

**DATED FEBRUARY 18, 2025**

**NEW ISSUE**

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

**RATING  
Moody's: " "**

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

**\$24,575,000\***  
**HENDERSON COUNTY SCHOOL DISTRICT FINANCE CORPORATION**  
**SCHOOL BUILDING REVENUE BONDS,**  
**SERIES OF 2025**

**Dated with Delivery: MARCH 19, 2025**

**Due: as shown below**

Interest on the Bonds is payable each March 1 and September 1, beginning September 1, 2025. The Bonds will mature as to principal on March 1, 2026, 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-Mar	Amount*	Rate	Yield	CUSIP	1-Mar	Amount*	Rate	Yield	CUSIP		
2026	\$470,000	%	%		2036	\$1,095,000	%	%			
2027	\$435,000	%	%		2037	\$1,135,000	%	%			
2028	\$450,000	%	%		2038	\$1,485,000	%	%			
2029	\$465,000	%	%		2039	\$1,540,000	%	%			
2030	\$480,000	%	%		2040	\$1,605,000	%	%			
2031	\$495,000	%	%		2041	\$2,140,000	%	%			
2032	\$640,000	%	%		2042	\$2,230,000	%	%			
2033	\$860,000	%	%		2043	\$2,325,000	%	%			
2034	\$890,000	%	%		2044	\$2,420,000	%	%			
2035	\$890,000	%	%		2045	\$2,525,000	%	%			

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

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

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

The Henderson County (Kentucky) School District Finance Corporation will until February 26, 2025, at 12:00 P.M., E.S.T., receive competitive bids for the Bonds at the office of the Executive Director of the Kentucky School Facilities Construction Commission, 200 Mero Street - 5<sup>th</sup> Floor, Frankfort, Kentucky 40622.

**\*As set forth in the "Official Terms and Conditions of Bond Sale," the principal amount of Bonds sold to the successful bidder is subject to a Permitted Adjustment by increasing or decreasing the amount not to exceed \$2,560,000.**

**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.



**HENDERSON COUNTY  
BOARD OF EDUCATION**

Mike Waller, Chairperson  
Tracey Williams, Member  
Joe McGarrh, Member  
Thomas Alves, Member  
Wesley Smith, Member

Dr. Bob Lawson, Superintendent/Secretary

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

Mike Waller, President  
Tracey Williams, Member  
Joe McGarrh, Member  
Thomas Alves, Member  
Wesley Smith, Member

Dr. Bob Lawson, Secretary  
Cindy Cloutier, Treasurer

**BOND COUNSEL**

Steptoe & Johnson PLLC  
Louisville, Kentucky

**MUNICIPAL ADVISOR**

RSA Advisors, LLC  
Lexington, Kentucky

**PAYING AGENT AND REGISTRAR**

Independence Bank of Kentucky  
Owensboro, 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 Henderson County School District Finance Corporation School Building Revenue Bonds, Series of 2025, 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**

**\$24,575,000\***

**HENDERSON COUNTY SCHOOL DISTRICT FINANCE CORPORATION  
SCHOOL BUILDING REVENUE BONDS,  
SERIES OF 2025**

*\*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 Henderson County School District Finance Corporation (the "Corporation") School Building Revenue Bonds, Series of 2025 (the "Bonds").

The Bonds are being issued to finance renovations to East Heights Elementary School (the "Project").

The Bonds are revenue bonds and constitute a limited indebtedness of the Corporation. The Bonds will be secured by a statutory mortgage lien and a pledge of the rental income derived by the Corporation from leasing the school building Projects (as hereinafter defined) to the Henderson 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 Henderson County Board of Education from its records, except for information expressly attributed to other sources. The presentation of financial and other information is not intended, unless specifically stated, to indicate future or continuing trends in the financial position or other affairs of the Board. No representation is made that past experience, as is shown by financial and other information, will necessarily continue or be repeated in the future.

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

Copies of the Bond Resolution authorizing the issuance of the Bonds and the Lease Agreement, dated March 19, 2025, may be obtained at the office of Steptoe & Johnson PLLC, Bond Counsel, 700 N. Hurstbourne Parkway, Suite 115, Louisville, Kentucky 40222.

**BOOK-ENTRY-ONLY-SYSTEM**

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

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

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

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

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

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

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

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

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

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

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

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

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

## **THE CORPORATION**

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

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

## **KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION**

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

Pursuant to the provisions of the Act, the Regulations of the Kentucky Board of Education and the Commission, the Commission has determined that the Board is eligible for participation from the Commission in meeting the costs of construction of the Projects and has entered into a Participation Agreement with the Board whereunder the Commission agrees to pay an annual Agreed Participation equal to approximately \$185,458 to be applied to the annual debt service requirements for the Bonds herein identified each year until their retirement; provided, however, that the contractual commitment of the Commission to pay the annual Agreed Participation is limited to the biennial budget period of the Commonwealth, with the first such biennial period terminating on June 30, 2026; the right is reserved in the Commission to terminate its commitment to pay the Agreed Participation after the initial biennial period and every two years thereafter. The obligation of the Commission to make payments of the Agreed Participation shall be automatically renewed each two years for a period of two years unless the Commission shall give notice of its intention not to participate not less than sixty days prior to the end of the biennium; however, by the execution of the Participation Agreement, the Commission has expressed its present intention to continue to pay the Agreed Participation in each successive biennial budget period through March 1, 2045, but such execution does not obligate the Commission to do so.

The General Assembly of the Commonwealth adopted the State's Budget for the fiscal year ending June 30, 2026. Inter alia, the Budget provides \$116,928,400 in FY 23024-25 and \$126,269,500 in FY 2025-2026 to pay debt service on existing and future bond issues. There are \$75,900,000 of the Commission's previous Offers of Assistance made during the last biennium. It authorizes \$85,000,000 in additional Offers of Assistance for the current biennium to be funded in the Budget for the biennium ending June 30, 2026.

The 2000, 2003, 2005, 2006, 2008, 2010, 2012, 2014, 2016, 2018, 2020, 2022, and 2024 Regular Sessions of the Kentucky General Assembly appropriated funds to be used for new debt service of participating school districts. The appropriations for each biennium are shown in the following table:

<u>Biennium</u>	<u>Appropriation</u>
2000-02	8,100,000
2002-04	9,500,000
2004-06	14,000,000
2006-08	9,000,000
2008-10	10,968,000
2010-12	12,656,200
2012-14	8,469,200
2014-16	8,764,000
2016-18	23,019,400
2018-20	7,608,000
2020-22	2,946,900
2022-24	5,305,300
<u>2024-26</u>	<u>22,280,000</u>
Total	\$142,617,000

In addition to the appropriations for new financings as shown, appropriations subsequent to that for 2000 included additional funds to continue to meet the annual debt requirements for all bond issues involving Commission participation issued in prior years.

### BIENNIAL BUDGET FOR PERIOD ENDING JUNE 30, 2026

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

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

The General Assembly adopted a budget for the biennial period ending June 30, 2026 which was approved and signed recently by the Governor. Such budget becomes effective July 1, 2024.

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

### OUTSTANDING BONDS

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

<b>Bond Series</b>	<b>Original Principal</b>	<b>Current Principal Outstanding</b>	<b>Principal Assigned to Board</b>	<b>Principal Assigned to Commission</b>	<b>Approximate Interest Rate Range</b>	<b>Final Maturity</b>
2012-REF	\$2,260,000	\$0	\$854,701	\$1,405,299	2.000%	2024
2014-REF	\$7,865,000	\$3,765,000	\$6,167,266	\$1,697,734	3.000%	2030
2015	\$3,790,000	\$3,075,000	\$3,790,000	\$0	3.000% - 3.750%	2035
2016	\$17,845,000	\$12,535,000	\$12,487,216	\$5,357,784	3.000% - 3.125%	2036
2018 Energy	\$1,275,000	\$1,125,000	\$1,275,000	\$0	3.000% - 3.700%	2038
2020	\$21,595,000	\$2,845,000	\$20,690,118	\$904,882	1.750% - 2.750%	2040
2020-REF	\$1,435,000	\$950,000	\$1,435,000	\$0	2.000%	2031
2021	\$4,630,000	\$3,295,000	\$4,630,000	\$0	1.000% - 1.250%	2031
<b>TOTAL:</b>	<b>\$60,695,000</b>	<b>\$27,590,000</b>	<b>\$51,329,301</b>	<b>\$9,365,699</b>		



## AUTHORITY

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

- i) the issuance of approximately \$24,575,000 of Bonds subject to a permitted adjustment of \$2,460,000;
- 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 March 19, 2025, will bear interest from that date as described herein, payable semi-annually on March 1 and September 1 of each year, commencing September 1, 2025, and will mature as to principal on March 1, 2026, 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). Independence Bank of Kentucky, Owensboro, 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 September 1, 2025 (Record Date is 15th day of month preceding interest due date).

### Redemption

The Bonds maturing on or after March 1, 2034, are subject to redemption at the option of the Corporation prior to their stated maturity on any date falling on or after March 1, 2033, 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
March 1, 2033, and thereafter	100%

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

## SECURITY

### General

The Bonds are revenue bonds and constitute a limited indebtedness of the Corporation. The Bonds are payable as to both principal and interest solely from the income and revenues derived from the leasing of the school building Projects financed from the Bond proceeds from the Corporation to the Board. The Bonds are secured by a 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 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 March 19, 2025, 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 March 1, 2045, 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 authorizes 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.

## COMMISSION'S PARTICIPATION

The Commission has determined that the Board is eligible for annual participation equal to approximately \$185,458 from the Commission's appropriation by the Kentucky General Assembly which will be used to meet all of the debt service of the Bonds. The plan for financing the Project will require the Commission to pay approximately ten percent (10%) of the debt service of the Bonds.

The Participation Agreement to be entered into with the Board will be limited to the biennial budget period of the Commonwealth of Kentucky, with the first such biennial period terminating on June 30, 2026. The right is reserved in the Commission to terminate the commitment to pay the agreed participation every two years thereafter. The obligation of the Commission to make payments of the agreed participation shall be automatically renewed each two years thereafter unless the Commission gives notice to the Board of its intention not to participate not less than sixty days prior to the end of the biennium. However, the Commission has expressed its intention to continue to pay the agreed participation in successive biennial budget periods through March 1, 2045, but the Commission is not required to do so.

## STATE INTERCEPT

Under the terms of the Lease and any renewal thereof, so long as the Bonds remain outstanding and in conformance with the intent and purpose of KRS 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 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.

### **THE PROJECT**

After payment of the Bond issuance costs, the Board plans to deposit the net Bond proceeds to finance renovations to East Heights Elementary School (the "Project").

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

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

### **KENTUCKY DEPARTMENT OF EDUCATION SUPERVISION**

Kentucky statutes, and the regulations of the Kentucky Department of Education ("KDE") issued there-under, 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, eliminated 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. House Bill 727 of the 2024 Regular Session of the Kentucky General Assembly (2024 Ky Acts, Ch 126. Hereinafter re-ferred to as "HB 727"), enacted and effective April 9, 2024, extended the provisions of HB 678 through June 30, 2027.

Notwithstanding HB 679, and HB 727, 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 90% of the debt service of the Bonds.

Fiscal Year Ending June 30	Current Local Bond Payments	-- School Building Revenue Bonds, Series 2025 --					Total Local Bond Payments
		Principal Portion	Interest Portion	Total Payment	SFCC Portion	Local Portion	
2025	\$3,664,399						\$3,664,399
2026	\$3,669,145	\$470,000	\$916,683	\$1,386,683	\$185,458	\$1,201,225	\$4,870,370
2027	\$3,663,957	\$435,000	\$950,501	\$1,385,501	\$185,458	\$1,200,043	\$4,863,999
2028	\$3,665,372	\$450,000	\$936,929	\$1,386,929	\$185,458	\$1,201,471	\$4,866,843
2029	\$3,668,317	\$465,000	\$922,664	\$1,387,664	\$185,458	\$1,202,206	\$4,870,522
2030	\$3,663,605	\$480,000	\$907,691	\$1,387,691	\$185,458	\$1,202,233	\$4,865,837
2031	\$3,662,749	\$495,000	\$891,995	\$1,386,995	\$185,458	\$1,201,537	\$4,864,286
2032	\$3,285,878	\$640,000	\$875,561	\$1,515,561	\$185,458	\$1,330,103	\$4,615,980
2033	\$2,698,247	\$860,000	\$853,993	\$1,713,993	\$185,458	\$1,528,535	\$4,226,781
2034	\$2,695,440	\$890,000	\$824,581	\$1,714,581	\$185,458	\$1,529,123	\$4,224,562
2035	\$2,795,092	\$890,000	\$793,253	\$1,683,253	\$185,458	\$1,497,795	\$4,292,887
2036	\$2,276,743	\$1,095,000	\$761,035	\$1,856,035	\$185,458	\$1,670,577	\$3,947,319
2037	\$2,279,171	\$1,135,000	\$720,301	\$1,855,301	\$185,458	\$1,669,843	\$3,949,013
2038	\$1,385,064	\$1,485,000	\$676,944	\$2,161,944	\$185,458	\$1,976,486	\$3,361,549
2039	\$1,389,154	\$1,540,000	\$618,732	\$2,158,732	\$185,458	\$1,973,274	\$3,362,427
2040	\$1,386,479	\$1,605,000	\$556,824	\$2,161,824	\$185,458	\$1,976,366	\$3,362,844
2041		\$2,140,000	\$491,340	\$2,631,340	\$185,458	\$2,445,882	\$2,445,882
2042		\$2,230,000	\$402,744	\$2,632,744	\$185,458	\$2,447,286	\$2,447,286
2043		\$2,325,000	\$309,530	\$2,634,530	\$185,458	\$2,449,072	\$2,449,072
2044		\$2,420,000	\$211,415	\$2,631,415	\$185,458	\$2,445,957	\$2,445,957
2045		\$2,525,000	\$108,323	\$2,633,323	\$185,458	\$2,447,865	\$2,447,865
<b>TOTALS:</b>	<b>\$45,848,810</b>	<b>\$24,575,000</b>	<b>\$13,731,030</b>	<b>\$38,306,030</b>	<b>\$3,709,160</b>	<b>\$34,596,870</b>	<b>\$80,445,680</b>

Notes: Numbers are rounded to the nearest \$1.00

**ESTIMATED USE OF BOND PROCEEDS**

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

<b>Sources:</b>	
Par Amount of Bonds	<u>\$24,575,000.00</u>
Total Sources	\$24,575,000.00
<b>Uses:</b>	
Deposit to Construction Fund	\$23,935,350.00
Underwriter's Discount (2%)	491,500.00
Cost of Issuance	<u>148,150.00</u>
Total Uses	\$24,575,000.00

## DISTRICT STUDENT POPULATION

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

Year	Average Daily Attendance	Year	Average Daily Attendance
2000-01	6,423.4	2012-13	6,483.8
2001-02	6,278.6	2013-14	6,467.4
2002-03	6,170.1	2014-15	6,580.3
2003-04	6,197.3	2015-16	6,549.2
2004-05	6,219.9	2016-17	6,607.9
2005-06	6,258.1	2017-18	6,503.5
2006-07	6,257.4	2018-19	6,417.1
2007-08	6,231.9	2019-20	6,324.0
2008-09	6,212.3	2020-21	6,324.0
2009-10	6,295.3	2021-22	6,564.8
2010-11	6,364.0	2022-23	6,564.8
2011-12	6,346.2	2023-24	6,081.8

*Source: Kentucky State Department of Education.*

### STATE SUPPORT

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

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

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

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

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

<b>Year</b>	<b>Capital Outlay Allotment</b>	<b>Year</b>	<b>Capital Outlay Allotment</b>
2000-01	642,340.0	2012-13	648,376.0
2001-02	627,860.0	2013-14	646,744.0
2002-03	617,010.0	2014-15	658,033.0
2003-04	619,730.0	2015-16	654,920.0
2004-05	621,990.0	2016-17	660,790.0
2005-06	625,810.0	2017-18	650,350.0
2006-07	625,740.0	2018-19	641,709.6
2007-08	623,190.0	2019-20	632,400.0
2008-09	621,234.0	2020-21	632,400.6
2009-10	629,528.0	2021-22	656,482.6
2010-11	636,404.0	2022-23	656,482.6
2011-12	634,624.0	2023-24	608,175.2

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.

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*Local Tax Rates, Property Assessments and Revenue Collections*

<b>Tax Year</b>	<b>Combined Equivalent Rate</b>	<b>Total Property Assessment</b>	<b>Property Revenue Collections</b>
2000-01	55.4	1,909,717,060	10,579,833
2001-02	56	2,004,944,785	11,227,691
2002-03	56.7	2,045,279,160	11,596,733
2003-04	56.7	2,151,433,420	12,198,627
2004-05	56.1	2,170,031,899	12,173,879
2005-06	57.6	2,265,595,747	13,049,832
2006-07	58.7	2,343,991,457	13,759,230
2007-08	57.6	2,493,508,321	14,362,608
2008-09	59.4	2,631,151,356	15,629,039
2009-10	59.4	2,718,513,178	16,147,968
2010-11	60.2	2,729,935,493	16,434,212
2011-12	62.8	2,760,136,969	17,333,660
2012-13	65.6	2,844,086,939	18,657,210
2013-14	66.4	2,888,110,886	19,177,056
2014-15	64	2,912,638,609	18,640,887
2015-16	65.6	2,989,213,166	19,609,238
2016-17	67.4	3,034,840,549	20,454,825
2017-18	70.3	3,039,171,855	21,365,378
2018-19	72.3	3,077,682,423	22,251,644
2019-20	74.4	3,143,727,388	23,389,332
2020-21	73.6	3,206,892,738	23,602,731
2021-22	75.7	3,372,135,618	25,527,067
2022-23	75.9	3,546,547,291	26,918,294
2023-24	76	3,724,260,377	28,304,379

**OVERLAPPING BOND INDEBTEDNESS**

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

<b>Issuer</b>	<b>Original Principal Amount</b>	<b>Amount of Bonds Redeemed</b>	<b>Current Principal Outstanding</b>
County of Henderson			
General Obligation	3,945,000	2,610,000	1,335,000
Solid Waste Revenue	36,000,000	0	36,000,000
Health Care Facility Ref. Revenue	32,210,000	25,294,000	6,916,000
City of Corydon			
Sewer Revenue	793,000	430,000	363,000
Refinancing Refunding Revenue	809,000	396,000	413,000
City of Henderson			
General Obligation	119,820,000	27,675,000	92,145,000
Residential Revenue	3,510,000	2,090,000	1,420,000
Multiple Purposes Revenue	3,670,000	1,585,000	2,085,000
Electric Revenue	11,350,000	5,300,000	6,050,000



Special Districts			
Henderson County Public Library	6,320,000	515,000	5,805,000
Henderson County Water District	7,037,000	4,215,593	2,821,407
Henderson County Public Properties Corporation	15,470,881	11,421,466	4,049,415
<b>Totals:</b>	<b>240,934,881</b>	<b>81,532,059</b>	<b>159,402,822</b>

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.

<b>SEEK</b>	<b>Base Funding</b>	<b>Local Tax Effort</b>	<b>Total State &amp; Local Funding</b>
2000-01	21,532,755	10,579,833	32,112,588
2001-02	21,212,613	11,227,691	32,440,304
2002-03	21,920,154	11,596,733	33,516,887
2003-04	22,106,627	12,198,627	34,305,254
2004-05	22,593,905	12,173,879	34,767,784
2005-06	24,240,848	13,049,832	37,290,680
2006-07	24,781,040	13,759,230	38,540,270
2007-08	26,771,542	14,362,608	41,134,150
2008-09	26,647,018	15,629,039	42,276,057
2009-10	24,432,840	16,147,968	40,580,808
2010-11	24,774,540	16,434,212	41,208,752
2011-12	26,884,459	17,333,660	44,218,119
2012-13	27,288,164	18,657,210	45,945,374
2013-14	27,079,124	19,177,056	46,256,180
2014-15	28,324,130	18,640,887	46,965,017
2015-16	28,155,508	19,609,238	47,764,746
2016-17	28,898,875	20,454,825	49,353,700
2017-18	28,483,009	21,365,378	49,848,387
2018-19	28,407,170	22,251,644	50,658,814
2019-20	27,497,448	23,389,332	50,886,780
2020-21	26,155,807	23,602,731	49,758,538
2021-22	27,984,714	25,527,067	53,511,781
2022-23	29,012,341	26,918,294	55,930,635
2023-24	26,773,929	28,304,379	55,078,308

- (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 \$0.7600 for FY 2023-24. The equivalent tax rate" is defined as the rate which results when the income from all taxes levied by the district for school purposes is divided by the total assessed value of property plus the assessment for motor vehicles certified by the Commonwealth of Kentucky Revenue Cabinet.

