

DATED JUNE 10, 2024

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

RATING
Moody's: " "

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

\$3,405,000*
HENRY COUNTY SCHOOL DISTRICT FINANCE CORPORATION
SCHOOL BUILDING REVENUE BONDS,
SERIES OF 2024

Dated with Delivery: JULY 9, 2024

Due: as shown below

Interest on the Bonds is payable each February 1 and August 1, beginning February 1, 2025. The Bonds will mature as to principal on February 1, 2025, and thereafter as shown below. The Bonds are being issued in Book-Entry-Only Form and will be available for purchase in principal amounts of \$5,000 and integral multiples thereof.

Maturing		Interest	Reoffering	Maturing		Interest	Reoffering		
1-Feb	Amount*	Rate	Yield	CUSIP	1-Feb	Amount*	Rate	Yield	CUSIP
2025	\$620,000	%	%		2035	\$150,000	%	%	
2026	\$590,000	%	%		2036	\$160,000	%	%	
2027	\$15,000	%	%		2037	\$165,000	%	%	
2028	\$15,000	%	%		2038	\$170,000	%	%	
2029	\$15,000	%	%		2039	\$175,000	%	%	
2030	\$15,000	%	%		2040	\$185,000	%	%	
2031	\$15,000	%	%		2041	\$190,000	%	%	
2032	\$15,000	%	%		2042	\$200,000	%	%	
2033	\$140,000	%	%		2043	\$210,000	%	%	
2034	\$145,000	%	%		2044	\$215,000	%	%	

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

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

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

The Henry County (Kentucky) School District Finance Corporation will until June 18, 2024, at 11:00 A.M., E.D.S.T., receive competitive bids for the Bonds at the office of the Executive Director of the Kentucky School Facilities Construction Commission, Carriage House, 700 Louisville Rd., 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 \$340,000.**

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

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

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

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



**HENRY COUNTY
BOARD OF EDUCATION**

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

Dr. Jim Masters, Superintendent/Secretary

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

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

Dr. Jim Masters, Secretary
Megan Klempner, Treasurer

BOND COUNSEL

Step toe & Johnson PLLC
Louisville, Kentucky

MUNICIPAL ADVISOR

RSA Advisors, LLC
Lexington, Kentucky

PAYING AGENT AND REGISTRAR

US Bank Trust Company, National Association
Louisville, Kentucky

BOOK-ENTRY-ONLY-SYSTEM

REGARDING USE OF THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Henry County School District Finance Corporation School Building Revenue Bonds, Series of 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.

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**OFFICIAL STATEMENT
Relating to the Issuance of**

\$3,405,000*

**HENRY 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 Henry 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 central office (the "Project").

The Bonds are revenue bonds and constitute a limited indebtedness of the Corporation. The Bonds will be secured by a statutory mortgage lien and a pledge of the rental income derived by the Corporation from leasing the school building Projects (as hereinafter defined) to the Henry County Board of Education (the "Board") on a year to year basis (see "Security" herein).

All financial and other information presented in this Official Statement has been provided by the Henry County 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 July 9, 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; NO PARTICIPATION IN THIS ISSUE

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

The General Assembly of the Commonwealth adopted the State's Budget for the fiscal year ending June 30, 2026. Inter alia, the Budget provides \$116,928,400 in FY 23024-25 and \$126,269,500 in FY 2025-2026 to pay debt service on existing and future bond issues. There are \$75,900,000 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 2000, 2003, 2005, 2006, 2008, 2010, 2012, 2014, 2016, 2018, 2020, 2022, and 2024 Regular Sessions of the Kentucky General Assembly appropriated funds to be used for new debt service of participating school districts. The appropriations for each biennium are shown in the following table:

<u>Biennium</u>	-	<u>Appropriation</u>
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
<u>2024-26</u>		<u>22,280,000</u>
Total		\$142,617,000

In addition to the appropriations for new financings as shown, appropriations subsequent to that for 2000 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, 2026

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, 2026 which was approved and signed recently by the Governor. Such budget becomes effective July 1, 2024.

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
2012-REF	\$905,000	\$0	\$160,856	\$744,144	2.250%	2024
2013-Energy	\$3,115,000	\$1,980,000	\$3,115,000	\$0	2.000% - 3.000%	2033
2014-REF	\$4,315,000	\$3,365,000	\$3,608,580	\$706,420	2.750% - 4.000%	2030
2016-REF	\$11,875,000	\$5,255,000	\$10,976,266	\$898,734	2.375% - 4.000%	2027
2020	\$895,000	\$745,000	\$0	\$895,000	2.000% - 2.500%	2040
2020-REF	\$3,105,000	\$2,785,000	\$2,084,318	\$1,020,682	1.700% - 1.900%	2031
2022	\$565,000	\$515,000	\$0	\$565,000	1.250% - 3.000%	2042
2023	\$2,000,000	\$2,000,000	\$501,062	\$1,498,938	4.000% - 4.125%	2044
Totals:	\$26,775,000	\$16,645,000	\$20,446,082	\$6,328,918		

AUTHORITY

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

- i) the issuance of approximately \$3,405,000 of Bonds subject to a permitted adjustment of \$340,000;
- 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 July 9, 2024, will bear interest from that date as described herein, payable semi-annually on February 1 and August 1 of each year, commencing February 1, 2025, 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 February 1, 2025 (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 on 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 Bonds have the right to have a receiver appointed to administer the school building Project but foreclosure and sale are not available as remedies.

The Lease; Pledge of Rental Revenues

The Board has leased the school building Project securing the Bonds for an initial period from July 9, 2024, through June 30, 2025 with the option in the Board to renew said Lease from year to year for one year at a time, at annual rentals, sufficient in each year to enable the Corporation to pay, solely from the rental due under the Lease, the principal and interest on all of the Bonds as same become due. The Lease provides further that so long as the Board exercises its annual renewal options, its rentals will be payable according to the terms and provisions of the Lease until February 1, 2044, the final maturity date of the Bonds. Under the lease, the Corporation has pledged the rental revenue to the payment of the Bonds.

Authorization of General Obligation Bonds

The Kentucky Legislature recently passed and the Governor signed HB 727 which, 90 days after the adjournment of the Legislature, will authorize Kentucky Boards of Education to issue general obligation bonds within certain limitations prescribed by Kentucky law. The Board does not currently have any specific plan to issue general obligation bonds. Issuance by the Board of general obligation debt in the future would not affect either the Board's obligation to make lease payments to the Corporation for payment of debt service on the Bonds or the security for the Bonds.

STATE INTERCEPT

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

THE PROJECT

After payment of the Bond issuance costs, the Board plans to deposit the net Bond proceeds to finance the construction of a new central office (the "Project").

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

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

ADDITIONAL PARITY BONDS

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

KENTUCKY DEPARTMENT OF EDUCATION SUPERVISION

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

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

ESTIMATED BOND DEBT SERVICE

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

Fiscal Year Ending June 30	Current Local Bond Payments	----- School Building Revenue Bonds, Series 2024 -----			Total Restricted Fund Bond Payments
		Principal Portion	Interest Portion	Total Payment	
2025	\$1,523,231				\$1,523,231
2026	\$1,522,294	\$620,000	\$76,721	\$696,721	\$2,219,015
2027	\$1,526,371	\$590,000	\$111,931	\$701,931	\$2,228,303
2028	\$1,521,809	\$15,000	\$88,331	\$103,331	\$1,625,140
2029	\$1,578,212	\$15,000	\$87,731	\$102,731	\$1,680,943
2030	\$1,576,932	\$15,000	\$87,131	\$102,131	\$1,679,063
2031	\$1,056,230	\$15,000	\$86,531	\$101,531	\$1,157,761
2032	\$995,768	\$15,000	\$85,931	\$100,931	\$1,096,699
2033	\$50,312	\$15,000	\$85,331	\$100,331	\$150,644
2034	\$49,399	\$140,000	\$84,731	\$224,731	\$274,131
2035	\$53,375	\$145,000	\$79,131	\$224,131	\$277,506
2036	\$51,950	\$150,000	\$73,331	\$223,331	\$275,281
2037	\$50,200	\$160,000	\$67,331	\$227,331	\$277,532
2038	\$53,250	\$165,000	\$60,931	\$225,931	\$279,181
2039	\$50,951	\$170,000	\$54,331	\$224,331	\$275,282
2040	\$53,526	\$175,000	\$47,531	\$222,531	\$276,057
2041	\$49,499	\$185,000	\$40,531	\$225,531	\$275,030
2042	\$51,139	\$190,000	\$33,131	\$223,131	\$274,270
2043	\$50,213	\$200,000	\$25,531	\$225,531	\$275,744
2044	\$53,118	\$210,000	\$17,531	\$227,531	\$280,650
2045		\$215,000	\$8,869	\$223,869	\$223,869
TOTALS:	\$11,917,777	\$3,405,000	\$1,302,553	\$4,707,553	\$16,625,330

Note: Numbers are rounded to the nearest \$1.00.

ESTIMATED USE OF BOND PROCEEDS

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

Sources:	
Par Amount of Bonds	<u>\$3,405,000.00</u>
Total Sources	\$3,405,000.00
Uses:	
Deposit to Construction Fund	\$3,292,930.00
Underwriter's Discount (2%)	68,100.00
Cost of Issuance	<u>43,970.00</u>
Total Uses	\$3,405,000.00

DISTRICT STUDENT POPULATION

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

Year	Average Daily Attendance	Year	Average Daily Attendance
2000-01	1,917.6	2012-13	1,978.1
2001-02	1,902.5	2013-14	1,948.2
2002-03	1,891.9	2014-15	1,946.3
2003-04	1,955.8	2015-16	1,950.1
2004-05	1,928.7	2016-17	1,931.8
2005-06	1,916.7	2017-18	1,935.4
2006-07	1,930.7	2018-19	1,912.2
2007-08	1,953.4	2019-20	1,866.4
2008-09	1,942.0	2020-21	1,866.4
2009-10	1,981.9	2021-22	1,938.1
2010-11	2,002.0	2022-23	1,938.1
2011-12	2,004.2	2023-24	1,760.1

Source: Kentucky Department of Education.

STATE SUPPORT

Support Education Excellence in Kentucky (SEEK). In determining the cost of the program to Support Education Excellence in Kentucky (SEEK), the statewide guaranteed base funding level is computed by dividing the amount appropriated by the prior year's statewide average daily attendance. The SEEK fund is a guaranteed amount of money per pupil in each school district of Kentucky. The current SEEK allotment is \$4,000 per pupil. The \$100 capital outlay allotment per each average daily attendance is included within the guaranteed amounts. Each district's base funding from the SEEK program is adjusted for the number of at-risk students, the number and types of exceptional children in the district, and cost of transporting students from and to school in the district.

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

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

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

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

Year	Capital Outlay Allotment	Year	Capital Outlay Allotment
2000-01	191,760.0	2012-13	197,806.0
2001-02	190,250.0	2013-14	194,822.0
2002-03	189,190.0	2014-15	194,626.0
2003-04	195,580.0	2015-16	195,010.0
2004-05	192,870.0	2016-17	193,180.0
2005-06	191,670.0	2017-18	193,540.0
2006-07	193,070.0	2018-19	191,222.6
2007-08	195,340.0	2019-20	186,640.0
2008-09	194,201.0	2020-21	186,644.9
2009-10	198,189.0	2021-22	193,810.6
2010-11	200,204.0	2022-23	193,810.6
2011-12	200,416.0	2023-24	176,008.5

Source: Kentucky Department of Education.

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

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

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

LOCAL SUPPORT

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

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

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

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

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

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

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

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

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

Local Tax Rates, Property Assessments and Revenue Collections

Tax Year	Combined Equivalent Rate	Total Property Assessment	Property Revenue Collections
2000-01	56.2	447,699,062	2,516,069
2001-02	55.9	481,316,116	2,690,557
2002-03	56.8	510,601,091	2,900,214
2003-04	56.8	535,364,444	3,040,870
2004-05	56.8	567,462,934	3,223,189
2005-06	57.6	596,034,180	3,433,157
2006-07	65.6	618,350,242	4,056,378
2007-08	57.6	653,892,888	3,766,423
2008-09	63.7	682,481,385	4,347,406
2009-10	63.7	686,215,098	4,371,190
2010-11	68.7	690,628,878	4,744,620
2011-12	70.9	694,646,779	4,925,046
2012-13	70.1	712,235,666	4,992,772
2013-14	73.8	705,735,443	5,208,328
2014-15	76.2	717,697,091	5,468,852
2015-16	78.5	723,229,056	5,677,348
2016-17	77	730,343,804	5,623,647
2017-18	78.8	750,722,737	5,915,695
2018-19	79.1	765,800,461	6,057,482
2019-20	79.4	818,743,934	6,500,827
2020-21	77.8	873,184,545	6,793,376
2021-22	78.1	939,250,696	7,335,548
2022-23	78.1	1,024,441,143	8,000,885
2023-24	74.9	1,152,090,650	8,629,159

Source: Kentucky Department of Education.

OVERLAPPING BOND INDEBTEDNESS

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

Issuer	Original Principal Amount	Amount of Bonds Redeemed	Current Principal Outstanding
County of Henry			
General Obligation	135,000	0	135,000
Multiple Purposes Revenue	16,075,000	1,660,000	14,415,000

City of Campbellsburg			
General Obligation	655,000	50,000	605,000
Sewer Revenue	1,155,000	232,000	923,000
City of Eminence			
Water & Sewer Revenue	500,000	254,500	245,500
City of New Castle			
General Obligation	115,000	86,250	28,750
Water & Sewer Revenue	1,245,000	757,300	487,700
Improvement Project Revenue	90,000	19,300	70,700
City of Pleasureville			
General Obligation	50,000	27,500	22,500
Sewer Revenue	674,000	303,000	371,000
City Hall Public Corp.	235,000	218,000	17,000
Special Districts			
Henry County Library Taxing District	4,540,000	454,000	4,086,000
Henry County Water District #2	8,641,000	4,961,000	3,680,000
Totals:	34,110,000	9,022,850	25,087,150

Source: 2023 Kentucky Local Debt Report.

