

DATED AUGUST 7, 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)

\$695,000*
BALLARD COUNTY SCHOOL DISTRICT FINANCE CORPORATION
SCHOOL BUILDING REVENUE BONDS,
SECOND SERIES OF 2024

Dated with Delivery: SEPTEMBER 5, 2024

Due: as shown below

Interest on the Bonds is payable each March 1 and September 1, beginning March 1, 2025. The Bonds will mature as to principal on September 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-Sep	Amount*	Rate	Yield	CUSIP	1-Sep	Amount*	Rate	Yield	CUSIP
2025	\$25,000	%	%		2035	\$35,000	%	%	
2026	\$25,000	%	%		2036	\$35,000	%	%	
2027	\$25,000	%	%		2037	\$35,000	%	%	
2028	\$25,000	%	%		2038	\$40,000	%	%	
2029	\$25,000	%	%		2039	\$40,000	%	%	
2030	\$30,000	%	%		2040	\$40,000	%	%	
2031	\$30,000	%	%		2041	\$45,000	%	%	
2032	\$30,000	%	%		2042	\$45,000	%	%	
2033	\$30,000	%	%		2043	\$50,000	%	%	
2034	\$35,000	%	%		2044	\$50,000	%	%	

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 Ballard 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 Ballard County Board of Education.

The Ballard County (Kentucky) School District Finance Corporation will until August 15, 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 \$70,000.**

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.



**BALLARD COUNTY
BOARD OF EDUCATION**

Kim Morris, Chairperson
Tammy Dennis, Member
Ivey Rollings, Member
Cathy Drummond, Member
Brandon Birney, Member

Casey Allen, Superintendent/Secretary

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

Kim Morris, President
Tammy Dennis, Member
Ivey Rollings, Member
Cathy Drummond, Member
Brandon Birney, Member

Casey Allen, Secretary
Jennifer Head, 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 Ballard County School District Finance Corporation School Building Revenue Bonds, Second 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**

\$695,000*

**BALLARD COUNTY SCHOOL DISTRICT FINANCE CORPORATION
SCHOOL BUILDING REVENUE BONDS,
SECOND 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 Ballard County School District Finance Corporation (the "Corporation") School Building Revenue Bonds, Second Series of 2024 (the "Bonds").

The Bonds are being issued to finance improvements at Ballard County High School and the Career Technology Center (the "Projects").

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 Ballard 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 Ballard 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 September 5, 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 became 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	\$13,785,000	\$0	\$4,699,899	\$9,085,101	3.000% - 3.125%	2024
2015-REF	\$2,490,000	\$1,585,000	\$2,430,305	\$59,695	2.125% - 3.000%	2030
2016	\$3,000,000	\$2,240,000	\$3,000,000	\$0	2.000% - 3.000%	2036
2019 Energy	\$2,375,000	\$1,985,000	\$2,375,000	\$0	2.000% - 2.625%	2039
2020	\$1,090,000	\$1,035,000	\$1,090,000	\$0	2.250% - 2.750%	2040
2024	\$3,255,000	\$3,255,000	\$3,255,000	\$0	4.000%	2044
TOTALS:	\$25,995,000	\$10,100,000	\$16,850,204	\$9,144,796		

AUTHORITY

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

- i) the issuance of approximately \$695,000 of Bonds subject to a permitted adjustment of \$70,000;
- 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 September 5, 2024, will bear interest from that date as described herein, payable semi-annually on March 1 and September 1 of each year, commencing March 1, 2025, and will mature as to principal on September 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 March 1 and September 1 of each year, beginning March 1, 2025 (Record Date is 15th day of month preceding interest due date).

Redemption

The Bonds maturing on or after September 1, 2033, are subject to redemption at the option of the Corporation prior to their stated maturity on any date falling on or after September 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
September 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 September 5, 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 September 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 and Participation Agreement to the Corporation the right to notify and request the Kentucky Department of Education to withhold from the Board a sufficient portion of any undisbursed funds then held, set aside, or allocated to the Board and to request said Department or Commissioner of Education to transfer the required amount thereof to the Paying Agent for the payment of such rentals.

THE PROJECTS

After payment of the Bond issuance costs, the Board plans to deposit the net Bond proceeds to finance improvements at Ballard County High School and the Career Technology Center (the "Projects").

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

Contractors for the Projects 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	----- Series 2024 School Building Revenue Bonds ----- (100% Local)			Total Restricted Fund Bond Payments
		Principal Portion	Interest Portion	Total Payment	
2024	\$892,342				\$892,342
2025	\$659,040		\$13,921	\$13,921	\$672,961
2026	\$751,696	\$25,000	\$27,975	\$52,975	\$804,671
2027	\$755,282	\$25,000	\$26,975	\$51,975	\$807,257
2028	\$751,098	\$25,000	\$25,975	\$50,975	\$802,073
2029	\$750,709	\$25,000	\$24,975	\$49,975	\$800,684
2030	\$753,270	\$25,000	\$23,975	\$48,975	\$802,245
2031	\$544,720	\$30,000	\$22,875	\$52,875	\$597,595
2032	\$551,564	\$30,000	\$21,675	\$51,675	\$603,239
2033	\$552,252	\$30,000	\$20,475	\$50,475	\$602,727
2034	\$552,154	\$30,000	\$19,275	\$49,275	\$601,429
2035	\$551,387	\$35,000	\$17,975	\$52,975	\$604,362
2036	\$549,838	\$35,000	\$16,575	\$51,575	\$601,413
2037	\$381,195	\$35,000	\$15,175	\$50,175	\$431,370
2038	\$382,288	\$35,000	\$13,775	\$48,775	\$431,063
2039	\$382,409	\$40,000	\$12,275	\$52,275	\$434,684
2040	\$379,700	\$40,000	\$10,625	\$50,625	\$430,325
2041	\$317,500	\$40,000	\$8,925	\$48,925	\$366,425
2042	\$316,700	\$45,000	\$7,119	\$52,119	\$368,819
2043	\$320,400	\$45,000	\$5,206	\$50,206	\$370,606
2044	\$318,600	\$50,000	\$3,188	\$53,188	\$371,788
2045	\$321,300	\$50,000	\$1,063	\$51,063	\$372,363
TOTALS:	\$11,735,443	\$695,000	\$339,996	\$1,034,996	\$12,770,439

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	\$695,000.00
Total Sources	\$695,000.00
Uses:	
Deposit to Construction Fund	\$665,900.00
Underwriter's Discount (2%)	13,900.00
Cost of Issuance	15,200.00
Total Uses	\$695,000.00

DISTRICT STUDENT POPULATION

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

Year	Average Daily Attendance	Year	Average Daily Attendance
2000-01	1,284.7	2012-13	1,234.8
2001-02	1,230.2	2013-14	1,209.1
2002-03	1,236.9	2014-15	1,178.5
2003-04	1,249.9	2015-16	1,180.4
2004-05	1,263.9	2016-17	1,127.9
2005-06	1,244.4	2017-18	1,129.9
2006-07	1,256.5	2018-19	1,095.9
2007-08	1,248.2	2019-20	1,038.1
2008-09	1,256.7	2020-21	1,038.1
2009-10	1,231.1	2021-22	1,079.3
2010-11	1,281.4	2022-23	1,079.3
2011-12	1,259.1	2023-24	1,021.4

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 Ballard County School District for certain preceding school years.

Capital Outlay		Capital Outlay	
Year	Allotment	Year	Allotment
2000-01	128,470.0	2012-13	123,477.0
2001-02	123,020.0	2013-14	120,906.0
2002-03	123,690.0	2014-15	117,852.0
2003-04	124,990.0	2015-16	118,044.0
2004-05	126,390.0	2016-17	112,790.0
2005-06	124,440.0	2017-18	112,990.0
2006-07	125,650.0	2018-19	109,592.0
2007-08	124,820.0	2019-20	103,810.0
2008-09	125,665.0	2020-21	103,813.1
2009-10	123,108.0	2021-22	107,934.3
2010-11	128,138.0	2022-23	107,934.3
2011-12	125,911.0	2023-24	102,138.5

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	51.2	329,156,381	1,685,281
2001-02	52	346,772,101	1,803,215
2002-03	52.8	361,240,787	1,907,351
2003-04	52.8	374,168,490	1,975,610
2004-05	58.4	391,722,466	2,287,659
2005-06	61.3	412,600,808	2,529,243
2006-07	57	447,635,308	2,551,521
2007-08	61.3	450,237,861	2,759,958
2008-09	61.8	483,438,983	2,987,653
2009-10	61.8	489,523,075	3,025,253
2010-11	59.7	525,934,828	3,139,831
2011-12	61	546,746,993	3,335,157
2012-13	66.6	571,508,438	3,806,246
2013-14	61.8	591,694,381	3,656,671
2014-15	73.1	598,732,868	4,376,737
2015-16	72.6	634,778,425	4,608,491
2016-17	63.1	633,903,954	3,999,934
2017-18	62.1	605,549,508	3,760,462
2018-19	64	611,782,148	3,915,406
2019-20	66.9	648,666,628	4,339,580
2020-21	74.2	689,594,388	4,258,177
2021-22	62.2	684,594,388	4,258,177
2022-23	75.5	711,665,279	5,373,073
2023-24	69.6	744,195,740	5,179,602

Source: Kentucky Department of Education.

OVERLAPPING BOND INDEBTEDNESS

The following table shows any other overlapping bond indebtedness of the Ballard County School District or other issuing agency within Ballard County as reported by the State Local Debt Officer for the period ending June 30, 2024.

Issuer	Original Principal Amount	Amount of Bonds Redeemed	Current Principal Outstanding
City of Barlow			
Improvement Projects Revenue	663,000	147,000	516,000
City of Kevil			
Water & Sewer Revenue	392,000	273,700	118,300
City of LaCenter			
Water Revenue	519,000	137,500	381,500
City of Wickliffe			
Water & Sewer Revenue	86,494,000	266,000	86,228,000
Special Districts			
Ballard County Public Propoerties Corporation	18,535,000	0	18,535,000
Totals:	106,603,000	824,200	105,778,800

Source: 2024 Kentucky Local Debt Report.

SEEK ALLOTMENT

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

SEEK	Base Funding	Local Tax Effort	Total State & Local Funding
2000-01	4,551,230	1,685,281	6,236,511
2001-02	4,475,092	1,803,215	6,278,307
2002-03	4,594,515	1,907,351	6,501,866
2003-04	4,905,103	1,975,610	6,880,713
2004-05	4,933,010	2,287,659	7,220,669
2005-06	5,231,325	2,529,243	7,760,568
2006-07	5,104,221	2,551,521	7,655,742
2007-08	5,658,175	2,759,958	8,418,133
2008-09	5,700,357	2,987,653	8,688,010
2009-10	4,867,544	3,025,253	7,892,797
2010-11	4,930,580	3,139,831	8,070,411
2011-12	5,224,623	3,335,157	8,559,780
2012-13	4,891,759	3,806,246	8,698,005
2013-14	4,676,500	3,656,671	8,333,171
2014-15	4,623,432	4,376,737	9,000,169
2015-16	4,688,947	4,608,491	9,297,438
2016-17	4,446,516	3,999,934	8,446,450
2017-18	4,692,440	3,760,462	8,452,902
2018-19	4,732,388	3,915,406	8,647,794
2019-20	4,118,882	4,339,580	8,458,462
2020-21	3,691,341	5,116,362	8,807,703
2021-22	4,063,531	4,258,177	8,321,708
2022-23	4,270,278	5,373,073	9,643,351
2023-24	3,789,947	5,179,602	8,969,549

- (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 \$0.6960 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; EXEMPTION

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

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, Wayne County School District Board of Education, 1025 S. Main Street, Monticello, Kentucky 42633, Telephone 606-348-5083.

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.

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

Original Issue Discount

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

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

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

ABSENCE OF MATERIAL LITIGATION

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

APPROVAL OF LEGALITY

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

NO LEGAL OPINION EXPRESSED AS TO CERTAIN MATTERS

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

BOND RATING

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

MUNICIPAL ADVISOR

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

APPROVAL OF OFFICIAL STATEMENT

The Corporation has approved and caused this "Official Statement" to be executed and delivered by its President. In making this "Official Statement" the Corporation relied upon information furnished to it by the Board of Education of the Ballard 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 Ballard County Board of Education or the Municipal Advisor to give any information or representations, other than those contained in this Official Statement, and if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Except when otherwise indicated, the information set forth herein has been obtained from the Kentucky Department of Education and the Ballard 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

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

Demographic and Economic Data

BALLARD COUNTY, KENTUCKY

Wickliffe, the county seat of Ballard County, is located in the Jackson Purchase Region of Kentucky. Wickliffe is located 161 miles northwest of Nashville, Tennessee; 171 miles southeast of St. Louis, Missouri; and 237 miles southwest of Louisville, Kentucky.

Ballard County has a land area of 251 square miles. In 2023, Ballard County had an estimated population of 7,691. Kevil, located 16 miles northeast of Wickliffe, had a 2023 population of 634. La Center, located 11 miles northeast of Wickliffe, had a 2023 population of 745.

The Economic Framework

In 2023, Ballard County had a labor force of 3,570 people, with an unemployment rate of 5.3%. The top 5 jobs by occupation were as follows: Office and Administrative Support - 262 (14.29%); Production Workers - 206 (11.23%); Executive, Managers, and Administrators - 162 (8.83%); Sales - 113 (6.16%); and Construction and Extraction - 110 (6%).

Transportation

AAA-rated trucking highways serving Ballard County include U.S. Highways 51, 60 and 62, and Kentucky Routes 121 and 286. Sixteen common carrier trucking companies provide interstate and/or intrastate service to Ballard County. Illinois Central Railroad provides main line rail service near Paducah, 25 miles northeast of Wickliffe. Scheduled commercial airline service is also available at Evansville Regional Airport near Evansville, Indiana; 152 miles northeast of Wickliffe; and at the Nashville International Airport near Nashville, Tennessee; 167 miles southeast of Wickliffe. Public port facilities are available at the Paducah-McCracken County Riverport, 35 miles east of Wickliffe.

Power and Fuel

Electric power is provided to Wickliffe and Ballard County by Jackson Purchase Energy, Big Rivers Electric Cooperation and Kentucky Utilities Company. Natural gas is provided to Ballard County by New Commonwealth Natural Gas Company.

Education

Primary and Secondary education is provided to Ballard County by the Ballard County School System. There are five colleges and universities within 60 miles of Wickliffe. Vocational training is provided by the Ballard County Area Vocational Education Center in La Center and by the West Kentucky State Vocational-Technical School in Paducah, Kentucky, 33-miles east of Wickliffe.

LOCAL GOVERNMENT

Structure

Ballard County is governed by a county judge/executive and five (5) magistrates. Each county official is elected to a four-year term. Barlow, Kevil, La Center and Wickliffe are each governed by a mayor and six (6) council members. The mayors serve four-year terms, while the council members each serve two-year terms.