### State Budgeting Process

- i) Each district board of education is required to prepare a general school budget on forms prescribed and furnished by the Kentucky Board of Education, showing the amount of money needed for current expenses, debt service, capital outlay, and other necessary expenses of the school during the succeeding fiscal year and the estimated amount that will be received from all sources.

- ii) By September 15 of each year, after the district receives its tax assessment data from the Department of Revenue and the State Department of Education, 3 copies of the budget are forwarded to the State Department for approval or disapproval.
- iii) The State Department of Education has adopted a policy of disapproving a school budget if it is financially unsound or fails to provide for:
  - a) payment of maturing principal and interest on any outstanding voted school improvement bonds of the district or payment of rental in connection with any outstanding school building revenue bonds issued for the benefit of the school district; or
  - b) fails to comply with the law.

### **POTENTIAL LEGISLATION**

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

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

### **CONTINUING DISCLOSURE**

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

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

Financial information regarding the Board may be obtained from Superintendent, Henderson County School District Board of Education, 1805 Second Street, Henderson, Kentucky 42420, Telephone (270) 831-5000.

## TAX EXEMPTION; NOT BANK QUALIFIED

Bond Counsel advises as follows with respect to the Bonds:

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

(B) The interest income from the Bonds is excludable from the gross income of the recipient thereof for Federal income tax purposes under existing law and 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 more than \$10,000,000 of tax-exempt obligations during the calendar year ending December 31, 2025, the Bonds are not "qualified tax-exempt obligations" within the meaning of the Internal Revenue Code of 1986, as amended.

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

### **Original Issue Premium**

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

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

### **Original Issue Discount**

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

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

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

### **ABSENCE OF MATERIAL LITIGATION**

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

### **APPROVAL OF LEGALITY**

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

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

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

### **BOND RATING**

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

### **MUNICIPAL ADVISOR**

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



# **APPENDIX A**

## **Henderson County School District Finance Corporation School Building Revenue Bonds Series of 2025**

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### **Demographic and Economic Data**

## HENDERSON COUNTY, KENTUCKY

Henderson, the county seat of Henderson County, is located in northwestern Kentucky along the banks of the Ohio River. The City had a 2024 population of 27,753. Henderson is located ten miles south of Evansville, Indiana; 122 miles west of Louisville, Kentucky; 140 miles northwest of Nashville, Tennessee; and 178 miles southeast of St. Louis, Missouri.

Henderson County covers a land area of 440 square miles in the Western Coal Field Region of Kentucky. The Ohio River forms the northern boundary of the county. Henderson County had a population of 44,247 in 2024.

### **The Economic Framework**

In 2024, Henderson County had a labor force of 19,371 people, with an unemployment rate of 4.5%. The Top 5 jobs by occupation were as follows: productions workers - 2,704 (13.42%); office and administrative support - 2,318 (11.50%); executive, managers and administrators - 2,006 (9.95%); sales - 1,932 (9.59%); and material moving - 1,203 (5.97%).

### **Transportation**

Henderson is serviced directly by U.S. Highways 41, 41A, and 60, and the Pennyryle and Audubon Parkways. In addition, Interstate 64 is accessible 25 miles northeast of Henderson via Interstate 164. Thirty-five trucking companies serve Henderson. CSX Transportation provides mail line rail service, while the Indiana Hi-Rail Corporation provides branch line rail service to Henderson. The nearest commercial airport, Evansville Regional Airport, is located 13 miles north of Henderson. The Henderson City-County Airport, three miles southwest of Henderson, maintains a 4,800-foot paved runway. The Henderson County Riverport Authority offers public facilities at mile 808 on the Ohio River in Henderson.

### **Power and Fuel**

Municipal Power and Light, a municipally-owned generating company, provides electric power to Henderson and part of Henderson County. Kentucky Utilities Company and the Henderson-Union Rural Electric Cooperative Corporation also serve Henderson County. Henderson Municipal Gas System provides natural gas service to the community.

## **LOCAL GOVERNMENT**

### **Structure**

The City of Henderson is governed by a mayor, four commissioners, and a full-time city manager. The mayor is elected to a four-year term, while the commissioners each serve two-year terms. Henderson County is governed by a county judge/executive and five magistrates. Each county official is elected to a four-year term.

### **Planning and Zoning**

Joint agency - Henderson City-County Planning Commission

Participating cities - Henderson and Corydon

Zoning enforced - All areas

Subdivision regulations enforced - All areas

Local codes enforced - Building and housing in all areas

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

## LABOR MARKET STATISTICS

The Henderson Labor Market Area includes Henderson County and the adjoining Kentucky counties of Daviess, Hopkins, McLean, Union and Webster. In addition, the Labor Market Area is supplemented by Gibson and Warrick Counties in Indiana.

### Population Growth (in thousands)

<u>Area</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Henderson County	44,395	44,459	44,283
Henderson	27,797	27,695	27,474

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

### Population Projections

<u>Area</u>	<u>2030</u>	<u>2035</u>	<u>2040</u>
Henderson County	42,638	41,445	40,097

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

## EDUCATION

### Public Schools

	<u>Henderson County</u>
Total Enrollment (2023-2024)	6,385
Pupil-Teacher Ratio	15.0 - 1

*Source: Kentucky Department of Education.*

### Technical-Vocational Education

<u>Vocational School</u>	<u>Location</u>	<u>Enrollment (2023-2024)</u>
Caldwell County ATC	Princeton, KY	452
Ohio County ATC	Hartford, KY	559
Webster County ATC	Dixon, KY	459

*Source: Kentucky Department of Education.*

### Colleges and Universities

<u>Institution</u>	<u>Location</u>	<u>Enrollment (Fall 2023)</u>
Brescia University	Owensboro, KY	551
Kentucky Wesleyan College	Owensboro, KY	833
University of Kentucky	Lexington, KY	23,930
University of Louisville	Louisville, KY	16,194
Western KY University	Bowling Green, KY	14,590

*Source: US News & World Report.*



**APPENDIX B**

**Henderson County School District Finance Corporation  
School Building Revenue Bonds  
Series of 2025**

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**Audited Financial Statement ending June 30, 2024**

**HENDERSON COUNTY  
SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTAL SCHEDULES**

For the year ended June 30, 2024

Prepared by:

**WHITE & ASSOCIATES, PSC**  
CERTIFIED PUBLIC ACCOUNTANTS  
1407 Lexington Road  
Richmond, Kentucky 40475  
Phone (859) 624-3926 Fax (859) 625-0227

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Henderson County School District  
Henderson, Kentucky

And the State Committee for School District Audits

**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 Henderson County School District (District) as of and for the year ended June 30, 2024, 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, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the 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.

***Correction of a Material Misstatement in Prior Period Financial Statements***

As discussed in Note Q to the financial statements, a material prior period adjustment was made to the governmental activities net position to correct an error in the prior period financial statements. Our opinion is 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 Management's Discussion and Analysis, 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 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 November 15, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

***White & Associates, PSC***

Richmond, Kentucky  
November 15, 2024

**HENDERSON COUNTY SCHOOL DISTRICT-HENDERSON, KENTUCKY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2024**

As management of the Henderson County School District, (District), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2024. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

- Finished the year with a General Fund balance of \$37.47 million, an increase of 4.73 million from the prior year.
- Excluding other financing sources and uses, the General Fund generated \$74,688,188 in revenue which primarily consisted of SEEK program funding, property, utility and motor vehicle taxes. There were \$70,194,085 expenditures in General Fund.
- The District continues to invest heavily in the facilities of the system. Construction started on a \$4.3 million project at the Career Technical Education unit of Henderson County High School, a \$17.6 million major renovation at East Heights Elementary, and various other district wide improvements.
- The District’s bonding potential at June 30, 2024 is approximately \$56 million.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

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

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

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and



**HENDERSON COUNTY SCHOOL DISTRICT-HENDERSON, KENTUCKY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2024**

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

*Refer to the table of contents to find the government-wide financial statements.*

**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 the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the district are included in the governmental funds.

*Refer to the table of contents to find the basic governmental fund financial statements.*

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. To find the notes to the financial statements please refer to the table of contents.

**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, the net position was \$48,665,822 as of June 30, 2024.

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 are 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.

The District’s net position as of June 30, 2024 and the change in net position is illustrated below.

**HENDERSON COUNTY SCHOOL DISTRICT-HENDERSON, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2024**

**Table 1  
Net Position  
\$ (in Millions)**

	Governmental Activities		Business-type Activities		Totals	
	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>
Current assets	\$ 49.93	\$ 53.57	\$ 8.59	\$ 8.70	\$ 58.52	\$ 62.27
Non-current assets	74.81	78.78	1.40	1.60	76.21	80.38
Total assets	<u>124.74</u>	<u>132.35</u>	<u>9.99</u>	<u>10.30</u>	<u>134.73</u>	<u>142.65</u>
Deferred outflows	16.90	16.69	0.32	0.44	17.22	17.13
Current liabilities	9.30	7.63	0.43	0.16	9.73	7.79
Non-current liabilities	95.91	76.98	2.09	1.12	98.00	78.10
Total liabilities	<u>105.21</u>	<u>84.61</u>	<u>2.52</u>	<u>1.28</u>	<u>107.73</u>	<u>85.89</u>
Deferred inflows	11.81	24.46	0.25	0.76	12.06	25.22
Net position:						
Invested in capital assets, net of debt	27.04	33.51	1.40	1.60	28.44	35.11
Restricted	12.14	11.81	-	7.10	12.14	18.91
Unrestricted (deficit)	(14.55)	(5.35)	6.14	-	(8.41)	(5.35)
Total net position	<u>\$ 24.63</u>	<u>\$ 39.97</u>	<u>\$ 7.54</u>	<u>\$ 8.70</u>	<u>\$ 32.17</u>	<u>\$ 48.67</u>

**Changes in Net Position  
(in millions)**

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2023-2024
	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	
Revenues:							
Charges for services	\$ 0.09	\$ 2.40	\$ 0.85	\$ 1.00	\$ 0.94	\$ 3.40	262%
Operating grants and contributions	17.59	42.61	7.13	6.43	24.72	49.04	98%
General revenues and transfers	87.92	59.08	(0.25)	0.02	87.67	59.10	-33%
Total revenue	<u>105.60</u>	<u>104.09</u>	<u>7.73</u>	<u>7.45</u>	<u>113.33</u>	<u>111.54</u>	-2%
Expenses:							
Instruction	\$ 60.17	\$ 55.85	\$ -	\$ -	\$ 60.17	\$ 55.85	-7%
Student	4.88	4.64	-	-	4.88	4.64	-5%
Instructional staff	3.36	3.32	-	-	3.36	3.32	-1%
District administration	1.16	1.47	-	-	1.16	1.47	27%
School administration	5.18	5.51	-	-	5.18	5.51	6%
Business	3.28	2.64	-	-	3.28	2.64	-20%
Plant operation & maintenance	5.52	7.12	-	-	5.52	7.12	29%
Student transportation	4.24	4.19	-	-	4.24	4.19	-1%
Community services operations	1.28	1.41	-	-	1.28	1.41	10%
Building Improvements	-	0.01	-	-	-	0.01	0%
Food Service Operations	-	-	6.92	6.12	6.92	6.12	-12%
Day care operations	0.49	0.44	0.24	0.02	0.73	0.46	-38%
Depreciation/Amortization	3.04	3.00	-	0.16	3.04	3.16	4%
Other non-instructional	0.06	0.05	-	-	0.06	0.05	-15%
Interest on long-term debt	1.34	1.01	-	-	1.34	1.20	-10%
Total Expenses	<u>\$ 94.00</u>	<u>\$ 90.66</u>	<u>\$ 7.16</u>	<u>\$ 6.30</u>	<u>\$ 101.16</u>	<u>\$ 96.96</u>	-4%
Change in net position	\$ 11.60	\$ 13.43	\$ 0.57	\$ 1.15	\$ 12.17	\$ 14.58	20%

**HENDERSON COUNTY SCHOOL DISTRICT-HENDERSON, KENTUCKY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2024**

**CAPITAL ASSETS**

At the end of fiscal year 2024, the District had \$79,941,432 invested in capital assets (Net of Depreciation), including land, buildings, buses, computers and other equipment. This amount represents an increase (including additions and deductions) of \$1,501,396 from the prior year.

	<b>Capital Assets at Year-End \$ (Net of Depreciation)</b>					
	Governmental Activities		Business-type Activities		Totals	
	2023	2024	2023	2024	2023	2024
Land	\$ 989,487	\$ 989,487	\$ -	\$ -	\$ 989,487	\$ 989,487
Land Improvements	272,851	206,459	-	-	272,851	206,459
Buildings	43,193,321	45,113,366	11,404	9,503	43,204,725	45,122,869
Food Service Equipment	-	-	1,373,214	1,575,555	1,373,214	1,575,555
Technology Equipment	579,577	1,166,367	14,857	10,904	594,434	1,177,271
Machinery & Equipment	2,356,828	2,287,280	-	-	2,356,828	2,287,280
General Equipment	533,429	618,292	-	-	533,429	618,292
Construction in Progress	28,912,726	27,964,218	-	-	28,912,726	27,964,218
<b>Totals</b>	<b>\$ 76,838,219</b>	<b>\$ 78,345,471</b>	<b>\$ 1,399,475</b>	<b>\$ 1,595,961</b>	<b>\$ 78,237,694</b>	<b>\$ 79,941,432</b>

**DEBT**

The following is an analysis of debt in comparison to the prior year:

	<b>Table 4 Outstanding Debt at Year-End</b>	
	Government Activities	
	2023	2024
General obligation bonds	47,769,774	44,629,504
<b>Total Obligations</b>	<b>\$ 47,769,774</b>	<b>\$ 44,629,504</b>

**THE DISTRICT’S FUNDS**

As the District completed the year, the General Fund reflected a fund balance of \$37,472,934, an increase of \$4,735,891 from the prior year’s fund balance of \$32,737,043. The unassigned portion of the fund balance as of June 30, 2024 is \$31,736,644.

The following table presents a summary of revenues and expenses for the District for the fiscal year ended June 30, 2024:

**HENDERSON COUNTY SCHOOL DISTRICT-HENDERSON, KENTUCKY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2024**

\*Note This chart does not include beginning balances.

	Fund 1	Fund 2	Fund 310	Fund 320	Fund 360	Fund 400	Fund 51
<b>REVENUES</b>							
Local Revenue Sources	\$ 28,672,796	\$ 84,036		\$ 3,724,260	\$ -	\$ -	\$ 132,908
State Revenue Sources	45,387,274	4,393,269	608,175	2,454,800	-	673,668	442,225
Federal Revenue Sources	628,118	11,069,851	35,420	99,938	-	-	5,960,020
Other	30,302	-	-	-	-	-	332,658
Transfers	334,434	122,948	-	-	467,614	3,671,285	-
<b>TOTALS</b>	<b>\$ 75,052,924</b>	<b>\$ 15,670,104</b>	<b>\$ 643,595</b>	<b>\$ 6,278,998</b>	<b>\$ 467,614</b>	<b>\$ 4,344,953</b>	<b>\$ 6,867,811</b>
<b>EXPENDITURES</b>							
Instruction	\$ 41,768,028	\$ 12,756,369	\$ -	\$ -	\$ -	\$ -	\$ -
Student Support Services	4,575,692	50,297	-	-	-	-	-
Instructional Staff Support Services	2,355,616	897,859	-	-	-	-	-
District Admin Support	1,473,107	-	-	-	-	-	-
School Admin Support	5,406,378	106,133	-	-	-	-	-
Business Support Services	2,644,605	-	-	-	-	-	-
Plant Operation & Management	7,706,386	-	-	-	-	-	-
Student Transportation	4,180,508	549	-	-	-	-	-
Food Service Operations	-	-	-	-	-	-	6,123,403
Day Care Operations	60	442,276	-	-	-	-	-
Community Services	-	1,414,910	-	-	-	-	-
Building Acquisition	-	-	-	-	3,004,160	-	-
Building Improvements	9,561	-	-	-	-	-	-
Debt Service	74,144	-	-	-	-	4,344,953	-
Depreciation	-	-	-	-	-	-	160,401
Other	-	-	-	3,787,058	-	-	-
Transfers	122,948	1,711	-	-	351,841	-	332,723
<b>TOTALS</b>	<b>\$ 70,317,033</b>	<b>\$ 15,670,104</b>	<b>\$ -</b>	<b>\$ 3,787,058</b>	<b>\$ 3,356,001</b>	<b>\$ 4,344,953</b>	<b>\$ 6,616,527</b>
Excess / (Deficit)	4,735,891	-	643,595	2,491,940	(2,888,387)	-	251,284

**BUDGETARY IMPLICATIONS**

In Kentucky, the public-school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district’s overall budget. By law the budget must have a minimum 2.0% contingency in the Tentative Final Working budget. While it is not mandatory in the Final Working budget, the Kentucky Department of Education places district’s with less than a 2% reserve on a financial watch list. The district maintained a budgeted general fund contingency of \$14.6 million.

**HENDERSON COUNTY SCHOOL DISTRICT-HENDERSON, KENTUCKY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2024**

Henderson County School District’s overall financial status remains in a safe financial position. The District is financially stable, but at risk due to continued, inadequate state funding. The district relies on federal and state funds for the operation of various programs.

The following factors may affect the District’s financial position in the upcoming fiscal year:

- Tax rates for 2024-25 were set at 67.4 for real estate and personal property, a slight decrease from the 2023-24 rates of 67.6 for real estate and personal property. The rates adopted are the maximum rates (4% increase with exonerations) allowed without being subject to recall due to an increase in property assessments. Property assessments are expected to continue to rise. This limits the District’s ability to generate additional tax revenue. The SEEK formula has a negative effect on districts that incur significant growth in assessment which causes our taxpayers to continue to bear more of the cost for public education in the District each year.
- The District has a growing population of English learners. State funding falls significantly short in funding the actual expenditures to support their learning.
- Enrollment declined significantly due to transfers and home schooling as a result of COVID-19. Enrollment has improved slightly but still has not returned to normal levels prior to the pandemic.

With careful planning, gains in efficiencies, and monitoring of the District finances, Henderson County Public School’s goal is to continue to provide a quality education for our students and a secure financial future for the District.

Questions or comments regarding this report should be directed to the Superintendent of Schools, Dr. Bob Lawson, or the Chief Finance Officer/Board Treasurer, Cindy Cloutier, at (270) 831-8731 or by mail at 1805 Second Street Henderson, KY 42420

Henderson County School District  
**Statement of Net Position**  
June 30, 2024

	Primary Government		
	Governmental Activities	Business- type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 49,949,765	\$ 8,580,585	\$ 58,530,350
Receivables, net	3,623,754		3,623,754
Inventories		95,142	95,142
Funded OPEB asset	490,747	24,078	514,825
Capital assets:			
Land and construction in progress	28,897,392		28,897,392
Other capital assets, net of depreciation	49,391,766	1,595,961	50,987,727
Total capital assets	78,289,158	1,595,961	79,885,119
Total assets	132,353,424	10,295,766	142,649,190
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	6,198,177	304,100	6,502,277
Deferred outflows related to OPEB CERS	2,675,743	131,279	2,807,022
Deferred outflows related to OPEB TRS	7,815,421		7,815,421
Total deferred outflows of resources	16,689,341	435,379	17,124,720
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>149,042,765</b>	<b>10,731,145</b>	<b>159,773,910</b>
<b>LIABILITIES</b>			
Accrued interest payable	183,304		183,304
Accounts payable	1,198,894	157,337	1,356,231
Payroll taxes payable	236,482		236,482
Unearned revenue	2,704,531		2,704,531
Long-term liabilities:			
Due within 1 year:			
Bond obligations	3,160,000		3,160,000
Sick leave liability	150,280		150,280
Total due within 1 year	3,310,280	-	3,310,280
Due in more than 1 year:			
Bond obligations	41,469,504		41,469,504
Sick leave liability	709,033		709,033
Net pension liability	22,807,822	1,119,017	23,926,839
Net OPEB liability TRS	11,995,000		11,995,000
Total due in more than 1 year	76,981,359	1,119,017	78,100,376
Total liabilities	84,614,850	1,276,354	85,891,204
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	6,146,999	301,589	6,448,588
Deferred inflows related to OPEB CERS	9,252,714	453,965	9,706,679
Deferred inflows related to OPEB TRS	9,032,000		9,032,000
Deferred gain on refunding of bonds	29,617		29,617
Total deferred inflows of resources	24,461,330	755,554	25,216,884
<b>NET POSITION</b>			
Net Investment in capital assets	33,509,374	1,595,961	35,105,335
Restricted for:			
Capital projects	10,632,653		10,632,653
Day care		2,268,596	2,268,596
District activity	11,584		11,584
School activity	1,166,161		1,166,161
Food services		4,834,680	4,834,680
Unrestricted (deficit)	(5,353,187)		(5,353,187)
Total net position	39,966,585	8,699,237	48,665,822
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 149,042,765</b>	<b>\$ 10,731,145</b>	<b>\$ 159,773,910</b>

See the accompanying notes to the financial statements.

