,919 |
| Rural Education | 84.358 | 3140002-22 | 27,880 |
| *Total Rural Education* | | | 78,063 |
| *Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)* | | | |
| Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants) | 84.367 | 3230002-21 | 8,939 |
| Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants) | 84.367 | 3230002-22 | 102,074 |
| *Total Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)* | | | 111,013 |
| *Student Support and Academic Enrichment Program* | | | |
| Student Support and Academic Enrichment Program | 84.424 | 3420002-21 | 44,343 |
| Student Support and Academic Enrichment Program | 84.424 | 3420002-22 | 85,452 |
| *Total Student Support and Academic Enrichment Program* | | | 129,795 |
| *Education Stabilization Fund (ESF)* | | | |
| Education Stabilization Fund (ESF) | 84.425U | 4300002-21 Covid 19 ESSER III | 4,256,739 |
| Education Stabilization Fund (ESF) | 84.425D | 4200002-21 Covid 19 ESSER II | 148,417 |
| Education Stabilization Fund (ESF) | 84.425U | 4300005-21 Covid 19 ESSER III | 5,295 |
| Education Stabilization Fund (ESF) | 84.425W | 4980002-21 Covid 19 ARP -ESSER | 25,875 |
| Education Stabilization Fund (ESF) | 84.425U | Covid 19 ARP ESSER - DEEPER LEARNING--563J | 17,779 |
| *Total Education Stabilization Fund (ESF)* | | | 4,454,105 |

The accompanying notes are an integral part of this schedule.

**POWELL COUNTY BOARD OF EDUCATION**
**Schedule of Expenditures of Federal Awards By Grant**
**For the Year Ended June 30, 2023**

| *Federal Grantor/Program or Cluster Title* | *Federal Assistance listing number* | *Name of Grant - Grant ID No.* | *Federal Expenditures($)* |
|---|---|---|---|
| **Passed Through Berea College** | | | |
| *Career and Technical Education--Basic Grants to States (Perkins V)* | | | |
| Career and Technical Education--Basic Grants to States (Perkins V) | 84.048 | GEAR UP - DIRECT SERVICES--379JB | 17,510 |
| Career and Technical Education--Basic Grants to States (Perkins V) | 84.048 | GEAR UP - SCHOOL BASED STAFF SALAR--379JA | 184,026 |
| Career and Technical Education--Basic Grants to States (Perkins V) | 84.048 | CARL D. PERKINS GRANT--348J | 40,929 |
| Career and Technical Education--Basic Grants to States (Perkins V) | 84.048 | PERKINS TITLE I-PART C CARRYOVER--348IA | 3,403 |
| Career and Technical Education--Basic Grants to States (Perkins V) | 84.048 | GEAR UP - SUPPLEMENTAL FUNDING--379IA | 39,476 |
| Career and Technical Education--Basic Grants to States (Perkins V) | 84.048 | GEAR UP - DIRECT SERVICES--379IB | 8,865 |
| Career and Technical Education--Basic Grants to States (Perkins V) | 84.048 | GEAR UP - SUPPLEMENTAL FUNDING--379IC | 3,358 |
| Career and Technical Education--Basic Grants to States (Perkins V) | 84.048 | GEAR UP - SUPPLEMENTAL FUNDING--379JC | 92,754 |
| *Total Career and Technical Education--Basic Grants to States (Perkins V)* | | | 390,321 |
| ***Total Department of Education*** | | | 7,245,911 |
| | | | |
| **Federal Communications Commission** | | | |
| *Emergency Connectivity Fund Program* | | | |
| Emergency Connectivity Fund Program | 32.009 | EMERGENCY CONNECTIVITY FUND--559I | 9,040 |
| *Total Emergency Connectivity Fund Program* | | | 9,040 |
| ***Total Federal Communications Commission*** | | | 9,040 |
| | | | |
| **Department of Health and Human Services** | | | |
| *Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance* | | | |
| Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance | 93.079 | 2100001-22 | 450 |
| *Total Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance* | | | 450 |
| ***Total Department of Health and Human Services*** | | | 450 |
| | | | |
| **Total Expenditures of Federal Awards** | | | $9,040,608 |

The accompanying notes are an integral part of this schedule.