Planning and Zoning

There are no planning and zoning commissions in Ballard County at the present time.

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 Wickliffe charges an annual business license fee of \$20. Ballard County levies a payroll tax of one percent (1%).

Sales and Use Tax

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

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 city limits may also be subject to city property taxes.

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

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

LABOR MARKET STATISTICS

The Ballard County Labor Market Area includes Ballard County and the adjoining Kentucky counties of Carlisle, Graves, Hickman and McCracken. In addition to these Kentucky Counties, the Illinois counties of Pulaski and Alexander and Mississippi County, Missouri, are included in the labor market area.

POPULATION

Description	2021	2022	2023
Ballard County	7,625	7,882	7,628
Kevil	483	621	634
La Center	884	875	830

Source: Kentucky Cabinet for Economic Development.

POPULATION PROJECTIONS

Description	2025	2030	2035
Ballard County	7,470	7,180	6,868

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

EDUCATION

Public Schools

Ballard County	
Total Enrollment (2022-23)	917
Pupil-Teacher Ratio	12 - 1

Vocational Training

Kentucky Technical Schools are operated by the Cabinet for Workforce Development and provide secondary (Sec) and postsecondary (P/S) vocational-technical training. Vocational training is available at both the state vocational-technical schools and the area vocational education centers. The state vocational-technical schools are post-secondary institutions. The area vocational education centers are designed to supplement the curriculum of high school students. Both the state vocational-technical schools and the area vocational education centers offer evening courses to enable working adults to upgrade current job skills.

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

Bluegrass State Skills Corporation

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

The Bluegrass State Skills corporation is the 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.

<u>Vocational School</u>	<u>Location</u>	<u>Cumulative Enrollment 2022-2023</u>
Caldwell County ATC	Princeton	407
Mayfield/Graves County ATC	Mayfield	575
Murray/Calloway County ATC	Murray	482
Paducah ATC	Paducah	660

Source: Kentucky Department of Education

Colleges and Universities

<u>Institution</u>	<u>Location</u>	<u>Enrollment Fall 2022</u>
Murray State University	Murray	7,756
Western Kentucky University	Bowling Green	14,440

Source: US News & World Report

EXISTING INDUSTRY

<u>Firm</u>	<u>Product</u>	<u>Total Employed</u>
Kevil:		
Aero Source H	Industrial Hemp products	14
Credence Speakers, Inc.	Loudspeaker assembling, distributions	1
Kevil Tool & Machine Inc.	Machine shop; general & CNC machining, drilling, boring, cutting, tool & die	13
Wickliffe:		
Hillhouse Naturals Farm Ltd.	Candles & potpourri	8
James Marine	Service center - barge repair	77

Source: *Kentucky Business and Industry Guide (01/20/2020)*.

APPENDIX B

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

Audited Financial Statement ending June 30, 2023

**BALLARD COUNTY
SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES**

For the year ended June 30, 2023

Prepared by:

Shad J. Allen, CPA, PLLC
PO Box 974
Richmond, Kentucky 40476
Phone (859) 806-5290 Fax (859) 349-0061

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Ballard County School District
Barlow, KY

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 Ballard 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 for Opinions

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

Emphasis of Matter

Change In Accounting Principle

As discussed in Note A to the financial statements, in 2023 the District adopted new accounting guidance, *GASB No. 96, Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 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 District’s internal control over financial reporting and compliance.

Shad J. Allen, CPA, PLLC

Richmond, KY
December 15, 2023

BALLARD COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Year Ended June 30, 2023

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

FINANCIAL HIGHLIGHTS

The beginning fund balance for the district was \$8,964,575 General Fund, Facility Support Program, FSPK of \$8,262,381, Capital Outlay of \$351,659, and Construction of \$143,433. The ending cash balance was \$11,206,255 for the District.

- The General Fund Revenue totaled \$13,454,286 which primarily consists of state program funding (SEEK), property, utility, and motor vehicle taxes. General Fund expenditures total \$11,900,453 exclusive of other financing sources. These totals include \$3,793,156 of on-behalf payments from the Commonwealth of Kentucky for health insurance, life insurance and Kentucky Teacher's Retirement contributions.
- The school district continues a concentrated effort to build and maintain facilities that are state of the art and well maintained. The district composes of one elementary school (grades P-5), one middle school (grades 6- 8), one high school (grades 9-12), and a locally operated Career & Technology Center that also houses the central office.
- The efforts of the Ballard County Board of Education along with district and school leadership has been instrumental in providing a variety of learning platforms during the global pandemic. The efforts to feed, teach and support students and families has been the highest priority for the district. Additional federal grant funding has provided financial resources to expand virtual educational services during COVID 19.

OVERVIEW OF FINANCIAL STATEMENTS

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

District-Wide Financial Statements - The district-wide financial statements are designed to provide readers with a broad overview of the Ballard County School District's finances, in a manner similar to a private-sector business.

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

BALLARD COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS

For the Year Ended June 30, 2023

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

The district-wide financial statements outline functions of the Ballard County School District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on the table of contents in this report.

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our food service operations and child-care operations. All other activities of the District are included in the governmental funds. The basic governmental fund financial statements can be found on the table of contents in this report.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on the table of contents in this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets plus deferred outflows were more than liabilities and deferred inflows by approximately \$17,702,139 of June 30, 2023. The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

**BALLARD COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS**
For the Year Ended June 30, 2023

2023 District-Wide Governmental Net position compared to 2022 as follows:

Net Position (in Millions)

	Governmental		Business-type		Total		Total Percentage Change 2022-2023
	Activities		Activities		School District		
	2022	2023	2022	2023	2022	2023	
Assets:							
Current and Other Assets	9.43	11.34	0.80	0.53	10.23	11.87	16%
Capital Assets	24.05	23.21	0.35	0.32	24.40	23.53	-4%
Total Assets	33.48	34.55	1.15	0.85	34.64	35.40	2%
Deferred Outflows							
	1.96	3.49	0.21	0.10	2.17	3.59	65%
	1.96	3.49	0.21	0.10	2.17	3.59	
Liabilities:							
Current Liabilities	2.23	2.42	0.00	0.00	2.23	2.43	9%
Noncurrent Liabilities	15.00	15.35	0.79	0.60	15.79	15.95	1%
Total Liabilities	17.23	17.77	0.79	0.61	18.01	18.38	2%
Deferred Inflows							
	2.84	2.57	0.24	0.07	3.08	2.64	-14%
	2.84	2.57	0.24	0.07	3.08	2.64	
Invested in Capital Assets							
Net of Debt	13.82	14.60	0.35	0.32	14.17	14.92	5%
Restricted	2.45	2.78		(0.05)	2.45	2.73	12%
Unrestricted Net Position	(0.89)	0.33	(0.02)		(0.91)	0.33	-136%
Total Net Position	15.37	17.71	0.60	0.27	15.71	17.98	14%

**BALLARD COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS**
For the Year Ended June 30, 2023

GOVERNMENTAL ACTIVITIES

Ending net position was \$17.98 million for the District. This was an increase of \$2.27 million from 2022.

Table 2
Changes in Net Position
(in millions)

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2022-2023
	2022	2023	2022	2023	2022	2023	
Revenues:							
Charges for services	\$ -	\$ -	\$ 0.14	\$ 0.16	\$ 0.14	\$ 0.16	8%
Operating grants and contributions	2.60	4.12	1.13	1.21	3.73	5.33	43%
Capital grants and contributions	0.48	0.49			0.48	0.49	3%
General revenues	9.20	15.24	0.05	(0.03)	9.25	15.21	65%
Total revenue	12.28	19.86	1.32	1.33	13.60	21.19	56%
Expenses:							
Instruction	\$ 4.77	\$ 8.84	\$ -	\$ -	\$ 4.77	\$ 8.84	85%
Student	0.45	0.82			0.45	0.82	82%
Instructional staff	0.26	0.51			0.26	0.51	94%
District administration	0.46	0.85			0.46	0.85	85%
School administration	0.40	1.15			0.40	1.15	186%
Business	0.61	0.91			0.61	0.91	49%
Plant operation & maintenance	1.46	1.52			1.46	1.52	4%
Student transportation	0.83	1.21			0.83	1.21	46%
Non-Instructional			-		-		
Food Service Operations		0.01	1.11	1.22	1.11	1.23	11%
Child Care Operations			0.05	0.15			
Community services operations	0.27	0.35			0.27	0.35	27%
Building Acquisitions & Construction	0.00	0.02			0.00	0.02	700%
Depreciation/Amortization		1.23		0.03	-	1.26	
Interest on long-term debt	0.38	0.27			0.38	0.27	-28%
Total Expenses	\$ 9.90	\$ 17.67	\$ 1.16	\$ 1.40	\$ 11.01	\$ 19.07	73%
Change in net position	\$ 2.38	\$ 2.19	\$ 0.16	\$ (0.06)	\$ 2.59	\$ 2.12	18%

**BALLARD COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS**
For the Year Ended June 30, 2023

CAPITAL ASSETS

At the end of fiscal 2023, the District had \$23.2 million invested in capital assets, including land, buildings, buses, computers and other equipment.

Capital Assets (net) at Year-End FY2023

	Governmental Activities		Business Type Activities		Totals	
	2022	2023	2022	2023	2022	2023
Land	277,904	277,904	-	-	277,904	277,904
Land Improvements	1,782,445	1,782,445	-	-	1,782,445	1,782,445
Buildings & Improvements	35,861,538	35,861,538	175,026	175,026	36,036,564	36,036,564
Technology Equipment	1,830,175	1,830,175	3,285	3,285	1,833,460	1,833,460
Vehicles	1,824,151	1,718,620	-	-	1,824,151	1,718,620
General Equipment	736,799	736,800	575,590	575,590	1,312,389	1,312,390
Construction In Progress	44,647	304,474	-	-	44,647	304,474

DEBT

General obligation debt decreased \$1.73 million from FY 2022.

Outstanding Debt at Year-End
(in Millions)

		Governmental Activities	
		2022	2023
General Obligation Bonds	\$	10.31	8.58
Total Obligations	\$	<u>10.31</u>	<u>8.58</u>

Ballard County School District
MANAGEMENT DISCUSSION & ANALYSIS
For the Year ended June 30, 2023

THE DISTRICT'S FUNDS

As the District completed the year, the General Fund reflected a fund balance of \$7,922,973 which is more than last year's fund balance of \$6,369,140. The following table presents a summary of revenue and expense for the District as a whole for the fiscal year ended June 30, 2023:

REVENUE		
	Governmental	Proprietary
Local Revenue Sources	6,019,869	155,113
State Revenue Sources	10,256,590	98,462
Federal Revenue Sources	3,538,064	1,110,595
Other		14,233
Transfers	1,725,673	-
TOTALS	21,540,196	1,378,403
EXPENDITURES	Governmental	Proprietary
Instruction	8,623,595	
Student Support Services	812,414	-
Instructional Staff Support Services	500,443	-
District Admin Support	842,708	-
School Admin Support	1,130,570	-
Business Support Services	894,486	-
Plant Operation & Management	1,511,005	-
Student Transportation	1,189,280	-
Food Service Operations	12,602	1,396,660
Community Services	345,376	
Building Acqu & Construction	-	-
Debt Service	1,985,263	-
Site Improvement	-	-
Building Renovations	275,996	-
Other Items	-	-
Transfers	1,678,558	47,115
TOTALS	19,802,296	1,443,775
Excess / (Deficit)	1,737,900	(65,372)

*Note: This chart does not include beginning balances.

Ballard County School District
MANAGEMENT DISCUSSION & ANALYSIS
For the Year ended June 30, 2023

Comments on Budget Comparisons

- The District’s total general fund revenues for the fiscal year ended June 30, 2023 net of other financing sources and uses were \$18,692,075 million including “On-Behalf” payments.

BUDGETARY IMPLICATIONS

By law, the budget must have a minimum 2% contingency. The District adopted a tentative budget for 2022-2023 with a 14% general fund contingency.

Issues which will impact future budgets include:

- Increased salary and salary fixed costs, along with staffing shortages.
- Continued insufficient funding of the state transportation formula, currently at only 68%.
- Improving programming while meeting the academic standards and needs of all students.
- Addressing learning loss and social mental health needs as a result of the COVID-19 pandemic.

Questions regarding this report should be directed to the Superintendent or Finance Director at (270) 665-8400 or by mail at Ballard County Board of Education, 11 Vocational School Road, Barlow , KY 42024

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

	Primary Government		
	Governmental Activities	Business- type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 10,695,314	\$ 510,941	\$ 11,206,255
Receivables (net)			
Taxes	74,977		74,977
Accounts	9,686		9,686
Intergovernmental	559,490		559,490
Inventories		21,494	21,494
Capital assets:			
Land, and construction in progress	582,378		582,378
Other capital assets, net of depreciation	22,630,091	318,323	22,948,415
Total capital assets	<u>23,212,469</u>	<u>318,323</u>	<u>23,530,792</u>
Total assets	<u>34,551,936</u>	<u>850,758</u>	<u>35,402,694</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	1,150,436	64,241	1,214,677
Deferred outflows related to OPEB	2,229,839	31,516	2,261,355
Deferred savings from refunding bonds	108,317		108,317
Total deferred outflows of resources	<u>3,488,592</u>	<u>95,757</u>	<u>3,584,349</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>38,040,528</u>	<u>946,515</u>	<u>38,987,043</u>
LIABILITIES			
Accrued interest payable	30,466		30,466
Accounts payable	35,812	4,527	40,339
Unearned revenue	600,924		600,924
Long-term liabilities:			
Due within 1 year:			
Bond obligations	1,755,000		1,755,000
Total due within 1 year	<u>1,755,000</u>	<u>-</u>	<u>1,755,000</u>
Due in more than 1 year:			
Bond obligations	6,862,151		6,862,151
Sick leave	76,360		76,360
Net pension liability	4,453,014	533,309	4,986,324
Net OPEB liability	3,956,537	67,877	4,024,415
Total due in more than 1 year	<u>15,348,063</u>	<u>601,187</u>	<u>15,949,250</u>
Total liabilities	<u>17,770,265</u>	<u>605,713</u>	<u>18,375,979</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	562,779	31,427	594,205
Deferred inflows related to OPEB	2,005,345	39,499	2,044,844
Total deferred inflows of resources	<u>2,568,123</u>	<u>70,926</u>	<u>2,639,049</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>20,338,389</u>	<u>676,639</u>	<u>21,015,028</u>
NET POSITION			
Net Investment in capital assets	14,595,318	318,323	14,913,641
Restricted for:			
Capital projects	2,536,666		2,536,666
Student activities	242,992		242,992
Food service		(19,273)	(19,273)
Child care		(29,174)	(29,174)
Unrestricted	327,163		327,163
Total net position	<u>17,702,139</u>	<u>269,876</u>	<u>17,972,016</u>
TOTAL LIABILITIES DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 38,040,528</u>	<u>\$ 946,515</u>	<u>\$ 38,987,043</u>

See the accompanying notes to the financial statements.