SEEK ALLOTMENT

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

	Base Funding	Local Tax Effort	Total State & Local Funding
2023-24 SEEK	7,824,976	8,629,159	16,454,135
2022-23 SEEK	8,889,423	8,000,885	16,890,308
2021-22 SEEK	8,616,696	7,335,548	15,952,244
2020-21 SEEK	8,063,476	6,793,376	14,856,852
2019-20 SEEK	8,673,725	6,500,827	15,174,552
2018-19 SEEK	9,150,046	6,057,482	15,207,528
2017-18 SEEK	9,026,909	5,915,695	14,942,604
2016-17 SEEK	8,940,342	5,623,647	14,563,989
2015-16 SEEK	8,958,610	5,677,348	14,635,958
2014-15 SEEK	8,801,928	5,468,852	14,270,780
2013-14 SEEK	8,887,513	5,208,328	14,095,841
2012-13 SEEK	8,987,110	4,992,772	13,979,882
2011-12 SEEK	9,198,338	4,925,046	14,123,384
2010-11 SEEK	8,299,918	4,744,620	13,044,538
2009-10 SEEK	8,219,088	4,371,190	12,590,278
2008-09 SEEK	8,829,304	4,347,406	13,176,710
2007-08 SEEK	8,886,675	3,766,423	12,653,098
2006-07 SEEK	7,951,859	4,056,378	12,008,237
2005-06 SEEK	7,764,121	3,433,157	11,197,278
2004-05 SEEK	7,318,957	3,223,189	10,542,146
2003-04 SEEK	7,317,279	3,040,870	10,358,149
2002-03 SEEK	6,924,668	2,900,214	9,824,882
2001-02 SEEK	6,794,074	2,690,557	9,484,631
2000-01 SEEK	6,812,105	2,516,069	9,328,174

- (1) Support Education Excellence in Kentucky (SEEK) replaces the minimum foundation program and power equalization funding. Capital Outlay is now computed at \$100 per average daily attendance (ADA). Capital Outlay is included in the SEEK base funding.
- (2) The Board established a current equivalent tax rate (CETR) of \$0.7490 for FY 2023-24. The equivalent tax rate" is defined as the rate which results when the income from all taxes levied by the district for school purposes is divided by the total assessed value of property plus the assessment for motor vehicles certified by the Commonwealth of Kentucky Revenue Cabinet.

State Budgeting Process

- i) Each district board of education is required to prepare a general school budget on forms prescribed and furnished by the Kentucky Board of Education, showing the amount of money needed for current expenses, debt service, capital outlay, and other necessary expenses of the school during the succeeding fiscal year and the estimated amount that will be received from all sources.
- ii) By September 15 of each year, after the district receives its tax assessment data from the Department of Revenue and the State Department of Education, 3 copies of the budget are forwarded to the State Department for approval or disapproval.
- iii) The State Department of Education has adopted a policy of disapproving a school budget if it is financially unsound or fails to provide for:
 - a) payment of maturing principal and interest on any outstanding voted school improvement bonds of the district or payment of rental in connection with any outstanding school building revenue bonds issued for the benefit of the school district; or
 - b) fails to comply with the law.

POTENTIAL LEGISLATION

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

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

CONTINUING DISCLOSURE

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

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

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

TAX EXEMPTION; BANK QUALIFIED

Bond Counsel advises as follows with respect to the Bonds:

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

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

(C) As a result of designations and certifications by the Board and the Corporation, indicating the issuance of less than \$10,000,000 of tax-exempt obligations during the calendar year ending December 31, 2024, the Bonds are "qualified tax-exempt obligations" within the meaning of the Internal Revenue Code of 1986, as amended.

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

Original Issue Premium

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

Holder 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 Henry 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 Henry County 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 Henry 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

Henry County School District Finance Corporation School Building Revenue Bonds, Series of 2024

Demographic and Economic Data

HENRY COUNTY, KENTUCKY

Henry County, located in north-central Kentucky in the Outer Blue Grass Region, has a land area of 289 square miles. The Kentucky River forms the eastern boundary of the county. Henry County had an estimated 2023 population of 15,857 persons.

Eminence, the largest city in Henry County, has an estimated 2023 population of 2,811. Eminence is located 69 miles northwest of Lexington, Kentucky; 38 miles northeast of Louisville, Kentucky; and 65 miles southwest of Cincinnati, Ohio. New Castle, the county seat, has an estimated 2023 population of 784 people.

The Economic Framework

In 2023, Henry County had a labor force of 7,127 people, with an unemployment rate of 4.2%. The top 5 jobs by occupation were as follows: sales - 419 (15.15%); office and administrative support - 372 (13.45%); executive, managers, and administrators - 259 (9.36%); education, training/library - 201 (7.27%); and food preparation/serving - 142 (5.13%).

Transportation

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

Power and Fuel

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

Education

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

LOCAL GOVERNMENT

Structure

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

Planning and Zoning

Joint agency - Henry County Planning & Zoning Commission

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

Zoning enforced - All areas within Henry County

Subdivision regulations enforced - All areas within Henry County

Local codes enforced - Building and Housing

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

Local Fees and Licenses

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

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

Property Taxes

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

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

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

LABOR MARKET STATISTICS

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

POPULATION

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

Source: Kentucky Cabinet for Economic Development

POPULATION PROJECTIONS

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

Source: University of Louisville, Kentucky State Data Center.

EDUCATION

Public Schools

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

Source: Kentucky Department of Education

Vocational-Technical Training

Customized Training

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

Assessment Services

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

Adult Education Services

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

Bluegrass State Skills Corporation

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

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

Area Technical Schools

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

Source: Kentucky Department of Education

Area Colleges and Universities

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

Source: US News & World Report

EXISTING INDUSTRY

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

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

APPENDIX B

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

Audited Financial Statement ending June 30, 2023

HENRY COUNTY SCHOOL DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Henry County School District (District) as of and for the year ended June 30, 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 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 of Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue

as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules, and OPEB schedules as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or

historical context. We 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.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, combining and individual school activity 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, combining and individual school activity 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 16, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Maddox & Associates CPAs Inc.

Fort Thomas, Kentucky
October 16, 2023

As management of the Henry County School District (District) we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information found within the body of this report.

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of the District were more than its liabilities and deferred outflows at the close of the most recent fiscal year by \$1,087,711 (net position). The unrestricted net position, which represents the amounts available to meet the District's ongoing obligations to citizens and creditors, was a deficit of \$6,911,930. The District is committed to provide postemployment benefits to its employees. As a result, the District has recognized substantial liabilities in the financial statements for these benefits. As of year-end, the District has liabilities of for postemployment benefits of \$15,441,510 which caused the deficit balance in the unrestricted net position.

The District's total net position increased by \$3,473,707.

At the close of the current fiscal year, the District's governmental funds reported combined fund balances of \$7,910,492 an increase of \$325,678 from the prior year. Of this amount, \$5,656,626 is available for spending at the District's discretion (unassigned fund balance).

At the close of the current fiscal year, the unassigned fund balance for the general fund \$5,656,626 or, approximately 24% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) the notes to the financial statements.

Government-wide Financial Statements

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

The *statement of net position* presents financial information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. 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 net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, district and school administration, business

and plant operations, student transportation, and operation of non-instructional services. Fixed assets and debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 10-12 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 the state mandated accounting system including a 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 funds, proprietary funds, and fiduciary funds. The proprietary fund is for food service operations. The fiduciary fund is a trust fund established by benefactors to aid in student education, welfare, and teacher support. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 13-22 of this report.

Notes to the Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-56 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net Position

	Governmental Activities		Business-Type Activities	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Assets				
Current assets	\$ 8,469,799	\$ 8,945,759	\$ 1,190,061	\$ 1,041,214
Non-current assets	21,973,487	20,520,922	211,056	216,287
Total assets	30,443,286	29,466,681	1,401,117	1,257,501
Deferred outflows	5,101,921	3,343,002	288,782	301,136
Liabilities				
Current liabilities	649,491	1,457,399	55,460	69,285
Non-current liabilities	30,727,789	28,995,020	1,352,327	1,149,672
Total liabilities	31,377,280	30,452,419	1,407,787	1,218,957
Deferred inflows	3,223,576	4,744,178	138,752	341,762
Net position				
Net investment in capital assets	5,602,416	2,452,076	211,056	216,287
Restricted	2,253,866	1,891,665	(67,696)	(218,369)
Unrestricted	(6,911,931)	(6,727,655)	-	-
Total net position	\$ 944,351	\$ (2,383,914)	\$ 143,360	\$ (2,082)

Change in Net Position

	Governmental Activities		Business-Type Activities	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Revenues:				
Local revenue sources	\$ 8,791,193	\$ 8,363,768	\$ 130,613	\$ 8,363,768
State revenue sources	18,698,029	16,481,561	147,454	16,481,561
Federal revenue sources	4,897,112	3,701,772	1,658,511	3,701,772
Total revenues	\$ 32,386,334	\$ 28,547,101	\$ 1,936,578	\$ 28,547,101
Expenses:				
Instruction	\$ 15,879,599	\$ 14,431,616	\$ -	\$ 14,431,616
Student support	1,898,981	1,771,325	-	1,771,325
Instruction staff	1,565,888	1,489,818	-	1,489,818
District administrative	1,047,000	937,605	-	937,605
School administrative	1,555,991	1,416,638	-	1,416,638
Business support	673,386	678,932	-	678,932
Plant operations and maintenance	3,797,559	4,449,140	-	4,449,140
Student transportation	1,985,519	1,932,958	-	1,932,958
Community services	233,074	231,472	-	231,472
Land/site acquisitions	6,600	-	-	231,472
Building improvements	-	-	-	-
Interest on long-term debt	442,146	403,969	-	403,969
Food service	18,548	67,996	1,744,914	566,111
Total expenses	\$ 29,104,291	\$ 27,811,469	\$ 1,744,914	\$ 28,541,056
Transfers	46,222	19,329	(46,222)	(44,329)
Change in net position	\$ 3,328,265	\$ 754,961	\$ 145,442	\$ (38,284)

GOVERNMENTAL FUND FINANCIAL ANALYSIS

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the District's government funds reported combined fund balances of \$7,910,492, an increase of \$325,678 in comparison with the prior year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,656,626. The total general fund balance increased \$4,726.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the District had \$21,418,783 net investment in capital assets. Net capital assets increased \$747,258.

	Governmental Activities		Business-Type Activities	
	6/30/2023	6/30/2022	6/30/2023	6/30/2022
Land	\$ 779,610	\$ 285,300	\$ -	\$ -
Land and improvements	133,926	144,815	-	-
Buildings and improvements	16,071,818	17,352,165	-	-
Technology equipment	116,993	73,601	108	108
Vehicles	1,198,258	1,102,219	-	-
General equipment	184,446	148,772	210,948	216,089
Construction in progress	3,447,675	1,348,456	-	-
Total capital assets, net	\$ 21,932,726	\$ 20,455,328	\$ 211,056	\$ 216,197

Long-Term Obligations

At the end of the fiscal year, the District had \$30,280,116 in long-term liabilities. Long-term liabilities increased \$138,424.

	Governmental Activities		Business-Type Activities	
	6/30/2023	6/30/2022	6/30/2023	6/30/2022
Bonds payable	\$ 16,330,310	\$ 18,003,252	\$ -	\$ -
Operating leases	40,761	65,594	-	-
Compensated absences	267,535	95,219	-	-
Net OPEB liability	6,979,573	4,910,432	289,971	265,444
Net pension liability	7,109,610	5,917,523	1,062,356	884,228
Total long-term liabilities	\$ 30,727,789	\$ 28,992,020	\$ 1,352,327	\$ 1,149,672

GENERAL FUND BUDGET

Kentucky state statutes and the Kentucky Department of Education require school districts to adopt a budget that has a minimum 2% contingency. The District adopted a general fund budget that had a contingency of 22%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Budgeted general fund revenue for the District decreases for the upcoming fiscal year primarily due to lower expected SEEK revenue. Budgeted general fund expenditures decreased slightly for the current year. The budgeted contingency exceeded the 2% minimum requirement.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Finance Officer, Megan Klempner, S. Main Street, New Castle, KY 40050.