Henderson County School District  
**Statement of Activities**  
Year ended June 30, 2024

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
<b>PRIMARY GOVERNMENT:</b>							
Governmental activities:							
Instruction	\$ 55,849,534	\$ 74,563	\$ 42,610,676	\$ -	\$ (13,164,295)	\$ -	\$ (13,164,295)
Support services							
Student	4,639,708	2,268,522			(2,371,186)		(2,371,186)
Instructional staff	3,316,025				(3,316,025)		(3,316,025)
District administration	1,473,107				(1,473,107)		(1,473,107)
School administration	5,512,511				(5,512,511)		(5,512,511)
Business	2,644,605				(2,644,605)		(2,644,605)
Other non-instructional	50,700				(50,700)		(50,700)
Plant operation & maintenance	7,122,550	35,239			(7,087,311)		(7,087,311)
Student transportation	4,194,282	24,817			(4,169,465)		(4,169,465)
Day care operations	442,336				(442,336)		(442,336)
Community services operations	1,414,910				(1,414,910)		(1,414,910)
Building improvements	9,560				(9,560)		(9,560)
Interest on long-term debt	1,002,430				(1,002,430)		(1,002,430)
Depreciation*	2,988,612				(2,988,612)		(2,988,612)
Total governmental activities	90,660,870	2,403,141	42,610,676	-	(45,647,053)		(45,647,053)
Business-type activities:							
Food service operations	6,123,403	110,101	6,402,245			388,943	388,943
Day care	16,985	887,768	34,054			904,837	904,837
Depreciation*	162,302					(162,302)	(162,302)
Total business-type activities	6,302,690	997,869	6,436,299	-	-	1,131,478	1,131,478
<b>Total primary government</b>	\$ 96,963,560	\$ 3,401,010	\$ 49,046,975	\$ -	(45,647,053)	1,131,478	(44,515,575)
General revenues:							
Taxes:							
Property taxes					19,933,692		19,933,692
Motor vehicle taxes					3,069,339		3,069,339
Unmined mineral					417,037		417,037
Utility taxes					4,215,964		4,215,964
Franchise					1,347,868		1,347,868
In lieu					183,361		183,361
State and formula grants					26,165,754		26,165,754
Unrestricted investment earnings					2,614,813	332,658	2,947,471
Other local revenue					801,268	22,807	824,075
Transfers					332,723	(332,723)	-
Total general revenues and transfers					59,081,819	22,742	59,104,561
Change in net position					13,434,766	1,154,220	14,588,986
Net position - beginning					24,626,139	7,545,017	32,171,156
Prior period adjustment					1,905,680		1,905,680
Restated net position - beginning					26,531,819	7,545,017	34,076,836
Net position - ending					\$ 39,966,585	\$ 8,699,237	\$ 48,665,822

\*Unallocated depreciation that excludes depreciation which is included in the direct expenses of various programs, if any.

See the accompanying notes to the financial statements.

Henderson County School District  
**Balance Sheet**  
**Governmental Funds**  
June 30, 2024

**Governmental Funds**

	<u>General</u>	<u>Special Revenue</u>	<u>Construction</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 37,089,511	\$ 1,006,795	\$ 6,597,255	\$ -	\$ 5,256,204	\$ 49,949,765
Receivables						
Taxes	1,013,967					1,013,967
Accounts	34,837				38	34,875
Intergovernmental-federal		2,574,912				2,574,912
Total assets	<u>38,138,315</u>	<u>3,581,707</u>	<u>6,597,255</u>	<u>-</u>	<u>5,256,242</u>	<u>53,573,519</u>
<b>LIABILITIES</b>						
Accounts payable	278,619	877,176	41,151		1,948	1,198,894
Sick leave	150,280					150,280
Accrued salaries & benefits payable	236,482					236,482
Unearned revenue		2,704,531				2,704,531
Total liabilities	<u>665,381</u>	<u>3,581,707</u>	<u>41,151</u>	<u>-</u>	<u>1,948</u>	<u>4,290,187</u>
<b>FUND BALANCE</b>						
Restricted			6,556,104		5,254,294	11,810,398
Committed	709,033					709,033
Assigned	5,027,257					5,027,257
Unassigned	31,736,644					31,736,644
Total fund balance	<u>37,472,934</u>	<u>-</u>	<u>6,556,104</u>	<u>-</u>	<u>5,254,294</u>	<u>49,283,332</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 38,138,315</u>	<u>\$ 3,581,707</u>	<u>\$ 6,597,255</u>	<u>\$ -</u>	<u>\$ 5,256,242</u>	<u>\$ 53,573,519</u>

See the accompanying notes to the financial statements.



Henderson County School District  
**Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position**  
June 30, 2024

<b>Fund balance-total governmental funds</b>	\$	49,283,332
<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.		78,289,158
Certain assets (OPEB asset) are not receivable in the current period and, therefore, are not reported in the fund financial statements.		490,747
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		(183,304)
Bond obligations		(44,629,504)
Sick leave liability		(709,033)
Net pension liability		(22,807,822)
Net OPEB liability		(11,995,000)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		
Deferred revenue on refunding bonds		(29,617)
Deferred outflows related to pensions		6,198,177
Deferred outflows related to OPEB		10,491,164
Deferred inflows related to pensions		(6,146,999)
Deferred inflows related to OPEB		(18,284,714)
		(18,284,714)
<b>Net position of governmental activities</b>	<b>\$</b>	<b>39,966,585</b>

See the accompanying notes to the financial statements.

Henderson County School District  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
Year ended June 30, 2024

	<u>General</u>	<u>Special Revenue</u>	<u>Construction</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
From local sources						
Taxes						
Property	\$ 16,209,432	\$ -	\$ -	\$ -	\$ 3,724,260	\$ 19,933,692
Motor vehicle	3,069,339					3,069,339
Unmined minerals	417,037					417,037
Franchise	1,347,868					1,347,868
Utilities	4,215,964					4,215,964
In lieu	183,361					183,361
Tuition	74,563					74,563
Transportation	24,817					24,817
Earnings on investments	2,416,914				197,899	2,614,813
Student activities	87,728				2,180,794	2,268,522
Other local revenue	625,773	84,036			91,459	801,268
Intergovernmental - state	45,387,274	4,393,269		673,668	3,062,975	53,517,186
Intergovernmental - federal	628,118	11,069,851				11,697,969
Total revenues	<u>74,688,188</u>	<u>15,547,156</u>	<u>-</u>	<u>673,668</u>	<u>9,257,387</u>	<u>100,166,399</u>
<b>EXPENDITURES</b>						
Instruction	41,768,028	12,756,369			2,149,776	56,674,173
Support services						
Student	4,575,692	50,297			13,719	4,639,708
Instructional staff	2,355,616	897,859			62,550	3,316,025
District administration	1,473,107					1,473,107
School administration	5,406,378	106,133				5,512,511
Business	2,644,605					2,644,605
Other					50,700	50,700
Plant operation & maintenance	7,706,386					7,706,386
Student transportation	4,180,508	549			13,225	4,194,282
Day care	60	442,276				442,336
Community services		1,414,910				1,414,910
Building acquisition & construction			3,004,160			3,004,160
Building improvements	9,561					9,561
Debt service	74,144			4,344,953		4,419,097
Total expenditures	<u>70,194,085</u>	<u>15,668,393</u>	<u>3,004,160</u>	<u>4,344,953</u>	<u>2,289,970</u>	<u>95,501,561</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	4,494,103	(121,237)	(3,004,160)	(3,671,285)	6,967,417	4,664,838
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of assets	30,302					30,302
Operating transfers in	334,434	122,948	467,614	3,671,285	23,340	4,619,621
Operating transfers (out)	(122,948)	(1,711)	(351,841)		(3,810,398)	(4,286,898)
Total other financing sources and (uses)	<u>241,788</u>	<u>121,237</u>	<u>115,773</u>	<u>3,671,285</u>	<u>(3,787,058)</u>	<u>363,025</u>
<b>NET CHANGE IN FUND BALANCE</b>	4,735,891	-	(2,888,387)	-	3,180,359	5,027,863
<b>FUND BALANCE, BEGINNING</b>	<u>32,737,043</u>	<u>-</u>	<u>9,444,491</u>	<u>-</u>	<u>2,073,935</u>	<u>44,255,469</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 37,472,934</u>	<u>\$ -</u>	<u>\$ 6,556,104</u>	<u>\$ -</u>	<u>\$ 5,254,294</u>	<u>\$ 49,283,332</u>

See the accompanying notes to the financial statements.

Henderson County School District  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to  
the Statement of Activities**  
Year ended June 30, 2024

<b>Net change in fund balance-total governmental funds</b>	<b>\$</b>	<b>5,027,863</b>
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report district OPEB and pension contributions as expenditures. However in the Statement of Activities, the cost of the benefits earned net of employee contributions is reported as pension expense or revenue.</p>		
District OPEB contributions less costs of benefits earned net employee contributions		3,561,275
<p>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.</p>		1,507,251
<p>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.</p>		4,937
<p>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.</p>		3,230,000
<p>Bond discount/premium are other financing use/revenue when District bonds are sold in the fund financial statements. In the government wide financial statements the discount/premium are netted in the debt and amortized over the life of the bond.</p>		(22,912)
<p>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.</p>		
Accrued interest payable		209,579
Sick leave liability		(83,227)
		209,579
		(83,227)
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>13,434,766</b>

See the accompanying notes to the financial statements.

Henderson County School District  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
Year ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>with Final Budget Favorable (Unfavorable)</b>
<b>REVENUES</b>				
Local Sources				
Property taxes	\$ 14,966,152.00	\$ 14,966,152	\$ 16,209,432.00	\$ 1,243,280
Motor vehicle	2,500,000.00	2,500,000	3,069,339.00	569,339
Unmined minerals			417,037.00	417,037
Franchise	950,000	950,000	1,347,868.00	397,868
Utilities	3,950,000	3,950,000	4,215,964.00	265,964
In lieu	108,000	108,000	183,361.00	75,361
Tuition	40,000	40,000	74,563.00	34,563
Transportation			24,817.00	24,817
Earnings on investments	500,000	500,000	2,416,914.00	1,916,914
Student activities	50,000	50,000	87,728.00	37,728
Other local revenue	125,000	125,000	625,773.00	500,773
Intergovernmental - state	48,851,098	48,851,098	45,387,274.00	(3,463,824)
Intergovernmental - federal	300,000	300,000	628,118.00	328,118
Total revenues	<u>72,340,250</u>	<u>72,340,250</u>	<u>74,688,188</u>	<u>2,347,938</u>
<b>EXPENDITURES</b>				
Instruction	53,034,491	53,075,983	41,768,028	11,307,955
Support services				
Student	5,102,572	5,102,857	4,575,692	527,165
Instructional staff	2,691,305	2,687,637	2,355,616	332,021
District administration	1,287,973	1,287,973	1,473,107	(185,134)
School administration	5,615,673	5,696,425	5,406,378	290,047
Business	3,611,535	3,611,535	2,644,605	966,930
Plant operation & maintenance	8,561,537	8,559,333	7,706,386	852,947
Student transportation	4,903,791	4,889,839	4,180,508	709,331
Day care			60	(60)
Building improvements			9,561	(9,561)
Debt service	70,044	70,044	74,144	(4,100)
Total expenditures	<u>84,878,921</u>	<u>84,981,626</u>	<u>70,194,085</u>	<u>14,787,541</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(12,538,671)	(12,641,376)	4,494,103	17,135,479
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets			30,302	30,302
Operating transfers in	291,148	290,651	334,434	43,783
Operating transfers (out)	(160,000)	(122,948)	(122,948)	-
Total other financing sources and (uses)	<u>131,148</u>	<u>167,703</u>	<u>241,788</u>	<u>74,085</u>
<b>NET CHANGE IN FUND BALANCE</b>	(12,407,523)	(12,473,673)	4,735,891	17,209,564
<b>FUND BALANCE, BEGINNING</b>	<u>27,111,237</u>	<u>27,111,238</u>	<u>32,737,043</u>	<u>5,625,805</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 14,703,714</u>	<u>\$ 14,637,565</u>	<u>\$ 37,472,934</u>	<u>\$ 22,835,369</u>

See the accompanying notes to the financial statements.

Henderson County School District  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Special Revenue Fund**  
Year ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Other local revenue	\$ 14,825	\$ 71,469	\$ 84,036	\$ 12,567
Intergovernmental - state	3,737,616	4,054,293	4,393,269	338,976
Intergovernmental - federal	4,949,814	5,751,576	11,069,851	5,318,275
Total revenues	<u>8,702,255</u>	<u>9,877,338</u>	<u>15,547,156</u>	<u>5,669,818</u>
<b>EXPENDITURES</b>				
Instruction	7,392,897	6,994,435	12,756,369	(5,761,934)
Support services				
Student		93,533	50,297	43,236
Instructional staff	266,825	827,158	897,859	(70,701)
School administration		104,764	106,133	(1,369)
Day care operations		145,225	442,276	(297,051)
Student transportation		-	549	(549)
Community services operations	1,200,324	1,833,460	1,414,910	418,550
Total expenditures	<u>8,860,046</u>	<u>9,998,575</u>	<u>15,668,393</u>	<u>(5,669,818)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(157,791)	(121,237)	(121,237)	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	160,000	122,948	122,948	-
Operating transfers (out)	(2,209)	(1,711)	(1,711)	-
Total other financing sources and (uses)	<u>157,791</u>	<u>121,237</u>	<u>121,237</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-	-
<b>FUND BALANCE, BEGINNING</b>	-	-	-	-
<b>FUND BALANCE, ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying notes to the financial statements.

Henderson County School District  
**Statement of Net Position Proprietary Fund**  
June 30, 2024

	Enterprise Funds		
	School Food Services	Other Proprietary Fund	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,201,930	\$ 2,378,655	\$ 8,580,585
Inventories	95,142		95,142
Funded OPEB asset	22,231	1,847	24,078
Capital assets:			
Other capital assets, net of depreciation	1,586,458	9,503	1,595,961
Total assets	7,905,761	2,390,005	10,295,766
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	280,778	23,322	304,100
Deferred outflows related to OPEB	121,211	10,068	131,279
Total deferred outflows of resources	401,989	33,390	435,379
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>8,307,750</b>	<b>2,423,395</b>	<b>10,731,145</b>
<b>LIABILITIES</b>			
Accounts payable	155,808	1,529	157,337
Net pension liability	1,033,196	85,821	1,119,017
Total liabilities	1,189,004	87,350	1,276,354
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	278,459	23,130	301,589
Deferred inflows related to OPEB	419,149	34,816	453,965
Total deferred inflows of resources	697,608	57,946	755,554
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>1,886,612</b>	<b>145,296</b>	<b>2,031,908</b>
<b>NET POSITION</b>			
Net investment in capital assets	1,586,458	9,503	1,595,961
Restricted	4,834,680	2,268,596	7,103,276
Total net position	6,421,138	2,278,099	8,699,237
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 8,307,750</b>	<b>\$ 2,423,395</b>	<b>\$ 10,731,145</b>

See the accompanying notes to the financial statements.

Henderson County School District  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Fund**  
For the year ended June 30, 2024

	Enterprise Funds		
	School Food Services	Other Proprietary Fund	Total
<b>OPERATING REVENUES</b>			
Lunchroom sales	\$ 110,101	\$ -	\$ 110,101
Other local revenue	22,807		22,807
Child care revenue		887,768	887,768
Total operating revenues	132,908	887,768	1,020,676
<b>OPERATING EXPENSES</b>			
Food service operations			
Salaries and benefits	2,063,435		2,063,435
Operational	4,059,968		4,059,968
Day care operations			
Operational		16,985	16,985
Depreciation	160,401	1,901	162,302
Total operating expenses	6,283,804	18,886	6,302,690
Operating income (loss)	(6,150,896)	868,882	(5,282,014)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Federal grants	5,960,020		5,960,020
State grants	442,225	34,054	476,279
Transfers in (out)	(332,723)		(332,723)
Earnings from investments	332,658		332,658
Total nonoperating revenues (expenses)	6,402,180	34,054	6,436,234
<b>CHANGE IN NET POSITION</b>	251,284	902,936	1,154,220
<b>NET POSITION-BEGINNING</b>	6,169,854	1,375,163	7,545,017
<b>NET POSITION-ENDING</b>	\$ 6,421,138	\$ 2,278,099	\$ 8,699,237

See the accompanying notes to the financial statements.

Henderson County School District  
**Statement of Cash Flows Proprietary Fund**  
For the year ended June 30, 2024

	<u>Enterprise Funds</u>		
	<u>School Food Services</u>	<u>Other Proprietary Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 132,908	\$ 887,768	\$ 1,020,676
Payments to suppliers	(4,594,979)	(253,842)	(4,848,821)
Payments to employees	(2,063,435)	-	(2,063,435)
Net cash provided (used) by operating activities	<u>(6,525,506)</u>	<u>633,926</u>	<u>(5,891,580)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating grants and contributions	6,402,245	34,054	6,436,299
Net cash provided (used) by noncapital financing activities	<u>6,402,245</u>	<u>34,054</u>	<u>6,436,299</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Transfers in (out)	(332,723)	-	(332,723)
Purchase of capital assets	(358,788)	-	(358,788)
Net cash provided (used) by capital and related financing activities	<u>(691,511)</u>	<u>-</u>	<u>(691,511)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest	332,658	-	332,658
Net cash provided (used) by investing activities	<u>332,658</u>	<u>-</u>	<u>332,658</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(482,114)	667,980	185,866
<b>CASH AND CASH EQUIVALENTS-BEGINNING</b>	<u>6,684,044</u>	<u>1,710,675</u>	<u>8,394,719</u>
<b>CASH AND CASH EQUIVALENTS-ENDING</b>	<u>\$ 6,201,930</u>	<u>\$ 2,378,655</u>	<u>\$ 8,580,585</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (6,150,896)	\$ 868,882	\$ (5,282,014)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	160,401	1,901	162,302
Changes in assets and liabilities:			
Receivables	83,809		83,809
Inventories	21,082		21,082
Funded OPEB asset	(22,231)	(1,847)	(24,078)
Outflow Deferrals	(147,457)	31,887	(115,570)
Inflow Deferrals	479,768	26,255	506,023
Net pension liability	(364,153)	(209,940)	(574,093)
Net OPEB liability	(319,364)	(82,020)	(401,384)
Accrued liabilities	(266,465)	(1,192)	(267,657)
Net cash provided provided (used) by operating activities	<u>\$ (6,525,506)</u>	<u>\$ 633,926</u>	<u>\$ (5,891,580)</u>

**NONCASH NONCAPITAL FINANCING ACTIVITIES**

During the year, the district received \$482,429 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 \$402,911 for food services, and \$34,054 for day care, provided by state government.

See the accompanying notes to the financial statements.



HENDERSON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2024

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

The Henderson 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 Henderson 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 Henderson 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 Henderson 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 Henderson 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. 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.

#### (C) Special Revenue (District Activity) Fund

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Special Revenue (District Activity) Fund accounts for funds collected at individual schools for operation costs of the schools or school district that allows for more flexibility in the expenditures of those funds.

### (D) Special Revenue (Student Activity) Fund

Special Revenue (Student Activity) Fund accounts for activities of student groups and other types of activities requiring clearing accounts.

### (E) 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.

#### Construction Fund

The Construction Fund accounts for proceeds from sale of bonds and other revenues to be used for authorized construction and/or remodeling. This is a major fund of the District.

### (F) 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. The District considers this a major fund.

## II. Proprietary Funds (Enterprise Funds)

### (A) 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### (B) Day Care Fund

The Day Care Fund is used to account for child care activities.

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 exchange transactions, 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 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 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 June 30, 2024, 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 government 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### Right-of-Use Assets, Finance Purchases, Subscription-Based Information Technology Arrangements

The District records right-of-use and finance purchase assets in accordance with GASB 87 and subscription based information technology arrangement assets in accordance with GASB 96. These assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the asset into service. The assets are amortized on a straight-line basis over the life of the related lease.

### 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 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:

Non-spendable	Permanently non-spendable 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Board has adopted a GASB 54 spending policy which states that the spending order of funds is to first use restricted, committed, 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 are 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, 2024, to finance the General Fund operations were \$.676 per \$100 valuation of real property, \$.676 per \$100 valuation for tangible personal property and \$.548 per \$100 valuation for motor vehicles.

### 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 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 statements 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.

### 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.

### Other Postemployment Benefits (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



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 Debt Service Funds to prepare budgets.