Ballard County School District
Statement of Activities
June 30, 2023

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
Instruction	\$ 8,835,174	\$ -	\$ 2,061,123	\$ -	\$ (6,774,051)		\$ (6,774,051)
Support Services							
Student	815,049		190,139		(624,909)		(624,909)
Instructional Staff	509,936		118,961		(390,975)		(390,975)
District Administration	853,646		199,144		(654,503)		(654,503)
School Administration	1,149,939		268,265		(881,674)		(881,674)
Business	906,510		211,476		(695,034)		(695,034)
Plant Operation & Maintenance	1,524,989		355,759		(1,169,230)		(1,169,230)
Student Transportation	1,207,213		281,626		(925,587)		(925,587)
Food Service Operations	12,602		2,940		(9,662)		(9,662)
Community Services Operations	345,376		80,571	492,882	228,077		228,077
Building Acquisitions & Construction	16,166		3,771		(12,395)		(12,395)
Amortization	131,239		30,616		(100,623)		(100,623)
Depreciation	1,099,077		256,399		(842,677)		(842,677)
Interest on general long-term debt	272,097		63,476		(208,620)		(208,620)
Total governmental activities	<u>17,679,011</u>	<u>-</u>	<u>4,124,267</u>	<u>492,882</u>	<u>(13,061,863)</u>		<u>(13,061,863)</u>
Business-type activities:							
Food service operations	1,215,152	26,217	1,205,166			\$ 16,232	16,232
Child care operations	147,584	128,896	3,891			(14,798)	(14,798)
Depreciation	33,924					(33,924)	(33,924)
Total business-type activities	<u>1,396,660</u>	<u>155,113</u>	<u>1,209,057</u>	<u>-</u>	<u>-</u>	<u>(32,489)</u>	<u>(32,489)</u>
Total primary government	<u>\$ 19,075,671</u>	<u>\$ 155,113</u>	<u>\$ 5,333,324</u>	<u>\$ 492,882</u>	<u>(13,061,863)</u>	<u>(32,489)</u>	<u>(13,094,352)</u>
General revenues:							
Taxes:							
Property taxes					3,227,397		3,227,397
Motor vehicle taxes					544,252		544,252
Utility taxes					1,186,514		1,186,514
Gain on sale of equipment					-		-
State and formula grants					9,177,504		9,177,504
Student activities					417,502		417,502
Other local revenue					153,591		153,591
Unrestricted investment earnings					490,613	14,233	504,846
Transfers In/(Out)					47,115	(47,115)	-
Total general revenues					<u>15,244,489</u>	<u>(32,882)</u>	<u>15,211,606</u>
Change in net position					2,182,626	(65,371)	2,117,255
Net position - beginning					15,375,034	335,247	15,710,281
Prior period adjustment - Note N					144,479	-	144,479
Restated net position - beginning					<u>15,519,513</u>	<u>335,247</u>	<u>15,854,761</u>
Net position - ending					<u>\$ 17,702,139</u>	<u>\$ 269,876</u>	<u>\$ 17,972,016</u>

See the accompanying notes to the financial statements.

Ballard County School District
Balance Sheet
Governmental Funds
June 30, 2023

	Governmental Funds					
	General	Special Revenue	FSPK Fund	Debt Service Fund	Other Governmental Funds	Total
ASSETS						
Cash and cash equivalents	\$ 7,873,440	\$ 42,116	\$ 2,077,372	\$ 99	\$ 702,286	\$ 10,695,314
Receivables, net						
Taxes-current	44,607					44,607
Taxes-delinquent	30,370					30,370
Accounts	9,686					9,686
Intergovernmental		559,490				559,490
Total assets	7,958,103	601,607	2,077,372	99	702,286	11,339,467
LIABILITIES						
Accounts payable	35,130	682				35,812
Unearned revenue		600,924				600,924
Total liabilities	35,130	601,607	-	-	-	636,737
FUND BALANCE						
Nonspendable	313,000					313,000
Restricted	63,768		2,077,372	99	702,286	2,843,525
Committed	67,127					67,127
Assigned	792,624					792,624
Unassigned	6,686,455					6,686,455
Total fund balance	7,922,973	-	2,077,372	99	702,286	10,702,731
TOTAL LIABILITIES AND FUND BALANCE	\$ 7,958,103	\$ 601,607	2,077,372	\$ 99	\$ 702,286	\$ 11,339,467

See the accompanying notes to the financial statements.

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

Fund balances-total governmental funds	\$	10,702,731
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.		23,212,469
Costs associated with bond issues and refundings are expensed in the fund financial statements because they are a use of current financial resources but are capitalized on the statement of net position using the economic resources focus		108,317
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, accrued interest payable, other accounts payable, and net pension obligations) are not due and payable in the current period and, therefore, are not reported in the funds		
Accrued interest payable		(30,466)
Bonds payable		(8,617,151)
Sick leave liability		(76,360)
Net pension liability		(4,453,014)
Net OPEB liability		(3,956,537)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		
Deferred outflows related to pensions		1,150,436
Deferred outflows related to OPEB		2,229,839
Deferred inflows related to OPEB		(2,005,345)
Deferred inflows related to pensions		(562,779)
		17,702,139
Net position of governmental activities	\$	17,702,139

See the accompanying notes to the financial statements.

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

	<u>General</u>	<u>Special Revenue</u>	<u>FSPK Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
From Local Sources						
Taxes						
Property	\$ 2,515,731	\$	\$ 711,666	\$	\$ -	\$ 3,227,397
Motor vehicle	544,252					544,252
Utilities	1,186,514					1,186,514
Student activities	53,685				363,817	417,502
Earnings on investments	362,080	2,529	108,049	33	17,922	490,613
Other local revenue	117,053	31,285			5,253	153,591
Intergovernmental - state	7,975,017	822,234	384,948	966,457	107,934	10,256,590
Intergovernmental - federal	236,031	3,302,033				3,538,064
Total revenues	<u>12,990,362</u>	<u>4,158,081</u>	<u>1,204,663</u>	<u>966,490</u>	<u>494,926</u>	<u>19,814,523</u>
EXPENDITURES						
Instruction	6,059,216	2,245,749			318,630	8,623,595
Support Services						
Student	614,374	198,040				812,414
Instructional Staff	347,825	148,496			4,122	500,443
District Administration	757,230	85,478				842,708
School Administration	1,036,251	94,320				1,130,570
Business	873,966	20,520				894,486
Plant Operation & Maintenance	960,310	550,695				1,511,005
Student Transportation	1,070,760	104,857			13,663	1,189,280
Food Service		12,602				12,602
Community Operations	14,404	330,972				345,376
Building Acquisitions & Construction					275,996	275,996
Debt Service				1,985,263		1,985,263
Total expenditures	<u>11,734,336</u>	<u>3,791,729</u>	<u>-</u>	<u>1,985,263</u>	<u>612,410</u>	<u>18,123,737</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,256,026	366,353	1,204,663	(1,018,772)	(117,483)	1,690,786
OTHER FINANCING SOURCES (USES)						
Sale of equipment						-
Operating transfers in	463,925	22,667		1,018,805	220,276	1,725,673
Operating transfers (out)	(166,118)	(389,020)	(1,020,532)		(102,889)	(1,678,558)
Total other financing sources and (uses)	<u>297,807</u>	<u>(366,353)</u>	<u>(1,020,532)</u>	<u>1,018,805</u>	<u>117,387</u>	<u>47,115</u>
NET CHANGE IN FUND BALANCE	1,553,833	-	184,131	33	(96)	1,737,900
FUND BALANCE-BEGINNING	6,369,140	-	1,893,241	66	702,127	8,964,575
Prior period adjustment - Note N					256	256
RESTATED BEGINNING FUND BALANCE	<u>6,369,140</u>	<u>-</u>	<u>1,893,241</u>	<u>66</u>	<u>702,383</u>	<u>8,964,830</u>
FUND BALANCE-ENDING	<u>\$ 7,922,973</u>	<u>\$ -</u>	<u>2,077,372</u>	<u>\$ 99</u>	<u>\$ 702,286</u>	<u>\$ 10,702,731</u>

See the accompanying notes to the financial statements.

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

Net change in fund balances-total governmental funds	\$	1,737,900
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
District pension contributions less costs of benefits earned net employee contributions		(86,462)
Governmental funds report district OPEB contributions as expenditures. However in the Statement of Activities, the cost of OPEB benefits earned net of employee contributions is reported as pension expense.		
District OPEB contributions less costs of benefits earned net employee contributions		(153,029)
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.		
		(839,250)
The difference in the issue amount of the refunding of bond proceeds and the amount for payment to the escrow account to pay the refunded bonds is amortized over the life of the refunding issue.		
		(105,490)
Bonds sold at a discount/premium are deducted/added to the related bond issues and amortized over the life of the bond in the government wide financial statements, but are recognized in the year the bonds are sold in the fund financial statements.		
		(25,748)
Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.		
		1,710,000
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.		
Accrued interest payable		3,166
Noncurrent sick leave payable		(58,460)
		(55,294)
Change in net position of governmental activities	\$	<u>2,182,626</u>

See the accompanying notes to the financial statements.

Ballard County School District
Statement of Fund Net Position
Proprietary Funds
June 30, 2023

	<u>School Food Services</u>	<u>Child Care</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 239,445	\$ 271,496	\$ 510,941
Accounts receivable			-
Inventories	21,494		21,494
Capital assets:			
Other capital assets, net of depreciation	318,323		318,323
Total assets	<u>579,262</u>	<u>271,496</u>	<u>850,758</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	61,709	2,532	64,241
Deferred outflows related to OPEB	30,274	1,242	31,516
	<u>91,983</u>	<u>3,774</u>	<u>95,757</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>671,246</u>	<u>275,269</u>	<u>946,515</u>
LIABILITIES			
Accounts payable		4,527	4,527
Net pension liability	238,863	294,446	533,309
Net OPEB liability	65,202	2,675	67,877
Total liabilities	<u>304,065</u>	<u>301,648</u>	<u>605,713</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	30,188	1,239	31,427
Deferred inflows related to OPEB	37,943	1,556	39,499
Total deferred inflows of resources	<u>68,131</u>	<u>2,795</u>	<u>70,926</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>372,196</u>	<u>304,443</u>	<u>676,639</u>
NET POSITION			
Net Investment in capital assets	318,323	-	318,323
Restricted	(19,273)	(29,174)	(48,447)
Total net position	<u>299,050</u>	<u>(29,174)</u>	<u>269,876</u>
TOTAL LIABILITIES DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 671,246</u>	<u>\$ 275,269</u>	<u>\$ 946,515</u>

See the accompanying notes to the financial statements.

Ballard County School District
Statement of Revenues, Expenditures, and Changes in Fund Net Position
Proprietary Fund
June 30, 2023

	<u>School Food Services</u>		<u>Child Care</u>		<u>Total</u>
OPERATING REVENUES					
Lunchroom sales	\$ 26,217			\$	26,217
Day care fees			128,896		128,896
Total operating revenues	<u>26,217</u>		<u>128,896</u>		<u>155,113</u>
OPERATING EXPENSES					
Depreciation	33,924				33,924
Food service operations					
Employee services	215,772		126,383		342,155
Operational expense	999,380		21,201		1,020,581
Total operating expenses	<u>1,249,075</u>		<u>147,584</u>		<u>1,396,660</u>
Operating income (loss)	<u>(1,222,858)</u>		<u>(18,689)</u>		<u>(1,241,546)</u>
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental revenues	1,205,166		3,891		1,209,057
Transfers in (out)	(47,115)				(47,115)
Earnings from investments	14,233				14,233
Total nonoperating revenues (expenses)	<u>1,172,284</u>		<u>3,891</u>		<u>1,176,175</u>
CHANGE IN NET POSITION	(50,574)		(14,798)		(65,371)
NET POSITION-BEGINNING	<u>349,624</u>		<u>(14,376)</u>		<u>335,247</u>
NET POSITION-ENDING	\$ <u>299,050</u>		\$ <u>(29,174)</u>		\$ <u>269,876</u>

See the accompanying notes to the financial statements.

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

	School Food Services	Child Care	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 62,256	\$ 128,896	\$ 191,152
Payments to suppliers	(930,627)	(16,674)	(947,301)
Payments to employees	(465,228)	(19,088)	(484,316)
Net cash provided (used) by operating activities	(1,333,598)	93,134	(1,240,464)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating grants and contributions	1,039,752	-	1,039,752
Net cash provided (used) by noncapital financing activities	1,039,752	-	1,039,752
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest	14,233	-	14,233
Transfers	(47,115)	-	(47,115)
Net cash provided (used) by investing activities	(32,882)	-	(32,882)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(326,728)	93,134	(233,595)
CASH AND CASH EQUIVALENTS-BEGINNING	566,173	178,362	744,535
CASH AND CASH EQUIVALENTS-ENDING	\$ 239,445	\$ 271,496	\$ 510,941
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (1,222,858)	\$ (18,689)	\$ (1,241,546)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	33,924	-	33,924
Changes in assets and liabilities:			
Receivables	36,039		36,039
Deferred outflows	86,183	26,432	112,615
Deferred inflows	(121,004)	(46,596)	(167,599)
Pension liability	(228,118)	152,123	(75,994)
OPEB liability	(81,794)	(28,555)	(110,348)
Accounts payable	(1,386)	4,527	3,140
Donated commodities	70,139		70,139
On-behalf payments	95,275	3,891	99,166
Net cash provided (used) by operating activities	\$ (1,333,598)	\$ 93,134	\$ (1,240,465)

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the district received \$70,139 of food commodities from the U.S. Department of Agriculture.

During the year, the district recognized revenues and expenses for on-behalf payments relating to fringe benefits in the amount of \$95,275 for food service, and \$3,891 for child care provided by state government.

See the accompanying notes to the financial statements.

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Ballard County Board of Education (“Board”), a five-member group, is the level of government, which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Ballard County Board of Education (“District”). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100-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 relevant to the operation of the Ballard County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc.

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

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

Blended Component Unit

The Board authorized establishment of the Ballard County Board of Education Finance Corporation a non-stock, non-profit corporation pursuant to Section 162.385 of the School Bond Act and Chapter 273 and Section 58.180 of the Kentucky Revised Statutes (the “Corporation”) to act as an agency of the District for financing the costs of school building facilities. The Board of Directors of the Corporation shall be the same persons who are at any time the members of the Board of Education of the Ballard County Board of Education.