Henry County School District
Statement of Net Position
June 30, 2023

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 7,577,340	\$ 1,056,774	\$ 8,634,114
Receivables	892,459	100,250	992,709
Inventory	-	33,037	33,037
Right-of-use lease assets - operating	40,761	-	40,761
Capital assets, net	21,932,726	211,056	22,143,782
Total assets	30,443,286	1,401,117	31,844,403
Deferred outflows of resources			
OPEB related	3,951,246	115,925	4,067,171
Pension related	1,150,675	172,857	1,323,532
Total deferred outflows of resources	5,101,921	288,782	5,390,703
Liabilities			
Accounts payable	413,731	55,460	469,191
Unearned revenue	145,576	-	145,576
Accrued interest payable	90,184	-	90,184
Due within one year:			
Lease obligation - operating lease	22,644	-	22,644
Bonds payable	1,707,942	-	1,707,942
Due in more than one year:			
Compensated absences	267,535	-	267,535
Lease obligation - operating lease	18,117	-	18,117
Bonds payable	14,622,368	-	14,622,368
Net OPEB liability	6,979,573	289,971	7,269,544
Net pension liability	7,109,610	1,062,356	8,171,966
Total liabilities	31,377,280	1,407,787	32,785,067
Deferred inflows of resources			
OPEB related	3,060,904	114,445	3,175,349
Pension related	162,672	24,307	186,979
Total deferred inflows of resources	3,223,576	138,752	3,362,328
Net position			
Net investment in capital assets	5,602,416	211,056	5,813,472
Restricted (deficit)	2,253,866	(67,696)	2,186,170
Unrestricted (deficit)	(6,911,931)	-	(6,911,931)
Total net position (deficit)	\$ 944,351	\$ 143,360	\$ 1,087,711

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

Henry County School District
Statement of Activities
Year Ended June 30, 2023

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contribution</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities							
Instruction	\$ 15,879,599	\$ -	\$ 5,163,407	\$ -	\$ (10,716,192)	\$ -	\$ (10,716,192)
Support services:							
Student	1,898,981	-	266,864	-	(1,632,117)		(1,632,117)
Instructional staff	1,565,888	-	388,529	-	(1,177,359)		(1,177,359)
District administration	1,047,000	-	12,367	-	(1,034,633)		(1,034,633)
School administration	1,555,991	-	-	-	(1,555,991)		(1,555,991)
Business	673,386	-	-	-	(673,386)		(673,386)
Plant operation	3,797,559	-	334,731	-	(3,462,828)		(3,462,828)
Student transportation	1,985,519	-	-	-	(1,985,519)		(1,985,519)
Food service	18,548	-	-	-	(18,548)		(18,548)
Community service	233,074	-	227,352	-	(5,722)		(5,722)
Land/site acquisitions	6,600	-	-	-	(6,600)		(6,600)
Building improvements	-	-	-	1,138,485	1,138,485		1,138,485
Interest on long-term debt	442,146	-	-	423,554	(18,592)		(18,592)
Total governmental activities	29,104,291	-	6,393,250	1,562,039	(21,149,002)		(21,149,002)
Business-Type Activities							
Food service	1,744,914	86,077	1,669,696	-		10,859	10,859
Total business-type activities	1,744,914	86,077	1,669,696	-		10,859	10,859
Total school district	\$ 30,849,205	\$ 86,077	\$ 8,062,946	\$ 1,562,039	(21,149,002)	10,859	(21,138,143)

Henry County School District
Statement of Activities - Continued
Year Ended June 30, 2023

	Governmental Activities	Business-Type Activities	Total
General Revenues			
Property taxes	6,417,131	-	6,417,131
Motor vehicle taxes	811,531	-	811,531
Utilities tax	704,381	-	704,381
State aid	15,639,852	136,269	15,776,121
Investment earnings	128,661	13,209	141,870
Other	729,489	31,327	760,816
Transfers	46,222	(46,222)	-
Total general revenues	24,477,267	134,583	24,611,850
Change in net position	3,328,265	145,442	3,473,707
Net position (deficit) - beginning of year	(2,383,914)	(2,082)	(2,385,996)
Net position (deficit) - end of year	\$ 944,351	\$ 143,360	\$ 1,087,711

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

Henry County School District
Balance Sheet – Governmental Funds
June 30, 2023

	General Fund	Special Revenue	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents (deficit)	\$ 7,119,438	\$ (362,424)	\$ 820,326	\$ 7,577,340
Receivables	130,795	761,664	-	892,459
Total assets	\$ 7,250,233	\$ 399,240	\$ 820,326	\$ 8,469,799
Liabilities				
Accounts payable	\$ 149,081	\$ 253,664	\$ 10,986	\$ 413,731
Unearned revenue	-	145,576	-	145,576
Total liabilities	149,081	399,240	10,986	559,307
Fund balances				
Restricted	133,768	-	455,923	589,691
Committed	1,310,758	-	353,417	1,664,175
Unassigned	5,656,626	-	-	5,656,626
Total fund balances	7,101,152	-	809,340	7,910,492
Total liabilities and fund balances	\$ 7,250,233	\$ 399,240	\$ 820,326	\$ 8,469,799

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

Henry County School District
 Reconciliation of the Balance Sheet – Governmental Funds
 to the Statement of Net Position
 June 30, 2023

Total fund balances - governmental funds	\$ 7,910,492
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	21,932,726
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Deferred outflow and inflow of resources are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows - OPEB	3,951,246
Deferred outflows - pensions	1,150,675
Deferred inflows - OPEB	(3,060,904)
Deferred inflows - pension	(162,672)

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

Accrued interest payable	(90,184)
Bonds payable	(16,330,310)
Compensated absences	(267,535)
Net OPEB liability	(6,979,573)
Net pension liability	(7,109,610)

Net position of governmental activities	\$ 944,351
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The notes to the financial statements are an integral part of this statement.

Henry County School District
Statement of Revenues, Expenditures and Changes in Fund
Balances – Governmental Funds
June 30, 2023

	General Fund	Special Revenue	Other Governmental Funds	Total Governmental Funds
Revenues				
From local sources:				
Property taxes	\$ 5,502,421	\$ -	\$ 914,710	\$ 6,417,131
Motor vehicle taxes	701,799	-	109,732	811,531
Utility taxes	704,381	-	-	704,381
Earnings on investments	123,840	1,095	3,726	128,661
Other local revenue	108,025	42,384	571,645	722,054
State SEEK	8,695,612	-	-	8,695,612
State on-behalf	6,944,240	-	423,554	7,367,794
State other	104,429	1,391,709	1,138,485	2,634,623
Federal indirect	98,571	4,798,541	-	4,897,112
Total revenues	22,983,318	6,233,729	3,161,852	32,378,899

Henry County School District
Statement of Revenues, Expenditures and Changes in Fund
Balances – Governmental Funds - Continued
June 30, 2023

	General	Special	Other	Total
	Fund	Revenue	Governmental	Governmental
Expenditures			Funds	Funds
Instruction	12,574,474	2,899,687	560,883	16,035,044
Support services:				
Student	1,608,568	266,864	205	1,875,637
Instruction staff	1,142,171	388,529	18,746	1,549,446
District administrative	1,032,883	12,367	-	1,045,250
School administrative	1,505,569	-	-	1,505,569
Business support	641,349	-	-	641,349
Plant operation and maintenance	2,330,405	334,731	-	2,665,136
Student transportation	2,018,988	-	-	2,018,988
Food service	12,792	-	-	12,792
Community services	-	227,352	-	227,352
Land/site acquisition	328,307	-	-	328,307
Building improvements	-	-	2,085,127	2,085,127
Debt service:				
Principal	-	-	1,675,000	1,675,000
Interest	-	-	441,881	441,881
Total expenditures	23,195,506	4,129,530	4,781,842	32,106,878
Excess of revenues over (under) expenditures	(212,188)	2,104,199	(1,619,990)	272,021
Other financing sources (uses)				
Transfers in	548,052	40,701	4,216,081	4,804,834
Transfers out	(338,573)	(2,144,900)	(2,275,139)	(4,758,612)
Sale of assets	7,435	-	-	7,435
Total other financing sources (uses)	216,914	(2,104,199)	1,940,942	53,657
Net change in fund balances	4,726	-	320,952	325,678
Fund balances - beginning	7,096,426	-	488,388	7,584,814
Fund balances - end of year	\$ 7,101,152	\$ -	\$ 809,340	\$ 7,910,492

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

Henry County School District
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances – Governmental Funds
 to the Statement of Activities
 June 30, 2023

Net change in fund balances - total governmental funds	\$ 325,678
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those asset is allocated over their estimated useful lives and reported as depreciation expense. 1,477,398

Repayment of long-term debt are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,675,000

Some expenses reported in the statement of activities do not require current financial resources and, therefore, are not reported as expenditures in the funds.

Amortization of bond discount	(2,058)
Change in accrued interest payable	6,270
Change in compensated absences	(172,316)
Change in OPEB liabilities and deferred amounts	(70,679)
Change in pension liabilities and deferred amounts	88,972

Change in net position of governmental activities	<u>\$ 3,328,265</u>
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The notes to the financial statements are an integral part of this statement.

Henry County School District
Statement of Net Position – Proprietary Fund
June 30, 2023

	Food Service
Assets	
Current assets	
Cash and cash equivalents	\$ 1,056,774
Accounts receivable	100,250
Inventories for consumption	33,037
Total current assets	1,190,061
Noncurrent assets	
Capital assets, net	211,056
Total noncurrent assets	211,056
Total assets	1,401,117
Deferred outflows of resources	
OPEB related	115,925
Pension related	172,857
Total deferred outflows of resources	288,782
Liabilities	
Current liabilities	
Accounts payable	55,460
Total current liabilities	55,460
Long-term liabilities	
Net pension liability	289,971
Net OPEB liability	1,062,356
Total long-term liabilities	1,352,327
Total liabilities	1,407,787
Deferred inflows of resources	
OPEB related	114,445
Pension related	24,307
Total deferred inflow of resources	138,752
Net position	
Net investment in capital assets	211,056
Restricted	(67,696)
Tota net position (deficit)	\$ 143,360

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

Henry County School District
Statement of Revenue, Expenses, and Changes
In Fund Net Position – Proprietary Fund
June 30, 2023

	Food Service Fund
Operating revenues	
Food service	\$ 86,077
Other operating revenue	31,327
Total operating revenues	117,404
Operating expenses	
Salaries and wages	503,027
Employee benefits	170,360
Purchased services	136,269
Materials and supplies	864,751
Other operating expenses	27,013
Depreciation	43,494
Total operating expenses	1,744,914
Operating loss	(1,627,510)
Non operating revenues	
Operating grants - state	147,454
Operating grants - federal	1,631,536
Donated commodities	26,975
Transfers in	
Transfers out	(46,222)
Interest income	13,209
Total other financing sources (uses)	1,772,952
Net change in fund balances	145,442
Fund balances - beginning of year	(2,082)
Fund balances - end of year	\$ 143,360

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

Henry County School District
Statement of Cash Flows – Proprietary Fund
June 30, 2023

Cash flows from operating activities	<u>Food Service</u>
Cash received:	
From food service sales	\$ 86,077
From other activities	31,327
Cash paid:	
To employees	(661,388)
To suppliers	(836,199)
For operating expenses	(163,282)
Cash transfer	(46,222)
Net cash used in operating activities	<u>(1,589,687)</u>
Cash flows from noncapital financing activities	
Non operating grants	1,884,881
Net cash provided by noncapital financing activities	<u>1,884,881</u>
Cash flows from investing activities	
Purchases of equipment	(38,263)
Interest on investments	13,209
Net cash provided by investing activities	<u>(25,054)</u>
Net increase in cash	<u>270,140</u>
Cash - beginning of year	786,634
Cash - end of year	<u>\$ 1,056,774</u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (1,627,510)
Adjustments to reconcile operating loss to net cash in operating activities	
Depreciation	43,494
Transfers out	(46,222)
Changes in:	
Inventory	15,402
Payables	(13,825)
Deferred outflows	(147,192)
Deferred inflows	(43,463)
Net OPEB liability	796,911
Net pension liability	(594,257)
Commodities received	26,975
Net cash used in operating activities	<u>\$ (1,589,687)</u>
Noncash activities	
Commodities received from federal	<u>\$ 26,575</u>
On-behalf payments received state	<u>\$ 136,269</u>

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

Henry County School District
 Statement of Net Position – Fiduciary Fund
 June 30, 2023

	Trust Funds
Assets	
Cash	\$ 150,812
<hr/>	
Total assets	<hr/> \$ 150,812 <hr/>
 Liabilities	
Accounts payable	1,635
<hr/>	
Total liabilities	<hr/> 1,635 <hr/>
 Net position	
Restricted	\$ 149,177
<hr/>	
	<hr/> <hr/>

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

Henry County School District
Statement of Changes in Net Position – Fiduciary Fund
June 30, 2023

	Trust Funds
Additions	
Contributions	\$ 38,661
Interest income	1,204
<u>Total additions</u>	<u>39,865</u>
Deductions	
Community services	29,541
<u>Total deductions</u>	<u>29,541</u>
Change in net position	10,324
<u>Net position - beginning of year</u>	<u>138,853</u>
<u>Net position - end of year</u>	<u>\$ 149,177</u>

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

NOTE 1: ACCOUNTING POLICIES

Reporting Entity

The Henry County Board of Education (Board), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary education within the jurisdiction of Henry County 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 by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

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

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

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

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

Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government.

The statement of net position presents the financial condition of the District as a whole. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to determine legal compliance. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds, if any, are presented in a single column.

Governmental Fund Types

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

The *Special Revenue Fund* accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

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

The *School Activity Fund* is a special revenue fund that accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the *Uniform Program of Accounting for School Activity Funds*.

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

The *Building Fund* is the Facility Support Program of Kentucky (FSPK) fund and 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.

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

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

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

Proprietary Fund Types (Enterprise Funds)

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. This is a major fund of the District.

Fiduciary Fund Types

Fiduciary funds account for assets held by the District in a trustee capacity for the benefit of others and cannot be used to support District activities.

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The District also reports a fiduciary fund which focuses on net position and changes in net position.

Fund Financial Statements

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within sixty days of year end. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

However, debt service expenditures as well as expenditures related to long-term compensated absences and postemployment benefits are recorded only when payment is due.

Assets, Liabilities, Deferred Inflows/Outflows, and Net Position/Fund Balance

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an initial maturity date of ninety days or less.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

The District is authorized by state statute to invest in the following subject to additional requirements of KRS 66.480:

- Obligations of the United States and of its Agencies and instrumentalities
- Certificates of Deposit
- Bankers Acceptances
- Commercial Paper
- Bonds and Securities of other State and Local Governments
- Mutual Funds, Exchange Traded Funds, Individual Equity Securities and High-quality Corporate bonds managed by a professional investment manager

Investments

Investments with a maturity of less than one year are stated at cost. Investments with a maturity greater than one year are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

Receivables

Accounts receivables are presented, when necessary, net of an allowance for doubtful accounts. No allowance has been recorded for the current fiscal year.

