

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 8, 2025

**Book-Entry Only
New Issue – Not Bank Qualified**

**Rating: “ ” Moody’s (Underlying)
“ ” (Enhanced)
See “RATING” herein**

In the opinion of Bond Counsel for the Bonds, based upon an analysis of laws, regulations, rulings, and court decisions, and assuming continuing compliance with certain covenants made by the Board, and subject to the conditions and limitations set forth herein under the caption “LEGAL MATTERS – Tax Treatment,” interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Interest on the Bonds is exempt from Kentucky income tax, and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.



\$14,855,000*
BOARD OF EDUCATION OF SHELBY COUNTY, KENTUCKY
GENERAL OBLIGATION BONDS,
SECOND SERIES 2025

Dated: Date of Issuance

Due: November 1, as shown below

Interest on the above-captioned Bonds (the “Bonds”) will be payable from their dated date, on each May 1 and November 1, commencing May 1, 2026, and the Bonds mature on each November 1, as shown below:

Maturing Nov 1	Amount*	Interest Rate	Reoffering Yield	CUSIP	Maturing Nov 1	Amount*	Interest Rate	Reoffering Yield	CUSIP
2026	\$70,000	%	%		2036	\$90,000	%	%	
2027	\$70,000	%	%		2037	\$95,000	%	%	
2028	\$75,000	%	%		2038	\$95,000	%	%	
2029	\$75,000	%	%		2039	\$120,000	%	%	
2030	\$70,000	%	%		2040	\$250,000	%	%	
2031	\$75,000	%	%		2041	\$2,335,000	%	%	
2032	\$75,000	%	%		2042	\$2,450,000	%	%	
2033	\$80,000	%	%		2043	\$2,570,000	%	%	
2034	\$80,000	%	%		2044	\$2,900,000	%	%	
2035	\$85,000	%	%		2045	\$3,195,000	%	%	

The Bonds are being issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. The Bonds will be issued under a book-entry system and registered in the name of The Depository Trust Company or its nominee. There will be no distribution of the Bonds to the ultimate purchasers. See “THE BONDS – Book-Entry Only System” herein. The principal of the Bonds will be payable when due at the designated corporate trust office of U.S. Bank Trust Company, National Association, Louisville, Kentucky, as Paying Agent and Registrar. Interest payments will be mailed by the Paying Agent and Registrar to each holder of record as of the fifteenth day of the month preceding the date for such interest payment. The principal of and interest on the Bonds may also be paid by any other transfer of funds acceptable to the Paying Agent and Registrar and the registered owner of the Bonds. See “THE BONDS” herein.

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

The Board deems this Preliminary Official Statement to be final for purposes of Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”), except certain information on the cover page hereof and certain pages herein that has been omitted in accordance with the Rule and which will be provided with the final Official Statement.

The Bonds are offered when, as, and if issued, subject to the approval of the legality and tax exemption thereof by Steptoe & Johnson PLLC, Louisville, Kentucky, as Bond Counsel. The Bonds are expected to be available for delivery on or about November 6, 2025.



* Preliminary, subject to change.

THIS PRELIMINARY OFFICIAL STATEMENT AND THE INFORMATION CONTAINED HEREIN ARE SUBJECT TO CHANGE, COMPLETION, OR AMENDMENT, WITHOUT NOTICE. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY THESE SECURITIES BE ACCEPTED BEFORE THE OFFICIAL STATEMENT IS DELIVERED IN FINAL FORM. 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 A SALE OF, THESE SECURITIES IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION, OR SALE WOULD BE UNLAWFUL BEFORE REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF SUCH JURISDICTION.

SHELBY COUNTY BOARD OF EDUCATION

Andrew Cline,
Chair

Sarah Reed,
Member

Sonya Blackburn,
Member

Joanna Freels,
Member

Brenda Jackson,
Member

Dr. Joshua Matthews,
Superintendent/

Susan Barkley,
Treasurer

BOND COUNSEL

Steptoe & Johnson PLLC
Louisville, Kentucky

MUNICIPAL ADVISOR

RSA Advisors, LLC
Lexington, Kentucky

PAYING AGENT AND REGISTRAR

U.S. Bank Trust Company, National Association
Louisville, Kentucky

REGARDING THE USE OF THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the Board identified on the cover page hereof. No dealer, broker, salesman, or other person has been authorized by the Board or the District to give any information or to make any representations, other than those set forth in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been given or authorized by the Board or the Municipal Advisor. This Official Statement does not constitute an offer to sell nor 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. 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 Board or the District since the date hereof.

Upon their issuance, the Bonds will not be registered by the Board under any federal or state securities law and will not be listed on any stock exchange or any other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, or other governmental entity or agency, except the Board, will have passed upon the accuracy or adequacy of this Official Statement or approved the Bonds for sale.

All of the financial and other information presented in this Official Statement has been provided by the District from its records, except any information expressly attributed to other sources. The presentation of this information, including tables of receipts from taxes and other sources, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the District. No representation is made that the past experience of the District, as is shown by the financial and other information presented in this Official Statement, will necessarily continue or be repeated in the future. Insofar as the statements contained herein involve matters of opinion or estimates, even if not expressly stated as such, such statements are made as such and not as representations of fact or certainty, and no representation is made that any of such statements have been or will be realized. In addition, such statements should also be regarded as suggesting independent investigation or consultation of other sources before the making of any investment decisions. Certain information contained in this Official Statement may not be current; however, attempts were made to date and document all sources of information. Neither this Official Statement nor any oral or written representations made by or on behalf of the Board prior to the sale of the Bonds should be regarded as part of the Board's contract with the successful bidder or the holders from time to time of the Bonds.

All references in this Official Statement to any provisions of Kentucky law, whether codified in the Kentucky Revised Statutes or uncodified, or to any provisions of the Kentucky Constitution or the District's ordinances or resolutions, in each case, are references to such provisions as they presently exist. Any of these provisions may be amended, repealed, or supplemented from time to time.

As used in this Official Statement, "debt service" means the principal of and premium (if any) and interest on the obligations referred to "Board" means the Board of Education of Shelby County, Kentucky, "District" means the Shelby County (Kentucky) School District, and "Commonwealth" or "Kentucky" means the Commonwealth of Kentucky.

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\$14,855,000*
BOARD OF EDUCATION OF SHELBY COUNTY, KENTUCKY
GENERAL OBLIGATION BONDS,
SECOND SERIES 2025

INTRODUCTION

The purpose of this Official Statement, which includes the cover page hereof and appendices hereto, is to set forth certain information relating to the issuance of \$14,855,000* aggregate principal amount of General Obligation Bonds, Second Series 2025 (the “Bonds”) of the Board of Education of Shelby County, Kentucky, as specified on the cover page hereof.

This introduction is not a summary of this Official Statement. It is only a brief description of and a guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page hereof and appendices hereto, and the documents and laws summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

The Bonds are being issued by the Board of Education of Shelby County, Kentucky (“Board), as governing body of the Shelby County (Kentucky) School District (the “District”), a school district and political subdivision of the Commonwealth of Kentucky. The District is located in Shelby County, Kentucky.

The issuance of the Bonds is authorized by (a) Sections 66.011 to 66.191, inclusive, of the Kentucky Revised Statutes, as amended, (b) Section 160.160 of the Kentucky Revised Statutes, as amended, and (c) a resolution duly adopted by the Board on September 25, 2025 (the “Bond Resolution”).

The Bonds are being issued for the purposes of (i) financing renovations to Simpsonville Elementary School (the “Project”), and (ii) paying the costs of issuance of the Bonds.

The Bonds are a general obligation of the Board. The basic security for the Bonds is the Board’s ability to levy, and its pledge to levy, an annual tax in order to pay the principal of and interest on the Bonds as and when the same become due and payable (see “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS” herein).

The Bonds are offered when, as, and if issued by the Board. The Bonds will be delivered on or about November 6, 2025, in New York, New York, through the Depository Trust Company (DTC).

This Official Statement speaks only as of its date, and the information contained herein is subject to change. This Official Statement and the related continuing disclosure documents of the Board are intended to be made available through one or more repositories. Copies of the basic documentation relating to the Bonds, including the Bond Resolution and the bond forms, may be obtained from Steptoe & Johnson PLLC, 101 South Fifth Street, Suite 3200, Louisville, Kentucky 40202. Additional information regarding this Official Statement or the District, including financial information of the District, is available from RSA Advisors, LLC, 147 East Third Street, Lexington, Kentucky 40508, Telephone: (859) 977-6600, Attention: Dwight Salsbury.

The Board deems this Preliminary Official Statement to be final for purposes of Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”), except for certain information on the cover page hereof and certain pages herein that has been omitted in accordance with the Rule and will be provided with the final Official Statement.

* Preliminary, subject to change.

THE BONDS

Description of the Bonds

The Bonds will be dated their date of initial issuance and delivery and will bear interest from such date at the rates set forth on the cover page hereof. The Bonds are being issued as fully registered bonds, without coupons, in denominations of \$5,000 or any integral multiple thereof.

Interest on the Bonds will be payable semiannually on each May 1 and November 1, commencing May 1, 2026, from the later of the date of issuance or the Bonds, or the most recent date to which interest has been paid or duly provided for, and shall be paid by check or draft mailed by U.S. Bank Trust Company, National Association, as Paying Agent and Registrar for the Bonds, to the registered owners thereof, as of the applicable record date set forth below, at their respective addresses appearing on the books of the Paying Agent and Registrar. The principal amount of the Bonds shall be paid when due to the registered owners thereof, upon the surrender of the Bonds at the designated corporate trust office of the Paying Agent and Registrar located in Louisville, Kentucky. Alternatively, the principal of and interest on the Bonds may also be paid by any other transfer of funds acceptable to the Paying Agent and Registrar and the registered owners thereof. The record date for each May 1 and November 1 interest payment date shall be the preceding April 15 and October 15, respectively.

Authority for Issuance

The issuance of the Bonds is authorized by (a) Sections 66.011 to 66.191, inclusive, of the Kentucky Revised Statutes, as amended, (b) Section 160.160 of the Kentucky Revised Statutes, as amended, and (c) a resolution duly adopted by the Board on September 25, 2025 (the "Bond Resolution").

Redemption Provisions

Optional Redemption. The Bonds maturing on and after November 1, 2034, shall be subject to optional redemption on November 1, 2033, or any date thereafter, in whole or in part, in such order of maturity as may be selected by the District, and by lot within any maturity, at a redemption price equal to the principal amount of Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

[Mandatory Sinking Fund Redemption. The Bonds maturing on the dates set forth below are subject to mandatory sinking fund redemption before maturity, at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on the dates, in the years, and in the principal amounts as follows:]

<u>Maturing November 1, 20[]</u>	
<u>Date</u>	<u>Amount</u>
November 1, 20__	\$
November 1, 20__	\$
November 1, 20__ *	\$

*Final Maturity

Notice of Redemption. If less than all Bonds which, by their terms, are payable on the same date are to be called for redemption, the particular Bonds or portions thereof payable on such date and to be redeemed shall be selected by lot, by the Paying Agent and Registrar, in such manner as the Paying Agent and Registrar, in its discretion, may determine; provided, however, that (i) the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or any integral multiple thereof, and (ii) in selecting Bonds for redemption, the Paying Agent and Registrar shall treat each Bond as representing the number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000.

At least thirty days before the redemption date of any Bonds, the Paying Agent and Registrar shall cause a notice of such redemption, signed by the Paying Agent and Registrar, to be mailed, postage prepaid, to all registered owners of the Bonds, or portions thereof, to be redeemed, at their addresses as they appear on the registration books maintained by the Paying Agent and Registrar; provided, however, that the failure to mail such notice shall not affect the validity of the proceedings for such redemption. Each notice of redemption shall set forth the date fixed for redemption, the redemption price to be paid, and, if less than all of the Bonds being payable by their terms on a single date then outstanding shall be called for redemption, the distinctive numbers or letters, if any, of the Bonds to be redeemed. In addition, if any Bond is to be redeemed in part only, such redemption notice shall also set forth the portion of the principal amount of such Bond to be redeemed and shall include a statement that on or after the date fixed for redemption, upon the surrender of such Bond for redemption, a new Bond will be issued in a principal amount equal to the unredeemed portion of the Bond so redeemed.

On the date so fixed for redemption, notice having been sent in the manner and under the conditions set forth above, and moneys for the payment of the redemption price being held in a separate account by the Paying Agent and Registrar for the registered owners of the Bonds or portions thereof to be redeemed, (i) the Bonds or portions thereof so called for redemption shall become and be due and payable, at the redemption price provided for the redemption of such Bonds or portions thereof on such date; (ii) interest on the Bonds or portions thereof so called for redemption shall cease to accrue; and (iii) the registered owners of the Bonds or portions thereof to be redeemed shall have no rights in respect thereof, except the right to receive payment of the redemption price thereof and to receive new Bonds for any unredeemed portions of their Bonds.

In case part but not all of an outstanding Bond shall be selected for redemption, the registered owner thereof or their attorney or legal representative shall present and surrender such Bond to the Paying Agent and Registrar for payment of the principal amount thereof so called for redemption, and thereupon, the Board shall execute and the Paying Agent and Registrar shall authenticate and deliver to or upon the order of such registered owner or their legal representative, without charge therefor, a new Bond in a principal amount equal to the unredeemed portion of the Bond so surrendered, of the same series and maturity and bearing interest at the same rate as the Bond so redeemed.

Defeasance

The Bond Resolution permits the Board to defease any of the Bonds before the stated maturity thereof if (i) the Board shall have given notice of the redemption of such Bond or Bonds in accordance with the Bond Resolution or shall have provided for the giving of such notice at the appropriate time, and (ii) there shall have been deposited with the Paying Agent, or any other fiduciary, either (a) moneys in an amount sufficient, or (b) Defeasance Obligations, the principal of and the interest on which, when due, will provide moneys in an amount which, together with any moneys deposited with the Paying Agent or other fiduciary at the same time, shall be sufficient, in either case, to pay, when due, the principal or redemption price, if any, and interest due and to become due on such Bonds on and before their stated maturity, the applicable redemption date, or the immediately succeeding interest payment date thereof, as the case may be. Neither any Defeasance Obligations, nor any moneys so deposited with the Paying Agent or with such other fiduciary, nor any principal or interest payments received from any Defeasance Obligations, shall be withdrawn or used for any purposes other than, and shall be held in trust for, the payment of the principal or redemption price, if any, of any of the Bonds and any interest thereon; provided, however, that any cash received from such principal or interest payments on such Defeasance Obligations and deposited with the Paying Agent or any other fiduciary, if not then needed for such purposes, shall, to the extent practicable, be (1) reinvested in Defeasance Obligations maturing at such times and in such amounts as shall be sufficient to pay, when due, the principal or redemption price, if any, and interest to become due on any Bonds on and before their stated maturity, the applicable redemption date, or the immediately succeeding interest payment date thereof, as the case may be, and (2) paid over to the Board, following the full discharge and payment of such Bonds, free and clear of any trust, lien, or pledge.

For the foregoing purposes, “Defeasance Obligations” means:

(a) non-callable direct obligations of the United States, including U.S. Treasury bills, notes, bonds, and zero coupon bonds, U.S. Treasury Obligations – State and Local Government Series (SLGS), and direct obligations of the U.S. Treasury that have been stripped by the Treasury itself, including CATS, TIGRS, and similar securities;

(b) non-callable obligations issued or guaranteed by the Government National Mortgage Association which are backed by the full faith and credit of the United States; and

(c) non-callable senior debt obligations issued or guaranteed by any Federal Home Loan Bank or any Federal Home Loan Bank Board or by the Farm Credit System, the Federal Home Loan Mortgage Corporation, or the Federal National Mortgage Association.

Book-Entry Only System

The Bonds will initially be issued solely in book-entry form, to be held in the book-entry only system maintained by The Depository Trust Company (DTC). When issued, the Bonds will be registered in the name of Cede & Co., as the nominee of DTC. The purchasers of the Bonds will not receive certificates representing their ownership interest in the Bonds. So long as the book-entry only system of DTC is used, only DTC will receive, or have the right to receive, physical delivery of the Bonds, and the beneficial owners of the Bonds will not be or be considered to be, and will not have any rights as, owners or holders of the Bonds under the Bond Resolution. In addition, so long as DTC or its nominee is the registered owner of the Bonds, the Paying Agent and Registrar will make all payments of principal and interest due on the Bonds directly to DTC. For additional information regarding DTC and the book-entry only system see “Appendix G – Book-Entry Only System” hereto.

THE INFORMATION SET FORTH IN THIS SECTION AND APPENDIX G ATTACHED HERETO CONCERNING DTC AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE BOARD BELIEVES TO BE RELIABLE, BUT THE BOARD TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

General Obligation

The Bonds are general obligations of the Board, and the full faith, credit, and taxing power of the Board are irrevocably pledged to the payment of the principal of and interest on the Bonds as and when due and payable. The basic security for general obligation indebtedness of the Board, including the Bonds, is the Board’s ability to levy, and its pledge to levy, an annual tax to pay the principal of and interest on all general obligation indebtedness of the Board, including the Bonds, as and when the same become due and payable. The tax must be levied in sufficient amount to pay, as and when the same become due and payable, the principal of and interest on all outstanding general obligation bonds, including the Bonds, and other outstanding general obligation indebtedness of the Board. Under Section 159 of the Kentucky Constitution, the District, through the Board, is required to collect an annual tax sufficient to pay the interest on all authorized indebtedness and to establish and maintain a sinking fund for the payment of the principal amount thereof. The Bond Resolution provides for the levy of such annual tax, which shall be collected to the extent other lawfully available moneys of the Board are not provided or available. The Bond Resolution also creates and provides for the maintenance of a Sinking Fund, into which the proceeds of such annual tax or other lawfully available moneys of the Board are to be deposited for the payment of the principal of and interest on the Bonds and all other general obligation indebtedness of the Board, and the amounts on deposit in the Sinking Fund shall not be used for any other purpose.

Statutory Lien

Section 66.400 of the Kentucky Revised Statutes, as amended (the “Municipal Bankruptcy Law”), permits any political subdivision, public agency, or instrumentality of the Commonwealth, such as the District, for the purpose of enabling such political subdivision, public agency, or instrumentality to take advantage of the provisions of Chapter 9 of the United States Bankruptcy Code and, for that purpose only, (i) to file a petition stating that such political subdivision, public agency, or instrumentality (a) is insolvent or unable to meet its debts as they mature, and (b) desires to effectuate a plan for the composition or readjustment of its debts, and (ii) to take any further proceedings as are set forth in the United States Bankruptcy Code, as they relate to such political subdivision, public agency, or instrumentality. Under the Municipal Bankruptcy Law, the District does not need the approval or permission of the Kentucky Department for Local Government’s State Local Debt Officer or any other governmental authority before availing itself of the bankruptcy process. In addition, under the Municipal Bankruptcy Law, the District may be authorized to initiate Chapter 9 bankruptcy proceedings without any prior notice to or consent of its creditors, which bankruptcy proceedings may result in a material and adverse modification or alteration of the rights of the District’s secured and unsecured creditors, including the holders of its bonds and notes. See “INVESTMENT CONSIDERATION – Risk of Bankruptcy” herein.

The Municipal Bankruptcy Law provides that (a) a statutory lien exists on any tax revenues pledged for the benefit of general obligation debt; (b) such tax revenues are pledged for the repayment of the principal of and premium (if any) and interest on all outstanding general obligation indebtedness, regardless of whether such pledge is contained in the documents or proceedings authorizing such indebtedness; and (c) such pledge constitutes a first lien on such tax revenues. In addition, the Municipal Bankruptcy Law also creates a statutory lien on annual appropriations for the payment of any obligations subject to annual renewal, including, without limitation, any leases entered into under Chapter 58 and Chapter 65 of the Kentucky Revised Statutes.

The validity and priority of the statutory lien imposed by the Municipal Bankruptcy Law have not been adjudicated in any Chapter 9 bankruptcy proceeding or otherwise.

State Intercept

The Board has agreed that so long as the Bonds are outstanding, and in conformance with the intent and purpose of Section 157.627(5) and Section 160.160(5) of the Kentucky Revised Statutes, in the event of any failure by the Board to pay debt service on the Bonds, and unless sufficient funds have been or will be transmitted to the Paying Agent and Registrar for the payment of such debt service when due, the Board will (i) notify and request the Kentucky Department of Education to withhold a sufficient portion of any undisbursed funds then held, set aside, or allocated to the Board, and (ii) request either the Kentucky Department of Education or the Commissioner of Education thereof to transfer the required amount of such withheld funds to the Paying Agent and Registrar for the payment of such debt service.

State Participation

The Kentucky School Facilities Construction Commission (the “Commission”) is an independent corporate agency and instrumentality of the Commonwealth established and existing under the provisions of Sections 157.611 to 157.640, inclusive, 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.

In accordance with the provisions of the Act and the Regulations of the Kentucky Board of Education and the Commission, the Commission has determined that it will not participate in the payment of debt service on the Bonds.

PLAN OF FINANCING

The Bonds are being issued for the purposes of (i) financing renovations to Simpsonville Elementary School (the “Project”), and (ii) paying the costs of issuance of the Bonds, including rating fees, the fees of the Municipal Advisor, the Paying Agent and Registrar, and Bond Counsel, and all other appropriate expenses as may be approved by the Board.

ESTIMATED SOURCES AND USES OF FUNDS

Sources:

Bond Proceeds	\$ _____
[Plus Original Issue Premium] [Less Original Issue Discount]	_____
Total Sources	\$ _____

Uses:

Underwriter’s Discount	\$ _____
Deposit to Construction Fund	_____
Cost of Issuance	_____
Total Uses	\$ _____

INVESTMENT CONSIDERATIONS

The following is a discussion of certain investment considerations for investors to consider regarding risks that could affect payments to be made with respect to the Bonds. Such discussion is not exhaustive and should be read in conjunction with all other parts of this Official Statement and should not be considered as a complete description of all of the risks that could affect such payments. Prospective purchasers of the Bonds should carefully analyze all of the information contained in this Official Statement, including the Appendices hereto, and any additional information in the form of the complete documents summarized herein, copies of which are available as described herein.

Limitation on Enforcement of Remedies

The enforcement of the remedies applicable to the Bonds under the Bond Resolution may be limited or restricted by laws relating to bankruptcy and insolvency and by the rights of creditors under the application of general principles of equity, and may be substantially delayed or subject to judicial discretion in the event of litigation or the use of statutory remedial procedures. All legal opinions concerning the enforceability of the Bonds delivered in connection with the Bonds contain an exception with respect to the limitations that may be imposed by bankruptcy and insolvency laws and by the rights of creditors under general principles of equity.

Risk of Bankruptcy

The obligations of the Board under the Bonds and the Bond Resolution are general obligations of the Board and are secured by the pledge of the Board’s full faith, credit, and taxing power, any moneys held in the Board’s Sinking Fund (on a parity with all other general obligation indebtedness of the Board) or the Bond Payment Fund established under the Bond Resolution, and the statutory lien provided by the Municipal Bankruptcy Law. A bondholder’s enforcement of any remedies provided under the Bond Resolution may be limited or delayed in the event of the application of any federal bankruptcy laws or any other laws affecting creditors’ rights generally, and may be substantially delayed and subject to judicial discretion in the event of any litigation or any required use of statutory remedial procedures. The validity and priority of the statutory lien provided under the Municipal Bankruptcy Law have not been adjudicated in any Chapter 9 bankruptcy proceeding or otherwise.

In accordance with the Municipal Bankruptcy Law, the District, through the Board, is permitted to file a petition for relief under Chapter 9 of Title 11 of the United States Code (the “Bankruptcy Code”) without the prior approval of any official or department of state government, including the Kentucky Department for Local Government’s State Local Debt Officer. If the District were to file such a petition, the filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceedings against the District and any interest in (a) any moneys contained in the Sinking Fund or the Bond Payment Fund, (b) the District’s general fund revenues, or (c) the District’s taxing power. However, any such petition does not stay the application of pledged special revenues, as defined by the Bankruptcy Code.

During its bankruptcy proceedings, the District could use its property, including its tax receipts and the proceeds thereof, but excluding any pledged special revenues, for the benefit of its bankruptcy estate, despite the claims of its creditors. Notwithstanding the foregoing, it is possible that the District could use its pledged special revenues to pay certain operating expenses, even after filing its bankruptcy petition.

In a Chapter 9 proceeding under the Bankruptcy Code, only the District, and not any other creditor or party in interest, could file a proposed plan of adjustment. The plan of adjustment is the vehicle for satisfying, and provides for the comprehensive treatment of, all of the claims against the District, and could result in the modification of the rights of any class of creditors, whether secured or unsecured, which modification of rights could be contrary to state law. For a plan to be confirmed, except for one exception discussed below, it must be approved by the vote of each class of impaired creditors. A class of impaired creditors approves a plan if, of those who vote, those holding more than one-half in number and at least two-thirds in amount vote in favor of the plan. If fewer than all impaired classes vote to accept the plan, the plan may nevertheless be confirmed by the bankruptcy court, and all claims and interests would be bound thereby, regardless of whether or how they voted. For this “cramdown” to occur, at least one of the impaired classes must vote to accept the plan and the bankruptcy court must determine that the plan does not “discriminate unfairly” and is “fair and equitable” with respect to the non-consenting classes. In addition, for a plan of adjustment to be confirmed, the bankruptcy court must also determine that the plan, among other requirements, is proposed in good faith and is in the best interest of creditors, such that the plan of adjustment represents a reasonable effort by the District to satisfy its debts and is a better alternative than dismissal of the bankruptcy case. Unlike in a Chapter 11 proceeding, in a Chapter 9 proceeding, this standard does not include the use of a liquidation analysis.

Generally, the District would likely receive a discharge of its debts after (i) the plan of adjustment is confirmed; (ii) the District deposits any consideration to be distributed under the plan with a disbursing agent appointed by the bankruptcy court; and (iii) the bankruptcy court determines that the securities so deposited with the disbursing agent will constitute valid and legal obligations of the District and that any provision made to pay, or to secure the payment of, such obligations is valid.

See the additional discussion regarding the statutory pledge of tax revenues provided for the Bonds under the heading “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – Statutory Lien” herein. Prospective bondholders should consult their legal counsel regarding the impact of a bankruptcy filing by the Board on the payment and security of the Bonds.

Suitability of Investment

An investment in the Bonds involves a certain degree of risk. The interest rates borne by the Bonds are intended to compensate the investor for assuming this element of risk. Prospective investors should carefully examine this Official Statement, including the Appendices hereto, and assess their ability to bear the economic risk of such an investment and determine whether or not the Bonds are an appropriate investment for them.

Additional Debt

The Board may, from time to time, issue additional general obligation bonds or notes. The issuance of additional general obligation bonds or notes would increase the Board's overall debt service requirements and could adversely affect the debt service coverage on the Bonds.

General Economic Conditions

Adverse general economic conditions may result in, among other adverse circumstances, a reduction in general tax revenues or decrease in investment portfolio values, resulting in increased funding requirements, which could negatively impact the results of operations and overall financial condition of the District.

Market for the Bonds

There is presently no secondary market for the Bonds and no assurance that a secondary market will develop. Consequently, investors may not be able to resell any of the Bonds they purchase should they need or wish to do so for emergency or other purposes.

Bond Rating

There can be no assurance that the rating assigned to the Bonds at the time of issuance will not be lowered or withdrawn at any time in the future, the effect of which could adversely affect the market price for the Bonds and the marketability of the Bonds. For more information, see "RATING" herein.

Tax Implications

Prospective purchasers of the Bonds may need to consult their own tax advisors before purchasing any Bonds regarding the impact of the Internal Revenue Code of 1986, as amended (the "Code"), upon their acquisition, holding, or disposition of the Bonds.

THE DISTRICT

General

The District is a school district and political subdivision of the Commonwealth existing under and by virtue of Chapter 160 of the Kentucky Revised Statutes. In accordance with Section 160.160 of the Kentucky Revised Statutes, the District is under the management and control of the Board, consisting of five members, elected to a four-year term on a non-partisan ballot. Each year, the Board elects a Chair and a Vice Chair from its members to serve a one year term. The Superintendent of the District serves as the executive agent of the Board and has the authority and responsibility to implement Board policy.

The Board has general control and management of all public schools within the District, including the control and management of all public school funds and school property, and may use such funds and property to promote public education within the District. The Board has the power, among others, to levy tax rates in compliance with statutory and regulatory requirements and to issue bonds to build and construct improvements to the public schools and related facilities within the District.

Kentucky Department of Education Supervision

No later than September 30 of each year, the District is required to submit to the Kentucky Department of Education (the "KDE") a tentative and working budget, on forms prescribed and furnished by the KDE, showing the amount of money needed for current expenses, debt service, capital outlay, and other necessary expenses of the District during the succeeding fiscal year, as well as the estimated amount that will be received from all other sources. The working budget shall be disapproved by the KDE if (i) it is financially unsound,

(ii) it fails to provide for (a) the payment of maturing principal and interest on any outstanding voted school improvement bonds, or (b) the payment of rentals in connection with any outstanding school building revenue bonds, or (iii) it fails to comply with any applicable law.

Each year, upon the receipt of local property assessments from the Kentucky Department of Revenue, the KDE certifies to the District (i) the general tax rate that the District could levy under Section 160.470(1) of the Kentucky Revised Statutes and the amount of revenue expected to be produced, (ii) the compensating tax rate, as defined in Section 132.010 of the Kentucky Revised Statutes, for the District's general tax rate and the amount of revenue expected to be produced, and (c) the general tax rate which will produce, respectively, no more revenue from real property, exclusive of any revenue from new property, than 4% over the amount of revenue produced by the compensating tax rate described in (ii) above, and the amount of revenue expected to be produced. Within thirty days after the District has received its tax assessment data, the rates levied by the District shall be forwarded to the KDE for its approval or disapproval.

KDE supervision also extends to other areas of local school finance, including supervision of general operations, such as the examination of business methods and accounts of the District and requirements for the submission to the KDE of prompt, detailed reports of all receipts and expenditures. The KDE also requires all local school districts, including the District, who have entered into contracts for the issuance of bonds to arrange for insurance protection in an amount equal to the full insurable value of the buildings and for the continuous retention of such insurance. KDE's supervision and control over local school districts in the Commonwealth is believed to be a major contribution toward the maintenance of Kentucky's perfect record of no defaults in the payment of its revenue bonds for school purposes.

Revenue Sources within the District

General Property and Motor Vehicle Tax

The Board levies a tax on real estate, personal property, and motor vehicles at a specific rate per \$100.00 of assessed valuation. See "Appendix B – Tax Base, Operating, and Demographic Data" hereto for the rates assessed over the previous five-year period.