Basis of Presentation

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

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

(A) General Fund

The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. Within the General Fund, a permanent fund was established from a gift to the Ballard High School for scholarships the benefit of students seeking a college degree. This is always a major fund of the District.

(B) Special Revenue (Grant) Fund

The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources (other than expendable trust funds 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 specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. KDE requires this fund to be a major fund.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(C) Student Activities Fund

The Student Activities Fund accounts are used to support co-curricular activities, and are raised and expended by student groups. These funds are subject to “Redbook”.

(D) Capital Project Funds

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

SEEK Capital Outlay Fund

The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects as identified in the District’s facility plan.

Building (FSPK) Fund

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

Construction Fund

The Construction Fund accounts for proceeds from sale of bonds and other revenues to be used for authorized construction and/or remodeling..

(E) Debt Service Fund

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; and for the payment of interest on general obligation notes payable, as required by Kentucky Law. This is a major fund of the District.

II. Proprietary Funds (Enterprise Funds)

Food Service Fund

The School Food Service Fund is used to account 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. This is a major fund of the District.

Child Care Fund

The Child Care Fund is used to account for daycare activities of the District.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The District applies all GASB pronouncements to proprietary funds.

Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchangetransactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end. Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis, On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Unearned revenue – Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

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

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

Cash and Cash Equivalents

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

Inventories

Inventory consists of food purchased by the District and commodities granted by the United States Department of Agriculture (USDA). The commodities are recognized as revenues and expenditures by

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

the Food Service Fund when consumed. Any material commodities on hand at year end are recorded as inventory. All purchased inventory items are valued at the lower of cost or market (first-in, first-out) using the consumption method and commodities assigned values are based on information provided by the USDA.

Prepaid Assets

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

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

Land and construction in progress are not depreciated. The other property, plant and equipment of the district are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Other	10 years

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgment, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension and OPEB contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of the accumulated sick leave.

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

Fund Balances

Fund balance is divided into five categories as defined by GASB 54 as follows:

Nonspendable:	Permanently nonspendable by decree of the donor, such as an endowment, or funds that are not in a spendable form, such as prepaid expenses or inventory on hand.
Restricted:	Legally restricted under legislation, bond authority, or grantor contract.
Committed:	Commitments of future funds for specific purposes passed by the Board.
Assigned:	Funds that are intended by management to be used for a specific purpose, including encumbrances.
Unassigned:	Funds available for any purpose; unassigned amounts are reported only in the General Fund unless a fund has a deficit.

The Board has adopted a GASB 54 spending policy which states that the spending order of funds is to first use restricted, committed, and assigned resources first, then unassigned resources as they are needed.

Net Position

The Statement of Net Position presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as Net Position. Net Position is reported in three categories: 1) net investment in capital assets – consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of the assets; 2) restricted net position – resulting from constraints placed on net position by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation adopted by the School District; 3) unrestricted net position – those assets that do not meet the definition of restricted net position or net investment in capital assets. It is the District's policy to first apply restricted net position and then unrestricted net position when an expense is incurred for which both restricted and unrestricted net position are available.

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual 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. The property tax rates assessed for the year ended June 30, 2023, to finance the General Fund operations were \$.536 per \$100 valuation of real property, \$.536 per \$100 valuation for business personal property and \$.563 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

Operating and Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

Non-operating revenues are not generated directly from the primary activity of the proprietary funds. For the School District those revenues come in the form of grants (federal and state), donated commodities, and earnings from investments.

In-Kind

Local contributions, which include contributed services provided by individuals, private organizations and local governments, are used to match federal and state administered funding on various grants. The amounts of such services and donated commodities are recorded in the accompanying financial statements at their estimated fair market values.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Interfund Receivables/Payables

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, which are presented as internal balances.

Interfund Transfers

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until the appropriate period. The District reports three types of deferred outflows – contributions to the CERS's pension and OPEB plans after the measurement period and the unrecognized portion of a deferred loss on the refinancing of long-term debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until the appropriate period. The District reports two types of deferred inflows related to the net difference projected and actual earnings on pension and OPEB plan investments.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Pensions

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

Postemployment Benefits Other Than OPEBs (OPEB)

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Teachers’ Retirement System of the State of Kentucky (TRS), and the County Retirement System of Kentucky (CERS), and additions to/deductions from TRS’s/CERS’s fiduciary net position have been determined on the same basis as they are reported by TRS/CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Bond and Related Premiums, Discounts, and Issuance Costs

In the government-wide financial statements and in the proprietary fund financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when bonds are issued.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Estimates

The process of preparing financial statements in conformity accounting principles generally accepted in the United States of America requires District’s management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, expenditures, designated fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Budgetary Process

The District prepares its budgets on the modified accrual basis of accounting, which is the same basis as used to prepare the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds. Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end. The Kentucky Department of Education does not require the Capital Project Funds and

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Debt Service Funds to prepare budgets.

Recent GASB Pronouncements

GASB issued Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments.

GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, effective for the District's fiscal year ending June 30, 2022.

GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, effective for the District's fiscal year ending June 30, 2022.

GASB issued Statement No. 95, *Postponement of the Effective dates of Certain Authoritative Guidance*, effective for the District's fiscal year ending June 30, 2022.

The adoption of GASB statement Numbers 88, 90, and 95 did not have an impact on the District's financial position or results of operations.

The GASB has issued several reporting standards that will become effective for fiscal year 2023 and later years' financial statements.

GASB issued Statement No. 87, *Leases*, effective for the District's fiscal year ending June 30, 2023. This statement was adopted by the District this fiscal year.

GASB issued Statement No. 89, *Accounting for Interest Costs Incurred before the End of a Construction Period*, effective for the District's fiscal year ending June 30, 2023.

GASB issued Statement No. 91, *Conduit Debt Obligations*, effective for the District's fiscal year ending June 30, 2023.

GASB issued Statement No. 92, *Omnibus 2020*, effective for the District's fiscal year ending June 30, 2023.

GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*, effective for the District's fiscal year ending June 30, 2023.

GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for the District's fiscal year ending June 30, 2023.

GASB issued statement No. 96, *Subscription-Based Information Technology Agreements*, effective for the District's fiscal year ended June 30, 2023.

GASB issued statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32, effective for the District's fiscal year end June 30, 2023.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

GASB issued statement No. 98, *The Annual Comprehensive Financial Report*, effective for the District's fiscal year ended June 30, 2023.

GASB Statement No. 99, *Omnibus 2023*, effective for the District's year ended June 30, 2023

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62* effective for the District's year ended June 30, 2024

GASB Statement No. 101, *Compensated Absences*, effective for the District's year ended June 30, 2025

The impact of these pronouncements on the District's financial statement has not been determined

NOTE B – CASH AND CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT

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

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

At year end the District's bank balances were collateralized by securities held by the pledging bank's trust department in the District's name and FDIC insurance. At year end, the carrying amount of the District's cash and cash equivalents \$5,026,876. The bank balance for the same time was \$6,132,027.

Due to the nature of the accounts and certain limitations imposed on the use of funds, each bank account within the following funds is considered to be restricted: SEEK Capital Outlay Fund, Facility Support Program (FSPK/Building) Fund, special Revenue (Grant Fund), Debt Service Fund, School Construction Fund, School Food Service Fund, and School Activity Fund.

NOTE C – CAPITAL ASSETS

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

SEE SCHEDULE ON NEXT PAGE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

<u>Governmental Activities</u>	<u>July 1, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2023</u>
Land	\$ 277,904	\$ -	\$ -	\$ 277,904
Land improvements	1,782,445	-	-	1,782,445
Buildings	35,861,538	-	-	35,861,538
Technology equipment	1,830,175	-	-	1,830,175
Vehicles	1,824,151	124,649	230,180	1,718,620
General equipment	736,800	-	-	736,800
Construction in progress	44,647	259,827	-	304,474
Total at historical cost	\$ <u>42,357,659</u>	\$ <u>384,476</u>	\$ <u>230,180</u>	\$ <u>42,511,955</u>
Less: Accumulated depreciation				
Land improvements	\$ 1,437,884	\$ 39,759	\$ -	\$ 1,477,642
Buildings	13,260,046	901,300	-	14,161,346
Technology equipment	1,711,821	41,569	-	1,753,389
Vehicles	1,430,776	78,591	230,180	1,279,188
General equipment	465,414	37,858	-	503,272
Total accumulated depreciation	\$ <u>18,305,940</u>	\$ <u>1,099,077</u>	\$ <u>230,180</u>	\$ <u>19,174,836</u>
Governmental Activities				
Capital Assets-net	\$ <u>24,051,720</u>	\$ <u>(714,601)</u>	\$ <u>-</u>	\$ <u>23,337,119</u>
<u>Business-Type Activities</u>	<u>July 1, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2023</u>
Buildings	\$ 175,026	\$ -	\$ -	\$ 175,026
Technology equipment	3,285	-	-	3,285
General equipment	575,590	-	-	575,590
Total at historical cost	\$ <u>753,901</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>753,901</u>
Less: Accumulated depreciation				
Buildings	2,334	7,001	-	9,335
Technology equipment	3,285	-	-	3,285
General equipment	396,036	26,923	-	422,958
Total accumulated depreciation	\$ <u>401,654</u>	\$ <u>33,924</u>	\$ <u>-</u>	\$ <u>435,578</u>
Business-Type Activities				
Capital Assets-net	\$ <u>352,247</u>	\$ <u>(33,924)</u>	\$ <u>-</u>	\$ <u>318,323</u>

Depreciation expense was not allocated to governmental functions.

NOTE D – DEBT OBLIGATIONS

Bonds

The amount shown in the accompanying financial statements as bonded debt and lease obligations represent the District’s future obligations to make payments relating to the bonds issued by the Ballard County School District Finance Corporation.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

the bonds then outstanding.

The original amount of outstanding issues, the issue dates, interest rates, maturity dates, and outstanding balances, at June 30, 2023 are summarized below:

<u>Bond Issues</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Restated Bonds Outstanding</u>			<u>Bonds Outstanding</u>
				<u>June 30, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2023</u>
1 2012 REF	\$ 13,785,000	6/1/2024	2.0% - 3.125%	\$ 2,860,000		\$ 1,410,000	\$ 1,450,000
2 2015 REF	\$ 2,490,000	3/1/2030	2.0% - 3.0%	1,800,000		105,000	1,695,000
3 2016	\$ 3,000,000	6/1/2036	2.0% - 3.0%	2,440,000		100,000	2,340,000
4 2019	\$ 2,375,000	6/1/2039	2.0% - 2.625%	2,150,000		80,000	2,070,000
5 2020	\$ 1,090,000	6/1/2040	2.25% - 2.75%	1,060,000		15,000	1,045,000
				10,310,000	-	1,710,000	8,600,000
Addition (Less): (Discount)/Premium				8,597		25,748	(17,151)
Totals				\$ 10,318,597	\$ -	\$ 1,735,748	\$ 8,582,849

The District has entered into “participation agreements” with the Kentucky School Facility Construction Commission. The Kentucky Legislature, for the purpose of assisting local school districts in meeting school construction needs, created the Commission. The table following sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

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

<u>Fiscal Year Ended at June 30,</u>	<u>Principal</u>		<u>Interest</u>		<u>Principal Total</u>	<u>Interest Total</u>
	<u>Local</u>	<u>KSFCC</u>	<u>Local</u>	<u>KSFCC</u>		
2024	\$ 821,292	\$ 933,708	\$ 197,094	\$ 29,830	\$ 1,755,000	\$ 226,924
2025	541,292	3,708	174,662	688	545,000	175,350
2026	561,214	3,786	163,409	610	565,000	164,019
2027	576,133	3,867	151,740	529	580,000	152,269
2028	591,017	3,983	137,518	413	595,000	137,931
2029-2033	2,410,215	9,785	466,392	464	2,420,000	466,856
2034-2038	1,795,000	-	176,319	-	1,795,000	176,319
2039-2040	345,000	-	11,456	-	345,000	11,456
	\$ 7,641,163	\$ 958,837	\$ 1,478,590	\$ 32,534	\$ 8,600,000	\$ 1,511,124

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Accumulated Sick Leave

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. The activity during fiscal year 2023 for accumulated sick leave is as follows:

	2022			2023
	Outstanding	Additions	Retirements	Outstanding
	Balance			Balance
Sick Leave	\$ 17,900	\$ 58,460		\$ 76,360

Net Pension & OPEB Liability

Activity in the net pension and net OPEB liability are below:

	2022			2023
Description	Outstanding	Additions	Retirements	Outstanding
	Balance			Balance
Net Pension Liability	\$ 562,403	\$ 588,033	\$ -	\$ 1,150,436
Net OPEB Liability	1,256,459	973,380	-	2,229,839
Totals	\$ 1,818,862	\$ 1,561,413	\$ -	\$ 3,380,275

NOTE E – RETIREMENT PLANS

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

Teachers Retirement System Kentucky (TRS)

Plan description—Teaching-certified employees of the Kentucky School District are provided pensions through the Teachers’ Retirement System of the State of Kentucky—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 state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth’s financial statements. TRS issues a publicly available financial report that can be obtained at <http://www.trs.ky.gov/financial-reports-information>.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- 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 members with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New members (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than ten years. New members after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first

ten years. In addition, 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 members 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. For all members, the annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service. TRS 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 members and \$5,000 for retired or disabled members.

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.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions in the amount of 13.105% of salaries for local school district employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district 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.

Medical Insurance Plan

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Medical coverage through TRS is funded by a combination of contributions from employees, the state and other employers. Coverage is provided through an account established pursuant to 26 United States Code, sec. 401(h) and a 115 trust fund that went into effect on July 1, 2010. The insurance trust fund includes employer and retired member contributions required under KRS 161.550 and KRS 161.675(4)(b).

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

Funding policy—In order to fund the post-retirement healthcare benefit, seven- and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three-point seventy-five percent (3.75%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three percent (3.00%) 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.

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

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

District's proportionate share of KTRS net pension liability	\$	-
Commonwealth's proportionate share of the KTRS net pension liability associated with the District		<u>25,940,383</u>
	\$	<u><u>25,940,383</u></u>

The net pension liability 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 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, 2023, the District's proportion was 0.15310%.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Valuation Date	June 30, 2021
Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	26.5 years
Inflation	2.5%
Asset Valuation Method	5-year smoothed market value
Single Equivalent Interest Rate	7.1%
Municipal Bond Index Rate	3.37%
Projected Salary Increase	3.0-7.5%, including inflation
Investment Rate of Return	7.1%, net of pension plan investment expense, including inflation.

The following represents assumptions and changes of assumptions from the prior valuation to the valuation performed as of June 30, 2020:

In the 2020 experience study, rates of withdrawal, retirement, disability, mortality and salary increase were adjusted to more closely reflect actual experience. The expectation of mortality was changed to the Pub2010 Mortality

Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, set-backs and adjustments for each of the groups: service retirees, contingent annuitants, disabled retirees and actives. The assumed long-term investment rate of return was changed from 7.5% to 7.1% and the price inflation assumption was lowered from 3% to 2.5%.