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated except for land. 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:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	50 Years
Improvements	20 Years
Infrastructure	40 Years
Vehicles	7 Years
General equipment	7 Years

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows

Deferred outflows of resources represent a consumption of net position that applies to a future period, and therefore, are deferred until that time. The District recognized deferred outflows of resources related to pensions and other postemployment benefits on the government-wide financial statements.

Payables and Accrued Liabilities

All payables and accrued liabilities are reported on the government-wide financial statements and fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences, contractually required pension and OPEB contributions that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and other long-term obligations are recognized as a liability on the governmental fund financial statements when due.

Compensated Absences

Compensated absences are payments to employees for accumulated sick leave. These amounts also include the related employer's share of applicable taxes and retirement contributions. District employees may accumulate unused sick leave up to a specified amount depending on their date of hire. Sick leave is payable to employees upon termination or retirement at 30.00% of the current rate of pay on the date of termination or retirement. The District uses the termination method to calculate the compensated absences amounts. The entire compensated absence liability is reported on the government-wide financial statements. The current portion is the amount estimated to be used in the following year. An expenditure is recognized in the governmental fund as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

Long-Term Obligations

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. Long-term debt consists of bonds, notes, and lease liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds. Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as an other financing source and payment of principal and interest are reported as expenditures.

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 Employee Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis of as they are reported by CERS. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Other Post Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employee Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis of as they are reported by CERS. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Deferred Inflows

Deferred inflows of resources represent an acquisition of net position that applies to a future period and, are therefore, deferred until that time. The District recognized deferred inflows of resources related to pension and other postemployment benefits on the government-wide financial statements. In the governmental funds, certain revenue transactions have been reported as unavailable revenue. Revenue that is earned by not available is reported as a deferred inflow of resources until such time as the revenue becomes available.

Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted net position consists of restricted net assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use by external parties or by law through enabling legislation.

Unrestricted net position is the amount of net amount of assets, deferred outflows, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Fund Balance

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

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

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Restricted. Amounts that can be spent only for specific purposes because of constitutional provisions, enabling legislation, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed. Amounts that can be used only for specific purposes determined by a formal action by District Council ordinance.

Assigned. Amounts that are designated for a specific purpose but are not spendable until a budget ordinance is passed or a there is majority passed vote by District Council.

Unassigned. All amounts not included in other spendable classifications.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the District's policy is to first apply the expenditure toward restricted fund balance, and then to committed, assigned, and unassigned fund balances in that order.

Revenues and Expenditures/Expenses

Property Taxes

Property taxes are levied in September on the assessed value listed as of the prior January 1 for all the real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The District levies a utility gross receipts license tax on telephone communication services, cablevision services, electric power, water, and gas furnished within the District's boundaries.

Revenues

Amounts reported as program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided or fines imposed by a given function or segment, and (2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on the 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.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Interfund Activity

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

Interfund Balances

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

Extraordinary and Special Items

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

Estimates

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

Budgetary Process

An annual budget is adopted for each governmental fund by ordinance prior to July 1. The budget can be amended by a subsequent ordinance. Expenditures may not legally exceed budgeted appropriations at the function level.

Subsequent Events

The District evaluated subsequent events for potential recognition and disclosure through October 16, 2023, the date the financial statements were available to be issued.

NOTE 2: CASH AND INVESTMENTS

Custodial credit risk. This is the risk that, in the event of a bank failure, the District’s deposits may not be returned to it. The District’s deposit policy for custodial credit risk requires compliance with state statute depository restrictions.

At year end, the District’s bank balance was \$9,262,496 and the carrying amount was \$8,634,114. The bank balance was fully covered by FDIC insurance and collateralized securities held by the financial institution, but not in the name of the District.

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year is summarized below:

	Balance <u>7/1/2022</u>	Additions	Disposals	Balance <u>6/30/2023</u>
Governmental Activities				
Land	\$ 285,300	\$ 494,310	\$ -	\$ 779,610
Land and improvements	551,628	-	-	551,628
Buildings and improvements	48,874,578	59,769	-	48,934,347
Technology equipmenmt	1,315,660	68,600	-	1,384,260
Vehicles	3,548,763	292,370	361,005	3,480,128
General equipment	676,371	82,669	-	759,040
Construction in progress	1,348,456	2,099,219	-	3,447,675
Total at historical cost	56,600,756	3,096,937	361,005	59,336,688
Less accumulated depreciation				
Land and improvements	406,813	10,889	-	417,702
Buildings and improvements	31,522,413	1,340,116	-	32,862,529
Technology equipmenmt	1,242,059	25,208	-	1,267,267
Vehicles	2,446,544	196,331	361,005	2,281,870
General equipment	527,599	46,995	-	574,594
Total accumulated depreciation	36,145,428	1,619,539	361,005	37,403,962
Capital assets - net	\$ 20,455,328	\$ 1,477,398	\$ -	\$ 21,932,726

NOTE 3: CAPITAL ASSETS - CONTINUED

	Balance 7/1/2022	Additions	Disposals	Balance 6/30/2023
Business-type Activities				
General equipment	\$ 784,851	\$ 38,263	\$ -	\$ 823,114
Technology equipment	6,810	-	-	6,810
Total at historical cost	791,661	38,263	-	829,924
Less accumulated depreciation				
General equipment	568,672	43,494	-	612,166
Technology equipment	6,702	-	-	6,702
Total accumulated depreciation	575,374	43,494	-	618,868
Capital assets - net	\$ 216,287	\$ (5,231)	\$ -	\$ 211,056

Depreciation was charged to following government functions:

	Governmental	Business-type
Instruction	\$ 54,243	\$
Student support	24,808	
District admin support	7,104	
School admin support	4,089	
Business support	15,964	
Plant operations	1,382,600	
Student transportation	129,831	
Food service		43,494
Community services	900	
Depreciation expense	\$ 1,619,539	\$ 43,494

NOTE 5: LONG-TERM LIABILITIES

Long-term liability activity for the year is summarized below:

Governmental Activities	Balance			Balance June 30, 2023	Amount Due Within	
	July 1, 2022	Additions	Reductions		One Year	Long-term
Bonds payable	\$ 18,003,252	\$ -	\$ 1,672,942	\$ 16,330,310	\$ 1,707,942	\$ 14,622,368
Operating leases	65,594	-	24,833	40,761	22,644	18,117
Compensated absences	95,219	172,316	-	267,535	-	267,535
Net OPEB liability	4,910,432	2,069,141	-	6,979,573	-	6,979,573
Net pension liability	5,917,523	1,192,087	-	7,109,610	-	7,109,610
Total long-term liabilities	\$ 28,992,020	\$ 3,433,544	\$ 1,697,775	\$ 30,727,789	\$ 1,730,586	\$ 28,997,203

Business-type Activities	Balance			Balance June 30, 2023	Amount Due Within	
	July 1, 2022	Additions	Reductions		One Year	Long-term
Net OPEB liability	\$ 265,444	\$ 24,527	\$ -	\$ 289,971	\$ 0	\$ 289,971
Net pension liability	884,228	178,128	-	1,062,356	-	1,062,356
Total long-term liabilities	\$ 1,149,672	\$ 202,655	\$ -	\$ 1,352,327	\$ -	\$ 1,352,327

Bonds Payable

The District issues general obligations bonds to provide funds for the acquisition of equipment and the construction of facilities. The bonds are direct obligations and pledge the full faith and credit of the District. General obligations outstanding at year end are as follows:

Issue Date	Balance		
	Proceeds	Rates	June 30, 2023
2012	\$ 905,000	875% - 2.250	\$ 100,000
2013	\$ 3,115,000	400% - 3.000	\$ 2,130,000
2014	\$ 4,315,000	000% - 4.000	\$ 3,455,000
2016	\$ 11,875,000	000% - 3.000	\$ 6,460,000
2020	\$ 895,000	000% - 2.500	\$ 785,000
2020-Ref	\$ 3,105,000	600% - 1.700	\$ 2,885,000
2022	\$ 565,000	250% - 3.000	\$ 540,000

NOTE 4: LONG-TERM LIABILITIES - CONTINUED

Bond activity for the year is summarized below:

Issue	Balance			Balance June 30, 2023	Amount	
	July 1, 2022	Additions	Reductions		Due Within One Year	Long-term
Series 2012	\$ 195,000	\$ -	\$ 95,000	\$ 100,000	\$ 100,000	\$ 0
Series 2013	2,270,000	-	140,000	2,130,000	150,000	1,980,000
Series 2014	3,550,000	-	95,000	3,455,000	90,000	3,365,000
Series 2016	7,640,000	-	1,180,000	6,460,000	1,205,000	5,255,000
Series 2020	825,000	-	40,000	785,000	40,000	745,000
Series 2020-Ref	2,985,000	-	100,000	2,885,000	100,000	2,785,000
Series 2022	565,000	-	25,000	540,000	25,000	515,000
Total bonds payable	18,030,000	-	1,675,000	16,355,000	1,710,000	14,645,000
Unamortized bond discount	(26,748)	-	(2,058)	(24,690)	(2,058)	(22,632)
Total bonds payable	\$ 18,003,252	\$ -	\$ 1,672,942	\$ 16,330,310	\$ 1,707,942	\$ 14,622,368

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NOTE 4: LONG-TERM LIABILITIES – CONTINUED

Bonds Payable - Continued

Debt service requirements for the District’s general obligation bonds are as follows:

Year End June 30	Henry County School District		School Facility Construction Commission		Total Debt Service
	Principal	Interest	Principal	Interest	
2024	\$ 1,353,445	\$ 342,344	\$ 356,555	\$ 66,772	\$ 2,119,116
2025	1,401,113	311,434	293,887	59,494	2,065,928
2026	1,446,020	277,635	298,980	53,289	2,075,924
2027	1,495,745	241,549	304,255	46,718	2,088,267
2028	1,546,238	206,886	283,762	40,039	2,076,925
2029	1,632,227	145,421	217,773	34,515	2,029,936
2030	1,693,977	125,816	221,023	29,863	2,070,679
2031	1,254,633	51,409	170,367	27,629	1,504,038
2032	1,231,709	25,684	148,291	21,468	1,427,152
2033	285,000	8,550	70,000	19,212	382,762
2034			80,000	17,450	97,450
2035			80,000	15,425	95,425
2036			80,000	13,400	93,400
2037			80,000	11,250	91,250
2038			80,000	9,100	89,100
2039			90,000	6,950	96,950
2040			90,000	4,525	94,525
2041			35,000	2,100	37,100
2042			35,000	1,050	36,050
	<u>\$ 13,340,107</u>	<u>\$ 1,736,728</u>	<u>\$ 3,014,893</u>	<u>\$ 480,249</u>	<u>\$ 18,571,977</u>

Operating Leases

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

Right-of-use equipment	\$ 151,830
Accumulated amorization	<u>111,069</u>
	<u>\$ 40,761</u>

NOTE 4: LONG-TERM LIABILITIES – CONTINUED

Operating Leases - Continued

Remaining future payments under the lease contracts are as follows:

2024	\$	22,644
2025		12,696
2026		11,544
Total remaining payments		46,884
Less interest component		6,123
	\$	<u>40,761</u>

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

Operating lease cost	\$	28,782
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Cash paid for amounts included in the measurement of lease liabilities:

Operating leases	\$	28,782
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Weighted-average remaining lease term
2.52 years

Weighted-average discount rate
7.00%

Compensated absences

Upon retirement from the school system, employees will receive from the District an amount equal to 30.00% of the value of accumulated sick leave. Compensated absence activity for the year is summarized below:

	Balance			Amount		
	July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year	Long-term
Governmental activities	\$ 95,219	\$ 172,316	\$ -	\$ 267,535	\$ 0	\$ 267,535
Business-type activities	-	-	-	-	-	-
Total compensated absenc	\$ 95,219	\$ 172,316	\$ -	\$ 267,535	\$ -	\$ 267,535

Pension

The net pension liability associated with the County Employees Retirement System (CERS) at year end is \$8,171,966. See Note 5.

NOTE 4: LONG-TERM LIABILITIES – CONTINUED

OPEB

The net OPEB liability associated with the County Employees Retirement System (CERS) and the State Teachers Retirement System (TRS) at year end is \$2,230,544 and \$5,039,000, respectively. See Note 6.

NOTE 5: PENSION PLANS

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

General Information about the CERS Pension Plan

Plan Description

CERS is a cost-sharing multi-employer public employee retirement system which covers substantially all regular full-time employees of each county, city, and school board and any additional eligible local agencies electing to participate in the Plan. The Plan is administered by the CERS Board of Trustees and is divided into a divided into non-hazardous duty and hazardous duty classifications.

Benefits Provided

CERS provides retirement, death, and disability benefits to plan members. Retirement benefits maybe extended to beneficiaries under certain circumstances. Employees are vested in the plan after five years of service.

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

Tier 1	Participation date Unreduced retirement Reduced retirement	Before September 1, 2008 27 years service or 65 years old At least 5 years service and 55 years old, or 25 years service and any age
Tier 2	Participation date Unreduced retirement Reduced retirement	September 1, 2008 to December 31, 2013 At least 5 years service and 65 years old, or age 57+ with sum of service years plus age equal At least 10 years service and 60 years old
Tier 3	Participation date Unreduced retirement Reduced retirement	On or after January 1, 2014 At least 5 years service and 65 years old, or age 57+ with sum of service years plus age equal Not available

NOTE 5: PENSION PLANS – CONTINUED

General Information about the CERS Pension Plan – Continued

Benefits Provided - Continued

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

Tier 1	Participation date Unreduced retirement Reduced retirement	Before September 1, 2008 At least one month service and 55 years old, or at least 20 years service at any age At least 15 years service and 50 years old
Tier 2	Participation date Unreduced retirement Reduced retirement	September 1, 2008 to December 31, 2013 At least 5 years service and 60 years old, or at least 25 years service at any age At least 15 years service and 50 years old
Tier 3	Participation date Unreduced retirement Reduced retirement	On or after January 1, 2014 At least 5 years service and 60 years old, or at least 25 years service at any age Not available

Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 2, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce cost-of-living adjustments if, in its judgment, the welfare of the Commonwealth so demands.