Special Revenue Fund Expenditures exceeded budgeted appropriations by \$5,669,818.

### New Accounting Pronouncements

GASB Statement No. 100- In June, 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections—An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The Statement is effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

See Note Q, Prior Period Adjustments.

Effective in Future Years:

The District is currently evaluating the potential impact of the following issued, but not yet effective, accounting standards:

GASB Statement No. 101- In June, 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The Statement is effective for reporting periods beginning after December 15, 2023, and all reporting periods thereafter.

GASB Statement No. 102- In December, 2023, the GASB issued Statement No. 101, *Certain Risk Disclosures*. The objectives of this Statement is to improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The Statement is effective for fiscal years beginning after June 15, 2024, and reporting periods thereafter.

GASB Statement No. 103- In April in 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement is effective for fiscal years beginning after June 15, 2025, and reporting periods thereafter.

### NOTE B – CASH AND CASH EQUIVALENTS

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

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law. At year end the District's bank balances were collateralized by securities held by the pledging bank's trust department in the District's name and FDIC insurance up to \$60,000,000. At year end, the carrying amount of the District's cash and cash equivalents was \$58,530,350. The bank balance for the same time was \$67,026,419.

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.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**NOTE C – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2024, was as follows:

<u><b>Governmental Activities</b></u>	<u><b>July 1, 2023</b></u>	<u><b>Additions</b></u>	<u><b>Deductions</b></u>	<u><b>June 30, 2024</b></u>
Land-nondepreciable	\$ 989,487	\$ -	\$ -	\$ 989,487
Construction in progress-nondepreciable	28,856,413	3,004,161	3,952,669	27,907,905
Land improvements	3,630,310	-	-	3,630,310
Buildings	102,593,442	3,952,669	-	106,546,111
Technology equipment	5,946,156	907,866	-	6,854,022
Machinery & equipment	8,781,095	396,581	107,897	9,069,779
General equipment	<u>2,652,913</u>	<u>187,256</u>	<u>-</u>	<u>2,840,168</u>
Total at historical cost	<u>\$ 153,449,815</u>	<u>\$ 8,448,532</u>	<u>\$ 4,060,566</u>	<u>\$ 157,837,782</u>
Less: Accumulated depreciation				
Land improvements	\$ 3,357,459	\$ 66,392	\$ -	\$ 3,423,851
Buildings	59,400,121	2,032,624	-	61,432,745
Technology equipment	5,366,579	321,076	-	5,687,654
Machinery & equipment	6,424,267	466,129	107,897	6,782,499
General equipment	<u>2,119,483</u>	<u>102,393</u>	<u>-</u>	<u>2,221,876</u>
Total accumulated depreciation	<u>\$ 76,667,908</u>	<u>\$ 2,988,613</u>	<u>\$ 107,897</u>	<u>\$ 79,548,625</u>
<u><b>Governmental Activities</b></u>				
Capital Assets-net	<u>\$ 76,781,907</u>	<u>\$ 5,459,919</u>	<u>\$ 3,952,669</u>	<u>\$ 78,289,158</u>
<u><b>Business-Type Activities</b></u>	<u><b>July 1, 2023</b></u>	<u><b>Additions</b></u>	<u><b>Deductions</b></u>	<u><b>June 30, 2024</b></u>
Buildings	\$ 47,516	\$ -	\$ -	\$ 47,516
Food service equipment	2,899,217	358,788	-	3,258,004
Technology equipment	<u>134,850</u>	<u>-</u>	<u>-</u>	<u>134,850</u>
Total at historical cost	<u>\$ 3,081,583</u>	<u>\$ 358,788</u>	<u>\$ -</u>	<u>\$ 3,440,370</u>
Less: Accumulated depreciation				
Buildings	\$ 36,112	\$ 1,901	\$ -	\$ 38,013
Food service equipment	1,526,002	156,447	-	1,682,450
Technology equipment	<u>119,992</u>	<u>3,954</u>	<u>-</u>	<u>123,946</u>
Total accumulated depreciation	<u>\$ 1,682,107</u>	<u>\$ 162,302</u>	<u>\$ -</u>	<u>\$ 1,844,409</u>
<u><b>Business-Type Activities</b></u>				
Capital Assets-net	<u>\$ 1,399,475</u>	<u>\$ 196,486</u>	<u>\$ -</u>	<u>\$ 1,595,961</u>

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as “unallocated”.

**NOTE D – LONG TERM 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 Henderson County School District Finance Corporation.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

The District, through the General Fund, 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 Henderson 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 the bonds then outstanding.

The bonds payable are collateralized by education facilities constructed by the District with bond proceeds. Bondholders are protected against default by a mechanism whereby the Commonwealth of Kentucky would withhold state SEEK payments and remit required debt service payments directly to the debt service paying agent. All bonds are subject to federal arbitrage regulations.

The original amount of outstanding issues, the issue dates, interest rates, maturity dates, and outstanding balances, at June 30, 2024, are summarized below:

<b>Bond Issues</b>	<b>Original Amount</b>	<b>Maturity Date</b>	<b>Interest Rates</b>	<b>2023 Outstanding</b>	<b>Additions</b>	<b>Retirements</b>	<b>2024 Outstanding</b>
2012	\$ 2,260,000	1/2/2024	.70-2%	\$ 215,000	\$ -	\$ 215,000	\$ -
2014	7,865,000	1/12/2030	.90-3%	4,915,000	-	570,000	4,345,000
2015	3,790,000	1/6/2035	3-3.5%	3,225,000	-	150,000	3,075,000
2016	17,845,000	1/10/2036	2-3.125%	14,220,000	-	830,000	13,390,000
2018	1,275,000	1/4/2038	3-3.70%	1,160,000	-	35,000	1,125,000
2020	21,595,000	1/6/2040	1.1-2.750%	19,100,000	-	865,000	18,235,000
2020R	1,435,000	1/8/2031	.45-2%	1,190,000	-	120,000	1,070,000
2021	4,630,000	1/8/2031	1-1.25%	4,190,000	-	445,000	3,745,000
	<u>60,695,000</u>			<u>48,215,000</u>	<u>-</u>	<u>3,230,000</u>	<u>44,985,000</u>
Add:			Premium	59,475	-	5,306	54,169
Less:			Discount	(437,883)	-	(28,218)	(409,665)
				<u>\$ 47,836,592</u>	<u>\$ -</u>	<u>\$ 3,207,088</u>	<u>\$ 44,629,504</u>

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, 2024, for debt service, (principal and interest) are as follows:

SEE SCHEDULE NEXT PAGE

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

Fiscal Year Ended June 30th	Principal		Interest		Principal Total	Interest Total
	Local	KSFCC	Local	KSFCC		
2025	\$ 2,767,369	\$ 392,631	\$ 975,124	\$ 149,849	\$ 3,160,000	\$ 1,124,973
2026	2,837,867	407,133	913,172	138,363	3,245,000	1,051,535
2027	2,900,081	414,919	849,420	126,553	3,315,000	975,973
2028	2,971,403	428,597	783,013	114,378	3,400,000	897,391
2029	3,047,339	437,661	713,372	101,820	3,485,000	815,191
2030-2034	14,015,134	1,964,866	2,515,513	328,016	15,980,000	2,843,529
2035-2039	9,772,029	1,222,971	878,816	72,547	10,995,000	951,363
2040	1,349,371	55,629	37,108	1,530	1,405,000	38,638
	<u>\$ 39,660,593</u>	<u>\$ 5,324,407</u>	<u>\$ 7,665,537</u>	<u>\$ 1,033,055</u>	<u>\$ 44,985,000</u>	<u>\$ 8,698,592</u>

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 2024 for accumulated sick leave is as follows:

	2023 Outstanding Balance	Additions	Retirements	2024 Outstanding Balance
Sick Leave	\$ 712,651	\$ 146,662	\$ -	\$ 859,313

Net Pension & OPEB Liability

The net pension liability is \$22,807,822 for governmental activities and \$1,119,017 for business-type activities for a total of \$23,926,839 as of June 30, 2024 (See Note E for additional information). The net OPEB liability is \$11,995,000 for governmental activities and \$0 for business-type activities for a total of \$11,995,000 as of June 30, 2024 (See Note F for additional information).

A summary of activity in bond obligations and other debts is as follows:

Description	2023 Outstanding Balance	Additions	Retirements	2024 Outstanding Balance	Current
Bonds, net of premium and discount	\$ 47,836,592	\$ -	\$ 3,207,888	\$ 44,629,504	\$ 3,160,000
Sick leave	712,651	146,662	-	859,313	150,280
Net pension liability	26,287,365	-	2,360,526	23,926,839	-
Net OPEB liability	24,454,936	-	12,459,936	11,995,000	-
Total	<u>\$ 99,291,544</u>	<u>\$ 146,662</u>	<u>\$ 18,028,350</u>	<u>\$ 81,410,656</u>	<u>\$ 3,310,280</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 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)

##### *Retirement Annuity Trust*

##### **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 provisions**

**For Members before July 1, 2008:** Members become vested when they complete five years of credited service. To qualify for monthly benefits, payable for life, members must either:

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

Non-university members receive monthly payments equal to 2% (service prior to July 1, 1983) and 2.5% (service after July 1, 1983) of their final average salaries for each year of credited service. Non-university members who became members on or 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 10 years. New members after July 1, 2002, who retire with 10 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 10 years. In addition, non-university members who retire July 1, 2004, and later with more than 30 years of service will have a multiplier for all years over 30 of 3%.

The final average salary is the member's five highest annual salaries except members at least age 55 with 27 or more years of service may use their three highest annual salaries. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For Members On or After July 1, 2008:** Members become vested when they complete five years of credited service. To qualify for monthly retirement benefits, payable of r life, members must either:

1. Attain age 60 and complete 5 years of Kentucky service, or
2. Complete 27 years of Kentucky service, or
3. Attain age 55 and complete 10 years of Kentucky service.

The annual retirement allowance for non-university members is equal to : (a) 1.7% of final average salary for each year of credited service if their service is 10 years or less; (b) 2% of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) 2.3% of final average salary for each year of credited service if their service is greater than 20 years but no more than 26 years; (d) 2.5% of final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; (e) 3% of final average salary for years of credited service greater than 30 years.

The final average salary is the member’s five highest annual salaries except members at least age 55 with 27 or more years of service may use their three highest annual salaries. 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.

**For Members on and after January 1, 2022:**

Condition for Retirement                      Attainment of age 57 and 10 years of service or attainment of age 65  
And 5 years of service.

Amount of Allowance

Foundational Benefit                              The annual foundational benefit for members is equal to service times  
A multiplier times final average salary.

Age	Years of Service							
	5-9.99		10-19.99		20-29.99		30 or More	
57-60	-	%	1.70	%	1.95	%	2.20	%
61	-	%	1.74	%	1.99	%	2.24	%
62	-	%	1.78	%	2.03	%	2.28	%
63	-	%	1.82	%	2.07	%	2.32	%
64	-	%	1.86	%	2.11	%	2.36	%
65 and over	1.90	%	1.90	%	2.15	%	2.40	%

The annual foundational benefit is reduced by 6% per year from the Earlier of age 60 on the date the member would have completed 30 Years of service.

Supplemental Benefit                              The annual supplemental benefit is equal to the account balance which

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Includes member and employer contributions and interest credited Annually on June 30. Options include annuitizing the balance or receiving The balance as a lump sum either at the time of retirement or at a later date.

### Disability Retirement Allowance

Condition for Allowance      Totally and permanently incapable of being employed as a teacher and Under age 60 but after completing 5 years of service

Amount of Allowance      The disability allowance is equal to the greater of the service retirement Allowance or 60% of the member's final average salary. The disability Allowance is payable over an entitlement period equal to 25% of the service Credited to the member at the date of the disability or 5 years, whichever is Longer. After the disability entitlement period has expired and if the Member remains disabled, he will be retired under service retirement. The Service retirement allowance will be computed with service credit given For the period of disability retirement. The allowance will not be less than \$6,000 per year. The service retirement allowance will not be reduced for Commencement of the allowance before age 60 or the completion of 27 Years of service.

### Benefits Payable on Separation

From Service      Any member who ceases to be in service is entitled to receive his Contributions with allowable interest. A member who has completed 5 Years of creditable service and leaves his contributions with the System May be continued in the membership of the System after separation from Service, and file application for service retirement after the attainment of Age 60.

Life Insurance      A separate Life Insurance fund has been created as June 30, 2000 to pay Benefits on behalf of deceased TRS active and retired members.

Death Benefits      A surviving spouse of an active member with less than 10 years of service May elect to receive an annual allowance of \$2,880 except that if income From other sources exceeds \$6,600 per year the annual allowance will be \$2,160.

A surviving spouse of an active member with 10 or more years of service May elect to receive an allowance which is the actuarial equivalent of the Allowance the deceased member would have received upon retirement. The allowance will commence on the date the deceased member would have Been eligible for service retirement and will be payable during the life of The spouse.

If the deceased member is survived by unmarried children under age 18 the following schedule of annual allowances applies:



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

<b>Number of Children</b>	<b>Annual Allowance</b>
1	\$ 2,400
2	\$ 4,080
3	\$ 4,800
4 or more	\$ 5,280

The allowances are payable until a child attains age 18, or age 23 if a Full-time student.

If the member has no eligible survivor, a refund of his accumulated Contributions is payable to his estate.

**Options**

In lieu of the regular Option 1, a retirement allowance payable in the Form of a life annuity with refundable balance, any member before Retirement may elect to receive a reduced allowance which is actuarially Equivalent to the full allowance, in one of the following forms:

Option 2. A single life annuity payable during the member's lifetime with Payments for 10 years certain.

Option 3. At the death of the member his allowance is continued throughout The life of the beneficiary.

Option 3(a). At the death of the beneficiary designated by the member Under Option 3, the member's benefit will revert to what would have been paid had he not selected an option.

Option 4. At the death of the member one half of his allowance is Continued throughout the life of the beneficiary.

Option 4(a). At the death of the beneficiary designated by the member Under Option 4, the member's benefit will revert to what would have been Paid had he not selected an option.

**Post-Retirement Adjustments**

The retirement allowance of each retired member and of each beneficiary Shall be increased by 1.5% each July 1.

**Member Contributions**

Members before 1/1/2022

9.105% of salary to the Retirement System.

Members on and after 1/1/2022

9% of salary to the Retirement System and an additional 2% of salary to the Supplemental benefit account. Employers also contributes 2%.

**Contributions**

Contribution rates are established by Kentucky Revised Statutes (KRS). Employees are required to contribute 9.105% of their salaries to the system. Members after January 1, 2022 contribute 7.00% of salary to the system. The state, 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 who joined thereafter. Contributions 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

The District did not report a liability for the District's proportionate share of the net pension liability, pension expense, and deferred inflows and outflows of resources because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The net pension liability that was associated with the District follows.

State's proportionate share of the TRS net pension liability associated with the District	160,343,102
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The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022. 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. The District's proportion was 0.941000%.

### Actuarial Methods and Assumptions

A summary of the actuarial assumptions of the latest actuarial valuation follows.

Valuation Date	June 30, 2022
Prior Measurement Date	June 30, 2022
Measurement Date	June 30, 2023
Reporting Date	June 30, 2024
Actuarial Cost Method	Entry age
Inflation Rate	2.5%
Single Equivalent Interest Rate Prior	7.10%
Single Equivalent Interest Rate at Measurement Date	7.10%
Municipal Bond Index Rate Prior	3.37%
Municipal Bond Index Rate at Measurement Date	3.66%
Projected Salary Increase	3.0-7.5%, including inflation
Long-Term Expected Rate of Return	7.10

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 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

### Target Allocations

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.

A summary of the target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, follows.

Asset Class	Target Allocation	Long-Term Expected Rates of Return
Large Cap US Equity	35.4 %	5.0 %
Small Cap Equity	2.6 %	5.5 %
Developed International Equity	15.7 %	5.5 %
Emerging Markets Equity	5.3 %	6.1 %
Fixed Income	15.0 %	1.9 %
High Yield Bonds	5.0 %	3.8 %
Other Additional Categories	5.0 %	3.6 %
Real Estate	7.0 %	3.20 %
Private Equity	7.0 %	8.0 %
Cash	2.0 %	1.6 %
Total	100 %	

### Discount Rate

The discount rate used to measure the total pension liability as of the Measurement Date 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 (ADC) rates for all future fiscal years. 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:

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
	6.10%	7.10%	8.10%
State's proportionate share of net pension liability	\$ 206,022,905	\$ 160,343,102	\$ 122,283,875

**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 publically available at <http://www.TRS.ky.gov/>.

**County Employees Retirement System**

*Non-Hazardous*

**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 and overseen by the Kentucky Public Pensions Authority (KPPA). The plan covers substantially all regular full-time members employed in non-hazardous duty positions of the school board. The plan provides for retirement, disability and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances.

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:

*Tier I* plan is provided by members, who contribute 5.00% of their creditable compensation.

*Tier II* plan members hired after September 1, 2008 contribute 6.00% of their creditable compensation. Further, 1% of these contributions are deposited to an account created for the payment of health insurance benefits.

*Tier III* plan members, who began participating on or after January 1, 2014, are required to contribute to the Cash Balance Plan. That plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Employee contributions to the plan are the same as the Tier II contributions. Tier III member accounts are also credited with an employer pay credit in the amount of 4% of the member’s creditable compensation.

For the year ending June 30, 2024, employers were required to contribute 23.34 % of the member’s salary, 23.34% pension and 0% for insurance. The District contributed \$2,644,873 to the CERS pension

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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

At June 30, 2024, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023 on an actuarial valuation as of that date. The District’s proportion of the net pension liability, \$23,926,839 was based on contributions to CERS during the fiscal year ended June 30, 2023. The District’s proportion was 0.372895%.

Deferred Inflows and Outflows of Resources, and Pension Expense included in the Schedule of Pension Amounts include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule of Pension Amounts does not include deferred outflow/inflows of resources for changes in the employer’s proportionate share of contribution or employer contributions made subsequent to the measurement date. The net pension liability as of June 30, 2024, is based on the June 30, 2023, actuarial valuation rolled forward. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are amortized over a closed five-year period.

The District recognized pension revenue of \$1,753,037 and reported deferred outflows of resources and deferred inflows of resources related to pensions as follows.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,238,646	\$ 65,016
Changes of assumptions	-	2,192,911
Net difference between projected and actual earnings on pension plan investments	2,584,776	2,911,151
Changes in proportion and differences between District contributions and proportionate share of contributions	33,982	1,279,510
District contributions subsequent to the measurement date	2,644,873	-
	\$ 6,502,277	\$ 6,448,588

The 2,644,873 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 following year.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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:

Year 1	\$ (1,676,660)
Year 2	(1,217,033)
Year 3	534,144
Year 4	<u>(231,635)</u>
	<u>\$ (2,591,184)</u>

### Actuarial Valuation

KPPA's actuary, Gabriel, Roeder, Smith & Co., completed the actuarial valuation for the calculation of the employer contribution rates for CERS and the Insurance Fund for the period ended June 30, 2023.

### Summary of Actuarial Assumptions

The results of the actuarial valuation are based upon the assumptions and funding policies adopted by the Board and statutory funding requirements. The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2023:

Valuation Date	June 30, 2021
Experience Study	July 1, 2018 to June 30, 2022
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets recognized
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30-year closed period at June 30, 2019, Gains/losses incurring After 2019 will be amortized over separate closed 20-year Amortization bases
Asset Valuation Method	Actuarial value of assets is recognized
Mortality	System-specific mortality table based on mortality experience From 2013-2018, projected with the ultimate rates from MP2014 Mortality improvement scale using a base year of 2019
Phase-In Provision	Board certified rate is phased into the actuarially determined rate In accordance with HB 362 enacted in 2018
Inflation	2.30%
Payroll Growth Rate	2.0%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Phase-in Provision	HB 362 enacted in 2018

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**Discount rate**

A single discount rate of 6.5% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments.

**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 6.5%, 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 (5.5%) or 1-percentage-point higher (7.5%) than the current rate:

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
	5.50%	6.50%	7.50%
District's proportionate share of net pension liability	\$ 30,209,080	\$ 23,926,839	\$ 18,706,061

The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the table below for CERS Pension and Insurance Funds:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<b>Equity</b>		
Public Equity	50 %	5.9 %
Private Equity	10 %	11.73 %
<b>Fixed Income</b>		
Core Fixed Income	10 %	2.45 %
Specialty Credit	10 %	3.65 %
Cash	0 %	1.39 %
<b>Inflation Protected</b>		
Real Estate	7 %	4.99 %
Real Return	13 %	5.15 %

Expected Real Return is 5.75%. Long Term Inflation Assumption is 2.5%. Expected Nominal Return of Portfolio is 8.25%.

