

**PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 26, 2024**

*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 District, 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.*

**NEW ISSUE  
NOT BANK QUALIFIED**



**RATINGS: "A3" Moody's Underlying  
("Aa3" Enhanced)  
(See "Ratings" Herein)**

**BOOK-ENTRY-ONLY-SYSTEM**

**\$27,530,000\***

**ROCKCASTLE COUNTY (KENTUCKY) SCHOOL DISTRICT FINANCE CORPORATION  
SCHOOL BUILDING REVENUE BONDS  
SERIES OF 2024**

**Dated: Date of Issuance**

**Due March 1, as shown below**

Interest on the above-captioned Bonds (the "Bonds") will be payable from their dated date, on each March 1 and September 1, commencing March 1, 2025, and the Bonds mature on each March 1, as shown below:

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.

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**FOR MATURITIES AND PRICES OR YIELDS, SEE THE INSIDE COVER**

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

The Rockcastle County School District Finance Corporation (the "Corporation") 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 legality and tax exemption by Steptoe & Johnson PLLC, Louisville, Kentucky, as Bond Counsel. The Bonds are expected to be available for delivery on or about October 31, 2024.

Dated \_\_\_\_\_, 2024



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\* 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.

**\$27,530,000\***  
**ROCKCASTLE COUNTY ( KENTUCKY) SCHOOL DISTRICT FINANCE CORPORATION**  
**SCHOOL BUILDING REVENUE BONDS**  
**SERIES OF 2024**

<b><u>Maturing</u></b> <b><u>March 1</u></b>	<b><u>Principal</u></b> <b><u>Amount*</u></b>	<b><u>Interest</u></b> <b><u>Rate</u></b>	<b><u>Yield</u></b>	<b><u>CUSIP</u></b> <b><u>772884</u></b>
2025	\$ 955,000			
2026	560,000			
2027	1,460,000			
2028	1,540,000			
2029	1,605,000			
2030	1,685,000			
2031	1,765,000			
2032	1,480,000			
2033	1,555,000			
2034	1,635,000			
2035	1,690,000			
2036	1,755,000			
2037	1,175,000			
2038	1,220,000			
2039	1,165,000			
2040	1,210,000			
2041	1,255,000			
2042	1,355,000			
2043	1,205,000			
2044	1,260,000			

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\* Preliminary, subject to change.

**ROCKCASTLE COUNTY SCHOOL DISTRICT FINANCE CORPORATION**

Angela Stallsworth-Mink – President  
Carrie Ballinger – Secretary  
Jenny Sweet – Treasurer  
Anna Stevens-Goff – Member  
Lisa Cornett – Member  
Angela Parsons Woods – Member  
Matt Chaliff – Member

**ROCKCASTLE COUNTY BOARD OF EDUCATION**

Angela Stallsworth-Mink – Chair  
Angela Parsons Woods – Vice Chair  
Anna Stevens-Goff – Member  
Lisa Cornett – Member  
Matt Chaliff – Member

Carrie Ballinger – Superintendent

**BOND COUNSEL**

Steptoe & Johnson PLLC  
Louisville, Kentucky

**FISCAL AGENT**

Compass Municipal 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 Corporation identified on the cover page hereof. No dealer, broker, salesman, or other person has been authorized by Corporation 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 Corporation or the Fiscal Agent. 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 Corporation since the date hereof.

Upon their issuance, the Bonds will not be registered by the Corporation 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 Corporation, 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 Corporation 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 Corporation. No representation is made that the past experience of the Corporation, 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 Corporation prior to the sale of the Bonds should be regarded as part of the Corporation'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 Corporation'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 the premium (if any) and interest on the obligations referred to, "Corporation" means the Rockcastle County Finance Corporation, and "Commonwealth" or "Kentucky" means the Commonwealth of Kentucky.

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**\$27,530,000\***  
**ROCKCASTLE COUNTY (KENTUCKY) SCHOOL DISTRICT FINANCE CORPORATION**  
**SCHOOL BUILDING REVENUE BONDS**  
**SERIES OF 2024**

**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 \$27,530,000\* aggregate principal amount of School Building Revenue Bonds, Series of 2024 (the “Bonds”) of the Rockcastle County School District Finance Corporation, 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 Rockcastle County School District Finance Corporation, an agency and instrumentality and constituted authority of the Board of Education of Rockcastle County, Kentucky (the “Board”). The Board is the governing body of the Rockcastle County School District (the “District”), a county school district and a political subdivision of the Commonwealth of Kentucky. The District is located in the City of Mt. Vernon, Kentucky and the County of Rockcastle, Kentucky.

The issuance of the Bonds is authorized pursuant to KRS 162.385, 58.010 through 58.140, 58.180, 58.600 through 58.615, 160.160(5), and 162.120 through 162.300 and are issued in accordance with a resolution duly adopted by the Corporation’s board of directors on August 22, 2024 (the “Bond Resolution”).

The Bonds are being issued for the purposes of (i) financing the costs of the acquisition, construction, installation, and equipping of a new middle school facility (the “Project”), (ii) paying the costs of credit enhancement for the Bonds, if any, (iii) paying capitalized interest for the Bonds, if desirable, and (iv) paying the costs of issuance of the Bonds.

The Bonds are revenue bonds and constitute a limited indebtedness of the Corporation. The basic security for the Bonds a pledge of the gross income and revenues derived from an annually renewable Lease Agreement (the “Lease”) with the Board and a statutory mortgage lien (see “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS” herein).

The Bonds are offered when, as, and if issued by the Corporation. The Bonds will be delivered on or about October 31, 2024, 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 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, at 700 N Hurstbourne Pkwy, Suite 115, Louisville, Kentucky 40222. Additional information regarding this Official Statement or the Corporation, including financial information for the District, is available from Compass Municipal Advisors, LLC, at 110 West Vine Street, Suite 240, Lexington, Kentucky 40507, Telephone: (859) 368-8052, Attention: Keith Brock.

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\* Preliminary, subject to change.

The Corporation 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.

## **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 March 1 and September 1, commencing March 1, 2025, 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 March 1 and September 1 interest payment date shall be the preceding February 15 and August 15, respectively.

### **Authority for Issuance**

The issuance of the Bonds is authorized pursuant to KRS 162.385, 58.010 through 58.140, 58.180, 58.600 through 58.615, 160.160(5), and 162.120 through 162.300 and are issued in accordance with a resolution duly adopted by the Corporation’s board of directors on August 22, 2024 (the “Bond Resolution”).

### **Redemption Provisions**

Optional Redemption. The Bonds maturing on and after March 1, 2034 shall be subject to optional redemption on March 1, 2033 or any date thereafter, in whole or in part, in such order of maturity as may be selected by the Corporation, 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.

Extraordinary Redemption. Notwithstanding the foregoing, the Corporation reserves the right to redeem the Bonds on any date, in whole or in part, in such order of maturity as may be selected by the Corporation and by lot within a maturity, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption, without premium upon the destruction by fire, lightning, windstorm or other hazard of any building constituting the Project and apply casualty insurance proceeds to such purpose.

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:



Maturing March 1, 20\_\_

<u>Date</u>	<u>Amount</u>
March 1, 20__	\$
March 1, 20__	\$
March 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 Corporation 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 obligations of the Corporation under the Resolution and the pledges, covenants and agreements of the Corporation therein made or provided for, shall be fully discharged and satisfied as to any portion of the

Bonds, and such Bond or Bonds shall no longer be deemed to be outstanding when:

(a) such Bond or Bonds shall have been purchased by the Corporation and surrendered to the Corporation for cancellation or otherwise surrendered to the Corporation or the Paying Agent and is canceled or subject to cancellation by the Corporation or the Paying Agent; or

(b) payment of the principal of and interest on such Bonds either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for by irrevocably depositing with an escrow agent to be named in trust and irrevocably set aside exclusively for such payment (1) moneys sufficient to make such payment, or (2) Defeasance Obligations (as defined below) maturing as to principal and interest in such amounts and at such times as will ensure the availability of sufficient moneys to make such payment. At such time as the Bonds shall no longer be deemed to be outstanding thereunder, such Bonds shall cease to draw interest from the due date thereof and, except for the purposes of any such payment from such moneys or Government obligations as set forth in (ii) above, shall no longer be secured by or entitled to the benefits of the Resolution.

For the foregoing purposes,

“Defeasance Obligations” means:

(a) non-callable direct obligations of the United States of America, 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 of America; 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.

### **Additional Parity Bonds**

The Corporation has reserved the right and privilege of issuing additional bonds from time to time payable from the income and revenues of said lands and school building project and secured by a statutory mortgage lien and pledges of revenues, but only if and to the extent the issuance of such additional parity bonds are in accordance with plans and specifications approved by the Board, Commissioner of Education, and filed in the office of the Secretary of the Corporation.

### **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 F ATTACHED HERETO CONCERNING DTC AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE CORPORATION BELIEVES TO BE RELIABLE, BUT THE CORPORATION TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

### **SECURITY AND SOURCE OF PAYMENT FOR THE BONDS**

The Bonds are revenue bonds and constitute a limited indebtedness of the Corporation and are payable from and secured by a pledge of the gross income and revenues derived from the Lease Agreement and a statutory mortgage lien on the school buildings which constitute the Project; provided, however, said lien and pledge are on parity with a similar lien and pledge securing the Corporation’s School Building Revenue Bonds previously issued to finance or refinance the school buildings which constitutes the Project (the “Parity Bonds”).

#### **Lease Agreement**

The rental of the Project from the Corporation to the Board is to be effected under the Lease Agreement (the “Lease”) by and between the Corporation and the Board, whereunder the Corporation agrees to cause the Project to be completed as expeditiously as possible and to lease the same to the Board for the initial period ending June 30, 2025, with an option for the Board to renew the Lease each year at rentals sufficient to provide for the principal and interest requirements on the Bonds as they become due, plus the costs of insurance, maintenance, depreciation, and bond issuance and administration expenses. The Board shall have the exclusive option to renew the Lease, but the Lease shall automatically renew itself each year for a period of one year unless the Board shall at least sixty (60) days prior to the beginning of any year send written notice of its intention not to exercise its option to renew to the Corporation, to the Commissioner of Education, the School Facilities Construction Commission of the Commonwealth of Kentucky (the “SFCC”) and to the original purchaser of the Bonds. While the Board is legally obligated for the rentals due under the Lease only for each year in which it renews the Lease, the payment of rentals due under the Lease is in no way conditioned upon or correlated with the effectiveness of the benefits anticipated from the implementation of the Project; provided, however such anticipated benefits are part of the criteria upon which the DOE approval is based.

#### **Statutory Mortgage Lien**

A statutory mortgage lien upon and the pledge of revenues derived from the Project are granted in favor of the registered owners of the Bonds and the issue of which it forms a part, and said school building property and any appurtenances thereto shall remain subject to said statutory mortgage lien and revenue pledge until the payment in full of the Bonds and the issue of which it forms a part; provided, however, that said statutory mortgage lien and revenue pledge are and shall be restricted in their application to the school building and the appurtenances thereto financed by the Bonds and the issue of which it forms a part, and such easements and rights of way for ingress, egress and the rendering of services thereto as may be necessary for the proper use and maintenance of the same; the right being hereby expressly reserved to erect or construct upon the school site other independently financed school building project free and clear of said statutory mortgage lien and revenue pledge, which other independently financed school building project may or may not have a party wall with and adjoin the school building and appurtenances which are subject to said statutory mortgage lien and revenue pledge, provided no part of the cost of said other independently financed school building project is paid from the proceeds of the Bonds and the issue of which it forms a part; and provided the necessary easements for ingress and egress shall be deemed to exist and continue to exist for all school building, improvement and additions financed by the Bonds or other bonds.

The statutory mortgage liens on and pledges of the rentals due the Corporation under the Lease are on parity with the statutory mortgage liens and revenue pledges securing certain outstanding School Building Revenue Bonds issued on behalf of the Board to improve or refinance the school buildings constituting the Project.

In addition, KRS 58.060 grants to the registered owners of the Bonds the right to have a receiver appointed to manage the Project and charge and collect sufficient rents to provide for the payment of the Bonds in the event of a failure by the Board or the Corporation to make timely payments on the Bonds.

**State Intercept**

Under the terms of the Lease, and any renewal thereof, the Board has agreed so long as the Bonds remain outstanding, and in conformance with the intent and purpose of Section 157.627(5) of the Act and KRS 160.160(5), in the event of a failure by the Board to pay the rentals due under the Lease, and unless sufficient funds have been transmitted to the Paying Agent, or will be so transmitted, for paying said rentals when due, the Board has granted to the Corporation and the SFCC the right to notify and request the DOE to withhold from the Board a sufficient portion of any undisbursed funds then held, set aside, or allocated to the Board and to request the DOE or the Commissioner of Education to transfer the required amount thereof to the Paying Agent for the payment of such rentals.

**Kentucky School Facilities Construction Commission**

The Kentucky School Facilities Construction Commission (the “SFCC”) 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.

The 2024 Regular Session of the General Assembly of the Commonwealth (the “Kentucky General Assembly”) adopted a budget for the Commonwealth for the fiscal year ending June 30, 2026 (the “2026 Biennial Budget”). Among other things, the 2026 Biennial Budget provides \$117,389,800 in FY 2024-2025 and \$126,743,000 in FY 2025-2026 to pay debt service on existing and future bond issues and \$85,000,000 to fund the Offers of Assistance made by the Commission during the previous biennium. In addition, the 2026 Biennial Budget also authorizes the Commission to make an additional \$40,000,000 in Offers of Assistance during the current biennium to be funded in the budget for the biennium ending June 30, 2028. The 2008, 2010, 2012, 2014, 2016, 2018, 2020, 2022, and 2024 Regular Sessions of the Kentucky General Assembly appropriated funds to be used to pay the debt service of participating school districts. The appropriations for each biennium are shown in the following table:

<u>Biennium</u>	<u>Appropriation</u>
2008-2010	\$10,968,000
2010-2012	12,656,200
2012-2014	8,469,200
2014-2016	8,764,000
2016-2018	23,019,400
2018-2020	7,608,000
2020-2022	2,946,900
2022-2024	5,305,300
2024-2026	22,180,700

In addition to the appropriations for new financings listed above, appropriations subsequent to that for 1986 included additional funds to continue to meet the annual debt requirements of all bonds issued in prior years that involve the participation of the Commission.

The SFCC has entered into a Participation Agreement with the Board whereunder the SFCC agrees to pay the annual Agreed Participation equal to approximately \$1,161,000.00 to be applied to the debt service requirements for the Bonds each year until their retirement. The Agreed Participation shall be effected through semi-annual remittances directly to the Paying Agent in immediately available funds on the dates the principal and/or interest requirements are due on the Bonds. Provided, however, that the contractual commitment of the SFCC to pay the Agreed Participation is limited to the biennial budget period of the Commonwealth of Kentucky (the “Commonwealth”), with the first such biennial period terminating on June 30, 2026. The right is reserved in the SFCC to terminate its commitment to pay the Agreed Participation after the initial biennial period and every two years thereafter. The obligation of the SFCC to make payments of the Agreed Participation shall be automatically renewed each two years for a period of two years unless the SFCC shall give notice of its intention not to participate not less than sixty days prior to the end of the biennium. However, by the execution of the Participation Agreement, the SFCC has expressed its present intention to continue to pay the Agreed Participation in each successive biennial budget period through March 1, 2044, but such execution does not obligate the SFCC to do so.

### **Commonwealth Budget for Biennial Period Ending June 30, 2026**

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

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

The 2024 Regular Session of the Kentucky General Assembly adopted a State Budget for the biennial period ending June 30, 2026, which was approved and signed by the Governor and became effective as of July 1, 2024. The Office of the State Budget Director makes monthly updates to the General Fund receipts and other Funds of the Commonwealth which are available to the public. When published, the updates can be found at [www.osbd.ky.gov](http://www.osbd.ky.gov).

### **PLAN OF FINANCING**

The Bonds are being issued for the purposes of (i) financing the costs of the acquisition, construction, installation, and equipping of a new middle school facility (the “Project”), (ii) paying the costs of credit enhancement for the Bonds, if any, (iii) paying capitalized interest for the Bonds, if desirable, and (iv) paying the costs of issuance of the Bonds, including rating fees, fees of the Fiscal Agent, Paying Agent and Registrar, and Bond Counsel, and such other appropriate expenses as may be approved by the District.

## SOURCES AND USES OF FUNDS

### Sources of Funds\*

Bond Proceeds **\$27,530,000.00**  
[Plus Original Issue Premium][Less Original Issue Discount]

### Total Sources

### Uses of Funds\*

Deposit to Series Project Fund  
Costs of Issuance  
Underwriter's Discount

### 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.

### 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.

### General Economic Conditions

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

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\* Preliminary, subject to change.

## **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 CORPORATION**

The Corporation is an agency, instrumentality and constituted authority of the Board, organized pursuant to KRS 162.385 and 58.180, as a Kentucky nonprofit corporation under KRS Sections 273.161 through 273.390. The Corporation was created by the Board in order to act on behalf of the Board in the financing of school building projects for the Board.

The Corporation is governed by a five-member Board of Directors consisting of the members of the Board.

## **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 its Board of Education, consisting of five members elected by the voters of the County of Rockcastle, Kentucky on a non-partisan ballot to serve a four-year term. Each year, the Board elects a Chair and 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.