Contributions

Employees – Tier 1 plan members are required to contribute 5% (non-hazardous) and 8% (hazardous) of their creditable compensation. Employees who begin participation on or after September 1, 2008 (Tier 2 and Tier 3) are required to contribute an additional 1%.

Employers – The contribution rate for the current year was 23.40% (non-hazardous) and 42.81% (hazardous). The District made all required contributions for fiscal year in the amount of \$790,955.

NOTE 5: PENSION PLANS – CONTINUED

General Information about the TRS Pension Plan

Plan Description

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

Benefits Provided

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

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

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon

retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in

their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

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

NOTE 5: PENSION PLANS – CONTINUED

General Information about the TRS Pension Plan - Continued

Benefits Provided - Continued

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

Contributions

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

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

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

CERS

At June 30, 2023, the District reported a liability of \$8,171,966 for its proportionate share of the net pension liability for CERS. The net pension liability for the 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 actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2022, the District's proportion was 0.1130% percent.

For the year ended June 30, 2023, the District recognized pension expense of \$619,450 related to CERS

TRS

The District did not report a liability for the District's proportionate share of the net pension liability for TRS because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The District's proportionate share of the TRS net pension liability associated with the district is \$48,038,883.

For the year ended June 30, 2023, the District recognized pension expense of \$4,447,876 related to TRS. The District also recognized revenue of \$4,447,876 for TRS support provided by the Commonwealth.

NOTE 5: PENSION PLANS – CONTINUED

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

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

	CERS		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 8,737	\$ 72,775	
Change of assumptions	-	-	
Change in investment experience	209,500	-	
Change in proportionate share of contributions	314,300	114,204	
	532,537	<u>\$ 186,979</u>	<u>\$ 345,558</u>
Subsequent contributions	<u>790,995</u>		
Total	<u>\$ 1,323,532</u>		

The contributions subsequent to the measurement date of \$790,995 will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. The net deferral of \$345,558 will be recognized in pension expense as follows:

Year ending June 30	Net Deferral
2024	\$ 41,617
2025	140,465
2026	(68,673)
2027	<u>232,149</u>
	<u>\$ 345,558</u>

NOTE 5: PENSION PLAN (CONTINUED)

Actuarial assumptions

The total pension liability, net pension liability, and sensitivity information as of June 30, 2022 were based on an actuarial valuation date of June 30, 2021. The total pension liability was rolled forward from the valuation date to the plan’s fiscal year ending June 30, 2022, using generally accepted actuarial principles

There have been no actuarial assumption or method changes since June 30, 2021. Additionally, there have been no plan provision changes that would materially impact the total pension liability since June 30, 2021.

The actuarial assumptions are:

CERS

Employer fiscal year end	2023
Plan year end	2022
Actuarial valuation date	June 30, 2020
Actuarial cost method	Entry age normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method	Level percent of pay
Amortization period	30-year closed period at June 30, 2019
Payroll growth rate	2.00%
Investment return	6.25%
Inflation	2.30%
Salary increase - nonhazardous	3.30% to 10.30%
Salary increase - hazardous	3.55% to 19.05%
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates form P-2014 mortality improvement scale using a base year of 2019
Phase-in provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018

NOTE 5: PENSION PLAN (CONTINUED)

Actuarial assumptions - Continued

TRS

Employer fiscal year end	2023
Plan year end	2022

Inflation	2.50%
Salary increases, including inflation	3.00% - 7.50%
Investment return	7.10%
Municipal bond index rate:	
Prior measurement date	2.13%
Measurement date	3.37%
Year FNP is expected to be depleted	NA
Single equivalent interest rate:	
Prior measurement date	7.10%
Measurement date	7.10%
Post-retirement benefit increases	1.50% annually
Mortality	Rates based on the Pub2010 (Teachers Benefit-Weighted)

Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members. The actuarial assumptions used were based on the results of an actuarial experience study for the 5-year period ending June 30, 2020, adopted by the board on September 20, 2021. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

Long-term expected rate of return

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

NOTE 5: PENSION PLAN (CONTINUED)

Long-term expected rate of return – continued

CERS

Asset Class	Target Allocation	Long-term Expected Nominal Return
Public equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Core bonds	10.00%	0.28%
Specialty credit/high yield	10.00%	2.28%
Cash	0.00%	-0.91%
Real estate	7.00%	3.67%
Real return	13.00%	4.07%
Expected real return	100.00%	4.28%
Long-term inflation assumption		2.30%

TRS

Asset Class	Target Allocation	Long-term Expected Nominal Return
Large Cap US Equity	37.40%	4.20%
Small Cap US Equity	2.60%	4.70%
Developed International Equity	16.50%	5.30%
Emerging Markets Equity	5.50%	5.40%
Fixed Income	15.00%	-0.10%
High Yield Bonds	2.00%	1.70%
Additional categories	5.00%	2.20%
Real Estate	7.00%	4.00%
Private Equity	7.00%	6.90%
Cash	2.00%	-0.30%
Expected real return	100.00%	7.10%
Long-term inflation assumption		2.50%

NOTE 5: PENSION PLAN (CONTINUED)

Discount rate

A single discount rate of 6.25% and 7.10% was used to measure the total pension liability for CERS and TRS, respectively, for the fiscal year ending June 30, 2022. The single discount rate is based on the expected rate of return on pension plan investments for each plan. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the non-hazardous and hazardous pension plans' fiduciary net position and future contributions were separately projected and were each sufficient to finance all the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for each plan.

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

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

	1% Decrease	Current	1% Increase
	5.25%	Discount Rate	7.25%
	<u>5.25%</u>	<u>6.25%</u>	<u>7.25%</u>
District's proportionate share of the CERS net pension liability	\$ 10,213,944	\$ 8,171,966	\$ 6,483,081

Pension plan fiduciary net position

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

NOTE 6: OPEB PLAN

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

General Information about the CERS Plan

Plan Description

The CERS Insurance fund is a cost-sharing, multiple-employer defined benefit OPEB plan which provides group health insurance benefits for plan members that are regular full-time members employed in positions of each participating county, District, and school board, and any additional eligible local agencies electing to participate in the System. OPEB benefits may be extended to beneficiaries of plan members under certain circumstances. The Plan is administered by the CERS Board of Trustees and is divided into a divided into non-hazardous duty and hazardous duty classifications.

NOTE 6: OPEB PLAN (CONTINUED)

Benefits Provided

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

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

Tier 1	
Participation date	Before July 1, 2003
Insurance eligibility	10 years of service credit required
Benefit	Set percentage of single coverage health insurance based on service credit accrued at retirement
Tier 2	
Participation date	After September 1, 2008 and before December 31, 2013
Insurance eligibility	15 years of service credit required
Benefit	Set dollar amount based on service credit accrued, increased annually
Tier 3	
Participation date	After December 31, 2013
Insurance eligibility	15 years of service credit required
Benefit	Set dollar amount based on service credit accrued, increased annually

Contributions

Employee Contributions. Tier 1 plan members are not required to contribute. Employees who begin participation on or after September 1, 2008 (Tier 2 and Tier 3) are required to contribute 1.0% of creditable compensation to an account created for payment of health insurance benefits.

Employer Contributions – The contribution rate for the current year was 3.39% (non-hazardous) and 6.78% (hazardous). The District made all required contributions for fiscal year in the amount of \$114,592.

NOTE 6: OPEB PLAN (CONTINUED)

General Information about the TRS Plan

Plan Description

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

Benefits Provided

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

Contributions

In order to fund the post-retirement healthcare benefit, six percent (6%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three percent (3%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and two and one quarter percent (2.25%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. The District made all required contributions for the fiscal year in the amount of \$274,334.

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

CERS

At June 30, 2023, the District reported a liability of \$2,230,544 for its proportionate share of the net OPEB liability for CERS. The net OPEB liability for the plan was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

The District's proportion of the net OPEB liability was based on the District's share of 2022 contributions to the OPEB plan relative to the 2022 contributions of all participating employers, actuarially determined. At June 30, 2022 the District's proportionate share was 0.1130%.

For the year ended June 30, 2023, the District recognized OPEB expense of \$326,871 related to CERS.

NOTE 6: OPEB PLAN (CONTINUED)

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

TRS

At June 30, 2023, the District reported a liability of \$5,039,000 for its proportionate share of the net OPEB liability for TRS . The net OPEB liability for the plan was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

The District’s proportion of the net OPEB liability was based on the District’s share of 2022 contributions to the OPEB plan relative to the 2022 contributions of all participating employers, actuarially determined. At June 30, 2022 the District’s proportionate share was 0.2029%.

For the year ended June 30, 2023, the District recognized OPEB expense of \$161,310 related to TRS.

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

	CERS		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 224,523	\$ 511,516	
Change of assumptions	352,776	290,685	
Change in investment experience	90,532	-	
Change in proportionate share of contributions	108,414	78,148	
	<u>776,245</u>	<u>\$ 880,349</u>	<u>\$ (104,104)</u>
Subsequent contributions	114,592		
Total	<u>\$ 890,837</u>		

	TRS		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ -	\$ 2,118,000	
Change of assumptions	1,023,000	-	
Change in investment experience	268,000	-	
Change in proportionate share of contributions	1,611,000	177,000	
	<u>2,902,000</u>	<u>\$ 2,295,000</u>	<u>\$ 607,000</u>
Subsequent contributions	274,334		
Total	<u>\$ 3,176,334</u>		

NOTE 6: OPEB PLAN (CONTINUED)

	Total		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 224,523	\$ 2,629,516	
Change of assumptions	1,375,776	290,685	
Change in investment experience	358,532	-	
Change in proportionate share of contributions	1,719,414	255,148	
	3,678,245	<u>\$ 3,175,349</u>	<u>\$ 502,896</u>
Subsequent contributions	388,926		
Total	<u>\$ 4,067,171</u>		

The contributions subsequent to the measurement date of \$388,96 will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. The net deferral of \$50,896 will be recognized as pension expense as follows:

Year ending June 30	Net Deferral
2024	\$ (82,149)
2025	(34,822)
2026	(114,701)
2027	341,568
2028	273,000
Thereafter	120,000
	<u>\$ 502,896</u>

Implicit Subsidy

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

NOTE 6: OPEB PLAN (CONTINUED)

Actuarial assumptions

The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2022 were based on an actuarial valuation date of June 30, 2021. The total OPEB liability was rolled forward from the valuation date to the plan’s fiscal year ending June 30, 2022, using generally accepted actuarial principles

There were no other material assumption changes.

CERS

Employer fiscal year end	2023
Plan year end	2022

Actuarial valuation date	June 30, 2020
Actuarial cost method	Entry age normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method	Level percent of pay
Amortization period	30-year closed period at June 30, 2019
Payroll growth rate	2.00%
Investment return	6.25%
Inflation	2.30%
Salary increase - nonhazardous	3.30% to 10.30%
Salary increase - hazardous	3.55% to 19.05%
Mortality	

System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from P-2014 mortality improvement scale using a base year of 2019

Healthcare trend rates:

Pre-65 Initial trend starting at 6.40% at January 1, 2022, gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement.

Post-65 Initial trend starting at 6.30% at January 1, 2023, gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement. Additionally, Humana provided “Not to Exceed” 2022 Medicare premiums, which were incorporated and resulted in an assumed 2.90% increase in Medicare premiums at January 1, 2022.

NOTE 6: OPEB PLAN (CONTINUED)

Actuarial assumptions – continued

TRS

Employer fiscal year end	2023
Plan year end	2022
Inflation	2.50%
Real wage growth	0.25%
Wage inflation	2.75%
Salary increases, including inflation	3.00% - 7.50%
Investment return	
Health trust	7.10%
Life trust	7.10%
Municipal bond index rate:	3.37%
Year FNP is expected to be depleted	
Health trust	NA
Life trust	NA
Single equivalent interest rate:	
Health trust	7.10%
Life trust	7.10%
Health trust health care cost trends	
Under age 65	7.00% for FYE 2022 decreasing to an ultimate rate of 4.50% by FYE 2032
Ages 65 and older	5.125% for FYE 2022 decreasing to an ultimate rate of 4.50% by FYE 2035
Medicare Part B premiums	6.97% for FYE 2022 decreasing to an ultimate rate of 4.50% by FYE 2034

Long-term expected rate of return

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real 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 in the table below. The current long-term inflation assumption is 2.30% and 2.50% per annum for CERS and TRS, respectively.

NOTE 6: OPEB PLAN (CONTINUED)

Long-term expected rate of return - continued

CERS

Asset Class	Target Allocation	Long-term Expected Nominal Return
Public equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Core bonds	10.00%	0.28%
Specialty credit/high yield	10.00%	2.28%
Cash	0.00%	-0.91%
Real estate	7.00%	3.67%
Real return	13.00%	4.07%
<u>Expected real return</u>	<u>100.00%</u>	<u>4.28%</u>
<u>Long-term inflation assumption</u>		<u>2.30%</u>

TRS - MIF

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

NOTE 6: OPEB PLAN (CONTINUED)

Long-term expected rate of return - continued

TRS - LIF

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

Discount rate

Single discount rates of 6.25% and 7.10% for CERS and TRS respectively were used to measure the total OPEB liability as of June 30, 2022. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25%, and a municipal bond rate of 3.69%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2022. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan’s fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans actuarially determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plan trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. Future contributions are projected assuming that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy.