In the 2016 valuation, rates of withdrawal, retirement, disability, mortality and salary increase were adjusted to more closely reflect actual experience. In the 2016 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables projected to 2025 with projection scale BB, set forward two year for males and one year for females rather than the RP-2000 Mortality Tables projected to 2020 with projection scale AA, which was used prior to 2016. In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables projected to 2020 with projection scale AA, set back one year for females rather than the 1994 Group Annuity Mortality Tables which was used prior to 2016. For the 2011 valuation through the 2013 valuation, an interest smoothing methodology was used to calculate liabilities for purposes of determining the actuarially determined contributions.

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

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Large Cap U.S. Equity	37.4%	4.2%
Small Cap U.S. Equity	2.6%	4.7%
Developed International Equity	16.5%	5.3%
Emerging Markets Equity	5.5%	5.4%
Fixed Income	15.0%	-.01%
High Yield Bonds	2.0%	1.7
Other Additional Categories	5.0%	2.2%
Real Estate	7.0%	4.0%
Private Equity	7.0%	6.9%
Cash	2.0%	-0.3%
Total	<u>100.0%</u>	

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

The following table presents the net pension liability of the Commonwealth associated with the District, calculated using the discount rate of 7.10%, as well as what the Commonwealth’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
KTRS	6.10%	7.10%	8.10%
Commonwealth's proportionate share of net pension liability	\$ 34,581,317	\$ 25,940,383	\$ 20,857,363

Pension plan fiduciary net position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued TRS financial report which is publicly available at <http://www.TRS.ky.gov/>.

County Employees Retirement System

Plan description—Substantially all full-time classified employees of the District participate in the County Employees Retirement System (“CERS”). CERS is a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky General Assembly. The plan covers substantially

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at <https://kyret.ky.gov>.

Benefits provided: Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents.

Contributions: Funding for CERS is provided by members, who contribute 5.00% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions, and by employers of members. For the year ending June 30, 2022, employers were required to contribute 26.95% of the member's salary. During the year ending June 30, 2022, the District contributed \$990,300 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

CERS-Medical Insurance Plan

In addition to the CERS pension benefits described above, recipients of CERS retirement benefits may elect to participate in a voluntary hospital/medical group insurance plan for themselves and their dependents. The cost of participation for their dependents is borne by the retiree. The retirement system will pay a portion of the cost of participation for the retiree based on years of service as follows: Less than 4 years – 0%, 4-9 years – 25%, 10-14 years – 50%, 15-19 years – 75% and 20 or more years – 100%.

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

At June 30, 2021, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2020. An expected total pension liability as of June 30, 2020 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2020. At June 30, 2023, the District's proportion was 0.037572%.

SEE SCHEDULE ON NEXT PAGE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

District's proportionate share of CERS net pension liability	\$	4,701,678
Commonwealth's proportionate share of the CERS net pension liability associated with the District		-
	\$	4,701,678

For the year ended June 30, 2023, the District recognized pension expense of \$275,889. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,027	\$ 41,870
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments	639,758	519,224
Changes in proportion and differences between District contributions and proportionate share of contributions	-	33,111
District contributions subsequent to the measurement date	569,893	-
	\$ 1,214,678	\$ 594,205

The \$569,893 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the average service life of all members. These will be recognized in pension expense as follows:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

		<u>Year Ended June 30,</u>
2024	\$	(33,511)
2025		(9,964)
2026		(39,510)
2027		<u>133,565</u>
	\$	<u><u>50,580</u></u>

Actuarial Methods and Assumptions—The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2020. The financial reporting actuarial valuation as of June 30, 2020, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of Pay
Amortization Period	30-year closed period at June 30, 2019
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Payroll Growth Rate	2.00%
 Phase-In Provision	 Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

The following represents assumptions and changes of assumptions from the prior valuation to the valuation performed as of June 30, 2020:

- Amortization method changed to Level Percent of Pay
- Amortization period increased to 30 years
- Salary increase changed to 10.30% max

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

The 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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% per annum for both the non-hazardous and hazardous plan.

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Special Credit/High Yield	15.00%	2.80%
Core Bonds	10.00%	0%
Cash	1.50%	-.60%
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
	100.00%	

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

Sensitivity of the District’s proportionate share of net pension liability to changes in the discount rate: The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

1% Decrease	Current Discount Rate	1% Increase
5.25%	6.25%	7.25%
\$ 5,876,514	\$ 4,701,678	\$ 3,729,991

Pension plan fiduciary net position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued CERS financial report which is publicly available at <https://kyret.ky.gov>.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Payables to the pension plan: At June 30, 2023, there are no payables to CERS.

Other Retirement Plans

The District also offers employees the option to participate in defined contribution plans under Sections 403(B) and 401(k) of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum allowable by law. These plans are administered by an independent third-party administrator.

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until their termination, retirement, death or unforeseeable emergency.

GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, allows entities with little or no administrative involvement and who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The District, therefore, does not report these assets and liabilities on its financial statements.

NOTE F – ACCOUNTING STANDARDS STATEMENT NO. 75

Government Accounting Standards Board (GASB) Statement No. 75 replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than OPEB's, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB.

Reporting under GASB 75 is effective for fiscal years commencing after June 15, 2017.

NOTE G – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The District's employees participate in retirement systems of either TRS or CERS as described earlier. The following describes the postemployment benefits other than OPEB for both systems.

TRS – General Information about the OPEB Plans

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

<http://www.trs.ky.gov/financial-reports-information>.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Retiree Medical Plan funded by the Medical Insurance Fund

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

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

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

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

At June 30, 2023, the District reported a liability of \$ 2,741,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2023, the District's proportion was 0.0362690%.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

District's proportionate share of KTRS net OPEB liability	\$ 2,741,000
Commonwealth's proportionate share of the KTRS net OPEB liability associated with the District	<u>900,000</u>
	\$ <u><u>3,641,000</u></u>

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ 1,152,000
Changes of assumptions	557,000	
Net difference between projected and actual earnings on pension plan investments	146,000	
Changes in proportion and differences between District contributions and proportionate share of contributions	841,000	146,000
District contributions subsequent to the measurement date	<u>121,469</u>	
	\$ <u><u>1,665,469</u></u>	\$ <u><u>1,298,000</u></u>

The \$121,469 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the collective net OPEB liability for the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows

	<u>Year Ended June 30,</u>
2024	\$ (85,000)
2025	(51,000)
2026	(12,000)
2027	181,000
2028	151,000
Thereafter	<u>62,000</u>
	\$ <u><u>246,000</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Changes of Benefit Terms - None

Actuarial Methods and Assumptions—The total OPEB liability was determined using an actuarial valuation of June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll
Amortization Period	26 years
Asset Valuation Method	5-year smoothed value
Single Equivalent Interest Rate	7.1%, net of OPEB plan investment expense, includes price inflation
Municipal Bond Index Rate	3.37%
Investment Rate of Return	7.1%, net of OPEB plan investment expense, includes price inflation
Inflation	2.5%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Salary Increase	3.0 to 7.5%, including wage inflation
Discount Rate	7.1%

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

The actuarial assumptions used were based on the results of an actuarial experience study for the 5-year period ending June 30, 2020, adopted by the board on September 20, 2021. The assumed long-term investment rate of return was changed from 7.5% to 7.1% and the price inflation assumption was lowered from 3% to 2.5%. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Asset Class	Target Allocation Percentage	Long-Term Expected Real Rate Percentage of Return
Global Equity	58.0%	5.1%
Fixed Income	9.0%	(0.1)%
Real Estate	6.5%	4.0%
Private Equity	8.5%	6.9%
Additional Categories: high yield	8.0%	1.7%
Other additional categories	9.0%	2.2%
Cash	1.00%	(0.3)%
Total	100.00%	

Discount Rate: The discount rate used to measure the total OPEB liability was 7.1%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projections basis was an actuarial valuation performed as of June 30, 2018. In addition to actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 2.75%.
- The pre-65 retiree health care costs for members retired on or after July 1, 2010 were assumed to be paid by either the State or the retirees themselves.
- As administrative expenses, other than the administrative fee of \$8.00 PMPM paid to KEHP by TRS, were assumed to be paid in all years by the employer as they come due, they were not considered.
- Cash flows occur mid-year.
- Future contributions to the MIF were based upon the contribution rates defined in statute and the projected payroll of active employees. Per KRS 161.540(1)(c).3 and 161.550(5), when the MIF achieves a sufficient prefunded status, as determined by the retirement system's actuary, the following MIF statutory contributions are to be decreased, suspended, or eliminated:
 - Employee Contributions
 - Employer Contributions
 - State Contributions for KEHP premium subsidies payable to retirees who retire after June 30,2010

To reflect these adjustments, open group projections were used and assumed an equal, pro rata reduction to the current statutory amount in the years if/when the MIF is projected to achieve a Funded Ratio of 100% or more. Here, the current statutory amounts are adjusted to achieve total contributions equal to the actuarially determined contribution (ADC), as determined by the prior year's valuation and in accordance with the MIF's funding policy. As the specific methodology to be used for the adjustments has yet to be determined, there may be differences between the projected results and future experience. This may also include any changes to retiree contributions for KEHP coverage pursuant to KRS 161.675(4)(b).

In developing the adjustments to the statutory contributions in future years the following was assumed:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- Liabilities and cash flows are net of expected retiree contributions and any implicit subsidies attributable to coverage while participating in KEHP.
- A 0% active member growth rate was assumed for the purposes of developing estimates for new entrants (membership dates beyond June 30, 2020).

Based on these assumptions, the MIF’s fiduciary net position was not projected to be depleted.

The following table presents the net OPEB liability of the Commonwealth associated with the District, calculated using the health care cost trend rates, as well as what the Commonwealth’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
KTRS	6.10%	7.10%	8.10%
District's proportionate share of net OPEB liability	\$ 3,439,000	\$ 2,741,000	\$ 2,163,000

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

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 2,055,000	\$ 2,741,000	\$ 3,594,000

Other Post Employment Benefits Liabilities related to the Life Insurance Plan funded by - Life Insurance Plan (LIF)

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

Benefits provided - Effective July 1, 2000, the Kentucky Teachers’ Retirement System shall:

- Provide a life insurance benefit in a minimum amount of five thousand dollars (\$5,000) for its members who are retired for service or disability. This life insurance benefit shall be payable upon the death of a member retired for service or disability to the member’s estate or to a party designated by the member on a form prescribed by the retirement system; and
- Provide a life insurance benefit in a minimum amount of two thousand dollars (\$2,000) for its

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

active contributing members. This life insurance benefit shall be payable upon the death of an active contributing member to the member’s estate or to a party designated by the member on a form prescribed by the retirement system.

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

Note: Members employed on a substitute or part-time basis and working at least 69% of a full contract year in a single fiscal year will be eligible for a life insurance benefit for the balance of the fiscal year or the immediately succeeding fiscal year under certain conditions. For non-vested members employed on a substitute or part-time basis, the life insurance benefit is provided if death occurs as the result of a physical injury on the job. For vested members employed on a substitute or part-time basis, death does not have to be the result of a physical injury on the job for life insurance benefits to be provided.

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

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

District's proportionate share of KTRS net OPEB liability	\$	-
Commonwealth's proportionate share of the KTRS net OPEB liability associated with the District		<u>45,000</u>
	\$	<u><u>45,000</u></u>

For the year ended June 30, 2023, the District recognized OPEB revenue of 45,000 for support provided by the State.

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

SEE SCHEDULE ON NEXT PAGE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Valuation Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Asset Valuation Method	5-year smoothed value
Single Equivalent Interest Rate	7.1%
Municipal Bond Index Rate	2.13%
Investment Rate of Return	7.1%, includes price inflation
Inflation	2.5%
Real Wage Growth	0.25 %
Wage Inflation	2.75%
Salary Increase	3 to 7.5%, including wage inflation
Discount Rate	7.1%

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees and active members. The actuarial assumptions used were based on the results of an actuarial experience study for the 5- year period ending June 30, 2020, adopted by the board on September 20, 2021.

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

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

<u>Asset Class</u>	<u>Target Allocation Percentage</u>	<u>Long-Term Expected Real Rate Percentage of Return</u>
U.S. Equity	40.00%	4.40%
International Equity	23.00%	5.60%
Fixed Income	18.00%	-.10%
Real Estate	6.00%	4.0%
Private Equity	5.00%	6.90%
Additional categories	6.00%	2.10%
Cash	<u>1.00%</u>	-0.30%
Total	<u><u>100.00%</u></u>	

Discount Rate: The discount rate used to measure the total OPEB liability was 7.1%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projections basis was an actuarial valuation performed as of June 30, 2021. In addition to actuarial methods and assumptions were used in the projection of cash flows:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 2.75%.
- The employer will contribute the actuarially determined contribution (ADC) in accordance with the Life Insurance Trust’s funding policy determined by a valuation performed on a date two years prior to the beginning of the fiscal year in which the ADC applies.
- As administrative expenses were assumed to be paid in all years by the employer as they come due, they were not considered.
- Active employees do not explicitly contribute to the plan.
- Cash flows occur mid-year.

Based on these assumptions, the LIF’s fiduciary net position was not projected to be depleted.

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

CERS – General Information about the OPEB Plans

Other Pension Benefit Programs-Employees’ Health Plan

Plan description – Recipients of CERS retirement benefits may elect to participate in a voluntary hospital/medical group insurance plan for themselves.

U.S. Equity	40.00%	4.40%
International Equity	23.00%	5.60%
Fixed Income	18.00%	-.10%
Real Estate	6.00%	4.0%
Private Equity	5.00%	6.90%
Additional categories	6.00%	2.10%
Cash	<u>1.00%</u>	-0.30%
Total	<u><u>100.00%</u></u>	

Discount Rate: The discount rate used to measure the total OPEB liability was 7.1%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projections basis was an actuarial valuation performed as of June 30, 2021. In addition to actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 2.75%.
- The employer will contribute the actuarially determined contribution (ADC) in accordance with the Life Insurance Trust’s funding policy determined by a valuation performed on a date two years prior to the beginning of the fiscal year in which the ADC applies.
- As administrative expenses were assumed to be paid in all years by the employer as they come due, they were not considered.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- Active employees do not explicitly contribute to the plan.
- Cash flows occur mid-year.

Based on these assumptions, the LIF’s fiduciary net position was not projected to be depleted.

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

CERS – General Information about the OPEB Plans

Other Pension Benefit Programs-Employees’ Health Plan

Plan description – Recipients of CERS retirement benefits may elect to participate in a voluntary hospital/medical group insurance plan for themselves and their dependents. The cost of participation for their dependents is borne by the retiree. The retirement system will pay a portion of the cost of participation for the retiree based on years of service as follows: Less than 4 years – 0%, 4-9 years – 25%, 10-14 years – 50%, 15-19 years – 75% and 20 or more years – 100%.