SEEK Program

The SEEK Program allocates biennial appropriations from the Kentucky General Assembly to each school district in Kentucky. The base level of funding is determined for each fiscal year by dividing the total annual SEEK appropriation by the state-wide total of pupils in average daily attendance in the preceding fiscal year. Each district's share of SEEK funding is subject to adjustment in order to reflect various factors.

See "Appendix B – Tax Base, Operating, and Demographic Data" hereto for a recent history of the SEEK Program appropriations to the District.

Capital Outlay Allotment

The SEEK Program also provides for an annual payment to all Kentucky school districts for capital construction or acquisition (the "Capital Outlay Allotment"). Funds from the Capital Outlay Allotment are not directly pledged for debt service but, as a practical matter, and to the extent needed, have been and will continue to be applied to debt service through rental payments on lease agreements and general obligation bond payments.

The Commonwealth has established a formula to calculate Capital Outlay Allotments, which results in the allocation of funds to a district for capital expenditures at a rate of \$100.00 per average daily pupils in attendance. Capital Outlay Allotments are required to be segregated into the Capital Outlay Allotment Fund and may be used only for (i) the direct payment of construction costs; (ii) the payment of debt service on voted

and funding bonds; (iii) the payment of lease rental payments or general obligation bond payments in support of bond issues; (iv) the reduction of any deficits resulting from over-expenditures for any emergency capital construction; and (v) the establishment of a reserve for each of the categories enumerated in (i) through (iv).

The Capital Outlay Allotment received by the District for the most recent five-year period is set forth in “Appendix B – Tax Base, Operating, and Demographic Data” hereto.

FSPK Program

The FSPK Program provides funds for districts to support debt service and capital expenditures. The amount of FSPK funds a particular district receives is based on a funding formula that takes into consideration such district’s average daily attendance and the amount of local revenue generated on such district’s tax base relative to a state-wide average assessment.

See “Appendix B – Tax Base, Operating, and Demographic Data” hereto for a recent history of the FSPK Program appropriations to the District.

Tax Base Information

Homestead Exemption

Section 170 of the Kentucky Constitution was amended by Kentucky voters at the General Election held on November 2, 1971, to exempt from property taxes the first \$6,500 of single-unit residential property of taxpayers 65 years of age or older. After that election, the 1972 Regular Session of the Kentucky General Assembly enacted Section 132.810 of the Kentucky Revised Statutes in order to establish the qualifications for the homestead exemption and to provide for the application thereof. In later legislative sessions, the Kentucky General Assembly amended Section 132.810 of the Kentucky Revised Statutes, (i) to enlarge the “single-unit” qualification to allow the homestead exemption to apply to real property “held by legal or equitable title, by the entireties, jointly, in common, as a condominium” maintained as the permanent residence of the owner, (ii) to construe the \$6,500 exemption to mean \$6,500 in terms of the purchasing power of the dollar in 1972, (iii) to allow the maximum exemption to be adjusted every two years if the cost of living index of the United States Department of Labor has changed as much as 1% over the preceding two-year period, and (iv) to permit counties and school districts to adjust their local tax revenues through increases in the tax rates on non-exempt property in order to generate tax revenues in an amount equivalent to the revenues lost through the application of the homestead exemption. The amount of the individual homestead exemption for the current tax period is \$49,100.

Limitation on Taxation

The 1990 Regular Session of the Kentucky General Assembly, in enacting the comprehensive KERA legislative package, (i) amended the provisions of Section 160.470 of the Kentucky Revised Statutes, which prohibited school districts from levying ad valorem property taxes that would generate revenues in excess of 4% of the previous year’s revenues without such levy being subject to recall, and (ii) amended Section 157.440 of the Kentucky Revised Statutes, for the purpose of creating an exception to the referendum and public hearing requirements imposed by Section 160.470 of the Kentucky Revised Statutes for certain taxes levied by school districts.

Under Section 160.470(9) of the Kentucky Revised Statutes, for fiscal years beginning July 1, 1990, school districts are permitted to levy a “minimum equivalent tax rate” of \$0.30 for general school purposes. The “equivalent tax rate” is defined as the rate that results when the income collected during the prior year from all taxes (including occupational and utility 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 Kentucky Department

of Revenue. Failure to levy the minimum equivalent rate subjects the board of the district to removal. Levies permitted by Section 160.470(9) of the Kentucky Revised Statutes are not subject to the public hearing or recall provisions set forth in Section 160.470(7) and (8) of the Kentucky Revised Statutes.

Under Section 157.440(1) of the Kentucky Revised Statutes for fiscal years beginning July 1, 1990, school districts are permitted to levy an “equivalent tax rate,” as defined in Section 160.470(9) of the Kentucky Revised Statutes, which will produce up to 15% of those revenues guaranteed by the SEEK Program. Levies permitted by Section 157.440(1) of the Kentucky Revised Statutes are not subject to the public hearing or recall provisions as set forth in Section 160.470(7) and (8) of the Kentucky Revised Statutes.

Section 159 of the Kentucky Constitution requires the collection of an annual tax sufficient to pay the interest on contracted indebtedness and to retire indebtedness over a period not exceeding forty years.

Appendix D to this Official Statement contains a Statement of Indebtedness for the District, certified by the Treasurer of the Board, which sets forth the property tax rates currently levied by the District and certifies that the issuance of the Bonds will not cause such tax rates to increase to an amount in excess of the above-described maximum permissible rates.

Investment Policy

Section 66.480 of the Kentucky Revised Statutes sets forth the requirements and limitations relating to investments by the state’s political subdivisions, including the District. In accordance with the provisions thereof, the District must adopt an investment policy and may only invest its funds, with the approval of the Kentucky Board of Education, in the classifications of obligations which are eligible for investment, which includes:

- (a) Obligations of the United States and its agencies and instrumentalities, including obligations subject to repurchase agreements, if delivery of such obligations is taken either directly or through an authorized custodian. These investments may be accomplished through repurchase agreements reached with sources including, but not limited to, national or state banks chartered in Kentucky;
- (b) Obligations and contracts for the future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States governmental agency, including, but not limited to:
 - 1. United States Treasury obligations;
 - 2. United States Export-Import Bank notes or guaranteed participation certificates;
 - 3. Farmers Home Administration insured notes;
 - 4. Governmental National Mortgage Corporation obligations; and
 - 5. Merchant Marine bonds;
- (c) Obligations of any corporation of the United States government, including, but not limited to:
 - 1. the Federal Home Loan Mortgage Corporation;
 - 2. Federal Farm Credit Banks;
 - 3. the Bank for Cooperatives (CoBank);
 - 4. Federal Intermediate Credit Banks;
 - 5. Federal Land Banks;
 - 6. Federal Home Loan Banks;
 - 7. the Federal National Mortgage Association; and
 - 8. the Tennessee Valley Authority;

- (d) Certificates of deposit or other interest-bearing accounts issued through any bank or savings and loan institution having a physical presence in Kentucky which are insured by the Federal Deposit Insurance Corporation or a similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by Section 41.240(4) of the Kentucky Revised Statutes;
- (e) Uncollateralized certificates of deposit issued by a bank or savings and loan institution having a physical presence in Kentucky rated in one of the three highest categories by a competent rating agency;
- (f) Bankers' acceptances for banks rated in one of the three highest categories by a competent rating agency;
- (g) Commercial paper rated in the highest category by a competent rating agency;
- (h) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;
- (i) Securities issued by a state or local government, or any instrumentality or agency thereof, in the United States, and rated in one of the three highest categories by a competent rating agency;
- (j) Shares of mutual funds, each of which shall have the following characteristics:
 1. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
 2. The management company of the investment company shall have been in operation for at least five years; and
 3. All of the securities in the mutual fund shall be eligible investments hereunder;
- (k) Individual equity securities, if the funds being invested will be managed by a professional investment manager that is regulated by a federal regulatory agency. The individual equity securities shall be included within the Standard and Poor's 500 Index, and a single sector shall not exceed 25% of the equity allocation; and
- (l) Individual high-quality corporate bonds managed by a professional investment manager and that:
 1. Are issued, assumed, or guaranteed by a solvent institution created and existing under the laws of the United States;
 2. Have a standard maturity of no more than ten years; and
 3. Are rated in the three highest rating categories by at least two competent credit rating agencies.

The District's current investment policy matches the investments permitted by Section 66.480 of the Kentucky Revised Statutes.

The District values legality, safety, liquidity, and yield, in that order.

Debt Limitation

Section 158 of the Kentucky Constitution provides that taxing districts, including the District, acting by and through the Board, shall not incur indebtedness to an amount exceeding 2% of the value of the taxable property therein, as estimated by the last assessment previous to the incurring of the indebtedness; provided, however, that Section 158 of the Kentucky Constitution also provides that nothing shall prevent the issue of any renewal bonds or bonds to fund the floating indebtedness of any city, county, or taxing district. In addition, Section 158 of the Kentucky Constitution also grants the Kentucky General Assembly the power, subject to the limits and conditions set forth in Section 158 and elsewhere in the Kentucky Constitution, to establish additional limits on indebtedness and the conditions under which debt may be incurred by cities, counties, and taxing districts.

Section 66.041 of the Kentucky Revised Statutes provides the same limitations on indebtedness as are set forth in Section 158 of the Kentucky Constitution, and further states that the debt limitations apply to “net indebtedness.” In calculating “net indebtedness,” Section 66.031 of the Kentucky Revised Statutes provides that certain obligations of a city, county, or taxing district are not to be considered as “indebtedness,” including any notes issued in anticipation of bonds, self-supporting obligations, revenue bonds, special assessment debt, and other infrequently-issued types of obligations. For a complete list of all of the Board’s debt exempt from the calculation of “net indebtedness,” see the Statement of Indebtedness attached hereto as Appendix D.

Appendix D to this Official Statement contains a Statement of Indebtedness for the Board, certified by the Treasurer of the Board, that calculates the amount of the outstanding obligations of the District (including the Bonds) that are subject to the 2% total direct debt limit. The total principal amount of general obligation debt that could be issued by the Board, subject to the 2% debt limitation, is \$128,843,899, and the Board’s net debt subject to such limit presently outstanding (including the Bonds) is \$49,935,000*, leaving a balance of approximately \$78,908,899* borrowing capacity issuable within such limitation.

However, as described under the heading “THE DISTRICT – Tax Base Information – Limitation on Taxation” herein, the Board’s ability to incur debt in these amounts is also restricted by tax limitations. In the case of general obligation debt, both the debt limitation and tax limitation must be met.

Bond Anticipation Notes

As provided by Section 56.513 and Section 58.150 of the Kentucky Revised Statutes, school districts are authorized to issue notes from time to time, including renewal notes, in anticipation of the issuance of any bonds, upon the same terms and conditions as bonds, except bond anticipation notes may be sold by private, negotiated sale in any manner determined or authorized by the board of education of the district. The ability of a school district to retire its bond anticipation notes from the proceeds of the sale of either bonds or renewal notes will ultimately depend upon the marketability of such bonds or renewal notes under the market conditions prevailing at the time of such sale.

LEGAL MATTERS

General

Legal matters incident to the issuance of the Bonds and with regard to the tax-exempt status thereof are subject to the approving legal opinion of Steptoe & Johnson PLLC, as Bond Counsel for the Bonds. Upon delivery to the successful bidder therefor, the Bonds will be accompanied by an approving legal opinion dated the date of such delivery, rendered by Steptoe & Johnson PLLC. A draft of the approving legal opinion for the Bonds is set forth in “Appendix E – Form of Approving Legal Opinion of Bond Counsel” hereto.

* Preliminary, subject to adjustment.

As Bond Counsel, Steptoe & Johnson PLLC has performed certain functions to assist the Board in the preparation of this Official Statement. However, the firm assumes no responsibility for, and will express no opinion regarding the accuracy or completeness of this Official Statement or any other information relating to the District or the Bonds that may be made available by the District or others to the bidders, the holders of the Bonds, or any other persons.

The engagement of the firm as Bond Counsel for the Bonds is limited to (i) the preparation of certain documents contained in the transcript of proceedings for the Bonds, and (ii) an examination of such transcript of proceedings incident to rendering its approving legal opinion for the Bonds. In its capacity as Bond Counsel, the firm has reviewed the information set forth in this Official Statement under the Sections entitled “THE BONDS – Authority for Issuance,” “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS,” “THE DISTRICT – Tax Base Information – Limitation on Taxation,” “THE DISTRICT – Debt Limitation,” “LEGAL MATTERS – General,” and “LEGAL MATTERS – Tax Treatment,” which review did not include independent verification of the financial statements and the statistical data included therein, if any.

Transcript and Closing Certificates

A complete transcript of proceedings for the Bonds, including a no litigation certification and other appropriate closing documents, will be delivered by the Board when the Bonds are delivered to the original purchaser thereof. At the time of delivery, the Board will also provide the original purchaser of the Bonds with a certification, executed by the Chair or the Treasurer of the Board or the Finance Director of the District, and addressed to such purchaser, relating to the accuracy and completeness of this Official Statement.

Litigation

To the knowledge of the Board, no litigation, administrative action, or other proceeding is pending or threatened directly affecting the Bonds, the security for the Bonds, or the improvements being financed with the proceeds of the Bonds. A no litigation certification to that effect will be delivered to the original purchaser of the Bonds at the time of the delivery of the Bonds.

Tax Treatment

General

In the opinion of Bond Counsel, based on an analysis of existing laws, regulations, rulings, and court decisions in effect as of the date hereof, interest on the Bonds will be excludable from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the “Code”). Bond Counsel is also of the opinion that interest on the Bonds will not be a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals (for a discussion of the corporate alternative minimum tax, see “LEGAL MATTERS – Tax Treatment – Corporate Alternative Minimum Tax” herein). In addition, Bond Counsel is also of the opinion that interest on the Bonds will be exempt from Kentucky income taxation and that the Bonds will be exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

A copy of the opinion of Bond Counsel to be delivered concurrently with the issuance of the Bonds is set forth in “Appendix E – Form of Approving Legal Opinion of Bond Counsel” hereto.

The Code imposes various restrictions, conditions, and requirements with respect to the exclusion of interest on certain obligations, including the Bonds, from gross income for federal income tax purposes. The District has covenanted to comply with certain restrictions designed to ensure that interest on the Bonds will be excludable from gross income for federal income tax purposes. Any failure to comply with these covenants could result in the interest on the Bonds being includable in gross income for federal income tax purposes, and

such inclusion could be required retroactively to the date of issuance of the Bonds. The approving legal opinion of Bond Counsel assumes compliance with these covenants. However, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or any events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the tax status of interest on the Bonds.

Certain requirements and procedures contained or referred to in the Bonds and any other documents related thereto may be changed, and certain actions (including, without limitation, the defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in the Bonds or such other documents. Bond Counsel expresses no opinion as to any Bonds or the tax status of the interest thereon if any such change occurs or any such action is taken or omitted upon the advice or approval of bond counsel other than Steptoe & Johnson PLLC.

Although Bond Counsel is of the opinion that the interest on the Bonds will be excludable from gross income for federal income tax purposes and that interest on the Bonds will be excludable from gross income for Kentucky income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Bondholder's federal, state, or local tax liabilities. The nature and extent of these tax consequences may depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinions regarding any tax consequences other than what is set forth in its opinion, and each Bondholder or potential Bondholder is urged to consult with its tax counsel with respect to the effects of the purchasing, holding, or disposing of the Bonds on the tax liabilities of the individual or entity.

Receipt of tax-exempt interest, ownership, or disposition of the Bonds may result in other collateral federal, state, or local tax consequences for certain taxpayers. Such effects may include, without limitation, increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code; increasing the federal tax liability of certain insurance companies under Section 832 of the Code; increasing the federal tax liability and affecting the status of certain S Corporations subject to Section 1362 and Section 1375 of the Code; increasing the federal tax liability of certain individual recipients of Social Security or the Railroad Retirement benefits under Section 86 of the Code; and limiting the amount of the Earned Income Credit under Section 32 of the Code that might otherwise be available. Ownership of the Bonds may also result in the limitation of interest and certain other deductions for financial institutions and certain taxpayers under Section 265 of the Code. Finally, the residence of a bondholder in a state other than Kentucky or a bondholder being subject to tax in a state other than Kentucky may result in income or other tax liabilities being imposed on such bondholder by such states or their political subdivisions based on the interest or other income from the Bonds.

The Board has not designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265 of the Code.

Original Issue Premium

"Acquisition Premium" is the excess of the cost of a bond over the stated redemption price of the bond at maturity or, for bonds that have one or more earlier call dates, the amount payable at the next call date. The Bonds that bear an interest rate that is higher than the yield (as shown on the cover page hereof) are initially being 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 (each, a "tax-exempt bond"), must be amortized and will reduce the bondholder's adjusted basis in the bond. However, no amount of amortized Acquisition Premium on any tax-exempt bonds may be deducted in determining a bondholder's taxable income for federal income tax purposes. The Acquisition Premium paid on any Premium Bonds or any other Bonds that must be amortized during any period will be based on the "constant yield" method, using the original bondholder's basis in the 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

The Bonds having a yield that is higher than the interest rate (as shown on the cover page hereof) are being offered and sold to the public at an original issue discount (“OID”) from the amounts payable on such Bonds (the “Discount Bonds”) at maturity. OID is an amount equal to 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 in accordance with that initial offering. For federal income tax purposes, OID on each bond will accrue over the term of such bond, and for the Discount Bonds, the amount of such accretion will be based on a single rate of interest, compounded semiannually (the “yield to maturity”). The amount of OID that accrues during each semiannual period will do so ratably over that period on a daily basis. With respect to an initial purchaser of a Discount Bond at its issue price, the portion of OID that accrues during the period such purchaser owns the Discount Bond 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 and thus, in practical effect, is treated as stated interest, which is excludable from gross income for federal income tax purposes.

In addition to the foregoing, OID 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 of the Discount Bonds should be aware that the accrual of OID in each year may result in an alternative minimum tax liability, additional distribution requirements, or other collateral federal income tax consequences even though the owner of such Discount Bond has not received cash attributable to such OID 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.

Corporate Alternative Minimum Tax

The Inflation Reduction Act of 2022 imposes a new corporate alternative minimum tax equal to 15% of the “adjusted financial statement income” of an “applicable corporation,” both as defined in Section 59(k) of the Code. Generally, an applicable corporation includes any corporation (as defined for federal income tax purposes, other than S corporations, regulated investment companies, and real estate investment trusts) with an “average annual adjusted financial statement income” of more than \$1,000,000,000 over any preceding period of three tax years (ending with a tax year ending after December 31, 2021). The corporate alternative minimum tax applies for all tax years beginning after December 31, 2022. Under the Inflation Reduction Act, interest on tax-exempt bonds, such as the interest on the Bonds, is included (i) in computing “average annual adjusted financial statement income” for the purposes of determining whether a corporation qualifies as an “applicable corporation,” and (ii) in determining an applicable corporation’s “adjusted financial statement income” for the purposes of calculating the alternative minimum tax imposed on applicable corporations under Section 55 of the Code, regardless of the issue date of such tax-exempt bonds.

CONTINUING DISCLOSURE

In accordance with Rule 15c2-12 (the “Rule”) of the Securities and Exchange Commission (the “SEC”), the District will execute and deliver a Continuing Disclosure Certificate to be dated the date of issuance of the Bonds (the “Continuing Disclosure Certificate”), the form of which is set forth in “Appendix F – Form of Continuing Disclosure Certificate” hereto, for the benefit of all parties who may become registered owners or beneficial owners of the Bonds from time to time. Under the Continuing Disclosure Certificate, so long as the Bonds remain outstanding, the Board will agree to comply with the provisions of the Rule by causing the following the following information to be provided:

- (i) to the Municipal Securities Rulemaking Board (the “MSRB”), or to any successor thereto for purposes of the 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 SEC, for each fiscal year of the District, certain annual financial information and operating data of the District (the “Annual Financial Information”), including the audited financial statements of the District, generally consistent with (i) the financial information and operating data of the District set forth under the following headings of Appendix B to the Offering Document: “Outstanding Bonds”, “Bond Debt Service”, “District Student Population”, “Local Support – Local Tax Rates, Property Assessment and Revenue Collections and SEEK Allotment”, and (ii) the audited financial statements of the District set forth in “Appendix C – Audited Financial Statements of the District for the Fiscal Year Ended June 30, 2024” hereto. The Annual Financial Information shall be provided annually, no later than 9 months after the end of the fiscal year ending on the preceding June 30, commencing with the fiscal year ended June 30, 2025, provided, however, that audited financial statements may not be available by such date, but shall be made available immediately upon delivery thereof by the auditors for the District; and
- (ii) to the MSRB, through EMMA, in a timely manner, not in excess of ten business days after the occurrence of the event, notice of the occurrence of the following events with respect to the Bonds:
 - (a) Principal and interest payment delinquencies;
 - (b) Non-payment related defaults, if material;
 - (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
 - (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
 - (e) Substitution of credit or liquidity providers, or their failure to perform;
 - (f) Adverse tax opinions, issuance by the Internal Revenue Service 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 security, or any other material events affecting the tax-exempt status of the security;
 - (g) Modifications to rights of security holders, if material;
 - (h) Bond calls, if material, and tender offers (except for any mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event);
 - (i) Defeasances;
 - (j) Release, substitution, or sale of property securing repayment of the securities, if material;
 - (k) Rating changes;
 - (l) Bankruptcy, insolvency, receivership, or other similar event of the District (Note: This event is considered to occur upon the occurrence of any of the following: The appointment of a receiver, fiscal agent, or similar officer for the District in

a proceeding under the U.S. Bankruptcy Code or under any other state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession of such assets or business, but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District);

- (m) The consummation of any merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than in accordance with its terms, if material;
 - (n) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
 - (o) Incurrence of a Financial Obligation of the District, if material, or an agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect its security holders, if material; and
 - (p) Default, event of acceleration, termination event, modification of terms, or any other similar events under the terms of any Financial Obligation of the District, any of which reflect financial difficulties.
- (iii) in a timely manner, to the MSRB through EMMA, notice of a failure (of which the District has knowledge) of the District to provide the required Annual Financial Information on or before the date specified in the Continuing Disclosure Certificate.

“Financial Obligation” shall mean (a) a debt obligation, (b) a 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) a guarantee of either (a) or (b). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

Any or all of the items listed above may be incorporated by reference to other documents, including official statements of debt issues of the Board or related public entities, which are available to the public on the MSRB’s Internet website or filed with the SEC.

The Continuing Disclosure Certificate provides bondholders, including the beneficial owners of the Bonds, with certain enforcement rights in the event of failure by the Board to comply with the terms thereof; however, a default under the Continuing Disclosure Certificate does not constitute an event of default under the Bond Resolution. The Continuing Disclosure Certificate may also be amended or terminated under certain circumstances in accordance with the Rule as more fully described therein.

For purposes of this transaction with respect to events as set forth in the Rule:

- (a) there are no debt service reserve funds applicable to the Bonds;
- (b) there are no liquidity providers applicable to the Bonds; and
- (c) there is no property securing the repayment of the Bonds.

As of the date of this Official Statement, the Board is in compliance with the reporting requirements of the Rule for the past five years for which it is an “obligated person,” as defined in the Rule. The Board intends to file all future Annual Financial Information within the time requirements specified in the Rule, the Continuing Disclosure Certificate, and the Board’s existing continuing disclosure undertakings relating to other outstanding debt issues, and the Board has adopted policies and procedures to ensure the timely filing thereof, which policies and procedures are available to the public upon request.

Financial information regarding the District may be obtained from the Superintendent of the District at 1155 W. Main Street, Shelbyville, Kentucky 40065, Telephone: (502) 633-2375.

RATING

As noted on the cover page of this Official Statement, Moody’s Investors Service, Inc. (“Moody’s”) has assigned an underlying rating of “[]” and an enhanced rating of “[]” to the Bonds. Such rating reflects only the view of Moody’s. Any explanation of the significance of such rating may be obtained from Moody’s at 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, (212) 553-0300. The District furnished Moody’s with certain information and materials about the Bonds and themselves. Generally, rating agencies base their ratings upon such information and materials received from issuers and upon investigations, studies, and assumptions by the rating agencies.

There can be no assurance that a rating, when assigned, will continue for any given period of time or that it will not be lowered or withdrawn entirely by Moody’s if, in its judgment, the circumstances so warrant. Any such downward change in or withdrawal of a rating may have an adverse effect on the marketability and/or market price of the Bonds.

The Board presently expects to furnish Moody’s with any information and materials that Moody’s may request on future general obligation bond issues. However, the Board assumes no obligation to furnish any requested information and materials and may issue debt for which a rating is not requested. The failure to furnish any requested information and materials, or the issuance of debt for which a rating is not requested, may result in the suspension or withdrawal of Moody’s ratings on the Board’s outstanding general obligation bonds.

UNDERWRITING

The Bonds are being purchased for reoffering by [] (the “Underwriter”). The Underwriter has agreed to purchase the Bonds at an aggregate purchase price of \$[] (reflecting the par amount of the Bonds, [plus/less] net original issue [premium/discount] of \$[], and less underwriter’s discount of \$[].) The initial public offering prices which produce the yields set forth on the cover page of this Official Statement may be changed by the Underwriter, and the Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the offering prices which produce the yields set forth on the cover page hereof.

MUNICIPAL ADVISOR

RSA Advisors, LLC, Lexington, Kentucky, has acted as Municipal Advisor (the “Municipal Advisor”) to the District in connection with the issuance and sale of the Bonds and will receive a fee, payable from the proceeds of the Bonds, for its services rendered as the Municipal Advisor to the District, contingent upon the issuance and sale of the Bonds. The Municipal Advisor has compiled certain data relating to the Bonds contained herein. The Municipal Advisor is not obligated (i) to undertake, and has not undertaken, to make an independent verification of, or (ii) to assume responsibility for the accuracy, completeness, or fairness of the information contained herein. The Municipal Advisor is an independent financial advisory firm and is not engaged in the business of underwriting, trading, or distributing securities.

MISCELLANEOUS

To the extent any statements contained herein involve matters of opinion or estimates, whether or not expressly stated to be such, such statements are made as such and not as representations of fact or certainty, and no representation is made that any of such statements will be realized. The information contained in this Official Statement has been derived by the Board from official records and other sources and is believed by the Board to be reliable, but such information, other than any information obtained from the official records of the District, has not been independently confirmed or verified by the Board, and the accuracy of any such information is not guaranteed. Neither this Official Statement nor any statement which may have been made, either orally or in writing, by or on behalf of the Board is to be construed as a contract with the holders of the Bonds.

This Official Statement has been duly executed and delivered in the name and on behalf of the Board by the Chair of the Board.

**BOARD OF EDUCATION OF SHELBY
COUNTY, KENTUCKY**

By: /s/ Andrew Cline
Chair

APPENDIX A

**BOARD OF EDUCATION OF SHELBY COUNTY, KENTUCKY
GENERAL OBLIGATION BONDS,
SECOND SERIES 2025**

ESTIMATED DEBT SERVICE REQUIREMENTS FOR THE BONDS

ESTMATED DEBT SERVICE REQUIREMENTS FOR THE BONDS

Fiscal Year	Current Local Bond Payments	----- General Obligation Bonds, Series 2025 ----- (100% LOCAL)			Total Restricted Fund Bond Payments
		Principal Portion	Interest Portion	Total Payment	
Ending June 30					
2025	\$7,420,784				\$7,420,784
2026	\$8,864,449		\$344,660	\$344,660	\$9,209,110
2027	\$8,864,215	\$70,000	\$708,070	\$778,070	\$9,642,285
2028	\$8,864,270	\$70,000	\$706,178	\$776,178	\$9,640,448
2029	\$8,862,140	\$75,000	\$704,199	\$779,199	\$9,641,339
2030	\$8,863,189	\$75,000	\$702,118	\$777,118	\$9,640,307
2031	\$8,869,350	\$70,000	\$700,036	\$770,036	\$9,639,385
2032	\$8,869,879	\$75,000	\$697,822	\$772,822	\$9,642,700
2033	\$8,869,831	\$75,000	\$695,403	\$770,403	\$9,640,234
2034	\$8,870,012	\$80,000	\$692,786	\$772,786	\$9,642,798
2035	\$8,868,336	\$80,000	\$689,946	\$769,946	\$9,638,281
2036	\$8,866,036	\$85,000	\$686,849	\$771,849	\$9,637,885
2037	\$8,867,622	\$90,000	\$683,391	\$773,391	\$9,641,013
2038	\$8,865,490	\$95,000	\$679,573	\$774,573	\$9,640,063
2039	\$8,869,701	\$95,000	\$675,479	\$770,479	\$9,640,179
2040	\$7,850,191	\$120,000	\$670,727	\$790,727	\$8,640,918
2041	\$7,727,291	\$250,000	\$662,325	\$912,325	\$8,639,616
2042	\$5,705,406	\$2,335,000	\$601,703	\$2,936,703	\$8,642,108
2043	\$5,705,206	\$2,450,000	\$488,030	\$2,938,030	\$8,643,236
2044	\$5,707,406	\$2,570,000	\$366,265	\$2,936,265	\$8,643,671
2045	\$5,023,743	\$2,900,000	\$231,525	\$3,131,525	\$8,155,268
2046	\$4,727,738	\$3,195,000	\$79,875	\$3,274,875	\$8,002,613
TOTALS:	\$ 174,002,283	\$14,855,000	\$12,466,958	\$27,321,958	\$201,324,241

Notes: Numbers are Rounded to the nearest \$1.00;

APPENDIX B

**BOARD OF EDUCATION OF SHELBY COUNTY, KENTUCKY
GENERAL OBLIGATION BONDS,
SECOND SERIES 2025**

TAX BASE, OPERATING, AND DEMOGRAPHIC DATA OF THE DISTRICT

COUNTY OF SHELBY, KENTUCKY

TAX BASE, OPERATING, AND DEMOGRAPHIC DATA

Shelbyville, the county seat of Shelby County, is located in the Outer Bluegrass Region of north central Kentucky. Shelbyville is located 31 miles east of Louisville, KY; 50 miles west of Lexington, Kentucky; and 95 miles southwest of Cincinnati, Ohio. In 2024, Shelbyville had an estimated population of 17,464.

Shelby County, with a rolling hilly terrain, covers a total land area of 384 square miles. Shelby County had an estimated 2024 population of 49,767.

The Economic Framework

In 2024, Shelby County had a labor force of 26,066 people with an unemployment rate of 4.00%. The top five jobs by occupation were as follows: sales – 2,353 (13.61%), office and administrative support – 2,007 (11.61%), production workers – 1,984 (11.48%); executive managers and administrators – 1,794 (10.38%), and material moving – 1,158 (6.70%).

Power and Fuel

Electric power is provided to Shelbyville and portions of Shelby County by LG&E Energy Corp. The major portions of Shelby County is served by the East Kentucky Power Cooperative. Natural gas service is provided by the LG&E Energy Corp. and Atmos Energy Corporation.