The members of the Board of Education of the District are as follows:

Angela Stallsworth-Mink, Board Chair  
Angela Parsons-Woods, Vice Chair  
Anna Stevens-Goff, Member  
Lisa Cornett, Member  
Matt Chaliff, Member

## **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.

## **Commonwealth Support for Education**

The 1990 Regular Session of the Kentucky General Assembly enacted a comprehensive legislative package known as the Kentucky Education Reform Act (“KERA”), which became fully effective on July 13, 1990. KERA was designed to comply with the mandate of the Kentucky Supreme Court that the Kentucky General Assembly provide for an efficient and equitable system of schools throughout the Commonwealth. Under KERA, elementary and secondary education in the Commonwealth is supervised by the Commissioner of Education, as the Chief Executive Officer of the KDE, an appointee of the Kentucky Board of Education. Some salient features of KERA are as follows:

Section 157.330 of the Kentucky Revised Statutes created the fund to Support Education Excellence in Kentucky (“SEEK”), which is funded from biennial appropriations from the Kentucky General Assembly for distribution to school districts. This base funding guaranteed to each school district by SEEK for operating and capital expenditures is determined in each fiscal year by dividing the total annual SEEK appropriation by the state-wide total of pupils in average daily attendance (“ADA”) in the preceding fiscal year. The ADA for each district is subject to adjustment to reflect the number of at risk students (i.e., any students approved for free lunch programs under state and federal guidelines) in the district, the number and type of exceptional students in the district, and the transportation costs of the district.

Section 157.440(1) of the Kentucky Revised Statutes provides that for fiscal years beginning July 1, 1990, each school district may levy an equivalent tax rate that will produce up to 15% of its guaranteed SEEK funding. Any increase beyond the 4% annual limitation imposed by Section 132.017 of the Kentucky Revised



Statutes is not subject to the recall provisions of that Section. All revenue generated by the 15% levy is to be equalized at 150% of the state-wide average per pupil equalized assessment.

Section 157.440(2) of the Kentucky Revised Statutes also permits school districts to levy up to 30% of the revenues guaranteed by SEEK, plus the revenue produced by the 15% levy, but such additional tax will not be equalized with state funding and will be subject to recall by a simple majority of those voting on the question.

Section 157.620(1) of the Kentucky Revised Statutes provides that in order for a school district to be eligible for participation from the Commission for the payment of debt service on the district's bond issues, the district must levy a tax which will produce revenues equivalent to \$0.05 per \$100.00 of the total assessed value of all property in the district (including tangible and intangible property and motor vehicles) in addition to the minimum \$0.30 levy. A district having a special voted tax which is equal to or higher than the required \$0.05 tax must commit and segregate for capital purposes at least an amount equal to the required \$0.05 tax. Any district that levies the additional \$0.05 tax is also eligible to participate in the Facilities Support Program of Kentucky ("FSPK"), for which funds are appropriated separately from SEEK funds and are distributed to districts in accordance with a formula that takes into account a district's outstanding debt and funds available for the payment of debt service from both local and state sources.

Section 160.460 of the Kentucky Revised Statutes provides that as of July 1, 1994, all real property located in the Commonwealth subject to local taxation shall be assessed at 100% of fair cash value.

Section 156.029 of the Kentucky Revised Statutes provided for the establishment of the Kentucky Board of Education, consisting of eleven members appointed by the Governor and confirmed by the Senate of the Kentucky General Assembly. Seven members of the Kentucky Board of Education shall represent each of the Kentucky Supreme Court districts throughout the Commonwealth and four members shall represent the Commonwealth at large. The Kentucky Board of Education develops and adopts the regulations that govern all 171 public school districts in the Commonwealth and the actions of the KDE.

## **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 "COMMONWEALTH SUPPORT FOR EDUCATION" for more details.

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 or 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 \$46,350.

#### **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 of 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.

## **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.

As Bond Counsel, Steptoe & Johnson PLLC has performed certain functions to assist the District 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 Corporation when the Bonds are delivered to the original purchaser thereof. At the time of delivery, the Corporation will also provide the original purchaser of the Bonds with a certification, executed by the Chair or the Treasurer of the Corporation, and addressed to such purchaser, relating to the accuracy and completeness of this Official Statement.

### **Litigation**

To the knowledge of the Corporation, 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 Corporation 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.

The Corporation 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 Securities and Exchange Commission Rule 15c2-12, as amended (the “Rule”) the Board and the Corporation (the “Obligated Persons”) will agree pursuant to a Continuing Disclosure Agreement to be dated the date of delivery of the Bonds (the “Disclosure Agreement”), to be delivered on the date of delivery of the Bonds, to cause the following information to be provided to the Municipal Securities Rulemaking Board (“MSRB”):

- (A) 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 Securities and Exchange Commission, certain annual financial information, including audited financial statements, and operating data, the latter of which shall generally be consistent with the information contained under the heading “TAX BASE INFORMATION” in Appendix A of this Official Statement (the “Annual Financial Information”). The Annual Financial Information shall be provided on or before the 270<sup>th</sup> day following the fiscal year ending on the preceding June 30;
- (B) to the MSRB, 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:
  - (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 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 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 for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event);
  - (ix) Defeasances
  - (x) Release, substitution or sale of property securing repayment of the securities, if material;
  - (xi) Rating changes;
  - (xii) Bankruptcy, insolvency, receivership or similar event of the obligated person (Note: For the purposes of this event, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession 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 obligated person);
  - (xiii) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, 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 pursuant to its terms, if material;
  - (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;



and

- (xv) Incurrence of a financial obligation of the Corporation or Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or Obligated Person, any of which affect security holders, if material; and
- (xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the issuer or Obligated Person, any of which reflect financial difficulties; and .
- (xvii) The cure, in the manner provided under the Bond Resolution, of any payment or nonpayment related default under the Bond Resolution.

(C) to the MSRB, notice of a failure (of which the Obligated Persons have knowledge) of an Obligated Person to provide the required Annual Financial Information on or before the date specified in the Disclosure Agreement.

The Disclosure Agreement provides bondholders, including beneficial owners of the Bonds, with certain enforcement rights in the event of a failure by the Obligated Persons to comply with the terms thereof; however, a default under a Disclosure Agreement does not constitute an event of default under the Bond Resolution. The Disclosure Agreement may also be amended or terminated under certain circumstances in accordance with the Rule as more fully described therein. Bondholders are advised that the Disclosure Agreement, the form of which is attached to the Official Statement as Appendix D, should be read in its entirety for more complete information regarding its contents.

For purposes of this transaction with respect to material events as defined under the Rule:

- (A) there are no debt service reserve funds applicable to the Bonds;
- (B) there are no credit enhancements applicable to the Bonds; and
- (C) there are no liquidity providers applicable to the Bonds.

Financial information regarding the Board may be obtained from Superintendent, Rockcastle County Board of Education, 245 Richmond Street, Mt. Vernon, Kentucky 40456.

## **RATING**

As noted on the cover page of this Official Statement, Moody's Investors Service, Inc. ("Moody's") has assigned an underlying rating of "A3" and the enhanced rating of "Aa3" 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 District presently expects to furnish Moody's with any information and materials that Moody's may request on future bond issues. However, the District 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 District’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.

**FISCAL AGENT**

Compass Municipal Advisors, LLC, Lexington, Kentucky, has acted as Fiscal Agent to the District (the “Fiscal Agent”) 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 Fiscal Agent to the District, contingent upon the issuance and sale of the Bonds. The Fiscal Agent has compiled certain data relating to the Bonds contained herein. The Fiscal Agent 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 Fiscal Agent 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 District from official records and other sources and is believed by the District 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 District, 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 District 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 Corporation by its President.

**ROCKCASTLE COUNTY BOARD OF EDUCATION**

By: /s/ Angela Stallsworth-Mink, Chair

**ROCKCASTLE COUNTY SCHOOL DISTRICT FINANCE CORPORATION**

By: /s/ Angela Stallsworth-Mink, President

**SCHOOL FACILITIES CONSTRUCTION COMMISSION**

By: /s/ Kristi Russell, Executive Director

**APPENDIX A**

**ROCKCASTLE COUNTY ( KENTUCKY) SCHOOL DISTRICT FINANCE CORPORATION  
SCHOOL BUILDING REVENUE BONDS  
SERIES OF 2024**

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ESTIMATED DEBT SERVICE REQUIREMENTS FOR THE BONDS AND  
TOTAL ANNUAL DEBT SERVICE REQUIREMENTS OF THE DISTRICT

**ESTIMATED DEBT SERVICE REQUIREMENTS FOR THE BONDS**

Fiscal Year	District Supported Portion				SFCC Supported Portion				Total			
	Principal	Interest	Total	Fiscal Year Total	Principal	Interest	Total	Fiscal Year Total	Principal	Interest	Total	Fiscal Year Total
03/01/25	\$31,081	\$179,157	\$210,238	\$210,238	\$923,919	\$233,335	\$1,157,254	\$1,157,254	\$955,000	\$412,492	\$1,367,492	\$1,367,492
09/01/25	\$0	\$265,738	\$265,738		\$0	\$324,012	\$324,012		\$0	\$589,750	\$589,750	
03/01/26	\$51,962	\$265,738	\$317,700	\$583,437	\$508,038	\$324,012	\$832,050	\$1,156,063	\$560,000	\$589,750	\$1,149,750	\$1,739,500
09/01/26	\$0	\$264,439	\$264,439		\$0	\$311,311	\$311,311		\$0	\$575,750	\$575,750	
03/01/27	\$927,310	\$264,439	\$1,191,749	\$1,456,187	\$532,690	\$311,311	\$844,001	\$1,155,313	\$1,460,000	\$575,750	\$2,035,750	\$2,611,500
09/01/27	\$0	\$241,256	\$241,256		\$0	\$297,994	\$297,994		\$0	\$539,250	\$539,250	
03/01/28	\$977,426	\$241,256	\$1,218,682	\$1,459,938	\$562,574	\$297,994	\$860,568	\$1,158,562	\$1,540,000	\$539,250	\$2,079,250	\$2,618,500
09/01/28	\$0	\$216,820	\$216,820		\$0	\$283,930	\$283,930		\$0	\$500,750	\$500,750	
03/01/29	\$1,017,297	\$216,820	\$1,234,117	\$1,450,938	\$587,703	\$283,930	\$871,633	\$1,155,562	\$1,605,000	\$500,750	\$2,105,750	\$2,606,500
09/01/29	\$0	\$191,388	\$191,388		\$0	\$269,237	\$269,237		\$0	\$460,625	\$460,625	
03/01/30	\$1,066,912	\$191,388	\$1,258,300	\$1,449,688	\$618,088	\$269,237	\$887,325	\$1,156,562	\$1,685,000	\$460,625	\$2,145,625	\$2,606,250
09/01/30	\$0	\$164,715	\$164,715		\$0	\$253,785	\$253,785		\$0	\$418,500	\$418,500	
03/01/31	\$1,116,257	\$164,715	\$1,280,972	\$1,445,687	\$648,743	\$253,785	\$902,528	\$1,156,313	\$1,765,000	\$418,500	\$2,183,500	\$2,602,000
09/01/31	\$0	\$136,809	\$136,809		\$0	\$237,566	\$237,566		\$0	\$374,375	\$374,375	
03/01/32	\$800,320	\$136,809	\$937,129	\$1,073,937	\$679,680	\$237,566	\$917,246	\$1,154,813	\$1,480,000	\$374,375	\$1,854,375	\$2,228,750
09/01/32	\$0	\$116,801	\$116,801		\$0	\$220,574	\$220,574		\$0	\$337,375	\$337,375	
03/01/33	\$839,086	\$116,801	\$955,887	\$1,072,687	\$715,914	\$220,574	\$936,488	\$1,157,063	\$1,555,000	\$337,375	\$1,892,375	\$2,229,750
09/01/33	\$0	\$95,823	\$95,823		\$0	\$202,677	\$202,677		\$0	\$298,500	\$298,500	
03/01/34	\$882,541	\$95,823	\$978,364	\$1,074,188	\$752,459	\$202,677	\$955,136	\$1,157,812	\$1,635,000	\$298,500	\$1,933,500	\$2,232,000
09/01/34	\$0	\$78,173	\$78,173		\$0	\$187,627	\$187,627		\$0	\$265,800	\$265,800	
03/01/35	\$907,042	\$78,173	\$985,215	\$1,063,387	\$782,958	\$187,627	\$970,585	\$1,158,213	\$1,690,000	\$265,800	\$1,955,800	\$2,221,600
09/01/35	\$0	\$60,032	\$60,032		\$0	\$171,968	\$171,968		\$0	\$232,000	\$232,000	
03/01/36	\$941,324	\$60,032	\$1,001,356	\$1,061,388	\$813,676	\$171,968	\$985,644	\$1,157,612	\$1,755,000	\$232,000	\$1,987,000	\$2,219,000
09/01/36	\$0	\$41,205	\$41,205		\$0	\$155,695	\$155,695		\$0	\$196,900	\$196,900	
03/01/37	\$330,377	\$41,205	\$371,582	\$412,788	\$844,623	\$155,695	\$1,000,318	\$1,156,012	\$1,175,000	\$196,900	\$1,371,900	\$1,568,800
09/01/37	\$0	\$34,598	\$34,598		\$0	\$138,802	\$138,802		\$0	\$173,400	\$173,400	
03/01/38	\$339,192	\$34,598	\$373,790	\$408,388	\$880,808	\$138,802	\$1,019,610	\$1,158,412	\$1,220,000	\$173,400	\$1,393,400	\$1,566,800
09/01/38	\$0	\$27,814	\$27,814		\$0	\$121,186	\$121,186		\$0	\$149,000	\$149,000	
03/01/39	\$252,760	\$27,814	\$280,574	\$308,388	\$912,240	\$121,186	\$1,033,426	\$1,154,612	\$1,165,000	\$149,000	\$1,314,000	\$1,463,000
09/01/39	\$0	\$22,759	\$22,759		\$0	\$102,941	\$102,941		\$0	\$125,700	\$125,700	
03/01/40	\$261,070	\$22,759	\$283,829	\$306,588	\$948,930	\$102,941	\$1,051,871	\$1,154,812	\$1,210,000	\$125,700	\$1,335,700	\$1,461,400
09/01/40	\$0	\$17,537	\$17,537		\$0	\$83,963	\$83,963		\$0	\$101,500	\$101,500	
03/01/41	\$269,113	\$17,537	\$286,650	\$304,188	\$985,887	\$83,963	\$1,069,850	\$1,153,812	\$1,255,000	\$101,500	\$1,356,500	\$1,458,000
09/01/41	\$0	\$12,155	\$12,155		\$0	\$64,245	\$64,245		\$0	\$76,400	\$76,400	
03/01/42	\$326,877	\$12,155	\$339,032	\$351,187	\$1,028,123	\$64,245	\$1,092,368	\$1,156,613	\$1,355,000	\$76,400	\$1,431,400	\$1,507,800
09/01/42	\$0	\$5,618	\$5,618		\$0	\$43,682	\$43,682		\$0	\$49,300	\$49,300	
03/01/43	\$134,352	\$5,618	\$139,970	\$145,587	\$1,070,648	\$43,682	\$1,114,330	\$1,158,013	\$1,205,000	\$49,300	\$1,254,300	\$1,303,600
09/01/43	\$0	\$2,931	\$2,931		\$0	\$22,269	\$22,269		\$0	\$25,200	\$25,200	
03/01/44	\$146,526	\$2,931	\$149,457	\$152,387	\$1,113,474	\$22,269	\$1,135,743	\$1,158,013	\$1,260,000	\$25,200	\$1,285,200	\$1,310,400
<b>Totals:</b>	<b>\$11,618,825</b>	<b>\$4,172,375</b>	<b>\$15,791,200</b>	<b>\$15,791,200</b>	<b>\$15,911,175</b>	<b>\$7,220,267</b>	<b>\$23,131,442</b>	<b>\$23,131,442</b>	<b>\$27,530,000</b>	<b>\$11,392,642</b>	<b>\$38,922,642</b>	<b>\$38,922,642</b>