Benefits provided – Post Retirement Death Benefits – members with a least 4 years creditable service the System will pay a \$5,000 death benefit. Insurance benefits as described above.

Contributions - Requirements for medical benefits are a portion of the actuarially determined rates of covered payroll, as disclosed above. Current employees pay 1% toward the insurance fund.

The unfunded medical benefit obligation of the CERS, based upon the entry age normal cost method, as of June 30, 2022 was as follows (in thousands):

Total medical benefit obligation	\$	5,161,251
Net position available for benefits at actuarial value		<u>(3,246,801)</u>
Unfunded medical benefit obligation	\$	<u>1,914,450</u>

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

At June 30, 2023, the District reported a liability of \$ 744,686 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was based on a projection of the District’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2023, the District’s proportion was .0377340 percent.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

District's proportionate share of net OPEB liability	\$	1,283,415
Commonwealth's proportionate share of the net OPEB liability associated with the District		<u>-</u>
	\$	<u><u>1,283,415</u></u>

For the year ended June 30, 2022, the District recognized OPEB expense of \$24,733. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 129,186	\$ 294,317
Changes of assumptions	202,981	167,255
Net difference between projected and actual earnings on pension plan investments	238,985	186,895
Changes in proportion and differences between District contributions and proportionate share of contributions	-	98,377
District contributions subsequent to the measurement date	<u>24,733</u>	<u>-</u>
	\$ <u><u>595,885</u></u>	\$ <u><u>746,844</u></u>

The \$24,733 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the collective net OPEB liability for the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

SEE SCHEDULE ON NEXT PAGE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	<u>Year Ended June 30,</u>
2024	\$ (48,253)
2025	(44,544)
2026	(86,075)
2027	3,180
	<u>(175,692)</u>
\$	(48,253)

Implicit Employer Subsidy- The fully-insured premiums KRS pays 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. GASB 74 requires that the liability associated with this implicit subsidy be included in the calculation of the Total OPEB Liability.

Changes of Benefit Terms-None

Actuarial Methods and Assumptions—The total OPEB liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2019. The financial reporting actuarial valuation used the following actuarial methods and assumptions:

Date of Valuation	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Amortization Period	30-year closed period at June 30, 2019
Asset Valuation Method	20% of difference between the market value of assets and the expected actuarial value of assets.
Price Inflation	2.30%
Salary Increase	3.30 – 10.3%, varies by service
Investment Return	6.25%
Payroll Growth	2.00%
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Healthcare Trend Rates (Pre-65)	Initial trend starting at 6.25% and gradually decreasing to an ultimate trend rate of 4.05% over period of 13 years.
Healthcare Trend Rates (Post-65)	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 4.05% over period of 14 years.
Healthcare Trend Rates (Phase-In)	Board certified rate is phased into the actuarially determined rate in accordance with HB362 enacted in 2018.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The following represents assumptions and changes of assumptions from the prior valuation to the valuation performed as of June 30, 2020:

- Amortization period increased to 30.
- Salary increase maximum limit decreased to 10.3%
- Health care trend rates Pre-65 changed to having an initial trend rate of 7.0% decreasing to 4.05% over 13 years.
- Healthcare trend rates Post-65 initial rate minimum changed to 5.5% over 14 years.

Discount rate: The discount rate used to measure the total OPEB liability was 5.20%. The rate is based on the expected rate of return on OPEB plan investments of 6.2% and a municipal bond rate of 2.45%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2020. Based on the stated assumptions and the projection of cash flows as of each fiscal year ended, the plan’s insurance fiduciary net position and future contributions were projected to be 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 retirement plan. However, the cost associated with the implicit subsidy will not be paid out of the plan’s trust. 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 singlediscount rate assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018) that applies to CERS.

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

	1% Decrease	Current Discount Rate	1% Increase
CERS	4.20%	5.20%	6.20%
District's proportionate share of net OPEB liability	\$ 1,715,722	\$ 1,283,415	\$ 926,042

Sensitivity of the District’s proportionate share of net OPEB liability to changes in the discount rate: The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 5.20%, 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 (4.2%) or 1-percentage-point higher (6.20%) than the current rate:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 954,191	\$ 1,283,415	\$ 1,678,752

NOTE H – CONTINGENCIES

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

NOTE I – LITIGATION

The District has no pending or threatened litigation involving amounts exceeding \$20,000 individually or in the aggregate as of June 30, 2023.

NOTE J – INSURANCE AND RELATED ACTIVITIES

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

NOTE K – RISK MANAGEMENT

The District is exposed to various risks of loss related to illegal acts, torts, theft/damage/destruction of assets, errors and omissions, injuries to employees, and natural disasters. To obtain insurance for workers’ compensation, unemployment, errors and omission, and general liability coverage, the District purchased commercial insurance policies.

NOTE L – COBRA

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE M – TRANSFER OF FUNDS

The following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	Special Revenue	\$ 22,667	KETS Matching
General	Construction	20,528	Construction
Special Revenue	Construction	199,748	Construction
Food Service	General	47,115	Indirect Costs
Special Revenue	General	189,272	Indirect Costs
FSPK	General	124,649	Operations
Capital Outlay	General	102,889	Operations
General	Debt Service	122,923	Debt Payments
FSPK	Debt Service	\$ 895,883	Debt Payments

NOTE N – PRIOR PERIOD ADJUSTMENT

The District had the following prior period adjustments:

Net Position July 1, 2022	\$ 15,375,034
Understated bond premium/discount	(36,535)
Student activity accounts payable overstatement	256
Understatement of bond defeasance costs	134,769
Immaterial finance purchases	<u>45,989</u>
Restated Net Position July 1, 202	<u>\$ 15,519,513</u>
Student Activity Fund Balance July 1, 2022	\$ 207,035
Student activity accounts payable overstatement	<u>256</u>
Restated General Fund Balance July 1, 2022	<u>\$ 207,291</u>

NOTE O– SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 15, 2023 the date the financial statements were available to be issued.

Ballard County School District
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
From Local Sources				
Taxes				
Property	\$ 2,381,000	2,381,000	\$ 2,515,731	\$ 134,731
Motor vehicle	400,000	400,000	544,252	144,252
Utilities	1,100,000	1,100,000	1,186,514	86,514
Earnings on investments	52,893	52,893	362,080	309,187
Other local revenue	50,000	50,000	117,053	67,053
Student Activities			53,685	53,685
Intergovernmental - state	4,177,532	4,177,897	* 4,181,861	3,964
Intergovernmental - federal	137,000	184,202	236,031	51,829
Total revenues	<u>8,298,425</u>	<u>8,345,992</u>	<u>9,197,206</u>	<u>851,214</u>
EXPENDITURES				
Instruction	5,929,420	5,976,622	* 3,642,078	2,334,545
Support Services				
Student	369,538	369,538	* 371,563	(2,025)
Instructional Staff	215,870	215,870	* 218,438	(2,568)
District Administration	2,583,040	2,583,405	* 594,785	1,988,620
School Administration	737,500	737,500	* 633,854	103,646
Business	568,704	568,704	* 626,248	(57,544)
Plant Operation & Maintenance	932,407	932,407	* 871,758	60,649
Student Transportation	1,011,876	1,011,876	* 968,053	43,823
Community Services	20,000	20,000	14,404	5,596
Debt Service	122,923	122,923	-	122,923
Total expenditures	<u>12,491,278</u>	<u>12,538,845</u>	<u>7,941,180</u>	<u>4,597,665</u>
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	(4,192,853)	(4,192,853)	1,256,026	5,448,879
OTHER FINANCING SOURCES (USES)				
Sale of equipment	-	-	-	-
Operating transfers in	94,032	94,032	463,925	369,892
Operating transfers (out)	27,500	27,500	(166,118)	(193,618)
Total other financing sources and (uses)	<u>121,532</u>	<u>121,532</u>	<u>297,807</u>	<u>176,274</u>
NET CHANGE IN FUND BALANCE	(4,126,320)	(4,126,320)	1,553,833	5,625,153
FUND BALANCE-BEGINNING	<u>4,126,320</u>	<u>4,126,320</u>	<u>6,369,140</u>	<u>2,242,820</u>
FUND BALANCE-ENDING	\$ <u>-</u>	\$ <u>(0)</u>	\$ <u>7,922,973</u>	\$ <u>7,867,973</u>

* \$3,793,156 was removed from expenditures and revenue "Actual" amounts to account for "On-Behalf" payments not being budgeted.

See the accompanying notes to the financial statements.

Ballard County School District
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Special Revenue Fund
Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
From Local Sources				
Other local revenue	\$		\$ 31,285	\$ 31,285
Earnings on investments			2,529	2,529
Intergovernmental - state	987,398	994,028	822,234	(171,794)
Intergovernmental - federal	1,384,767	1,544,597	3,302,033	1,757,436
Total revenues	<u>2,372,165</u>	<u>2,538,625</u>	<u>4,158,081</u>	<u>1,619,456</u>
EXPENDITURES				
Instruction	1,344,428	1,460,578	2,245,749	(785,171)
Support Services				
Student	195,523	238,618	198,040	40,579
Instructional Staff	170,699	172,166	148,496	23,670
School Admin	128,210	119,427	85,478	33,949
Business Support	75,000	75,000	20,520	54,480
Plant Operation & Maintenance	191,761	164,533	550,695	(386,162)
Student Transportation	106,831	106,831	104,857	1,974
Food Service	-	-	12,602	(12,602)
Community Services Operations	138,180	138,180	330,972	(192,792)
Total expenditures	<u>2,350,633</u>	<u>2,475,333</u>	<u>3,697,409</u>	<u>(1,222,076)</u>
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	21,532	63,292	460,672	397,380
OTHER FINANCING SOURCES (USES)				
Operating transfers in	27,500	53,191	22,667	(30,524)
Operating transfers (out)	49,032	49,032	(389,020)	(438,052)
Total other financing sources and (uses)	<u>76,532</u>	<u>102,223</u>	<u>(366,353)</u>	<u>(468,576)</u>
NET CHANGE IN FUND BALANCE	-	67,450	-	67,450
FUND BALANCE-BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE-ENDING	<u>\$ -</u>	<u>\$ 67,450</u>	<u>\$ -</u>	<u>\$ 67,450</u>

See the accompanying notes to the financial statements.

BALLARD COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
CERS and TRS

For the year ended June 30, 2023

	Reporting Fiscal Year (Measurement Date) 2023 (2022)	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)	Reporting Fiscal Year (Measurement Date) 2017 (2016)
COUNTY EMPLOYEE'S RETIREMENT SYSTEM:							
Districts' proportion of the net pension liability (asset)	0.06503%	0.06566%	0.06593%	0.07046%	0.07549%	0.07830%	0.07808%
District's proportionate share of the net pension liability (asset) \$	4,701,678	\$ 4,186,531	\$ 5,056,470	\$ 4,955,765	\$ 4,597,449	\$ 4,583,023	\$ 3,844,211
State's proportionate share of the net pension liability (asset) associated with the District	-	-	-	-	-	-	-
Total	<u>\$ 4,701,678</u>	<u>\$ 4,186,531</u>	<u>\$ 5,056,470</u>	<u>\$ 4,955,765</u>	<u>\$ 4,597,449</u>	<u>\$ 4,583,023</u>	<u>\$ 3,844,211</u>
District's covered-employee payroll	\$ 2,067,406	\$ 1,743,124	\$ 1,752,823	\$ 1,827,739	\$ 1,934,942	\$ 1,970,570	\$ 1,909,654
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	227.42%	240.17%	288.48%	271.14%	237.60%	232.57%	201.30%
Plan fiduciary net position as a percentage of the total pension liability (asset)	52.00%	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%
KENTUCKY TEACHER'S RETIREMENT SYSTEM:							
District's proportion of the net pension liability (asset)	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
District's proportionate share of the net pension liability (asset) \$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	<u>25,940,383</u>	<u>19,308,424</u>	<u>21,322,785</u>	<u>20,320,026</u>	<u>21,038,106</u>	<u>46,164,237</u>	<u>51,536,689</u>
Total	<u>\$ 25,940,383</u>	<u>\$ 19,308,424</u>	<u>\$ 21,322,785</u>	<u>\$ 20,320,026</u>	<u>\$ 21,038,106</u>	<u>\$ 46,164,237</u>	<u>\$ 51,536,689</u>
District's covered-employee payroll	\$ 534,154	\$ 506,604	\$ 608,131	\$ 635,866	\$ 534,169	\$ 613,288	\$ 563,707
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Plan fiduciary net position as a percentage of the total pension liability (asset)	56.40%	65.59%	58.27%	58.80%	59.30%	39.83%	35.22%

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

See the accompanying notes to the required supplementary information.

BALLARD COUNTY SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS
CERS and TRS
For the year ended June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
COUNTY EMPLOYEE'S RETIREMENT SYSTEM:							
Contractually required contribution	\$ 409,693	396,477	336,423	338,296	296,940	280,179	274,895
Contributions in relation to the contractually required contribution	<u>409,693</u>	<u>396,477</u>	<u>336,423</u>	<u>338,296</u>	<u>296,940</u>	<u>\$ 280,179</u>	<u>\$ 274,895</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 2,067,406	\$ 1,872,908	\$ 1,743,124	\$ 1,752,823	\$ 1,827,739	\$ 1,934,942	\$ 1,970,570
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	19.82%	21.17%	19.30%	19.30%	16.25%	14.48%	13.95%
KENTUCKY TEACHER'S RETIREMENT SYSTEM:							
Contractually required contribution	\$ -	\$ 95,790	\$ 81,589	\$ 97,939	\$ 102,406	\$ 86,028.00	\$ 98,770.00
Contributions in relation to the contractually required contribution	<u>-</u>	<u>95,790</u>	<u>81,589</u>	<u>97,939</u>	<u>102,406</u>	<u>86,028</u>	<u>98,770</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 534,154	\$ 586,788	\$ 506,604	\$ 608,131	\$ 635,866	\$ 534,169	\$ 613,288
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	0.00%	16.11%	16.11%	16.11%	16.11%	16.11%	16.11%

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

See the accompanying notes to the required supplementary information.

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION
 For the year ended June 30, 2023

(1) CHANGES OF BENEFITS

There were no changes of benefit terms for TRS or CERS.