TAX BASE INFORMATION

Assessed Value of Property

Fiscal Year	Total
2020	\$4,501,612,020
2021	\$4,709,322,436
2022	\$4,942,068,383
2023	\$5,431,439,662
2024	\$5,928,448,434

Source: Kentucky Department of Education – SEEK Calculation

Historical Tax Rates

Fiscal Year	Real Estate	Tangible	Motor Vehicle
2020	73.100	73.100	46.500
2021	73.100	73.100	46.500
2022	71.500	72.000	46.500
2023	71.400	71.400	46.500
2024	N/A	N/A	46.500

Source: Kentucky Department of Education – SEEK Taxes

Top Ten Taxpayers of the District

The following tables lists the ten largest real property taxpayers of the County as reported by the Shelby County Property Valuation Administrator for the calendar year 2024.

Taxpayer	Real Property Assessment (\$)
Diageo Americas Supply Inc.	71,171,708
Bluegrass Outlet Shoppes CMBS LLC	55,015,500
I-64 Logistics Center LLC	28,045,696
Martinrea Heavy Stampings Inc.	18,400,000
Windhurst Park Apartments LLC	14,400,000
I-64 Logistics Center LLC	14,350,000
Shelbyville Oaks LLC	12,960,000
Hi Point Newco LLC	11,840,000
Simpsonville LLC	11,500,000
Katayama American Co Inc.	11,330,000

OPERATING AND FINANCIAL DATA

Outstanding Bonds

Bond Series	Original Principal	Current Principal Outstanding	Principal Assigned to Board	Principal Assigned to Commission	Approximate Interest Rate Range	Final Maturity
2012	\$5,010,000	\$3,535,000	\$5,010,000	\$0	1.800% - 2.550%	2032
2013	\$18,590,000	\$16,225,000	\$14,601,037	\$3,988,963	3.000% - 3.125%	2033
2016	\$8,020,000	\$7,360,000	\$6,432,706	\$1,587,294	2.000% - 3.000%	2036
2016-REF	\$31,555,000	\$17,950,000	\$29,438,938	\$2,116,062	4.000%	2029
2018	\$35,355,000	\$33,350,000	\$33,281,402	\$2,073,598	3.000% - 4.000%	2038
2021	\$13,700,000	\$12,230,000	\$12,975,835	\$724,165	2.000%	2041
2025	\$35,080,000	\$35,080,000	\$34,430,435	\$649,565	4.000% - 4.250%	2046
TOTAL:	\$147,310,000	\$125,730,000	\$136,170,353	\$11,139,647		

Overlapping Indebtedness

Issuer	Original Principal Amount	Amount of Bonds Redeemed	Current Principal Outstanding
County of Shelby			
General Obligation	1,415,500	795,206	620,294
Fire Protection Renewable	98,000	85,000	13,000
Other Revenue	100,000,000	0	100,000,000
Refinancing Refunding	19,804,000	8,907,830	10,896,170
Courthouse & City Hall Lease Rev.	12,285,000	8,160,000	4,125,000

City of Shelbyville			
General Obligation	35,250,000	7,777,515	27,472,485
City of Simpsonville			
General Obligation	4,440,000	1,483,939	2,956,061
Special Districts			
Shelby County Extension Taxing District	1,200,000	905,000	295,000
Shelby County Suburban Fire District	1,717,539	1,235,000	482,539
Simpsonville Fire Protection District	1,790,933	1,355,000	435,933
US 60 Water District	1,714,700	742,900	971,800
Waddy Fire Protection District	231,691	54,715	176,976
West Shelby Water District	835,000	321,000	514,000
Totals:	180,782,363	31,823,105	148,959,258

Source: Kentucky Department of Local Government – County Debt Report FY 2025

Attendance

School Year	Average Daily Attendance
2019-20	6,369
2020-21	6,369
2021-22	6,624
2022-23	6,624
2023-24	6,600

Source: Kentucky Department of Education – SEEK Calculations

SEEK Funds

Description	Fiscal Year				
	2020	2021	2022	2023	2024
SEEK Funds	\$18,128,087	\$16,357,030	\$17,986,774	\$17,627,639	\$16,671,187
FSPK Funds	\$2,250,806	\$2,354,661	\$2,471,034	\$2,715,720	\$2,964,224
Capital Outlay Allotments	\$636,948	\$636,948	\$662,376	\$662,376	\$660,021

Source: Kentucky Department of Education – SEEK Calculations

DEMOGRAPHIC DATA

Population Growth (in thousands)

Description	2020	2021	2022	2023
Shelbyville	16,633	17,485	17,522	16,790
Shelby County	49,645	48,631	48,833	49,149

Source: Kentucky State Data Center, University of Louisville

Population Projections

Description	2030	2035	2040
Shelby County	65,179	65,977	66,595

Source: Kentucky State Data Center, University of Louisville

Unemployment Rate (%)

Year	Shelby County	Kentucky	United States
2019	3.3	4.1	3.7
2020	5.3	6.5	8.1
2021	3.7	4.5	5.3
2022	3.5	4.0	3.6
2023	3.5	4.2	3.6

Source: Kentucky Center for Statistics

APPENDIX C

**BOARD OF EDUCATION OF SHELBY COUNTY, KENTUCKY
GENERAL OBLIGATION BONDS,
SECOND SERIES 2025**

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

SHELBY COUNTY BOARD OF EDUCATION

FINANCIAL STATEMENTS
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORTS

YEAR ENDED JUNE 30, 2024

Denise M. Keene
Certified Public Accountant
P.O. Box 1444
Georgetown, Kentucky 40324
859-421-5062

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**DENISE M. KEENE
CERTIFIED PUBLIC ACCOUNTANT
P.O. BOX 1444
GEORGETOWN, KENTUCKY 40324
859-421-5062**

INDEPENDENT AUDITOR'S REPORT

State Committee for School District Audits
Members of the Board of Education
Shelby County Board of Education
Shelbyville, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Shelby County Board of Education as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Board'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 Board as of June 30, 2024 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

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 Board'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 Board'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 Board's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information; the Schedules of Proportionate Share of the Net Pension Liability and Schedule of Pension Contributions; the Schedule of Proportionate Share of the Net OPEB Liability and Schedule of OPEB Contributions, 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 Board'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 (CFR) 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 13, 2024 on our consideration of the Board'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 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 Board'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 Board's internal control over financial reporting and compliance.

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
November 13, 2024

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

For the Year Ended June 30, 2024

As management of the Shelby County Public School District (District), we offer readers of the financial statements this narrative overview and analysis to highlight and further explain the financial events that have taken place over the past year. We encourage readers to consider the information presented herein along with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The General Fund had \$80.3 million in revenues, which primarily consisted of funding from the State's Support Education Excellence in Kentucky (SEEK) program and revenues from taxes, which include property taxes, motor vehicle taxes, and utilities taxes. This compares to \$82.8 million in General Fund revenues for the prior year, which is a decrease of \$2.5 million. The decrease in revenues is attributable to a decrease in the on-behalf payments received from the State.
- Net General Fund SEEK revenue for the year was \$20.7 million compared to \$21.9 million for the prior year. This represents a decrease of \$1.2 million from the previous year due to an increase in assessed valuations and the discontinuation of hold harmless average daily attendance.
- Construction is set to begin during 2024-25 on a large-scale renovation project at Heritage Elementary School.
- The District's bonding potential at June 30, 2024 is approximately \$74.2 million.

OVERVIEW OF FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) entity-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.

Entity-wide financial statements - The entity-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, deferred outflows of resources, liabilities, and deferred inflow of resources. Net position is reported as assets plus deferred outflows of resources minus liabilities minus deferred inflows of resources. 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 government'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 or 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 (e.g., uncollected taxes and earned but unused vacation leave).

The entity-wide financial statements can be found on pages 19-20 of this report.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the entity-wide financial statements. However, unlike the entity-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the entity-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the entity-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the special revenue fund, the capital outlay fund, the Facilities Support Program of Kentucky (FSPK) fund, the school construction fund, and the debt service fund, all of which are considered major funds.

Proprietary funds. Proprietary funds are used to account for food services and day care programs which are operated by the District like a business. The proprietary funds statements offer short- and long-term financial information about the activities of these funds.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the entity-wide financial statements because the District cannot use these funds to finance its operations.

The fund financial statements can be found on pages 21-29 of this report.

Notes to the basic financial statements - The notes provide additional information that is essential for a full understanding of the data provided in the entity-wide and fund financial statements.

The notes to the financial statements can be found on pages 30-63 of this report.

ENTITY-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$75,943,094 at the close of the most recent fiscal year. Unrestricted net position is (\$15,055,354) due to the recognition of the district's proportionate share of the pension and other post-employment benefits (OPEB) liabilities. Without the effect of the pension and OPEB liabilities, unrestricted net position would be approximately \$25.1 million. Net position is summarized in Table 1.

- The largest portion of the District's net position, or 107.6%, reflects its investment in capital assets (e.g. land, buildings, furniture and equipment, vehicles), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in 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.
- An additional portion of the District's net position, or 12.2%, represents resources that are subject to external restrictions on how they may be used. The majority of the restricted balance is for capital projects.
- Unrestricted net position of (\$15,055,354), or (19.8%), represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. GASB Statements 68 and 75 impacted the district's net position in governmental funds negatively by approximately \$22.7 million in net pension liability and (\$1) million in pension expense and by approximately \$12.1 million in net other post-employment benefits liability and (\$2) million in other post-employment benefits expense. The proprietary funds' net assets were negatively impacted by approximately \$1.8 million in net pension liability and (\$66) thousand in pension expense and by approximately \$38 thousand in net funded other post-employment benefits asset and (\$61) thousand in other post-employment benefits expense.

Table 1
SHELBY COUNTY PUBLIC SCHOOL DISTRICT
NET POSITION
June 30, 2024

	Governmental Activities	Business-Type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current and other assets	\$ 38,784,459	\$ 3,338,085	\$ 42,122,544
Capital assets	178,497,348	844,926	179,342,274
Deferred outflows of resources	18,540,594	780,485	19,321,079
Total assets and deferred outflows of resources	<u>235,822,401</u>	<u>4,963,496</u>	<u>240,785,897</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Liabilities and deferred inflows of resources:			
Current and other liabilities	\$ 9,081,567	\$ 15,115	\$ 9,096,682
Long-term liabilities outstanding	126,794,932	1,770,544	128,565,476
Deferred inflows of resources	24,002,808	1,098,076	25,100,884
Total liabilities and deferred inflows of resources	<u>159,879,307</u>	<u>2,883,735</u>	<u>162,763,042</u>
Net position:			
Net Investment in Capital Assets	81,733,331	844,926	82,578,257
Restricted	9,265,117	(428,064)	8,837,053
Unrestricted	(15,055,354)	1,662,899	(13,392,455)
Total net position	<u>75,943,094</u>	<u>2,079,761</u>	<u>78,022,855</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 235,822,401</u>	<u>\$ 4,963,496</u>	<u>\$ 240,785,897</u>

Table 2 presents a summary of the District's revenues for the year:

Table 2
SHELBY COUNTY PUBLIC SCHOOL DISTRICT
REVENUES
For the Year Ended June 30, 2024

	<u>Governmental</u> <u>Funds</u>	<u>Proprietary</u> <u>Funds</u>	<u>Total</u>	<u>Percent</u>
Property taxes	\$ 37,696,175	\$ -	\$ 37,696,175	34.3%
Motor vehicle taxes	3,011,438	-	3,011,438	2.7%
Utilities taxes	3,763,383	-	3,763,383	3.4%
Earnings on investment	2,519,430	-	2,519,430	2.3%
Other local revenues	3,036,647	123,128	3,159,775	2.9%
State revenue	46,394,073	349,338	46,743,411	42.5%
Federal revenue	7,962,750	4,057,902	12,020,652	10.9%
Lunchroom sales	-	210,101	210,101	0.2%
Child care fees	-	923,619	923,619	0.8%
Total	104,383,896	5,664,088	110,047,984	100.0%

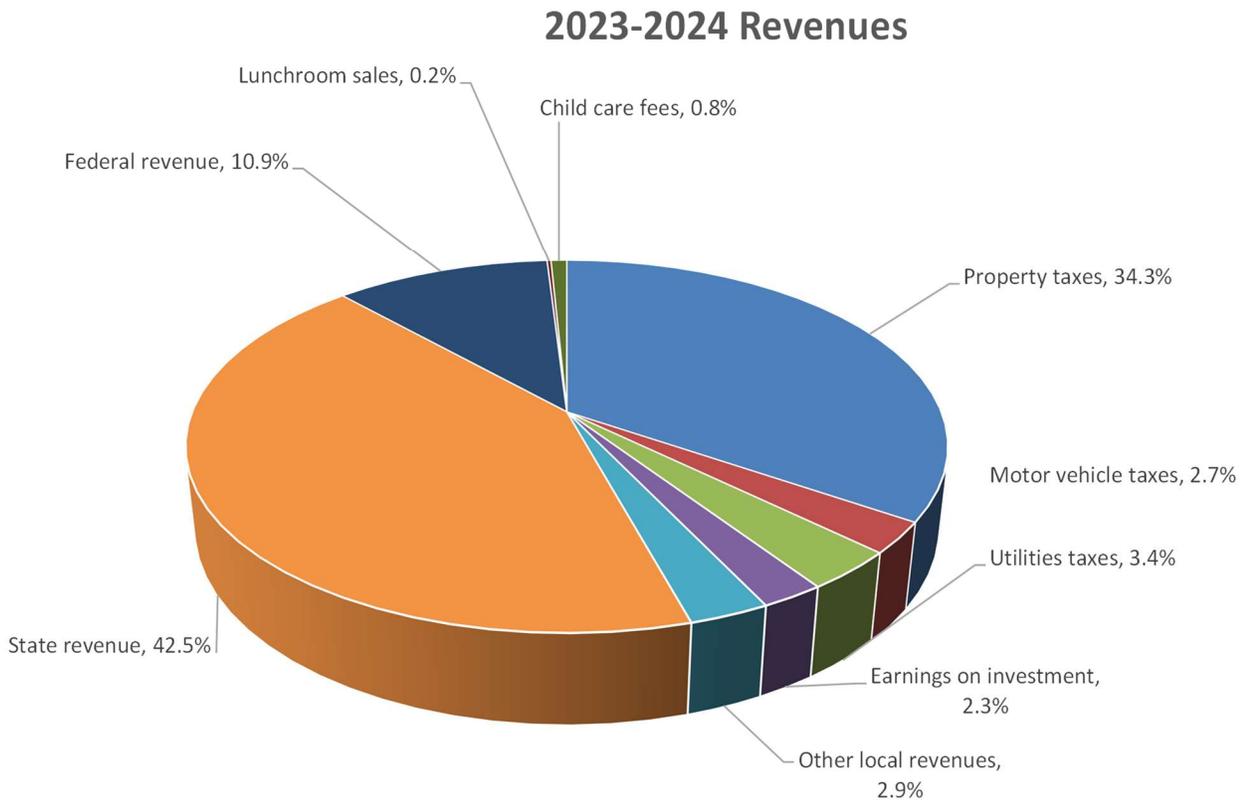


Table 3 presents a summary of the District's expenditures for the year.

Table 3
SHELBY COUNTY PUBLIC SCHOOL DISTRICT
EXPENDITURES
For the Year Ended June 30, 2024

	Governmental Funds	Proprietary Funds	Total	Percent
Instruction	\$ 51,575,512	\$ -	\$ 51,575,512	47.8%
Student support	4,540,111	-	4,540,111	4.2%
Instructional staff support	7,095,510	-	7,095,510	6.6%
District administration	1,944,048	-	1,944,048	1.8%
School administration	5,554,845	-	5,554,845	5.1%
Business support	1,914,543	-	1,914,543	1.8%
Operation and maintenance of facilities	10,760,233	-	10,760,233	10.0%
Student transportation	4,711,221	-	4,711,221	4.4%
Food service operations	155,534	3,984,059	4,139,593	3.8%
Day care operations	395,720	383,307	779,027	0.7%
Community services	724,482	-	724,482	0.7%
Education foundation operations	-	8,052	8,052	0.0%
Capital outlay	5,864,796	-	5,864,796	5.4%
Debt service	8,355,264	-	8,355,264	7.7%
Total	103,591,819	4,375,418	107,967,237	100.0%

2023-2024 Expenditures

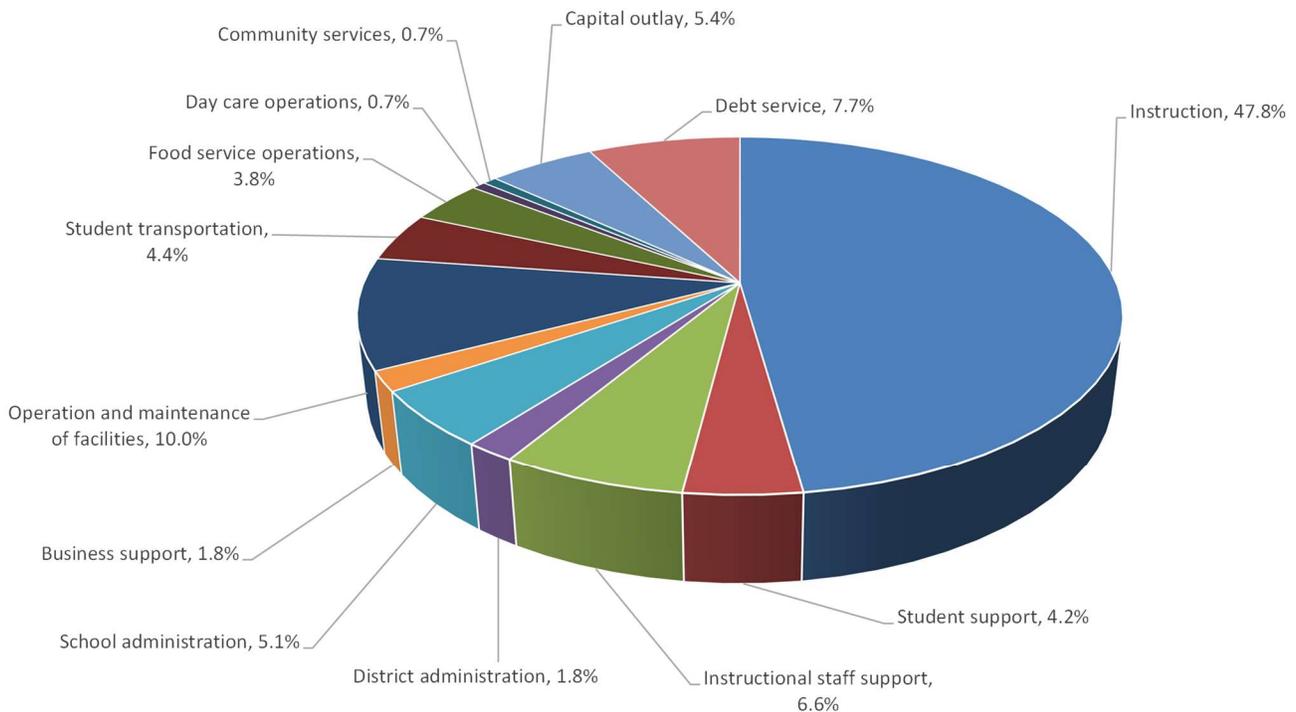


Table 4
SHELBY COUNTY PUBLIC SCHOOL DISTRICT
NET POSITION
For the Years Ended June 30, 2024 and June 30, 2023

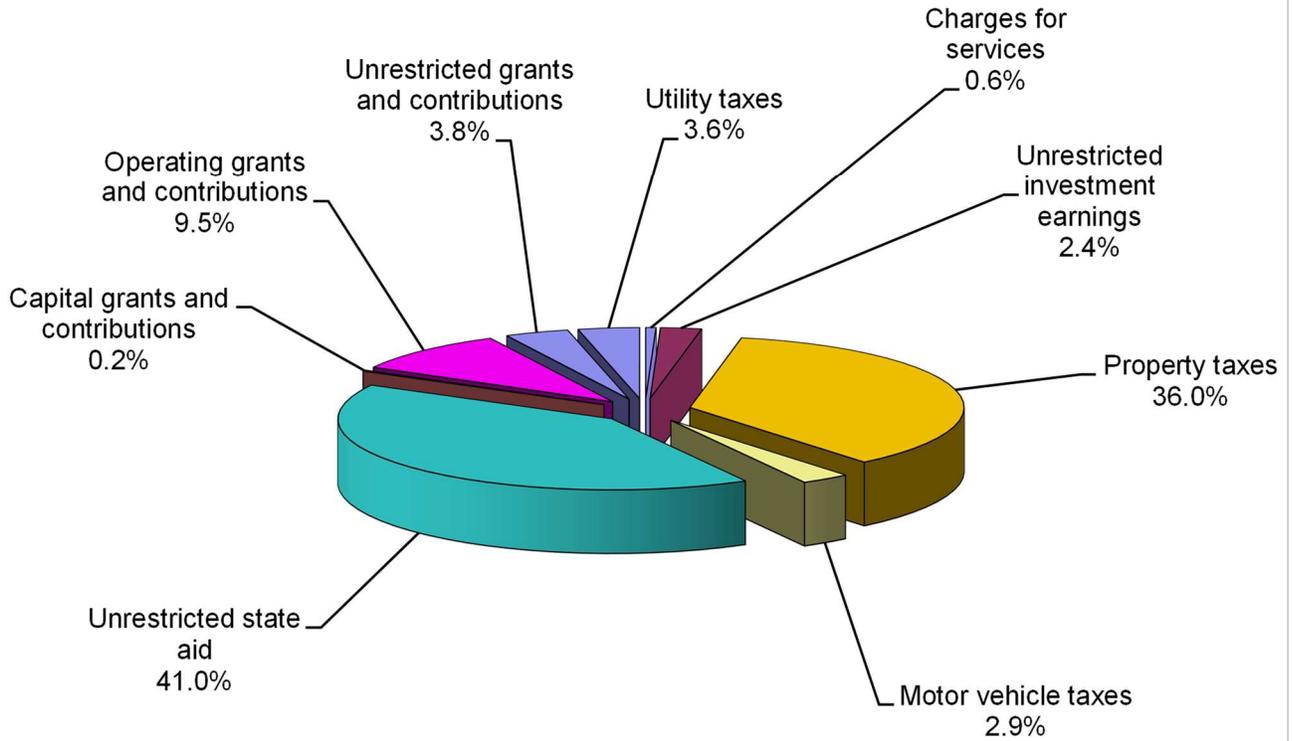
	2024	2023	
	Governmental	Governmental	
	Activities	Activities	Variance
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current and other assets	\$ 38,784,459	\$ 37,934,195	\$ 850,264
Capital assets	178,497,348	179,837,829	(1,340,481)
Deferred outflows of resources	18,540,594	22,897,683	(4,357,089)
Total assets and deferred outflows of resources	<u>235,822,401</u>	<u>240,669,707</u>	<u>(4,847,306)</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Liabilities and deferred inflows of resources:			
Current and other liabilities	\$ 9,081,567	\$ 9,516,672	\$ (435,105)
Long-term liabilities outstanding	126,794,932	146,686,922	(19,891,990)
Deferred inflows of resources	24,002,808	16,136,935	7,865,873
Total liabilities and deferred inflows of resources	<u>159,879,307</u>	<u>172,340,529</u>	<u>(12,461,222)</u>
Net position:			
Net Investment in Capital Assets	81,733,331	78,383,923	3,349,408
Restricted	9,265,117	12,904,962	(3,639,845)
Unrestricted	(15,055,354)	(22,959,707)	7,904,353
Total net position	<u>75,943,094</u>	<u>68,329,178</u>	<u>7,613,916</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 235,822,401</u>	<u>\$ 240,669,707</u>	<u>\$ (4,847,306)</u>

	2024	2023	
	Business-Type	Business-Type	
	Activities	Activities	Variance
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current and other assets	\$ 3,338,085	\$ 2,824,043	\$ 514,042
Capital assets	844,926	453,941	390,985
Deferred outflows of resources	780,485	895,206	(114,721)
Total assets and deferred outflows of resources	<u>4,963,496</u>	<u>4,173,190</u>	<u>790,306</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Liabilities and deferred inflows of resources:			
Current and other liabilities	\$ 15,115	\$ 32,972	\$ (17,857)
Long-term liabilities outstanding	1,770,544	2,438,472	(667,928)
Deferred inflows of resources	1,098,076	633,021	465,055
Total liabilities and deferred inflows of resources	<u>2,883,735</u>	<u>3,104,465</u>	<u>(220,730)</u>
Net position:			
Net Investment in Capital Assets	844,926	453,941	390,985
Restricted	(428,064)	(544,180)	116,116
Unrestricted	1,662,899	1,158,964	503,935
Total net position	<u>2,079,761</u>	<u>1,068,725</u>	<u>1,011,036</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 4,963,496</u>	<u>\$ 4,173,190</u>	<u>\$ 790,306</u>

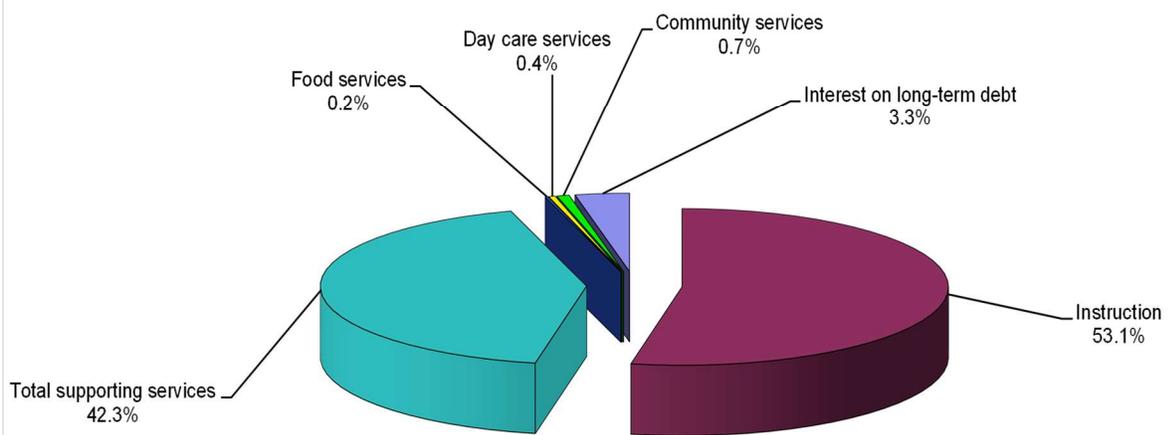
Table 5
SHELBY COUNTY PUBLIC SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Years Ended June 30, 2024 and June 30, 2023

	2024	2023	
	Governmental	Governmental	Variance
	Activities	Activities	
Revenues:			
Program revenues:			
Charges for services	\$ 630,554	\$ 91,446	\$ 539,108
Operating grants and contributions	9,971,205	13,479,328	(3,508,123)
Capital grants and contributions	207,883	226,898	(19,015)
General revenues:			
Property taxes	37,696,175	34,740,656	2,955,519
Motor vehicle taxes	3,011,438	2,794,568	216,870
Utilities taxes	3,763,383	3,901,498	(138,115)
Earnings on investment	2,519,430	1,518,517	1,000,913
State grants	42,887,288	49,652,778	(6,765,490)
Federal grants	1,290,447	1,178,929	111,518
Other local amounts	2,645,222	3,452,382	(807,160)
Total revenues	104,623,025	111,037,000	(6,413,975)
Expenses:			
Instruction	51,637,913	57,282,397	(5,644,484)
Supporting services:			
Students	4,551,367	4,936,671	(385,304)
Instructional staff	7,095,510	7,624,039	(528,529)
District admin.	1,959,382	1,843,339	116,043
School admin.	5,886,045	6,330,217	(444,172)
Business services	1,915,637	1,953,333	(37,696)
Operation and Maint.	14,547,740	12,872,287	1,675,453
Transportation	5,219,880	4,866,005	353,875
Total supporting services	41,175,561	40,425,891	749,670
Food services	155,534	234,373	(78,839)
Day care services	395,720	506,353	(110,633)
Community services	724,482	760,423	(35,941)
Interest on long-term debt	3,197,533	3,315,638	(118,105)
Total expenses	97,286,743	102,525,075	(5,238,332)
Change in net position before transfers	7,336,282	8,511,925	(1,175,643)
Transfers	277,634	338,317	(60,683)
Change in net position with transfers and other items	7,613,916	8,850,242	(1,236,326)
Net position - beginning	68,329,178	59,478,936	8,850,242
Net position - Ending	\$ 75,943,094	\$ 68,329,178	\$ 7,613,916

Revenues by Source



Expenditures by Function



BUDGET COMPARISONS – (SEE PAGE 65 FOR THE COMPLETE SCHEDULE)

Revenues – General fund revenues exceeded the amount budgeted by approximately \$5.1 million. The difference is primarily due to receiving \$1.5 million more in state support and \$1.5 million more in interest revenue than the estimated amounts included in the budget. Property tax revenues were budgeted with 99% accuracy.

Expenditures – Actual general fund expenditures were less than budgeted by approximately \$20.3 million. This is primarily due to net effect of 1) contingency of \$13.7 million included in budget but not actual; 2) staff turnover and vacant positions; 3) nonrecurring projects which were incomplete at June 30, 2024; and 4) carryforward purchase orders.

By law the District must have at least a 2% contingency for budgetary purposes but management has concluded a higher reserve is needed due to significant fluctuations and instability in state and federal funding. The District ended the year with \$13.7 million remaining in budgeted contingency or 16.9% of actual expenditures in the general and food service funds combined.

Budget Approach – The District prepares its budget in a conservative manner. A sizable fund balance at the beginning of the fiscal year is important since the majority of the District's tax revenue is not received until approximately five months into the fiscal year. Adequate funds must be maintained in contingency to continue services to students in the event of unforeseen events including natural disaster, fire, or pandemic.

In addition, the District receives nearly half its funding from state sources. As a result, it is important that the District continue to budget conservatively due to periodic changes in state and federal funding, such as cuts in state and federal grants and downward adjustments to state SEEK allocations.

FACTORS AFFECTING THE DISTRICT'S FINANCIAL OUTLOOK

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

- Tax rates for 2024-25 were set at 71.4 for real estate and personal property, the same as the 2023-24 rates. The rates adopted are slightly below 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 General Assembly's biennial budget included an increase to the per pupil base SEEK funding to \$4,326 for the 2024-25 year and \$4,586 for the 2025-26 year. Discontinuation of funding for full-day kindergarten would significantly negatively impact the District's state revenues.

Transportation has been underfunded historically by the legislature. Despite an uptick in the current biennial budget, the District was funded at only 57% of the calculated entitlement for the 2023-24 year.

The District has a significant student population of English Learners. State funding for these students is inadequate to support their learning.

- Enrollment is projected to steadily grow over the next five years, however actual enrollment has declined due to transfers and home schooling as a result of Covid-19. Enrollment has improved but still has not yet returned to normal levels as of October 2024.