**TOTAL AGGREGATE DEBT SERVICE REQUIREMENTS OF THE DISTRICT**

Fiscal Year	Existing	Existing	Series 2024 GO Bonds			Series 2024 Lease Revenue Bonds					Aggregate District Debt Service		
	GO Debt Service	Lease Revenue Debt Service	Principal	Interest	Total	Principal	Interest	Total	District Portion	SFCC Portion	Total GO Debt Service	Total Lease Revenue Debt Service	Total Debt Service
2025	\$0	\$624,015	100,000	\$220,304	\$320,304	\$955,000	\$412,492	\$1,367,492	\$210,238	\$1,157,254	\$320,304	\$834,253	\$1,154,557
2026	\$0	\$623,403	100,000	\$650,450	\$750,450	\$560,000	\$1,179,500	\$1,739,500	\$583,437	\$1,156,063	\$750,450	\$1,206,840	\$1,957,290
2027	\$0	\$630,182	145,000	\$645,450	\$790,450	\$1,460,000	\$1,151,500	\$2,611,500	\$1,456,187	\$1,155,313	\$790,450	\$2,086,369	\$2,876,819
2028	\$0	\$631,062	150,000	\$638,200	\$788,200	\$1,540,000	\$1,078,500	\$2,618,500	\$1,459,938	\$1,158,562	\$788,200	\$2,091,000	\$2,879,200
2029	\$0	\$643,863	155,000	\$630,700	\$785,700	\$1,605,000	\$1,001,500	\$2,606,500	\$1,450,938	\$1,155,562	\$785,700	\$2,094,800	\$2,880,500
2030	\$0	\$645,712	160,000	\$622,950	\$782,950	\$1,685,000	\$921,250	\$2,606,250	\$1,449,688	\$1,156,562	\$782,950	\$2,095,400	\$2,878,350
2031	\$0	\$653,662	165,000	\$614,950	\$779,950	\$1,765,000	\$837,000	\$2,602,000	\$1,445,687	\$1,156,313	\$779,950	\$2,099,350	\$2,879,300
2032	\$0	\$667,612	280,000	\$606,700	\$886,700	\$1,480,000	\$748,750	\$2,228,750	\$1,073,937	\$1,154,813	\$886,700	\$1,741,549	\$2,628,249
2033	\$0	\$670,862	290,000	\$592,700	\$882,700	\$1,555,000	\$674,750	\$2,229,750	\$1,072,687	\$1,157,063	\$882,700	\$1,743,549	\$2,626,249
2034	\$0	\$673,069	305,000	\$578,200	\$883,200	\$1,635,000	\$597,000	\$2,232,000	\$1,074,188	\$1,157,812	\$883,200	\$1,747,257	\$2,630,457
2035	\$0	\$684,762	315,000	\$566,000	\$881,000	\$1,690,000	\$531,600	\$2,221,600	\$1,063,387	\$1,158,213	\$881,000	\$1,748,149	\$2,629,149
2036	\$0	\$694,999	320,000	\$553,400	\$873,400	\$1,755,000	\$464,000	\$2,219,000	\$1,061,388	\$1,157,612	\$873,400	\$1,756,387	\$2,629,787
2037	\$0	\$694,499	730,000	\$540,600	\$1,270,600	\$1,175,000	\$393,800	\$1,568,800	\$412,788	\$1,156,012	\$1,270,600	\$1,107,287	\$2,377,887
2038	\$0	\$708,425	750,000	\$511,400	\$1,261,400	\$1,220,000	\$346,800	\$1,566,800	\$408,388	\$1,158,412	\$1,261,400	\$1,116,812	\$2,378,212
2039	\$0	\$247,697	1,340,000	\$481,400	\$1,821,400	\$1,165,000	\$298,000	\$1,463,000	\$308,388	\$1,154,612	\$1,821,400	\$556,085	\$2,377,485
2040	\$0	\$256,947	1,385,000	\$427,800	\$1,812,800	\$1,210,000	\$251,400	\$1,461,400	\$306,588	\$1,154,812	\$1,812,800	\$563,535	\$2,376,335
2041	\$0	\$265,898	1,435,000	\$372,400	\$1,807,400	\$1,255,000	\$203,000	\$1,458,000	\$304,188	\$1,153,812	\$1,807,400	\$570,085	\$2,377,485
2042	\$0	\$0	1,715,000	\$315,000	\$2,030,000	\$1,355,000	\$152,800	\$1,507,800	\$351,187	\$1,156,613	\$2,030,000	\$351,187	\$2,381,187
2043	\$0	\$0	1,205,000	\$246,400	\$1,451,400	\$1,205,000	\$98,600	\$1,303,600	\$145,587	\$1,158,013	\$1,451,400	\$145,587	\$1,596,987
2044	\$0	\$0	1,250,000	\$198,200	\$1,448,200	\$1,260,000	\$50,400	\$1,310,400	\$152,387	\$1,158,013	\$1,448,200	\$152,387	\$1,600,587
2045	\$0	\$0	685,000	\$148,200	\$833,200	\$0	\$0	\$0	\$0	\$0	\$833,200	\$0	\$833,200
2046	\$0	\$0	710,000	\$120,800	\$830,800	\$0	\$0	\$0	\$0	\$0	\$830,800	\$0	\$830,800
2047	\$0	\$0	740,000	\$92,400	\$832,400	\$0	\$0	\$0	\$0	\$0	\$832,400	\$0	\$832,400
2048	\$0	\$0	770,000	\$62,800	\$832,800	\$0	\$0	\$0	\$0	\$0	\$832,800	\$0	\$832,800
2049	\$0	\$0	800,000	\$32,000	\$832,000	\$0	\$0	\$0	\$0	\$0	\$832,000	\$0	\$832,000
Totals:	\$0	\$10,016,669	\$16,000,000	\$10,469,404	\$26,469,404	\$27,530,000	\$11,392,642	\$38,922,642	\$15,791,200	\$23,131,442	\$26,469,404	\$25,807,869	\$52,277,273

**APPENDIX B**

**ROCKCASTLE COUNTY ( KENTUCKY) SCHOOL DISTRICT FINANCE CORPORATION  
SCHOOL BUILDING REVENUE BONDS  
SERIES OF 2024**

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TAX BASE, OPERATING, AND DEMOGRAPHIC DATA OF THE DISTRICT

**ROCKCASTLE COUNTY SCHOOL DISTRICT  
ROCKCASTLE COUNTY, KENTUCKY**

**TAX BASE, OPERATING AND DEMOGRAPHIC DATA**

Located in Mt. Vernon, the county seat of Rockcastle County, Rockcastle County School District (the “District”) has three elementary schools, one middle and one high school, an Area Technology Center and an Academy for Academic Achievement. Every school in our district is staffed with highly qualified teachers who strive to provide individualized instruction for their students by determining individual learning needs and developing strategies to address those needs so that each student has an opportunity to learn.

The District is operated by a statutory board of education organized and existing pursuant to Chapter 160 of the Kentucky Revised Statutes, vested with the responsibility of providing for the public education in the District by establishing and operating public schools. The Board consists of five members, each elected from a separate division within the District. Board Members are elected for a four-year term on a non-partisan ballot. Terms are staggered so that terms of not more than three members expire at the same time. The current Board consists of the following members:

Angela Stallsworth-Mink – Chair  
Anna Stevens-Goff – Vice Chair  
Carrie Ballinger – Secretary  
Jenny Sweet – Treasurer  
Misty Lakes– Director  
Angela Parsons Woods – Director  
Matt Chaliff – Director

**TAX BASE INFORMATION**

**Property Tax Receipts**

<b>Year</b>	<b>Property</b>	<b>Motor Vehicle</b>	<b>Utility</b>	<b>Total</b>
2019	\$2,090,643	\$479,691	\$784,339	\$3,354,673
2020	\$2,184,844	\$484,765	\$797,326	\$3,466,935
2021	\$2,439,682	\$447,503	\$739,072	\$3,626,257
2022	\$2,509,069	\$629,174	\$842,774	\$3,981,017
2023	\$2,739,567	\$632,524	\$991,999	\$4,364,090

**History of Assessment Rates**

The following presents the assessment rates for the last five fiscal years for property subject to taxation by the Board:

<b>Year</b>	<b>Real Estate</b>	<b>Tangible</b>	<b>Motor Vehicle</b>	<b>Utilities</b>
2019 - 2020	42.200	42.200	48.300	3%
2020 – 2021	42.800	42.800	48.300	3%
2021 – 2022	42.800	42.800	48.300	3%
2022 - 2023	43.200	43.200	48.300	3%
2023 - 2024	43.800	43.800	48.300	3%

## Outstanding Bonds

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

<b>Bond Series</b>	<b>Original Par Amount</b>	<b>Current Amount Outstanding</b>	<b>District Portion</b>	<b>Interest Rate Range</b>	<b>Final Maturity</b>	<b>Call Information</b>
2015 REF	\$1,015,000	\$225,000	62.56%	2.250%	08/01/2026	Non-Callable
2015	\$655,000	\$410,000	0.00%	3.250%	08/01/2035	Aug. 2025 @ 100%
2016	\$500,000	\$330,000	0.00%	2.600%	05/01/2036	May 2026 @ 100%
2018	\$6,530,000	\$5,655,000	81.21%	3.000% - 3.375%	02/01/2038	Feb. 2028 @ 100%
2021	\$3,870,000	\$3,395,000	80.71%	2.000% - 4.000%	08/01/2040	Aug. 2029 @ 100%
2023	\$779,000	\$779,000	0.00%	5.00%	12/01/2043	Dec. 2033 @ 100%
Totals:	\$13,349,000	\$10,794,000	---	---	---	---

## OPERATING AND FINANCIAL DATA

The District serves the public educational needs of the County of Rockcastle, Kentucky. The District's historical average daily attendance is summarized below:

<b>Year</b>	<b>Average Daily Attendance</b>
2019 - 2020	2439.0
2020 - 2021	2404.5
2021 - 2022	2498.3
2022 - 2023	2498.3
2023 - 2024	2391.2

## Capital Outlay, SEEK and FSPK Allotments

The State Department of Education has determined the funds that the SEEK and other state funded programs provided the Board for the last five fiscal years.

<b>Description</b>	<b>Fiscal Year</b>				
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
SEEK Funds	\$13,772,954	\$13,010,343	\$13,998,971	\$14,478,085	\$14,168,853
FSPK Allotment	\$696,269	\$775,916	\$801,788	\$895,440	\$821,857
Capital Outlay	\$193,886	\$240,450	\$249,826	\$249,826	\$239,117
Property Assessment	\$628,726,829	\$650,688,550	\$684,831,924	\$747,654,589	\$785,713,103



## DEMOGRAPHIC DATA

### Population

Description	2020	2021	2022	2023	2024
City of Mt. Vernon	2,414	2,450	2,472	2,178	2,448
County of Rockcastle	16,674	16,022	16,171	16,167	16,232

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

### Population Projections

Description	2025	2030	2035	2040	2050
County of Rockcastle	15,701	15,293	14,795	14,210	12,917

### Civilian Labor Force

Description	City of Mt. Vernon	County of Rockcastle
Civilian Labor Force	1,001	6,711
Employed	959	6,342
Unemployed	41	369
Armed Forces	0	0
Not in Labor Force	1,028	6,565
Unemployment Rate	3.58%	4.83%

*Source: U.S. Department of Labor, Bureau of Labor Statistics*

### Unemployment Rates

Description	2019	2020	2021	2022	2023
County of Rockcastle	4.6%	7.2%	4.8%	4.8%	4.7%
Commonwealth of Kentucky	4.1%	6.5%	4.5%	4.0%	4.2%
United States	3.7%	8.1%	5.3%	3.6%	3.6%

*Source: Kentucky Center for Statistics*

**Top 10 Taxpayers - Real Estate**

<b>Taxpayer</b>	<b>Property Assessment</b>
276 Industrial park Drive LLC	\$4,600,000.00
Heritage Way LLC	\$3,999,000.00
Renfro Valley Camp resort LLC	\$3,615,000.00
Three Seventy One	\$3,275,000.00
Rockcastle Ventures, Inc	\$2,599,900.00
Castle Village Apts LLC	\$2,000,000.00
Renfro Valley LLC	\$2,000,000.00
Valley View Apartments LTD	\$1,900,000.00
Dolgenver LLL	\$1,759,000.00
LJL Honeycomb LLC	\$1,700,000.00

**APPENDIX C**

**ROCKCASTLE COUNTY ( KENTUCKY) SCHOOL DISTRICT FINANCE CORPORATION  
SCHOOL BUILDING REVENUE BONDS  
SERIES OF 2024**

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AUDITED FINANCIAL STATEMENTS OF THE DISTRICT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

**ROCKCASTLE COUNTY  
SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTAL SCHEDULES**

For the year ended June 30, 2023

Prepared by:

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

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# Shad J. Allen, CPA, PLLC

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Rockcastle County School District  
Mt. Vernon, KY

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Rockcastle County School District (District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### **Emphasis of Matter**

##### ***Change In Accounting Principle***

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

##### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and

maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, and Schedules of the District's Proportionate Share of the Net Pension and OPEB Liability and Schedule of Contributions for CERS and TRS and Medical and Life and Health Insurance Plans comparison information on pages as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required



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

### ***Supplementary Information***

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

***Shad J. Allen, CPA, PLLC***

Richmond, KY

November 15, 2023

Rockcastle County School District  
**MANAGEMENT DISCUSSION & ANALYSIS**  
Year ended June 30, 2023

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

## **FINANCIAL HIGHLIGHTS**

- The beginning fund balance for the district was \$15,742,288 of which \$3,383,583 was General Fund, \$3,975,980 was in the restricted funds of the following funds: Building Fund \$1,739,120 and Construction Fund \$2,236,162. Ending fund balance was \$12,805,133 of which \$4,466,790 was General Fund. The ending cash balance was \$3,108,008.30 for the District.
- The General Fund Revenue totaled \$32,064,797 which primarily consists of state program funding (SEEK), property, utility and motor vehicle taxes. General Fund expenditures total \$27,623,704.19 exclusive of other financing sources. These totals include \$9,295,793.19 of on-behalf payments from the Commonwealth of Kentucky for health insurance, life insurance and Kentucky Teachers' Retirement contributions.
- The school district continues a concentrated effort to build and maintain facilities that are state of the art and well maintained. The district composes of three elementary schools (grades P-5), one middle school (grades 6- 8), one high school (grades 9-12), one area technology center school (grades 9-12), and an alternative school (grades 6-12) in addition to a central office, the alternative school, and a central teaching and training center.

## **OVERVIEW OF FINANCIAL STATEMENTS**

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

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

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

Rockcastle County School District  
**MANAGEMENT DISCUSSION & ANALYSIS**  
Year ended June 30, 2023

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

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

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

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

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets plus deferred outflows were more than liabilities and deferred inflows by approximately \$18,129,263 as of June 30, 2023. The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

Rockcastle County School District  
**MANAGEMENT DISCUSSION & ANALYSIS**  
Year ended June 30, 2023

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

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

	Governmental		Business-type		Total		Total Percentage Change
	Activities		Activities		School District		
	2022	2023	2022	2023	2022	2023	
Assets:							
Current and Other Assets	8.31	13.34	0.89	0.95	9.20	14.29	55%
Capital Assets	32.46	34.04	0.41	0.39	32.87	34.42	5%
<b>Total Assets</b>	<b>40.77</b>	<b>47.37</b>	<b>1.30</b>	<b>1.34</b>	<b>42.07</b>	<b>48.71</b>	16%
<b>Deferred Outflows</b>	4.41	7.49	0.14	0.18	4.55	7.68	69%
	4.41	7.49	0.14	0.18	4.55	7.68	
Liabilities:							
Current Liabilities	1.25	1.20	0.00	-	1.25	1.20	-4%
Noncurrent Liabilities	26.76	29.20	0.55	0.62	27.31	29.82	9%
<b>Total Liabilities</b>	<b>28.01</b>	<b>30.40</b>	<b>0.55</b>	<b>0.62</b>	<b>28.56</b>	<b>31.02</b>	9%
<b>Deferred Inflows</b>	6.71	6.34	0.17	0.18	6.88	6.51	-5%
	6.71	6.34	0.17	0.18	6.88	6.51	
Invested in Capital Assets							
Net of Debt	20.95	23.07	0.41	0.39	21.37	23.45	10%
Restricted	4.00	7.76	0.31	0.34	4.31	8.10	88%
Permanent-spendable	-	0.03	-	-	-	-	
Unrestricted Net Position	(14.49)	(12.73)	-	-	(14.49)	(12.73)	-12%
<b>Total Net Position</b>	<b>10.46</b>	<b>18.13</b>	<b>0.72</b>	<b>0.73</b>	<b>11.19</b>	<b>18.83</b>	68%

Rockcastle County School District  
**MANAGEMENT DISCUSSION & ANALYSIS**  
Year ended June 30, 2023

**GOVERNMENTAL ACTIVITIES**

Ending net position was \$21.71 million for the District. This was an increase of \$20.39 from 2022.

	Changes in Net Position (in millions)						Total Percentage Change 2022-2023
	Governmental Activities		Business-Type Activities		Total School District		
	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	
<b>Revenues:</b>							
Charges for services	\$ -	-	\$ 0.04	0.05	\$ 0.04	0.05	24%
Operating grants and contributions	6.38	8.68	3.49	11.77	9.87	20.45	107%
Capital grants and contributions	-	5.37	-	5.36	-	10.73	-
General revenues	27.43	30.98	(0.08)	(0.03)	27.35	30.95	13%
<b>Total revenue</b>	<b>33.81</b>	<b>45.03</b>	<b>3.44</b>	<b>17.14</b>	<b>37.25</b>	<b>62.17</b>	<b>67%</b>
<b>Expenses:</b>							
Instruction	\$ 19.56	23.50	\$ -	-	\$ 19.56	23.50	20%
Student	2.73	2.95	-	-	2.73	2.95	8%
Instructional staff	1.76	1.32	-	-	1.76	1.32	-25%
District administration	0.51	0.61	-	-	0.51	0.61	20%
School administration	1.81	2.37	-	-	1.81	2.37	31%
Business	0.43	0.39	-	-	0.43	0.39	-9%
Plant operation & maintenance	2.35	2.07	-	-	2.35	2.07	-12%
Student transportation	1.66	1.74	-	-	1.66	1.74	4%
Food Service Operations	0.15	0.21	3.06	3.07	3.21	3.28	2%
Community services operations	0.33	0.37	-	-	0.33	0.37	14%
Building Acq & Construction	-	-	-	-	-	-	-
Amortization	-	-	-	-	-	-	-
Depreciation	1.16	1.54	0.03	0.03	1.19	1.57	32%
Interest on long-term debt	0.40	0.31	-	-	0.40	0.31	-23%
<b>Total Expenses</b>	<b>\$ 32.84</b>	<b>37.36</b>	<b>\$ 3.09</b>	<b>3.10</b>	<b>\$ 35.93</b>	<b>40.46</b>	<b>18%</b>
<b>Change in net position</b>	<b>\$ 0.97</b>	<b>7.67</b>	<b>\$ 0.35</b>	<b>14.04</b>	<b>\$ 1.32</b>	<b>21.71</b>	<b>-1462%</b>

Rockcastle County School District  
**MANAGEMENT DISCUSSION & ANALYSIS**  
Year ended June 30, 2023

**CAPITAL ASSETS**

At the end of fiscal 2023, the District had \$33.42 million invested in capital assets, including land, buildings, buses, computers and other equipment. This amount represents an increase (including additions and deductions) of \$0.55 million over last year.