**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 publically available at <https://kyret.ky.gov>.

**Payables to the pension plan**

There are no payables to CERS.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE F – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

#### TRS – General Information about the OPEB Plans

##### *Health Insurance Trust (Medical Insurance Fund)*

#### **Plan description**

In addition to the retirement annuity plan as described earlier, KRS 161.675 requires TRS to provide postemployment healthcare benefits to eligible members and dependents. The TRS Health Insurance Trust is funded by employer and member contributions. Changes made to the medical plans provided through the trust may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

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 U.S.C. sec. 401(h) and 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).

#### **Benefits provided**

To be eligible for medical benefits, the member must have retired either for service or disability and a required amount of service credit. The TRS medical plan offers members who are not eligible for Medicare and under age 65 coverage through the Kentucky Employees Health Plan (KEHP) administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are eligible for Medicare, coverage is obtained through the TRS Medicare Eligible Health Plan (MEHP) administered by TRS.

#### **Contributions**

Contributions are made on behalf of TRS retired members toward payment of health insurance premiums. The amount of the member's contribution is based on a table approved by the TRS board. Retired members pay premiums in excess of the monthly contribution. The Commonwealth of Kentucky bears risk for excess claims expenses that exceed the premium equivalents charged for the KEHP. The member postemployment medical contribution is 3.75% of salary. The employer postemployment medical contribution is 0.75% of member salaries.

Effective July 1, 2010, retirees under the age of 65 began a three-year phase-in of the Shared Responsibility Contribution. Effective July 1, 2012, the full Shared Responsibility Contribution equals the Standard Medicare Part B premium paid by retirees ages 65 and older.



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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

The District reported a liability of \$11,995,000 for its proportionate share of the collective net OPEB liability (NOL). The collective net OPEB liability was valued 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. The District's proportion was .492462%.

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 as follows:

District's proportionate share of TRS net OPEB liability	\$	11,995,000
State's proportionate share of the TRS net OPEB liability associated with the District		<u>10,110,000</u>
	\$	<u><u>22,105,000</u></u>

The District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 4,065,000
Changes of assumptions	2,727,000	-
Net difference between projected and actual earnings on pension plan investments	224,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	3,964,000	4,967,000
District contributions subsequent to the measurement date	<u>900,421</u>	<u>-</u>
	\$ <u><u>7,815,421</u></u>	\$ <u><u>9,032,000</u></u>

The \$900,421 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. 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:

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Year Ended June 30,
Year 1	\$ (657,000)
Year 2	(596,000)
Year 3	113,000
Year 4	(34,000)
Year 5	(455,000)
Thereafter	(488,000)
	\$ (2,117,000)

### Actuarial Methods and Assumptions

A summary of the actuarial assumptions as of the latest actuarial valuation follows.

Actuarial Cost Method	Entry age normal
Valuation Date	June 30, 2022
Discount Rate	7.10%
Amortization Period	Level percentage of payroll
Amortization Method	21 years, closed
Asset Valuation Method	Market Value of Assets
Price Inflation	2.5%
Real Wage Growth	2.75%
Wage Inflation	2.75%
Salary Increase	7.5%, 1 year of service to 3.0%, greater than 17 years of service
Health Care Cost Trends	
Medical	6.75% at June 30, 2023, decreasing to an ultimate rate of 4.5% by June 30, 2034
Medicare Part B	1.55% at June 30, 2023 with an ultimate rate of 4.5% by June 30, 2034

Mortality rates were based on the Teachers Mortality Table, and set forward two years for males and multiplied by 102%. Rates for females are set forward 2 years and multiplied by 101%. Disabled male members are set forward 1 year and multiplied by 96%. Rates for female members are set back 2 years and multiplied by 94%.

### Target Allocations

The long-term expected rate of return on OPEB 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	Long Term Expected Real Rate of Return
Large Cap US Equity	35.4 %	5.0 %
Small Cap US Equity	2.6 %	5.5 %
Developed International Equity	15.0 %	5.5 %
Emerging Markets Equity	5.0 %	6.1 %
Fixed Income	9.0 %	1.9 %
High Yield Bonds	8.0 %	3.8 %
Other Additional Categories	9.0 %	3.7 %
Real Estate	6.5 %	3.2 %
Private Equity	8.5 %	8.0 %
Cash	1.0 %	1.6 %
Total	100 %	

### Discount Rate

The discount rate used to measure the TOL as of the measurement date was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB Statement No. 74. The projection's basis was an actuarial valuation performed as of June 30, 2022. 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 per member per month (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 Health Insurance Trust were based upon the contribution rates defined in statute and the projected payroll of active employees. Per KRS 161.540(1)(c).3 and 161.550(5), when the health trust achieves a sufficient funded status, as determined by TRS's actuary, the following health trust 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 the health trust is projected to achieve a funded ratio of 100% or more. Here, the current statutory amounts are adjusted to achieve total contributions equal to the Actuarially Determined Contribution (ADC), as determined by the prior year's valuation and in accordance with the Health Trust's funding policy. As the specific methodology to be used for the adjustments has yet to be determined, there may be differences between the projected results and future experience. This may also include any changes to retiree contributions for KEHP coverage pursuant to KRS 161.675(4)(b).

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

- In developing the adjustments to the statutory contributions in future years the following was assumed:
- Liabilities and cash flows are net of expected retiree contributions and any implicit subsidies attributable to coverage while participating in KEHP.
  - For the purposes of developing estimates for new entrants, active headcounts were assumed to remain flat for all future years.

Based on these assumptions, the Health Insurance Trust’s fiduciary net position (FNP) was not projected to be depleted.

The following table presents the net OPEB liability of the District, calculated using the discount rate of 7.10%, and what the 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 discount rate:

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
	6.10%	7.10%	8.10%
District's proportionate share of net OPEB liability	\$ 15,428,000	\$ 11,995,000	\$ 9,157,000

The following presents the District’s proportionate share of the collective net OPEB liability, as well as what it 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:

	<b>1% Decrease</b>	<b>Current Trend Rate</b>	<b>1% Increase</b>
District's proportionate share of net OPEB liability	\$ 8,635,000	\$ 11,995,000	\$ 16,178,000

***Life Insurance Trust***

**Plan description and benefits provided**

TRS administers the Life Insurance Trust as provided by KRS 161.655 to provide life insurance benefits to retired and active members. The benefit is financed by actuarially determined contributions from the 207 participating employers. The benefit is \$5,000 for members who are retired for service or disability, and \$2,000 for active contribution members.

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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 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.

### Net OPEB Liability

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 as follows:

State's proportionate share of the TRS net OPEB liability associated with the District	\$	250,000
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### Actuarial Assumptions

A summary of the actuarial assumptions as of the latest actuarial valuation is shown below.

Actuarial Cost Method	Entry age normal
Valuation Date	June 30, 2022
Discount Rate	7.10%
Amortization Period	Level percentage of payroll
Amortization Method	21 years, closed
Asset Valuation Method	Market Value of Assets
Price Inflation	2.5%
Real Wage Growth	2.75%
Wage Inflation	2.75%
Salary Increase	7.5%, 1 year of service to 3.0%, greater than 17 years of service
Health Care Cost Trends	
Medical	6.75% at June 30, 2023, decreasing to an ultimate rate of 4.5% by June 30, 2034
Medicare Part B	1.55% at June 30, 2023 with an ultimate rate of 4.5% by June 30, 2034

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB, and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2019 valuation were based on the results of the most recent actuarial experience studies for the system, which covered the five year period ending June 30, 2015.

The remaining actuarial assumptions used in the June 30, 2019, valuation of the health trust were based on a review of recent plan experience done concurrently with the June 30, 2019, valuation. The health care cost trend rate assumption was updated for the June 30, 2019, valuation and was shown as an assumption change in the total OPEB liability (TOL) roll forward while the change in initial per capital claims costs were included with experience in the TOL roll forward.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20 year Municipal Bond index pushed weekly by the Board of Governors of the Federal Reserve System.

### Target Allocations

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
US Equity	40.0 %	5.2 %
Developed International Equity	15.0 %	5.5 %
Emerging Markets Equity	5.0 %	6.1 %
Fixed Income	21.0 %	1.9 %
Other Additional Categories	5.0 %	4.0 %
Real Estate	7.0 %	3.2 %
Private Equity	5.0 %	8.0 %
Cash	2.0 %	1.6 %
Total	100 %	

As the Life Trust investment policy is to change, the above reflects the pension allocation and returns that achieve the targeted 8.00% long-term rate of return.

### Discount Rate

The discount rate used to measure the total OPEB liability (TOL) as of the measurement date was 7.1%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB Statement No. 74. The projection's basis was an actuarial valuation performed as of June 30, 2021. In addition to actuarial methods and assumptions of the June 30, 2021, actuarial valuation, the following actuarial methods and assumptions were used in the projection of the life insurance 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.
- Active employees do not explicitly contribute to the plan.
- Cash flows occur mid-year.

Based on these assumptions, the Life Insurance Trust's fiduciary net position (FNP) was not projected to be depleted.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### Revenue or Expenses for TRS OPEB plans

For the year ended June 30, 2024, the District recognized OPEB revenue in the amount of \$1,079,116 for support provided on-behalf of the State.

### CERS – General Information about the OPEB Plans

#### Employees' Health Plan

##### Plan description

The Insurance Fund was established to provide hospital and medical insurance for eligible members receiving benefits. CERS Non-hazardous Insurance Plan is a cost-sharing multiple employer defined benefit Other Postemployment Benefits (OPEB) plan. The plan covers all regular full-time members employed in non-hazardous duty positions of the school board. OPEB may be extended to beneficiaries of plan members under certain circumstances.

##### Benefits provided

The Plan provides hospital and medical insurance for eligible members receiving benefits. The Insurance Fund will pay the cost of insurance premium for participating members prior to July 1, 2003 greater than 4 years of service, 25%, greater than 10 years of service, 50%, greater than 15 years of service, 75%, and greater than 20 years of service, 100%. For participating members after July 1, 2003 the benefit paid by the Insurance Fund is based on years of service the dollar amount per year of service is \$13.99 to be applied to the current cost premium.

##### 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.

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

The District reported an asset of \$514,824 for its proportionate share of the collective net OPEB liability which is .372881%.

Deferred Inflows and Outflows of Resources, and OPEB Expense included in the Schedules of OPEB Amounts include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedules of OPEB Amounts do not include deferred outflow/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The total OPEB liability, net OPEB liability (NOL), and sensitivity information are based on an actuarial valuation date of June 30, 2021. The total OPEB liability was rolled forward from the valuation date to the plan's fiscal year ended June 30, 2023, using generally accepted actuarial principles.

For the year ended June 30, 2024, the District recognized OPEB revenue of \$1,338,224. The District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 358,911	\$ 7,309,993
Changes of assumptions	1,013,139	706,056
Net difference between projected and actual earnings on pension plan investments	963,474	1,082,955
Changes in proportion and differences between District contributions and proportionate share of contributions	141,093	607,675
District contributions subsequent to the measurement date	<u>330,406</u>	<u>-</u>
	<u>\$ 2,807,022</u>	<u>\$ 9,706,679</u>

The \$330,406 (includes \$168,154 Implicit Subsidy) 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 following year. 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>
Year 1	\$ (1,792,571)
Year 2	(2,202,229)
Year 3	(1,770,156)
Year 4	<u>(1,465,106)</u>
	<u>\$ (7,230,063)</u>

*Implicit Employer Subsidy for non-Medicare retirees-* 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 and 75 requires that the liability associated with this implicit subsidy be included in the calculation of the total OPEB liability.

**Changes of Benefit Terms**

None



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### Actuarial Methods and Assumptions to Determine the Total OPEB Liability and the Net OPEB Liability

For financial reporting, the actuarial valuation as of June 30, 2023, was performed by Gabriel Roeder Smith (GRA). The total OPEB liability, net OPEB liability, and sensitivity information, were based on an actuarial valuation as of June 30, 2021. The total OPEB liability was rolled-forward from the valuation to the plan's fiscal year ending June 30, 2023, using the generally accepted actuarial principles.

The following actuarial assumptions were used in performing the actuarial valuation:

Valuation Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets recognized
Amortization Method	Level Percent of Pay
Amortization Period	30-year closed period at June 30, 2019, Gains/losses incurring After 2019 will be amortized over separate closed 20-year Amortization bases
Mortality	System-specific mortality table based on mortality experience From 2013-2018, projected with the ultimate rates from MP2014 Mortality improvement scale using a base year of 2019
Phase-In Provision	Board certified rate is phased into the actuarially determined rate In accordance with HB 362 enacted in 2018
Inflation	2.30%
Payroll Growth Rate	2.0%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
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 6.3% at January 1, 2023, gradually Decreasing to an ultimate trend rate of 4.05% over a period of 13 Years. The 2022 premiums were known at the time of the Valuation and were incorporated into the liability measurement.
Post-65	Initial trend starting at 6.3% at January 1, 2023, gradually Decreasing to an ultimate trend rate of 4.05% over a period of 13 Years. The 2022 premiums were known at the time of the Valuation and were incorporated into the liability measurement.

Senate Bill 209 passed in the 2022 legislative session increased the insurance dollar contribution for members hired on or after July 1, 2003 by \$5 for each year of service each member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023. House Bill 506 adjusted the minimum required separation period before a retiree may become reemployed and continue to receive their retirement allowance from three months to one month under all circumstances.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**Discount rate**

Single discount rates of 5.93% were used to measure the total OPEB liability as of June 30, 2023. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.5%, and a municipal bond rate of 3.86%, as reported in Fidelity Index’s “20 Year Municipal GO AA Index” as of June 30, 2023. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan’s fiduciary net position on 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 plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plans trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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

The following table presents the Net OPEB Liability calculated using the discount rate of 5.93%, 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 (4.93%) or 1-percentage-point higher (6.93%) than the current rate:

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
	4.93%	5.93%	6.93%
District's proportionate share of net OPEB liability	\$ 966,128	\$ (514,824)	\$ (1,754,942)

**Health Care Trend Rate Sensitivity**

The following presents the health care sensitivity rate of the District’s proportionate share of the net pension liability calculated using the discount rate of 5.93%, 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 (4.93%) or 1-percentage-point higher (6.93%) than the current rate:

	<b>1% Decrease</b>	<b>Current Trend Rate</b>	<b>1% Increase</b>
District's proportionate share of net OPEB liability	\$ (1,650,102)	\$ (514,824)	\$ 879,757

**OPEB plan fiduciary net position**

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**NOTE G – COMMITMENTS**

The District has commitments of \$24,551,654 as of June 30, 2024, for future construction projects. The District has a committed fund balance in the General Fund of \$709,033 for sick leave.

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

**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 is covered through the purchase of commercial insurance and self-insured workers compensation.

**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 unemployment, errors and omission, and general liability coverage, the District purchased commercial insurance policies and a self-insured workers compensation plan.

**NOTE L – DEFICIT FUND AND OPERATING BALANCES**

The following funds had a deficit change in fund balance/net position:

<u>Fund</u>		<u>Change in Net Position/ Net Change in Fund Balance</u>	<u>Fund Balance/ Net Position</u>
District Activity Fund	\$	(1,209)	-
Construction Fund		(2,888,387)	-

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**NOTE M – COBRA**

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

**NOTE N – TRANSFER OF FUNDS**

The following transfers were made during the year:

<u>Type</u>	<u>From</u>	<u>To</u>	<u>Purpose</u>	<u>Amount</u>
Operations	Building Fund	Construction	Operations	\$ 115,773
Debt Service	Building Fund	Debt Service	Debt Payments	3,671,285
Special Rev	General Fund	Special Revenue	KETS Matching	122,948
Operations	Food Service	General Fund	Indirect Costs	332,723
Operations	Special Rev	General Fund	Indirect Costs	1,711
Operations	Student Activity	District Activity	Operations	23,340
Construction	Construction	Construction	Construction	\$ 351,841

**NOTE O – RESTRICTED FUND BALANCES**

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Construction	\$ 6,556,104	Future Construction
Food Service	4,834,680	School Food Service Operations
Capital Outlay	962,763	SFCC Requirements
District Activity	11,584	District Activity
Child Care	2,268,596	School Child Care Operations
School Activity	1,166,161	Student Activity
FSPK	\$ 3,113,786	SFCC Requirements

**NOTE P – ON-BEHALF PAYMENTS**

For fiscal year 2024, the Commonwealth of Kentucky contributed estimated payments on behalf of the District as follows:

<u>Plan/Description</u>	<u>Amount</u>
Kentucky Teachers Retirement System (GASB 68 & 75)	\$ 10,456,220
Health Insurance	8,952,920
Life Insurance	12,516
Administrative Fee	99,948
HRA/Dental/Vision	448,525
Federal Reimbursement	(640,592)
Technology	154,342
SFCC Debt Service Payments	673,668
Total	\$ <u>20,157,547</u>

These amounts are included in the financial statements as state revenue and an expense allocated to the different functions in the same proportion as full-time employees.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE Q – PRIOR PERIOD ADJUSTMENTS

During the course of the audit, two calculation errors were identified in the previously issued financial statements for the year ended June 30, 2023, which required the following prior period adjustments:

1. Capital assets were understated in the prior year’s financial statements by \$1,972,495 due to inaccurate reporting of construction costs for ongoing construction projects. This correction results in an increase to construction in progress and a corresponding increase to the beginning net position for governmental activities.
2. Long-term debt was understated in the prior year’s financial statements by \$66,818 due to inaccurate reporting of the principal of outstanding bonds. This correction results in an increase to bonds payable and a corresponding reduction to the beginning net position for governmental activities.

Following the adjustments above, the restated net position beginning for governmental activities is \$26,531,819. The net effect of the prior period adjustments is shown in the table below:

<u>Net Position: Government-wide Statements</u>	<u>June 30, 2023 as Previously Reported</u>	<u>Error Correction</u>	<u>June 30, 2024 as Restated</u>
Governmental Activities	\$ 24,626,139	\$ 1,905,680	\$ 26,531,819
Business-type Activities	7,545,017	-	7,545,017
Total primary government	\$ <u>32,171,156</u>	\$ <u>1,905,680</u>	\$ <u>34,076,836</u>

### NOTE R – SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 15, 2024, the date the financial statements were available to be issued.

HENDERSON COUNTY SCHOOL DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 CERS and TRS

For the year ended June 30, 2024

	Reporting Fiscal Year (Measurement Date) 2024 (2023)	Reporting Fiscal Year (Measurement Date) 2023 (2022)	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)	Reporting Fiscal Year (Measurement Date) 2017 (2016)	Reporting Fiscal Year (Measurement Date) 2016 (2015)
<b>COUNTY EMPLOYEE'S RETIREMENT SYSTEM (CERS):</b>									
Districts' proportion of the net pension liability	0.372895%	0.387058%	0.414625%	0.394526%	0.39168%	0.39326%	0.39424%	0.408610%	0.43650%
District's proportionate share of the net pension liability	\$ 23,926,839	\$ 27,980,475	\$ 26,435,596	\$ 30,259,818	\$ 27,547,240	\$ 23,950,976	\$ 23,075,845	\$ 20,118,396	\$ 18,767,532
State's proportionate share of the net pension liability associated with the District	-	-	-	-	-	-	-	-	-
Total	\$ 23,926,839	\$ 27,980,475	\$ 26,435,596	\$ 30,259,818	\$ 27,547,240	\$ 23,950,976	\$ 23,075,845	\$ 20,118,396	\$ 18,767,532
District's covered-employee payroll	\$ 10,916,239	\$ 11,186,590	\$ 10,955,617	\$ 10,470,368	\$ 8,677,251	\$ 8,209,381	\$ 8,525,285	\$ 8,576,919	\$ 8,486,022
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	219.19%	250.13%	241.30%	289.00%	317.47%	291.75%	270.68%	234.56%	221.16%
Plan fiduciary net position as a percentage of the total pension liability	57.48%	52.42%	57.33%	47.81%	50.54%	53.54%	53.30%	59.00%	59.97%
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM (TRS):</b>									
State's proportion of the net pension liability	0.94100%	0.96620%	0.97910%	0.97680%	0.98750%	0.96540%	0.95550%	1.02310%	1.13680%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	160,343,102	163,698,788	127,421,645	138,443,757	133,072,905	126,415,356	257,816,883	301,816,489	264,542,143
Total	\$ 160,343,102	\$ 163,698,788	\$ 127,421,645	\$ 138,443,757	\$ 133,072,905	\$ 126,415,356	\$ 257,816,883	\$ 301,816,489	\$ 264,542,143
District's covered-employee payroll	\$ 35,300,592	\$ 35,795,388	\$ 34,905,600	\$ 33,470,210	\$ 25,685,195	\$ 25,745,431	\$ 26,444,203	\$ 26,686,750	\$ 26,483,619
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.000%	0.000%	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	57.68%	56.41%	65.59%	58.27%	58.80%	59.30%	39.80%	35.22%	42.29%

**Note:** Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30.

See the accompanying notes to the required supplementary information.