**POWELL COUNTY SCHOOL DISTRICT**
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**JUNE 30, 2023**

## NOTE 1- BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Powell County School District under the programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, (Uniform Guidance). Because the schedule presents only a selected portion of operations of the Powell County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

## NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1) Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
2) Powell County School District did not elect to use the 10% de minimus indirect cost rate.

## NOTE 3 – FOOD DISTRIBUTION

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. For the year ended June 30, 2023, the District received food commodities totaling $131,915.

## NOTE 4 – SUBRECIPIENTS

The District did not pass through any federal awards to a subrecipient in the current fiscal year

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

To the Kentucky State Committee of School District Audits
Members of the Board of Education
Powell County School District
Stanton, KY 40383

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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Powell County School District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Powell County School District's basic financial statements, and have issued our report thereon dated October 30, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Powell County School District's internal control over financial reporting (internal control) as a basis for designing 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 Powell County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Powell 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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



110 EAST LOWRY LANE, LEXINGTON, KY 40503, (859) 264-8785 FAX (859) 264-1736
201 SOUTH MAIN STREET, WINCHESTER, KY 40391, (859) 745-1174 FAX (859) 745-2433

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Powell County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2023-001.

We noted certain matters that we reported to management for the District in a separate letter dated October 30, 2023.

**District's Response to Finding**

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

In addition, the item mentioned above was an instance of noncompliance with specific state statutes or regulations identified in the *Kentucky Public School District's Audit Contract and Requirements* prescribed by the Kentucky State Committee for School District Audits.

**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.

*Summers, McCrary & Sparks, PSC*

Lexington, KY
October 30, 2023



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

To the Kentucky State Committee of School District Audits
Members of the Board of Education
Powell County School District
Stanton, KY 40383

## Report on Compliance for Each Major Federal Program

### *Opinion on Each Major Federal Program*

We have audited the Powell County School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Powell County School District's major federal programs for the year ended June 30, 2023. The Powell County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Powell County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

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

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

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



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***Responsibilities of Management for Compliance***

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

***Auditor's Responsibilities for the Audit of Compliance***

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and the audit requirements prescribed by Kentucky State Committee for School District Audits, in the *Auditor Responsibilities, Cost Principles, and Audit Requirements* sections contained in the Kentucky Public School District's Audit Contract and Requirements, we:

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

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

**Report on Internal Control over Compliance**

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



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A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Summers, McCrary & Sparks, PSC*

Lexington, KY
October 30, 2023



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**POWELL COUNTY SCHOOL DISTRICT**
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
**FOR THE YEAR ENDED JUNE 30, 2023**

**Section I - Summary of Auditor's Results**

**Financial Statements**
Type of auditor's report issued - unmodified

Internal control over financial reporting:

Material weakness(es) identified? _______yes ___X___no

Significant deficiencies identified _______yes ___X____none reported

Noncompliance material to financial statements noted? ____X___yes _______no

**Federal Awards**
Internal control over majority programs:

Material weakness(es) identified? _______yes ___X___no

Significant deficiencies identified ________yes ___X___none reported

Type of auditor's report issued on compliance for the major programs - unmodified

Any audit findings disclosed that are required to be report in accordance with 2 CFR section 200.516 (a)? _______yes ___X___no

Identification of major programs:

| CFDA Number(s) | Name of Federal Program or Cluster |
|---|---|
| 84.010 | Title I Grants to Local Educational Agencies |
| 84.425W; 84.425D; 84.425U | Education Stabilization Fund (ESF) |
| 10.555; 10.553; 10.559 | Child Nutrition Cluster-Cluster |

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

Auditee qualified as low-risk auditee? _______yes ___X___no

**POWELL COUNTY SCHOOL DISTRICT**
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
**FOR THE YEAR ENDED JUNE 30, 2023**

## Section II – Financial Statement Findings

2023-001 Payroll
Condition: One employee was not paid in accordance with the approved salary schedule.

Criteria: Observance of approved single salary schedule – KRS 157.320(12), KRS 157.50(3), and 702 KAR 3:070

Cause: One employee was not paid in accordance to the approved salary schedule.

Effect: Noncompliance with Kentucky Revised Statutes and overpayment of employees.

Recommendation: We recommend management review payroll before it is finalized and confirm all employees are being paid in accordance to the salary schedule.

Views of Responsible Officials and Planned Corrective Actions: This was not a new employee setup therefore occurred from a prior year. A beginning of the year review process and bi-monthly payroll review has been implemented.