Capital Assets (net) at Year-End FY2023

	Governmental Activities		Business Type Activities		Totals	
	2022	2023	2022	2023	2022	2023
Land	658,955	658,955	-	-	658,955	658,955
Land Improvements	90,090	84,983	-	-	90,090	84,983
Buildings & Improvements	26,808,562	24,954,962	326,422	311,333	27,134,984	25,266,295
Technology Equipment	-	(1,878)	52	52	52	(1,826)
Vehicles	1,325,887	1,693,876	-	-	1,325,887	1,693,876
General Equipment	123,214	126,258	84,684	74,062	207,898	200,320
Construction In Progress	3,452,720	5,518,771	-	-	3,452,720	5,518,771

**DEBT**

Capital lease and general obligation debt decreased from FY 2022.

Outstanding Debt at Year-End  
(in Millions)

	Governmental Activities	
	2022	2023
General Obligation Bonds	\$ 11.51	\$ 10.97

Rockcastle County School District  
**MANAGEMENT DISCUSSION & ANALYSIS**  
Year ended June 30, 2023

Total Obligations                    \$    11.51    \$    10.97

**THE DISTRICT'S FUNDS**

As the District completed the year, the General Fund reflected a fund balance of \$4,441,092.81 which is \$1,367,696.31 more than last year's fund balance of \$3,073,396.50. The following table presents a summary of revenue and expense for the District as a whole for the fiscal year ended June 30, 2023:

REVENUE		
	Governmental	Proprietary
Local Revenue Sources	6,425,156	111,755
State Revenue Sources	31,001,586	203,060
Federal Revenue Sources	9,571,952	2,881,840
Other	215,507	63,853
Transfers	2,199,774	-
<b>TOTALS</b>	<b>49,413,974</b>	<b>3,260,508</b>
EXPENDITURES	Governmental	Proprietary
Instruction	23,877,284	-
Student Support Services	2,951,056	-
Instructional Staff Support Services	1,355,936	-
District Admin Support	615,681	-
School Admin Support	1,915,229	-
Business Support Services	401,000	-
Plant Operation & Management	2,639,377	-
Student Transportation	2,837,577	-
Food Service Operations	214,483	3,074,046
Community Services	372,540	-
Building Acqu & Construction	-	-
Debt Service	851,905	-
Site Improvement		-
Building Renovations	2,066,051	-
Other Items	-	-
Transfers	2,104,260	95,513
<b>TOTALS</b>	<b>42,202,380</b>	<b>3,169,559</b>
Excess / (Deficit)	7,211,594	90,949

Rockcastle County School District  
**MANAGEMENT DISCUSSION & ANALYSIS**  
Year ended June 30, 2023

**Comments on Budget Comparisons**

- The District’s total general fund revenues for the fiscal year ended June 30, 2023 net of other financing sources and uses were \$32 million including “On-Behalf” payments compared to 28.81 million in 2022.
- The total cost of all general fund programs and services was \$27.62 compared to \$24.81 the prior fiscal year.

**BUDGETARY IMPLICATIONS**

By law, the budget must have a minimum 2% contingency. The District adopted a tentative budget for 2023-2024 with a 14.5% contingency at \$4,371,657.74 in general fund.

Issues which will impact future budgets include:

- Increased operational cost due to ongoing inflation.
- Continued insufficient funding of the state transportation formula, currently at only 55%.
- Funding school resource officers in schools without adequate state funding.
- Addressing increased needs for social mental health services across all grade levels.

Questions regarding this report should be directed to the Jenny Sweet, Director of Finance or Carrie Ballinger Superintendent at (606) 256-2125 or by mail at Rockcastle County Board of Education, 245 Richmond Street, Mount Vernon, Kentucky 40456.



Rockcastle County School District  
**Statement of Net Position**  
June 30, 2023

	Primary Government		
	Governmental Activities	Business- type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,176,886	\$ 918,809	\$ 5,095,695
Investments	6,025,698		6,025,698
Receivables (net)			
Taxes	109,980		109,980
Accounts		18	18
Intergovernmental	3,023,433		3,023,433
Inventories		36,141	36,141
Capital assets:			
Land, and construction in progress	12,524,495		12,524,495
Other capital assets, net of depreciation	21,511,433	385,447	21,896,880
Total capital assets	<u>34,035,928</u>	<u>385,447</u>	<u>34,421,375</u>
Total assets	<u>47,371,925</u>	<u>1,340,414</u>	<u>48,712,339</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	2,187,203	117,447	2,304,650
Deferred outflows related to OPEB	5,293,214	66,816	5,360,030
Deferred savings from refunding bonds	13,699		13,699
Total deferred outflows of resources	<u>7,494,116</u>	<u>184,262</u>	<u>7,678,378</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>54,866,041</u>	<u>1,524,676</u>	<u>56,390,717</u>
<b>LIABILITIES</b>			
Accrued interest payable	126,846		126,846
Accounts payable	88,410	633	89,044
Unearned revenue	442,453		442,453
Long-term liabilities:			
Due within 1 year:			
Bond obligations	545,000		545,000
Total due within 1 year	<u>545,000</u>	<u>-</u>	<u>545,000</u>
Due in more than 1 year:			
Bond obligations	10,423,355		10,423,355
Sick leave	494,757		494,757
Net pension liability	9,092,856	488,263	9,581,119
Net OPEB liability	9,185,910	133,271	9,319,181
Total due in more than 1 year	<u>29,196,878</u>	<u>621,534</u>	<u>29,818,412</u>
Total liabilities	<u>30,399,587</u>	<u>622,167</u>	<u>31,021,754</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	1,693,758	90,950	1,784,708
Deferred inflows related to OPEB	4,643,433	85,348	4,728,781
Total deferred inflows of resources	<u>6,337,191</u>	<u>176,299</u>	<u>6,513,489</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<u>36,736,778</u>	<u>798,466</u>	<u>37,535,244</u>
<b>NET POSITION</b>			
Net Investment in capital assets	23,067,572	385,447	23,453,019
Restricted for:			
Capital projects	7,763,153		7,763,153
Food Service		340,763	340,763
Other	698		698
Permanent-spendable	25,000		25,000
Deficit	(12,727,160)		(12,727,160)
Total net position	<u>18,129,263</u>	<u>726,210</u>	<u>18,855,473</u>
<b>TOTAL LIABILITIES DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 54,866,041</u>	<u>\$ 1,524,676</u>	<u>\$ 56,390,717</u>

See the accompanying notes to the financial statements.

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>PRIMARY GOVERNMENT:</b>							
Governmental activities:							
Instruction	\$ 23,495,179	\$ -	\$ 5,458,846	\$ -	\$ (18,036,333)		\$ (18,036,333)
Support Services							
Student	2,945,347		684,319		(2,261,028)		(2,261,028)
Instructional Staff	1,318,594		306,361		(1,012,234)		(1,012,234)
District Administration	606,023		140,803		(465,220)		(465,220)
School Administration	2,367,835		550,140		(1,817,695)		(1,817,695)
Business	391,123		90,873		(300,250)		(300,250)
Plant Operation & Maintenance	2,069,551		480,837		(1,588,714)		(1,588,714)
Student Transportation	1,736,530		403,464		(1,333,066)		(1,333,066)
Food Service Operations	214,483		49,833		(164,650)		(164,650)
Building Acquisition & Construction			-	5,369,126	5,369,126		5,369,126
Community Services Operations	372,540		86,556		(285,984)		(285,984)
Depreciation and amortization	1,538,498		357,453		(1,181,045)		(1,181,045)
Interest on general long-term debt	310,939		72,243		(238,696)		(238,696)
Total governmental activities	<u>37,366,643</u>	<u>-</u>	<u>8,681,728</u>	<u>5,369,126</u>	<u>(23,315,789)</u>		<u>(23,315,789)</u>
Business-type activities:							
Food service operations	3,067,225	47,902	3,084,900			\$ 65,577	65,577
Depreciation	32,531					(32,531)	(32,531)
Total business-type activities	<u>3,099,757</u>	<u>47,902</u>	<u>3,084,900</u>	<u>-</u>	<u>-</u>	<u>33,045</u>	<u>33,045</u>
Total primary government	\$ <u>40,466,400</u>	\$ <u>47,902</u>	\$ <u>11,766,628</u>	\$ <u>5,369,126</u>	<u>(23,315,789)</u>	<u>33,045</u>	<u>(23,282,744)</u>
General revenues:							
Taxes:							
Property taxes					2,739,567		2,739,567
Motor vehicle taxes					632,524		632,524
Utility taxes					991,999		991,999
Student activities					963,610		963,610
State and formula grants					24,410,013		24,410,013
Other local revenue					852,712		852,712
Unrestricted investment earnings					295,317	63,853	359,170
Transfers in (out)					95,513	(95,513)	(0)
Total general revenues					<u>30,981,254</u>	<u>(31,661)</u>	<u>30,949,594</u>
Change in net position					<u>7,665,465</u>	<u>1,385</u>	<u>7,666,850</u>
Net position - beginning					<u>10,463,798</u>	<u>724,825</u>	<u>11,188,623</u>
Net position - ending					<u>\$ 18,129,263</u>	<u>\$ 726,210</u>	<u>\$ 18,855,473</u>

See the accompanying notes to the financial statements.

Rockcastle County School District  
**Balance Sheet**  
**Governmental Funds**  
June 30, 2023

**Governmental Funds**

	<u>General</u>	<u>Special Revenue</u>	<u>FSPK Fund</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$	\$	\$ 3,549,936	\$ 713,217	\$ 575,189	\$ 4,838,342.25
Investments	2,525,698			3,500,000		6,025,697.60
Receivables, net						-
Taxes-current	109,980					109,980.00
Taxes-delinquent						-
Interfund (Special Revenue Fund)	2,523,872					2,523,872.25
Intergovernmental		3,023,433				3,023,432.71
Total assets	<u>5,159,550</u>	<u>3,023,433</u>	<u>3,549,936</u>	<u>4,213,217</u>	<u>575,189</u>	<u>16,521,324.81</u>
<b>LIABILITIES</b>						
Cash shortage	661,456					661,456.45
Accounts payable	31,303	57,107				88,410.23
Interfund payable (General Fund)		2,523,872				2,523,872.25
Unearned revenue		442,453				442,453.27
Total liabilities	<u>692,759</u>	<u>3,023,433</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,716,192.20</u>
<b>FUND BALANCE</b>						
Nonspendable	25,000					25,000.00
Restricted	698		3,549,936	4,213,217		7,763,850.82
Committed					575,189	575,189.03
Unassigned	4,441,093					4,441,092.81
Total fund balance	<u>4,466,790</u>	<u>-</u>	<u>3,549,936</u>	<u>4,213,217</u>	<u>575,189</u>	<u>12,805,132.66</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 5,159,550</u>	<u>\$ 3,023,433</u>	<u>\$ 3,549,936</u>	<u>\$ 4,213,217</u>	<u>\$ 575,189</u>	<u>\$ 16,521,324.86</u>

See the accompanying notes to the financial statements.

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

<b>Fund balances-total governmental funds</b>	\$	12,805,133
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.		34,035,928
Costs associated with bond issues and refundings are expensed in the fund financial statements because they are a use of current financial resources but are capitalized on the statement of net position using the economic resources focus		13,699
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, accrued interest payable, other accounts payable, and net pension obligations) are not due and payable in the current period and, therefore, are not reported in the funds		
Accrued interest payable		(126,845)
Bonds payable		(10,968,355)
Sick leave liability		(494,757)
Net pension liability		(9,092,856)
Net OPEB liability		(9,185,910)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		
Deferred outflows related to pensions		2,187,203
Deferred outflows related to OPEB		5,293,214
Deferred inflows related to OPEB		(4,643,433)
Deferred inflows related to pensions		(1,693,758)
		(18,930,251)
<b>Net position of governmental activities</b>	<b>\$</b>	<b>18,129,263</b>

See the accompanying notes to the financial statements.

Rockcastle County School District  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
Year Ended June 30, 2022

	<u>General</u>	<u>Special Revenue</u>	<u>FSPK Fund</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
From Local Sources						
Taxes						
Property	\$ 1,618,535	\$ -	\$ 1,121,032	\$ -	\$ -	\$ 2,739,567
Motor vehicle	632,524	-	-	-	-	632,524
Utilities	991,999	-	-	-	-	991,999
Student activities	-	-	-	-	963,610	963,610
Earnings on investments	215,507	16,710	-	43,106	19,995	295,317
Other local revenue	251,949	504,855	47,203	-	48,705	852,712
Intergovernmental - state	23,847,558	1,550,813	1,119,300	4,000,000	483,915	31,001,586
Intergovernmental - federal	328,366	7,130,915	-	-	-	7,459,282
Total revenues	<u>27,886,438</u>	<u>9,203,293</u>	<u>2,287,535</u>	<u>4,043,106</u>	<u>1,516,224</u>	<u>44,936,595</u>
<b>EXPENDITURES</b>						
Restrict to Rev & Bal Sht Only	-	-	-	-	-	-
Instruction	17,032,347	6,138,800	-	-	706,137	23,877,284
Support Services						
Student	2,531,390	419,666	-	-	-	2,951,056
Instructional Staff	1,099,128	238,362	-	-	18,447	1,355,936
District Administration	538,014	77,668	-	-	-	615,681
School Administration	1,915,229	508,701	-	-	-	2,423,930
Business	401,000	-	-	-	-	401,000
Plant Operation & Maintenance	2,130,676	-	-	-	-	2,130,676
Student Transportation	1,782,360	1,024,886	-	-	30,333	2,837,578
Food Service	-	-	-	-	214,483	214,483
Community Operations	-	372,540	-	-	-	372,540
Building Acquisitions & Construction	-	-	-	-	-	-
Building Improvements	-	-	-	2,066,051	-	2,066,051
Debt Service	-	-	-	-	851,905	851,905
Total expenditures	<u>27,430,143</u>	<u>8,780,622</u>	<u>-</u>	<u>2,066,051</u>	<u>1,821,304</u>	<u>40,098,121</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	456,294	422,671	2,287,535	1,977,055	(305,080)	4,838,475
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers in	820,475	336,592	-	-	617,816	1,774,883
Operating transfers (out)	(193,562)	(759,263)	(476,719)	-	(249,826)	(1,679,370)
Total other financing sources and (uses)	<u>626,913</u>	<u>(422,671)</u>	<u>(476,719)</u>	<u>-</u>	<u>367,990</u>	<u>95,513</u>
<b>NET CHANGE IN FUND BALANCE</b>	1,083,207	-	1,810,816	1,977,055	62,910	4,933,988
<b>FUND BALANCE-BEGINNING</b>	<u>3,383,583</u>	<u>-</u>	<u>1,739,120</u>	<u>2,236,162</u>	<u>512,279</u>	<u>7,871,144</u>
<b>FUND BALANCE-ENDING</b>	<u>\$ 4,466,790</u>	<u>\$ -</u>	<u>\$ 3,549,936</u>	<u>\$ 4,213,217</u>	<u>\$ 575,189</u>	<u>\$ 12,805,132</u>

See the accompanying notes to the financial statements.

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

<b>Net change in fund balances-total governmental funds</b>	\$	4,933,988
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.</p>		
District pension contributions less costs of benefits earned net employee contributions		589,256
<p>Governmental funds report district OPEB contributions as expenditures. However in the Statement of Activities, the cost of OPEB benefits earned net of employee contributions is reported as pension expense.</p>		
District OPEB contributions less costs of benefits earned net employee contributions		246,636
<p>Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.</p>		
		1,576,501
<p>The difference in the issue amount of the refunding of bond proceeds and the amount for payment to the escrow account to pay the refunded bonds is amortized over the life of the refunding issue.</p>		
		(4,566)
<p>Bonds sold at a discount/premium are deducted/added to the related bond issues and amortized over the life of the bond in the government wide financial statements, but are recognized in the year the bonds are sold in the fund financial statements.</p>		
		6,747
<p>Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.</p>		
		530,000
<p>Bond proceeds are reported as revenues but are recorded as an increase of liabilities net of premiums and discounts in the government wide financial statements</p>		
<p>Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.</p>		
Accrued interest payable		10,966
Noncurrent sick leave payable		(224,062)
		(213,096)
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u><u>7,665,465</u></u></b>

See the accompanying notes to the financial statements.

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

	<b>School Food Services</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 918,809
Accounts receivable	18
Inventories	36,141
Capital assets:	
Other capital assets, net of depreciation	385,447
Total assets	<u>1,340,414</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	117,447
Deferred outflows related to OPEB	66,816
	<u>184,262</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u><u>1,524,676</u></u>
<b>LIABILITIES</b>	
Accounts payable	633
Net pension liability	488,263
Net OPEB liability	133,271
Total liabilities	<u>622,167</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	90,950
Deferred inflows related to OPEB	85,348
Total deferred inflows of resources	<u>176,299</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<u>798,466</u>
<b>NET POSITION</b>	
Net Investment in capital assets	385,447
Restricted for food service	340,763
Total net position	<u>726,210</u>
<b>TOTAL LIABILITIES DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u><u>\$ 1,524,676</u></u>

See the accompanying notes to the financial statements.