- Recruitment and retention of qualified staff has become a significant issue. The District provided for a substantial salary improvement package for the 2024-25 year including a 4% across-the-board pay increase for all employees, improvements to the annual step increases, and extension of both certified and classified salary schedules to 40 years.
- A large scale renovation project is beginning at Heritage Elementary. The District will sell bonds to finance the project during the 2024-25 fiscal year.
- \$1.8 million in committed funds for construction remains available as of June 30, 2024.

CONTACTING THE DISTRICT'S FINANCIAL MANAGER

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability of the public funds it receives. If you have questions about this report or need additional information, contact Susan Barkley, Chief Financial Officer, Shelby County Public Schools, 1155 Main Street, Shelbyville, Kentucky 40065. She can also be reached by electronic mail at susan.barkley@shelby.kyschools.us or by telephone at 502-633-2375.

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2024

	Governmental Activities	Business-Type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Assets:			
Cash and cash equivalents	36,466,291	\$ 3,202,414	\$ 39,668,705
Investments	47,579	-	47,579
Accounts Receivable			
Taxes	971,772	-	971,772
Intergovernmental	1,088,262	-	1,088,262
Other	193,038	59,201	252,239
Prepaid workers' compensation premiums	17,517	-	17,517
Inventory	-	38,374	38,374
Funded OPEB Asset	-	38,096	38,096
Total capital assets, net of depreciation	<u>178,497,348</u>	<u>844,926</u>	<u>179,342,274</u>
Total assets	<u>217,281,807</u>	<u>4,183,011</u>	<u>221,464,818</u>
Deferred outflows of resources:			
Deferred outflows - pension contributions	2,471,595	193,197	2,664,792
Deferred outflows - OPEB contributions	1,097,232	-	1,097,232
Deferred outflows - pension changes in assumptions, expectations	4,652,039	363,636	5,015,675
Deferred outflows - OPEB changes in assumptions, expectations	10,419,200	223,652	10,642,852
Deferred outflows from advanced bond refundings	(99,472)	-	(99,472)
Total deferred outflows of resources	<u>18,540,594</u>	<u>780,485</u>	<u>19,321,079</u>
Total assets and deferred outflows of resources	<u>\$ 235,822,401</u>	<u>\$ 4,963,496</u>	<u>\$ 240,785,897</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
Liabilities:			
Bank overdraft	\$ -	\$ -	\$ -
Accounts payable	1,280,876	3,195	1,284,071
Unearned revenue	1,314,313	11,920	1,326,233
Current maturities of bond obligations	5,010,000	-	5,010,000
Current portion of lease liability	148,938	-	148,938
Current portion of accumulated sick leave	202,129	-	202,129
Interest payable	1,125,311	-	1,125,311
Noncurrent maturities of bond obligations	91,140,000	-	91,140,000
Noncurrent portion of lease liability	465,079	-	465,079
Net pension liability	22,650,751	1,770,544	24,421,295
Net OPEB liability	12,099,632	-	12,099,632
Noncurrent portion of accumulated sick leave	439,470	-	439,470
Total liabilities	<u>135,876,499</u>	<u>1,785,659</u>	<u>137,662,158</u>
Deferred inflows of resources:			
Deferred inflows of resources - pension	4,961,364	387,815	5,349,179
Deferred inflows of resources - OPEB	19,041,444	710,261	19,751,705
Total deferred inflows of resources	<u>24,002,808</u>	<u>1,098,076</u>	<u>25,100,884</u>
Total liabilities and deferred inflows of resources	<u>\$ 159,879,307</u>	<u>\$ 2,883,735</u>	<u>\$ 162,763,042</u>
Net Position:			
Net Investment in Capital Assets	\$ 81,733,331	\$ 844,926	82,578,257
Restricted for:			
Special projects	1,194,229	(428,064)	766,165
Capital projects/debt service	8,070,888	-	8,070,888
Unrestricted	(15,055,354)	1,662,899	(13,392,455)
Total net position	<u>\$ 75,943,094</u>	<u>\$ 2,079,761</u>	<u>\$ 78,022,855</u>

See Notes to Financial Statements

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the 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	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Instruction	51,637,913	310,333	5,472,383	-	(45,855,197)	-	(45,855,197)
Supporting services:							
Students	4,551,367	27	482,336	-	(4,069,004)	-	(4,069,004)
Instructional staff	7,095,510	-	751,954	-	(6,343,556)	-	(6,343,556)
District administration	1,959,382	-	207,648	-	(1,751,734)	-	(1,751,734)
School administration	5,886,045	-	623,780	-	(5,262,265)	-	(5,262,265)
Business support services	1,915,637	-	203,012	-	(1,712,625)	-	(1,712,625)
Operation and maintenance of facilities	14,547,740	320,194	1,541,712	-	(12,685,834)	-	(12,685,834)
Student transportation	5,219,880	-	553,182	-	(4,666,698)	-	(4,666,698)
Food services	155,534	-	16,483	-	(139,051)	-	(139,051)
Day care operations	395,720	-	41,937	-	(353,783)	-	(353,783)
Community services	724,482	-	76,778	-	(647,704)	-	(647,704)
Interest on long-term debt	3,197,533	-	-	207,883	(2,989,650)	-	(2,989,650)
Total governmental activities	97,286,743	630,554	9,971,205	207,883	(86,477,101)	-	(86,477,101)
Business-type activities:							
Food services	3,984,059	210,101	4,407,240	-	-	633,282	633,282
Child care	383,307	923,619	-	-	-	540,312	540,312
Education Foundation Operating Fund	8,052	-	-	-	-	(8,052)	(8,052)
Total business-type activities	4,375,418	1,133,720	4,407,240	-	-	1,165,542	1,165,542
Total Primary Government	101,662,161	1,764,274	14,378,445	207,883	(86,477,101)	1,165,542	(85,311,559)
General revenues:							
Property taxes					37,696,175	-	37,696,175
Motor vehicle taxes					3,011,438	-	3,011,438
Utilities taxes					3,763,383	-	3,763,383
Earnings on investment					2,519,430	-	2,519,430
State grants					42,887,288	-	42,887,288
Federal grants					1,290,447	-	1,290,447
Proceeds from disposal of assets					239,129	-	239,129
Other local amounts					2,406,093	123,128	2,529,221
Total general revenues					93,813,383	123,128	93,936,511
Transfers in (out)					277,634	(277,634)	-
Change in net position					7,613,916	1,011,036	8,624,952
Net position - beginning					68,329,178	1,068,725	69,397,903
Net position - ending					75,943,094	2,079,761	78,022,855

See Notes to Financial Statements

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2024

	1	2	21	25	310	320	360	400	Total
	General	Special	District	School	SEEK	Facility Support	School	Debt	Total
	Current Expense	Revenue	Activity	Activity	Capital Outlay	Program (FSPK)	Construction	Service	Governmental
	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	
Assets:									
Cash and cash equivalents	\$ 26,834,281	\$ 243,050	\$ 399,649	\$ 805,321	\$ 1,984,773	\$ 796,322	\$ 5,402,895	\$ -	\$ 36,466,291
Investments	47,579	-	-	-	-	-	-	-	47,579
Taxes	971,772	-	-	-	-	-	-	-	971,772
Intergovernmental	-	1,088,262	-	-	-	-	-	-	1,088,262
Other receivables	193,038	-	-	-	-	-	-	-	193,038
Prepaid workers' compensation premiums	17,517	-	-	-	-	-	-	-	17,517
Total assets	28,064,187	1,331,312	399,649	805,321	1,984,773	796,322	5,402,895	-	38,784,459
TOTAL ASSETS	\$ 28,064,187	\$ 1,331,312	\$ 399,649	\$ 805,321	\$ 1,984,773	\$ 796,322	\$ 5,402,895	\$ -	\$ 38,784,459

LIABILITIES AND FUND BALANCES

Liabilities:	
Accounts payable	1,140,034
Unearned revenue	1,314,313
Current portion of accumulated sick leave	10,908
Total liabilities	1,150,942
	1,760
	8,981
	113,102
	2,606,097
	1,280,876
	1,314,313
	10,908

Fund Balances:

Nonspendable	17,517
Restricted	-
Committed	1,843,424
Assigned	1,726,689
Unassigned	23,325,615
Total fund balances	26,913,245
	397,889
	796,340
	1,984,773
	5,289,793
	23,325,615
	36,178,362

TOTAL LIABILITIES AND FUND BALANCES

\$ 28,064,187	\$ 1,331,312	\$ 399,649	\$ 805,321	\$ 1,984,773	\$ 796,322	\$ 5,402,895	\$ -	\$ 38,784,459
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See Notes to Financial Statements

**RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
June 30, 2024**

Total fund balances - governmental funds	\$ 36,178,362
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds. The historical cost of the assets is \$263,205,594 and the accumulated depreciation is \$83,367,764.	178,497,348
Deferred outflows are not reported in the governmental funds because they are not current financial resources, but they are reported in the statement of net position.	18,540,594
Deferred inflows of resources are not reported in the fund financial statement because they are not due and payable, but they are reported in the statement of net position.	(24,002,808)
Bonds payable are not reported in the governmental funds balance sheet because they are not due and payable in the current period, but they are presented in the statement of net position	(96,150,000)
The noncurrent portion of accumulated sick leave is not reported in the governmental funds balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(630,691)
Interest payable is not reported in the governmental funds balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(1,125,311)
Pension liability is not reported in the governmental funds balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(22,650,751)
Other post-employment benefit liability is not reported in the governmental funds balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(12,099,632)
Lease payable is not reported in the governmental funds balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	<u>(614,017)</u>
Total net position - governmental activities	<u><u>\$ 75,943,094</u></u>

See Notes to Financial Statements

SHELBY COUNTY PUBLIC SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2024

	1	2	21	25	310	320	360	400	Total
	General	Special	District	School	SEEK	Facility Support	School	Debt	Total
	Current Expense	Revenue	Activity	Activity	Capital Outlay	Program (FSPK)	Construction	Service	Governmental
	Fund	Funds	Funds	Funds	Fund	Fund	Fund	Fund	
Revenues:									
Local sources:									
Property taxes	\$ 28,803,504	\$ -	\$ -	\$ -	\$ -	\$ 8,892,671	\$ -	\$ -	\$ 37,696,175
Motor vehicle taxes	3,011,438	-	-	-	-	-	-	-	3,011,438
Utility taxes	3,763,383	-	-	-	-	-	-	-	3,763,383
Earnings on investments	2,100,644	5,133	26,849	4,462	-	-	382,342	-	2,519,430
Other local	998,713	224,341	148,387	1,665,206	-	-	-	-	3,036,647
State sources	40,336,909	3,298,902	-	-	660,021	1,166,052	-	932,189	46,394,073
Federal sources	1,290,447	6,672,303	-	-	-	-	-	-	7,962,750
Total revenues	80,305,038	10,200,679	175,236	1,669,668	660,021	10,058,723	382,342	932,189	104,383,896
Expenditures:									
Instruction	43,200,316	6,638,664	464,921	1,271,611	-	-	-	-	51,575,512
Supporting services:									
Students	4,387,037	153,074	-	-	-	-	-	-	4,540,111
Instructional staff	5,002,386	2,065,559	27,565	-	-	-	-	-	7,095,510
District administration	1,944,048	-	-	-	-	-	-	-	1,944,048
School administration	5,512,356	42,489	-	-	-	-	-	-	5,554,845
Business support services	1,914,543	-	-	-	-	-	-	-	1,914,543
Operation and maintenance of facilities	10,539,714	209,946	10,573	-	-	-	-	-	10,760,233
Student transportation	4,550,137	125,503	35,581	-	-	-	-	-	4,711,221
Food services	107,123	48,411	-	-	-	-	-	-	155,534
Day care operations	-	395,720	-	-	-	-	-	-	395,720
Community services	-	724,482	-	-	-	-	-	-	724,482
Capital outlay	-	-	-	-	-	-	5,812,612	-	5,812,612
Debt service	52,184	-	-	-	-	-	-	8,355,264	8,355,264
Total expenditures	77,209,844	10,403,848	538,640	1,271,611	-	-	5,812,612	8,355,264	103,591,819
Excess (deficiency) of revenues over expenditures	3,095,194	(203,169)	(363,404)	398,057	660,021	10,058,723	(5,430,270)	(7,423,075)	792,077
Other financing sources (uses):									
Proceeds from loss of assets	239,129	-	-	-	-	-	-	-	239,129
Proceeds from the sale of bonds	-	-	-	-	-	-	-	-	-
Transfers in	2,389,467	345,472	343,236	9,376	-	-	504,170	7,423,075	11,014,796
Transfers (out)	(775,105)	(142,303)	(4,060)	(326,113)	-	(9,489,581)	-	-	(10,737,162)
Total other financing sources (uses)	1,853,491	203,169	339,176	(316,737)	-	(9,489,581)	504,170	7,423,075	516,763
Net change in fund balances	4,948,685	-	(24,228)	81,320	660,021	569,142	(4,926,100)	-	1,308,840
Fund balances - beginning	21,964,560	-	422,117	715,020	1,324,752	227,180	10,215,893	-	34,869,522
Fund balances - ending	\$ 26,913,245	\$ -	\$ 397,889	\$ 796,340	\$ 1,984,773	\$ 796,322	\$ 5,289,793	\$ -	\$ 36,178,362

See Notes to Financial Statements

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2024**

Net change fund balances - governmental funds	\$ 1,308,840
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of net position, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeds depreciation.	(1,340,482)
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Deferred loss on bond refundings are not reported as expenditures in the governmental funds but are capitalized and amortized over the life of the related bonds on the statement of activities. This is the amount by which the deferred loss on bond refundings has increased/(decreased).	(37,355)
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The repayment of the principal of long-term debt is shown as expenditures in the governmental funds financial statements at the time the payments are made. However, these payments are shown as a reduction of long-term debt in the statement of net position.	5,135,000
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Lease liability is recognized in the statement of activities but not in the governmental funds. This is the amount by which lease liability has (increased)/decreased.	(445,111)
--	-----------

Deferred outflows from pensions. This is the amount by which deferred outflows from pensions has increased/(decreased).	(63,419)
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Deferred outflows from other post-employment benefits. This is the amount by which deferred outflows from other post-employment benefits has increased/(decreased).	(4,256,315)
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Deferred inflows from pensions. This is the amount by which deferred inflows from pensions has (increased)/decreased.	(975,447)
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Deferred inflows from other post-employment benefits. This is the amount by which deferred inflows from other post-employment benefits has (increased)/decreased.	(6,890,426)
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Accumulated sick leave is reported as a liability in the statement of net position, but is only reported in the governmental funds to the extent that the amounts will be paid with current financial resources. This is the amount by which accumulated sick leave has (increased)/decreased	(51,924)
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Pension liability is recognized in the statement of activities but not in the governmental funds. This is the amount by which pension liability has (increased)/decreased.	2,038,901
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Other post-employment benefits liability is recognized in the statement of activities but not in the governmental fund financial statements because it is not paid with existing financial resources. This is the amount by which other post-employment benefits liability has (increased)/decreased.	13,168,923
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Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due but in the statement of activities, interest expense is recognized as the interest accrues. This is the amount by which accrued interest has (increased)/decreased.	22,731
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Change in net position of governmental activities	<u>\$ 7,613,916</u>
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See Notes to Financial Statements

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

June 30, 2024

	School Food Service Fund	Child Care Fund	Education Foundation Operating Fund	Total Proprietary Funds
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 1,549,248	\$ 1,612,673	\$ 40,493	\$ 3,202,414
Accounts receivable	47,415	11,786	-	59,201
Inventory	38,374	-	-	38,374
Funded OPEB asset	38,096	-	-	38,096
Noncurrent Assets				
Capital assets, net of depreciation	844,926	-	-	844,926
Total assets	2,518,059	1,624,459	40,493	4,183,011
Deferred outflows of resources:				
Deferred outflows - pension contributions	193,197	-	-	193,197
Deferred outflows - OPEB contributions	-	-	-	-
Deferred outflows - pension changes in assumptions, expectations	363,636	-	-	363,636
Deferred outflows - OPEB changes in assumptions, expectations	223,652	-	-	223,652
Total deferred outflows of resources	780,485	-	-	780,485
Total assets and deferred outflows of resources	\$ 3,298,544	\$ 1,624,459	\$ 40,493	\$ 4,963,496
LIABILITIES				
Current Liabilities				
Accounts payable	2,368	252	575	3,195
Unearned revenue	10,694	1,226	-	11,920
Net pension liability	1,770,544	-	-	1,770,544
Total liabilities	1,783,606	1,478	575	1,785,659
Deferred inflows of resources:				
Deferred inflows of resources - pension	387,815	-	-	387,815
Deferred inflows of resources - OPEB	710,261	-	-	710,261
Total deferred inflows of resources	1,098,076	-	-	1,098,076
Total liabilities and deferred inflows of resources	\$ 2,881,682	\$ 1,478	\$ 575	\$ 2,883,735
NET POSITION				
Net Investment in Capital Assets	844,926	-	-	844,926
Restricted for special projects	(428,064)	-	-	(428,064)
Unrestricted	-	1,622,981	39,918	1,662,899
Total net position	\$ 416,862	\$ 1,622,981	\$ 39,918	\$ 2,079,761

See Notes to Financial Statements

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS

For the Year Ended June 30, 2024

	School Food Service Fund	Child Care Fund	Education Foundation Operating Fund	Total Proprietary Funds
Operating Revenues				
Lunchroom sales	\$ 210,101	\$ -	\$ -	\$ 210,101
Child care fees	-	923,619	-	923,619
Total operating revenues	210,101	923,619	-	1,133,720
Operating Expenses				
Salaries and benefits	2,094,776	313,856	51	2,408,683
Contract services	29,708	2,521	7,501	39,730
Materials and supplies	1,770,345	44,214	500	1,815,059
Depreciation	84,975	-	-	84,975
Other	4,255	22,716	-	26,971
Total operating expenses	3,984,059	383,307	8,052	4,375,418
Operating income (loss)	(3,773,958)	540,312	(8,052)	(3,241,698)
Nonoperating Revenues				
Federal grants	3,918,063	-	-	3,918,063
Donated commodities	139,839	-	-	139,839
State grants	349,338	-	-	349,338
Capital contributions	-	-	-	-
Gain on disposal of assets	-	-	-	-
Local revenues	100,829	-	22,299	123,128
Total nonoperating revenues	4,508,069	-	22,299	4,530,368
Income (loss) before operating transfers	734,111	540,312	14,247	1,288,670
Operating transfer in	32,013	-	-	32,013
Operating transfer out	(259,023)	(50,624)	-	(309,647)
Change in net position	507,101	489,688	14,247	1,011,036
Net position as of July 1, 2023	(90,239)	1,133,293	25,671	1,068,725
Net position as of June 30, 2024	\$ 416,862	\$ 1,622,981	\$ 39,918	\$ 2,079,761

See Notes to Financial Statements

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2024

	School Food Service Fund	Child Care Fund	Education Foundation Operating Fund	Total Proprietary Funds
Cash flows from operating activities				
Cash received from:				
Lunchroom sales	\$ 209,699	\$ -	\$ -	\$ 209,699
Child care fees	-	926,453	-	926,453
Cash paid for:				
Employees and contract services	(1,937,096)	(316,377)	(7,552)	(2,261,025)
Materials and supplies	(1,631,213)	(62,504)	(220)	(1,693,937)
Other	(4,255)	(22,716)	-	(26,971)
Net cash provided by (used in) operating activities	(3,362,865)	524,856	(7,772)	(2,845,781)
Cash flows from noncapital financing activities				
Government grants	3,971,399	-	-	3,971,399
Other local revenues	353	-	22,299	22,652
Net cash provided by noncapital financing activities	3,971,752	-	22,299	3,994,051
Cash flows from capital and related financing activities				
Purchase of assets	(475,960)	-	-	(475,960)
Net operating transfer to general fund	(227,010)	(50,624)	-	(277,634)
Net cash used in capital and related financing activities	(702,970)	(50,624)	-	(753,594)
Cash flows from investing activities				
Receipt of interest income	100,476	-	-	100,476
Net cash provided by investing activities	100,476	-	-	100,476
Net decrease in cash	6,393	474,232	14,527	495,152
Cash as of July 1, 2023	1,542,855	1,138,441	25,966	2,707,262
Cash as of June 30, 2024	<u>\$ 1,549,248</u>	<u>\$ 1,612,673</u>	<u>\$ 40,493</u>	<u>\$ 3,202,414</u>
Reconciliation of operating income (loss) to net cash used in operating activities				
Operating income (loss)	\$ (3,773,958)	\$ 540,312	\$ (8,052)	\$ (3,241,698)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation	84,975	-	-	84,975
Donated commodities	139,839	-	-	139,839
On behalf payments	313,636	-	-	313,636
Changes in assets and liabilities:				
Accounts receivable	-	3,806	-	3,806
Inventory	(2,234)	-	-	(2,234)
Deferred outflows	114,721	-	-	114,721
Unearned revenues	(402)	(972)	-	(1,374)
Accounts payable	1,527	(18,290)	280	(16,483)
Deferred inflows	465,055	-	-	465,055
Capital assets	-	-	-	-
Net pension liability	(145,032)	-	-	(145,032)
Net other post-employment benefits liability	(560,992)	-	-	(560,992)
Net cash provided by (used in) operating activities	<u>\$ (3,362,865)</u>	<u>\$ 524,856</u>	<u>\$ (7,772)</u>	<u>\$ (2,845,781)</u>
Schedule of noncash transactions				
Donated commodities	\$ 139,839	\$ -	\$ -	139,839

See Notes to Financial Statements

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

June 30, 2024

	Private Purpose Trust Fund
ASSETS	
Assets:	
Cash and cash equivalents	\$ 1,500
Receivables	-
Total assets	<u>1,500</u>
Deferred outflows of resources:	
Total deferred outflows of resources	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 1,500</u>
LIABILITIES	
Liabilities:	
Accounts payable	<u>-</u>
Total liabilities	<u>-</u>
Deferred inflows of resources:	
Total deferred inflows of resources	<u>-</u>
Total liabilities and deferred inflows of resources	<u>\$ -</u>
Total net position	<u>\$ 1,500</u>

See Notes to Financial Statements

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

For the Year Ended June 30, 2024

	Private Purpose Trust Fund
Additions	
Earnings on investment	\$ -
Contributions	<u>8,000</u>
Total additions	8,000
Deductions	
Scholarships	<u>10,000</u>
Total deductions	<u>10,000</u>
Income (loss) before operating transfer	<u>(2,000)</u>
Operating transfer in	<u>-</u>
Change in net position	(2,000)
Net position as of July 1, 2023	<u>3,500</u>
Net position as of June 30, 2024	<u><u>\$ 1,500</u></u>

See Notes to Financial Statements

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Shelby 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 Shelby County School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the Board is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

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

The financial statements of the Board 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:

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

Basis of Presentation

Entity-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 Board that are governmental and those that are considered business-type activities.

The entity-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. The District’s activities are generally financed through state funding, property and utility taxes, and federal, state, and local grants. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flows take place. Revenues from grants are recognized in the fiscal year in which eligibility requirements are met.

The entity-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 proprietary fund financial statements is on individual funds rather than reporting funds by type. Each fund is presented in a separate column.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues applicable to the current fiscal year and collected within 60 days of year end are recognized as revenue.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when they come due for payment. General capital asset acquisitions are reported as expenditures in governmental funds, and proceeds of general long-term debt are reported as other financing sources.

Under the terms of the District's grant agreements, certain programs are funded by specific cost-reimbursement grants and general revenues. Generally, the District applies cost-reimbursement funds first to finance such programs with remaining costs paid by general revenues.

Proprietary funds utilize the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues generally result from providing services in connection with the fund's principal operations. The funds' principal operating revenues are food service charges and childcare fees. Operating expenses include salaries and benefits, materials and supplies, administrative costs, and depreciation on capital assets.

Fiduciary funds utilize the economic resources measurement focus and the accrual basis of accounting.

Accounting principles generally accepted in the United States of America require the General Fund be reported as a major fund. All other governmental and proprietary funds whose assets, liabilities, revenues, or expenditures comprise at least 10% of the total for the relevant fund category and at least 5% of the corresponding total for all governmental and proprietary funds combined must also be reported as major funds, at a minimum. The District has determined all funds should be reported as major funds.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the general operating fund of the District. It accounts for and reports all financial resources not accounted for and reported in another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the

capital improvement costs that are not paid through other funds are paid from the General Fund.

- (B) The Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.
 - 1. The Special Revenue Fund accounts for the activities of restricted grants from local, state, and federal sources. This is a major fund of the District.
 - 2. The District Activity Fund accounts for funds generated by schools which are defined as district activity funds in accordance with *Accounting Procedures for Kentucky School Activity Funds* Redbook. This is a major fund of the District.
 - 3. The Student Activity Fund accounts for activities of student groups in accordance with *Accounting Procedures for Kentucky School Activity Funds* Redbook. This is a major fund of the District.
- (C) Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets, and to provide financial resources for debt service requirements. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that are held in trust.
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as capital outlay funds and is generally restricted for use in financing projects identified in the district's facility plan (including payment of bonded lease obligations). This is a major fund of the District.
 - 2. The Facility Support Program of Kentucky (FSPK) Fund accounts for and reports funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan. This is a major fund of the District.
 - 3. The Construction Fund accounts for and reports proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

II. Debt Service Fund

The Debt Service Fund accounts for and reports expenditures for debt payments. This is a major fund of the District.

III. Proprietary Funds (Enterprise Fund)

- 1. The School Food Service Fund accounts for and reports school food service activities, including the National School Lunch Program and the National School Breakfast Program, which are 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 for the District.
- 2. The Child Care Fund is used to account for and report the activities of the day care programs where a fee is charged for participating. This is a major fund of the District.
- 3. The Education Foundation Operating Fund is used to account for the operating revenues and expenses associated with the activities of the Shelby County Education Foundation, for which the District acts as a fiscal agent.

IV. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

The Private Purpose Trust Fund accounts for and reports a scholarship fund under which principal and income are used to benefit individuals by providing scholarships.

Budgetary Process

The District's budgetary process accounts for transactions on the modified accrual basis of accounting which is consistent with the accounting principles generally accepted in the United States of America.

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

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

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

The Board must also adopt a tentative working budget for the subsequent fiscal year by May 30 of each year. This budget must contain a 2% reserve.

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

The Board has the ability to amend the working budget. The working budget was amended during the year.

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.

Investments

The District holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the District's mission, the District determines that the disclosures related to these investments only need to be disaggregated by major type. The District chooses a narrative format for the fair value disclosures.

Inventories

On entity-wide financial statements inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method.

Prepaid Assets

Payments made that will benefit periods beyond the end of the fiscal year are recorded as prepaid items using the consumption method. Prepaid assets are only recorded if material to the financial statements.

Bond Issuance Costs

Bond issuance costs are expensed as incurred.

Deferred Loss on Bond Refundings

Deferred loss on bond refundings represents losses equal to the principal amount borrowed to refund the principal amount outstanding on previous bond issues. These amounts are recognized as deferred outflows of resources on the accompany statement of net position. The amounts are amortized over the life of the new bond or the life of the refunded bond (whichever is shorter), and included in interest expense on the accompanying statement of activities.

Interfund Balances

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

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective proprietary 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 five thousand dollars. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Useful 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	12 years
Furniture and fixtures	20 years

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the entity-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 if they will be liquidated with current resources. In general, payments made within 60 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.

Unearned Revenue

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

Accumulated Unpaid Sick Leave Benefits

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

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

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is not reported.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expenses, information about the fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources, and expense, information about the fiduciary net position of the CERS and TRS and additions to /deductions from the fiduciary net position have been determined on the same basis as they are reported by CERS and TRS. The plans recognizes benefit payments when due and payable in accordance with the benefit term.

Fund Balances

The District classifies its governmental fund balances as follows:

Nonspendable - Amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.

Restricted – This category includes resources that are either; (a) externally imposed by creditors, grantors, contributors, or laws or regulations or other governments; or (b) imposed by law through constitutional provisions or enabling legislation. The SEEK Capital Outlay Fund and the FSPK Fund are restricted to be used for future debt service or future construction projects. The Construction Fund is restricted for future construction projects. The Debt Service Fund is restricted for debt service.

Committed – This category includes funds that have been designated for specific purposes by formal action of the Board of Education. Only the Board may commit funds and modify or rescind the commitment.

Assigned Fund Balance – This category represents funds that have been assigned for a specific purpose or, in the general fund only, for existing purchase obligations. Assignments can be made by authorized members of management.

Unassigned Fund Balance – This category represents the remainder of the governmental fund balances that do not belong in any other fund balance classifications.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned funds are available, the funds will first be spent from committed, then assigned, and then finally unassigned.

The Board will use restricted funds before unrestricted (committed, assigned, or unassigned) funds when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

Net Position

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

Interfund Activity

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. These transactions are eliminated in the governmental and business-type activities columns of the statement of activities.

Encumbrances

Encumbrances are not liabilities and therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next fiscal year.

Estimates

The process of preparing financial statements in conformity with general accepted accounting principles of the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the

reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The District has evaluated and considered the need to recognize or disclose subsequent events through November 13, 2024, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2024, have not been evaluated by the District.

NOTE B – CASH AND CASH EQUIVALENTS

At year-end, the carrying amount of the District's total cash and cash equivalents was \$39,670,205 which was covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Due to the nature of the accounts and limitations imposed by bond issue requirements, construction projects, and financial assistance programs, each cash amount within the following funds is considered to be restricted: Special Revenue Funds, Capital Outlay Fund, Facilities Support Program (FSPK) Fund, School Construction Fund, and Private Purpose Trust Funds.

District funds are considered to be public funds. Therefore their investment is limited by statute to certain obligations of the United States or similar government agencies, cash instruments, and certain pooled investment funds.

Interest rate risk. In accordance with the District's investment policy, interest rate risk is limited by investing in public funds with the highest rate of return with the maximum security of principal. Investments are undertaken in a manner that seeks to ensure preservation of the capital in its portfolio.

Credit risk. The District's investment policy limits the types of authorized investment instruments to obligations of the United States, its agencies, and instrumentalities. In addition, certificates of deposit or bonds of a bank or the Commonwealth of Kentucky, securities issued by a state or local government or shares of mutual funds are acceptable investments.

Concentration of credit risk. The district may invest, at any one time, funds in any one of the above listed categories with no limitation of the total amount of funds invested on behalf of the District.

Custodial credit risk – deposits. For deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned. The District maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2024, the District's deposits are entirely insured and/or collateralized with securities held by the financial institutions on the District's behalf and the FDIC insurance.