HENDERSON COUNTY SCHOOL DISTRICT  
**REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CONTRIBUTIONS**  
**CERS and TRS**  
 For the year ended June 30, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>COUNTY EMPLOYEE'S RETIREMENT SYSTEM (CERS):</b>									
Contractually required contribution	\$ 2,644,873	\$ 2,554,400	\$ 2,368,201	\$ 2,114,434	\$ 2,020,781	\$ 1,639,610	\$ 1,453,351	\$ 1,379,474	\$ 1,234,430
Contributions in relation to the contractually required contributions	<u>2,644,873</u>	<u>2,554,400</u>	<u>2,368,201</u>	<u>2,114,434</u>	<u>2,020,781</u>	<u>1,639,610</u>	<u>1,453,351</u>	<u>1,379,474</u>	1,234,430
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 11,237,188	\$ 10,916,239	\$ 11,186,590	\$ 10,955,617	\$ 10,470,368	\$ 10,108,570	\$ 10,036,954	\$ 9,888,703	\$ 9,939,050
District's contributions as a percentage of it's covered-employee payroll	23.54%	23.40%	21.17%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM (TRS):</b>									
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 36,555,470	\$ 35,300,592	\$ 35,795,388	\$ 34,905,600	\$ 33,470,210	\$ 32,708,490	\$ 31,468,916	\$ 36,502,212	\$ 35,630,694
District's contributions as a percentage of it's covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

**Note:** Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30.

See the accompanying notes to the required supplementary information.

HENDERSON COUNTY SCHOOL DISTRICT  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS**  
For the year ended June 30, 2024

**Teachers Retirement System (TRS)**

**Retirement Annuity Trust**

*Changes of Benefit Terms*

A new benefit tier was added for members joining the System on and after January 1, 2022. A description of the benefit provisions applicable to these members can be found in Schedule D of the 2023 Actuary Report of the TRS.

*Changes of assumptions*

In 2014, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.16% to 5.23%.

In 2015, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.23% to 4.88%.

In the 2016 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2016 valuation, the Assumed Salary Scale, Price Inflation, and Wage Inflation were adjusted to reflect a decrease. In addition, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.88% to 4.20%.

In 2017, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.20% to 4.49%.

In 2018, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.49% to 7.50%.

In the 2020 experience study, rates of withdrawal, retirement, disability, mortality, and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, set-backs, and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees, and actives. The assumed long-term investment rate of return was changed from 7.50 percent to 7.10 percent and the price inflation assumption was lowered from 3.00 percent to 2.50 percent. In addition, the calculation of the SEIR results in an assumption change from 7.50% to 7.10%.

*Actuarial Methods and Assumptions*

The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated as of June 30 on the 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.



HENDERSON COUNTY SCHOOL DISTRICT  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS**  
 For the year ended June 30, 2024

A summary of the actuarial assumptions of the latest actuarial valuation follows.

Valuation Date	June 30, 2022
Actuarial Cost Method	Entry age
Inflation Rate	2.5%
Single Equivalent Interest Rate	7.10%
Municipal Bond Index Rate	3.66%
Projected Salary Increase	3.0-7.5%, including inflation
Investment Rate of Return	7.10%, net of pension plan investment expense, including inflation.

**County Employee Retirement System (CERS)**

**Non-Hazardous**

*Changes of Benefit Terms*

None.

*Changes of assumptions*

None.

*Actuarial Methods and Assumptions*

Based on the actuarial valuation report, the actuarial methods and assumptions used to calculate the contribution rates are as follows.

Valuation Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets recognized
Amortization Method	Level Percent of Pay
Amortization Period	30-year closed period at June 30, 2019, Gains/losses incurring After 2019 will be amortized over separate closed 20-year Amortization bases
Mortality	System-specific mortality table based on mortality experience From 2013-2018, projected with the ultimate rates from
MP2014	
Phase-In Provision	Mortality improvement scale using a base year of 2019 Board certified rate is phased into the actuarially determined rate In accordance with HB 362 enacted in 2018
Inflation	2.30%
Payroll Growth Rate	2.0%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%

HENDERSON COUNTY SCHOOL DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
 MEDICAL AND LIFE INSURANCE PLANS - TEACHERS' RETIREMENT SYSTEM  
 Year ended June 30, 2024

	Reporting Fiscal Year (Measurement Date) 2024 (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)
<b>MEDICAL INSURANCE PLAN</b>							
District's proportion of the collective net OPEB liability (asset)	\$ 0.492462%	\$ 0.693611%	\$ 0.519016%	\$ 0.520171%	\$ 0.51689%	\$ 0.49551%	\$ 0.50209%
District's proportionate share of the collective net OPEB liability (asset)	11,995,000	17,219,000	11,137,000	13,128,000	15,128,000	17,193,000	17,903,000
State's proportionate share of the collective net OPEE liability (asset) associated with the District	<u>10,110,000</u>	<u>5,657,000</u>	<u>9,044,000</u>	<u>10,516,000</u>	<u>12,217,000</u>	<u>11,295,000</u>	<u>11,727,000</u>
Total	<u>\$ 22,105,000</u>	<u>\$ 22,876,000</u>	<u>\$ 20,181,000</u>	<u>\$ 23,644,000</u>	<u>\$ 27,345,000</u>	<u>\$ 28,488,000</u>	<u>\$ 29,630,000</u>
District's covered-employee payroll	\$ 35,300,592	\$ 35,795,388	\$ 34,905,600	\$ 33,470,210	\$ 32,708,490	\$ 31,468,916	\$ 36,502,212
District's proportionate share of the collective net OPEE liability (asset) as a percentage of its covered-employee payroll	55.77%	48.10%	31.91%	39.22%	46.25%	54.63%	49.05%
Plan fiduciary net position as a percentage of the total OPEB liability	52.97%	47.75%	39.05%	39.10%	32.60%	25.50%	21.20%
<b>LIFE INSURANCE PLAN</b>							
District's proportion of the collective net OPEB liability (asset)	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
District's proportionate share of the collective net OPEB liability (asset)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the collective net OPEE liability (asset) associated with the District	<u>250,000</u>	<u>281,000</u>	<u>120,000</u>	<u>318,000</u>	<u>284,000</u>	<u>254,000</u>	<u>196,000</u>
Total	<u>\$ 250,000</u>	<u>\$ 281,000</u>	<u>\$ 120,000</u>	<u>\$ 318,000</u>	<u>\$ 284,000</u>	<u>\$ 254,000</u>	<u>\$ 196,000</u>
District's covered-employee payroll	\$ 35,300,592	\$ 35,795,388	\$ 34,905,600	\$ 33,470,210	\$ 32,708,490	\$ 25,745,431	\$ 26,444,203
District's proportionate share of the collective net OPEE liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	76.91%	73.97%	71.57%	71.60%	73.40%	75.00%	80.00%

**Note:** Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30

See the accompanying notes to the required supplementary information.

HENDERSON COUNTY SCHOOL DISTRICT  
**REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CONTRIBUTIONS**  
**MEDICAL AND LIFE INSURANCE PLANS**  
**TEACHERS' RETIREMENT SYSTEM**  
 For the year ended June 30, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>MEDICAL INSURANCE PLAN</b>							
Contractually required contribution	\$ 900,421	\$ 896,305	\$ 821,414	\$ 921,407	\$ 918,521	\$ 899,753	\$ 882,688
Contributions in relation to the contractually required contribution	<u>900,421</u>	<u>896,305</u>	<u>821,414</u>	<u>921,407</u>	<u>918,521</u>	<u>899,753</u>	<u>882,688</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 28,850,846	\$ 35,300,592	\$ 35,795,388	\$ 34,905,600	\$ 33,470,210	\$ 32,708,490	\$ 31,468,916
District's contributions as a percentage of it's covered-employee payroll	3.12%	2.54%	2.29%	2.64%	2.74%	2.75%	2.80%
<b>LIFE INSURANCE PLAN</b>							
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 28,850,846	\$ 35,300,592	\$ 35,795,388	\$ 34,905,600	\$ 33,470,210	\$ 32,708,490	\$ 31,468,916
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

**Note:** Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30

See the accompanying notes to the required supplementary information.

HENDERSON SCHOOL DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - HEALTH INSURANCE PLAN  
 COUNTY EMPLOYEE RETIREMENT SYSTEM  
 For the year ended June 30, 2024

	Reporting Fiscal Year (Measurement Date) 2024 (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)
<b>HEALTH INSURANCE PLAN</b>							
District's proportion of the collective net OPEB liability (asset)	0.372881%	0.386991%	0.414528%	0.394422%	0.39159%	0.39325%	0.39424%
District's proportionate share of the collective net OPEB liability (asset)	\$ (514,824)	\$ 7,637,320	\$ 7,935,931	\$ 9,524,092	\$ 6,586,283	\$ 6,982,040	\$ 7,925,492
State's proportionate share of the collective net OPEB liability (asset) associated with the District	-	-	-	-	-	-	-
Total	<u>\$ (514,824)</u>	<u>\$ 7,637,320</u>	<u>\$ 7,935,931</u>	<u>\$ 9,524,092</u>	<u>\$ 6,586,283</u>	<u>\$ 6,982,040</u>	<u>\$ 7,925,492</u>
District's covered-employee payroll	\$ 10,916,239	\$ 11,186,590	\$ 10,955,617	\$ 10,470,368	\$ 8,677,251	\$ 8,209,381	\$ 8,525,285
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	-4.72%	68.27%	72.44%	90.96%	75.90%	85.05%	92.96%
Plan fiduciary net position as a percentage of the total OPEB liability	104.23%	60.95%	62.91%	51.67%	60.44%	57.62%	13.00%

**Note:** Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30.

See the accompanying notes to the required supplementary information.

HENDERSON COUNTY SCHOOL DISTRICT  
**REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CONTRIBUTIONS - HEALTH INSURANCE PLAN**  
**COUNTY EMPLOYEE RETIREMENT SYSTEM**  
 For the year ended June 30, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>HEALTH INSURANCE PLAN</b>							
Contractually required contribution	\$ 330,406	\$ 370,061	\$ 646,585	\$ 521,487	\$ 498,390	\$ 531,711	\$ 471,737
Contributions in relation to the contractually							
	<u>330,406</u>	<u>370,061</u>	<u>646,585</u>	<u>521,487</u>	<u>498,390</u>	<u>531,711</u>	<u>471,737</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 11,237,188	\$ 10,916,239	\$ 11,186,590	\$ 10,955,617	\$ 10,470,368	\$ 10,108,570	\$ 10,036,954
District's contributions as a percentage of it's covered-employee payroll	2.94%	3.39%	5.78%	4.76%	4.76%	5.26%	4.70%

**Note:** Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30.

See the accompanying notes to the required supplementary information.

HENDERSON COUNTY SCHOOL DISTRICT  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB**  
For the year ended June 30, 2024

**Teachers Retirement System (TRS)**

**Health Insurance Trust**

*Changes of Benefit Terms*

A new benefit tier was added for members joining the System on and after January 1, 2022. A description of the benefit provisions applicable to these members can be found in the 2023 Actuary Report of the TRS.

*Changes of Assumptions*

None.

*Actuarial Methods and Assumptions*

The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated as of June 30, 2019. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of the schedule.

Actuarial Cost Method	Entry age normal
Valuation Date	June 30, 2022
Discount Rate	7.10%
Amortization Period	Level percentage of payroll
Amortization Method	21 years, closed
Asset Valuation Method	Market Value of Assets
Price Inflation	2.5%
Real Wage Growth	2.75%
Wage Inflation	2.75%
Salary Increase	7.5%, 1 year of service to 3.0%, greater than 17 years of service
Health Care Cost Trends	
Medical	6.75% at June 30, 2023, decreasing to an ultimate rate of 4.5% by June 30, 2034
Medicare Part B	1.55% at June 30, 2023 with an ultimate rate of 4.5% by June 30, 2034

**Life Insurance Trust**

*Changes of Benefit Terms*

A new benefit tier was added for members joining the System on and after January 1, 2022. A description of the benefit provisions applicable to these members can be found in the 2023 Actuary Report of the TRS.

*Changes of Assumptions*

None.

*Actuarial Methods and Assumptions*

**HENDERSON COUNTY SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB**

For the year ended June 30, 2024

The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of the schedule.

Actuarial Cost Method	Entry age normal
Valuation Date	June 30, 2022
Discount Rate	7.10%
Amortization Period	Level percentage of payroll
Amortization Method	21 years, closed
Asset Valuation Method	Market Value of Assets
Price Inflation	2.5%
Real Wage Growth	2.75%
Wage Inflation	2.75%
Salary Increase	7.5%, 1 year of service to 3.0%, greater than 17 years of service
Health Care Cost Trends	
Medical	6.75% at June 30, 2023, decreasing to an ultimate rate of 4.5% by June 30, 2034
Medicare Part B	1.55% at June 30, 2023 with an ultimate rate of 4.5% by June 30, 2034

HENDERSON COUNTY SCHOOL DISTRICT  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB**  
 For the year ended June 30, 2024

**County Employee Retirement System (CERS)**

**Non-Hazardous**

*Changes of Benefit Terms*

None

*Changes of assumptions*

None.

*Actuarial Methods and Assumptions*

Based on the actuarial valuation report, the actuarial methods and assumptions used to calculate the contribution rates are as follows.

Valuation Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets recognized
Amortization Method	Level Percent of Pay
Amortization Period	30-year closed period at June 30, 2019, Gains/losses incurring After 2019 will be amortized over separate closed 20-year Amortization bases
Mortality	System-specific mortality table based on mortality experience From 2013-2018, projected with the ultimate rates from MP2014 Mortality improvement scale using a base year of 2019
Phase-In Provision	Board certified rate is phased into the actuarially determined rate In accordance with HB 362 enacted in 2018
Inflation	2.30%
Payroll Growth Rate	2.0%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
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 6.3% at January 1, 2023, gradually Decreasing to an ultimate trend rate of 4.05% over a period of 13 Years. The 2022 premiums were known at the time of the Valuation and were incorporated into the liability measurement.
Post-65	Initial trend starting at 6.3% at January 1, 2023, gradually Decreasing to an ultimate trend rate of 4.05% over a period of 13 Years. The 2022 premiums were known at the time of the Valuation and were incorporated into the liability measurement.



Henderson County School District  
**Combining Balance Sheet - Nonmajor Governmental Funds**  
 June 30, 2024

**Other Governmental Funds**

	<u>Special Revenue School Activity</u>	<u>Capital Outlay</u>	<u>FSPK</u>	<u>Special Revenue District Activity</u>	<u>Total</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 1,168,071	\$ 962,763	\$ 3,113,786	\$ 11,584	\$ 5,256,204
Receivables	<u>38</u>				<u>38</u>
Total assets	<u>1,168,109</u>	<u>962,763</u>	<u>3,113,786</u>	<u>11,584</u>	<u>5,256,242</u>
<b>Liabilities</b>					
Accounts Payable	<u>1,948</u>				<u>1,948</u>
Total liabilities	<u>1,948</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,948</u>
<b>Fund balance</b>					
Restricted	<u>1,166,161</u>	<u>962,763</u>	<u>3,113,786</u>	<u>11,584</u>	<u>5,254,294</u>
Total fund balance	<u>1,166,161</u>	<u>962,763</u>	<u>3,113,786</u>	<u>11,584</u>	<u>5,254,294</u>
<b>Total liabilities and fund balance</b>	<u>\$ 1,168,109</u>	<u>\$ 962,763</u>	<u>\$ 3,113,786</u>	<u>\$ 11,584</u>	<u>\$ 5,256,242</u>

Henderson County School District  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds**  
Year ended June 30, 2024

	<b>Other Governmental Funds</b>				
	<b>Special Revenue School Activity</b>	<b>Capital Outlay</b>	<b>FSPK</b>	<b>Special Revenue District Activity</b>	<b>Total</b>
<b>Revenues</b>					
Property tax	\$ -	\$ -	\$ 3,724,260	\$ -	\$ 3,724,260
Earnings from investments	62,541	35,420	99,938		197,899
Intergovernmental - state		608,175	2,454,800		3,062,975
Other local revenue	91,459				91,459
Student activities	2,180,794				2,180,794
	2,334,794	643,595	6,278,998	-	9,257,387
Total revenues					
<b>Expenditures</b>					
Instruction	2,127,841			21,935	2,149,776
Student support services	13,719				13,719
Instructional staff support	59,936			2,614	62,550
Other non-instructional	50,700				50,700
Student transportation	13,225				13,225
	2,265,421	-	-	24,549	2,289,970
Total expenditures					
<b>Excess (Deficit) of Revenues Over Expenditures</b>	69,373	643,595	6,278,998	(24,549)	6,967,417
<b>Other Financing Sources (Uses)</b>					
Operating transfers in				23,340	23,340
Operating transfers (out)	(23,340)		(3,787,058)		(3,810,398)
	(23,340)	-	(3,787,058)	23,340	(3,787,058)
Total other financing sources (uses)					
<b>Net Change in Fund Balance</b>	46,033	643,595	2,491,940	(1,209)	3,180,359
<b>Fund Balance-Beginning</b>	1,120,128	319,168	621,846	12,793	2,073,935
<b>Fund Balance-Ending</b>	\$ 1,166,161	\$ 962,763	\$ 3,113,786	\$ 11,584	\$ 5,254,294

HENDERSON COUNTY SCHOOL DISTRICT  
**Combining Balance Sheet - School Activity Funds**  
 June 30, 2024

	<u>HENDERSON COUNTY HIGH</u>	<u>NORTH MIDDLE</u>	<u>SOUTH MIDDLE</u>	<u>BEND GATE ELEMENTARY</u>	<u>CAIRO ELEMENTARY</u>	<u>CENTRAL LEARNING ELEMENTARY</u>	<u>CHANDLER ELEMENTARY</u>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 855,296	\$ 109,792	\$ 83,773	\$ 10,607	\$ 6,093	\$ 5,941	\$ 8,554
Accounts receivable		38					
Total assets	<u>855,296</u>	<u>109,830</u>	<u>83,773</u>	<u>10,607</u>	<u>6,093</u>	<u>5,941</u>	<u>8,554</u>
<b>LIABILITIES</b>							
Accounts payable	1,948						
Total liabilities	<u>1,948</u>	-	-	-	-	-	-
<b>FUND BALANCE</b>							
School activities	<u>853,348</u>	<u>109,830</u>	<u>83,773</u>	<u>10,607</u>	<u>6,093</u>	<u>5,941</u>	<u>8,554</u>
Total liabilities & fund balance	<u>\$ 855,296</u>	<u>\$ 109,830</u>	<u>\$ 83,773</u>	<u>\$ 10,607</u>	<u>\$ 6,093</u>	<u>\$ 5,941</u>	<u>\$ 8,554</u>

HENDERSON COUNTY SCHOOL DISTRICT  
**Combining Balance Sheet - School Activity Funds**  
 June 30, 2024

	<u>EAST HEIGHTS ELEMENTARY</u>	<u>JEFFERSON ELEMENTARY</u>	<u>NIAGARA ELEMENTARY</u>	<u>SOUTH HEIGHTS ELEMENTARY</u>	<u>SPOTTSVILLE ELEMENTARY</u>	<u>THELMA B JOHNSON ELEMENTARY</u>	<u>TOTAL</u>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 19,763	\$ 15,662	\$ 10,802	\$ 4,342	\$ 22,735	\$ 14,711	\$ 1,168,071
Accounts receivable							38
Total assets	<u>19,763</u>	<u>15,662</u>	<u>10,802</u>	<u>4,342</u>	<u>22,735</u>	<u>14,711</u>	<u>1,168,109</u>
<b>LIABILITIES</b>							
Accounts payable							1,948
Total liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	<u>1,948</u>
<b>FUND BALANCE</b>							
School activities	<u>19,763</u>	<u>15,662</u>	<u>10,802</u>	<u>4,342</u>	<u>22,735</u>	<u>14,711</u>	<u>1,166,161</u>
Total liabilities & fund balance	<u>\$ 19,763</u>	<u>\$ 15,662</u>	<u>\$ 10,802</u>	<u>\$ 4,342</u>	<u>\$ 22,735</u>	<u>\$ 14,711</u>	<u>\$ 1,168,109</u>

HENDERSON COUNTY SCHOOL DISTRICT  
**Combining Statement of Revenues, Expenses, and Changes in Fund Balance -School Activity Funds**  
 Year ended June 30, 2024