Rockcastle County School District  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
Year Ended June 30, 2023

		<u>Enterprise Funds</u>
		<u>School Food Services</u>
<b>OPERATING REVENUES</b>		
Lunchroom sales	\$	47,902
Total operating revenues		<u>47,902</u>
<b>OPERATING EXPENSES</b>		
Depreciation		32,531
Food service operations		
Employee services		1,125,981
Operational expense		<u>1,941,245</u>
Total operating expenses		<u>3,099,757</u>
Operating income (loss)		<u>(3,051,855)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Intergovernmental revenues		3,084,900
Transfers in (out)		(95,513)
Earnings from investments		<u>63,853</u>
Total nonoperating revenues (expenses)		<u>3,053,240</u>
<b>CHANGE IN NET POSITION</b>		1,385
<b>NET POSITION-BEGINNING</b>		724,825
<b>NET POSITION-ENDING</b>	\$	<u><u>726,210</u></u>

See the accompanying notes to the financial statements.



Rockcastle County School District  
**Statement of Cash Flows**  
**Proprietary Funds**  
Year Ended June 30, 2023

Enterprise Funds

School  
Food  
Services

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers	\$	47884.33
Payments to suppliers		(1,120,232)
Payments to employees		(1,903,118)
Net cash provided (used) by operating activities		<u>(2,975,465)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Operating grants and contributions		3,084,900
Transfers		(95,513)
Net cash provided (used) by noncapital financing activities		<u>2,989,387</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of capital assets		(6,820)
Interest		63,853
Net cash provided (used) by investing activities		<u>57,032</u>

**NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

70,954

**CASH AND CASH EQUIVALENTS-BEGINNING**

847,854

**CASH AND CASH EQUIVALENTS-ENDING**

\$ 918,808

**Reconciliation of operating income (loss) to net cash provided (used) by operating activities:**

Operating income (loss)	\$	(3,051,855)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation		32,531
Changes in assets and liabilities:		
Receivables		(18)
Inventory		5,434
Deferred Inflows		(45,885)
Deferred Outflows		11,095
Pension liability		66,314
OPEB liability		6,604
Accounts payable		315
Net cash provided (used) by operating activities	\$	<u>(2,975,465)</u>

**NONCASH NONCAPITAL FINANCING ACTIVITIES**

During the year, the district received \$154,470 of food commodities from the U.S. Department of Agriculture.

During the year, the district recognized revenues and expenses for on-behalf payments relating to fringe benefits in the amount of \$182,289 provided by state government.

See the accompanying notes to the financial statements.

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

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

Reporting Entity

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

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

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

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

Blended Component Unit

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

Basis of Presentation

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

The District has the following funds:

### I. Governmental Fund Types

#### (A) General Fund

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

#### (B) Special Revenue (Grant) Fund

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### (C) Student Activities Fund

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

### (D) Capital Project Funds

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

#### SEEK Capital Outlay Fund

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

#### Building (FSPK) Fund

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

#### Construction Fund

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

### (E) Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Kentucky Law. .

## II. Proprietary Funds (Enterprise Funds)

### Food Service Fund

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. This is a major fund of the District.

The District applies all GASB pronouncements to proprietary funds.

### Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

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

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

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

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

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

### Cash and Cash Equivalents

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

### Inventories

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

### Prepaid Assets

Payments made that will benefit periods beyond the end of the current fiscal year are recorded as

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and expenditure/expense is reported in the year in which services are consumed.

### Capital Assets

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

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

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

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

### Accrued Liabilities and Long-Term Obligations

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

### Accumulated Unpaid Sick Leave Benefits

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

### Fund Balances

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

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

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

### Net Position

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

### Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. The property tax rates assessed for the year ended June 30, 2022, to finance the General Fund operations were \$.432 per \$100 valuation of real property, \$.432 per \$100 valuation for business personal property and \$.483 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 county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

### Operating and Non-Operating Revenues and Expenses

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

### In-Kind

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

### Contributions of Capital

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

### Interfund Receivables/Payables

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

### Interfund Transfers

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

### Deferred Outflows/Inflows of Resources

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

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

### Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous (“CERS”) and Teachers Retirement System of the State of Kentucky (“TRS”) and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### Postemployment Benefits Other Than OPEBs (OPEB)

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

### Bond and Related Premiums, Discounts, and Issuance Costs

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

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

### Estimates

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

### Budgetary Process

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

### Recent GASB Pronouncements

GASB issued Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. This statement was adopted by the District this fiscal year. This statement reclassified all agency funds as special revenue funds. These funds were shifted into the Special

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Revenue Fund and a new non-major governmental fund, Student Activity Funds. See also Note T.

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

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

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

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

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

GASB issued Statement No. 87, *Leases*, effective for the District's fiscal year ending June 30, 2023.

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

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

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

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

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

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

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

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

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

GASB Statement No. 100, *Accounting Changes and Error Corrections*—an amendment of GASB

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*Statement No. 62* effective for the District's year ended June 30, 2024

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

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

### **NOTE B – CASH AND CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT**

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

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

At year end the District's bank balances were collateralized by securities held by the pledging bank's trust department in the District's name and FDIC insurance. At year end, the carrying amount of the District's cash and cash equivalents was \$5,095,695. The bank balance for the same time was \$5,355,070.

The General Fund had \$2,525,698 in certificates of deposit at June 30, 2023 to maximize interest earned for the fund and the Construction Fund had \$3,500,000 in certificates of deposit to maximize interest earned for the fund. Non-negotiable certificates of deposit are stated at cost which approximates fair value.

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

### **NOTE C – CAPITAL ASSETS**

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

*SEE SCHEDULE ON NEXT PAGE*

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

<u>Governmental Activities</u>	<u>July 1, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2023</u>
Land	\$ 658,955	\$ -	\$ -	\$ 658,955
Land improvements	1,197,944	-	-	1,197,944
Buildings	49,796,034	-	-	49,796,034
Technology equipment	958,997	-	-	958,997
Vehicles	6,118,016	1,034,034	1,116,686	6,035,364
General equipment	477,944	17,095	-	495,039
Construction in progress	3,452,720	2,066,051	-	5,518,771
Total at historical cost	\$ <u>62,660,609</u>	\$ <u>3,117,180</u>	\$ <u>1,116,686</u>	\$ <u>64,661,103</u>
Less: Accumulated depreciation				
Land improvements	\$ 1,107,854	\$ 5,106	\$ -	\$ 1,112,960
Buildings	22,985,594	855,477	-	23,841,072
Technology equipment	960,875	-	-	960,875
Vehicles	4,792,129	666,045	1,116,686	4,341,488
General equipment	354,730	14,050	-	368,780
Total accumulated depreciation	\$ <u>30,201,182</u>	\$ <u>1,540,679</u>	\$ <u>1,116,686</u>	\$ <u>30,625,175</u>
Governmental Activities				
Capital Assets-net	\$ <u>32,459,427</u>	\$ <u>1,576,501</u>	\$ <u>-</u>	\$ <u>34,035,928</u>
<u>Business-Type Activities</u>	<u>July 1, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2023</u>
Buildings	\$ 880,926	\$ -	\$ -	\$ 880,926
Technology equipment	35,760	-	-	35,760
General equipment	580,771	6,820	-	587,591
Total at historical cost	\$ <u>1,497,457</u>	\$ <u>6,820</u>	\$ <u>-</u>	\$ <u>1,504,277</u>
Less: Accumulated depreciation				
Buildings	554,504	15,089	-	569,593
Technology equipment	35,708	-	-	35,708
General equipment	496,087	17,442	-	513,529
Total accumulated depreciation	\$ <u>1,086,299</u>	\$ <u>32,531</u>	\$ <u>-</u>	\$ <u>1,118,830</u>
Business-Type Activities				
Capital Assets-net	\$ <u>411,158</u>	\$ <u>(25,711)</u>	\$ <u>-</u>	\$ <u>385,447</u>

Depreciation expense was not allocated to governmental functions.

**NOTE D – DEBT OBLIGATIONS**

Bonds

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

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

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

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

<u>Bond Issues</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Bonds Outstanding</u>			<u>Bonds Outstanding</u>
				<u>June 30, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2023</u>
2015	\$ 655,000	8/1/35	3.25%	\$ 500,000		\$ 30,000	\$ 470,000
2015R	\$ 1,015,000	8/1/2026	1.0 - 2.25%	605,000		125,000	480,000
2018	\$ 6,530,000	2/1/30	3.0 - 3.375%	6,165,000		255,000	5,910,000
2016	\$ 500,000	5/1/2036	2.6%	380,000		25,000	355,000
2021	\$ 3,870,000	8/1/2040	2.0 - 4.0%	3,710,000		95,000	3,615,000
				11,360,000	-	530,000	10,830,000
Addition (Less):	(Discount)/Premium			145,102		6,747	138,355
Totals				\$ 11,505,102	\$ -	\$ 536,747	\$ 10,968,355

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

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

<u>Fiscal Year Ended at June 30,</u>	<u>Principal</u>		<u>Interest</u>		<u>Principal</u>	<u>Interest</u>
	<u>Local</u>	<u>KSFCC</u>	<u>Local</u>	<u>KSFCC</u>	<u>Total</u>	<u>Total</u>
2024	\$ 407,923	\$ 137,077	\$ 257,893	\$ 48,187	\$ 545,000	\$ 306,080
2025	425,913	139,087	245,305	44,550	565,000	289,855
2026	438,790	141,210	231,815	40,802	580,000	272,618
2027	459,305	135,695	218,080	37,000	595,000	255,080
2028	474,413	100,587	203,851	33,623	575,000	237,474
2029-2033	2,738,056	546,944	779,667	121,574	3,285,000	901,241
2034-2038	3,326,357	473,643	365,409	36,809	3,800,000	402,218
2039-2041	885,000	-	27,150	-	885,000	27,150
	\$ 9,155,757	\$ 1,674,243	\$ 2,329,170	\$ 362,545	\$ 10,830,000	\$ 2,691,715

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

Accumulated Sick Leave

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. The activity during fiscal year 2020 for accumulated sick leave is as follows:

	<b>2022</b>	<b>2023</b>
	<b>Outstanding</b>	<b>Outstanding</b>
<b>Sick Leave</b>	\$ 270,695	\$ 494,757
	<b>Additions</b>	<b>Retirement</b>
	\$ 224,062	

Net Pension & OPEB Liability

The changes in net pension and net OPEB liabilities is below

	<b>2022</b>	<b>2023</b>
<u>Description</u>	<u>Outstanding</u>	<u>Outstanding</u>
Net Pension Liability	9,225,441	9,581,118
Net OPEB Liability	6,975,461	9,319,182
<b>Totals</b>	<b>16,200,902</b>	<b>18,900,300</b>
	<b>Additions</b>	<b>Retirements</b>
	355,677	-
	2,343,721	-
	-	-

**NOTE E – RETIREMENT PLANS**

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

**Teachers Retirement System Kentucky (TRS)**

*Plan description*—Teaching-certified employees of the Kentucky School District are provided pensions through the Teachers’ Retirement System of the State of Kentucky—a cost-sharing multiple- employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth’s financial statements. TRS issues a publicly available financial report that can be obtained at <http://www.trs.ky.gov/financial-reports-information>.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the system has been amended to change the benefit structure for members hired on or after that date.

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. For all members, the annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service. TRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing members and \$5,000 for retired or disabled members.

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

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

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

### **Medical Insurance Plan**

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

*Funding policy*—In order to fund the post-retirement healthcare benefit, seven- and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three-point seventy-five percent (3.75%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three percent (3.00%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

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

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

District's proportionate share of KTRS net pension liability	\$	-
Commonwealth's proportionate share of the KTRS net pension liability associated with the District		<u>62,977,614</u>
	\$	<u>62,977,614</u>

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June, 30, 2023, the District's proportion was 0.3718%.

*Actuarial Methods and Assumptions*—The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Valuation Date	June 30, 2020
Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	26.5 years
Inflation	2.5%
Asset Valuation Method	5-year smoothed market value
Single Equivalent Interest Rate	7.1%
Municipal Bond Index Rate	3.37%
Projected Salary Increase	3.0-7.5%, including inflation
Investment Rate of Return	7.1%, net of pension plan investment expense, including inflation.

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

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

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

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

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members. The actuarial assumptions used were based on the results of an actuarial experience study for the 5-year period ending June 30, 2020, adopted by the board on September 20, 2022. The assumed long-term investment rate of return was changed from 7.50 percent to 7.10 percent and the price inflation assumption was lowered from 3.0 percent to 2.5 percent. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

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

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

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

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

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

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

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
KTRS	6.10%	7.10%	8.10%
Commonwealth's proportionate share of net pension liability	\$ 82,330,695	\$ 62,977,614	\$ 49,657,998

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### County Employees Retirement System

*Plan description*—Substantially all full-time classified employees of the District participate in the County Employees Retirement System (“CERS”). CERS is a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky General Assembly. The plan covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members.

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

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

*Contributions:* Funding for CERS is provided by members, who contribute 5.00% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions, and by employers of members. For the year ending June 30, 2023, employers were required to contribute 26.95% of the member’s salary. During the year ending June 30, 2023, the District contributed \$990,704 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

#### CERS-Medical Insurance Plan

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

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

At June 30, 2022, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2020. An expected total pension liability as of June 30, 2020 was determined using standard roll-forward techniques. The District’s proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2020. At June 30, 2023, the District’s proportion was 0.132537%%.

SEE SCHEDULE ON NEXT PAGE

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

District's proportionate share of CERS net pension liability	\$	9,581,118
Commonwealth's proportionate share of the CERS net pension liability associated with the District		<u>-</u>
	\$	<u><u>9,581,118</u></u>

For the year ended June 30, 2023, the District recognized pension revenue of \$567,900. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 10,243	\$ 85,324
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	1,303,703	1,058,078
Changes in proportion and differences between District contributions and proportionate share of contributions	-	641,306
District contributions subsequent to the measurement date	<u>990,704</u>	<u>-</u>
	\$ <u><u>2,304,650</u></u>	\$ <u><u>1,784,708</u></u>

The \$990,704 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the

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

average service life of all members. These will be recognized in pension expense as follows:

	<u>Year Ended June 30,</u>	
2024	\$	(396,275)
2025		(266,150)
2026		(80,514)
2027		<u>272,177</u>
	\$	<u><u>(470,762)</u></u>

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

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

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

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

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

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

year of 2010.

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the table below. The current long-term inflation assumption is 2.30% per annum for both the non-hazardous and hazardous plan.

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

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

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

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

<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
5.25%	6.25%	7.25%
\$ 11,975,208	\$ 9,581,118	\$ 7,601,006

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*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, 2022, there are no payables to CERS.

### Other Retirement Plans

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

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

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

### **NOTE F – ACCOUNTING STANDARDS STATEMENT NO. 75**

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

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

### **NOTE G – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

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

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

Plan description – Teaching-certified employees of the District are provided OPEBs through TRS – a cost-sharing multiple-employer defined benefit OPEB plan with special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

agencies in the state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at

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

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

### **Retiree Medical Plan funded by the Medical Insurance Fund**

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

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

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

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

At June 30, 2023, the District reported a liability of \$6,704,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2023, the District's proportion was .270028 percent.



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

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

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

District's proportionate share of KTRS net OPEB liability	\$	6,704,000
Commonwealth's proportionate share of the KTRS net OPEB liability associated with the District		<u>2,202,000</u>
	\$	<u><u>8,906,000</u></u>

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 2,818,000
Changes of assumptions	1,361,000	
Net difference between projected and actual earnings on pension plan investments	356,000	
Changes in proportion and differences between District contributions and proportionate share of contributions	1,968,000	236,000
District contributions subsequent to the measurement date	<u>363,919</u>	
	\$ <u><u>4,048,919</u></u>	\$ <u><u>3,054,000</u></u>

The \$363,919 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the collective net OPEB liability for the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	<u>Year Ended June 30,</u>
2023	\$ (135,000)
2024	(94,000)
2025	(36,000)
2026	402,000
2027	339,000
Thereafter	<u>155,000</u>
	<u>\$ 631,000</u>

*Changes of Benefit Terms* - None

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

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll
Amortization Period	26 years
Asset Valuation Method	5-year smoothed value
Single Equivalent Interest Rate	7.1%, net of OPEB plan investment expense, includes price inflation
Municipal Bond Index Rate	2.13%
Investment Rate of Return	7.1%, net of OPEB plan investment expense, includes price inflation
Inflation	2.5%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Salary Increase	3.0 to 7.5%, including wage inflation
Discount Rate	7.1%

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

The actuarial assumptions used were based on the results of an actuarial experience study for the 5-year period ending June 30, 2020, adopted by the board on September 20, 2022. The assumed long-term investment rate of return was changed from 7.5% to 7.1% and the price inflation assumption was lowered from 3% to 2.5%. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected

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

returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

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

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

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

To reflect these adjustments, open group projections were used and assumed an equal, pro rata reduction to the current statutory amount in the years if/when the MIF is projected to achieve a Funded Ratio of 100% or more. Here, the current statutory amounts are adjusted to achieve total contributions

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

equal to the actuarially determined contribution (ADC), as determined by the prior year’s valuation and in accordance with the MIF’s funding policy. As the specific methodology to be used for the adjustments has yet to be determined, there may be differences between the projected results and future experience. This may also include any changes to retiree contributions for KEHP coverage pursuant to KRS 161.675(4)(b).