(2) CHANGES OF ASSUMPTIONS

TRS

The following represents assumptions and changes of assumptions from the prior valuation to the valuation performed as of June 30, 2020:

- Remaining amortization period changed to 26.5 years
- Single Equivalent interest rate changed to 7.1%
- Municipal bond rate index changed to 2.13%
- Projected salary increase changed to 3.0 – 7.5%
- Investment rate of return changed to 7.1%

CERS

The following represents assumptions and changes of assumptions from the prior valuation to the valuation performed as of June 30, 2019:

- Remaining amortization period increased to 30 years
- Salary increase changed to 3.30 to 10.30%

(3) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

TRS

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of that schedule:

Valuation Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	26.5 years
Asset Valuation Method	5-year smoothed market value
Single Equivalent Interest Rate	7.1%
Municipal Bond Index Rate	2.13%
Inflation	2.5%
Projected Salary Increase	3.0 – 7.5% including inflation
Investment Rate of Return	7.1%, net of pension plan investment expense, including inflation

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION

For the year ended June 30, 2023

CERS

The Board of Trustees uses this actuarial valuation to certify the employer contribution rates for CERS for the fiscal year beginning July 1, 2022 and ending June 30, 2023. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of that schedule:

Valuation Date	June 30, 2019
Experience Study	July 1, 2013 to June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization	Period 30 years , Closed <i>Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases</i>
Payroll Growth Rate	2.0%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service for CERS Nonhazardous;
Investment Rate of Return	6.25% for CERS Nonhazardous and Hazardous,
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018 for

BALLARD COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
MEDICAL AND LIFE INSURANCE PLANS - TEACHERS' RETIREMENT SYSTEM
For the year ended June 30, 2023

	Reporting Fiscal Year (Measurement Date) 2023 (2022)	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)
MEDICAL INSURANCE PLAN					
Districts' proportion of the net OPEB liability (asset)	0.11040%	0.07905%	0.08052%	0.07935%	0.08288%
District's proportionate share of the net OPEB liability (asset)	\$ 2,741,000	\$ 1,696,000	\$ 2,032,000	\$ 2,322,000	\$ 2,876,000
State's proportionate share of the collective net OPEB liability (asset) associated with the District	<u>900,000</u>	<u>1,378,000</u>	<u>1,628,000</u>	<u>1,876,000</u>	<u>2,478,000</u>
Total	<u>\$ 3,641,000</u>	<u>\$ 3,074,000</u>	<u>\$ 3,660,000</u>	<u>\$ 4,198,000</u>	<u>\$ 5,354,000</u>
District's covered-employee payroll	\$ 534,154	\$ 4,677,178	\$ 4,740,524	\$ 4,605,869	\$ 4,921,386
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	513.15%	36.26%	42.86%	50.41%	58.44%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	47.75%	51.74%	39.05%	32.58%	25.50%
LIFE INSURANCE PLAN					
Districts' proportion of the net OPEB liability (asset)	0.000%	0.000%	0.000%	0.000%	0.000%
District's proportionate share of the net OPEB liability (asset)	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability (asset) associated with the District	<u>45,000</u>	<u>18,000</u>	<u>49,000</u>	<u>44,000</u>	<u>43,000</u>
Total	<u>\$ 45,000</u>	<u>\$ 18,000</u>	<u>\$ 49,000</u>	<u>\$ 44,000</u>	<u>\$ 43,000</u>
District's covered-employee payroll	\$ 534,154	\$ -	\$ -	\$ -	\$ -
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	0.000%	0.000%	0.000%	0.000%	0.000%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	73.97%	89.15%	71.57%	73.40%	75.00%

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

See the accompanying notes to the required supplementary information.

BALLARD COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
MEDICAL AND LIFE INSURANCE PLANS - TEACHERS' RETIREMENT SYSTEM
For the year ended June 30, 2023

	2023	2022	2021	2020	2019
MEDICAL INSURANCE PLAN					
Contractually required contribution	\$ 194,615	\$ 146,328	\$ 140,315	\$ 142,216	\$ 138,176
Contributions in relation to the contractually required contribution	<u>194,615</u>	<u>146,328</u>	<u>140,315</u>	<u>142,216</u>	<u>138,176</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 534,154	\$ 506,604	\$ 608,131	\$ 635,866	\$ 534,169
District's proportionate share as a percentage of it's covered-employee payroll	36.43%	28.88%	23.07%	22.37%	25.87%
LIFE INSURANCE PLAN					
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 534,154	\$ 506,604	\$ 608,131	\$ 635,866	\$ 534,169
District's proportionate share as a percentage of it's covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%

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

See the accompanying notes to the required supplementary information.

BALLARD COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
MEDICAL AND LIFE INSURANCE PLANS - COUNTY EMPLOYEES' RETIREMENT SYSTEM
For the year ended June 30, 2023

	Reporting Fiscal Year (Measurement Date) 2023 (2022)	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)
HEALTH INSURANCE PLAN					
Districts' proportion of the net OPEB liability (asset)	0.06503%	0.06565%	0.06591%	0.07045%	0.07549%
District's proportionate share of the net OPEB liability (asset)	\$ 1,283,415	\$ 1,256,798	\$ 1,591,526	\$ 1,184,870	\$ 1,340,221
State's proportionate share of the collective net OPEB liability (asset) associated with the District	-	-	-	-	-
Total	<u>\$ 1,283,415</u>	<u>\$ 1,256,798</u>	<u>\$ 1,591,526</u>	<u>\$ 1,184,870</u>	<u>\$ 1,340,221</u>
District's covered-employee payroll	\$ 2,067,406	\$ 1,743,124	\$ 1,752,823	\$ 1,827,739	\$ 1,934,942
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	62.08%	72.10%	90.80%	64.83%	69.26%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	60.94%	62.91%	51.67%	60.44%	57.62%

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

See the accompanying notes to the required supplementary information.

BALLARD COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
MEDICAL AND LIFE INSURANCE PLANS - COUNTY EMPLOYEES' RETIREMENT SYSTEM
For the year ended June 30, 2023

	2023	2022	2021	2020	2019
MEDICAL INSURANCE PLAN					
Contractually required contribution	\$ 75,001	\$ 108,249	\$ 82,973	\$ 83,434	\$ 96,291
Contributions in relation to the contractually required contribution	<u>75,001</u>	<u>108,249</u>	<u>82,973</u>	<u>83,434</u>	<u>96,291</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 2,067,406	\$ 3,544,626	\$ 3,358,040	\$ 3,399,510	\$ 3,061,636
District's proportionate share as a percentage of it's covered-employee payroll	3.63%	5.78%	4.76%	4.76%	5.26%

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

See the accompanying notes to the required supplementary information.

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-OPEB

For the year ended June 30, 2023

TRS

(1) CHANGES OF BENEFIT TERMS

There were no changes of benefit terms for the medical insurance fund or the life insurance fund.

(2) CHANGES OF ASSUMPTIONS

- In the 2020 experience study, rates of withdrawal, retirement, disability, mortality and salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub2010 Mortality Tables(Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, set-backs and
- The assumed long-term investment rate of return was changed from 8% to 7.1%. The price inflation assumption was
- The rates of member participation and spousal participation were adjusted to reflect actual experience more closely.

(3) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

Medical Insurance Fund

The actuarially determined contribution rates, as a percentage of payroll used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2018:

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of payroll
Remaining Amortization	26 years, closed
Asset Valuation Method	5-year smoothed fairvalue
Inflation	3.0%
Real wage growth	0.5%
Wage inflation	3.5%
Salary Increase	3.5 to 7.2%, including inflation
Discount rate	7.5%

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-OPEB
 For the year ended June 30, 2023

CERS

Other Pension Benefit Programs-Employees' Health Plan

(1) CHANGES OF BENEFIT TERMS

There were no changes of benefit terms.

(2) CHANGES OF ASSUMPTIONS

- Amortization period increased to 30.
- Salary increase changed from 3.30 – 11.55% to 3.30 – 10.30%
- Mortality methodology changed from RP-2000 to MP-2014
- Health care trend rates Pre-65 changed to having an initial trend rate of 6.25% decreasing to 4.05% over 13 years
- Health care trend rates Post-65 changed to having an initial trend rate of 5.5% decreasing to 4.05% over 11 years

(3) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

Recipients of CERS retirement benefits may elect to participate in a voluntary hospital/medical group insurance plan for themselves and their dependents. The cost of participation for their dependents is borne by the retiree. The retirement system will pay a portion of the cost of participation for the retiree based on years of service as follows: Less than 4 years – 0%, 4-9 years – 25%, 10-14 years – 50%, 15-19 years – 75% and 20 or more years – 100%.

Contributions requirements for medical benefits are a portion of the actuarially determined rates of covered payroll, as disclosed above.

Actuarial Valuations as Of	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	20% of difference between the market value of assets and the expected actuarial value of assets.
Amortization Method	Level percent of pay
Amortization Period	30 years, closed at June 30, 2019
Payroll Growth	2.00%
Investment Return	6.25%
Price Inflation	2.30%
Salary Increase	3.30 – 10.30%, varies by service
Mortality	MP-2014 mortality improvement scale using a base year of 2019
Healthcare Trend Rates (Pre-65)	Initial trend starting at 6.25% and gradually decreasing to an ultimate trend rate of 4.05% over period of 13 years.
Healthcare Trend Rates (Post 65)	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 4.05% over period of 11 years.
Healthcare Trend Rates (Phase-In)	Board certified rate is phased into the actuarially determined rate in accordance with HB362 enacted in 2018.

Ballard County School District
Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2023

	<u>Capital Outlay</u>	<u>Construction</u>	<u>School Activity Fund</u>	<u>Total</u>
Assets				
Cash and Cash Equivalents	\$ 371,460	\$ 87,835	\$ 242,992	\$ 702,286
Total Assets	<u>371,460</u>	<u>87,835</u>	<u>242,992</u>	<u>702,286</u>
Liabilities				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance				
Restricted	<u>371,460</u>	<u>87,835</u>	<u>242,992</u>	<u>702,286</u>
Total Fund Balance and Liabilitie	<u>\$ 371,460</u>	<u>\$ 87,835</u>	<u>\$ 242,992</u>	<u>\$ 702,286</u>

See the accompanying notes to the financial statements.

Ballard County School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
Year ended June 30, 2023

	Capital Outlay	Construction	School Activity Fund	Total
Revenues				
From Local Sources				
Property Taxes	\$	\$	\$	\$ -
Student Activities			363,817	363,817
Earnings on Investments	14,756	121	3,045	17,922
Other Local Revenue			5,253	5,253
Intergovernmental - State	107,934			107,934
Total Revenues	<u>122,690</u>	<u>121</u>	<u>372,115</u>	<u>494,926</u>
Expenditures				
Instruction			318,630	318,630
Student Support			-	-
Instructional Staff Support Services			4,122	4,122
Student Transportation			13,663	13,663
Plant Operations and Maintenance				-
Building Improvements		275,996		275,996
Building Acquisitions & Constructions				-
Food Service Operations				-
Total Expenditures	<u>-</u>	<u>275,996</u>	<u>336,414</u>	<u>612,410</u>
Excess (Deficit) of Revenues Over Expenditures	<u>122,690</u>	<u>(275,874)</u>	<u>35,701</u>	<u>(117,483)</u>
Other Financing Sources (Uses)				
Transfers In		220,276		220,276
Transfers (Out)	(102,889)			(102,889)
Total Other Financing Sources (Uses)	<u>(102,889)</u>	<u>220,276</u>	<u>-</u>	<u>117,387</u>
Net Change in Fund Balances	19,801	(55,598)	35,701	(96)
Fund Balance Beginning	<u>351,659</u>	<u>143,433</u>	<u>207,035</u>	<u>702,127</u>
Prior period adjustment - Note N			256	256
RESTATED BEGINNING FUND BALANCE	<u>351,659</u>	<u>143,433</u>	<u>207,291</u>	<u>702,383</u>
Fund Balance Ending	<u>\$ 371,460</u>	<u>\$ 87,835</u>	<u>\$ 242,992</u>	<u>\$ 702,286</u>

See the accompanying notes to the financial statements.

Ballard County School District
Combining Balance Sheet of Fiduciary Fund - School Activity Funds
 June 30, 2023

SCHOOL ACTIVITY FUNDS

	<u>BALLARD COUNTY HIGH SCHOOL</u>	<u>BALLARD COUNTY CAREER & TECH</u>	<u>BALLARD COUNTY MIDDLE SCHOOL</u>	<u>BALLARD COUNTY ELEMENTARY</u>	<u>PRESCHOOL</u>	<u>TOTAL</u>
ASSETS						
Cash and cash equivalents	\$ 84,266	\$ 54,410	\$ 32,405	\$ 2,806	\$ 71,816	\$ 245,703
Total Assets	<u>84,266</u>	<u>54,410</u>	<u>32,405</u>	<u>2,806</u>	<u>71,816</u>	<u>245,703</u>
LIABILITIES						
Accounts payable						-
FUND BALANCE						
School activities	<u>84,266</u>	<u>54,410</u>	<u>32,405</u>	<u>2,806</u>	<u>71,816</u>	<u>245,703</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 84,266</u>	<u>\$ 54,410</u>	<u>\$ 32,405</u>	<u>\$ 2,806</u>	<u>\$ 71,816</u>	<u>\$ 245,703</u>

See the accompanying notes to the financial statements.

Ballard County School District
Combining Statement of Revenues, Expenses and Changes In Fund Balance
- School Activity Fund
Year ended June 30, 2023

SCHOOL ACTIVITY FUNDS

	<u>BALLARD COUNTY HIGH SCHOOL</u>	<u>BALLARD COUNTY CAREER & TECH</u>	<u>BALLARD COUNTY MIDDLE SCHOOL</u>	<u>BALLARD COUNTY ELEMENTARY</u>	<u>PRESCHOOL</u>	<u>TOTAL</u>
Revenues						
Student/Trust revenues	\$ 128,712	\$ 61,616	\$ 80,543	\$ 71,769	\$ 35,115.46	\$ 377,755.53
Expenses						
Student/Trust activities	<u>107,535</u>	<u>54,263</u>	<u>65,526</u>	<u>81,654</u>	<u>30,446.83</u>	<u>339,424.25</u>
Excess (Deficit) of Revenues Over Expenses	21,178	7,353	15,018	(9,885)	4,668.63	38,331
Fund Balance Beginning	<u>63,088</u>	<u>47,057</u>	<u>17,388</u>	<u>12,691</u>	<u>66,811</u>	<u>207,035</u>
Fund Balance Ending	<u>\$ 84,266</u>	<u>\$ 54,410</u>	<u>\$ 32,405</u>	<u>\$ 2,806</u>	<u>\$ 71,480</u>	<u>\$ 245,366</u>

See the accompanying notes to the financial statements.