Cash and cash equivalents at June 30, 2024 consisted of the following:

	Book Balance
General Checking Account	
General Fund	\$26,834,281
Special Revenue Fund 2	243,050
Special Revenue Fund 21	399,649
Special Revenue Fund 25	805,321
Capital Outlay Fund	1,984,773
FSPK Fund	796,322
School Construction Fund	5,402,895
Food Service Account	1,549,248
Day Care Fund	1,612,673
Education Foundation Operating Fund	40,493
Fiduciary Fund	<u>1,500</u>
Total General Checking Account	<u>39,670,205</u>

Breakdown per financial statements:

Governmental Funds	\$36,466,291
Proprietary Funds	3,202,414
Fiduciary Funds	<u>1,500</u>
Total	<u>39,670,205</u>

NOTE C – INVESTMENTS

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2024:

Securities of \$47,579 are valued using quoted market prices (Level 1 inputs)

NOTE D – PROPERTY TAXES

Property taxes are levied each September on the assessed value listed as of the prior January 1 for all real and personal property located in the district. 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 in which they were levied.

The property tax rates assessed for the year ended June 30, 2024, to finance operations were \$0.714 per \$100 valuation for real property, \$0.714 per \$100 valuation for business personal property and \$0.465 per \$100 valuation for motor vehicles.

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

The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

Description	per KRS 134.015
Discount, 2%	by November 1
Face value amount payment date	November 2 thru December 31
Delinquent date, 5% penalty	January 1 -31
Delinquent date, 10% penalty	February 1

Vehicle taxes are collected by the County Clerk and are due and collected in the birth month of the vehicle's licensee.

NOTE E – CAPITAL ASSETS

The District did not enter into any subscriptions subject to reporting requirements during fiscal year 2024.

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

<u>Governmental Activities</u>	Beginning Balance	Additions	Retirements	Ending Balance
	6/30/2023			6/30/2024
Land	3,360,274	-	-	3,360,274
Land Improvements	1,333,315	114,000	(92,480)	1,354,835
Buildings & Building Improvements	213,684,286	34,023,344	-	247,707,630
Technology Equipment	1,575,526	-	(186,116)	1,389,410
Vehicles	7,322,560	565,845	(526,629)	7,361,776
Leased Vehicles	215,466	225,895	-	441,361
General Equipment	3,772,865	448,618	(347,259)	3,874,224
Leased Equipment	-	593,450	-	593,450
Construction Work in Progress	31,941,302	479,663	(31,941,302)	479,663
Infrastructure	489,833	-	-	489,833
Totals at Historical Cost	263,695,427	36,450,815	(33,093,786)	267,052,456
Less Accumulated Depreciation and Amortization:				
Land	-	-	-	-
Land Improvements	1,087,927	21,872	(81,310)	1,028,489
Buildings & Building Improvements	74,521,164	4,638,616	-	79,159,780
Technology Equipment	1,251,279	162,166	(186,116)	1,227,329
Vehicles	4,641,558	527,281	(526,629)	4,642,210
Leased Vehicles	49,333	76,465	-	125,798
General Equipment	1,816,503	274,843	(328,367)	1,762,979
Leased Equipment	-	118,690	-	118,690
Infrastructure	489,833	-	-	489,833
Total Accumulated Depreciation and Amortization	83,857,597	5,819,933	(1,122,422)	88,555,108
Net Capital Assets - Governmental Activities	179,837,830	30,630,882	(31,971,364)	178,497,348

Business-Type Activities

Food Service Equipment	1,779,039	475,960	(140,799)	2,114,200
Less Accumulated Depreciation:				
Food Service Equipment	1,325,098	84,975	(140,799)	1,269,274
Net Capital Assets - Business-Type Activities	453,941	390,985	-	844,926

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

Instruction	1,164,883
Student Support Services	11,256
Staff Support Services	15,334
District Administration	331,200
School Administration	1,094
Plant Operations and Maintenance	3,787,507
Student Transportation	508,659
Total depreciation and amortization expense, governmental activities	5,819,933

NOTE F – BONDED DEBT AND LEASE OBLIGATIONS

The amount shown in the accompanying financial statements as bond obligations represents the District's future obligations to make bond principal and interest payments relating to the bonds issued by the Shelby County School District Finance Corporation. The original amount of each issue, the issue date, and interest rates are summarized below:

<u>Issue</u>	<u>Proceeds</u>	<u>Interest Rates</u>
2011	9,620,000	0.70 - 2.80%
2012	5,010,000	0.70 - 2.55%
2013	18,590,000	2.00 - 3.125%
2014	3,405,000	1.00 - 2.50%
2016	8,020,000	2.00 - 3.00%
2016	31,555,000	1.00 - 4.00%
2018	35,355,000	1.60 - 3.60%
2021	13,700,000	0.20 - 2.10%

The District, through the General Fund (including utility taxes) and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The District entered into "participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The participation agreements generally provide for the Commission to assist the District in meeting bond obligations and are renewable, at the Commission's option, biannually. Should the Kentucky General Assembly choose to not fund the Commission in the future, the District would be responsible for meeting the

full requirements of the bond issues. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2024 for debt service (principal and interest) are as follows:

Fiscal Year Ending	DISTRICT		KENTUCKY SCHOOL FACILITY CONSTRUCTION COMMISSION		Total
	Principal	Interest	Principal	Interest	
2025	4,530,862	2,889,925	569,138	188,087	8,178,012
2026	4,664,797	2,759,388	585,203	171,423	8,180,811
2027	4,846,525	2,582,282	603,475	153,150	8,185,433
2028	5,027,654	2,398,212	622,346	134,280	8,182,492
2029	5,218,167	2,207,767	641,833	114,791	8,182,559
2030	5,427,504	1,996,679	457,496	94,559	7,976,238
2031	5,579,683	1,848,060	470,317	81,739	7,979,799
2032	5,726,442	1,694,431	483,558	68,498	7,972,929
2033	5,887,711	1,536,113	497,289	54,766	7,975,879
2034	6,122,393	1,304,613	247,607	40,067	7,714,680
2035	6,305,307	1,118,023	254,693	32,981	7,711,004
2036	6,502,736	921,494	262,264	25,410	7,711,903
2037	6,713,194	710,823	251,806	17,540	7,693,363
2038	6,953,507	471,777	176,493	10,523	7,612,300
2039	6,637,266	205,628	152,734	4,772	7,000,400
2040	1,802,502	72,883	42,498	1,717	1,919,600
2041	1,841,651	36,833	43,349	867	1,922,700
	<u>89,787,901</u>	<u>24,754,932</u>	<u>6,362,099</u>	<u>1,195,168</u>	<u>122,100,099</u>

The following is a summary of the changes in outstanding bonds during the fiscal year ended June 30, 2024:

Issue	Balance	Additions	Deductions	Payments	Balance
	June 30, 2023				June 30, 2024
2011	1,885,000	-	-	(1,885,000)	-
2012	3,640,000	-	-	(65,000)	3,575,000
2013	16,650,000	-	-	(210,000)	16,440,000
2014	685,000	-	-	(340,000)	345,000
2016	30,245,000	-	-	(75,000)	30,170,000
2016	955,000	-	-	(1,895,000)	(940,000)
2018	34,255,000	-	-	(300,000)	33,955,000
2021	12,970,000	-	-	(365,000)	12,605,000
	<u>101,285,000</u>	<u>-</u>	<u>-</u>	<u>(5,135,000)</u>	<u>96,150,000</u>

Leased assets include vehicles and apple devices and are reported with other capital assets in Note E. The following is a summary of the upcoming payments for leased assets over the next five years:

Lease payments due in fiscal year 2025	245,229
Lease payments due in fiscal year 2026	245,228
Lease payments due in fiscal year 2027	93,529
Lease payments due in fiscal year 2028	49,881
Lease payments due in fiscal year 2029	13,036

The District also has the following lines of credit:

Amazon	\$150,000
John Deere	\$7,500
Kroger	2,000
Lowe's	20,700
Fifth Third	750,000
Wright Express	11,400
	<u>\$941,600</u>

NOTE G – ACCUMULATED UNPAID SICK LEAVE BENEFITS

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

The entire compensated absence liability is reported on the entity-wide financial statements. For governmental fund financial statements, the current portion of unpaid accumulated sick leave is the amount expected to be paid using expendable available financial resources. These amounts are recorded in the accumulated sick leave payable account in the General Fund. The noncurrent portion of the liability is not reported in the governmental fund financial statements.

A summary of the changes in the estimated accumulated unpaid sick leave benefits during the fiscal year ended June 30, 2024 is as follows:

Balance as of July 1, 2023	\$ 619,904
Plus additions to sick leave payable	21,695
Balance as of June 30, 2024	641,599
Less Current Portion	<u>(202,129)</u>
Noncurrent portion	<u>\$ 439,470</u>

NOTE H – CONTINGENCIES

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor’s review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if

any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

NOTE I – INSURANCE, RISK MANAGEMENT AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance.

The District has purchased certain policies which are retrospectively rated including Workers' Compensation insurance.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE J – INTERFUND RECEIVABLES AND PAYABLES

There were no Interfund balances at June 30, 2024.

NOTE K – DEFICIT OPERATING/FUND BALANCES

The following funds had operations that resulted in a current year operating loss, resulting in a corresponding reduction to fund balance (net position):

District Activity Fund	(24,228)
Construction Fund	(4,926,100)

The current year operating loss was planned for both of these funds and did not adversely impact the District's financial position.

NOTE L – COBRA

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

NOTE M – TRANSFER OF FUNDS

The following transfers were made during the fiscal year ended June 30, 2024:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	General	Special Revenue	Matching funds	345,472
Financing	General	District Activity	Funding	41,450
Operating	General	Construction	Future Construction	356,170
Operating	General	Food Service	Administrative	32,013
Financing	FSPK	Debt Service	Debt Payments	7,346,581
Financing	FSPK	General	Capital Funds Request	1,995,000
Financing	FSPK	Construction	Future Construction	148,000
Operating	Food Service	General	Indirect Costs	259,023
Operating	School Activity	District Activity	Administrative	311,162
Financing	Special Revenue	Debt Service	Debt Payments	76,494
Financing	School Activity	General	Funding	19,011
Operating	Special Revenue	General	Indirect Costs	65,809
Operating	Daycare	General	Administrative	50,624
				\$11,046,809

NOTE N – ON-BEHALF PAYMENTS

The District receives on-behalf payments for fringe benefits from the Commonwealth of Kentucky. The following amounts are included as revenues and expenditures/expenses on the statement of activities, and the statement of revenues, expenditures, and changes in fund balance/net position in each of the functions.

Additionally, the Commonwealth of Kentucky paid \$186,715 in technology related expenses and the School Facilities Construction Commission paid \$932,190 in debt service on-behalf of the District. These amounts are included as revenues and expenditures/expenses on the statement of activities, and the statement of revenues, expenditures, and changes in fund balance.

Instruction	\$13,678,117
Support Services	
Student	1,063,131
Instructional Staff	1,305,773
District Administration	171,750
School Administration	1,820,269
Business	308,537
Plant Operation and Maintenance	519,667
Student Transportation	422,216
Food Service	313,636
Total	\$19,603,096

NOTE O – TAX ABATEMENTS

During the fiscal year ended June 30, 2024, the District's property tax revenues were reduced by \$330,967 pursuant to agreements entered into by the Fiscal Court of Shelby County on May 1, 2008 and March 1, 2010. Under the agreement(s), payments in lieu of taxes are remitted to the District. The District received \$330,967 for in lieu of tax payment collections during the fiscal year ended June 30, 2024.

NOTE P – RETIREMENT PLANS

The following are payroll and retirement amounts for the years ended June 30, 2024, 2023, and 2022.

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Total payroll	\$48,707,605	\$48,320,211	\$49,171,977
TRS total payroll	36,574,409	37,285,618	37,676,040
CERS total payroll	19,722,752	19,576,461	17,604,435
Contributions requirement for CERS	2,664,792	3,065,676	2,859,614
CERS contribution - District portion	2,664,792	3,065,676	2,859,614
CERS contribution - Employee portion	635,228	634,120	578,562
TRS contribution - Commonwealth of KY	10,980,502	16,484,363	10,951,524
TRS contribution - District federal employees	1,488,669	1,732,302	1,759,803

NOTE Q – GENERAL INFORMATION ABOUT THE PENSION PLANS

	<u>Governmental</u>	<u>Food Service</u>	<u>Total</u>
Pension liability			
CERS	\$ 22,650,751	\$ 1,770,544	\$ 24,421,295
OPEB liability			
CERS	\$ (487,368)	\$ (38,096)	\$ (525,464)
TRS	12,587,000	-	12,587,000
Total	\$ 12,099,632	\$ (38,096)	\$ 12,061,536
Deferred outflows			
CERS subsequent contributions	\$ 2,471,595	\$ 193,197	\$ 2,664,792
CERS other pension	4,652,039	363,636	5,015,675
CERS OPEB subsequent contributions	-	-	-
CERS other OPEB	2,861,200	223,652	3,084,852
TRS OPEB subsequent contributions	1,097,232	-	1,097,232
TRS other OPEB	7,558,000	-	7,558,000
Total	\$ 18,640,066	\$ 780,485	\$ 19,420,551
Deferred inflows			
CERS pension	\$ 4,961,364	\$ 387,815	\$ 5,349,179
CERS OPEB	9,086,444	710,261	9,796,705
TRS OPEB	9,955,000	-	9,955,000
Total	\$ 24,002,808	\$ 1,098,076	\$ 25,100,884

Teachers' Retirement System of the State of Kentucky (TRS)

Plan Description – Teaching-certified employees of the District are provided pensions through the Teachers' Retirement System of the State of Kentucky (TRS) – 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 education 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://trs.ky.gov/financial-reports-information>.

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

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

For members prior to July 1, 2008 - Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New members (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New members after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of services, including the first ten years. In addition, members who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for members hired on or after that date.

For members after July 1, 2008 – The annual retirement allowance for non-university members is equal to (a) one and seven tenths percent (1.7%) of final average salary for each year of credited service if their service is 10 years or less; (b) two percent (2.0%) 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) two and three tenths percent (2.3%) of final average salary of each year of credited service if their service is greater than 20 years but no more than 26 years; (d) two and one half percent (2.5%) of financial average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; (e) three percent (3.0%) of financial average salary for years credited service greater than 30 years.

For members after January 1, 2022 – condition for retirement is attainment of age 57 and 10 years of service or attainment of age 65 and 5 years of service. The annual foundational benefit for non-university members is equal to service times a multiplier times final average salary, based on a table. The annual foundational benefit is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 30 years of service. The annual supplemental benefit is equal to the account balance which includes member and employer contributions and interest credited annually on June 30. Options include annualizing the balance or receiving the balance as a lump sum either at the time of retirement or at a later date.

Final average salary is defined as the member's five (5) highest annual salaries which the member has received for service in a covered position and on which the member has made contributions or on which the public board, institution, or agency has picked up the members contributions. For a

member hired before January 1, 2022, who retires after attaining age 55 with 27 years of service, “final average salary” means the average of the three (3) highest annual salaries.

Contributions - Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university members are required to contribute 12.855% of their salaries to the System.

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

Medical Insurance Plan

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

Eligibility for access to retiree medical plan coverage: Members before 7/1/2008 – completion of 27 years of service, or attainment of age 55 and 5 years of service. Member on and after 7/1/2008 but before 1/1/2022 – completion of 27 years of service, or attainment of age 55 and 10 years of service, or attainment of age 60 and 5 years of service. Members on and after 1/1/2002 - attainment of age 57 and 10 years of service or attainment of age 65 and 5 years of service.

Funding policy – In order to fund the post-retirement healthcare benefit, seven and one half percent (7.50%) of the gross annual payroll of members is contributed. Three percent (3.00%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three and three quarter percent (3.00%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

Life Insurance Plan Benefits

Effective July 1, 2000, the Teachers’ Retirement System shall:

- (a) Provide a life insurance benefit in a minimum amount of five thousand dollars (\$5,000) for its members who are retired for service or disability if hired prior to January 1, 2022. Provide a life insurance benefit in a minimum amount of ten thousand dollars (\$10,000) for its members who are retired for service or disability if hired on or after January 1, 2022. This life insurance benefit shall be payable upon the death of a member retired for service or disability to the member’s estate or to a party designated by the member on a form prescribed by the retirement system; and
- (b) Provide a life insurance benefit in a minimum amount of two thousand dollars (\$2,000) for its active contributing members if hired prior to January 1, 2022. Provide a life insurance benefit in a minimum amount of five thousand dollars (\$5,000) for its active contributing members if hired on or after January 1, 2022. This life insurance benefit shall be payable upon the death of an active contributing member to the member’s estate or to a party designated by the member on a form prescribed by the retirement system.

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

At June 30, 2024, the Kentucky School District did not report a liability for its proportionate share of the net pension liability because the State of Kentucky provides the pension support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

State's proportionate share of the net pension liability associated with the District	<u>\$ 168,393,416</u>
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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 that date. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2023, the State's proportion for the District was 0.9883 percent.

For the year ended June 30, 2023, the State recognized pension expense for the District of \$10,129,071 and revenue of \$10,129,071 for support provided by the State on the Fund financial statements.

Actuarial assumptions – The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.10%, net of pension plan investment expense, including inflation.
Projected salary increases	3.00 – 7.50%, including inflation
Municipal Bond Index Rate	3.37%
Single Equivalent Interest Rate	7.10%

Mortality rates were based on the Pub-2010 (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 actuarial assumptions used in the June 30, 2021 valuation were based on the results of the experience investigation for the five-year period ending June 30, 2020. In addition, the contribution requirements for the fiscal year ending June 30, 2024 use a direct rate smoothing methodology over a five-year period. These revised assumption changes and methods were adopted by the Board on September 20, 2021.

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

The target asset 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 Rate of Return
Large Cap U.S. Equity	35.4%	5.0%
Small Cap U.S. 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%
Additional Categories	5.0%	3.6%
Real Estate	7.0%	3.2%
Private Equity	7.0%	8.0%
Cash	2.0%	1.6%
Total	100.0%	

Discount rate - The discount rate used to measure the TPL 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 rates for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the State's proportionate share of the net pension liability for the District of the System, calculated using the discount rate of 7.10%, as well as what the proportionate share of the 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 (8.1%) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
System's net pension liability	\$216,366,655	\$168,393,416	\$128,423,356

June 30, 2022 is the actuarial valuation date upon which the TPL is based. An expected TPL is determined as of June 30, 2023 using standard roll forward techniques. The roll-forward calculation adds the annual normal cost (also called the service cost), subtracts the actual benefit payments, and refunds for the plan year and then applies the expected investment rate of return for the year. In addition, it has been determined an expected TPL as of June 30, 2023, based on the TPL roll-forward in the June 30, 2022 GASB 67 report. The difference between this amount and the roll-forward of the actual TPL before the assumption changes is reflected as an experience gain or loss for the year.

The District did not report any deferred outflows of resources and deferred inflows of resources related to pensions.

The District did not have any collective amounts to report as deferred outflows of resources and deferred inflows of resources related to pensions to be recognized in future years as pension expense.

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

OPEB

The Actuarially Determined Contribution rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the indicated Valuation Date. The following actuarial methods and assumptions were used to determine contribution rates reported in the schedule for the year ending June 30, 2023 for the Life Trust:

Valuation Date	June 30, 2020
Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Amortization period (Closed)	24 years
Asset valuation method	5-year smoothed value
Inflation	3.00%
Real wage growth	0.50%
Wage Inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.20%
Discount Rate	7.50%

The Health Trust is not funded based on an actuarially determined contribution, but instead is funded based on statutorily determined amounts. The Schedule of Employer Contributions details the statutorily determined amounts for the Health Trust.

The Total OPEB Liability (TOL) as of June 30, 2022 was determined based on an actuarial valuation prepared as of June 30, 2022, using the new actuarial assumptions adopted by the Board subsequent to the June 30, 2022 valuation based on the experience investigation for the five-year period ending June 30, 2020. The following actuarial assumptions are applied to all periods included in the measurement:

Inflation	2.50%
Real wage growth	0.25%
Wage inflation	2.75%
Salary increases, including wage inflation	3.00% - 7.50%
Long-term Investment Rate of Return, net of OPEB plan investment expense, including Inflation	
MIF	7.10%
LIF	7.10%
Municipal Bond Index Rate	3.66%
Year FNP is projected to be depleted	
MIF	n/a
LIF	n/a

Single Equivalent Interest Rate, net of OPEB	
Plan investment expense, including price	
Inflation	
MIF	7.10%
LIF	7.10%
MIF Health Care Cost Trends	
Medical Trend	6.75% for FYE 2023 decreasing to an Ultimate rate of 4.50% by FYE 2032
Medicare Part B Premiums	1.55% for FYE 2023 with an ultimate Rate of 4.50% by 2034

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2022 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, 2022, adopted by the Board on September 20, 2021.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends) used in the June 30, 2022 valuation of the Health Trust were based on a review of recent plan experience done concurrently with the June 30, 2022 valuation. The health care cost trend assumption was updated for the June 30, 2022 valuation and was shown as an assumption change in the TOL roll forward while the change in initial per capita claims costs were included with experience in the TOL roll forward.

The long-term expected rate of return on Health Trust and Life Trust 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 following exhibit presents the NOL of the Plan, calculated using the health care cost trend rates, as well as what the Plan's NOL would be if it were calculated using a health care cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate. This chart is not shown for the Life Insurance Fund (LIF) since there is no health care trend component of the liabilities:

	<u>Health Care Cost Trend Rate Sensitivity</u>		
	1% Decrease	Current	1% Increase
MIF Net OPEB Liability	\$9,061,000	\$12,587,000	\$16,976,000
	<u>Health Care NOL Rate Sensitivity</u>		
	6.1%	7.1%	8.1%
Health Net OPEB Liability	\$16,189,000	\$12,587,000	\$9,609,000

Discount rate (SEIR): The discount rate used to measure the TOL at June 30, 2023 was 8.00% for the Health Trust and 7.50% for the Life Trust.

Projected cash flows:

Health Trust discount rate (SEIR). 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 74. The projection's basis was an actuarial valuation performed as of June 30, 2022. In addition to the actuarial methods and assumptions of the June 30, 2022 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 2.75%
- The pre-65 retiree health care costs for members retired on or after July 1, 2010 were assumed to be paid by either the State or the retirees themselves.
- As administrative expenses, other than the administrative fee of \$8.00 PM 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 contribution to the Health Trust were based upon the contribution rates defined in statute and the projected payroll of active employees. Per KRS 161.540(1)(c)3 and 161.550(5), when the MIF achieves a sufficient prefunded status, as determined by the retirement system's actuary, the following MIF statutory contributions are to be decreased, suspended, or eliminated:
 - Employee contributions
 - School District/University 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 amounts in the years if/when the Health Trust is projected to achieve a Funded Ratio of 100% or more. Here, the current statutory amounts are adjusted to achieve total contributions equal to the Actuarially Determined Contribution (ADC), as determined by the prior year's valuation and in accordance with the Health Trust's funding policy. As the specific methodology to be used for the adjustments has yet to be determined, there may be differences between the projected results and future experience. This may also include any changes to retiree contributions for KEHP coverage pursuant to KRS 161.675 (4)(b).

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 Trust's FNP was not projected to be depleted.

Life Trust Discount rate (SEIR). 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 74. The projection's basis was an actuarial valuation performed as of June 30, 2021. In addition to the actuarial methods and assumptions of the June 30, 2021 actuarial valuation, the following actuarial methods and assumptions were used in the projection of the Life Trust's cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 2.75%

- The employer will contribute the Actuarially Determined Contribution (ADC) in accordance with the Life Trust's funding policy determined by a valuation performed on a date two years prior to the beginning of the fiscal year in which the ADC 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 contribute to the plan.
- Cash flows occur mid-year.

Based on these assumptions, the Life Trust's FNP was not projected to be depleted.

The FNP projections are based upon the Health Trust's and the Life Trust's financial statuses on the Valuation Date, the indicated set of methods and assumptions, and the requirements of GASB 74. As such, the FNP projections are not reflective of the cash flows and asset accumulations that would occur on an ongoing basis, reflecting the impact of future members. Therefore, the results of these tests do not necessarily indicate whether or not the Health Trust and the Life Trust will actually run out of money, the financial condition of the Health Trust and Life Trust, or the Health Trust's and the Life Trust's ability to make benefit payments in future years.

The target asset 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 tables:

Asset Class	HIT Target Allocation	Long Term Expected Real Rate of Return
Large Cap U.S. Equity	35.4%	5.0%
Small Cap U.S. 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	100.0%	

Asset Class	LIT Target Allocation	Long Term Expected Real Rate of Return
U.S. 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	100.0%	

The following is the Proportionate Share of the Net OPEB Liability:

	District	State	Total
HIT	\$12,587,000	\$10,609,000	\$23,196,000
LIT	\$ -	\$263,000	\$263,000

District's Proportion of the Collective NOL

	Current Year	Prior Year
Health	0.516767%	0.746393%
Life	0.000000%	0.000000%

There were no changes between the measurement date of the collective net OPEB liability and the employer's reporting date.

Please see Section V of the report on the website for the development of the collective OPEB expense. The District's proportionate share of the net OPEB expense is \$(199,000).

Since certain items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce OPEB expense they are labeled deferred inflows. If they will increase OPEB expense they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive system members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five year period.

The table below provides a summary of the deferred inflows and outflows as of the Measurement Date. The allocation of deferred inflows and outflows will be determined by the System.

Health Insurance Trust	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Experience	-	4,266,000
Changes in Assumptions	2,861,000	-
Net difference between projected and actual earnings on plan investments	235,000	-
Change in proportion and differences between employer contributions and proportionate share of contributions	4,462,000	5,689,000
District contributions subsequent to the measurement date	1,097,232	-
Total	<u>8,655,232</u>	<u>9,955,000</u>

There are no deferred outflows or inflows for the Life Insurance Trust.

The collective amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

	<u>Deferred Outflows /(Inflows) of Resources</u>	
	Health Insurance Trust	Life Insurance Trust
Year 1	(731,000)	-
Year 2	(621,000)	-
Year 3	125,000	-
Year 4	(63,000)	-
Year 5	(537,000)	-
thereafter	(570,000)	-
Total	<u>(2,397,000)</u>	<u>-</u>

There are non-employer contributions recognized for the support provided by non-employer contributing entities in TRS.

KENTUCKY RETIREMENT SYSTEM
County Employees Retirement System (CERS)

Plan description: Substantially all full-time classified employees of the District participate in the County Employees Retirement System ("CERS"). CERS is a cost-sharing, multiple-employer, defined benefit

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

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

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

Contributions: Funding for CERS is provided by members who contribute 5% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions and by employers of members who contribute 23.40% of the member's salary. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2022. An expected total pension liability as of June 30, 2022 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2023. At June 30, 2023, the District's proportion was 0.380601%.

For the year ended June 30, 2024, the District recognized pension expense of \$2,953,997. At June 30, 2024, the District reported deferred outflows of resources for District contributions subsequent to the measurement 2,677,746, deferred outflows of resources from change of assumptions and expectations of \$5,066,923, and deferred inflows of resources related to pensions from the net difference between projected and actual earnings on pension plan investments in the amount of \$4,295,169.

At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows <u>of Resources</u>	Deferred Inflows <u>of Resources</u>
Liability experience	1,264,243	66,360
Assumption changes	-	2,238,229
Investment experience	2,638,191	2,971,311
Change in proportion and differences between employer contributions and proportionate share of contributions	1,113,240	73,279
District contributions subsequent to the measurement date	2,664,792	-
Total	7,680,466	5,349,179

District contributions subsequent to the measurement date of \$2,677,746 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to CERS will be recognized in pension expense as follows:

	Deferred Outflows (Inflows)
Year 1	27,674
Year 2	(669,938)
Year 3	545,182
Year 4	(236,422)
Year 5	-
Total	(333,504)

Actuarial Methods and Assumptions for Determining the Total Pension Liability and Net Pension Liability

The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2023. The financial reporting actuarial valuation as of June 30, 2023, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Amortization Period	30 years, closed period at June 30, 2019 <i>Gains/Losses incurring after 2019 will be amortized Over separate closed 20-year amortization bases</i>
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
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
Phase-In provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018

The total pension liability, net pension liability, and sensitivity information as of June 30, 2023 were based on an actuarial valuation date of June 30, 2022. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2023, using generally accepted actuarial principles.

The investment return assumption changed from 6.25% to 6.50% for this valuation. Additionally, there have been no plan provision changes that would materially impact the total pension liability since June 30, 2021.

Senate Bill 169 passed during the 2021 legislative session increased the disability benefits for certain qualifying members who become “totally and permanently disabled” in the line of duty or as a result of a duty-related disability. The Total Pension liability as of June 30, 2023 is determined using these updated benefit provisions. There were no other material plan provision changes.

Senate Bill 249 passed during the 2021 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2021. There were no other material plan provision changes.

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

Discount Rate: The projection of cash flows used to determine the discount rate of 6.50% for the CERS Non-hazardous assumed that local employers would contribute the required employer contributions each future year, as determined by the current funding policy established in Statute as amended by House Bill 362 (passed in 2018) over the remaining 29 years (closed) amortization period of the unfunded actuarial accrued liability.

The projection of cash flows used to determine the discount rate of 6.50% assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended House Bill 8 (passed in 2021, over the remaining 29 years (closed) amortization period of the unfunded actuarial accrued liability.

The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the Annual Comprehensive Financial Report (ACFR).

Basis of Accounting

The underlying financial information used to prepare allocation schedules is based on KPPA's combining financial statements. KPPA's combining financial statements for all plans are prepared using the accrual basis of accounting and are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) that apply to governmental accounting for fiduciary funds.

Use of Estimates in Preparation of Schedules

The preparation of the schedules in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect certain amounts and

disclosures. KPPA accrues employer contributions using estimates based on historical data. Actual results could differ from those estimates.

The long-term expected return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the tables below. The current long term inflation assumption is 2.50% per annum for both the non-hazardous and hazardous system.

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Equity	60.0%	
Public Equity	50.0%	5.90%
Private Equity	10.0%	11.73%
Fixed Income	20.0%	
Core Fixed Income	10.0%	2.45%
Specialty Credit	10.0%	3.65%
Cash	0.0%	1.39%
Inflation Protected	20.0%	
Real Estate	7.0%	4.99%
Real Return	13.0%	5.15%
Expected Real Return	100.0%	5.75%
Long Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		8.25%

Deferred Inflows and Outflows of Resources

The Deferred Inflows and Outflows, and Pension Expense included in the Schedule of Pension Amounts by Employer 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 by Employer does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net pension liability as of June 30, 2023, is based on the June 30, 2022, actuarial valuation rolled forward. 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.

Sensitivity of the District's proportionate share of the 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 6.50%, 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 (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Current discount rate (6.50%)	1% Increase (7.50%)
District's proportionate share of the net pension liability	30,833,361	24,421,295	19,092,628

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

Payables to the pension plan: At June 30, 2024 the District had payables to CERS in the amount of \$0 for June's covered payroll with contributions required to be paid in July.