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

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

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

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

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
KTRS	6.10%	7.10%	8.10%
District's proportionate share of net OPEB liability	\$ 8,411,000	\$ 6,704,000	\$ 5,290,000

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

	<b>1% Decrease</b>	<b>Current Trend Rate</b>	<b>1% Increase</b>
District's proportionate share of net OPEB liability	\$ 5,025,000	\$ 6,704,000	\$ 8,791,000

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

*Plan description* – Life Insurance Plan - TRS administers the life insurance plan as provided by Kentucky Revised Statute 161.655 to eligible active and retired members. The TRS Life Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the life insurance plan may be made by the TRS Board of Trustees and the General Assembly.  
*Benefits provided* - Effective July 1, 2000, the Kentucky Teachers’ Retirement System shall:

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

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

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

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

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

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

District's proportionate share of KTRS net OPEB liability	\$
Commonwealth's proportionate share of the KTRS net OPEB liability associated with the District	<u>110,000</u>
	<u>\$ 110,000</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2023, the District recognized OPEB revenue of \$180,000 for support provided by the State.

*Actuarial Methods and Assumptions*—The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Asset Valuation Method	5-year smoothed value
Single Equivalent Interest Rate	7.1%
Municipal Bond Index Rate	2.13%
Investment Rate of Return	7.1%, includes price inflation
Inflation	2.5%
Real Wage Growth	0.25 %
Wage Inflation	2.75%
Salary Increase	3 to 7.5%, including wage inflation
Discount Rate	7.1%

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees and active members. The actuarial assumptions used were based on the results of an actuarial experience study for the 5- year period ending June 30, 2020, adopted by the board on September 20, 2022.

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*Discount Rate:* The discount rate used to measure the total OPEB liability was 7.1%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projections basis was an actuarial valuation performed as of June 30, 2020. In addition to actuarial methods and assumptions were used in the projection of cash flows:

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

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

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

### ***CERS – General Information about the OPEB Plans***

#### **Other Pension Benefit Programs-Employees' Health Plan**

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

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

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

The unfunded medical benefit obligation of the CERS, based upon the entry age normal cost method, as of June 30, 2023 was as follows (in thousands):

Total medical benefit obligation	\$	5,053,498
Net position available for benefits at actuarial value		<u>(3,079,984)</u>
Unfunded medical benefit obligation	\$	<u>1,973,514</u>

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



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

At June 30, 2023, the District reported a liability of \$2,615,182 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2023, the District's proportion was .132514 percent.

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

District's proportionate share of net OPEB liability	\$	
Commonwealth's proportionate share of the net OPEB liability associated with the District		<u>2,615,182</u>
	\$	<u><u>2,615,182</u></u>

For the year ended June 30, 2023, the District recognized OPEB expense of \$26,489. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

*SEE SCHEDULE ON NEXT PAGE*

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual		
experience	\$ 263,240	\$ 599,722
Changes of assumptions	413,609	340,812
Net difference between projected and actual		
earnings on pension plan investments	486,974	380,830
Changes in proportion and differences between District contributions and proportionate		
share of contributions	-	353,417
District contributions subsequent to the		
measurement date	<u>147,289</u>	<u>-</u>
	\$ <u>1,311,112</u>	\$ <u>1,674,781</u>

The \$147,289 (includes \$94,288 Implicit Subsidy) reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the collective net OPEB liability for the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District’s OPEB expense as follows:

	<u>Year Ended June 30,</u>
2024	\$ (128,357)
2025	(123,648)
2026	(228,770)
2027	<u>(30,183)</u>
	\$ <u>(510,958)</u>

*Implicit Employer Subsidy-* The fully-insured premiums KRS pays for the Kentucky Employees’ Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. GASB 74 requires that the liability associated with this implicit subsidy be

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

included in the calculation of the Total OPEB Liability.

*Changes of Benefit Terms*-None

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

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

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

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

*Discount rate:* The discount rate used to measure the total OPEB liability was 5.70%. The rate is based on the expected rate of return on OPEB plan investments of 6.70% and a municipal bond rate of 2.45%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2020. Based on the stated assumptions and the projection of cash flows as of each fiscal year ended, the plan’s insurance fiduciary net position and future contributions were projected to be sufficient to finance the

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

future benefit payments of the current plan members. Therefore, the long-term expected rate of return on Insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement plan. However, the cost associated with the implicit subsidy will not be paid out of the plan’s trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The projection of cash flows used to determine the singlediscount rate assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018) that applies to CERS.

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

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
CERS	4.70%	5.70%	6.70%
District's proportionate share of net OPEB liability	\$ 3,496,081	\$ 2,615,182	\$ 1,886,972

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

	<b>1% Decrease</b>	<b>Current Trend Rate</b>	<b>1% Increase</b>
District's proportionate share of net OPEB liability	\$ 1,994,330	\$ 2,615,182	\$ 3,420,749

**NOTE H – COMMITMENTS**

The District has commitments of \$4,213,217 as of June 30, 2023 for future construction projects.

**NOTE I – CONTINGENCIES**

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

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

**NOTE J – LITIGATION**

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

**NOTE L – INSURANCE AND RELATED ACTIVITIES**

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

**NOTE K – RISK MANAGEMENT**

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

**NOTE L – COBRA**

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

**NOTE N – TRANSFER OF FUNDS**

The following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	Special Revenue \$	52,464	KETS
Capital Outlay	General	249,826	Operating
Food Service	General	95,513	Indirect Costs
Special Revenue	General	475,135	Indirect Costs
FSPK	Debt Service	476,719	Debt Payments
General	Debt Service \$	141,098	Debt Payments

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

**NOTE O – ON-BEHALF PAYMENTS**

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

<u>Plan/Description</u>	<u>Amount</u>
Kentucky Teachers Retirement System (GASB Schedule A)	\$ 5,747,976
Health and Life Insurance	3,619,632
Administrative Fee	41,652
HRA/Dental/Vision	194,688
Federal Reimbursement	(228,331)
Technology	102,467
SFCC Debt Service Payments	<u>234,089</u>
Total	<u>\$ 9,712,171</u>

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

**NOTE P– SUBSEQUENT EVENTS**

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

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
From Local Sources				
Taxes				
Property	\$ 1,567,116	1,567,116	\$ 1,618,535	\$ 51,419
Motor vehicle	580,000	580,000	632,524	52,524
Utilities	842,000	842,000	991,999	149,999
Earnings on investments	62,000	62,000	215,507	153,507
Other local revenue	427,852	427,852	251,949	(175,903)
Intergovernmental - state	22,028,311	22,028,311	23,847,558	1,819,247
Intergovernmental - federal	250,000	250,000	328,366	78,366
Total revenues	<u>25,757,279</u>	<u>25,757,279</u>	<u>27,886,438</u>	<u>2,129,158</u>
<b>EXPENDITURES</b>				
Instruction	16,189,606	15,906,525	17,032,347	(1,125,822)
Support Services				
Student	1,952,878	1,846,338	2,531,390	(685,051)
Instructional Staff	1,184,518	1,322,091	1,099,128	222,963
District Administration	546,643	608,779	538,014	70,765
School Administration	1,538,464	1,550,834	1,915,229	(364,395)
Business	285,313	321,677	401,000	(79,323)
Plant Operation & Maintenance	2,015,365	2,127,355	2,130,676	(3,321)
Student Transportation	1,829,817	1,859,005	1,782,360	76,646
Total expenditures	<u>25,542,604</u>	<u>25,542,604</u>	<u>27,430,143</u>	<u>(1,887,540)</u>
<b>EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES</b>	214,675	214,676	456,294	241,619
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	621,546	621,546	820,475	198,928
Operating transfers (out)	(50,000)	(50,000)	(193,562)	(143,562)
Total other financing sources and (uses)	<u>571,546</u>	<u>571,546</u>	<u>626,913</u>	<u>55,366</u>
<b>NET CHANGE IN FUND BALANCE</b>	786,221	786,222	1,083,207	296,985
<b>FUND BALANCE-BEGINNING</b>	<u>3,585,436</u>	<u>3,585,436</u>	<u>3,383,583</u>	<u>(201,853)</u>
<b>FUND BALANCE-ENDING</b>	<u>\$ 4,371,657</u>	<u>\$ 4,371,658</u>	<u>\$ 4,466,790</u>	<u>\$ 95,132</u>

\* Actual expenditures were more than budgeted expenditures due to a variance between budgeted on-behalf payments and actual on-behalf payments

See the accompanying notes to the financial statements.

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
From Local Sources				
Other local revenue	\$ 248,508	\$ 559,464	\$ 504,855	\$ (54,610)
Earnings on investments	-	4,530	16,710	12,180
Intergovernmental - state	1,406,254	1,675,361	1,550,813	(124,548)
Intergovernmental - federal	<u>11,231,759</u>	<u>11,233,765</u>	<u>7,130,915</u>	<u>(4,102,850)</u>
Total revenues	<u>12,886,522</u>	<u>13,473,120</u>	<u>9,203,293</u>	<u>(4,269,828)</u>
<b>EXPENDITURES</b>				
Instruction	6,753,757	9,747,374	6,138,800	3,608,574
Support Services				
Student	60,218	421,351	419,666	1,685
Instructional Staff	286,434	321,581	238,362	83,220
District Admin		77,668		
Plant Operation & Maintenance	469,180	1,036,639	-	1,036,639
Student Transportation	1,205,595	1,491,129	1,024,886	466,243
Community Services Operations	<u>372,540</u>	<u>372,540</u>	<u>372,540</u>	<u>-</u>
Total expenditures	<u>9,147,725</u>	<u>13,468,282</u>	<u>8,194,253</u>	<u>5,196,361</u>
<b>EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES</b>	3,738,797	4,839	1,009,039	926,533
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	189,696	326,393	336,592	10,199
Operating transfers (out)	<u>(3,928,493.13)</u>	<u>(271,837.30)</u>	<u>(759,263)</u>	<u>(487,426)</u>
Total other financing sources and (uses)	<u>(3,738,797)</u>	<u>54,556</u>	<u>(422,671)</u>	<u>(477,227)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	59,394	-	-
<b>FUND BALANCE-BEGINNING</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE-ENDING</b>	<u>\$ -</u>	<u>\$ 59,394</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying notes to the financial statements.



ROCKCASTLE COUNTY SCHOOL DISTRICT  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**CERS and TRS**  
For the year ended June 30, 2023

	Reporting Fiscal Year (Measurement Date 2023 (2022))	Reporting Fiscal Year (Measurement Date 2022 (2021))	Reporting Fiscal Year (Measurement Date 2021 (2020))	Reporting Fiscal Year (Measurement Date 2020 (2019))	Reporting Fiscal Year (Measurement Date 2019 (2018))	Reporting Fiscal Year (Measurement Date 2018 (2017))	Reporting Fiscal Year (Measurement Date 2017 (2016))	Reporting Fiscal Year (Measurement Date 2016 (2015))
<b>COUNTY EMPLOYEE'S RETIREMENT SYSTEM:</b>								
District's proportion of the net pension liability (asse	0.13254%	0.14470%	0.15957%	0.15375%	0.16017%	0.16477%	0.16767%	0.16939%
District's proportionate share of the net pension liability (asse	\$ 9,581,118	\$ 9,225,441	\$ 11,382,311	\$ 10,813,025	\$ 9,754,841	\$ 9,644,436	\$ 8,255,576	\$ 7,283,086
State's proportionate share of the net pensio liability (asset) associated with the Distric	-	-	-	-	-	-	-	-
Total	<u>\$ 9,581,118</u>	<u>\$ 9,225,441</u>	<u>\$ 11,382,311</u>	<u>\$ 10,813,025</u>	<u>\$ 9,754,841</u>	<u>\$ 9,644,436</u>	<u>\$ 8,255,576</u>	<u>\$ 7,283,086</u>
District's covered-employee payro	\$ 4,558,462	\$ 3,666,125	\$ 3,801,299	\$ 3,576,288	\$ 3,973,000	\$ 4,017,598	\$ 3,999,811	\$ 3,952,293
District's proportionate share of the net pensio liability (asset) as a percentage of it covered-employee payro	210.18%	251.64%	299.43%	302.35%	245.53%	240.05%	206.40%	184.27%
Plan fiduciary net position as a percentage of th total pension liability (asset)	52.00%	57.33%	47.81%	50.54%	53.40%	53.30%	59.00%	59.97%
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM:</b>								
District's proportion of the net pension liability (asse	0.372%	0.365%	0.380%	0.380%	0.388%	0.393%	0.395%	0.392%
District's proportionate share of the net pension liability (asse	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pensio liability (asset) associated with the Distric	<u>62,977,614</u>	<u>47,489,597</u>	<u>52,971,915</u>	<u>51,873,848</u>	<u>50,850,207</u>	<u>105,942,079</u>	<u>116,532,506</u>	<u>91,110,678</u>
Total	<u>\$ 62,977,614</u>	<u>\$ 47,489,597</u>	<u>\$ 52,971,915</u>	<u>\$ 51,873,848</u>	<u>\$ 50,850,207</u>	<u>\$ 105,942,079</u>	<u>\$ 116,532,506</u>	<u>\$ 91,110,678</u>
District's covered-employee payro	\$ 14,016,535	\$ 13,424,746	\$ 12,922,900	\$ 12,830,543	\$ 13,029,458	\$ 12,925,599	\$ 12,940,309	\$ 12,485,277
District's proportionate share of the net pensio liability (asset) as a percentage of it covered-employee payro	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Plan fiduciary net position as a percentage of th total pension liability (asset)	56.40%	65.59%	58.27%	58.80%	59.30%	39.80%	35.22%	42.29%

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

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

	2023	2022	2021	2020	2019	2018	2017	2016
<b>COUNTY EMPLOYEE'S RETIREMENT SYSTEM:</b>								
Contractually required contribution	\$ 834,876	\$ 990,300	\$ 889,228	\$ 861,730	\$ 799,218	\$ 728,252	\$ 750,487	\$ 682,368
Contributions in relation to the contractually required contribution	<u>834,876</u>	<u>990,300</u>	<u>889,228</u>	<u>861,730</u>	<u>799,218</u>	<u>728,252</u>	<u>\$ 750,487</u>	<u>\$ 682,368</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 4,558,462	\$ 3,666,125	\$ 3,695,874	\$ 3,801,299	\$ 3,576,288	\$ 3,973,000	\$ 4,017,598	\$ 3,999,811
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	18.31%	27.01%	24.06%	22.67%	22.35%	18.33%	18.68%	17.06%
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM:</b>								
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 14,016,535	\$ 13,424,746	\$ 12,859,956	\$ 12,922,900	\$ 12,830,543	\$ 13,029,458	\$ 12,925,599	\$ 12,940,309
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

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

**(1) CHANGES OF BENEFITS**

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

**(2) CHANGES OF ASSUMPTIONS**

TRS

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

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

CERS

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

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

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

TRS

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

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

ROCKCASTLE COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION

For the year ended June 30, 2023

CERS

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

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

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

	Reporting Fiscal Year (Measurement Date) 2023 (2022)	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
<b>MEDICAL INSURANCE PLAN</b>						
Districts' proportion of the net OPEB liability (asset)	0.27003%	0.19601%	0.20180%	0.20427%	0.20194%	0.20862%
District's proportionate share of the net OPEB liability (asset)	\$ 6,704,000	\$ 4,206,000	\$ 5,093,000	\$ 5,979,000	\$ 7,007,000	\$ 7,439,000
State's proportionate share of the collective net OPEB liability (asset) associated with the District	<u>2,202,000</u>	<u>3,416,000</u>	<u>4,080,000</u>	<u>4,828,000</u>	<u>6,038,000</u>	<u>6,076,000</u>
<b>Total</b>	<b><u>\$ 8,906,000</u></b>	<b><u>\$ 7,622,000</u></b>	<b><u>\$ 9,173,000</u></b>	<b><u>\$ 10,807,000</u></b>	<b><u>\$ 13,045,000</u></b>	<b><u>\$ 13,515,000</u></b>
District's covered-employee payroll	\$ 14,016,535	\$ 13,424,746	\$ 12,922,900	\$ 12,830,543	\$ 13,029,458	\$ 12,925,599
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	47.83%	31.33%	39.41%	46.60%	53.78%	57.55%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	47.75%	51.74%	39.10%	32.60%	25.50%	21.20%
<b>LIFE INSURANCE PLAN</b>						
Districts' proportion of the net OPEB liability (asset)	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
District's proportionate share of the net OPEB liability (asset)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability (asset) associated with the District	<u>110,000</u>	<u>45,000</u>	<u>123,000</u>	<u>112,000</u>	<u>104,000</u>	<u>81,000</u>
<b>Total</b>	<b><u>\$ 110,000</u></b>	<b><u>\$ 45,000</u></b>	<b><u>\$ 123,000</u></b>	<b><u>\$ 112,000</u></b>	<b><u>\$ 104,000</u></b>	<b><u>\$ 81,000</u></b>
District's covered-employee payroll	\$ 14,016,535	\$ 13,424,746	\$ 12,922,900	\$ 12,830,543	\$ 13,029,458	\$ 12,925,599
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	73.97%	89.15%	71.60%	73.40%	75.00%	80.00%

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

ROCKCASTLE COUNTY SCHOOL DISTRICT  
**SCHEDULE OF CONTRIBUTIONS**  
**MEDICAL AND LIFE INSURANCE PLANS**  
**TEACHERS' RETIREMENT SYSTEM**  
For the year ended June 30, 2023