## Section III – Federal Award Findings and Questioned Costs

No findings in the current year.

**POWELL COUNTY SCHOOL DISTRICT**
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**
**FOR THE YEAR ENDED JUNE 30, 2023**

**Financial Statement Findings**

<u>2022-001 Payroll</u>
Condition: Some employees were not paid in accordance with the approved salary schedule.

Criteria: Observance of approved single salary schedule – KRS 157.320(12), KRS 157.50(3), and 702 KAR 3:070

Cause: Three employees were not paid in accordance to the approved salary schedule.

Effect: Noncompliance with Kentucky Revised Statutes and overpayment of employees.

Recommendation: We recommend management review payroll before it is finalized and confirm all employees are being paid in accordance to the salary schedule. We also recommend management review the salary schedule to ensure all extended days and extra services are presented correctly on the salary schedules.

Status: Similar finding in the current year.

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

No findings in the prior year.

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Members of the Board of Education
Powell County School District
Stanton, Kentucky

In planning and performing our audit of the financial statements of Powell County School District for the year ended June 30, 2023, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated October 30, 2023 on the financial statements of the Powell County School District.

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

Respectfully,

*Summers, McCrary & Sparks, PSC*

Summers, McCrary & Sparks, PSC
Lexington, Kentucky
October 30, 2023



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## BOARD

None in the current year.

## SCHOOL ACTIVITY FUNDS

POWELL COUNTY HIGH SCHOOL

Comment: During our testing of cash receipts, we noted receipt numbers were not being identified on the deposit slips. We recommend the school treasurer review the "Receipts" section of the "Redbook", which states the deposit slip shall note the receipt numbers in the deposit.

Response: Bookkeeper will review receipts to make sure receipt numbers are noted on the deposit slips.

Comment: During our testing of ticket sales, we found a form that was missing an explanation of the difference calculated, and was not signed by the Person in Charge of Sales, as required by the "Redbook". We recommend the school treasurer review Form F-SA-1, Requisition and Report of Ticket Sales, which shows the Person in Charge of Sales needs to sign, and any discrepancies need to be explained.

Response: Bookkeeper will review Form F-SA-1 to make sure it is completely filled out before processing.

Comment: During our testing of Disbursements, we noted multiple invoices that did not have a signature of person receiving the goods or services. The school treasurer should review the "Expenditures" section of the "Redbook", which states the vendor invoice or Standard Invoice (Form F-SA-8) must have a confirmation signature of the person receiving the goods or services.

Response: Bookkeeper will review form F-SA-8 to make sure a confirmation signature is received each time.

Comment: During our testing of the annual reports, we found the Accounts Receivable and Accounts Payable (Form F-SA-15B) was not completed. Upon our testing of Accounts payable, we found multiple that needed to be classified as a payable at year end. We recommend the school treasurer review the "Annual Reports" section of the "Redbook", which states the Accounts Receivable and Accounts Payable (Form F-SA-15B) is to be included in the annual report, and review the "Monthly Reports" section of the "Redbook", which defines which payables and receivables need ot be included on the form.

Response: Bookkeeper will add this form to the end of year close process to make sure this form is completed and included in the Annual Reports.

POWELL COUNTY MIDDLE SCHOOL

Comment: During testing of ticket sales, we found a form that was missing an explanation of the difference calculated, and was not signed by the Person in Charge of Sales, as required by the "Redbook". We recommend the school treasurer review Form F-SA-1, Requisition and Report of Ticket Sales, which shows the Person in Charge of Sales needs to sign, and any discrepancies need to be explained.

Response: Bookkeeper will review Form F-SA-1 to make sure it is completely filled out before processing.

Comment: During our testing of the annual reports, we found the Accounts Receivable and Accounts Payable (Form F-SA-15B) was not completed. Upon our testing of Accounts Payable, we found multiple that needed to be classified as a payable at year end. We recommend the school treasurer review the "Annual Reports" section of the "Redbook", which states the Accounts Receivable and Accounts Payable (Form F-SA-15B) is to be included in the annual report, and review the "Monthly Reports" section of the "Redbook", which defines which payables and receivables need to be included on the form.

Response: Bookkeeper will add this form to the end of year close process to make sure this form is completed and included in the Annual Reports.