OPEB

CERS Non-hazardous Insurance Fund is a cost-sharing multiple-employer defined benefit Other Postemployment Benefits (OPEB) plan for members that cover all regular full-time members. The plan provides for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

The net OPEB liability is the total OPEB liability, less the amount of the plan's fiduciary net position. The total OPEB liability, net OPEB liability, and sensitivity information shown in this report are based on an actuarial valuation performed as of June 30, 2022. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2023, using generally accepted actuarial principles.

Discount Rate:

Single discount rate of 5.93% was used to measure the total OPEB liability as of June 30, 2023. The single discount rate is based on the expected rate of return on OPEB plan investments of 6.50%, 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 and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system. However, the cost associated with the implicit employer's subsidy was not included in the calculation of the KRS' actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KRS' trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the ACFR.

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

The District's proportionate share of the Net OPEB Liability as of June 30, 2022 is (\$525,464). The District's proportionate share is 0.380587%. The District's proportionate share of the OPEB expense is (\$925,614). The total Deferred Outflows of Resources is \$2,383,789 and the total Deferred Inflows of Resources is \$9,796,705. Total employer contributions were \$374,525, implicit subsidy was \$171,294 for a total contributions of \$545,819.

Discount Rate Sensitivity

	1% Decrease <u>(4.93%)</u>	Current discount rate <u>(5.93%)</u>	1% Increase <u>(6.93%)</u>
Net OPEB liability	986,094	(525,464)	(1,791,210)

Healthcare Cost Trend Rate Sensitivity

	1% Decrease <u>(1.684,203)</u>	Current discount rate <u>(525,464)</u>	1% Increase <u>897,938</u>
Net OPEB liability	(1,684,203)	(525,464)	897,938

The following actuarial methods and assumptions were used in performing the actuarial valuation as of June 30, 2023.

Payroll Growth Rate	2.00%
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates (Pre-65)	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Healthcare Trend Rates (Post-65)	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rate from MP-2014 mortality improvement scale using a base year of 2019

Senate Bill 209 passed during the 2022 legislative session and increased the insurance dollar contribution for members hired on or after July 1, 2003, by \$5 for each year of service a 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. Senate Bill 209 also allows members receiving the insurance dollar contribution to participate in a medical insurance reimbursement plan that would provide the reimbursement of premiums for health plans other than those administered by KPPA.

The total OPEB liability as of June 30, 2023, is determined using these updated benefit provisions. There were no other material plan provision changes.

Deferred Inflows and Outflows of Resources

The Deferred Inflows and Outflows of Resources, and OPEB Expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes in assumptions and differences between projected and actual earnings on plan investments. The Schedule of OPEB Amounts does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net OPEB liability as of June 30, 2023, is based on the June 30, 2022, 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.

	Deferred Outflows <u>of Resources</u>	Deferred Inflows <u>of Resources</u>
Liability experience	366,328	7,461,062
Assumption changes	1,034,076	720,647
Investment experience	983,385	1,105,336
Change in proportion and differences between employer contributions and proportionate share of contributions	701,063	509,660
District contributions subsequent to the measurement date	-	-
Total	3,084,852	9,796,705

The \$591,683 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024.

The following is a summary of collective deferred outflows and Inflows of Resources arising from current and prior reporting periods.

Deferred Amounts to be recognized in Fiscal Years Ending:

	Deferred Outflows <u>(Inflows)</u>
Year 1	(1,613,571)
Year 2	(2,190,892)
Year 3	(1,510,990)
Year 4	(1,396,400)
Year 5	-
thereafter	-
Total	(6,711,853)

SUPPLEMENTARY INFORMATION

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2024**

	Budgeted Amounts		Actual Amounts	Variance With
	Regulatory Basis			Final Budget
	Original	Final		Favorable (Unfavorable)
Revenues:				
Local sources:				
Property taxes	\$ 29,665,768	\$ 28,956,427	\$ 28,803,504	\$ (152,923)
Motor vehicle taxes	2,403,883	2,303,207	3,011,438	708,231
Utility taxes	3,300,000	3,300,000	3,763,383	463,383
Earnings on investments	203,000	503,000	2,100,644	1,597,644
Other local	80,000	657,304	998,713	341,409
State sources	37,592,287	38,828,862	40,336,909	1,508,047
Federal sources	720,000	672,000	1,290,447	618,447
Total revenues	73,964,938	75,220,800	80,305,038	5,084,238
Expenditures:				
Instruction	45,915,005	45,517,796	43,200,316	2,317,480
Supporting services:				
Students	4,100,043	4,642,445	4,387,037	255,408
Instructional staff	5,223,069	5,498,843	5,002,386	496,457
District administration	1,498,497	1,730,887	1,944,048	(213,161)
School administration	5,151,734	5,180,585	5,512,356	(331,771)
Business support services	1,683,512	2,063,018	1,914,543	148,475
Operation and maintenance of facilities	7,102,792	12,097,382	10,539,714	1,557,668
Student transportation	3,655,715	5,439,847	4,550,137	889,710
Food services	205,795	128,913	107,123	21,790
Capital outlay	-	1,490,722	52,184	1,438,538
Contingency	11,684,800	13,679,483	-	13,679,483
Total expenditures	86,220,962	97,469,921	77,209,844	20,260,077
Excess (deficiency) of revenues over expenditures	(12,256,024)	(22,249,121)	3,095,194	25,344,315
Other financing sources (uses):				
Proceeds from disposal of real or personal property	-	553,539	239,129	(314,410)
Transfers in	257,862	2,730,175	2,389,467	(340,708)
Transfers (out)	(60,000)	(1,155,729)	(775,105)	380,624
Total other financing sources (uses)	197,862	2,127,985	1,853,491	(274,494)
Change in fund balances	(12,058,162)	(20,121,136)	4,948,685	25,069,821
Fund balances - beginning	12,058,162	20,121,136	21,964,560	1,843,424
Fund balances - ending	\$ -	\$ -	\$ 26,913,245	\$ 26,913,245

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
For the Year Ended June 30, 2024**

	Budgeted Amounts		Actual Amounts	Variance With
	Regulatory Basis			Final Budget
	Original	Final		Favorable (Unfavorable)
Revenues:				
Local sources:	\$ 256,979	\$ 241,371	\$ 229,474	\$ (11,897)
State sources	3,213,830	3,470,844	3,298,902	(171,942)
Federal sources	4,037,724	4,274,958	6,672,303	2,397,345
Total revenues	7,508,533	7,987,173	10,200,679	2,213,506
Expenditures:				
Instruction	5,454,060	5,773,409	6,638,664	(865,255)
Supporting services:				
Students	69,095	100,400	153,074	(52,674)
Instructional staff	958,607	996,733	2,065,559	(1,068,826)
District administration	-	-	-	-
School administration	41,662	42,955	42,489	466
Business support services	-	-	-	-
Operation and maintenance of facilities	57,928	176,838	209,946	(33,108)
Student transportation	113,456	107,463	125,503	(18,040)
Food services	57,464	52,533	48,411	4,122
Day care services	-	7,448	395,720	(388,272)
Community services	691,530	777,426	724,482	52,944
Total expenditures	7,443,802	8,035,205	10,403,848	(2,368,643)
Excess (deficiency) of revenues over expenditures	64,731	(48,032)	(203,169)	(155,137)
Other financing sources (uses):				
Transfers in	-	126,887	345,472	218,585
Transfers (out)	(64,731)	(64,017)	(142,303)	(78,286)
Total other financing sources (uses)	(64,731)	62,870	203,169	140,299
Change in fund balances	-	14,838	-	(14,838)
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ 14,838	\$ -	\$ (14,838)

**SHELBY COUNTY PUBLIC SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For The Year Ended June 30, 2024**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)										
TRS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CERS	24,421,295	26,605,228	21,870,853	29,916,052	22,626,289	21,198,219	20,931,369	17,432,574	16,544,238	10,038,000
Total	<u>24,421,295</u>	<u>26,605,228</u>	<u>21,870,853</u>	<u>29,916,052</u>	<u>22,626,289</u>	<u>21,198,219</u>	<u>20,931,369</u>	<u>17,432,574</u>	<u>16,544,238</u>	<u>10,038,000</u>
District's proportionate share of the net pension liability (asset)										
TRS	-	-	-	-	-	-	-	-	-	-
CERS	38.060100%	0.368034%	0.343030%	0.390044%	0.321714%	0.348065%	0.357599%	0.35406%	0.384790%	0.309409%
State's proportionate share of the net pension liability (asset) associated with the District										
TRS	\$ 168,393,416	\$ 176,848,986	\$ 137,197,013	\$ 154,061,901	\$ 146,508,276	\$ 133,481,744	\$ 280,579,526	\$ 313,466,377	\$ 255,658,927	\$ 208,488,497
District's covered employee payroll										
TRS	\$ 36,574,409	\$ 37,285,618	\$ 37,676,040	\$ 34,721,896	\$ 34,394,925	\$ 33,497,542	\$ 32,903,916	\$ 33,057,511	\$ 33,358,791	\$ 32,251,771
CERS	19,722,752	19,576,461	17,604,435	14,649,132	15,015,178	14,782,050	13,458,696	12,999,381	12,270,458	11,471,190
Total	<u>56,297,161</u>	<u>56,862,079</u>	<u>55,280,475</u>	<u>49,371,028</u>	<u>49,410,103</u>	<u>48,279,592</u>	<u>46,362,612</u>	<u>46,056,892</u>	<u>45,629,249</u>	<u>43,722,961</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll										
TRS	-	-	-	-	-	-	-	-	-	-
CERS	123.82%	135.90%	124.23%	204.22%	150.69%	143.41%	155.52%	134.10%	134.83%	87.51%

**SHELBY COUNTY PUBLIC SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
For The Year Ended June 30, 2024**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions										
TRS	\$ 1,732,302	\$ 1,759,803	\$ 1,275,073	\$ 1,285,578	\$ 1,274,820	\$ 1,236,044	\$ 1,238,533	\$ 1,245,385	\$ 960,405	\$ 681,000
CRS	3,065,676	2,859,614	2,178,413	2,252,273	1,996,388	1,689,394	1,653,985	1,462,426	1,444,969	1,828,870
Total	4,797,978	4,619,417	3,453,486	3,537,851	3,271,208	2,925,438	2,892,518	2,707,811	2,405,374	2,509,870
Contributions in relation to the contractually required contribution										
TRS	\$ 1,732,302	\$ 1,759,803	\$ 1,275,073	\$ 1,285,578	\$ 1,274,820	\$ 1,236,044	\$ 1,238,533	\$ 1,245,385	\$ 960,405	\$ 681,000
CRS	3,065,676	2,859,614	2,178,413	2,252,273	1,996,388	1,689,394	1,653,985	1,462,426	1,444,969	1,828,870
Total	4,797,978	4,619,417	3,453,486	3,537,851	3,271,208	2,925,438	2,892,518	2,707,811	2,405,374	2,509,870
Contribution deficiency (excess)										
TRS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CRS	-	-	-	-	-	-	-	-	-	-
Total	-									
District's covered employee payroll										
TRS	\$ 36,574,409	\$ 37,285,618	\$ 37,676,040	\$ 34,721,896	\$ 34,394,925	\$ 33,497,542	\$ 32,903,916	\$ 33,057,511	\$ 33,358,791	\$ 32,251,771
CRS	19,722,752	19,576,461	17,604,435	14,649,132	15,015,178	14,782,050	13,458,696	12,999,381	12,270,458	11,471,190
Total	56,297,161	56,862,079	55,280,475	49,371,028	49,410,103	48,279,592	46,362,612	46,056,892	45,629,249	43,722,961
Contributions as a percentage of covered employee payroll										
TRS	4.74%	4.72%	3.38%	3.70%	3.71%	3.69%	3.76%	3.77%	2.88%	2.11%
CRS	15.54%	14.61%	12.37%	15.37%	13.30%	11.43%	12.29%	11.25%	11.78%	15.94%

**SHELBY COUNTY PUBLIC SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
For The Year Ended June 30, 2024**

	2024	2023	2022	2021	2020	2019	2018
District's proportion of the net OPEB liability (asset)							
CERS	\$ (525,464)	\$ 7,262,451	\$ 6,565,587	\$ 9,543,506	\$ 5,409,589	\$ 6,179,630	\$ 7,188,963
TRS - Medical Insurance	12,587,000	18,529,000	11,946,000	13,915,000	15,853,000	18,117,000	19,462,000
TRS - Life Insurance	-	-	-	-	-	-	-
Total	12,061,536	25,791,451	18,511,587	23,458,506	21,262,589	24,296,630	26,650,963
District's proportionate share of the net OPEB liability (asset)							
CERS	38.058700%	0.367996%	0.342949%	0.395226%	0.321631%	0.348054%	0.357599%
TRS - Medical Insurance	51.676700%	0.746393%	0.556742%	0.551345%	0.541645%	0.522146%	0.545479%
TRS - Life Insurance	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%
State's proportionate share of the net OPEB liability (asset)							
associated with the District							
TRS - Medical Insurance	\$ 10,609,000	\$ 6,087,000	\$ 9,702,000	\$ 11,146,000	\$ 12,802,000	\$ 15,613,000	\$ 15,897,000
TRS - Life Insurance	263,000	303,000	129,000	337,000	297,000	268,000	213,000
Total	10,872,000	6,390,000	9,831,000	11,483,000	13,099,000	15,881,000	16,110,000
District's covered employee payroll							
TRS	\$ 36,574,409	\$ 37,285,618	\$ 37,676,040	\$ 34,721,896	\$ 34,394,925	\$ 33,497,542	\$ 32,903,916
CERS	19,722,752	19,576,461	17,604,435	14,649,132	15,015,178	14,782,050	13,458,696
Total	56,297,161	56,862,079	55,280,475	49,371,028	49,410,103	48,279,592	46,362,612
District's proportionate share of the net OPEB liability (asset)							
as a percentage of its covered payroll							
CERS	-2.66%	37.10%	37.30%	65.15%	36.03%	41.80%	53.42%
TRS - Medical Insurance	34.41%	49.69%	31.71%	40.08%	46.09%	54.08%	59.15%
TRS - Life Insurance	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							
CERS	104.23%	60.95%	62.91%	51.67%	60.44%	57.62%	52.40%
TRS - Medical Insurance	52.97%	47.75%	51.74%	39.05%	32.58%	25.54%	21.18%
TRS - Life Insurance	76.91%	73.97%	89.15%	71.57%	73.40%	74.97%	79.99%

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

**SHELBY COUNTY PUBLIC SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
For The Year Ended June 30, 2024**

	2024	2023	2022	2021	2020	2019	2018
Contractually required contributions							
CERS	\$ 374,525	\$ 424,409	\$ 417,065	\$ 482,027	\$ 520,926	\$ 479,212	\$ 456,933
TRS - Medical Insurance	979,188	990,369	988,221	973,714	943,151	930,107	935,084
TRS - Life Insurance	-	-	-	-	-	-	-
Total	1,353,713	1,414,778	1,405,286	1,455,741	1,464,077	1,409,319	1,392,017
Contributions in relation to the contractually required contribution							
CERS	\$ 374,525	\$ 424,409	\$ 417,065	\$ 482,027	\$ 520,926	\$ 479,212	\$ 456,933
TRS - Medical Insurance	979,188	990,369	988,221	973,714	943,151	930,107	935,084
TRS - Life Insurance	-	-	-	-	-	-	-
Total	1,353,713	1,414,778	1,405,286	1,455,741	1,464,077	1,409,319	1,392,017
Contribution deficiency (excess)							
CERS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TRS - Medical Insurance	-	-	-	-	-	-	-
TRS - Life Insurance	-	-	-	-	-	-	-
Total	-						
District's covered employee payroll							
TRS	\$ 36,574,409	\$ 37,285,618	\$ 37,676,040	\$ 34,721,896	\$ 34,394,925	\$ 33,497,542	\$ 32,903,916
CERS	19,722,752	19,576,461	17,604,435	14,649,132	15,015,178	14,782,050	13,458,696
Total	56,297,161	56,862,079	55,280,475	49,371,028	49,410,103	48,279,592	46,362,612
Contributions as a percentage of covered employee payroll							
TRS	1.90%	2.17%	2.37%	3.29%	3.47%	3.24%	3.40%
CERS	2.68%	2.66%	2.62%	2.80%	2.74%	2.78%	2.84%

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

SHELBY COUNTY PUBLIC SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2024

June 30, 2023 – TRS Pension

The following changes to assumptions were made during the year:

The Municipal Bond Index rate was changed from 3.37% to 3.66%.

June 30, 2023 – TRS OPEB

The following changes to assumptions were made during the year:

The Municipal Bond Index rate was changed from 3.37% to 3.66%.

Health Trust and Life Trust

Health care trend rates, as well as the TRS 4 retirement decrements, were updated to reflect future anticipated experience.

June 30, 2023 – CERS OPEB

The following changes to assumptions were made during the year:

The current discount rate was changed from 5.70% to 5.93%.

Investment return assumption was changed from 6.25% to 6.50%.

**SHELBY COUNTY PUBLIC SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2024**

School	Cash Balance		Receipts	Disbursements	Cash Balance		Accounts Receivable		Accounts Payable		Due To Student Groups
	July 1, 2023	June 30, 2024			June 30, 2024	June 30, 2024	June 30, 2024	June 30, 2024	June 30, 2024		
Clear Creek Elementary	\$ 7,665	\$ 8,786	\$ 10,886	\$ 9,765	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,786
Heritage Elementary	27,424	26,358	29,141	30,207	-	-	-	-	-	-	26,358
Painted Stone Elementary	27,586	18,547	47,346	56,385	-	-	-	-	-	-	18,547
Simpsonville Elementary	7,910	7,740	11,371	11,541	-	-	-	-	-	-	7,740
Southside Elementary	6,838	6,030	11,615	12,423	-	-	-	-	-	-	6,030
Wright Elementary	24,159	26,081	36,775	34,853	-	-	-	-	-	-	26,081
East Middle	66,353	80,061	193,526	179,818	-	-	-	3,983	-	-	76,078
West Middle	71,192	86,009	121,393	106,576	-	-	-	-	-	-	86,009
Marnel C. Moorman School	51,585	36,789	142,548	157,344	-	-	-	-	2,355	-	34,434
Martha Layne Collins High	217,535	252,389	495,233	460,379	-	-	-	-	1,016	-	251,373
Shelby County High	216,045	256,524	579,210	538,731	-	-	-	-	1,620	-	254,904
Shelby County Education Center	150	-	-	150	-	-	-	-	-	-	-
Totals	\$ 724,442	\$ 805,314	\$ 1,679,044	\$ 1,598,172	\$ -	\$ -	\$ 805,314	\$ -	\$ 8,974	\$ -	\$ 796,340

**SHELBY COUNTY PUBLIC SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
MARTHA LAYNE COLLINS HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2024**

Activity Account	Cash Balance July 1, 2023	Receipts	Disbursements	Cash Balance June 30, 2024	Account Receivable June 30, 2024	Account Payables June 30, 2024	Due To Student Groups June 30, 2024
Academic Team	\$ 48	\$ 144	\$ -	\$ 192	\$ -	\$ -	\$ 192
AP Testing	7,691	10,227	(4,443)	13,475	-	-	13,475
Art Club	-	1,023	(235)	788	-	-	788
Band	226	26,148	(12,949)	13,425	-	-	13,425
Baseball	13,160	26,547	(26,809)	12,898	-	632	12,266
Bass Fishing	279	11,574	(11,853)	-	-	-	-
Beta Club	3,477	1,579	(991)	4,065	-	-	4,065
Bowling	196	355	-	551	-	-	551
Boys Basketball	49,720	1,901	(46,727)	4,894	-	-	4,894
Boys Golf	682	513	(1,195)	-	-	-	-
Boys Lacrosse	1,409	3,658	(2,544)	2,523	-	-	2,523
Boys Soccer	10,507	11,803	(18,406)	3,904	-	-	3,904
Boys Tennis	1,235	442	-	1,677	-	-	1,677
Boys Track	3,675	6,800	(2,364)	8,111	-	-	8,111
Boys Volleyball	-	520	-	520	-	-	520
Cheerleading	4,040	33,494	(24,498)	13,036	-	-	13,036
Chess Club	336	-	-	336	-	-	336
Choir	1,168	13,150	(13,360)	958	-	-	958
Class of 2024	12,807	5,986	(7,394)	11,399	-	-	11,399
Class of 2025	144	22,090	(14,145)	8,089	-	-	8,089
Cross Country	5,832	1,738	(694)	6,876	-	-	6,876
Dance Team	7,661	12,564	(16,541)	3,684	-	-	3,684
Department Accounts	7,323	3,753	(1,941)	9,135	-	-	9,135
Drama Club	4,904	-	(359)	4,545	-	-	4,545
eSports	563	1,576	-	2,139	-	-	2,139
FCA	2,668	-	(19)	2,649	-	-	2,649
FFA	1,467	1,848	(1,536)	1,779	-	-	1,779
Football	1,844	24,046	(16,854)	9,036	-	-	9,036
General	-	110	(110)	-	-	-	-
General Athletic	2,001	178,467	(153,694)	26,774	-	-	26,774
Girls Basketball	4,813	3,524	(6,743)	1,594	-	-	1,594
Girls Golf	6,275	8,878	(11,246)	3,907	-	-	3,907
Girls Lacrosse	7,424	4,774	(2,350)	9,848	-	-	9,848
Girls Soccer	3,254	11,569	(9,313)	5,510	-	-	5,510
Girls Tennis	1,526	442	-	1,968	-	-	1,968
Girls Track	-	-	-	-	-	-	-
GirlsVolleyball	4,566	18,346	(19,300)	3,612	-	-	3,612
In School Clubs	6,717	5,386	(5,461)	6,642	-	-	6,642
Instructional Field Trips	-	-	-	-	-	-	-
NHS	274	480	(385)	369	-	-	369
Odyssey of the Mind	5	-	-	5	-	-	5
Orchestra	1,235	22	-	1,257	-	-	1,257
ROTC	-	-	-	-	-	-	-
Softball	14,167	4,003	(8,290)	9,880	-	-	9,880
Staff Account	(57)	1,388	(1,295)	36	-	-	36
Start Up Cash	-	-	-	-	-	-	-
Student Council	694	-	-	694	-	-	694
Student Recognition	5,146	6,889	(4,044)	7,991	-	-	7,991
Student Support	2,323	136	(179)	2,280	-	-	2,280
Swim Team	839	692	-	1,531	-	-	1,531
Talented and Gifted (TAG)	242	797	(564)	475	-	384	91
Vex Robotics	1,728	15,755	(5,799)	11,684	-	-	11,684
Yearbook	11,301	10,096	(5,749)	15,648	-	-	15,648
Totals	\$ 217,535	\$ 495,233	\$ (460,379)	\$ 252,389	\$ -	\$ 1,016	\$ 251,373

**SHELBY COUNTY PUBLIC SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
SHELBY COUNTY HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2024**

Activity Account	Cash Balance July 1, 2023	Receipts	Disbursements	Transfers	Cash Balance June 30, 2024	Accounts Receivables June 30, 2024	Accounts Payables June 30, 2024	Due To Student Groups June 30, 2024
Academic Team	\$ 395	\$ 33	\$ (100)	\$ (328)	\$ -	\$ -	\$ -	\$ -
AP Testing	3,569	2,028	(757)	(3,000)	1,840	-	-	1,840
Archery	-	772	-	-	772	-	-	772
Art Club	2,537	-	(245)	(63)	2,229	-	-	2,229
Art DAF	-	-	(63)	63	-	-	-	-
Athletic Gate DAF	-	490	(5,593)	5,103	-	-	-	-
Band	5,212	5,887	(4,993)	(4,202)	1,904	-	-	1,904
Baseball	11,781	12,418	(10,515)	(75)	13,609	-	-	13,609
Bass Fishing	2,257	7,787	(6,054)	500	4,490	-	-	4,490
Beta Club	2,797	1,847	-	-	4,644	-	-	4,644
Boys Basketball	680	10,748	(7,925)	(2,718)	785	-	-	785
Boys Golf	3,786	10,958	(9,713)	(145)	4,886	-	670	4,216
Boys Lacrosse	-	7,720	(6,800)	(504)	416	-	-	416
Boys Soccer	12,391	7,039	(11,310)	-	8,120	-	-	8,120
Boys Tennis	786	55	(586)	-	255	-	-	255
Boys/Girls Track	8,353	20,172	(15,072)	(1,025)	12,428	-	750	11,678
Cheerleading	5,095	12,690	(7,361)	(396)	10,028	-	-	10,028
Choir	4,531	15,658	(16,173)	(1,552)	2,464	-	-	2,464
Class of 2023	1,798	3,499	(3,500)	(1,797)	-	-	-	-
Class of 2024	6,019	2,309	(2,266)	(6,062)	-	-	-	-
Class of 2025	1,039	17,401	(18,128)	4,848	5,160	-	-	5,160
Class of 2026	20	64	-	(33)	51	-	-	51
Class of 2027	-	82	-	-	82	-	-	82
Classroom Accounts	-	616	-	(616)	-	-	-	-
Cross Country	11,681	21,200	(14,502)	(1,619)	16,760	-	-	16,760
Dance Team	9,811	47,928	(42,298)	(5,414)	10,027	-	-	10,027
Department Accounts	21,561	22,527	(15,972)	(8,308)	19,808	-	-	19,808
Drama Club	9,894	18,561	(10,117)	(3,441)	14,897	-	200	14,697
E Sports	1,771	5,666	(5,426)	(30)	1,981	-	-	1,981
Farm	-	20,000	-	(19,031)	969	-	-	969
Football	5,950	6,123	(15,704)	6,366	2,735	-	-	2,735
Future Farmers of America	2,368	11,279	(3,845)	(700)	9,102	-	-	9,102
General	13,043	14,054	(2,807)	(22,518)	1,772	-	-	1,772
General Athletics	3,381	129,480	(86,300)	(27,888)	18,673	-	-	18,673
Girls Basketball	2,052	5,305	(6,813)	-	544	-	-	544
Girls Golf	2,904	12,783	(10,065)	(511)	5,111	-	-	5,111
Girls Lacrosse	-	3,748	(1,036)	(404)	2,308	-	-	2,308
Girls Soccer	4,243	2,021	(1,519)	-	4,745	-	-	4,745
Girls Tennis	428	-	(72)	-	356	-	-	356
Greenhouse	-	9,466	(9,466)	-	-	-	-	-
In School Clubs	6,679	24,955	(15,443)	(5,657)	10,534	-	-	10,534
Instructional Field Trip	-	2,810	(2,070)	(740)	-	-	-	-
Media Center DAF	-	1,731	(3,231)	1,500	-	-	-	-
Music DAF	-	-	(187)	187	-	-	-	-
National Honor Society	606	1,345	(762)	(462)	727	-	-	727
ROTC (Reserve Officer)	3,992	6,477	(1,151)	4,852	14,170	-	-	14,170
School DAF	-	23,484	(120,444)	96,960	-	-	-	-
Softball	14,255	8,020	(10,065)	-	12,210	-	-	12,210
Staff Account	561	1,732	(1,760)	(265)	268	-	-	268
Start up Cash	-	400	(200)	-	200	-	-	200
Student Recognition	288	15,696	(11,346)	5,135	9,773	-	-	9,773
Student Support	6,267	2,306	(1,420)	(712)	6,441	-	-	6,441
Swim Team	8,278	10,236	(6,298)	(3,048)	9,168	-	-	9,168
Talented and Gifted (TAG)	140	-	(136)	-	4	-	-	4
Volleyball	1,456	8,709	(5,057)	(2,250)	2,858	-	-	2,858
Yearbook Club	11,390	895	(6,065)	-	6,220	-	-	6,220
Totals	\$ 216,045	\$ 579,210	\$ (538,731)	\$ -	\$ 256,524	\$ -	\$ 1,620	\$ 254,904

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2024**

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Expenditures
Cash expenditures			
<u>U.S. Department of Education</u>			
Kentucky Department of Education			
Title I Grants to Local Education Agencies	84.010	3100002	433,867
Title I Grants to Local Education Agencies	84.010	3100002	11,952
Title I Grants to Local Education Agencies	84.010	3100002	5,557
Title I Grants to Local Education Agencies	84.010	3100002	924,858
Title I Grants to Local Education Agencies	84.010	3100002	3,820
Title I, School Improvement	84.010	3100202	115,524
Title I, School Improvement	84.010	3100202	543,819
Title I, School Improvement	84.010	3100202	1,284
Title I, School Improvement	84.010	3100202	484
Subtotal			2,041,165
Migrant Education	84.011	3110002	
Title I Part D, Neglected and Delinquent Children and Youth	84.013	313I	25,889
Title I Part D, Neglected and Delinquent Children and Youth	84.013	313G	5,229
Subtotal			31,118
Title IV Part A, Student Support	84.424A	3420002	29,350
Title IV Part A, Student Support	84.424A	3420002	13,489
Title IV Part A, Student Support	84.424A	3420002	22,504
Title IV Part A, Student Support	84.424A	3420002	20,372
Title IV Part A, Student Support	84.424A	3420002	27,990
Title IV Part A, Student Support	84.424A	3420002	28,838
Subtotal			142,543
Special Education Cluster (IDEA)			
Special Education - Grants to States (IDEA, Part B)	84.027	3810002	460,241
Special Education - Grants to States (IDEA, Part B)	84.027	3810002	1,300,890
Special Education - Grants to States (IDEA, Part B)	84.027	3810002	15,797
* ARP IDEA Basic	84.027X	4910002	125,847
* ARP IDEA Private Schools	84.173X	4900002	16,916
Special Education - Preschool Grants (IDEA, Preschool)	84.173	3800002	54,661
Special Education - Preschool Grants (IDEA, Preschool)	84.173	3800002	1,663
Special Education - Preschool Grants (IDEA, Preschool)	84.173	3800002	252
Subtotal			1,976,267
Vocational Education Basic	84.048	3710002	43,903
Vocational Education Basic	84.048	3710002	1,275
Vocational Education Basic	84.048	3710002	6,858
Subtotal			52,036
Supporting Effective Instruction	84.367	3230002	146,035
Supporting Effective Instruction	84.367	3230002	91,823
Supporting Effective Instruction	84.367	3230002	48,457
Supporting Effective Instruction	84.367	3230002	676
Subtotal			286,991

English Language Acquisition	84.365	3300002	97,027
English Language Acquisition	84.365	3300002	<u>51,772</u>
Subtotal			148,799
* Deeper Learning Grant		563J	13,180
* GEER II Family Resource Centers	84.425C	564GF	7,077
* CRRSAA - ESSER Direct Services	84.425D	4200002	(14,145)
* CRRSAA - ESSER Digital Learning Services	84.425D	4200002	2,005
* CRRSAA - ESSER State Set Aside	84.425D	4200002	4,213
* ARP ESSER	84.425U	4300002	4,114
* ARP ESSER III	84.425U	4300002	<u>1,453,829</u>
Subtotal			1,470,273
Prichard Committee			
Community Schools Initiative	84.215J	not provided	<u>11,749</u>
Total U.S.Department of Education			6,160,941
Kentucky Cabinet for Health and Family Services			
* ARPA Child Care Facility Repairs			60,000
* ARP Child Care Stabilization Fund	93.575	576I	392,814
* CRRSAA - Child Care Aid	93.575	672G	<u>9,813</u>
Subtotal			462,627
Kentucky Department of Education			
School Health Profile	93.079	2100001	<u>92</u>
Total U.S. Department of Health and Human Services			462,719
<u>U.S.Department of Agriculture</u>			
Kentucky Department of Education			
Child Nutrition Cluster			
National School Breakfast Program	10.553	7760005	1,122,583
National School Lunch Program	10.555	7750002	2,502,179
Supply Chain Assistance	10.555	9980000	211,567
Summer Food Service Program for Children	10.559	7690024	29,892
Summer Food Service Program for Children	10.559	7740023	30,298
Commodities	10.555	not provided	<u>139,839</u>
Subtotal			4,036,358
Kentucky Department of Agriculture			
Storage and Distribution	10.560	7700001	12,839
Local Food for Schools	10.185	not provided	<u>48,411</u>
Total U.S.Department of Agriculture			4,097,608
Total federal expenditures			<u><u>10,721,268</u></u>

* Funding for Covid-19
See Notes to Schedule of Expenditures of Federal Awards

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2024**

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Shelby County School District (the “District”) under programs of the federal government for the year ended June 30, 2024 and is presented on the modified accrual basis of accounting. 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 District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 2 – Food Donation

Nonmonetary assistance for food donation is reported in the Schedule at the fair market value of the commodities disbursed. These donations are received from the US Department of Agriculture via the Kentucky Department of Agriculture (KDA). The KDA has not provided a pass-through grant number.