	2023	2022	2021	2020	2019	2018
<b>MEDICAL INSURANCE PLAN</b>						
Contractually required contribution	\$ 475,997	\$ 358,565	\$ 347,922	\$ 356,425	\$ 355,690	\$ 359,713
Contributions in relation to the contractually required contribution	<u>475,997</u>	<u>358,565</u>	<u>347,922</u>	<u>356,425</u>	<u>355,690</u>	<u>359,713</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 14,016,535	\$ 13,424,746	\$ 12,859,956	\$ 12,922,900	\$ 12,830,543	\$ 13,029,458
District's proportionate share as a percentage of it's covered-employee payroll	3.40%	2.67%	2.71%	2.76%	2.77%	2.76%
<b>LIFE INSURANCE PLAN</b>						
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 14,016,535	\$ 13,424,746	\$ 12,859,956	\$ 12,922,900	\$ 12,830,543	\$ 13,029,458
District's proportionate share as a percentage of it's covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

ROCKCASTLE COUNTY SCHOOL DISTRICT  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - HEALTH INSURANCE PLAN**  
**COUNTY EMPLOYEE RETIREMENT SYSTEM**  
For the year ended June 30, 2023

	Reporting Fiscal Year (Measurement Date) 2023 (2022)	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
<b>HEALTH INSURANCE PLAN</b>						
Districts' proportion of the net OPEB liability (asset)	0.13251%	0.14836%	0.15370%	0.15371%	1.60160%	0.16477%
District's proportionate share of the net OPEB liability (asset) \$	2,615,182	\$ 2,769,462	\$ 3,582,419	\$ 2,585,282	\$ 2,843,679	\$ 3,312,420
State's proportionate share of the collective net OPEB liability (asset) associated with the District	-	-	-	-	-	-
Total	<u>\$ 2,615,182</u>	<u>\$ 2,769,462</u>	<u>\$ 3,582,419</u>	<u>\$ 2,585,282</u>	<u>\$ 2,843,679</u>	<u>\$ 3,312,420</u>
District's covered-employee payroll	\$ 4,558,462	\$ 3,666,125	\$ 3,801,299	\$ 3,576,288	\$ 3,973,000	\$ 4,017,598
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	57.37%	75.54%	94.24%	72.29%	71.58%	82.45%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	60.94%	73.08%	51.67%	60.44%	57.62%	13.00%

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

ROCKCASTLE COUNTY SCHOOL DISTRICT  
**SCHEDULE OF CONTRIBUTIONS - HEALTH INSURANCE PLAN**  
**COUNTY EMPLOYEE RETIREMENT SYSTEM**  
For the year ended June 30, 2023

	2023	2022	2021	2020	2019	2018
<b>MEDICAL INSURANCE PLAN</b>						
Contractually required contribution	\$ 155,828	\$ 138,265	\$ 180,942	\$ 108,373	\$ 85,818	\$ 76,400
Contributions in relation to the contractually required contribution	<u>155,828</u>	<u>138,265</u>	<u>180,942</u>	<u>108,373</u>	<u>85,818</u>	<u>76,400</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 4,558,462	\$ 3,666,125	\$ 3,695,874	\$ 3,801,299	\$ 3,576,288	\$ 3,973,000
District's proportionate share as a percentage of it's covered-employee payroll	3.42%	3.77%	4.90%	2.85%	2.40%	1.92%

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



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

Year ended June 30, 2023

**TRS**

**(1) CHANGES OF BENEFIT TERMS**

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

**(2) CHANGES OF ASSUMPTIONS**

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

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

Medical Insurance Fund

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

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

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

Year ended June 30, 2023

**CERS**

Other Pension Benefit Programs-Employees' Health Plan

**(1) CHANGES OF BENEFIT TERMS**

There were no changes of benefit terms.

**(2) CHANGES OF ASSUMPTIONS**

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

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

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

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

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

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

	<u>Capital Outlay</u>	<u>School Activity Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
<b>Assets</b>				
Cash and Cash Equivalents	\$ _____	\$ 575,189	\$ _____	575,189
Total Assets	<u>          -</u>	<u>575,189</u>	<u>          -</u>	<u>575,189</u>
<b>Fund Balance</b>				
Committed	_____	575,189	-	575,189
Total Fund Balance	<u>          -</u>	<u>575,189</u>	<u>          -</u>	<u>575,189</u>

See the accompanying notes to the financial statements.

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

	<u>Capital Outlay</u>	<u>School Activity Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
<b>Revenues</b>				
From Local Sources				
Student Activities	\$ -	\$ 963,610	-	\$ 963,610
Earnings on Investments	-	19,995	-	19,995
Other Local Revenue	-	48,705	-	48,705
Intergovernmental - State	<u>249,826</u>	<u>-</u>	<u>234,089</u>	<u>483,915</u>
Total Revenues	<u>249,826</u>	<u>1,032,309</u>	<u>234,089</u>	<u>1,516,224</u>
<b>Expenditures</b>				
Instruction	-	706,137	-	706,137
Instructional Staff Support Services	-	18,447	-	18,447
Student Transportation	-	30,333	-	30,333
Food Service Operations	-	214,483	-	214,483
Debt Service	<u>-</u>	<u>-</u>	<u>851,905</u>	<u>851,905</u>
Total Expenditures	<u>-</u>	<u>969,399</u>	<u>851,905</u>	<u>1,821,304</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<u>249,826</u>	<u>62,910</u>	<u>(617,816)</u>	<u>(305,080)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	-	-	617,816	617,816
Transfers Out	<u>(249,826)</u>	<u>-</u>	<u>-</u>	<u>(249,826)</u>
Total Other Financing Sources (Uses)	<u>(249,826)</u>	<u>-</u>	<u>617,816</u>	<u>367,990</u>
<b>Net Change in Fund Balances</b>	-	62,910	-	62,910
<b>Fund Balance Beginning</b>	<u>-</u>	<u>512,279</u>	<u>-</u>	<u>512,279</u>
<b>Fund Balance Ending</b>	<u>\$ -</u>	<u>\$ 575,189</u>	<u>\$ -</u>	<u>\$ 575,189</u>

See the accompanying notes to the financial statements.

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

**SCHOOL ACTIVITY FUNDS**

	<u>ROCKCASTLE CO HIGH SCHOOL</u>	<u>ROCKCASTLE CO MIDDLE SCHOOL</u>	<u>BROADHEAD ELEMENTARY</u>	<u>MT. VERNON ELEMENTARY</u>	<u>ROUNDSTONE ELEMENTARY</u>	<u>TOTAL</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 312,317	\$ 119,035	\$ 63,120	\$ 68,431	\$ 12,285	\$ 575,188
Total Assets	<u>312,317</u>	<u>119,035</u>	<u>63,120</u>	<u>68,431</u>	<u>12,285</u>	<u>575,188</u>
<b>FUND BALANCE</b>						
School activities	<u>\$ 312,317</u>	<u>\$ 119,035</u>	<u>\$ 63,120</u>	<u>\$ 68,431</u>	<u>\$ 12,285</u>	<u>\$ 575,188</u>

See the accompanying notes to the financial statements.

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

**SCHOOL ACTIVITY FUNDS**

	<u>ROCKCASTLE CO HIGH SCHOOL</u>	<u>ROCKCASTLE CO MIDDLE SCHOOL</u>	<u>BROADHEAD ELEMENTARY</u>	<u>MT. VERNON ELEMENTARY</u>	<u>ROUNDSTONE ELEMENTARY</u>	<u>TOTAL</u>
<b>Revenues</b>						
Student/Trust revenues	\$ 619,956	\$ 217,847	\$ 78,728	\$ 103,488	\$ 12,290	\$ 1,032,309
<b>Expenses</b>						
Student/Trust activities	<u>563,527</u>	<u>217,032</u>	<u>98,774</u>	<u>76,315</u>	<u>13,751</u>	<u>969,399</u>
<b>Excess (Deficit) of Revenues Over Expenses</b>	56,429	814	(20,046)	27,174	(1,461)	62,910
<b>Fund Balance Beginning</b>	<u>255,888</u>	<u>118,221</u>	<u>83,166</u>	<u>41,257</u>	<u>13,746</u>	<u>512,278</u>
<b>Fund Balance Ending</b>	<u><u>\$ 312,317</u></u>	<u><u>\$ 119,035</u></u>	<u><u>\$ 63,120</u></u>	<u><u>\$ 68,431</u></u>	<u><u>\$ 12,285</u></u>	<u><u>\$ 575,188</u></u>

See the accompanying notes to the financial statements.

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

	FUND BALANCE BEGINNING	REVENUES	EXPENSES	TRANSFERS	FUND BALANCE ENDING
GENERAL	\$ 11,762	\$ 26,531	\$ 8,106	\$ (520)	\$ 29,666
YOUTH SERVICES CENTER	10,059	950	2,246	60	8,823
UNITE	480	105	-	-	585
GAME CLUB	91	-	-	-	91
FELLOWSHIP OF CHRISTIAN ATHLETES	129	366	82	(100)	313
SPECIAL NEEDS	-	2,036	2,047	-	(10)
DUCT TAPE CLUB	30	-	-	(30)	-
JROTC	1,654	1,556	2,127	1,000	2,084
RCHS ACADEMIC	3,808	1,670	2,381	(799)	2,298
JAPANESE CLUB	-	-	-	-	-
DRAMA CLUB	172	995	1,172	(50)	(55)
SCIENCE CLUB	282	-	-	-	282
PROJECT LIT CLUB	-	-	-	-	-
3 ON 3 BASKETBALL	201	215	336	-	80
GEAR UP	-	-	-	-	-
INTERNATIONAL CLUB	647	-	-	-	647
DANCE BLUE CLUB	1,520	-	-	-	1,520
SPACE CLASS	1,301	-	45	58	1,314
ROCKET CLUB	359	765	265	(448)	411
YOUNG REPUBLICANS	-	-	-	-	-
YOUNG DEMOCRATS	71	-	-	-	71
NATIONAL HONOR SOCIETY	2,423	3,152	3,948	-	1,627
FLORAL	82	555	529	-	108
Card Sharks	-	33	-	(33)	-
MEDITATION CLUB	-	-	-	-	-
ED RISING	8	2,496	3,354	849	-
KEY CLUB	808	70	392	33	519
MATH CLUB	-	-	-	-	-
B10	28	-	-	(28)	-
ENVIROTHON	-	-	-	-	-
PSYCHOLOOY	-	-	-	-	-
Y CLUB	720	12,671	12,751	-	640
BAND	18	32,967	33,982	(911)	(1,908)
ENVIRONMENTAL CLUB	991	155	73	-	1,073
MARTIAL ARTS CLUB	-	-	-	-	-
STUDENT COUNCIL	2,498	10,888	11,263	(1,441)	682
STAFF CLIMATE	-	102	1,546	-	(1,443)
CONCESSIONS	-	6,956	2,322	10	4,644
BOWS & ARROWS	4,629	-	-	-	4,629
GIRLS ARCHERY	-	-	868	-	(868)
GIRLS BASS FISHING	-	-	-	-	-
BASS ANGLERS	527	6,515	7,019	-	23
EXAMSBLDG ASSESSMENT BAC	204	1,020	886	-	338
PHYSICAL EDUCATION	834	100	400	70	604
ROCK MOVES	1,383	1,132	927	-	1,587
E SPORTS	576	-	-	-	576
ATHLETICS	76,482	83,489	45,856	(500)	113,615
LIVE STREAM	7	-	-	-	7
BOYS ARCHERY	-	-	896	-	(896)
BASS FISHING - BOYS	-	-	-	-	-
BB-Fr/JV	-	1,705	1,440	-	265
BOYS BASKETBALL	-	-	10,352	-	(10,352)
TIP OFF BOYS BASKETBALL	5,080	22,815	21,065	(210)	6,620
12TH REG-COACHES A. 21-20	1,673	2,932	1,189	-	3,416
GIRLS BASKETBALL	-	-	10,482	-	(10,482)
LADY ROCKETS	9,809	25,405	28,104	-	7,110
BASEBALL	-	-	4,929	720	(4,209)
DUGOUT RCHS BASEBALL	4,265	19,346	17,519	-	6,093
YOUTH LEAGUE FB (IN MEMORY	930	100	-	-	1,030
FOOTBALL	-	1,000	12,089	-	(11,089)
QUARTERBACK CLUB	11,483	70,098	53,159	(1,500)	26,922
district 1-2 (bb/SB	-	7,050	895	(1,440)	4,715
SOFTBALL	-	100	5,507	720	(4,687)
SLUGGERS - SOFTBALL	4,336	11,766	11,802	-	4,301
GIRLS GOLF BOOSTERS	2,473	-	60	-	2,413
GIRLS GOLF	-	-	368	-	(368)
GOLF BOYS	-	-	1,555	-	(1,555)
BOYS GOLF BOOSTERS	3,209	6,225	8,139	-	1,295
GOLF - boys region T	-	8,325	4,212	-	4,113
TRACK BOYS	-	-	705	-	(705)
TRACK GIRLS	-	-	550	-	(550)
RUNNING TRACK BOY'S	217	-	90	-	127
CROSS COUNTRY GIRLS	-	-	259	-	(259)
CROSS COUNTRY BOYS	-	-	-	-	-
runners-Cross Country-B B	-	-	-	-	-
KICK CLUB	80	-	-	(80)	-
VOLLEYBALL BOOSTERS	2,715	11,289	10,793	210	3,421
VOLLEYBALL	-	300	4,386	-	(4,086)
12TH REGIONAL VOLLEYBALL	4,065	1,958	178	-	5,845
SWIM - SCOREBOARD	-	-	-	-	-
RACQUET CLUB	-	-	-	-	-
TENNIS - GIRLS	-	-	969	-	(969)
SWIM	-	-	840	-	(840)
SWIM - ROCKETS	1,072	1,500	1,727	-	845
FFA	-	20,540	8,729	(5,883)	5,927
KY River Region FFA	6,560	2,737	4,542	125	4,880
FCCLA	2,125	25,658	10,906	491	17,369
CHEERLEADERS	17,755	85,014	94,099	1,948	10,618
ARGICULTURE - GREENHOUSE	13,830	15,714	7,236	6,173	28,482
AGR CONSTRUCTION SK/MECH	0	3,622	2,154	(971)	497
ART BOOSTERS	346	-	-	-	346
CHORUS	5,647	9,394	11,152	(538)	3,351
MUSIC - Nashville	-	18,122	19,235	1,449	337
ROCK CLASSIC BASK G & B	5,213	6,265	8,021	-	3,457
PROM	9,775	9,260	7,610	-	11,426
YEARBOOK	13,329	4,755	1,198	(60)	16,826
J A G - JOB AMERICAN GRAD	-	-	-	-	-
EMERICK SCH INTEREST	1,098	88	-	-	1,185
EMERIC SCHOLARSHIP	25,000	-	-	-	25,000
PROJECT GRADUATION 2014	-	20,859	26,171	1,296	(4,016)
SENIORS	-	-	-	-	-
LIBRARY	992	790	729	-	1,054
t s a	2,274	6,219	2,566	331	6,258
JAG KY	-	63	-	-	63
ROCK - Hosp	1,450	1,450	-	-	2,900
<b>TOTALS</b>	<b>\$ 281,586</b>	<b>619,956</b>	<b>563,527</b>	<b>0</b>	<b>338,015</b>

See the accompanying notes to the financial statements.

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal ALN	Pass-Through Grantor's Number	Passed Through to Subrecipients	Program or Award Amount	Expenditures
US Department of Agriculture					
Passed Through State Department of Education					
<b>National School Lunch Program</b>	10.555				
Fiscal Year 22		7750002 22	\$ -	\$ N/A	493,732
Fiscal Year 23		7750002 23	-	N/A	1,275,969
Fiscal Year 22		9980000 22	-	N/A	67,627
Fiscal Year 23		9980000 23	-	N/A	32,252
<b>Summer Food Service Program</b>	10.559				
Fiscal Year 23		7690024 23	-	N/A	143
Fiscal Year 23		7740023 23	-	N/A	1,366
<b>National School Breakfast Program</b>	10.553				
Fiscal Year 22		7760005 22	-	N/A	245,513
Fiscal Year 23		7760005 23	-	N/A	710,647
Child Nutrition Cluster Subtotal					<u>2,827,249</u>
<b>State Administrative Grant for Nutrition</b>	10.560				
Fiscal Year 22		7700001 22	-	N/A	3,602
Passed Through State Department of Agriculture					
<b>Food Donation-Commodities</b>	10.565				
Fiscal Year 23		510.4950	-	N/A	154,470
Total US Department of Agriculture					<u>2,985,321</u>
US Department of Education					
Passed Through State Department of Education					
<b>Title I Grants to Local Educational Agencies</b>	84.010	3100002 20	-	30,000	19,479
<b>Title I Grants to Local Educational Agencies</b>	84.010	3100002 22	-	1,067,137	271,986
<b>Title I Grants to Local Educational Agencies</b>	84.010	3100002 23	-	1,180,361	891,279
					<u>1,182,744</u>
<b>Special Education Grants to States</b>	84.027	3810002 23	-	633,111	319,350
<b>Special Education Grants to States - COVID</b>	84.027X	4781	-	148,898	17,286
<b>Special Education - Preschool Grants</b>	84.173	3800002 22	-	30,693	6,012
<b>Special Education - Preschool Grants</b>	84.173	3800002 23	-	30,693	176
<b>Special Education - Preschool Grants - COVID</b>	84.173X	488J	-	20,654	6,529
Special Education Cluster Subtotal					<u>349,352</u>
<b>Vocation Education - Basic Grants to States</b>	84.048	3710002 22	-	1,640	1,640
<b>Vocation Education - Basic Grants to States</b>	84.048	3710002 23	-	20,996	20,996
					<u>22,636</u>
<b>Striving Readers Comprehensive Literacy Grant</b>	84.371	3220002 22	-	323,726	72,140
<b>Striving Readers Comprehensive Literacy Grant</b>	84.371	3220002 23	-	323,726	45,080
					<u>117,220</u>
<b>Rural Education</b>	84.358	3140002 23	-	74,464	559
<b>Title IV Part A</b>	84.424	340002 23	-	137,141	41,281
<b>Distance Learning and Telemedicine</b>	10.855	522i	-	939,588	612,943
<b>Elementary and Secondary School Emergency Relief Fund - COVID</b>	84.425U	430002 22	-	6,215,315	3,205,997
<b>Elementary and Secondary School Emergency Relief Fund - COVID</b>	84.425U	420002 20	-	1,769,827	676,558
<b>Elementary and Secondary School Emergency Relief Fund - COVID</b>	84.425D	4980002 21	-	3,703,949	433,682
<b>Governors Emergency Education Relief Fund - COVID 19</b>	84.425U	420003 20	-	100,000	52,536
					<u>4,368,773</u>
Passed Through Berea College					
<b>Gaining Early Awareness and Readiness for Undergraduate Programs</b>	84.334A	379IG	-	224,720	25,317
<b>Gaining Early Awareness and Readiness for Undergraduate Programs</b>	84.334A	379JG	-	224,720	297,724
					<u>323,042</u>
Total US Department of Education					<u>7,018,549</u>
<b>Total Expenditure of Federal Awards</b>					<u>\$ 10,003,870</u>

\* Major program



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

**NOTE A – BASIS OF PRESENTATION**

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

**NOTE B – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE C – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair value of the commodities received and disbursed. For the year ended June 30, 2023, the District received food commodities totaling \$154,470.