Ballard County School District
Statement of Revenues, Expenses and Changes in the Fund Balance - Ballard County High School
Year ended June 30, 2023

	FUND BALANCE BEGINNING	REVENUES	EXPENSES	TRANSFERS	FUND BALANCE ENDING
ALL TEST	\$ 577	\$ 170	\$ 204	\$ -	\$ 543
ART	2,233	2,953	2,311	(2,875)	
ATHLETICS	17,106	49,447	44,040	390	22,903
DISTRICT/REGINONAL ATH	12,469	12,937	6,498	(420)	18,487
LITTLE LEAGE ATHLETICS		3,416			3,416
PE CLASS		376	382	6	
BETA	1,882	580	1,954		509
BOYS BASKETBALL		500			500
CHEERLEADING	2,524	13,655	9,491		6,688
CHORUS	341	3,207	2,079		1,469
BAND	1,844	11,662	9,591		3,915
FCA	680	725	862		543
GENERAL	2,689	3,296	1,008	3,047	8,023
FOOTBALL	135				135
GIRLS BASKETBALL	340		124		215
GOLF	178	425	501		103
PROM	2,360	1,815	2,596		1,578
LIBRARY	758	114			872
CLASS OF 23	371		371		
CLASS OF 24	80				80
CLASS OF 25	225	249			474
FRENCH CLUB	244	30	126	(148)	
STAND CLUB		65			65
STUDENT COUNCIL	835	3,204	3,287		752
TENNIS	10	350	132		228
TRACK	1,443	5,572	1,005		6,010
YEARBOOK	11,336	7,227	15,229		3,333
BMHS PEP CLUB	2,408	240	208		2,439
BASEBALL	21	-	-		21
DISTRICT ACTIVITY FUND		6,499	5,535		964
TOTALS	\$ 63,088	\$ 128,712	\$ 107,535	\$ -	\$ 84,266

See the accompanying notes to the financial statements.

Ballard County School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Program or Award Amount	Expenditures
US Department of Agriculture					
Passed Through State Department of Education					
National School Lunch Program	10.555				
Fiscal Year 22		7750002 22	\$ -	\$ N/A	114,138
Fiscal Year 23		7750002 23	-	N/A	450,704
Fiscal Year 22		9980000 22	-	N/A	29,894
Fiscal Year 23		9980000 23	-	N/A	15,833
National School Breakfast Program	10.553				
Fiscal Year 22		7760005 22	-	N/A	51,896
Fiscal Year 23		7760005 23	-	N/A	221,972
Summer Food Service Program	10.559				
Fiscal Year 22		7690024 22	-	N/A	5,605
Fiscal Year 22		7740023 22	-	N/A	54,567
Child Nutrition Cluster Subtotal					944,611
Child and Adult Care Food Program	10.558				
Fiscal Year 22		7790021 22	-	N/A	21,403
Fiscal Year 23		7790021 23	-	N/A	89,921
Fiscal Year 22		7800016 22	-	N/A	1,593
Fiscal Year 23		7800016 23	-	N/A	6,694
					119,612
State Administrative Grant for Nutrition	10.560				
Fiscal Year 22		7700001 22	-	N/A	1,708
Pandemic EBT Administrative Costs	10.649				
Fiscal Year 22		9990000 22	-	N/A	3,135
Passed Through State Department of Agriculture					
Food Donation-Commodities	10.565				
Fiscal Year 23		510.4950	-	N/A	70,139
Total US Department of Agriculture					1,139,205
Passed Through State Department of Education					
Title I Grants to Local Educational Agencies	84.010	3100002 22	-	406,984	248,287
Title I Grants to Local Educational Agencies	84.010	3100002 23	-	396,004	224,517
					472,804
Special Education Grants to States	84.027	3810002 22	-	341,565	209,431
Special Education Grants to States	84.027	3810002 23	-	348,886	81,487
Special Education Grants to States COVID	84.027X	4910002 22	-	62,994	62,506
Special Education - Preschool Grants	84.173	3800002 22	-	63,016	54,174
Special Education - Preschool Grants COVID	84.173X	4900002 22	-	8,738	2,720
Special Education Cluster Subtotal					410,318
Vocation Education - Basic Grants to States	84.048	3710002 23	-	18,592	18,592
Improving Teacher Quality	84.367	320002 20	-	27,835	29,626
Improving Teacher Quality	84.367	320002 22	-	58,474	1,864
					31,490
Rural Education	84.358	3140002 22	-	24,874	3,168
Rural Education	84.358	3140002 23	-	30,016	17,911
					21,079
21st Century Learning	84.287	3400002 21	-	95,000	24,131
21st Century Learning	84.287	3400002 23	-	295,000	285,287
					309,418
Title IV	84.424	3420003 23	-	22,248	7,955
* Elementary and Secondary School Emergency Relief Fund - COVID	84.425U	4300002 21	-	3,025,880	1,206,546
* Elementary and Secondary School Emergency Relief Fund - COVID	84.425W	4980002 21	-	18,219	1,015
* Elementary and Secondary School Emergency Relief Fund - COVID	84.425D	4200002 21	-	1,428,908	523,687
					1,731,248
Passed Through KY Cabinet of Health and Human Services					
* ARPA Preschool Partnership Grant - COVID 19	93.575	562JP	-	150,000	150,000
* ARPA Child Care Sustainability StabilizationFunds - COVID 19	93.575	576I	-	370,000	147,212
					297,212
Total US Department of Education					3,300,116
Total Expenditure of Federal Awards					\$ 4,439,322

* Major program

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2023

NOTE A – BASIS OF PRESENTATION

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

NOTE B – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities received and disbursed. For the year ended June 30, 2023, the District received food commodities totaling \$70,139.

NOTE D – INDIRECT COST RATE

The Ballard County School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

To the Board of Education of the Ballard County School District
Barlow, KY

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the 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, the financial statements of the governmental activities, the business-type activities each major fund, and the aggregate remaining fund information of Ballard County School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Ballard County School District's basic financial statements, and have issued our report thereon dated December 15, 2023

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ballard County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial

statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 December 15, 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.

Shad J. Allen, CPA, PLLC

Richmond, KY

December 15, 2023

Shad J. Allen, CPA, PLLC

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

To the Board of Education of the Ballard County School District
Barlow, KY

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Ballard 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 Ballard County School District's major federal programs for the year ended June 30, 2023. Ballard County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Ballard County

School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, 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 Ballard County School District's compliance with the requirements of each major federal program as a whole.

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

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

Report on Internal Control over Compliance

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

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

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

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

Shad J. Allen, CPA, PLLC

Richmond, KY

December 15, 2023

BALLARD COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2023

SUMMARY OF AUDITOR’S RESULTS

What type of report was issued for the financial statements?	Unmodified
Were there significant deficiencies in internal control disclosed? If so, was any significant deficiencies material (GAGAS)?	None Reported N/A
Was any material noncompliance reported (GAGAS)?	No
Were there material weaknesses in internal control disclosed for major programs?	No
Were there any significant deficiencies in internal control disclosed that were not considered to be material weaknesses?	None Reported
What type of report was issued on compliance for major programs?	Unmodified
Did the audit disclose findings as it relates to major programs that Is required to be reported as described in the Uniform Guidance?	No

Major Programs:

Elementary and Secondary School Emergency Relief Fund – COVID 19 [ALN 84.425]
Child Care and Development Block Grant [ALN 93.575]

Dollar threshold of Type A and B programs	\$750,000
Low risk auditee?	No

FINDINGS - FINANCIAL STATEMENT AUDIT

No findings at the financial statement level.

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

No findings at the major federal award programs level.

BALLARD COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended June 30, 2023

FINDINGS - FINANCIAL STATEMENT AUDIT

Material Weaknesses

Reference Number 2022-001 Adjustments

Condition: As part of the audit, we proposed material adjustments to the financial statements.

Recommendation: We recommend the District management and financial personnel review the procedures and processes involved in recording journal entries and enhance its internal control policies to ensure proper recording of these items. Every effort should be made to enter as many period 13 entries as possible in MUNIS prior to initial submission of the Annual Financial Report to the Kentucky Department of Education.

Subsequent Review: Although significant adjustments were proposed by us, we did not feel that the qualitative factors necessitated a finding.

Reference Number 2022-002 Bids

Condition: As part of the audit, we identified purchases for an outdoor café that exceed the \$30,000 threshold requiring sealed bids. No bids were obtained.

Recommendation: The entire cost must be taken into consideration regardless of payment being split between fiscal years when determining if it meets the requirements for obtaining sealed bids. The proper bid process should be followed in advertising for and obtaining sealed bids for any contracts, leases or other agreements, equipment or contractual services that involves an expenditure of more than \$30,000.

Subsequent Review: This finding was corrected in FY 23.

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

No findings at the major federal award programs level.

Shad J. Allen, CPA, PLLC

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MANAGEMENT LETTER

Ballard County School District.
Barlow, Kentucky

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

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the District's internal control in our report dated December 15, 2023. This letter does not affect our report dated December 15, 2023, on the financial statements of the Ballard County School District. The conditions observed are as follows:

Central Office

1-23

Statement of Condition: During our disbursement testing, we identified 13 disbursement's that lacked Purchase Order's. We were told, Facilities Director and Food Service Director have been given word of mouth permission not to use PO's. All 13 disbursements were from these departments.

Recommendation for Correction: Utilize purchase orders for disbursements.

Management Response to Recommendation: These payments were made with the supervisor's approval, but did not include an actual purchase order. Our board procedure on purchasing states that purchase orders are to be used. Moving forward, we will use PO's for all departments and purchases to align with our board procedures.

This is a repeat finding.

2-23

Statement of Condition: Lack of segregation of duties during payroll process. The Finance Officer who acts as the payroll clerk, uploads the payroll to the bank and is the only one who reviews the bank reports after payroll.

Recommendation for Correction: Include an additional person other than the finance officer to the payroll process.

Management Response to Recommendation: The finance officer currently gives the detailed proof report to Human Resources to check through the people being paid. The finance officer will designate the employee who is the back-up for payroll and who clears checks on the bank statement to double check the payroll EFT upload with the detailed report and with the bank statement.

This is a repeat finding.

Ballard County High School

Statement of Condition: During Receipt Testing, we identified 6 instances of receipts more than \$100 not being deposited by the next day or next business day after a weekend or holiday.

Recommendation for Correction: All deposits exceeding \$100 will be made daily.

Management Response to Recommendation: School secretary will make sure that all deposits are made the following business day. If they cannot be made, she will make sure to add a note at the bottom as to why.

This is a repeat finding.

All other prior year conditions have been corrected.

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

Casey Allen, Superintendent, is the person responsible for initiation of the corrective action plan for the above conditions which will be implemented immediately. The corrective action plan is the management response for each condition.

We would like to thank the Finance Officer, Ms. Jennifer Head, and their department for their support and assistance during our audit.

This report is intended solely for the information and use of the Board of Education, management, and others within the district and is not intended to be and should not be used by anyone other than these specified parties.

Shad J. Allen, CPA, PLLC

Shad J. Allen, CPA, PLLC
Richmond, Kentucky
December 15, 2023

APPENDIX C

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

Official Terms and Conditions of Bond Sale

**OFFICIAL
TERMS AND CONDITIONS OF BOND SALE**

\$695,000*

**Ballard County School District Finance Corporation
School Building Revenue Bonds, Second Series of 2024
Dated September 5, 2024**

SALE: August 15, 2024 AT 11:00 A.M., E.D.S.T.

As published on PARITY®, a nationally recognized electronic bidding system, the Ballard County School District Finance Corporation ("Corporation") will until August 15, 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 \$70,000.

**BALLARD 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 Ballard 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 improvements at Ballard Memorial High School and Ballard Technical Center (collectively, 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 September 5, 2024, payable on March 1, 2025, and semi annually thereafter and shall mature as to principal on September 1 in each of the years as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2025	\$25,000	2035	\$35,000
2026	25,000	2036	35,000
2027	25,000	2037	35,000
2028	25,000	2038	40,000
2029	25,000	2039	40,000
2030	30,000	2040	40,000
2031	30,000	2041	45,000
2032	30,000	2042	45,000
2033	30,000	2043	50,000
2034	35,000	2044	50,000

*Subject to a Permitted Adjustment of the amount of Bonds awarded of up to \$70,000 which may be applied in any or all maturities.

The Bonds maturing on or after September 1, 2033 are subject to redemption at the option of the Corporation prior to their stated maturity on any date falling on or after September 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 March 1 and September 1 of each year, beginning March 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 \$681,100 (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 \$695,000 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 \$70,000 (the "Permitted Adjustment") which may be awarded to such best bidder may be a minimum of \$625,000 or a maximum of \$765,000. 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 \$695,000 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 August 15, 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 September 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 adopted a budget for the biennial period ending June 30, 2026 which was approved and signed by the Governor. Such budget became 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 principal amount of Bonds being offered not exceeding \$1,000,000 Bond Counsel has advised the Corporation and the Board that they are exempt from application of the Rule 15c2-12c2-12(b)(5) of the Securities and Exchange Commission with respect to the Bonds.

Financial information regarding the Board may be obtained from Superintendent, Ballard County Board of Education, 11 Vocational School Road, Barlow, Kentucky 42024 (270.665.8400).

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.

**BALLARD COUNTY SCHOOL DISTRICT
FINANCE CORPORATION**

by /s/Casey Allen
Secretary

APPENDIX D

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

Official Bid Form

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

The Ballard County School District Finance Corporation ("Corporation" or "Issuer"), will until 11:00 A.M., E.D.S.T., on August 15, 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 \$695,000 School Building Revenue Bonds, Second Series of 2024, dated September 5, 2024; maturing September 1, 2025 through 2044 ("Bonds").

We hereby bid for said \$695,000* principal amount of Bonds, the total sum of \$_____ (not less than \$681,100) plus accrued interest from September 5, 2024 payable March 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 September 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	\$25,000	_____%	2035	\$35,000	_____%
2026	25,000	_____%	2036	35,000	_____%
2027	25,000	_____%	2037	35,000	_____%
2028	25,000	_____%	2038	40,000	_____%
2029	25,000	_____%	2039	40,000	_____%
2030	30,000	_____%	2040	40,000	_____%
2031	30,000	_____%	2041	45,000	_____%
2032	30,000	_____%	2042	45,000	_____%
2033	30,000	_____%	2043	50,000	_____%
2034	35,000	_____%	2044	50,000	_____%

* Subject to Permitted Adjustment

We understand this bid may be accepted for as much as \$765,000 of Bonds or as little as \$625,000 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 August 15, 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 September 1 in accordance with the maturity schedule setting the actual size of the issue.

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

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

No certified or bank cashier's check will be required to accompany a bid, but the successful bidder shall be required to wire transfer an amount equal to 2% of the principal amount of Bonds awarded by the close of business on the date following the award. Said good faith amount will be applied (without interest) to the purchase price on delivery. Wire transfer procedures should be arranged through U.S. Bank Trust Company, National Association, Louisville, Kentucky, Attn: Mr. Charles Lush, 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 September 5, 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 September 5, 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 Ballard 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: August 15, 2024

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