	<u>HENDERSON COUNTY HIGH</u>	<u>NORTH MIDDLE</u>	<u>SOUTH MIDDLE</u>	<u>BEND GATE ELEMENTARY</u>	<u>CAIRO ELEMENTARY</u>	<u>CENTRAL LEARNING ELEMENTARY</u>	<u>CHANDLER ELEMENTARY</u>
<b>REVENUES</b>							
Student revenues	\$ 1,579,627	\$ 275,082	\$ 194,261	\$ 28,119	\$ 22,191	\$ 2,996	\$ 29,866
Total revenues	<u>1,579,627</u>	<u>275,082</u>	<u>194,261</u>	<u>28,119</u>	<u>22,191</u>	<u>2,996</u>	<u>29,866</u>
<b>EXPENDITURES</b>							
Student activities	1,546,055	268,404	185,361	27,986	20,561	1,642	31,867
Total expenditures	<u>1,546,055</u>	<u>268,404</u>	<u>185,361</u>	<u>27,986</u>	<u>20,561</u>	<u>1,642</u>	<u>31,867</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	33,572	6,678	8,900	133	1,630	1,354	(2,001)
<b>FUND BALANCE - BEGINNING</b>	<u>819,776</u>	<u>103,152</u>	<u>74,873</u>	<u>10,474</u>	<u>4,463</u>	<u>4,587</u>	<u>10,555</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 853,348</u>	<u>\$ 109,830</u>	<u>\$ 83,773</u>	<u>\$ 10,607</u>	<u>\$ 6,093</u>	<u>\$ 5,941</u>	<u>\$ 8,554</u>

HENDERSON COUNTY SCHOOL DISTRICT  
**Combining Statement of Revenues, Expenses, and Changes in Fund Balance -School Activity Funds**  
Year ended June 30, 2024

	<u>EAST HEIGHTS ELEMENTARY</u>	<u>JEFFERSON ELEMENTARY</u>	<u>NIAGARA ELEMENTARY</u>	<u>SOUTH HEIGHTS ELEMENTARY</u>	<u>SPOTTSVILLE ELEMENTARY</u>	<u>THELMA B JOHNSON ELEMENTARY</u>	<u>TOTAL</u>
<b>REVENUES</b>							
Student revenues	\$ 38,864	\$ 45,392	\$ 26,847	\$ 9,900	\$ 58,186	\$ 23,463	\$ 2,334,794
Total revenues	<u>38,864</u>	<u>45,392</u>	<u>26,847</u>	<u>9,900</u>	<u>58,186</u>	<u>23,463</u>	<u>2,334,794</u>
<b>EXPENDITURES</b>							
Student activities	34,867	46,891	33,487	8,204	62,634	20,804	2,288,763
Total expenditures	<u>34,867</u>	<u>46,891</u>	<u>33,487</u>	<u>8,204</u>	<u>62,634</u>	<u>20,804</u>	<u>2,288,763</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	3,997	(1,499)	(6,640)	1,696	(4,448)	2,659	46,031
<b>FUND BALANCE - BEGINNING</b>	<u>15,766</u>	<u>17,161</u>	<u>17,442</u>	<u>2,646</u>	<u>27,183</u>	<u>12,052</u>	<u>1,120,130</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 19,763</u>	<u>\$ 15,662</u>	<u>\$ 10,802</u>	<u>\$ 4,342</u>	<u>\$ 22,735</u>	<u>\$ 14,711</u>	<u>\$ 1,166,161</u>

HENDERSON COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Balance - Henderson Central High School

Year ended June 30, 2024

	FUND BALANCE BEGINNING	REVENUES	EXPENSES	TRANSFERS	FUND BALANCE ENDING
GENERAL FUND	\$ 11,428	\$ 2,293	\$ -	\$ -	\$ 13,722
CHECKING INTEREST	47,682	45,877	15,856	-	77,702
FLOWER FUND	6	-	-	-	6
GUIDANCE REFERRAL	568	-	11	-	557
GUIDANCE TESTING	26,680	11,704	9,469	21	28,935
TECHNOLOGY FEE/CHARGE	1,807	115,983	110,715	549	7,624
SCHOOL PICTURES	7,190	675	3,297	(157)	4,412
INSTRUCTIONAL FEE	450	46,837	44,300	158	3,145
BOOK/DAMAGE	34	-	-	-	34
BOOK/LOST	38	27	-	-	65
START UP CASH	-	12,050	12,050	-	-
BOOKSTORE	556	-	-	266	822
PARKING FUNDS	70	8,864	8,590	4	348
CONCESSIONS STUDENTS	398	695	850	(30)	213
CONCESSIONS STAFF	5,879	4,019	7,475	(375)	2,048
CONCESSIONS CTE	6,064	18,027	13,377	-	10,714
VENDING CTE STAFF	2,293	2,647	846	(30)	4,064
CTE GENERAL FUND	3	-	-	-	3
CTE NIGHT SCHOOL	7,000	2,000	-	-	9,000
ACADEMIC TEAM	2,418	1,605	2,222	-	1,800
AQUATIC COLONELS	1,264	11,637	9,804	-	3,097
BACKBOARD CLUB	2,653	31,474	39,281	7,058	1,904
AP CATALYST	115	-	-	-	115
INTRAMURAL SPORTS	36	-	-	-	36
CO-ED Y	220	21,228	18,937	-	2,511
COLONEL FOOTBALL	35,794	36,374	41,828	-	30,341
ESPORTS	1,210	-	-	-	1,210
HALL OF FAME ALUMNI	959	30	1,140	540	389
DIAMOND RELIEF	28,788	14,445	25,992	(564)	16,677
DANCE TEAM CLUB	3,408	72,366	78,508	11,050	8,315
COLONEL DIAMOND CLUB	13,527	45,821	60,370	1,842	819
CULTURE COMMITTEE	3,760	15,255	11,356	588	8,247
FFA	39,484	59,054	49,012	352	49,879
FCCLA	3,894	3,981	4,446	-	3,429
EARLY CHILDHOOD ED	726	2,385	1,354	(409)	1,348
GOLF CLUB BOYS	11,076	13,735	14,434	-	10,377
LADY COLONEL GOLF	415	3,690	3,213	-	892
LADY COLONEL NET	6,150	16,296	16,746	(405)	5,296
COLONEL RAQUET CLUB	2,051	4,250	3,213	(1,485)	1,604
WRESTLING	18,343	29,351	41,673	3,157	9,176
LIBRARY CLUB	872	1,528	542	30	1,888
NATIONAL HONOR SOO	311	940	772	(302)	177
SHOW CASE	179	-	-	-	179
LAUNCH	1,834	1,082	19,802	20,955	4,069
GREEN MSD	603	-	-	(603)	-
SOCCER BOYS CLUB	2,174	23,491	16,524	(256)	8,884
SOCCER GIRLS CLUB	4,531	8,109	12,403	3,355	3,592
WORLD LANGUAGE	4,353	-	2,204	-	2,149
JROTC CLUB	8,765	13,932	14,434	(800)	7,464
THE FOOTBALL MOMS	1,738	-	-	-	1,738
TRACK CLUB	10,530	11,942	11,041	2,996	14,427
LEO CLUB	430	1,101	1,156	-	375
FCA	952	-	-	-	952
DECA CLUB	796	3,244	3,608	50	482
HOSA CLUB	2,429	6,007	6,469	(302)	1,665
MARKET PLACE	1,848	48,706	28,152	(14,602)	7,800
JUMP START	20	-	-	-	20
VICA/SKILLS USA	1,038	480	370	-	1,149
FBLA	5,233	14,576	8,855	-	10,954
NTHS HONOR SOCIETY	295	2,496	2,504	-	287
DECA TRAVEL	4,244	13,022	13,179	-	4,086
TEEN CERT	223	-	-	-	223
CTE STUDENT ACCT	729	-	-	-	729
CLASSROOM CREATION	440	-	341	603	703
STUDENT COUNCIL	931	700	662	(28)	941
VOLLEYBALL CLUB	4,229	10,440	13,949	1,641	2,360
PROJECT GRADUATION	418	-	-	-	418

HENDERSON COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Balance - Henderson Central High School

Year ended June 30, 2024

	<b>FUND BALANCE BEGINNING</b>	<b>REVENUES</b>	<b>EXPENSES</b>	<b>TRANSFERS</b>	<b>FUND BALANCE ENDING</b>
BOWLING CLUB	242	1,900	1,978		163
TSA	4,179	2,201	3,251		3,129
SCIENCE OLYMPIAD	75	-	-		75
STUDENT AMBASSADORS	950	1,000	1,344		606
ARCHERY	57,341	37,242	31,286	1,958	65,255
9TH GRADE INITIATIVE	2,259	-	2,000	1,500	1,759
COLONEL KITCHEN	17,139	15,001	17,203	1,665	16,601
BASS FISHING CLUB	133	1,875	1,724	6,873	7,156
COL BOYS BASKETBALL CAM	909	-	-	(909)	-
CALCULATOR RENTAL	8,998	208	-		9,205
STUDENT REWARDS	2,680	-	2,482	(169)	29
SUMMER SCHOOL	21,769	6,110	11,835		16,043
CRIMINAL LAW CLUB	1,538	99	630		1,007
SOFA	-	2,234	800	36	1,470
ART	966	592	-		1,558
BAND	38,581	61,502	81,010		19,072
BAND TRAVEL ACCOUNT	69	-	-		69
ENGLISH DEPT	15,044	95	1,389		13,751
MATH SUPPLIES	504	-	-		504
SCIENCE DEPARTMENT	1,510	-	-		1,510
SOCIAL STUDIES SUPP	33	-	-		33
AUTO TECH	1,725	20	-		1,745
TECH SQUAD	329	-	129		200
CARPENTRY	70	3,556	4,093	567	101
MACHINE TOOL	2,784	-	17		2,767
WELDING	2,083	8,632	332		10,383
ARTS & HUMANITIES	1,137	-	1,137		-
YOUTH SERVICE CENT	3,899	100	130	(58)	3,811
BAND UNIFORMS	1,812	-	-		1,812
ANNUAL	98,626	13,499	20,897	(123)	91,106
JOURNALISM	-	1,391	817		574
DRAMA	14,586	11,699	11,685		14,600
SPEECH	397	-	-		397
CHOIR	6,635	8,891	8,633	(240)	6,653
WINTER BAND	3,096	12,511	15,237		370
ASSOC ATHLETICS	72,133	394,661	324,463	(51,700)	90,631
CHEERLEADERS	38,069	103,225	122,782	4,522	23,035
FRESHMAN CLASS	2,808	67	1,575	500	1,801
SOPHOMORE CLASS	6,703	1,205	308		7,599
JUNIOR CLASS	8,256	9,037	3,375	(350)	13,568
SENIOR CLASS	621	23,510	18,970	(5,161)	-
WINTER WISHES	1,012	-	454		558
COLONEL CREW	-	-	-	300	300
JERRY MEZUR ATHLETIC SCHOOL	-	-	-		-
DOUG/OLLIE CALHOUN SCHOOL	-	2,000	2,000		-
DENISE ELLIOTT MEMO	327	600	500		427
LEO WINCHESTER SCHOLARS	32	17,485	17,000		517
FFA SCHOLARSHIP FUND	8,696	15,477	16,008		8,165
GENE HAAS SCHOLARSHIP	3,272	-	-		3,272
MACHINE TOOL SCHOOL	500	-	-		500
PHIL GIBSON SCHOLARSHIP	-	-	-		-
SANDRA G SANDERS FUND	370	-	-		370
STUDENT FEE SCHOLARSHIPS	512	250	-	(762)	-
LAMBERT FOUNDATION	-	4,000	4,000		-
EDUCATORS RISING	-	983	265		718
MENTAL HEALTH SCHOLARSHIP	-	300	1,000	700	-
SCH REWARD SCHOLARSHIP	9,538	-	-		9,538
DAF INSTRUCTION	-	-	-		-
DAF ATHLETICS	250	-	5,985	5,985	250
DAF PROFESSIONAL DEVELOP	-	-	-		-
DAF LIBRARY	-	-	-		-
DAF BLDG/GROUNDS M & F	-	-	-		-
Totals	\$ 819,776	\$ 1,579,627	\$ 1,546,055	\$ -	\$ 853,348



Henderson County School District  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2024

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Program or Award Amount	Expenditures
U.S. Department of Agriculture					
Passed Through State Department of Education					
* <b>School Breakfast Program</b>	10.553				
Fiscal Year 23		7760005 23	-	N/A	297,156
Fiscal Year 24		7760005 24	-	N/A	963,937
* <b>National School Lunch Program</b>	10.555				
Fiscal Year 23		7750002 23	-	N/A	698,411
Fiscal Year 24		7750002 24	-	N/A	2,730,303
Fiscal Year 23		9980000 23	-	N/A	212,184
* <b>Summer Food Service</b>	10.559				
Fiscal Year 23		7740023 23	-	N/A	110,265
Fiscal Year 24		7740023 24	-	N/A	8,996
Fiscal Year 23		7690024 23	-	N/A	11,472
Fiscal Year 24		7690024 24	-	N/A	929
* <b>Fruit &amp; Vegetable Program</b>	10.582				
Fiscal Year 23		7720012 23	-	N/A	20,956
Fiscal Year 24		7720012 24	-	N/A	164,403
Child Nutrition Cluster Subtotal					<u>5,219,012</u>
<b>State Administrative Expense (SAE) Funds</b>	10.560				
Fiscal Year 23		7700001 23	-	N/A	23,299
<b>Child and Adult Care Food Program</b>	10.558				
Fiscal Year 23		7790021 23	-	N/A	68,262
Fiscal Year 24		7790021 24	-	N/A	178,436
Fiscal Year 23		7800016 23	-	N/A	4,381
Fiscal Year 24		7800016 24	-	N/A	11,322
					<u>262,401</u>
Passed Through State Department of Agriculture					
<b>Food Donation-Commodities</b>	10.565				
Fiscal Year 24		510.4950	-	N/A	482,429
Total U.S. Department of Agriculture					<u>5,987,141</u>
US Department of Education					
Passed Through State Department of Education					
<b>Title I Grants to Local Educational Agencies</b>	84.010A				
Fiscal Year 21		3100002 21	-	21,728	63
Fiscal Year 22		3100002 22	-	2,129,387	24,946
Fiscal Year 23		3100002 23	-	2,146,161	597,553
Fiscal Year 24		3100002 24	-	1,960,175	1,480,426
					<u>2,102,988</u>
<b>Special Education Grants to States</b>	84.027A				
Fiscal Year 23		3810002 21	-	1,762,336	38,075
Fiscal Year 24		3810002 22	-	1,849,009	1,746,864
<b>Special Education - Preschool Grants</b>	84.173A				
Fiscal Year 22		3800002 21	-	75,470	36,545
Fiscal Year 23		3800002 22	-	79,607	76,777
Fiscal Year 24		3800002 23	-	78,438	3,386
<b>COVID-19- ARP Individuals with Disabilities Education Act</b>	84.027X				
Fiscal Year 22		4910002-21	-	383,968	83,008
<b>COVID-19- ARP Individuals with Disabilities Education Act- Preschool</b>	84.173X				
Fiscal Year 22		4900002-21	-	377	158
Special Education Cluster Subtotal					<u>1,984,813</u>
<b>Vocation Education - Basic Grants to States</b>	84.048				
Fiscal Year 22		3710002 22	-	8,061	2,931
Fiscal Year 23		3710002 22	-	7,668	7,668
Fiscal Year 24		3710002 23	-	92,705	92,705
					<u>103,304</u>
<b>Limited English Proficiency</b>	84.365				
Fiscal Year 22		3300002-21	-	26,859	5,733
Fiscal Year 23		3300002-22	-	26,674	23,833
Fiscal Year 24		3300002-23	-	26,905	2,560
					<u>32,126</u>
<b>Title IV Part A: 21st Century Community Learning Centers Program</b>	84.287				
Fiscal Year 23		550I	-	195,000	96,942
Fiscal Year 24		550J	-	200,000	150,304
					<u>247,246</u>
<b>Title IV Part A: Student Support</b>	84.424				
Fiscal Year 22		3420002 21	-	31,670	10,715
Fiscal Year 23		3420002 22	-	166,358	86,560
Fiscal Year 24		3420002 23	-	111,294	71,154
					<u>168,429</u>
<b>Stronger Connection Grant Program</b>	84.424F				
Fiscal Year 24		617K	-	609,393	52,239

See the accompanying notes to the schedule of expenditures of federal awards.

Henderson County School District  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2024

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Program or Award Amount	Expenditures
<b>Title II, Part A: Supporting Effective Instruction State Grant</b>	84.367A				
Fiscal Year 22		3230002 21	-	14,152	1,796
Fiscal Year 23		3230002 22	-	293,478	54,177
Fiscal Year 24		3230002 23	-	267,123	225,546
					<u>281,519</u>
* <b>COVID-19- GEER II</b>	84.425C				
Fiscal Year 22		564GF	-	100,000	7,910
* <b>COVID-19- ESSER</b>	84.425D				
Fiscal Year 22		4200002-21	-	7,400,020	438,983
Fiscal Year 23		4200003-21	-	474,300	20,613
Calming Space Round 2		554GT	-	10,000	8,052
* <b>COVID-19- ARP ESSER</b>	84.425U				
FY21 ARP Emergency Relief Fund		4300002-21	-	15,953,299	4,227,221
FY22 Digital Learning Coach Supports		4300005-21	-	8,613	8,613
Fiscal Year 24		4300007-21	-	100,000	10,512
Fiscal Year 24		4300005-21	-	8,613	8,613
FY23 Deeper Learning		563J	-	77,422	20,750
* <b>COVID-19- ARP ESSER Homeless Children and Youth I</b>	84.425W				
Fiscal Year 22		4980002-21	-	92,084	89,198
Education Stabilization Funds Subtotal					<u>4,840,465</u>
Total U.S. Department of Health and Human Services					<u>9,813,129</u>
U.S. Department of Defense					
<b>ROTC</b>	12.000				
Fiscal Year 23		Direct	-	N/A	20,363
Fiscal Year 24		Direct	-	N/A	90,356
Total U.S. Department of Defense					<u>110,719</u>
U.S. Department of Health and Human Services					
<b>Pediatric Mental Health Care</b>	93.110				
<b>Fiscal Year 24</b>		Direct	-	50,000	9,644
<b>Project AWARE</b>	93.243				
Fiscal Year 23		Direct	-	316,277	20,202
Fiscal Year 24		Direct	-	354,983	283,965
					<u>304,167</u>
<b>COVID-19- Child Care and Development Block Grant</b>	93.575				
ARPA Preschool Partnership Grant (CCSDF)		Direct	-	675,000	304,013
ARPA Child Care Sustainability Stabilization Funds		Direct	-	1,444,239	305,985
CRRSA Child Care Aid		Direct	-	650,160	109,039
					<u>719,037</u>
Total U.S. Department of Health and Human Services					<u>1,032,848</u>
<b>Total Expenditure of Federal Awards</b>					<u>\$ 16,943,837</u>

\* Major program

HENDERSON COUNTY SCHOOL DISTRICT  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the year ended June 30, 2024

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Henderson County School District under the programs of the federal government for the year ended June 30, 2024. 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 Henderson 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, 2024, the District received food commodities totaling \$482,429.

**NOTE D – INDIRECT COST RATE**

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

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 Henderson County School District  
Henderson, Kentucky

And the State Committee for School District Audits

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits, in the 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 the Henderson County School District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Henderson County School District's basic financial statements, and have issued our report thereon dated November 15, 2024. The Independent Auditor's Report on the financial statements included an emphasis-of-matter paragraph that was not a modification to the auditor's opinion, due to the correction of a material misstatement in prior period financial statements.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Henderson 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 Henderson County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Henderson 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001, that we consider to be a material weakness.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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*.

## **Henderson County School District's Response to Findings**

Government Auditing Standards requires the auditor to perform limited procedures on the Henderson County School District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Henderson County School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

We noted certain matters that we reported to management of the District in a separate letter dated November 15, 2024.

## **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.

*White & Associates, PSC*

Richmond, Kentucky

November 15, 2024

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

To the Board of Education of the Henderson County School District  
Henderson, Kentucky

And the State Committee for School District Audits

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Henderson County School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Henderson County School District's major federal programs for the year ended June 30, 2024. Henderson 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, Henderson 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, 2024.

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the audit requirements prescribed by 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 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 Henderson 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 Henderson 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 Henderson 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 Henderson 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 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 Henderson 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*, and the Uniform Guidance, 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 Henderson 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 Henderson 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 Henderson 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.