Note 3 – Indirect Cost Rate

The District did not use the de minimis indirect cost rate of 10.0%.

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

State Committee For School District Audits
Members of the Board of Education
Shelby County School District
Shelbyville, Kentucky

We have audited, 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, Audits of States and Local Governments, and Non-profit Organizations, and the audit requirement prescribed by the Kentucky Committee for School District Audits, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Shelby County Board of Education as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated November 13, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

I noted certain matters that I reported to management of the District in a separate letter dated November 13, 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.

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
November 13, 2024

**DENISE M. KEENE
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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

State Committee For School District Audits
Members of the Board of Education
Shelby County School District
Shelbyville, Kentucky

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

We have audited Shelby County School District's (the "District") compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2024. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major 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; the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the 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, misrepresentation, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

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

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

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
November 13, 2024

SHELBY COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2024

Section I – Summary of Auditor’s Results

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting

Material weakness(es) identified? yes no

Significant deficiency(s) identified that are not
considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiency(s) identified that are not
Considered to be material weakness(es)? yes none reported

An unmodified opinion was issued on compliance for all major programs.

Any audit findings disclosed that are required to be reported
in accordance with 2CFR 200.516(a)? yes no

Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425C, 84.425D, 84.425U	Education Stabilization Relief Fund
84.027, 84.027X, 84.173, 84.173X	Special Education Cluster(IDEA)

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

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

SHELBY COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For The Year Ended June 30, 2024

PRIOR YEAR – FINANCIAL STATEMENT FINDINGS

None were reported last year

PRIOR YEAR – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None were reported last year

MANAGEMENT LETTER

**DENISE M. KEENE
CERTIFIED PUBLIC ACCOUNTANT
P.O. BOX 1444
GEORGETOWN, KENTUCKY 40324
859-421-5062**

Shelby County Board of Education
Shelbyville, Kentucky

We have audited the financial statements of the Shelby County School District for the year ended June 30, 2024 and have issued our report thereon dated November 13, 2024. As part of our audit, we made a study and evaluation of the District's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the District's financial statements. Our study and evaluation was more limited than would be necessary for expressing an opinion on the system of internal accounting control taken as a whole.

The management of the Shelby County School District is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors, or irregularities may nevertheless occur and not be detected. Also, projections of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system of internal accounting control. Accordingly, we do not express an opinion on the system of internal accounting control of the Shelby County School District taken as a whole. Our study and evaluation disclosed no condition that we believe to be a material weakness.

The following items from last year's management letter points were corrected during the current fiscal year as outlined in the District's response: 2023-001, 2023-002, 2021-005, 2023-006, 2023-007, 2023-008, 2023-009, 2023-012, 2023-013, 2023-014, 2023-016, 2023-017, 2023-018, 2023-019, 2023-020, 2023-021, 2023-023, 2023-024, 2023-025, 2023-026, 2023-030, 2023-031, 2023-032.

The following items from last year's management letter points were not corrected: 2023-003, 2023-004, 2023-010, 2023-011, 2023-015, 2023-022, 2023-027, 2023-028, 2023-029, 2023-033, 2023-034.

Denise M. Keene, CPA
November 13, 2024

CURRENT YEAR MANAGEMENT POINTS

CENTRAL OFFICE

2024-001

KRS 160.105 and 702 KAR 3:030 establishes requirements for insurance coverage for school buildings. Marnel C Moorman School was not insured adequately. It was insured at \$246.09/sq. ft. but it should have been \$354.16. I recommend the District review its insurance coverage for adequate coverage.

Management's Response:

Due to an error in the spreadsheet calculation, the square foot calculation is incorrect. We have corrected the spreadsheet with the correct replacement costs provided by the Kentucky Department of Education. This correction has been communicated to our insurance carrier and our policy has been adjusted accordingly.

2024-002

Payroll testing disclosed that four (4) Form I-9's did not list the documents used to verify the employees status. Payroll testing also disclosed that one (1) employee did not have a Form W-4 on file. I recommend the District review its payroll files for compliance.

Management's Response:

The missing or incomplete documentation pre-date the current HR on-boarding staff. There are new procedures in place that prevent incomplete I-9's from being processed without appropriate documentation. Additionally, there are procedures in place to ensure all employees have a current W-4 on file.

**The following Schools had no Management Comments:
Clear Creek Elementary**

HERITAGE ELEMENTARY SCHOOL

2024-003

According to the Redbook, Booster Clubs are to submit to the Principal each year, their officers, budget, insurance, annual financial statement and federal identification number. The PTO did not submit the budget for 2023-24. I recommend the Principal not approve any fundraisers until the information is submitted.

Management's Response:

Upon review to correct the error for the 24-25 school year, the documentation is currently missing from the PTO is their Annual Financial Report, Budget and Insurance (expired on 10/18/24). The principal will meet with the PTO to discuss getting these documents on file. The principal will not approve any fundraiser or activities until these documents are turned in.

2024-004

Transfers Numbers 5 and 6 are not allowed. The Transfers were from General Account to Staff Account to cover negative balances for a total of \$41.25. The Principal should not approve purchases out of Staff Account unless there are funds to cover the purchase.

Management's Response:

For the 24-25 school year, Heritage Elementary has transitioned Student Activity Fund management from EPES to Munis. All future transfers will go through Central Office and will thus be reviewed by finance prior to proceeding. Furthermore, all requisitions will be approved by finance which will make it impossible to deduct from an account that lacks the necessary funds to cover the purchase.

2024-005

Testing disclosed one Disallowed Expenditure. According to the Red Book, attendance incentives for compulsory instructional day are not allowed, unless the incentives are considered instructional. Fourteen (14) perfect attendance trophies were purchased. The Principal should not approve such purchases.

Management's Response:

This purchase was made under Bookkeeper that is no longer with the District and Principal that was unaware of the rule. Going forward, the new Bookkeeper will be trained not to approve purchases intended to award Perfect Attendance and the Principal is now aware of the rule.

2024-006

According to the Red Book, "at a minimum, deposits shall be made on the last workday of the week, even if the deposit amount is less than \$100." October 5, 2023, a Thursday receipt of \$40.00 was not deposited until October 16, 2023. I recommend the Principal monitor deposits to correct this problem.

Management's Response:

For the 24-25 school year, we have a bank courier that comes to the school daily to pickup deposits. This eliminates the need for the Bookkeeper to have to leave the office and leave the Secretary to attend to school needs alone.

2024-007

According to the Red Book, "The purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated." One (1) of the six (6) expenditures tested had invoice dates prior to the purchase order date. I recommend the Principal not approve any purchase order for items already purchased. **This is a repeat from the past two years 2023-003**

Management's Response:

Going forward, the Principal will not approved POs where the purchase has already been made. The purchasing staff member will be responsible for the purchase independently. This will be communicated at the next staff meeting. All purchasing and ordering should go through the school Bookkeeper.

2024-008

According to the Red Book, "At the end of each month, the school treasurer will write one check to the district office for the total monies transferred into a DAF activity fund account. The check will zero out any balance that was initially transferred to the DAF activity fund account 'sweeping'

your funds to the district.” The school issued only four transfers during the year. The school treasurer should follow Red Book requirements and sweep DAF accounts each month. **This is a repeat from last year 2023-004**

Management’s Response:

For the 24-25 school year, Heritage Elementary has transitioned Student Activity Fund management from EPES to Munis. This eliminates the need to Sweep money altogether. Now, all money can be directly deposited back into the account that it is intended for.

PAINTED STONE ELEMENTARY

2024-009

According to the Red Book, a Fundraiser Approval should be done prior to any fundraiser. The school did not use the Fundraiser Approval form. I recommend the Principal remind staff to submit the Fundraiser Approval form prior to a fundraiser.

Management’s Response:

The proper Fundraiser Approval Form will be submitted on time prior to all fundraisers.

SIMPSONVILLE ELEMENTARY

2024-010

According to the Redbook, Booster Clubs are to submit to the Principal each year, their officers, budget, insurance, annual financial statement and federal identification number. The PTO did not submit the annual financial statement. I recommend the Principal not approve any fundraisers until the information is submitted.

Management’s Response:

The Principal will make sure approvals are signed prior to summer departure. Approvals were made after the deadline so the team will work to complete necessary paperwork prior to deadline.

SOUTHSIDE ELEMENTARY

2024-011

According to the Red Book, “at a minimum, deposits shall be made on the last workday of the week, even if the deposit amount is less than \$100.” January 5, 2024, a Friday receipt of \$56.00 was not deposited until January 10, 2024, the next Wednesday. January 12, 2024, a Friday receipt of \$92.00 was not deposited until January 18, 2024, the next Thursday. I recommend the Principal monitor deposits to correct this problem.

Management’s Response:

Going forward, the Principal and Bookkeeper will put forth a stronger effort to have deposits made in a timely manner.

2024-012

The Red Book requires a vendor invoice or a standard invoice for all purchases. One (1) out of 5 checks tested did not have an invoice. I recommend the Principal not sign a check without a proper invoice.

Management’s Response:

An invoice was requested but not received. Going forward if invoice is not available an accounts payable invoice will be completed by the Bookkeeper and attached.

2024-013

The school used student funds to provide medical assistance. Student funds should be used for student purposes only. I recommend the Principal seek other sources for this type of payment.

This is a repeat from last year 2023-010

Management's Response:

Going forward funds will be deposited into the district activity fund for more flexible use of funds.

WRIGHT ELEMENTARY

2024-014

According to the Red Book, Transfers shall be signed by the Sponsor of the remitting activity account and the Principal. There were two (2) transfers with no signatures. I recommend the Principal monitor transfers for proper signatures.

Management's Response:

Each transfer will be reviewed by the Principal and signed. There will be a monthly bookkeeper meeting reviewing transfers and accounts to ensure proper signatures are being completed.

2024-015

According to the Redbook, Booster Clubs are to submit to the Principal each year, their officers, budget, insurance, annual financial statement and federal identification number. The PTO did not submit the annual financial statement. I recommend the Principal not approve any fundraisers until the information is submitted.

Management's Response:

At the end of April, all boosters will submit the end-of-year statements, financials and budgets. The Principal and Bookkeeper will review those submissions. The principal will not allow clubs to occur if the proper paperwork is not submitted.

2024-016

According to the Red Book, "a pre-numbered receipt shall be issued to the payer immediately any time money is received..." It appears this may not be happening. There were numerous dates changed on the multiple receipt form. The Person Remitting Money date was changed to match the receipt date. Dates should not be changed on multiple receipt forms. The Principal should monitor documentation for changes made to forms.

Management's Response:

The Principal will review all multiple receipt forms during the Bookkeeper's monthly meeting to ensure the dates are accurate and changes are not being made.

2024-017

According to the Red Book, a Fundraiser Approval should be done prior to any fundraiser. The school did not use the Fundraiser Approval form. I recommend the Principal remind staff to submit the Fundraiser Approval form prior to a fundraiser.

Management's Response:

The Principal will send an email each semester sharing the fundraising guidelines. Each Spring Fundraisers will be approved. If there is a need for a timely fundraiser from a student-led proposal it will go through the application process and follow the guidelines.

2024-018

According to the Red Book, a Purchase Order should be approved prior to obligating the school. One (1) out of six expenditures tested has an invoice date prior to the PO date. The Principal should not approve purchase orders after the purchase has been made.

Management's Response:

The principal will review those purchases that are not recurring. During the Monthly Bookkeeper meeting the principal will review those PO needs and ensure that the companies are not making invoices through first contacts during the investigation stage of products.

2024-019

According to the Red Book, every expenditure should have a vendor invoice or a standard invoice. Testing disclosed one (1) out of six (6) expenditures did not have an invoice. The Principal should not sign a check for payment without an invoice.

Management's Response:

The Bookkeeper will review the PO date and ensure that the communication for an invoice is after the PO is generated. If the company creates an invoice when the first contact was made about their product we will as for a proper invoice date when the agreement of services occurred.

2024-020

According to the Red Book, "At; the end of each month, the school treasurer will write one check to the district office for the total monies transferred into a DAF activity fund account. The check will zero out any balance that was initially transferred to the DAF activity fund account 'sweeping' your funds to the district." The school issued two transfers during the year. The school treasurer should follow Red Book requirements and sweep DAF accounts each month **This is a repeat from last year 2023-011..**

Management's Response

During each Bookkeeper monthly review meeting the Principal and Bookkeeper will generate the District Activities Funds transfers zeroing out the needed monies to be swept.

MARNEL C MOORMAN SCHOOL

2024-021

According to the Redbook, Booster Clubs are to submit to the Principal each year, their officers, budget, insurance, annual financial statement and federal identification number. The PTO did not submit the annual financial statement, officers, or proof of insurance. I recommend the Principal not approve any fundraisers until the information is submitted.

Management's Response:

For FY 2025, all documents have been collected and approved by the Finance department and the Board. Moving forward, we will ensure that all documents are collected and submitted promptly in July.

2024-022

According to the Red Book, all school level checks should contain the signatures of an authorized school administrator and the school treasurer. There were three (3) checks with only the school treasurer's signature. I recommend that checks be reviewed for two (2) signature prior to releasing the check.

Management's Response:

For FY 2025, MCM has transitioned Student Activity Fund management from EPES to Munis. All future checks will be run through Accounts Payable and reviewed by the Finance Department and Superintendent. Bookkeepers and Principals will no longer be responsible for signing checks.

EAST MIDDLE SCHOOL

2024-023

According to the Red Book, operating costs such as school forms are to be purchased from District Activity Funds and not School Activity Funds. The school purchased Purchase Order forms from School Activity Funds. The Principal should not approve operating costs from School Activity Funds.

Management's Response:

This issue was a training miscommunication. We have retrained on the proper procedure for ordering operating costs using District Activity Funds.

WEST MIDDLE SCHOOL

2024-024

According to the Red Book, "A pre-numbered receipts shall be issued to the payer immediately any time money is received..." This is not being done. Each teacher/sponsor turning in money should receive a pre-numbered receipt. I recommend the treasurer issue receipts as required by the Red Book. **This is a repeat from last year 2023-015**

Management's Response:

The principal has discussed the matter with the bookkeeper to make sure she understood the finding and how to correct it. Moving forward the procedure will be done according to Red Book policy.

2024-025

An overpayment was made to an employee on March 22, 2024 of \$56.00. The overpayment was not paid back to the school until July 23, 2024. This should have been paid back sooner. I recommend the Principal and Bookkeeper follow up on payments that should be received.

Management's Response:

The payment was not made to an employee. My secretary did pay tax and realized that mistake and made me aware of it. The correction was made and the money deposited back to our account.

SHELBY COUNTY HIGH SCHOOL

2024-026

There are two (2) transfers from school activity funds to the District Activity Funds that do not appear to be appropriate. Transfer 191 from Farm Activities to District Activity Funds for \$19,000, and Transfer 101 from General Activities to District Activity Funds. I recommend the Principal only approve transfers to District Activity Funds within the 60 day window and from proper sources.

Management's Response:

There was a misunderstanding regarding the transfers. The mistake was caught in June. The bookkeeper learned of the charges on the report and made a transfer to cover.

2024-027

According to the Red Book, "Pre- numbered tickets shall be used with ALL events for which admission is charged A(including athletic events, dances, concerts, plays, prom, or season passes)." April 11, 2024 receipt number 24366 was for Prom Tickets, a multiple receipt form was used instead of the ticket sale form. April 11, 2024 receipt number 24365 was for admission to Footloose play, a multiple receipt form was used instead of the ticket sale form. I recommend the Principal remind all teachers/sponsors that the ticket sale form is to be used for all events where admission is charged. **This is a repeat from last year 2023-027**

Management's Response:

Redbook training has been done with all staff. A meeting with these particular sponsors has taken place one on one again so there is a clear understanding of expectations for the future. All plays and concerts have been added to GoFan, so that should not be an issue with them going forward.

2024-028

According to the Redbook, "The purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated." Two (2) out of nine (9) disbursements tested had purchase order dates after the invoice date. I recommend the Principal remind all staff that purchase orders must be approved prior to obligating the school. **This is a repeat from last year 2023-028**

Management's Response:

Redbook training has been reinforced. The Principal and bookkeeper have been meeting one on one with offenders.

2024-029

According to the Redbook, Booster Clubs are to submit to the Principal each year, their officers, budget, insurance, annual financial statement and federal identification number. The Athletics Boosters, Band Boosters, JROTC Boosters, and PTSO did not submit the annual financial statement. In addition, the PTSO did not submit their federal identification number or proof of insurance. I recommend the Principal not approve any fundraisers until the information is submitted. **This is a repeat from last year 2023-029**

Management's Response:

Redbook training has been reinforced. All fundraising and activities were not approved until they provided the required information.

2024-030

According to the Red Book, "The Donation Acknowledgment Form (Form F-SA-18), when the monetary value is at least \$250 according to IRS guidelines, shall be completed stating the purpose of and any restrictions on the donation received." There were three (3) donations made on September 7, 2023 to Cross Country that were over \$250 that did not have the Donation Acknowledgment Form completed. The Principal should remind staff of the requirement and follow Red Book procedures. **This is a repeat from last year 2023-033**

Management's Response:

Donation forms are being done in the bookkeeper's office before checks are being deposited this year.

2024-031

According to the Red Book, "At; the end of each month, the school treasurer will write one check to the district office for the total monies transferred into a DAF activity fund account. The check will zero out any balance that was initially transferred to the DAF activity fund account 'sweeping' your funds to the district." The school issued only six transfers during the year. The school treasurer should follow Red Book requirements and sweep DAF accounts each month. **This is a repeat from last year 2023-034**

Management's Response:

Redbook requirements for sweeping have been reviewed and implemented.

2024-032

According to the Red Book, the Principal shall review the bank statement, sign and date the front page after review. There were four (4) bank statements not dated and one (1) not signed. The Principal should sign and date the bank statement after review each month.

Management's Response:

Last year both the new Principal and the new bookkeeper were learning their jobs along with all the Redbook requirements. This year should show great improvement.

MARTHA LAYNE COLLINS HIGH SCHOOL

2024-033

According to the Red Book, "Pre- numbered tickets shall be used with ALL events for which admission is charged (including athletic events, dances, concerts, plays, prom, or season passes)." A multiple receipt form was used instead of the ticket sale form. I recommend the Principal remind all teachers/sponsors that the ticket sale form is to be used for all events where admission is charged. **This is a repeat from last year 2023-022**

Management's Response:

The vast majority of our ticketed events utilize GoFan including all athletic events and concerts. For the prom we used a multiple receipt form AND numbered tickets. These can be found in the fundraiser book. I am happy to work with the sponsors of any activities in error that need to update their procedures, but am not sure where the error was made based on the procedures indicated above.

2024-034

According to the Redbook, Booster Clubs are to submit to the Principal each year, their officers, budget, insurance, annual financial statement and federal identification number. The Athletics

Boosters did not submit a budget. The Band Boosters did not submit officers, budget or insurance. JROTC Boosters and PTSO did not submit the, officers, budget, insurance and annual financial statement. The Robotics & Engineering Boosters did not submit their officers and budget. I recommend the Principal not approve any fundraisers until the information is submitted.

Management's Response:

Our records indicate that all three booster clubs that we do have (athletics, band, and robotics) were submitted on time. I understand and appreciate the suggestion of not approving fundraisers until proper documentation is submitted. Please note that we not currently have, nor have we had a JROTC Booster Club or PTSO in many years.

2024-035

Board policy requires all donations over \$1,000 to be approved by the Board. There was one donation of \$4,000 not approved by the board. I recommend the Principal have all donations over \$1,000 approved by the Board as required.

Management's Response:

There was a misunderstanding with this particular donation since it was a multi-year donation agreement. We have corrected the issue in the current budget year and have received board approval for the same donation this year. I will remember this requirement and will remind our athletic director.

2024-036

One fundraiser tested had only a 4.5% profit (\$187). The fundraiser approval form did not record an anticipated profit for the event. I recommend the Principal review the anticipated profit of fundraisers before approving the fundraiser. According to the Red Book, "Fundraising activities shall require less effort (cost less) than the expected revenue to be generated, including the effort required to administer the fundraiser (record-keeping, counting money, making bank deposits, etc.) unless the value of the instructional purpose outweighs the cost of administration."

Management's Response:

This fundraiser was split between the school account and the athletic booster's account so that an auction could be a part of the fundraising activities. In the future we will make sure that we properly transfer and document fundraisers fully into the school or booster accounts and not split between the two.

APPENDIX D

**BOARD OF EDUCATION OF SHELBY COUNTY, KENTUCKY
GENERAL OBLIGATION BONDS,
SECOND SERIES 2025**

STATEMENT OF INDEBTEDNESS

5. The total amount of bonds, notes, and other obligations of the District subject to the debt limitation set forth in KRS Section 66.041 (Line 3 minus Line 4) is \$49,935,000
6. The total amount of bonds, notes, and other obligations of the District subject to the debt limitation set forth in KRS Section 66.041, as computed in Line 5 above, does not exceed 2% of the assessed valuation of all of the taxable property in the District.**
7. The current tax rate of the District, for school purposes, upon the value of its taxable property is \$0.7140 per \$100 of assessed valuation for real property and \$0.7140 per \$100 of assessed valuation for tangible property, which does not exceed the maximum permissible aggregate tax rate for the District permitted by Kentucky law.
8. The issuance of the bonds, bond anticipation notes, or other obligations set forth in Line 3 hereof will not cause the tax rate set forth in Paragraph 7 hereof to increase in an amount which would exceed the maximum permissible aggregate tax rate for the District permitted by Kentucky law.

IN WITNESS WHEREOF, I have hereunto set my hand this September 25, 2025.

By: _____
Treasurer

** In accordance with KRS Section 66.041, a city, county, urban-county, consolidated local government, charter county, or taxing district shall not incur net indebtedness to an amount exceeding the following maximum percentages on the value of taxable property within the city, county, urban-county, consolidated local government, charter county, or taxing district, as estimated by the last certified assessment previous to the incurring of the indebtedness:

- (a) Cities, urban-counties, consolidated local governments, and charter counties having a population of 15,000 or more, 10%;
- (b) Cities, urban-counties, and charter counties having a population of less than 15,000 but not less than 3,000, 5%;
- (c) Cities, urban-counties, and charter counties having a population of less than 3,000, 3%; and
- (d) Counties and taxing districts, 2%.

APPENDIX E

**BOARD OF EDUCATION OF SHELBY COUNTY, KENTUCKY
GENERAL OBLIGATION BONDS,
SECOND SERIES 2025**

FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL



101 S. 5th Street, Suite 3200
Louisville, Kentucky 40202
Telephone: 502-423-2000
Telefax: 502-423-2001
www.steptoe-johnson.com

_____, 2025

Board of Education of Shelby County, Kentucky
Shelbyville, Kentucky

Ladies and Gentlemen:

We have served as bond counsel to the Board of Education of Shelby County, Kentucky (“Board”) and in such capacity have examined the transcript of proceedings for the issue of \$14,855,000 Board of Education of Shelby County, Kentucky General Obligation Bonds, Second Series 2025 (the “Bonds”), dated November 6, 2025, numbered R-1 upward, and of denominations of \$5,000 or any integral multiple thereof. The Bonds are issued by the Board on behalf of the Shelby County School District (“District”). The Bonds mature, bear interest, and are subject to mandatory and optional redemption upon the terms set forth therein. We have also examined a specimen Bond.

Based upon this examination, we are of the opinion, based upon the laws, regulations, rulings, and decisions in effect on the date hereof, that:

1. The Bonds constitute valid obligations of the Board in accordance with their terms, which, unless paid from other sources, are payable from taxes to be levied by the Board, without limitation as to rate or amount.
2. Under the laws, regulations, rulings, and judicial decisions in effect on the date hereof, interest on the Bonds is excludable from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the “Code”). Further, interest on the Bonds will not be treated as a specific item of tax preference in 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. In rendering the opinions set forth in this paragraph, we have assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. We express no other opinion as to the federal or state tax consequences of purchasing, holding, or disposing of the Bonds.
3. Interest on the Bonds is not subject to taxation by the Commonwealth of Kentucky, and the Bonds are not subject to ad valorem taxation by the Commonwealth of Kentucky or any political subdivision thereof.

The Board has NOT designated the Bonds as “qualified tax-exempt obligations” with respect to investments by certain financial institutions under Section 265 of the Code.

In rendering this opinion, we have relied upon covenants and certifications of facts, estimates, and expectations made by officials of the Board and the District and others contained in the transcript for the Bonds; which we have not independently verified. It is to be understood that the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium, and any other laws in effect from time to time affecting creditors' rights generally, and to the exercise of judicial discretion.

The opinions expressed in this letter are based upon the law in effect on the date hereof, and may be affected by actions taken or omitted or events occurring after the date hereof, including subsequent interpretations of the applicable law by competent judicial, regulatory and administrative authorities that modify, revoke, supplement, reverse, overrule or otherwise change applicable law and current interpretations thereof, and specifically by current or future legislative proposals, which, if enacted into law, could adversely affect the tax exemption of the interest on the Bonds. We assume no obligation to revise or supplement this opinion should such law be changed by legislative action, judicial decision, or otherwise, or to determine or to inform any person whether any such actions are taken or omitted or any such events occur.

APPENDIX F

**BOARD OF EDUCATION OF SHELBY COUNTY, KENTUCKY
GENERAL OBLIGATION BONDS,
SECOND SERIES 2025**

FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (this “Certificate”) is executed and delivered as of November 6, 2025, by the Board of Education of Shelby County, Kentucky (the “Issuer”), in connection with the issuance and delivery of \$14,855,000 aggregate principal amount of General Obligation Bonds, Second Series 2025 (the “Obligations”). The Obligations are being issued under and in accordance with a resolution duly adopted by the Board of Education of the Issuer on September 25, 2025 (the “Authorizing Legislation”). The Issuer hereby certifies, covenants, and agrees as follows:

Section 1. Purpose of this Certificate.

This Certificate is being executed and delivered by the Issuer to provide for the disclosure of certain information concerning the Obligations on an ongoing basis, as set forth herein, for the benefit of the Holders (as hereinafter defined) of the Obligations, in accordance with the provisions of Rule 15c2-12 of the Securities and Exchange Commission, as amended from time to time (the “Rule”).

Section 2. Definitions; Scope of this Certificate.

All capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Authorizing Legislation and the Obligations. Notwithstanding the foregoing, the term “Disclosure Agent” shall mean the Issuer or any disclosure agent appointed or engaged by the Issuer, and any successor disclosure agent shall automatically succeed to the rights and duties of the Disclosure Agent hereunder, without any amendment hereto. The following capitalized terms shall have the following meanings:

“Annual Financial Information” means a copy of the annual comprehensive financial report prepared for the Issuer, which shall include, if prepared, a balance sheet, a statement of revenues and expenditures, and a statement of changes in fund balances, generally consistent with the information set forth in Appendix C to the Offering Document. All of such Annual Financial Information shall be prepared using generally accepted accounting principles as applied to governmental units; provided, however, that the Issuer may change the accounting principles used to prepare such Annual Financial Information so long as the Issuer includes, as information provided to the public, a statement to the effect that different accounting principles are being used, stating the reason for such change, and explaining how to compare the financial information provided by the differing accounting principles. Any items listed above may be set forth in other documents which have been transmitted to the MSRB, including any Offering Documents of debt issues of the Issuer or any related public entities, or may be included by specific reference to any documents available to the public on the MSRB’s Electronic Municipal Market Access (EMMA) system or filed with the SEC. The Issuer shall clearly identify each such other document so incorporated by reference. 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.

“Beneficial Owner” means any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Obligations (including any persons holding the Obligations through nominees, depositories, or other intermediaries).

“Event,” with respect to the Obligations, means any of the following events:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves, reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements, reflecting financial difficulties;

- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of any proposed or final determinations of taxability, any Notices of Proposed Issue (IRS Form 5701-TEB), or any other material notices or determinations with respect to the tax status of the security, or any other material events affecting the tax-exempt status of the security;
- (vii) Modifications to rights of security holders, if material;
- (viii) Bond calls, if material, and tender offers (except any mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event);
- (ix) Defeasances;
- (x) Release, substitution, or sale of any property securing the repayment of the securities, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership, or any other similar event of the Issuer (Note – This event is considered to occur upon the occurrence of any of the following events: The appointment of a receiver, fiscal agent, or other similar officer for the Issuer in any proceeding under the U.S. Bankruptcy Code or in any other proceeding under any state or federal law in which any court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the Issuer in possession of such assets or business but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer);
- (xiii) The consummation of a merger, consolidation, or other acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake any such actions, or the termination of a definitive agreement relating to such actions, other than in accordance with its terms, if material;
- (xiv) Appointment of any successor or additional trustee or the change of name of a trustee, if material;
- (xv) Incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or any other similar terms of any Financial Obligation of the Issuer, any of which affect security holders, if material; and
- (xvi) Default, acceleration event, termination event, modification of terms, or any other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

The SEC requires the listing of (i) through (xvi), although some of such events may not be applicable to the Obligations.