BOWEN ELEMENTARY SCHOOL

Comment: During our testing of Disbursements, we noted multiple invoices that did not have a signature of person receiving the goods or services. The school treasurer should review the "Expenditures" section of the "Redbook", which states the vendor invoice or Standard Invoice (Form F-SA-8) must have a confirmation signature of the person receiving the goods or services.

Response: Bookkeeper will review form F-SA-8 to make sure a confirmation signature is received each time.

CLAY CITY ELEMENTARY SCHOOL

Any exceptions noted in testing appeared to be isolated incidents only and were communicated to management.

STANTON ELEMENTARY SCHOOL

Comment: During our testing of Disbursements, we noted multiple invoices that did not have a signature of person receiving the goods or services. The school treasurer should review the "Expenditures" section of the "Redbook", which states the vendor invoice or Standard Invoice (Form F-SA-8) must have a confirmation signature of the person receiving the goods or services.

Response: Bookkeeper will review form F-SA-8 to make sure a confirmation signature is received each time.

Comment: During our testing of the annual reports, we found the Accounts Receivable and Accounts Payable (Form F-SA-15B) was not completed. Upon our testing of Accounts payable, we found multiple that needed to be classified as a payable at year end. We recommend the school treasurer review the "Annual Reports" section of the "Redbook", which states the Accounts Receivable and Accounts Payable (Form F-SA-15B) is to be included in the annual report, and review the "Monthly Reports" section of the "Redbook", which defines which payables and receivables need to be included on the form.

Response: Bookkeeper will add this form to the end of year close process to make sure this form is completed and included in the Annual Reports.

## STATUS OF PRIOR YEAR COMMENTS

### BOARD

Previously during testing of payroll, it was noted that several employees did not have current year contracts on file. We recommend management confirms they received contracts from all non-tenured employees at the start of each fiscal years. There was no similar finding in the current year.

Previously during procedures over investments, it was noted that Investments do not meet KDE compliance (KRS 66.480). We recommend the district refer to the letter supplied to them by KDE in 2018 which outlines several suggestions on how to handle the annuities for the duration of their existence. The District should update the annuitant to be the current superintendent or the District itself. In addition, the Board should be made privy to all investment activity in these annuities on at least an annual basis. There was no similar finding in the current year.

## SCHOOL ACTIVITY FUNDS

### POWELL COUNTY HIGH SCHOOL

Previously during testing of receipts, there were two instances of funds not being deposited timely. A We recommend the bookkeeper and the principal review the "receipts" section of the Redbook, which states, "A deposit shall be made on any day in which at least $100 is on hand to deposit. In the event that less than $100 is on hand to deposit, smaller amounts may be held in a secure location until the earlier of when $100 is collected or the weekly deposit is made as required by paragraph c) of this item. If not deposited the day the money is collected, the treasurer still must write the receipt the day the money is collected. Money collected after school business hours shall be placed in a night depository or night drop at a bank or in the locked school safe and processed for deposit the following business day by the school treasurer. At a minimum, deposits shall be made on the last workday of the week, even if the deposit amount is less than $100." There was no similar finding in the current year.

### STANTON ELEMENTARY SCHOOL

Previously during testing of receipts, there were two instances of funds not being deposited timely. a) We recommend the bookkeeper and the principal review the "receipts" section of the Redbook, which states, "A deposit shall be made on any day in which at least $100 is on hand to deposit. In the event that less than $100 is on hand to deposit, smaller amounts may be held in a secure location until the earlier of when $100 is collected or the weekly deposit is made as required by paragraph c) of this item. If not deposited the day the money is collected, the treasurer still must write the receipt the day the money is collected. Money collected after school business hours shall be placed in a night depository or night drop at a bank or in the locked school safe and processed for deposit the following business day by the school treasurer. At a minimum, deposits shall be made on the last workday of the week, even if the deposit amount is less than $100.". There was no similar finding in the current year.

# APPENDIX C

**Powell County School District Finance Corporation**
**School Building Revenue Bonds**
**Series of 2024**

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**Continuing Disclosure Undertaking Agreement**

## CONTINUING DISCLOSURE UNDERTAKING AGREEMENT

This Continuing Disclosure Undertaking Agreement ("Agreement") made and entered into as of February 1, 2024 by and between the Board of Education of Powell County, Kentucky ("Board"); the Powell 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.