NOTE 6: OPEB PLAN (CONTINUED)

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

The following table presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 5.70% nonhazardous and 5.61% hazardous as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u> <u>6.10%</u>	<u>Current</u> <u>Discount Rate</u> <u>7.10%</u>	<u>1% Increase</u> <u>8.10%</u>
District's proportionate share of the TRS net OPEB liability	\$ 6,322,000	\$ 5,039,000	\$ 3,977,000
		<u>Current</u> <u>Discount Rate</u> <u>5.70%</u>	<u>1% Increase</u> <u>6.70%</u>
District's proportionate share of the CERS net OPEB liability	\$ 2,981,882	\$ 2,230,544	\$ 1,609,438
Total	<u>\$ 9,303,882</u>	<u>\$ 7,269,544</u>	<u>\$ 5,586,438</u>

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

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

	<u>1% Decrease</u>	<u>Current</u> <u>Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the TRS net OPEB liability	\$ 3,778,000	\$ 5,039,000	\$ 6,608,000
District's proportionate share of the CERS net OPEB liability	1,658,360	2,230,544	2,917,629
Total	<u>\$ 5,436,360</u>	<u>\$ 7,269,544</u>	<u>\$ 9,525,629</u>

OPEB plan fiduciary net position

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

NOTE 7: ON-BEHALF

For the year ended June 30, 2023 payments made by the Commonwealth of Kentucky on behalf of the District for insurance benefits, retirement benefits, technology, and debt service. The following amounts were recorded in the Statement of Activities and the Statement of Revenue, Expenditures, and Changes in Fund Balance:

Fund	
General	\$ 6,944,240
Debt service	423,554
Food service	136,269
	<u>\$ 7,504,063</u>

Type	
Retirement	\$ 4,477,876
Health insurance less federal reimbursement	2,323,402
Life insurance	3,838
Administrative fee	30,652
HRA/Dental/Vision insurance	144,638
Technology	100,103
Debt service	423,554
	<u>\$ 7,504,063</u>

NOTE 8: FUND TRANSFERS

The following transfers were made during the year:

From	To	Purpose	Amount
General fund	Special revenue	Technology Match	\$ 40,701
General fund	Construction fund	Capital outlay	100,462
General fund	Debt service	Debt service	197,410
Special revenue	General fund	Indirect costs	162,727
Special revenue	Construction fund	Capital outlay	1,982,173
Student activity	District activity	District activity	112,212
Capital outlay	General fund	Capital outlay	100,083
Capital outlay	Construction fund	Capital outlay	93,728
Building fund	General fund	Capital outlay	239,021
Building fund	Construction fund	Capital outlay	234,179
Building fund	Debt service	Debt service	1,495,916
Food service	General fund	Indirect costs	46,222
			<u>\$ 4,804,834</u>

NOTE 9: CONTINGENCIES

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

Litigation. The District is party to various legal proceedings which normally occur in governmental operations. It is neither possible to determine the outcome of these proceedings nor possible to estimate the effects adverse decisions may have on the future expenditures or revenue sources of the District. In the opinion of District management and its legal counsel these legal proceedings are not likely to have a material adverse impact on the accompanying financial statements. Therefore, no provision for any liability that may result upon adjudication of anyr cases has been made in the accompanying financial statements

NOTE 10: RISK MANAGEMENT

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

Management estimates that the amount of actual or potential claims against the District as of June 30, 2023, will not materially affect the financial condition of the District. Therefore, the General Fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal year.

NOTE 11: GASB 96

The District adopted *GASB 96, Subscription-Based Information Technology Arrangements (SBITA)*. The District did not identify any contracts that would require reporting under GASB 96.

REQUIRED SUPPLEMENTARY INFORMATION

Henry County School District
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance
	Original	Final		Final to Actual
Revenues				
Local sources	\$ 6,733,428	\$ 6,733,428	\$ 7,140,466	\$ 407,038
State sources	14,147,968	14,147,968	15,744,281	1,596,313
Federal sources	50,000	50,000	98,571	48,571
Total revenues	20,931,396	20,931,396	22,983,318	2,051,922
Expenditures				
Instruction	11,829,779	11,829,779	12,574,474	(744,695)
Support services:				-
Student	1,481,973	1,481,973	1,608,568	(126,595)
Instuction staff	1,158,168	1,158,168	1,142,171	15,997
District administrative	761,460	761,460	1,032,883	(271,423)
School administrative	1,415,144	1,415,144	1,505,569	(90,425)
Business	514,671	514,671	641,349	(126,678)
Plant operations	2,617,440	2,617,440	2,330,405	287,035
Student transportation	2,167,738	2,167,738	2,018,988	148,750
Food service	19,422	19,422	12,792	6,630
Land/site acquistions	-	-	328,307	(328,307)
Contingency	4,811,963	4,811,963	-	4,811,963
Total expenditures	26,777,758	26,777,758	23,195,506	3,582,252
Excess (deficiency) of revenues over expenditures	(5,846,362)	(5,846,362)	(212,188)	(5,634,174)
Other financing sources (uses)				
Transfers in	393,123	393,123	548,052	154,929
Transfers out	(239,910)	(239,910)	(338,573)	(98,663)
Sale of assets	-	-	7,435	7,435
Total other financing sources (uses)	153,213	153,213	216,914	63,701
Net change in fund balances	(5,693,149)	(5,693,149)	4,726	5,697,875
Fund balances - beginning of year	5,693,149	5,693,149	7,096,426	1,403,277
Fund balances - end of year	\$ -	\$ -	\$ 7,101,152	\$ 7,101,152

City of Wilder, Kentucky
 Budgetary Comparison Schedule – Special Revenue Fund
 June 30, 2023

	Budgeted Amounts		Actual	Variance
	Original	Final		Final to Actual
Revenues				
Local sources	\$ 40,320	\$ 40,320	\$ 366,514	\$ 326,194
State sources	1,101,155	1,101,155	1,068,675	(32,480)
Federal sources	1,379,966	1,379,966	4,798,540	3,418,574
Total revenues	2,521,441	2,521,441	6,233,729	3,712,288
Expenditures				
Instruction	1,976,521	1,976,521	2,899,687	(923,166)
Support services:				
Student	122,387	122,387	266,864	(144,477)
Instruction staff	247,473	247,473	388,529	(141,056)
District admin	-	-	12,367	(12,367)
Plant operations	-	-	334,731	(334,731)
Community services	217,560	217,560	227,352	(9,792)
Total expenditures	2,563,941	2,563,941	4,129,530	(1,565,589)
Excess (deficiency) of revenues over expenditures	(42,500)	(42,500)	2,104,199	(2,146,699)
Other financing sources (uses)				
Transfers in	42,500	42,500	40,701	(1,799)
Transfers out	-	-	(2,144,900)	(2,144,900)
Total other financing sources (uses)	42,500	42,500	(2,104,199)	(2,146,699)
Net change in fund balances	-	-	-	-
Fund balances - beginning of year	-	-	-	-
Fund balances - end of year	\$ -	\$ -	\$ -	\$ -

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 accounting method and GAAP are:

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

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

In accordance with state law, the District prepares a general school budget based upon the amount of revenue to be raised by local taxation, including the rate of levy and from estimates of other Local, State and Federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay and other necessary expenses. The budget must be approved by the Board.

The District must formally and publicly examine estimated revenues and expenditures for the subsequent fiscal year by January 31 of each calendar year.

The District must prepare an annual allocation to schools by March 1 of each year for the following fiscal year. This allocation must include the amount for certified and classified staff based on the District's staffing policy and the amount for instructional supplies, materials, travel and equipment.

The District must adopt a tentative working budget for the subsequent fiscal year by May 30 of each year. This budget must contain a minimum 2.00% contingency.

Finally, the District must adopt a final working budget and submit it to the Kentucky Department of Education by September 30 of the current fiscal year.

The Board has the ability to amend the working budget.

Henry County School District
Schedule of District's Share of Net Pension Liability and Contributions – CERS
June 30, 2023

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

As of June 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015
Measurement period as of June 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.1130%	0.1150%	0.1115%	0.1135%	0.1105%	0.1102%	0.1138%	0.1108%	0.1125%
District's proportionate share of the net pension liability	\$ 8,171,966	\$ 6,801,751	\$ 8,551,804	\$ 7,981,029	\$ 6,731,309	\$ 6,453,154	\$ 5,604,969	\$ 4,765,599	\$ 3,649,000
District's covered payroll	\$ 3,270,921	\$ 2,814,296	\$ 2,478,455	\$ 2,940,681	\$ 2,157,759	\$ 2,736,942	\$ 2,735,206	\$ 2,562,830	\$ -
District's proportionate share of the net pension liability as a percentage of its covered payroll	249.84%	241.69%	345.05%	271.40%	311.96%	235.78%	204.92%	185.95%	#DIV/0!
Plan fiduciary net position as a percentage of the total pension liability	52.42%	55.95%	47.81%	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%

Schedule of District's Contributions - CERS

As of June 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 790,995	\$ 692,454	\$ 676,736	\$ 596,332	\$ 631,660	\$ 374,454	\$ 323,421	\$ 330,930	\$ 460,785	
Actual contribution	790,995	692,454	676,736	596,332	631,660	374,454	323,421	330,930	460,785	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 3,380,321	\$ 3,270,921	\$ 2,814,296	\$ 2,478,455	\$ 2,940,681	\$ 2,157,759	\$ 2,736,942	\$ 2,735,206	\$ 2,562,830	
Contributions as a percentage of covered payroll	23.40%	21.17%	24.05%	24.06%	21.48%	17.35%	11.82%	12.10%	17.98%	#DIV/0!

Henry County School District
Schedule of District's Share of Net Pension Liability and Contributions - TRS
June 30, 2023

Schedule of District's Proportionate Share of the Net Pension Liability - TRS									
As of June 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015
Measurement period as of June 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability	\$ 48,038,883	\$ 36,074,574	\$ 39,102,921	\$ 38,952,151	\$ 36,494,962	\$ 78,730,791	\$ 85,332,602	\$ 71,084,223	\$ 58,884,996
District's covered payroll	\$ 10,977,033	\$ 9,653,868	\$ 9,480,361	\$ 9,549,297	\$ 9,097,816	\$ 9,254,519	\$ 8,310,672	\$ 9,088,052	
District's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	#DIV/0!
Plan fiduciary net position as a percentage of the total pension liability	56.41%	65.59%	58.27%	58.76%	59.30%	39.83%	35.22%	42.49%	45.59%

Schedule of District's Contributions - TRS										
As of June 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Actual contribution	-	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 10,220,669	\$ 10,977,033	\$ 9,653,868	\$ 9,480,361	\$ 9,549,297	\$ 9,097,816	\$ 9,254,519	\$ 8,310,672	\$ 9,088,052	
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	

Henry County School District
Schedule of City's Share of Net OPEB Liability and Contributions - CERS
June 30, 2023

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

As of June 30, Measurement period as of June 30,	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
	2022	2021	2020	2019	2018	2017
District's proportion of the net OPEB liability	0.1130%	0.1067%	0.1115%	0.1134%	0.4405%	0.1102%
District's proportionate share of the net OPEB liability	\$ 2,230,544	\$ 2,041,876	\$ 2,691,565	\$ 1,905,161	\$ 1,962,261	\$ 2,216,362
District's covered payroll	\$ 2,258,304	\$ 2,814,296	\$ 2,478,455	\$ 2,940,681	\$ 2,157,759	\$ 2,736,942
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	98.77%	72.55%	108.60%	64.79%	90.94%	80.98%
Plan fiduciary net position as a percentage of the total OPEB liability	60.95%	58.41%	51.67%	60.44%	57.62%	52.39%

Schedule of District's Contributions - CERS

As of June 30,	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 114,592	\$ 130,530	\$ 135,946	\$ 150,563	\$ 128,749	\$ 140,872	
Actual contribution	114,592	130,530	135,946	150,563	128,749	140,872	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 3,380,295	\$ 2,258,304	\$ 2,814,296	\$ 2,478,455	\$ 2,940,681	\$ 2,157,759	\$ 2,736,942
Contributions as a percentage of covered pa	3.39%	5.78%	4.83%	6.07%	4.38%	6.53%	0.00%

Henry County School District
Schedule of City's Share of Net OPEB Liability and Contributions – TRS MIF
June 30, 2023

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

As of June 30,	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Measurement period as of June 30,	2022	2021	2020	2019	2018	2017
District's proportion of the net OPEB liability	0.2029%	0.1461%	0.1463%	0.1508%	0.1422%	0.1526%
District's proportionate share of the net OPEB liability	\$ 5,039,000	\$ 3,134,000	\$ 3,693,000	\$ 4,414,000	\$ 4,935,000	\$ 5,440,000
State's proportionate share of the net OPEB liability	\$ 1,655,000	\$ 2,545,000	\$ 2,958,000	\$ 3,564,000	\$ 4,253,000	\$ 647,000
District's covered payroll	\$ 8,977,600	\$ 9,653,868	\$ 9,480,361	\$ 9,549,297	\$ 9,097,816	\$ 9,254,519
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	56.13%	32.46%	38.95%	46.22%	54.24%	58.78%
Plan fiduciary net position as a percentage of the total OPEB liability	47.75%	51.47%	39.05%	32.58%	25.54%	21.18%

Schedule of District's Contributions - TRS Medical Insurance Plan

As of June 30,	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 274,334	\$ 269,328	\$ 258,448	\$ 262,583	\$ 253,380	\$ 261,365	
Actual contribution	274,334	269,328	258,448	262,583	253,380	261,365	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	9,144,467	8,977,600	\$ 9,653,868	\$ 9,480,361	\$ 9,549,297	\$ 9,097,816	\$ 9,254,519
Contributions as a percentage of covered payroll	3.00%	3.00%	2.68%	2.77%	2.65%	2.87%	0.00%

Henry County School District
 Schedule of City's Share of Net OPEB Liability and Contributions – TRS LIF
 June 30, 2023