*White & Associates, PSC*

Richmond, Kentucky

November 15, 2024



HENDERSON COUNTY SCHOOL DISTRICT  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
 Year ended June 30, 2024

**SUMMARY OF AUDITOR’S RESULTS**

What type of report was issued for the financial statements?	Unmodified
Were there significant deficiencies disclosed?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
If so, was any significant deficiencies material (GAGAS)?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Was any material noncompliance reported (GAGAS)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Were there material weaknesses in internal control disclosed for major programs?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> 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?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Major Programs	Educational Stabilization Fund [ALN 84.425C, 84.425D, 84.425U, & 84.425W] Child Nutrition Cluster [ALN 10.553, 10.555, 10.559, 10.582]
Dollar threshold of Type A and B programs	\$750,000
Low risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

**FINDINGS - FINANCIAL STATEMENT AUDIT**

**MATERIAL WEAKNESS**

**REFERENCE NUMBER 2024-001 Internal Controls Over Financial Reporting of Construction in Progress**

**Condition:** Construction in progress was understated in the prior fiscal year end financial statements and audit by \$1,972,495.

**Criteria:** The District’s management is responsible for establishing and maintaining internal controls over financial reporting for the proper recording of all account balances at month end and fiscal year end. District management is also responsible for implementing proper controls to prevent material misstatements and/or to detect material misstatements in a timely manner.

HENDERSON COUNTY SCHOOL DISTRICT  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2024

**Cause:** Internal controls and oversight of financial reporting over construction in progress are not effective at detecting or preventing material misstatements. District was not tracking open projects accurately for construction in progress at month end and fiscal year end to ensure the accurate and proper recording of the account balance on the financial statements.

**Effect:** The design of the internal controls over tracking and accounting for construction in progress did not detect or prevent a material misstatement.

**Recommendation:** We recommend management review their procedures and processes regarding financial reporting over construction in progress to address identified weaknesses and strengthen oversight to ensure the accurate and proper recording of the account balance at month end and fiscal year end.

**Views of Responsible Officials and Planned Corrective Action:** As part of our annual assessment of internal controls over financial reporting, a material weakness in our controls related to the accounting and reporting of construction in progress was identified. Specifically, construction in progress was understated in the prior fiscal year financial statements and audit report. Management takes this matter very seriously and we are committed to remediating this material weakness. Our planned corrective actions include:

- Implementing enhanced controls and procedures for accounting and reporting of construction in progress, including:
  - Implement a project accounting system to track construction in progress
  - Establish a structure to ensure accurate reporting of construction costs
  - Account reconciliations – perform regular account reconciliations to ensure accuracy and completeness of construction in progress accounts
- Providing additional training to personnel involved in construction in progress processes to ensure everyone understands the new controls and procedures.
- Conducting regular reviews and testing of the new controls to ensure their effectiveness.

A correction to the construction in progress account has already been made to properly reflect the balance for construction in progress. Although all open construction projects are reported to the board each month showing the balances of these projects and reconciling to the balance sheet cash and accounts payable the ending balance for FY2023 was incorrectly noted. We will continue to monitor and evaluate the effectiveness of our internal controls over financial reporting and make any necessary adjustments. Responsible officials, including the Director of Finance, are committed to ensuring the accuracy and reliability of our financial reporting and are dedicated to maintaining a strong internal control environment.

HENDERSON COUNTY SCHOOL DISTRICT  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2024

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

No findings at the major federal award programs level.

HENDERSON COUNTY SCHOOL DISTRICT  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
For the year ended June 30, 2024

There were no prior year findings.

# HENDERSON COUNTY SCHOOLS

1805 Second Street, Henderson, Kentucky 42420  
(270) 831-5000 | Fax: (270) 831-5009  
www.henderson.kyschools.us  
Dr. Bob Lawson, Superintendent



## CORRECTIVE ACTION PLAN

November 15, 2024

Kentucky Department of Education

Henderson County School District respectfully submits the following corrective action plan for the year ended June 30, 2024.

White & Associates, PSC  
1407 Lexington Road  
Richmond, KY 40475

Audit period: July 1, 2023 to June 30, 2024

The finding from the November 15, 2024 schedule of findings and questioned costs is discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

## FINDING-FINANCIAL STATEMENT AUDIT

### MATERIAL WEAKNESS

#### 2024-001 **Internal Controls over Financial Reporting of Construction in Progress**

**Recommendation:** We recommend management review their procedures and processes regarding financial reporting over construction in progress to address identified weaknesses and strengthen oversight to ensure the accurate and proper recording of the account balance at month end and fiscal year end.

#### **Management Response to the Recommendation and Corrective Action Taken:**

As part of our annual assessment of internal controls over financial reporting, a material weakness in our controls related to the accounting and reporting of construction in progress was identified. Specifically, construction in progress was understated in the prior fiscal year financial statements and audit report.

Management takes this matter very seriously and we are committed to remediating this material weakness. Our planned corrective actions include:

## HENDERSON COUNTY SCHOOLS

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Dr. Bob Lawson, Superintendent



- Implementing enhanced controls and procedures for accounting and reporting of construction in progress, including:
  - Implement a project accounting system to track construction in progress
  - Establish a structure to ensure accurate reporting of construction costs
  - Account reconciliations – perform regular account reconciliations to ensure accuracy and completeness of construction in progress accounts
- Providing additional training to personnel involved in construction in progress processes to ensure everyone understands the new controls and procedures.
- Conducting regular reviews and testing of the new controls to ensure their effectiveness.

A correction to the construction in progress account has already been made to properly reflect the balance for construction in progress. Although all open construction projects are reported to the board each month showing the balances of these projects and reconciling to the balance sheet cash and accounts payable the ending balance for FY2023 was incorrectly noted. We will continue to monitor and evaluate the effectiveness of our internal controls over financial reporting and make any necessary adjustments. Responsible officials, including the Director of Finance, are committed to ensuring the accuracy and reliability of our financial reporting and are dedicated to maintaining a strong internal control environment.

If the Kentucky Department of Education has questions regarding this plan, please call Cindy Cloutier, Director of Finance, at (270) 831-5000.

**MANAGEMENT LETTER POINTS**

Henderson County School District  
Henderson, Kentucky

In planning and performing our audit of the financial statements of the Henderson County School District for the year ended June 30, 2024, 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 several matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the District's internal control in our report dated November 15, 2024. This letter does not affect our report dated November 15, 2024, on the financial statements of the Henderson County School District. The conditions observed are as follows:

Henderson High, North Middle, South Middle, Chandler Elementary  
1-24

Statement of Condition: Deposit slips shall have two persons identified as reviewing deposits.

Recommendation for Correction: Review Redbook procedures for guidance and corrective action.

Management Response to the Recommendation: We feel the above findings will improve as we improve our internal review of these accounts and will expend more effort into addressing these issues. Compliance to the Redbook will again be addressed with each school and we will continue to offer any additional training necessary to make improvements.

Central Learning Center  
2-24

Statement of Condition: Paid invoices shall have signed authorization and be stamped paid.

Recommendation for Correction: Review Redbook procedures for guidance and corrective action.

Management's Response to the Recommendation: We feel the above findings will improve as we improve our internal review of these accounts and will expend more effort into addressing these issues. Compliance to the Redbook will again be addressed with each

school and we will continue to offer any additional training necessary to make improvements.

Central Learning Center

3-24

Statement of Condition: Receipts shall be made out to the person presenting deposits.

Recommendation for Correction: Review Redbook procedures for guidance and corrective action.

Management Response to the Recommendation: Management concurs with this recommendation and at the time of the audit has communicated to responsible staff the procedures as they relate to Redbook. Procedures will be reviewed related to the proper procedures for receipting of checks and payment of invoices.

Chandler Elementary

4-24

Statement of Condition: Deposits shall not be held in a classroom. All daily receipts shall be turned in to the bookkeeper.

Recommendation for Correction Review: Redbook procedures for guidance and corrective action.

Management's Response to the Recommendation: Management concurs with this recommendation and at the time of the audit has communicated to responsible staff the procedures as they relate to Redbook. Procedures will be reviewed related to the proper method for making deposits. Procedures will also be reviewed on the proper handling of funds collected. Funds should be deposited daily if these amounts are over \$100 but is our preferred method even for smaller deposits.

All prior year conditions have been implemented and corrected. Bob Lawson, Superintendent, is the person responsible for initiation of the corrective action plan for the above conditions which will be implemented immediately, if any. The corrective action plan is the management response for each condition.

We would like to thank the Finance Officer, Cindy Cloutier, 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.

*White & Associates PSC*  
White & Associates, PSC  
Richmond, Kentucky  
November 15, 2024



## **APPENDIX C**

**Henderson County School District Finance Corporation  
School Building Revenue Bonds  
Series of 2025**

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**Continuing Disclosure Undertaking Agreement**

## CONTINUING DISCLOSURE UNDERTAKING AGREEMENT

This Continuing Disclosure Undertaking Agreement ("Agreement") made and entered into as of March 19, 2025, by and between the Board of Education of Henderson County, Kentucky ("Board"); the Henderson County School District Finance Corporation, an agency and instrumentality of the Board ("Corporation") and the Registered and Beneficial Owners of the Bonds hereinafter identified as third-party beneficiaries to this Agreement. For the purposes of this Agreement "Beneficial Owner" means the person or entity treated as the owner of the Bonds for federal income tax purposes and "Registered Owner" means the person or entity named on the registration books of the bond registrar.

### WITNESSETH:

WHEREAS, the Corporation has acted as issuing agency for the Board pursuant to the provisions of Section 162.385 of the Kentucky Revised Statutes ("KRS") and the Corporation's Bond Resolution in connection with the authorization, sale and delivery of \$24,575,000 of the Corporation's School Building Revenue Bonds, Series of 2025, dated March 19, 2025 ("Bonds"), which Bonds were offered for sale under the terms and conditions of a Final Official Statement ("FOS") prepared by RSA Advisors, LLC, Lexington, Kentucky ("Municipal Advisor") and approved by the authorized representatives of the Board and the Corporation, and

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

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

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

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

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

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

The Board agrees to provide the annual financial information contemplated by Rule 15c2-12(b)(5)(i) relating to the Board for its fiscal years ending June 30 of each year, commencing with the fiscal year ending June 30, 2025, to (a) the Municipal Securities Rulemaking Board ("MSRB"), or any successor thereto for purposes of its Rule, through the continuing disclosure service portal provided by the MSRB's Electronic Municipal Market Access ("EMMA") system as described in 1934 Act Release No. 59062, or any similar system that is acceptable to the Securities and Exchange Commission and (b) the State Information Depository ("SID"), if any (the Commonwealth of Kentucky has not established a SID as of the date of this Agreement) within nine (9) months of the close of each fiscal year.

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

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

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

## **2. MATERIAL EVENTS NOTICES**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**7. AMENDMENT; WAIVER**

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

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

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

**8. DEFAULT**

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

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

**BOARD OF EDUCATION OF HENDERSON COUNTY,  
KENTUCKY**

Attest:

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Secretary

**HENDERSON COUNTY SCHOOL  
DISTRICT FINANCE CORPORATION**

Attest:

\_\_\_\_\_  
President

\_\_\_\_\_  
Secretary

**APPENDIX D**

**Henderson County School District Finance Corporation  
School Building Revenue Bonds  
Series of 2025**

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**Official Terms and Conditions of Bond Sale**

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

**\$24,575,000\***

**Henderson County School District Finance Corporation  
School Building Revenue Bonds, Series of 2025  
Dated March 19, 2025**

**SALE: February 26, 2025 AT 12:00 P.M., E.S.T.**

As published on PARITY®, a nationally recognized electronic bidding system, the Henderson County School District Finance Corporation ("Corporation") will until February 26, 2025, at the hour of 12:00 P.M., E.S.T., in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 200 Mero Street, 5th Floor, Frankfort, KY 40622, receive competitive bids for the revenue bonds herein described. To be considered, bids must be submitted on an Official Bid Form and must be delivered to the Corporation at the address indicated on the date of sale no later than the hour indicated. Bids may be submitted manually or by facsimile or electronically via PARITY. Bids will be considered by the Corporation and may be accepted without further action by the Corporation's Board of Directors.

Subject to a Permitted Adjustment\* increasing or decreasing the issue by up to \$2,460,000.

### **HENDERSON 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 Henderson 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 renovations to East Heights Elementary School (the "Project") and are secured by a statutory mortgage lien upon and a pledge of the revenues from the rental of the school building Project property to the Board under the Lease on a year to year basis; the first rental period ending June 30, 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, so long as the Bonds remain outstanding and in conformance with the intent and purpose of KRS 157.627(5) and KRS 160.160(5), in the event of a failure by the Board to pay the rentals due under the Lease, and unless sufficient funds have been transmitted to the Paying Agent, or will be so transmitted, for paying said rentals when due, the Board has granted under the terms of the Lease and Participation Agreement to the Corporation and the Commission the right to notify and request the Kentucky Department of Education to withhold from the Board a sufficient portion of any undisbursed funds then held, set aside, or allocated to the Board and to request said Department or Commissioner of Education to transfer the required amount thereof to the Paying Agent for the payment of such rentals.

Although the Board is obligated to pay the Corporation annual rentals in the full amount of the principal and interest requirements for the Bonds for each year in which the Lease is renewed, the Board has entered into the Lease in reliance upon a certain Participation Agreement by and between the Board and the Kentucky School Facilities Construction Commission (the "Commission"). Under the terms of the Participation Agreement, the Commission has agreed to pay annually directly to the Paying Agent for the Bonds a stated Agreed Participation equal to approximately \$185,458 to be applied to the annual debt service requirements for the Bonds herein identified through March 1, 2045, subject to the constitutional restrictions limiting the commitment to the biennium; said annual amount is to be applied only to the principal and interest requirements of the Bonds so long as the Board renews the Lease. Under the Lease, the Board has pledged and assigned all of its rights under the Participation Agreement in and to the Agreed Participation to the Corporation in order to secure the Bonds and has agreed to pay that portion of the rentals in excess of said Agreed Participation for each year in which the Lease is renewed.

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

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

Pursuant to the provisions of the Act, the Regulations of the Kentucky Board of Education and the Commission, the Commission has determined that the Board is eligible for participation from the Commission in meeting the costs of construction of the Projects and has entered into a Participation Agreement with the Board whereunder the Commission agrees to pay an annual Agreed Participation equal to approximately \$185,458 to be applied to the annual debt service requirements for the Bonds herein identified each year through March 1, 2045; provided, however, that the contractual commitment of the Commission to pay the annual Agreed Participation is limited to the biennial budget period of the Commonwealth, with the first such biennial period terminating on June 30, 2026; the right is reserved in the Commission to terminate its commitment to pay the Agreed Participation after the initial biennial period and every two years thereafter. The obligation of the Commission to make payments of the Agreed Participation shall be automatically renewed each two years for a period of two years unless the Commission shall give notice of its intention not to participate not less than sixty days prior to the end of the biennium; however, by the execution of the Participation Agreement, the Commission has expressed its present intention to continue to pay the Agreed Participation in each successive biennial budget period through March 1, 2045, but such execution does not obligate the Commission to do so.

The General Assembly of the Commonwealth adopted the State's Budget for the fiscal year ending June 30, 2026. Inter alia, the Budget provides \$116,928,400 in FY 2024-2025 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.



## 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 March 19, 2025, payable on September 1, 2025, and semi annually thereafter and shall mature as to principal on March 1 in each of the years as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2026	\$470,000	2036	\$1,0950,000
2027	435,000	2037	1,135,000
2028	450,000	2038	1,485,000
2029	465,000	2039	1,540,000
2030	480,000	2040	1,605,000
2031	495,000	2041	2,140,000
2032	640,000	2042	2,230,000
2033	860,000	2043	2,325,000
2034	890,000	2044	2,420,000
2035	890,000	2045	2,525,000

\*Subject to a Permitted Adjustment of the amount of Bonds awarded of up to \$2,460,000 which may be applied in any or all maturities.

The Bonds maturing on or after March 1, 2034 are subject to redemption at the option of the Corporation prior to their stated maturity on any date falling on or after March 1, 2033, 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). Independence Bank of Kentucky, Owensboro, 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 September 1 and March 1 of each year, beginning September 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](http://www.rsamuni.com) submitted manually, by facsimile or electronically via PARITY®.

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

(C) The minimum bid shall be not less than \$24,083,500 (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 \$24,575,000 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 \$2,460,000 (the "Permitted Adjustment") which may be awarded to such best bidder may be a minimum of \$22,115,000 or a maximum of \$27,035,000. 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 \$24,575,000 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 February 26, 2025.

(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 March 1 in accordance with the maturity schedule setting the actual size of the issue.

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

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

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

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

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

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

### **STATE SUPPORT OF EDUCATION**

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

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

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

KRS 157.420 establishes a formula which results in the allocation of funds for capital expenditures in school districts at \$100 per ADA pupil which is included in the SEEK allotment (\$4,326) for the current biennium which is required to be segregated into a Capital Outlay Allotment Fund which may be used only for (1) direct payment of construction costs; (2) debt service on voted and funding bonds; (3) lease rental payments in support of bond issues; (4) reduction of deficits resulting from over expenditures for emergency capital construction; and (5) a reserve for each of the categories enumerated in 1 through 4 above.

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

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

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

KRS 157.620(1) also provides that in order to be eligible for participation from the Kentucky School Facilities Construction Commission for debt service on bond issues the district must levy a tax which will produce revenues equivalent to \$.05 per \$100 of the total assessed value of all property in the district (including tangible and intangible property and motor vehicles) in addition to the minimum \$.30 levy required by KRS 160.470(12). A

district having a special voted tax which is equal to or higher than the required \$.05 tax, must commit and segregate for capital purposes at least an amount equal to the required \$.05 tax. Those districts which levy the additional \$.05 tax are also eligible for participation in the Kentucky Facilities Support ("KFS") program for which funds are appropriated separately from SEEK funds and are distributed to districts in accordance with a formula taking into account outstanding debt and funds available for payment from both local and state sources under KRS 157.440(1)(b).

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

### **BIENNIAL BUDGET FOR PERIOD ENDING JUNE 30, 2026**

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

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

The General Assembly recently adopted a budget for the biennial period ending June 30, 2026 which was approved and signed by the Governor. Such budget 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](http://www.osbd.ky.gov).

### **POTENTIAL LEGISLATION**

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

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

## CONTINUING DISCLOSURE

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

Financial information regarding the Board may be obtained from Superintendent, Henderson County Board of Education, 1805 Second Street, Henderson, Kentucky 41031 (270.831.5000).

### TAX EXEMPTION; NOT BANK QUALIFIED

Bond Counsel advises as follows with respect to the Bonds:

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

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

(C) As a result of certifications by the Board and the Corporation, indicating the issuance of MORE than \$10,000,000 of tax-exempt obligations during the calendar year ending December 31, 2025, the Bonds may NOT be treated by financial institutions as "qualified tax-exempt obligations" within the meaning of the Internal Revenue Code of 1986, as amended.

### 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.

**HENDERSON COUNTY SCHOOL DISTRICT  
FINANCE CORPORATION**

By /s/Dr. Bob Lawson  
Secretary



**APPENDIX E**

**Henderson County School District Finance Corporation  
School Building Revenue Bonds  
Series of 2025**

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**Official Bid Form**

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

The Henderson County School District Finance Corporation ("Corporation" or "Issuer"), will until 12:00 P.M., E.S.T., on February 26, 2025, receive in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 200 Mero Street, 5th Floor, Frankfort, KY 40622, (telephone 502-564-5582; fax 888-979-6152) competitive bids for its \$24,575,000 School Building Revenue Bonds, Series of 2025, dated March 19, 2025; maturing March 1, 2026 through 2045 ("Bonds").

We hereby bid for said \$24,575,000\* principal amount of Bonds, the total sum of \$\_\_\_\_\_ (not less than \$24,083,500) plus accrued interest from March 19, 2025 payable September 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 March 1 in the years as follows:

<u>Year</u>	<u>Amount*</u>	<u>Rate</u>	<u>Year</u>	<u>Amount*</u>	<u>Rate</u>
2026	\$470,000	_____%	2036	\$1,095,000	_____%
2027	435,000	_____%	2037	1,135,000	_____%
2028	450,000	_____%	2038	1,485,000	_____%
2029	465,000	_____%	2039	1,540,000	_____%
2030	480,000	_____%	2040	1,605,000	_____%
2031	495,000	_____%	2041	2,140,000	_____%
2032	640,000	_____%	2042	2,230,000	_____%
2033	860,000	_____%	2043	2,325,000	_____%
2034	890,000	_____%	2044	2,420,000	_____%
2035	890,000	_____%	2045	2,525,000	_____%

\* Subject to Permitted Adjustment

We understand this bid may be accepted for as much as \$27,035,000 of Bonds or as little as \$22,115,000 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 February 26, 2025.

(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 March 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 Independence Bank of Kentucky, Owensboro, Kentucky, Attn: Ms. Stephanie Clary (270.686.1776).

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 March 19, 2025 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 March 19, 2025, 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 Henderson 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>
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	_____%
2035	_____,000	_____%	2045	_____,000	_____%

Dated: February 26, 2025

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