**W I T N E S S E T H:**

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 $20,570,000 of the Corporation's School Building Revenue Bonds, Series of 2024, dated February 1, 2024 ("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, 2024, to (a) the Municipal Securities Rulemaking Board ("MSRB"), or any successor thereto for purposes of its Rule, through the continuing disclosure service portal provided by the MSRB's Electronic Municipal Market Access ("EMMA") system as described in 1934 Act Release No. 59062, or any similar system that is acceptable to the Securities and Exchange Commission and (b) the State Information Depository ("SID"), if any (the Commonwealth of Kentucky has not established a SID as of the date of this Agreement) within nine (9) months of the close of each fiscal year.

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

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

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

**2. MATERIAL EVENTS NOTICES**

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

1. Principal/interest payment delinquency;

2. Nonpayment related default, if material;

3. Unscheduled draw on debt service reserve reflecting financial difficulties;

4. Unscheduled draw on credit enhancement reflecting financial difficulties;

5. Substitution of credit or liquidity provider, or its failure to perform;

6. Adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the securities, or other material events affecting the tax status of the security;

7. Modifications to rights of security holders, if material;

8. Bond call, if material and tender offers;

9. Defeasance;

10. Release, substitution or sale of property securing the repayment of the security, if material;

11. Rating change;

12. Merger, consolidation, acquisition or sale of all or substantially all assets of an obligated person, other than in the ordinary course of business, and the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to such action, other than pursuant to its terms, if material;

13. Bankruptcy, insolvency, receivership or similar event of the obligated person;

14. Successor, additional or change in trustee, if material;

15. Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material, and;

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

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

(A) Debt obligation;

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

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

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

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

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

Attest:

______________________________
Chairman

______________________________
Secretary

**POWELL COUNTY SCHOOL DISTRICT FINANCE CORPORATION**

Attest:

______________________________
President

______________________________
Secretary

# APPENDIX D

## Powell County School District Finance Corporation
## School Building Revenue Bonds
## Series of 2024

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## Official Terms and Conditions of Bond Sale

## OFFICIAL TERMS AND CONDITIONS OF BOND SALE

**$20,570,000***
**Powell County School District Finance Corporation**
**School Building Revenue Bonds, Series of 2024**
**Dated as of February 1, 2024**

**SALE: January 11, 2024 AT 11:00 A.M., E.S.T.**

As published on PARITY®, a nationally recognized electronic bidding system, the Powell County School District Finance Corporation ("Corporation") will until January 11, 2024, 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 $2,055,000.

### POWELL 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 Powell 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 Elementary School (the "Project") and are secured by a statutory mortgage lien upon and a pledge of the revenues from the rental of the school building 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 $51,900 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 $51,900 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 February 1, 2024, 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:

| Year | Amount* | Year | Amount* |
|---|---|---|---|
| 2025 | $290,000 | 2038 | $1,165,000 |
| 2026 | 305,000 | 2039 | 1,215,000 |
| 2027 | 310,000 | 2040 | 1,265,000 |
| 2028 | 505,000 | 2041 | 1,320,000 |
| 2029 | 520,000 | 2042 | 1,380,000 |
| 2030 | 585,000 | 2043 | 860,000 |
| 2031 | 600,000 | 2044 | 900,000 |
| 2032 | 620,000 | 2045 | 890,000 |
| 2033 | 640,000 | 2046 | 930,000 |
| 2034 | 765,000 | 2047 | 975,000 |
| 2035 | 785,000 | 2048 | 1,020,000 |
| 2036 | 815,000 | 2049 | 1,065,000 |
| 2037 | 845,000 | | |

*Subject to a Permitted Adjustment of the amount of Bonds awarded of up to $2,055,000 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 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 $20,158,600 (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 $20,570,000 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 $2,055,000 (the "Permitted Adjustment") which may be awarded to such best bidder may be a minimum of $18,515,000 or a maximum of $22,625,000. 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 $20,570,000 of Bonds bid.

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

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

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

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

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

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

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

(d) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is January 11, 2024.

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

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

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

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

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

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

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

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

**STATE SUPPORT OF EDUCATION**

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

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

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

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

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

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

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

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

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

## BIENNIAL BUDGET FOR PERIOD ENDING JUNE 30, 2022

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

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

The General Assembly 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.

## 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, Powell County Board of Education, 691 Breckinridge, Stanton, Kentucky 40380 (606.663.3300).