**NOTE D – INDIRECT COST RATE**

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

# Shad J. Allen, CPA, PLLC

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

To the Board of Education of the Rockcastle County School District  
Mt. Vernon, KY

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits, in the *Auditor Responsibilities and State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements, the financial statements of the governmental activities, the business-type activities each major fund, and the aggregate remaining fund information of Rockcastle County School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Rockcastle County School District's basic financial statements, and have issued our report thereon dated November 15, 2023

### **Report on Internal Control over Financial Reporting**

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

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

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

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

As part of obtaining reasonable assurance about whether Rockcastle County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws,

regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated November 15, 2023.

### **Purpose of This Report**

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

*Shad J. Allen, CPA, PLLC*

Richmond, KY

November 15, 2023

# Shad J. Allen, CPA, PLLC

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

To the Board of Education of the Rockcastle County School District  
Mt. Vernon, KY

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

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

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

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

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

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

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

#### ***Responsibilities of Management for Compliance***

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

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

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

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

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

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

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

### **Report on Internal Control over Compliance**

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

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

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

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

*Shad J. Allen, CPA, PLLC*

Richmond, KY

November 15, 2023

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

**SUMMARY OF AUDITOR’S RESULTS**

What type of report was issued for the financial statements?	Unmodified
Were there significant deficiencies in internal control disclosed? If so, was any significant deficiencies material (GAGAS)?	None Reported N/A
Was any material noncompliance reported (GAGAS)?	No
Were there material weaknesses in internal control disclosed for major programs?	No
Were there any significant deficiencies in internal control disclosed that were not considered to be material weaknesses?	None Reported
What type of report was issued on compliance for major programs?	Unmodified
Did the audit disclose findings as it relates to major programs that Is required to be reported as described in the Uniform Guidance?	No
Major Programs: Elementary and Secondary School Emergency Relief Fund – COVID 19 [ALN 84.425] Child Nutrition Cluster [ALN 10.555, ALN 10.559, ALN 10.553]	
Dollar threshold of Type A and B programs	\$750,000
Low risk auditee?	Yes

**FINDINGS - FINANCIAL STATEMENT AUDIT**

No findings at the financial statement level.

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

No findings at the major federal award programs level.

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

There were no prior year findings



**APPENDIX D**

**ROCKCASTLE COUNTY ( KENTUCKY) SCHOOL DISTRICT FINANCE CORPORATION  
SCHOOL BUILDING REVENUE BONDS  
SERIES OF 2024**

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FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL



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 Suite 115  
 Louisville, Kentucky 40222  
 Telephone: 502-423-2000  
 Telefax: 502-423-2001  
 www.steptoe-johnson.com

\_\_\_\_\_, 2024

Rockcastle County School District Finance Corporation  
 Mt. Vernon, Kentucky

**In re: \$27,530,000 Rockcastle County School District Finance Corporation  
 School Building Revenue Bonds, Series of 2024, dated October 31, 2024**

We have served as bond counsel to the Rockcastle County School District Finance Corporation (the "Corporation"). In that capacity we have examined the transcript of proceedings had in connection with the issuance of \$27,530,000 Rockcastle County School District Finance Corporation School Building Revenue Bonds, Series of 2024, dated October 31, 2024 (the "Bonds"). Said Bonds have been issued in fully registered form, both principal and interest, accrue interest from their date at the rates indicated below, payable March 1, 2025, and semi-annually thereafter, and mature or are subject to mandatory redemption as to principal on March 1 as follows:

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>CUSIP</u> <u>772884</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>CUSIP</u> <u>772884</u>
2025	\$955,000	%		2035	\$1,690,000	%	
2026	560,000			2036	1,755,000		
2027	1,460,000			2037	1,175,000		
2028	1,540,000			2038	1,220,000		
2029	1,605,000			2039	1,165,000		
2030	1,685,000			2040	1,210,000		
2031	1,765,000			2041	1,255,000		
2032	1,480,000			2042	1,355,000		
2033	1,555,000			2043	1,205,000		
2034	1,635,000			2044	1,260,000		

The Bonds maturing on or after March 1, 2034 are subject to redemption at the option of the Corporation prior to their stated maturities on any date falling on or after March 1, 2033, in any order of maturities (less than all of a single maturity to be selected by lot), in whole or in part, upon notice of such prior redemption being given by the Paying Agent in accordance with DTC requirements not less than thirty (30) days prior to the date of redemption, upon terms of the face amount, plus accrued interest, but without redemption premium.

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

Said Bonds shall be in denominations in multiples of \$5,000 within the same maturity. The Corporation has delivered Bond Certificates to U.S. Bank Trust Company, National Association, Louisville, Kentucky, the Bond Registrar and Paying Agent, fully registered in the name of Cede & Co., New York, New York, as the designee of The Depository Trust Company ("DTC"). The payment of all interest, principal and redemption premium, if any, as well as all transfers of ownership of the Bonds shall be effected through the Book-Entry-Only-System facilitated through DTC utilizing the fifteenth day of the month preceding a due date as the record date for Ownership.

The Rockcastle County School District Finance Corporation (the "Corporation") has been formed as a non-profit, non-stock corporation pursuant to the provisions of Chapter 273, Section 58.180 and Sections 162.120 through 162.300 and 162.385 of the Kentucky Revised Statutes ("KRS") to act as an agency and instrumentality on behalf of the Board of Education of Rockcastle County, Kentucky (the "Board") in financing school building improvements. The affairs of the

Corporation are managed by its Board of Directors; members of the Board of Education are Directors of the Corporation by virtue of their elected office. We are of the opinion that the Corporation has been legally incorporated and is authorized to do business under Kentucky law and that the Corporation's Board of Directors has taken all appropriate action to legally authorize, sell, issue, and deliver the Bonds pursuant to the Bond Resolution.

The Bonds have been authorized pursuant to the Bond Resolution passed and adopted by the Corporation's Board of Directors and the provisions of KRS 162.120 through 162.300 and KRS 162.385 for the purpose of financing construction of a new Middle School (the "Project"). The right has been reserved to issue additional parity bonds in the future for additional improvements to such buildings.

From our examination of the entire transcript of proceedings, we are of the opinion that such Bonds and the interest accruing thereon, constitute valid and binding obligations and commitments of the Corporation in accordance with their terms, payable solely from the income and revenues of the school property referred to in the Bond Resolution authorizing such Bonds, a sufficient portion of which revenues has been pledged to be set aside for the payment of such Bonds as they severally mature and the interest accruing thereon. Said Bonds are secured by a lien upon and a pledge of the revenues from the rental of the school building Project constructed from the proceeds thereof to the Board under a certain Lease Agreement by and between said Corporation and said Board (the "Lease").

We are of the opinion that the Lease is a legally valid and binding obligation of the Board under Kentucky law in accordance with its terms for each year in which it is renewed by the Board. The right is reserved in the Board to terminate the Lease at the end of any rental year; provided, however, the Lease shall be automatically renewed unless the Board shall elect not to do so.

Although the Board is obligated to pay the Corporation annual requirements on the Bonds for each year in which the Lease is renewed, the Board has entered into the Lease in reliance upon the terms of a certain Participation Agreement by and between the Board and the School Facilities Construction Commission of the Commonwealth of Kentucky (the "Commission"). Under the terms of the Participation Agreement, the Commission has agreed to pay annually directly to the Paying Agent a stated Agreed Participation equal to approximately \$211,612 toward the annual debt service requirements of the Bonds, subject to the constitutional restrictions limiting the commitment to the biennium; said annual Agreed Participation is to be applied only to the principal and interest requirements of the Bonds so long as the Board renews the Lease. Under the Lease, the Board has pledged and assigned its rights under the Participation Agreement in and to the Agreed Participation to the Corporation in order to secure the rental payments due under the Lease and accordingly the payment of the Bonds.

The Commission has been established pursuant to the provisions of KRS 157.611 through 157.640 (the "Act") as a corporate agency and instrumentality of the Commonwealth, for the purpose of assisting local school districts in meeting their school construction needs in a manner which will ensure an equitable distribution of funds based upon unmet need. Pursuant to the provisions of the Act, the Commission has determined that the Board is eligible for participation from the Commission in meeting the costs of the school improvements financed from the proceeds of the Bonds; provided, however, that the contractual commitment of the Commission to pay the annual Agreed Participation is limited to the biennial budget period of the Commonwealth, with the first biennial period terminating June 30, 2026. Because of the constitutional restriction, the right is reserved in the Commission to terminate the commitment to pay the Agreed Participation every two years after the initial biennial period; however, by the execution of the Participation Agreement, the Commission has expressed its present intention to continue to pay the Agreed Participation in each successive biennial budget period until March 1, 2044 so long as the Board renews its Lease. The Commission's financial obligations are to be paid from biennial appropriations from the General Assembly of the Commonwealth.

Under the terms of the Lease, and any renewal thereof, the Board has agreed so long as the Bonds remain outstanding, and in conformance with the intent and purpose of KRS 157.627(5) and KRS 160.160(5), in the event of a failure by the Board to pay the rentals due under the Lease, and unless sufficient funds have been transmitted to the Paying Agent, or will be so transmitted, for paying said rentals when due, the Board has granted under the terms of the Lease and Participation Agreement to the Corporation and the Commission the right to notify and request the Kentucky Department of Education to withhold from the Board a sufficient portion of any undisbursed funds then held, set aside, or allocated to the Board and to request said Department or Commissioner of Education to transfer the required amount thereof to the Paying Agent for the payment of such rentals.

Based upon existing statutes, regulations and official rulings as construed and applied as of the date the Bonds herein referred to are delivered, it is our further opinion that under existing law: (i) the receipt of interest on said Bonds is excludable from the gross income of the recipients thereof for Federal income tax purposes; (ii) interest on the Bonds will not be a specific item of tax preference for purposes of the Federal alternative minimum tax, however, with respect to certain corporations, interest on the Bonds is taken into account in determining the annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022; (iii) said Bonds and the interest thereon are exempt from income taxation and ad valorem taxation by the Commonwealth of Kentucky and all of its political subdivisions; and (iv) financial institutions may NOT treat the Bonds as "qualified tax-exempt obligations" under the provisions of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

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 E**

**ROCKCASTLE COUNTY ( KENTUCKY) SCHOOL DISTRICT FINANCE CORPORATION  
SCHOOL BUILDING REVENUE BONDS  
SERIES OF 2024**

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FORM OF CONTINUING DISCLOSURE CERTIFICATE

## CONTINUING DISCLOSURE UNDERTAKING AGREEMENT

This Continuing Disclosure Undertaking Agreement ("Agreement") made and entered into as of October 31, 2024, by and between the Board of Education of Rockcastle County, Kentucky ("Board"); the Rockcastle County School District Finance Corporation, an agency and instrumentality of the Board ("Corporation") and the Registered and Beneficial Owners of the Bonds hereinafter identified as third-party beneficiaries to this Agreement. For the purposes of this Agreement "Beneficial Owner" means the person or entity treated as the owner of the Bonds for federal income tax purposes and "Registered Owner" means the person or entity named on the registration books of the bond registrar.

### **WITNESSETH:**

WHEREAS, the Corporation has acted as issuing agency for the Board pursuant to the provisions of Section 162.385 of the Kentucky Revised Statutes ("KRS") and the Corporation's Bond Resolution in connection with the authorization, sale and delivery of \$27,530,000 of the Corporation's School Building Revenue Bonds, Series of 2024, dated as of October 31, 2024 ("Bonds"), which Bonds were offered for sale under the terms and conditions of a Final Official Statement ("FOS") prepared by Compass Municipal Advisors, LLC, Lexington, Kentucky ("Municipal Advisor") and approved by the authorized representatives of the Board and the Corporation, and

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

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

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

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

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

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

The Board agrees to provide the annual financial information contemplated by Rule 15c2-12(b)(5)(i) relating to the Board for its fiscal years ending June 30 of each year, commencing with fiscal year ending June 30, 2024, to (a) the Municipal Securities Rulemaking Board ("MSRB"), or any successor thereto for purposes of its Rule, through the continuing disclosure service portal provided by the MSRB's Electronic Municipal Market Access ("EMMA") system as described in 1934 Act Release No. 59062, or any similar system that is acceptable to the Securities and Exchange Commission and (b) the State Information Depository ("SID"), if any (the Commonwealth of Kentucky has not established a SID as of the date of this Agreement) within nine (9) months of the close of each fiscal year.

For the purposes of the Rule "annual financial information" means financial information and operating data provided annually, of the type included in the FOS with respect to the Board in accordance with guidelines established by the National Federation of Municipal Analysts, and shall include annual audited financial statements for the Board in order that the recipients will be provided with ongoing information regarding revenues and operating expenses of the Board and the information provided in the FOS under the headings "TAX BASE INFORMATION" and "OPERATING AND FINANCIAL DATA". If audited financial statements are not available when the annual financial information is filed, unaudited financial statements shall be included, to be followed by audited financial statements when available.

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

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

## 2. MATERIAL EVENTS NOTICES

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

For purposes of this Agreement the term “financial obligation” means:

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

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

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

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

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

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

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

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

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

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

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

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

### **7. AMENDMENT; WAIVER**

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

(a) If the amendment or waiver relates to the provisions of Section 1, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the holders of the Bonds in the same manner as provided in the Bond Resolution for amendments to the Bond Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Registered Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Agreement, the Board shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the



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

## **8. DEFAULT**

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

[SIGNATURE PAGE-DISCLOSURE AGREEMENT]

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

**BOARD OF EDUCATION OF  
ROCKCASTLE COUNTY, KENTUCKY**

\_\_\_\_\_  
Chairperson

Attest:

\_\_\_\_\_  
Secretary

**ROCKCASTLE COUNTY SCHOOL  
DISTRICT FINANCE CORPORATION**

\_\_\_\_\_  
President

Attest:

\_\_\_\_\_  
Secretary

**APPENDIX F**

**ROCKCASTLE COUNTY ( KENTUCKY) SCHOOL DISTRICT FINANCE CORPORATION  
SCHOOL BUILDING REVENUE BONDS  
SERIES OF 2024**

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BOOK-ENTRY ONLY SYSTEM

## **BOOK-ENTRY ONLY SYSTEM**

The Depository Trust Company (“DTC”), New York, NY, 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 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 its participants (the “Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between the Direct Participants’ accounts, which eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers, dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”), which 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, including both U.S. and non-U.S. securities brokers, dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with any Direct Participant, either directly or indirectly (the “Indirect Participants” and, together with the Direct Participants, the “Participants”). DTC has a rating of AA+ from S&P. The DTC Rules that are applicable to the Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

To facilitate subsequent transfers, all of the 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 the 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 of the Bonds. 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 Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

The conveyance of notices and any other communications by DTC to the Direct Participants, by the Direct Participants to the Indirect Participants, and by the Direct Participants and the Indirect Participants to the

Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. The Beneficial Owners may wish to take certain steps to augment the transmission to them of notices of significant events relating to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, the Beneficial Owners may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to the Beneficial Owners. Alternatively, the 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 a single 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 the 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 District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and 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 detailed information from the District or the Paying Agent, on the payable date in accordance with their respective holdings shown upon DTC's records. All payments by the Participants to the Beneficial Owners will be governed by standing instructions and customary practices, as is the case with any securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, 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) will be the responsibility of the District or the Paying Agent, the disbursement of such payments to Direct Participants will be the responsibility of DTC, and the disbursement of such payments to Beneficial Owners will be the responsibility of the Direct Participants and the Indirect Participants.

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

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