“Financial Obligation” means (a) any debt obligation; (b) any derivative instrument entered into in connection with, or pledged as security or a source of payment for, any existing or planned debt obligation; or (c) a guarantee of either (a) or (b). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Holders” means any holder or Beneficial Owner of the Obligations.

“MSRB” means the Municipal Securities Rulemaking Board.

“Offering Document” means the Official Statement dated October 9, 2025.

“Operating Data” means an update of certain operating data of the Issuer, which is limited to 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”.

“Participating Underwriter” means any of the original underwriters of the Obligations required to comply with the Rule in connection with the offering of the Obligations.

“SEC” means the Securities and Exchange Commission.

Section 3. Disclosure of Information.

(A) Information Provided to the Public. Except to the extent that this Certificate is modified or otherwise altered in accordance with Section 4 hereof, the Issuer shall make, or shall cause the Disclosure Agent to make, public the information set forth in subsections (i), (ii), and (iii) below:

(i) Annual Financial Information and Operating Data. The Annual Financial Information and Operating Data of the Issuer, at least annually, on or before nine (9) months after the end of each fiscal year ending June 30, commencing with the fiscal year ended June 30, 2025, and continuing with each fiscal year thereafter. If the Disclosure Agent is an entity or person other than the Issuer, then the Issuer shall provide the Annual Financial Information and Operating Data to the Disclosure Agent no later than fifteen Business Days before the disclosure date set forth above. The Annual Financial Information and Operating Data may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information; provided that the audited financial statements of the Issuer may be submitted separately from the other Annual Financial Information.

(ii) Event Notices. Notice of the occurrence of any Event, in a timely manner, not in excess of ten business days after the occurrence of the Event.

(iii) Failure to Provide Annual Financial Information or Operating Data. Notice of the failure of the Issuer to provide the Annual Financial Information or Operating Data by the disclosure date required by subsection (A)(ii) of this Section.

(B) Dates Information is to be Provided to the Public. The Annual Financial Information and Operating Data of the Issuer and, subject to the timing requirement set forth in subsection (A)(ii) of this Section, notices of Event occurrences shall be made public on the same day as notice thereof is given to the Holders of the outstanding Obligations, if such notice is required in accordance with the provisions of the Authorizing Legislation or the Obligations, and such information shall not be made public before the date of such notice.

(C) Means of Making Information Public.

(i) Information shall be deemed to have been made public by either the Issuer or the Disclosure Agent under this Certificate if such information is transmitted as provided in subsection (C)(ii) of this Section, by the following means:

(a) to all of the Holders of outstanding Obligations, by first class mail, postage prepaid;

(b) to the MSRB, in any electronic format prescribed by the MSRB, and accompanied by the identifying information prescribed by the MSRB; or

(c) to the SEC, by (1) electronic facsimile transmissions confirmed by first class mail, postage prepaid, or (2) first class mail, postage prepaid; provided, however, that the Issuer and the Disclosure Agent are authorized to transmit information to the SEC by any means that are mutually acceptable to the Issuer or the Disclosure Agent, as the case may be, and the SEC.

(ii) The following information shall be transmitted to the following parties:

(a) All information required to be provided to the public under subsection (A) of this Section shall also be transmitted to the MSRB.

(b) All information required to be provided to the public under subsection (A) of this Section shall be made available, upon request therefor, to any Holders of the Obligations, but need not be transmitted to the Holders of the Obligations who do not so request.

(iii) To the extent that the Issuer is obligated to file any Annual Financial Information and Operating Data with the MSRB under this Certificate, such Annual Financial Information and Operating Data may be set forth in a document or a set of documents transmitted to the MSRB or may be included by specific reference to any documents available to the public on the MSRB's Electronic Municipal Market Access (EMMA) system or filed with the SEC.

(iv) The Issuer or the Disclosure Agent may require payment from the Holders of the Obligations in connection with any request from a Holder for any periodic information regarding the finances or operational data of the Issuer or for any information regarding the occurrence of an Event, as provided by subsection (C)(ii)(b) of this Section, by charging any Holder which makes such a request for (1) the reasonable costs incurred by the Issuer or Disclosure Agent in duplicating and transmitting the requested information to such Holder, and (2) the reasonable administrative expenses incurred by the Issuer or Disclosure Agent in providing the requested information to such Holder.

Section 4. Amendment or Modification.

Notwithstanding any other provision of this Certificate to the contrary, the Issuer may amend this Certificate and waive any provision hereof, so long as such amendment or waiver is supported by an opinion of nationally recognized bond counsel with expertise in federal securities laws, stating that such amendment or waiver would not, in and of itself, cause any of the undertakings set forth herein to violate the Rule if such amendment or waiver had been effective on the date hereof, but taking into account any subsequent change in the Rule or in the official interpretation thereof, as well as any change in circumstance.

Section 5. Miscellaneous.

(A) Termination of Certificate. The obligations of the Issuer and the Disclosure Agent, if any, under this Certificate shall terminate when all of the Obligations are, or are deemed to be, no longer outstanding by reason of the redemption or legal defeasance of the Obligations or upon the maturity thereof.

(B) Additional Information. Nothing in this Certificate shall be deemed to prevent the Issuer from (i) disseminating any other information using the means of dissemination set forth herein or by any other means of communication, or (ii) including any other information, in addition to the information that is required by this Certificate, in any Annual Financial Information, Operating Data, or notice of the occurrence of an Event provided hereunder. If the Issuer chooses to include any other information in any Annual Financial Information, Operating Data, or notice of the occurrence of an Event in addition to that which is specifically

required under this Certificate, the Issuer shall have no obligation hereunder to update any such additional information or to include such information in any future Annual Financial Information, Operating Data, or notice of the occurrence of an Event provided under this Certificate.

(C) Defaults; Remedies. If the Issuer or the Disclosure Agent, if any, fails to comply with any of the provisions of this Certificate, any Holder of the Obligations may take any action as may be necessary and appropriate, including seeking an action in mandamus or for specific performance, to cause the Issuer or the Disclosure Agent, as the case may be, to comply with its respective obligations hereunder. Any default under this Certificate shall not constitute a default on the Obligations, and the sole remedy available in any proceeding to enforce this Certificate shall be an action to compel specific performance.

(D) Beneficiaries. This Certificate shall inure solely to the benefit of the Issuer, the Disclosure Agent, if any, the Participating Underwriter, and the Holders or Beneficial Owners of the Obligations and shall create no rights in any other person or entity.

Section 6. Additional Disclosure Obligations.

The Issuer hereby acknowledges and understands that other state and federal laws, including, but not limited to, the Securities Act of 1933, the Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder, may apply to the Issuer and that, under some circumstances, compliance with this Certificate, without additional disclosures or other action, may not fully discharge all of the duties and obligations of the Issuer under such laws.

Section 7. Notices.

Any notices or communications to the Issuer may be given as follows:

To the Issuer: Board of Education of Shelby County, Kentucky
1155 W. Main Street
Shelbyville, Kentucky 40065
Attention: Chief Financial Officer
Telephone: (502) 633.2375

[The remainder of this page is intentionally left blank.]

[SIGNATURE PAGE CONTINUING DISCLOSURE CERTIFICATE]

IN WITNESS WHEREOF, the Issuer has caused its duly authorized officer to execute this Certificate as of the day and year first above written.

**BOARD OF EDUCATION OF
SHELBY COUNTY, KENTUCKY**

Chairperson

Attest:

Secretary

APPENDIX G

**BOARD OF EDUCATION OF SHELBY COUNTY, KENTUCKY
GENERAL OBLIGATION BONDS,
SECOND SERIES 2025**

BOOK-ENTRY ONLY SYSTEM

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds 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. One fully-registered Bond certificate will be issued for each maturity date of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities 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 under 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 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of any sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between the 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 is the holding company for DTC, the National Securities Clearing Corporation, and the Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others, such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (a “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners of the Bonds will not receive written confirmation from DTC of their purchase. Beneficial Owners of the Bonds 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. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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 affect 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 any notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants or Indirect Participants to Beneficial Owners of the Bonds 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 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 within an issue 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 Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails

an Omnibus Proxy to the City 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 (as identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend 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 City or the Paying Agent, on the payable date in accordance with their respective holdings, as shown on DTC's records. Payments by Direct and Indirect 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 Direct or Indirect Participant and not of DTC, the Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, 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 the securities depository with respect to the Bonds at any time by giving reasonable notice to the City or Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

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

APPENDIX H

**BOARD OF EDUCATION OF SHELBY COUNTY, KENTUCKY
GENERAL OBLIGATION BONDS,
SECOND SERIES 2025**

OFFICIAL TERMS AND CONDITIONS OF BOND SALE

OFFICIAL TERMS AND CONDITIONS OF BOND SALE

\$14,855,000*

BOARD OF EDUCATION OF SHELBY COUNTY, KENTUCKY
GENERAL OBLIGATION BONDS, SECOND SERIES 2025

Notice is hereby given that electronic bids will be received by the Board of Education of the Shelby County, Kentucky (the “Board”), until 11:00 a.m., E.D.S.T. on October 16, 2025, at the office of the Executive Director of the Kentucky School Facilities Construction Commission, 200 Mero Street, 5th Floor, Frankfort, Kentucky 40622, receive sealed, competitive bids for the bonds of the Board described herein (the “Bonds”). To be considered, Bids must be submitted on an Official Bid Form and delivered to the Secretary of the Board at the address indicated, on the date of sale, no later than the hour indicated. Alternatively, electronic bids for the Bonds may be submitted through the BiDCOMP™/PARITY™ system, as described herein. Bids will be opened by the Secretary and may be accepted without further action by the Board.

STATUTORY AUTHORITY, PURPOSE OF ISSUE, AND SECURITY

The Bonds are authorized by Sections 66.011 to 66.191, inclusive, of Kentucky Revised Statutes, as amended (the “General Obligation Act”), and Section 160.160 of Kentucky Revised Statutes, as amended, and are being issued under and in accordance with a Bond Resolution adopted by the Board on September 25, 2025 (the “Bond Resolution”). The Bonds are general obligation bonds and constitute a direct indebtedness of the Board. The Bonds are issued by the Board for the benefit of the Shelby County School District (“District”). The Bonds are secured by the Board’s ability to levy, and its pledge to levy, an ad valorem tax on all property within the District in a sufficient amount to pay the principal of and interest on the Bonds when due.

The Bonds are being issued for the purposes of (i) financing the costs of renovations to Simpsonville Elementary School (the “Project”) and (ii) paying all or a portion of the costs of issuance of the Bonds.

BOND MATURITIES, PRIOR REDEMPTION PROVISIONS, AND PAYING AGENT

The Bonds shall be dated their date of initial issuance and delivery, bearing interest from such date, payable on each May 1 and November 1, commencing May 1, 2026.

The Bonds are scheduled to mature on November 1, in each of the years as follows:

<u>Maturity</u>	<u>Amount*</u>	<u>Maturity</u>	<u>Amount*</u>
Nov. 1, 2026	\$70,000	Nov. 1, 2036	\$90,000
Nov. 1, 2027	70,000	Nov. 1, 2037	95,000
Nov. 1, 2028	75,000	Nov. 1, 2038	95,000
Nov. 1, 2029	75,000	Nov. 1, 2039	120,000
Nov. 1, 2030	70,000	Nov. 1, 2040	250,000
Nov. 1, 2031	75,000	Nov. 1, 2041	2,335,000
Nov. 1, 2032	75,000	Nov. 1, 2042	2,450,000
Nov. 1, 2033	80,000	Nov. 1, 2043	2,570,000
Nov. 1, 2034	80,000	Nov. 1, 2044	2,900,000
Nov. 1, 2035	85,000	Nov. 1, 2045	3,195,000

The Bonds maturing on or after November 1, 2034 are subject to optional redemption on November 1, 2033 or any date thereafter, in whole or in part, in such order of maturity as shall be designated in writing by the District, and by lot within a maturity, at the election of the District upon thirty-five days’ written notice to U.S. Bank Trust Company, National Association, Louisville, Kentucky, as Paying Agent and

* Preliminary, subject to Permitted Adjustment as described herein.

Registrar for the Bonds (the “Paying Agent and Registrar”) at a redemption price equal to the par amount thereof, plus accrued interest to the date of redemption.

At least thirty days before the redemption date of any Bonds, the Paying Agent and Registrar shall cause a notice of such redemption either in whole or in part, signed by the Paying Agent and Registrar, to be mailed, first class, postage prepaid, to all registered owners of the Bonds to be redeemed at their addresses as they appear on the registration books kept by the Paying Agent and Registrar, but failure to mail any such notice shall not affect the validity of the proceedings for such redemption of Bonds for which such notice has been sent. Each such notice shall set forth the date fixed for redemption, the redemption price to be paid and, if less than all of the Bonds being payable by their terms on a single date then outstanding shall be called for redemption, the distinctive number or letters, if any, of such Bonds to be redeemed.

BIDDING CONDITIONS AND RESTRICTIONS

The terms and conditions of the sale of the Bonds are as follows:

(i) Bid Form. Bids shall be for the entire issue and shall be made on the Official Bid Form in order to provide for uniformity in submission of bids and ready determination of the lowest and best bid. Alternatively, electronic bids for the Bonds may be submitted through the BiDCOMP™/PARITY™ system, as described herein.

(ii) Minimum Bid. Bidders are required to bid for the entire issue of Bonds at a minimum price of not less than \$14,557,900 (98% of par), PAYABLE IN IMMEDIATELY AVAILABLE FUNDS. Rates must be on ascending scale in multiples of 1/8 or 1/20 of 1%; number of interest rates unlimited.

(iii) Maximum Net Interest Cost. 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%.

(iv) Award; Adjustment. The determination of the best purchase bid for each of the Bonds will be made on the basis of the lowest net interest cost to be calculated as that rate (or yield) which, when used in computing the present worth of all payments of principal and interest on the Bonds (compounded semi-annually from the date of the Bonds), produces an amount equal to the purchase price of the Bonds, as set forth in the Official Bid Form for the Bonds, for exactly \$14,855,000 principal amount of Bonds offered for sale hereunder. Upon determination of the lowest net interest rate, the principal amounts of the Bonds shall be immediately adjusted by the Board in order to determine the maturities of the final bond issue. The successful bidder will be required to accept the Bonds in the amounts so computed, whether the principal amount has been increased or decreased in an amount up to 10% (the “Permitted Adjustment”) and to pay the purchase price based upon the aggregate amount of the final issue.

The Board also has the right to adjust individual principal maturity amounts, even if the total amount of the Bonds does not change, in order to promote the desired annual debt service levels. In the event that the principal amount of any maturity of the Bonds is revised after the award, the interest rate and reoffering price for each maturity and the Underwriter’s Discount of the Bonds, as submitted by the successful bidder, will be held constant. The Underwriter’s Discount is defined as the difference between the purchase price of the Bonds submitted by the successful bidder and the price at which the Bonds will be offered to the public, calculated from information provided by the bidder, divided by the par amount of the Bonds bid.

(v) Good Faith Deposit. The successful purchaser shall be required (without further advice from the Board) to wire transfer an amount equal to 2% of the par amount of the Bonds to the Paying Agent by the close of business of the day following the award as a good faith deposit. The good faith deposit will be applied (without interest) to the purchase price of the Bonds upon the delivery thereof, and will be forfeited if the purchaser fails to take delivery of the Bonds.

(vi) Interest Rates. 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.

(vii) Submission of Bids. If submitted in physical form, each bid on the Official Bid Form shall be placed in a sealed envelope addressed to the Board, and on the outside of the envelope, there shall appear a legend identifying the same as being a bid for the “Board of Education of Shelby County, Kentucky General Obligation Bonds, Second Series of 2025.” No bid will be given consideration unless it is actually received or is in the process of telephonic transfer in the office of the Executive Director of the Kentucky School Facilities Construction Commission before the time set forth at the beginning of these Official Terms and Conditions.

Notice is hereby given that electronic proposals will be received via BIDCOMP™/PARITY™, in the manner prescribed by these Official Terms and Conditions, until 11:00 a.m., E.D.S.T., on October 16, 2025, and no bid received after such time shall be accepted. Electronic bids for the Bonds must be submitted through the BIDCOMP™/PARITY™ system, and no other provider of electronic bidding services will be accepted. A subscription to the BiDCOMP™/PARITY™ System is required in order to submit an electronic bid for the Bonds. The Board 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 maintained by BiDCOMP™/PARITY™ shall constitute the official time with respect to all bids, whether in electronic or written form. Electronic bids made through the BiDCOMP™/PARITY™ facilities shall be deemed an offer to purchase in response to the Notice of Bond Sale, and shall be binding upon such bidders as if made by signed, sealed, and written bids delivered to the Board. The Board 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 BiDCOMP™/PARITY™. The use of BiDCOMP™/PARITY™ facilities are at the sole risk of the prospective bidders. To the extent any instructions or directions provided by the BIDCOMP™/PARITY™ system conflict with these Official Terms and Conditions, the terms of these Official Terms and Conditions shall control. For additional information regarding the BIDCOMP™/PARITY™ system, potential bidders may contact the Independent Registered Municipal Advisor or BIDCOMP™/PARITY™ at 40 West 23rd Street, 5th Floor, New York, New York 10010, Telephone: (212) 404-8102.

(viii) Term Bond Option. The purchaser of the Bonds may specify that any of the Bonds maturing in any two or more consecutive years may, in lieu of maturing in each of such years, be combined to comprise a Term Bond, bearing a single rate of interest, maturing in the latest of such years, and subject to mandatory sinking fund redemption at par in each of the years and in the principal amounts of such Bonds comprising such Term Bond, which principal amount shall mature in that year.

(ix) Bond Insurance. If the successful bidder desires to obtain insurance guaranteeing the payment of the principal of and/or interest on the Bonds, the Board agrees that it will cooperate with the successful bidder in obtaining such insurance, but all of the expenses and charges in connection therewith shall be borne by such bidder and the Board shall not be liable to any extent therefor.

(x) DTC. The successful bidder may also elect to notify the Independent Registered Municipal Advisor within twenty-four hours of the award that standard bond certificates be issued. If no such election is made, the Bonds will be delivered using the book-entry only system administered by DTC.

(xi) Acceptance of Bid. The Board will accept a bid or reject all bids on the date stated at the beginning of these Official Terms and Conditions.

(xii) Right to Reject Bids. The right to reject bids for any reason deemed advisable by the Board and the right to waive any possible informalities or irregularities in any bid which, in the judgment of the Board, shall be minor or immaterial is expressly reserved.

(xiii) Official Statement. The Board will provide the successful purchaser of the Bonds with a Final Official Statement, in accordance with Securities and Exchange Commission Rule 15c2-12, as amended. The Final Official Statement will be provided to the purchaser of the Bonds in electronic form, in sufficient time to meet the delivery requirements of the SEC and the Municipal Securities Rulemaking Board. The purchaser will be required to pay for the printing of the Final Official Statement.

(xiv) CUSIPs. CUSIP identification numbers will be printed on the Bonds at the expense of the District. 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 the Bonds in accordance with the terms of any accepted proposal for the purchase of the Bonds.

(xv) Rights Reserved. The Board reserves the right to reject any and all bids for the Bonds, to waive any informality in any bid, or, upon 24 hours advance notice before the sale date provided through the BiDCOMP™/PARITY™ system, to postpone the sale date of the Bonds. The Bonds are offered for sale subject to the principal of and interest on the Bonds not being subject to federal income taxation nor being subject to Kentucky income taxation or Kentucky ad valorem taxation on the date of their delivery to the purchaser, all in accordance with the final approving legal opinion of Steptoe & Johnson PLLC, Louisville, Kentucky, which opinion will be qualified in accordance with the section hereof on TAX TREATMENT.

(xvi) Independent Registered Municipal Advisor. Bidders are advised that RSA Advisors, LLC, Lexington, Kentucky has been employed as an Independent Registered Municipal Advisor in connection with the issuance of the Bonds. Its fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery thereof.

(xvii) Purchaser Certification. The purchaser of the Bonds shall assist the Board in establishing the issue price of the Bonds and shall execute and deliver to the Board at closing an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications. All actions to be taken by the Board under these Official Terms and Conditions to establish the issue price of the Bonds may be taken on behalf of the Board by the Board’s Independent Registered Municipal Advisor identified herein and any notice or report to be provided to the Board shall be provided to the Board’s Independent Registered Municipal Advisor.

The Board intends that the provisions of Treasury Regulation § 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) will apply to the initial sale of each of the Bonds (the “competitive sale requirements”) because:

- (1) the Board shall disseminate these Official Terms and Conditions of Bond Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the Board may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the Board anticipates awarding the Bonds to the bidder who submits a firm offer to purchase the Bonds at the lowest true interest cost, as set forth herein.

Any bid submitted pursuant to these Official Terms and Conditions shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

If the competitive sale requirements are not satisfied, the Board shall advise the applicable winning bidder. The Board will treat the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity (the “hold-the-offering-price rule”), in each case applied on a maturity-by-maturity basis (and, if different interest rates apply within any maturity, to each separate CUSIP number within that maturity). Bids will not be subject to cancellation in the event that the Board determines to apply the hold-the-offering-price rule to any maturity of the Bonds. Bidders should prepare their bids for the Bonds on the assumption that some or all of the maturities of the Bonds will be subject to the hold-the-offering-price rule in order to establish the issue price of the Bonds.

If the competitive sale requirements are not satisfied, the winning bidder for the Bonds shall assist the Board in establishing the issue price of the Bonds and shall execute and deliver to the Board at Closing an “issue price” or similar certificate setting forth the hold-the-offering-price rule as the issue price of that maturity, in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity).

The Board acknowledges that, in making the representations set forth above, the winning bidder will rely on (a) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires; (b) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires; and (c) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The Board further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

By submitting a bid for the Bonds, each bidder confirms that: (1) any agreement among underwriters, any selling group agreement, and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires; and (2) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

CONTINUING DISCLOSURE

In accordance with Rule 15c2-12 (the “Rule”) of the Securities and Exchange Commission (the “SEC”), the Board will execute and deliver a Continuing Disclosure Certificate to be dated the date of issuance of the Bonds (the “Continuing Disclosure Certificate”), the form of which is set forth in “Appendix H – Form of Continuing Disclosure Certificate” to the Preliminary Official Statement, for the benefit of all parties who may become registered owners or beneficial owners of the Bonds from time to time. Under the Continuing

Disclosure Certificate, so long as the Bonds remain outstanding, the Board will agree to comply with the provisions of the Rule.

The Board intends to file all future Annual Financial Information within the time requirements set forth in the Continuing Disclosure Certificate and has adopted policies and procedures to ensure the timely filing thereof. The Board's policies and procedures are available to the public upon request.

TAX TREATMENT

In the opinion of Bond Counsel for the Bonds, based upon an analysis of existing laws, regulations, rulings, and court decisions, interest on the Bonds will be excludable from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code") and will not be an 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. Further, Bond Counsel is of the opinion that interest on the Bonds is exempt from income taxation and that the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

The Board has NOT designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265 of the Code.

A copy of the approving legal opinion of Bond Counsel for the Bonds is set forth in Appendix G to the Preliminary Official Statement.

The Code imposes various restrictions, conditions, and requirements with respect to the exclusion of interest on certain obligations, including the Bonds, from gross income for federal income tax purposes. The Board has covenanted to comply with certain restrictions designed to ensure that interest on the Bonds will be excludable from gross income for federal income tax purposes. Any failure to comply with these covenants could result in the interest on the Bonds being includable in gross income for federal income tax purposes, and such inclusion could be required retroactively to the date of issuance of the Bonds. The approving legal opinion of Bond Counsel assumes compliance with these covenants. However, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or any events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the tax status of interest on the Bonds.

Certain requirements and procedures contained or referred to in the Bonds and any other documents related thereto may be changed, and certain actions (including, without limitation, the defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in the Bonds or such other documents. Bond Counsel expresses no opinion as to any Bonds or the tax status of the interest thereon if any such change occurs or any such action is taken or omitted upon the advice or approval of bond counsel other than Steptoe & Johnson PLLC.

Although Bond Counsel is of the opinion that interest on the Bonds will be excludable from gross income for federal income tax purposes and that interest on the Bonds will be excludable from gross income for Kentucky income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Bondholder's federal, state, or local tax liabilities. The nature and extent of these tax consequences may depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinions regarding any tax consequences other than what is set forth in its opinion, and each Bondholder or potential Bondholder is urged to consult with its tax counsel with respect to the effects of purchasing, holding, or disposing of the Bonds on the tax liabilities of the individual or entity.

Receipt of tax-exempt interest, ownership, or disposition of the Bonds may result in other collateral federal, state, or local tax consequences for certain taxpayers. Such effects may include, without limitation, increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code; increasing the federal tax liability of certain insurance companies under Section 832 of the Code; increasing the federal tax liability and affecting the status of certain S Corporations subject to Section 1362 and Section 1375 of the Code; increasing the federal tax liability of certain individual recipients of Social Security or the Railroad Retirement benefits under Section 86 of the Code; and limiting the amount of the Earned Income Credit under Section 32 of the Code that might otherwise be available. Ownership of the Bonds may also result in the limitation of interest and certain other deductions for financial institutions and certain taxpayers under Section 265 of the Code. Finally, the residence of a bondholder in a state other than Kentucky or a bondholder being subject to tax in a state other than Kentucky may result in income or other tax liabilities being imposed on such bondholder by such states or their political subdivisions based on the interest or other income from the Bonds.

BOARD OF EDUCATION OF SHELBY
COUNTY, KENTUCKY

By: /s/ Dr. Joshua Matthews, Secretary

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APPENDIX I

**BOARD OF EDUCATION OF SHELBY COUNTY, KENTUCKY
GENERAL OBLIGATION BONDS,
SECOND SERIES 2025**

OFFICIAL BID FORM

OFFICIAL BID FORM
 BOARD OF EDUCATION OF SHELBY COUNTY, KENTUCKY
 GENERAL OBLIGATION BONDS, SECOND SERIES 2025

Subject to the terms and conditions set forth in the Official Terms and Conditions of Bond Sale for \$14,855,000 of General Obligation Bonds, Second Series 2025 (the “Bonds”), dated their date of initial issuance and delivery, offered for sale by the Board of Education of Shelby County, Kentucky (the “Board”) in accordance with the Preliminary Official Statement dated October 9, 2025 and the related Notice of Bond Sale, to all of which the undersigned agrees, the undersigned hereby submits the following offer to purchase the Bonds.

We hereby bid for the \$14,855,000 principal amount of the Bonds, the total sum of \$ _____ (not less than \$14,557,900) at the following annual rate(s), payable semiannually (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 November 1 in the years as follows:

<u>Maturity</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>
Nov. 1, 2026	\$70,000	_____ %	Nov. 1, 2036	\$90,000	_____ %
Nov. 1, 2027	70,000	_____ %	Nov. 1, 2037	95,000	_____ %
Nov. 1, 2028	75,000	_____ %	Nov. 1, 2038	95,000	_____ %
Nov. 1, 2029	75,000	_____ %	Nov. 1, 2039	120,000	_____ %
Nov. 1, 2030	70,000	_____ %	Nov. 1, 2040	250,000	_____ %
Nov. 1, 2031	75,000	_____ %	Nov. 1, 2041	2,335,000	_____ %
Nov. 1, 2032	75,000	_____ %	Nov. 1, 2042	2,450,000	_____ %
Nov. 1, 2033	80,000	_____ %	Nov. 1, 2043	2,570,000	_____ %
Nov. 1, 2034	80,000	_____ %	Nov. 1, 2044	2,900,000	_____ %
Nov. 1, 2035	85,000	_____ %	Nov. 1, 2045	3,195,000	_____ %

The Bonds maturing in the following years: _____ are sinking fund redemption amounts for term bonds due _____. The Bonds maturing in the following years: _____ are sinking fund redemption amounts for term bonds due _____.

Bids may be submitted electronically via BiDCOMP™/PARITY™ pursuant to this Notice until the appointed date and time, but no bid will be received after such time. Notwithstanding the foregoing, completed bid forms may be submitted until the appointed date and time (i) in a sealed envelope marked “Official Bid for Bonds” or (ii) by facsimile transmission, in each case delivered to the office of the Executive Director of the Kentucky School Facilities Construction, 200 Mero Street, 5th Floor, Frankfort, Kentucky 40622. Neither the District nor the Independent Registered Municipal Advisor assumes any responsibility whatsoever with regard to the receipt of bids, or that adequate personnel and/or equipment are available to accept all facsimile transfers of bids before the appointed date and time of sale. Bidders have the sole responsibility of assuring that their bids have been received via facsimile or have been delivered before the appointed date and time of sale. Any bids in progress by facsimile at the appointed time will be considered as received by the appointed time. No bids will be received via telephone.

We understand this bid may be accepted with variations in maturing amounts.

It is understood that the Board will furnish the final, approving legal opinion Steptoe & Johnson PLLC, Bond Counsel, Louisville, Kentucky.

No certified or bank cashier’s check will be required to accompany the 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 day following the award. The good faith amount will be applied (without interest) to the purchase price when the Bonds are tendered for delivery.

If we are the successful bidder, we agree to accept and make payment for the Bonds in federal funds within forty-five days from the date of sale in accordance with the terms of the sale.

Respectfully submitted,

Bidder

Address

By: _____
Signature

Total interest cost from November 6, 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 true interest cost is submitted for information only and is not a part of this Bid.

Accepted by the Secretary of the Board of Education of Shelby County, Kentucky for \$ _____ principal amount of Bonds at the price of \$ _____ as follows:

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>
Nov. 1, 2026	\$ _____	_____ %	Nov. 1, 2036	\$ _____	_____ %
Nov. 1, 2027	\$ _____	_____ %	Nov. 1, 2037	\$ _____	_____ %
Nov. 1, 2028	\$ _____	_____ %	Nov. 1, 2038	\$ _____	_____ %
Nov. 1, 2029	\$ _____	_____ %	Nov. 1, 2039	\$ _____	_____ %
Nov. 1, 2030	\$ _____	_____ %	Nov. 1, 2040	\$ _____	_____ %
Nov. 1, 2031	\$ _____	_____ %	Nov. 1, 2041	\$ _____	_____ %
Nov. 1, 2032	\$ _____	_____ %	Nov. 1, 2042	\$ _____	_____ %
Nov. 1, 2033	\$ _____	_____ %	Nov. 1, 2043	\$ _____	_____ %
Nov. 1, 2034	\$ _____	_____ %	Nov. 1, 2044	\$ _____	_____ %
Nov. 1, 2035	\$ _____	_____ %	Nov. 1, 2045	\$ _____	_____ %

Secretary, Board of Education
of Shelby County, Kentucky

Dated: October 16, 2025