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

As of June 30, Measurement period as of June 30,	<u>2023</u> 2022	<u>2022</u> 2021	<u>2021</u> 2020	<u>2020</u> 2019	<u>2019</u> 2018	<u>2018</u> 2017
District's proportion of the net OPEB liability	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability	\$ 82,000	\$ 34,000	\$ 89,000	\$ 83,000	\$ 73,000	\$ 59,000
District's covered payroll	\$ 8,977,600	\$ 9,653,868	\$ 9,480,361	\$ 9,549,297	\$ 9,097,816	\$ 9,254,519
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	73.97%	89.15%	71.57%	73.40%	74.97%	79.99%

Schedule of District's Contributions -TRS Life Insurance Plan

As of June 30,	<u>2022</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Actual contribution	-	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 9,144,467	\$ 8,977,600	\$ 9,653,868	\$ 9,480,361	\$ 9,549,297	\$ 9,097,816	\$ 9,254,519
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Changes to Assumptions:

CERS

	no change	no change	no change	no change	no change
<i>Assumptions</i>	2023	2022	2021	2020	2019
Valuation date	6/30/2020	6/30/2019	6/30/2018	6/30/2018	6/30/2017
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal
Asset valuation method	20% of difference	20% of difference	20% of difference	20% of difference	20% of difference
Amortization method	Level percent of pay	Level percent of pay	Level percent of pay	Level percent of pay	Level percent of pay
Remaining amortization period	30 years, closed	30 years, closed	25 years, closed	26 years, closed	27 years, closed
Payroll growth rate	2.00%	2.00%	2.00%	2.00%	4.00%
Investment return	6.25%	6.25%	6.25%	6.25%	7.50%
Inflation	2.30%	2.30%	2.30%	2.30%	3.25%
Salary increase rate - nonhazardous	3.30% - 10.30%	3.30% - 10.30%	3.30% - 11.55%	3.30% - 11.55%	4.00%

TRS

<i>Benefits</i>	2023	2022	2021	2020	2019
	no change	no change	no change	no change	no change
<i>Assumptions</i>	2023	2022	2021	2020	2019
Inflation	2.30%	2.50%	3.00%	3.00%	3.00%
Salary increases	3.00% - 7.50%	3.00% - 7.50%	3.50% - 7.30%	3.50% - 7.30%	3.50% - 7.30%
Investment rate of return	7.10%	7.10%	7.50%	7.50%	7.50%
Municipal bond index	2.13%	2.13%	3.50%	3.50%	3.89%
Single equivalent investment rate	7.10%	7.10%	7.50%	7.50%	7.50%

Changes to Assumptions:

CERS

	no change	no change	no change	no change	no change
<i>Assumptions</i>	2023	2022	2021	2020	2019
Valuation date	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2017
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal
Amotrization method	Level percent of pay	Level percent of pay	Level percent of pay	Level percent of pay	Level percent of pay
Remaining amortization period	30 years, closed	30 years, closed	25 years, closed	26 years, closed	27 years, closed
Payroll growth rate	2.00%	2.00%	2.00%	2.00%	4.00%
Investment rate of return	6.25%	6.25%	6.25%	6.25%	7.50%
Inflation	2.30%	2.30%	2.30%	2.30%	3.25%
Salary increase rate	3.30% - 10.30%	3.30% - 10.30%	3.30% - 11.55%	3.30% - 11.55%	4.00%
Health care cost trends:					
Pre-65	6.40% decreasing to an ultimate rate of 4.05% in 14 years	6.25% decreasing to an ultimate rate of 4.05% in 12 years	7.00% decreasing to an ultimate rate of 4.05% in 12 years	7.00% decreasing to an ultimate rate of 4.05% in 12 years	7.00% decreasing to an ultimate rate of 4.05% in 12 years
Post-65	6.30% decreasing to an ultimate rate of 4.05% in 13 years	5.50% decreasing to an ultimate rate of 4.05% in 12 years	5.00% decreasing to an ultimate rate of 4.05% in 12 years	5.00% decreasing to an ultimate rate of 4.05% in 12 years	5.00% decreasing to an ultimate rate of 4.05% in 12 years

Henry County School District
Notes to OPEB Schedules
June 30, 2023

TRS

<i>Benefits</i>	2023	2022	2021	2020	2019
	no change	no change	no change	no change	no change
<i>Assumptions</i>	2023	2022	2021	2020	2019
Inflation	2.50%	2.50%	3.00%	3.00%	3.00%
Real wage growth	25.00%	25.00%	0.50%	0.50%	0.50%
Wage inflation	275.00%	275.00%	3.50%	3.50%	3.50%
Salary increase rate	3.50% - 7.50%	3.50% - 7.50%	3.50% - 7.20%	3.50% - 7.20%	3.50% - 7.20%
Investment rate of return - MIF	7.10%	7.10%	8.00%	8.00%	8.00%
Investment rate of return - LIF	7.10%	7.10%	7.50%	7.50%	7.50%
Municipal bond index	2.13%	2.13%	2.19%	3.50%	3.89%
Single equivalent investment rate -	7.10%	7.10%	8.00%	8.00%	8.00%
Single equivalent investment rate -	7.10%	7.10%	7.50%	7.50%	7.50%
Health care cost trends:					
Pre-65	7.00% decreasing to an ultimate rate of 4.50% by FYE 2031	7.00% decreasing to an ultimate rate of 4.50% by FYE 2031	7.25% decreasing to an ultimate rate of 5.00% by FYE 2029	7.25% decreasing to an ultimate rate of 5.00% by FYE 2029	5.25% decreasing to an ultimate rate of 5.00% by FYE 202
Post-65	5.00% decreasing to an ultimate rate of 4.50% by FYE 2024	5.00% decreasing to an ultimate rate of 4.50% by FYE 2024	5.25% decreasing to an ultimate rate of 5.00% by FYE 2022	5.25% decreasing to an ultimate rate of 5.00% by FYE 2022	5.5% decreasing to an ultimate rate of 5.00% by FYE 202
Medicare part B premiums	4.40% with an ultimate rate of 4.50% by FYE 2034	4.40% with an ultimate rate of 4.50% by FYE 2034	6.49% with an ultimate rate of 5.00% by FYE 2031	6.49% with an ultimate rate of 5.00% by FYE 2031	0.00% with an ultimate rate of 5.00% by 2030

SUPPLEMENTARY INFORMATION

Henry County School District
Combining Balance Sheet – Nonmajor Funds
June 30, 2023

	District Activity Fund	Student Activity Fund	Capital Outlay Fund	Building Fund	Construction Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Assets							
Cash and cash equivalents	\$ 144,894	\$ 219,220	\$ -	\$ -	\$ 456,212	\$ -	\$ 820,326
Total assets	<u>\$ 144,894</u>	<u>\$ 219,220</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 456,212</u>	<u>\$ -</u>	<u>\$ 820,326</u>
Liabilities							
Accounts payable	\$ 10,697	\$ -	\$ -	\$ -	\$ 289	\$ -	\$ 10,986
Total liabilities	<u>10,697</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>289</u>	<u>-</u>	<u>10,986</u>
Fund balances							
Restricted	-	-	-	-	455,923	-	455,923
Committed	<u>134,197</u>	<u>219,220</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>353,417</u>
Total fund balances	<u>134,197</u>	<u>219,220</u>	<u>-</u>	<u>-</u>	<u>455,923</u>	<u>-</u>	<u>809,340</u>
Total liabilities and fund balances	<u>\$ 144,894</u>	<u>\$ 219,220</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 456,212</u>	<u>\$ -</u>	<u>\$ 820,326</u>

Henry County School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance – Nonmajor Funds
June 30, 2023

	District Activity Fund	Student Activity Fund	Capital Outlay Fund	Building Fund	Construction Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues							
From local sources:							
Property taxes	\$ -	\$ -	\$ -	\$ 914,710	\$ -	\$ -	\$ 914,710
Motor vehicle taxes	-	-	-	109,732	-	-	109,732
Utilities							0
Earnings on investments	1,954	-	-	-	1,772	-	3,726
Other local revenue	-	571,645	-	-	-	-	571,645
State on-behalf	-	-	-	-	-	423,554	423,554
State sources	-	-	193,811	944,674	-	-	1,138,485
Total revenues	1,954	571,645	193,811	1,969,116	1,772	423,554	3,161,852
Expenditures							
Instruction	117,382	443,501	-	-	-	-	560,883
Support services:							
Student	205	-	-	-	-	-	205
Instruction staff	18,746	-	-	-	-	-	18,746
Building improvements	-	-	-	-	2,085,127	-	2,085,127
Debt service							
Principal	-	-	-	-	-	1,675,000	1,675,000
Interest	-	-	-	-	-	441,881	441,881
Total expenditures	136,333	443,501	0	-	2,085,127	2,116,881	4,781,842
Excess of revenues over (under) expenditures	(134,379)	128,144	193,811	1,969,116	(2,083,355)	(1,693,327)	(1,619,990)
Other financing sources (uses)							
Transfers in	112,212	-	-	-	2,410,542	1,693,327	4,216,081
Transfers out	-	(112,212)	(193,811)	(1,969,116)	-	-	(2,275,139)
Total other financing sources (uses)	112,212	(112,212)	(193,811)	(1,969,116)	2,410,542	1,693,327	1,940,942
Net change in fund balances	(22,167)	15,932	-	-	327,187	-	320,952
Fund balances - beginning	156,364	203,288	-	-	128,736	-	488,388
Fund balances - end of year	\$ 134,197	\$ 219,220	\$ -	\$ -	\$ 455,923	\$ -	\$ 809,340

Henry County School District
 Combining Statement of School Activity Funds
 June 30, 2023

	Cash Balance			Cash Balance
	June 30, 2022	Receipts	Disbursements	June 30, 2023
Henry County High School	\$ 137,945	\$ 464,099	\$ 431,023	\$ 171,021
Henry County Gaming	202	-	-	202
Henry County Middle School	53,301	54,051	70,079	37,273
Campbellsburg Elementary	3,415	20,246	22,763	898
Eastern Elementary	857	14,131	13,742	1,246
New Castle Elementary	7,568	19,118	18,106	8,580
Totals	\$ 203,288	\$ 571,645	\$ 555,713	\$ 219,220

Henry County School District
Statement of School Activity Funds
Henry County High School
June 30, 2023

Fund Name	Cash Balance			Transfers	Cash Balance
	July 1, 2022	Receipts	Disbursements		June 30, 2023
General	\$ 384	\$ 2,040	\$ 123	\$ (85)	\$ 2,216
Chrome book DAF	85	12,490	12,575	-	-
Educators rising	349	-	-	-	349
Judy Lea memorial	47	-	-	(35)	12
Parking permits	20	586	611	5	-
Instructional DAF	60	16,360	16,505	85	-
Band	3,336	18,055	21,968	4,294	3,717
ROTC	3,839	9,327	9,457	225	3,934
Technology student assoc	43	2,815	2,196	600	1,262
Engineering	3,382	929	7,010	3,416	717
Agriculture	15,182	12,507	9,324	(5,000)	13,365
Freshman	3,090	2,777	837	(2,130)	2,900
Sophomore	4,833	2,368	275	(1,743)	5,183
Junior	3,883	18,052	4,970	1,667	18,632
Senior	3,298	29,608	35,322	3,456	1,040
Project graduation	-	390	390	-	-
Wildcat PC pros	40	-	-	-	40
Spanish club	509	795	667	-	637
FMD	3,602	8,675	8,529	562	4,310
Digital photo/media	852	-	163	-	689
Art club	109	385	201	-	293
Chess club	489	-	-	-	489
FBLA	5,352	3,490	4,129	(40)	4,673
Y club	60	-	-	-	60
FFA	4,529	11,392	15,572	5,000	5,349
BETA	6,041	608	1,117	(75)	5,457
National honor society	21	920	824	(15)	102
Pep club	292	1,141	958	(75)	400
HOSA	705	2,115	2,330	-	490
Theatre	-	-	-	2,324	2,324
Fine arts	4,648	12,346	4,755	(4,334)	7,905

Henry County School District
Statement of School Activity Funds
Henry County High School
June 30, 2023

	Cash Balance				Cash Balance
	July 1, 2022	Receipts	Disbursements	Transfers	June 30, 2023
Science club	\$ 372	\$ -	\$ 333	\$ -	\$ 39
Academic team	374	-	2,059	-	(1,685)
Journalism/yearbook	1,342	1,639	-	-	2,981
FCA	2,880	390	-	-	3,270
Concession	2,012	49,037	36,987	(10,383)	3,679
Drink/snack	30	-	-	-	30
TW drink machine	23	-	-	-	23
School pictures	-	561	561	-	-
Atheletic	10,237	79,572	89,129	8,514	9,194
Football	5,615	3,642	9,108	767	916
Baseball	18,143	34,423	29,360	45	23,251
Boys basketball	-	11,243	10,196	4,293	5,340
Girls basketball	3,282	4,534	7,719	235	332
Softball	2,763	1,351	1,573	-	2,541
Cross country	3,717	2,245	1,440	-	4,522
Boys golf	90	1,529	691	-	928
Girls golf	77	5,410	4,020	-	1,467
Track	1,131	12,002	9,522	2,810	6,421
Volleyball	6,891	9,255	6,069	(4,000)	6,077
HC youth basketball	-	10,190	4,722	(3,968)	1,500
Boys soccer	117	2,561	1,849	384	1,213
Girls soccer	4,077	3,005	2,419	1,250	5,913
8th reg BC association	2,230	1,700	2,570	1,275	2,635
Cheerleaders	2,430	2,922	2,691	-	2,661
Regional tournament	-	52,033	42,663	-	9,370
Wildcat swim team	883	734	539	(9,369)	(8,291)
Start up	-	3,950	3,995	45	-
PSAT	149	-	-	-	149
Totals	\$ 137,945	\$ 464,099	\$ 431,023	\$ -	\$ 171,021

Henry County School District
 Schedule of Expenditures of Federal Awards
 June 30, 2023