## TAX EXEMPTION; NOT BANK QUALIFIED

Bond Counsel advises as follows with respect to the Bonds:

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

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

(C) As a result of certifications by the Board and the Corporation, indicating the issuance of MORE than $10,000,000 of tax-exempt obligations during the calendar year ending December 31, 2024, the Bonds may NOT be treated by financial institutions as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code.

## BOOK-ENTRY-ONLY-SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

**POWELL COUNTY SCHOOL DISTRICT**
**FINANCE CORPORATION**

By /Sarah Wasson
Secretary

# APPENDIX E

**Powell County School District Finance Corporation**
**School Building Revenue Bonds**
**Series of 2024**

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**Official Bid Form**

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

The Powell County School District Finance Corporation ("Corporation" or "Issuer"), will until 11:00 A.M., E.S.T., on January 11, 2024, receive in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Rd, Carriage House, Frankfort, KY 40601, (telephone 502-564-5582; fax 888-979-6152) competitive bids for its $20,570,000 School Building Revenue Bonds, Series of 2024, dated February 1, 2024; maturing February 1, 2025 through 2049 ("Bonds").

We hereby bid for said $20,570,000* principal amount of Bonds, the total sum of $_______________ (not less than $20,158,600) plus accrued interest from February 1, 2024 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:

| Year | Amount* | Rate | Year | Amount* | Rate |
|---|---|---|---|---|---|
| 2025 | $290,000 | _________% | 2038 | $1,165,000 | _________% |
| 2026 | 305,000 | _________% | 2039 | 1,215,000 | _________% |
| 2027 | 310,000 | _________% | 2040 | 1,265,000 | _________% |
| 2028 | 505,000 | _________% | 2041 | 1,320,000 | _________% |
| 2029 | 520,000 | _________% | 2042 | 1,380,000 | _________% |
| 2030 | 585,000 | _________% | 2043 | 860,000 | _________% |
| 2031 | 600,000 | _________% | 2044 | 900,000 | _________% |
| 2032 | 620,000 | _________% | 2045 | 890,000 | _________% |
| 2033 | 640,000 | _________% | 2046 | 930,000 | _________% |
| 2034 | 765,000 | _________% | 2047 | 975,000 | _________% |
| 2035 | 785,000 | _________% | 2048 | 1,020,000 | _________% |
| 2036 | 815,000 | _________% | 2049 | 1,065,000 | _________% |
| 2037 | 845,000 | _________% | | | |

* Subject to Permitted Adjustment

We understand this bid may be accepted for as much as $22,625,000 of Bonds or as little as $18,515,000 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 for each Maturity of the Bonds which prices are the prices for each Maturity of the Bonds used by the successful purchaser in formulating its bid to purchase the Bonds.

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

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

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

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

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

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

(d) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is January 11, 2024.

(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, Trust Officer (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 February 1, 2024 and upon acceptance by the Issuer's Municipal Advisor this Official Bid Form shall become the Bond Purchase Agreement.

Respectfully submitted,

__________________________________
Bidder

By ________________________________
Authorized Officer

__________________________________
Address

| | |
|---|---|
| Total interest cost from February 1, 2024 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 Powell County School District Finance Corporation for $_________________ amount of Bonds at a price of $______________ as follows:

| Year | Amount | Rate | Year | Amount | Rate |
|---|---|---|---|---|---|
| 2025 | _______,000 | ________% | 2038 | _______,000 | ________% |
| 2026 | _______,000 | ________% | 2039 | _______,000 | ________% |
| 2027 | _______,000 | ________% | 2040 | _______,000 | ________% |
| 2028 | _______,000 | ________% | 2041 | _______,000 | ________% |
| 2029 | _______,000 | ________% | 2042 | _______,000 | ________% |
| 2030 | _______,000 | ________% | 2043 | _______,000 | ________% |
| 2031 | _______,000 | ________% | 2044 | _______,000 | ________% |
| 2032 | _______,000 | ________% | 2045 | _______,000 | ________% |
| 2033 | _______,000 | ________% | 2046 | _______,000 | ________% |
| 2034 | _______,000 | ________% | 2047 | _______,000 | ________% |
| 2035 | _______,000 | ________% | 2048 | _______,000 | ________% |
| 2036 | _______,000 | ________% | 2049 | _______,000 | ________% |
| 2037 | _______,000 | ________% | | | |

Dated: January 11, 2024

__________________________________

RSA Advisors, LLC, As Agent for the Powell County School District Finance Corporation