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster</u>	<u>Federal Assistance Listing</u>	<u>Pass Through Grantor's Number</u>	<u>Federal Expenditure for FYE 6/30/2023</u>	
U.S. Department of Education				
<i>Passed through Kentucky Department of Education</i>				
Special Education Cluster (IDEA)				
<i>Special Education_Grants to States (IDEA, Part B)</i>	84.027	3810002	\$ 42,102	
	84.027	3810002	397,882	
	84.027	4910002	<u>22,329</u>	\$ 462,313
<i>Special Education_Preschool Grants (IDEA, Preschoo</i>	84.173	3800002	7,300	
	84.173	3800002	4,409	
	84.173	4900002	<u>2,052</u>	13,761
Title I Grants to Local Educational Agencies	84.010	3100002	221,240	
	84.010	3100002	<u>332,417</u>	553,657
Title II Supporting Effective Instruction State Grants	84.367	3230002	4,129	
	84.367	3230002	63,942	
	84.367	3230002	<u>49,101</u>	117,172
	84.358	3230002	<u>11,433</u>	11,433
Title IV Student Support and Academic Enrichment	84.424	3420002	9,260	
	84.424	3420002	<u>39,359</u>	48,619
Perkins Vocational Education	84.048	3710002	424	
	84.048	3710002	<u>17,571</u>	17,995
Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act	84.425D	4000002	17,981	
	84.425D	4200002	823,148	
	84.425D	4200003	42,725	
	84.425D	4200003	2,545	
	84.425D	4200003	13,553	
	84.425U	4300002	2,625,935	
	84.425U	4300003	2,475	
	84.425U	4300005	28,918	
	84.425W	4980002	<u>9,792</u>	3,567,072
Adult Education - Basic Grants to States	84.002		<u>6,519</u>	6,519
Total U.S Department of Education			<u>4,798,541</u>	

Henry County School District
 Schedule of Expenditures of Federal Awards
 June 30, 2023

<u>Federal Grantor/Pass-Through Grantor/ Program or Clust</u>	<u>Federal Assistance Listing</u>	<u>Pass Through Grantor's Number</u>	<u>Federal Expenditure for FYE 6/30/2023</u>	
<u>U.S. Department of Agriculture</u>				
<i>Passed through Kentucky Department of Education</i>				
Child Nutrition Cluster				
<i>School Breakfast Program</i>	10.553	7760005	136,920	
	10.553	7760005	381,262	
<i>National School Lunch Program</i>	10.555	7750002	298,198	
	10.555	7750002	765,547	
<i>Summer Food Service Program</i>	10 559	7690024	44,420	
	10 559	7690024	396	
<i>Commodities</i>	10.555	Commoditi	<u>26,975</u>	1,653,718
State Administrative Expenses for Child Nutrition	10 560	7700001	<u>1,658</u>	1,658
State Pandemic EBT Adminstrative Costs Grant	10.649	9990000	<u>3,135</u>	3,135
Total U.S. Department of Agriculture			<u>1,658,511</u>	
Total Expenditures of Federal Awards				<u><u>\$ 6,457,052</u></u>

NOTE 1: BASIS OF PRESENTATION

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3: INDIRECT COST RATE

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

NOTE 4: SUBRECIPIENTS

The District did not provide federal funds to subrecipients for the year ended June 30, 2023.

NOTE 5: COMMODITIES

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

NOTE 6: FEDERAL AWARDS RECONCILIATION

Federal revenues reported on the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	\$ 4,897,112
Federal grants reported on the Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund	1,631,536
Donated commodities reported on the Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund	26,975
Total federal awards	<u>6,555,623</u>
Less Medicaid reimbursement	<u>(98,571)</u>
Schedule of expenditures of federal awards	<u>\$ 6,457,052</u>



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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Henry County School District (District) as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the District basic financial statements and have issued our report thereon dated October 16, 2023.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of the District in a separate letter dated October 16, 2023.

Purpose of this Report

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

Maddox & Associates CPAs Inc.

Fort Thomas, Kentucky

October 16, 2023

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Program

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

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities of 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 District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance and the audit 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 Districts' 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the 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.

Maddox & Associates CPAs Inc.

Fort Thomas, Kentucky

October 16, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None reported

Type of report the auditor issued on compliance with major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance (2 CFR 500.516(a))?

_____ Yes X None reported

Identification of Major Programs

ALN	Name of Federal Program or Cluster
84.425D	COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER)
84.425U	COVID-19 American Rescue Plan (ARP) ESSER
84.425W	COVID-19 American Rescue Plan (ARP) ESSER Homeless

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

\$ 750,000

Auditee qualified as low-risk auditee

_____ Yes X No

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

NO PRIOR FINDINGS

Henry County School District
Management Letter
June 30, 2023

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

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

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and recommendations regarding these matters. Any uncorrected comments from the prior year have been listed in this letter. A separate report dated October 16, 2023, contains our report on the District's internal control. This letter does not affect our report dated October 16, 2023 on the financial statements of the District.

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

Maddox & Associates CPAs Inc.

October 16, 2023

New Castle Elementary School

- I. Criteria – *Accounting Procedures for Kentucky School Activity Funds* (Redbook) sets accounting guidelines for receipts.

Condition – Forms F-SA-6, Multiple Receipt Form, was not signed by the school bookkeeper.

Cause – Lack of implementation of Redbook policy.

Effect – Noncompliance with Redbook.

Recommendation – Require the use and proper completion of forms when funds are collected from students.

Views of Responsible Officials – District will review Redbook guidance with staff to ensure forms are properly completed.

Henry County Middle School

- I. Criteria – *Accounting Procedures for Kentucky School Activity Funds* (Redbook) sets accounting guidelines for disbursements.

Condition – Disbursement forms were not signed by the activity sponsor.

Cause – Lack of implementation of Redbook policy.

Effect – Noncompliance with Redbook.

Recommendation – Require the use and proper completion of forms when disbursement are made from the school activity fund.

Views of Responsible Officials – District will review Redbook guidance with staff to ensure forms are properly completed.

Henry County High School

- I. Criteria – *Accounting Procedures for Kentucky School Activity Funds* (Redbook) sets accounting guidelines for receipts.

Condition – Forms F-SA-6, Multiple Receipt Form, was not signed by the school bookkeeper.

Cause – Lack of implementation of Redbook policy.

Effect – Noncompliance with Redbook.

Recommendation – Require the use and proper completion of forms when funds are collected from students.

Views of Responsible Officials – District will review Redbook guidance with staff to ensure forms are properly completed.

Henry County High School - Continued

- II. Criteria – *Accounting Procedures for Kentucky School Activity Funds* (Redbook) sets accounting guidelines for disbursements.

Condition – Disbursement forms were not signed by both the school principal or bookkeeper.

Cause – Lack of implementation of Redbook policy.

Effect – Noncompliance with Redbook.

Recommendation – Require the use and proper completion of forms when disbursement are made from the school activity fund.

Views of Responsible Officials – District will review Redbook guidance with staff to ensure forms are properly completed.

- III. Criteria – *Accounting Procedures for Kentucky School Activity Funds* (Redbook) sets accounting guidelines for receipts.

Condition – Disbursement forms were not accurately reconciled to the supporting invoices.

Cause – Lack of implementation of Redbook policy.

Effect – Noncompliance with Redbook.

Recommendation – Require the proper review of invoices prior to disbursing funds.

Views of Responsible Officials – District will review Redbook guidance with staff to ensure forms are properly completed.

PRIOR YEAR COMMENTS

No comments were repeated from the prior year.

APPENDIX C

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

Continuing Disclosure Agreement

CONTINUING DISCLOSURE UNDERTAKING AGREEMENT

This Continuing Disclosure Undertaking Agreement ("Agreement") made and entered into as of July 9, 2024 by and between the Board of Education of Henry County, Kentucky ("Board"); the Henry County School District Finance Corporation, an agency and instrumentality of the Board ("Corporation") and the Registered and Beneficial Owners of the Bonds hereinafter identified as third-party beneficiaries to this Agreement. For the purposes of this Agreement "Beneficial Owner" means the person or entity treated as the owner of the Bonds for federal income tax purposes and "Registered Owner" means the person or entity named on the registration books of the bond registrar.

WITNESSETH:

WHEREAS, the Corporation has acted as issuing agency for the Board pursuant to the provisions of Section 162.385 of the Kentucky Revised Statutes ("KRS") and the Corporation's Bond Resolution in connection with the authorization, sale and delivery of \$3,405,000 of the Corporation's School Building Revenue Bonds, Series of 2024, dated July 9, 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 HENRY COUNTY, KENTUCKY

Chairperson

Attest:

Secretary

HENRY COUNTY SCHOOL DISTRICT FINANCE CORPORATION

Attest:

President

Secretary

APPENDIX D

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

Official Terms and Conditions of Bond Sale

**OFFICIAL
TERMS AND CONDITIONS OF BOND SALE**

\$3,405,000*
Henry County School District Finance Corporation
School Building Revenue Bonds, Series of 2024
Dated July 9, 2024

SALE: June 18, 2024 AT 11:00 A.M., E.D.S.T.

As published on PARITY®, a nationally recognized electronic bidding system, the Henry County School District Finance Corporation ("Corporation") will until June 18, 2024, at the hour of 11:00 A.M., E.D.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 \$340,000.

**HENRY COUNTY SCHOOL
DISTRICT FINANCE CORPORATION**

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

STATUTORY AUTHORITY, PURPOSE OF ISSUE AND SECURITY

These Bonds are authorized pursuant to KRS 162.120 through 162.300, 162.385, and KRS 58.180 and are issued in accordance with a Resolution of the Corporation's Board of Directors. Said Bonds are revenue bonds and constitute a limited indebtedness of the Corporation payable from rental revenues derived by the Corporation from the Board under the Lease identified below. Said Bonds are being issued to finance Phase II construction of a new central office (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, 2025; 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 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, 2025, with an option in the Board to renew the Lease each year at rentals sufficient to provide for the principal and interest requirements on the Bonds as they become due, plus the costs of insurance, maintenance, depreciation, and bond issuance and administration expenses; the Board being legally obligated only for the initial rental period and for one year at a time thereafter each time the Lease is renewed.

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

ADDITIONAL PARITY BONDS

The Corporation has reserved the right and privilege of issuing additional bonds from time to time payable from the income and revenues of said lands and school building Project 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 July 9, 2024, payable on February 1, 2025, and semi annually thereafter and shall mature as to principal on February 1 in each of the years as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2025	\$620,000	2035	\$150,000
2026	590,000	2036	160,000
2027	15,000	2037	165,000
2028	15,000	2038	170,000
2029	15,000	2039	175,000
2030	15,000	2040	185,000
2031	15,000	2041	190,000
2032	15,000	2042	200,000
2033	140,000	2043	210,000
2034	145,000	2044	215,000

*Subject to a Permitted Adjustment of the amount of Bonds awarded of up to \$340,000 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 February 1, 2025 (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 \$3,336,900 (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 \$3,405,000 principal amount of Bonds offered for sale under the terms and conditions herein specified, but the Corporation may adjust the principal amount of Bonds upward or downward by \$340,000 (the "Permitted Adjustment") which may be awarded to such best bidder may be a minimum of \$3,065,000 or a maximum of \$3,745,000. 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 \$3,405,000 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 June 18, 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 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, 2026

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

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

The General Assembly recently adopted a budget for the biennial period ending June 30, 2026 which was approved and signed by the Governor. Such budget becomes effective beginning July 1, 2024. 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, Henry County Board of Education, 326 S. Main Street, New Castle, Kentucky 40050 (502.845.8601).

TAX EXEMPTION; BANK QUALIFIED

Bond Counsel advises as follows with respect to the Bonds:

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

(B) The interest income from the Bonds is excludable from the gross income of the recipient thereof for Federal income tax purposes under existing law and interest on the Bonds will not be a specific item of tax preference for purposes of 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 less than \$10,000,000 of tax-exempt obligations during the calendar year ending December 31, 2024, the Bonds may be treated by financial institutions as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code.

BOOK-ENTRY-ONLY-SYSTEM

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

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

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners

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

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

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

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

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

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

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

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

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

**HENRY COUNTY SCHOOL DISTRICT
FINANCE CORPORATION**

by /s/Dr. Jim Masters
Secretary

APPENDIX E

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

Official Bid Form

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

The Henry County School District Finance Corporation ("Corporation" or "Issuer"), will until 11:00 A.M., E.D.S.T., on June 18, 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 \$3,405,000 School Building Revenue Bonds, Series of 2024, dated July 9, 2024; maturing February 1, 2025 through 2044 ("Bonds").

We hereby bid for said \$3,405,000* principal amount of Bonds, the total sum of \$_____ (not less than \$3,336,900) plus accrued interest from July 9, 2024 payable February 1, 2025, and semiannually thereafter at the following annual rates, (rates on ascending scale in multiples of 1/8 or 1/20 of 1%; number of interest rates unlimited) and maturing as to principal on February 1 in the years as follows:

<u>Year</u>	<u>Amount*</u>	<u>Rate</u>	<u>Year</u>	<u>Amount*</u>	<u>Rate</u>
2025	\$620,000	_____%	2035	\$150,000	_____%
2026	590,000	_____%	2036	160,000	_____%
2027	15,000	_____%	2037	165,000	_____%
2028	15,000	_____%	2038	170,000	_____%
2029	15,000	_____%	2039	175,000	_____%
2030	15,000	_____%	2040	185,000	_____%
2031	15,000	_____%	2041	190,000	_____%
2032	15,000	_____%	2042	200,000	_____%
2033	140,000	_____%	2043	210,000	_____%
2034	145,000	_____%	2044	215,000	_____%

* Subject to Permitted Adjustment

We understand this bid may be accepted for as much as \$3,745,000 of Bonds or as little as \$3,065,000 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 June 18, 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 July 9, 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 July 9, 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 Henry County School District Finance Corporation for \$ _____ amount of Bonds at a price of \$ _____ as follows:

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

Dated: June 18, 2024

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