

This Preliminary Official Statement has been prepared for submission to prospective bidders for the bonds herein described and is in a form "deemed final" by the Corporation for purposes of SEC Rule 15c2-12(b)(1), but is subject to revision, amendment and completion in a final Official Statement. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

**PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 9, 2018  
(Bonds to be Sold January 16, 2018 at 10:30 A.M. E.S.T.)**

In the opinion of Bond Counsel, subject to the conditions set forth in "Tax Exemption" herein, under existing laws, interest on the Bonds is excludable from gross income for federal and Kentucky income tax purposes and is not an item of tax preference for purposes of computing the federal alternative minimum tax. Bond Counsel is further of the opinion that the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and its political subdivisions. See "Tax Exemption" herein.

**NEW ISSUE  
NOT BANK QUALIFIED**

**RATING: "A1" Moody's Enhanced  
"A1" Underlying  
(See "Rating" Herein)**



**BOOK-ENTRY-ONLY SYSTEM**

**\$32,270,000\***

**BOYLE COUNTY (KENTUCKY)  
SCHOOL DISTRICT FINANCE CORPORATION  
SCHOOL BUILDING REVENUE BONDS,  
SERIES OF 2018**

**Date: Date of Issuance**

**Bonds Due: as defined below**

U.S. Bank National Association, Louisville, Kentucky, has been designated as Paying Agent and Bond Registrar. The School Building Revenue Bonds, Series of 2017 (the "Bonds") will be issued and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchasers will not receive certificates representing their ownership interest in the Bonds. Accordingly, principal, interest and premium, if any, on the Bonds will be paid by the Paying Agent, directly to DTC or Cede & Co., its nominee. DTC will in turn remit such principal, interest or premium to the DTC Participants (as defined herein) for subsequent distribution to the Beneficial Owners (as defined herein) of the Bonds. The Bonds will be issued in denominations of \$5,000 each or integral multiples thereof, and will bear interest payable on February 1 and August 1, commencing with first interest payment on August 1, 2018. The Bonds will mature in the respective years as shown in the table below.

<u>Cusip#</u> <b>103466--</b>	<u>Date</u>	<u>Amount*</u>	<u>Interest Rate</u> %	<u>Price/Yield</u>	<u>Cusip#</u> <b>103466--</b>	<u>Date</u>	<u>Amount*</u>	<u>Interest Rate</u> %	<u>Price/Yield</u>
	2/1/2019	\$880,000				2/1/2029	\$1,475,000		
	2/1/2020	890,000				2/1/2030	1,515,000		
	2/1/2021	910,000				2/1/2031	1,920,000		
	2/1/2022	930,000				2/1/2032	2,080,000		
	2/1/2023	950,000				2/1/2033	2,145,000		
	2/1/2024	970,000				2/1/2034	2,225,000		
	2/1/2025	995,000				2/1/2035	2,305,000		
	2/1/2026	1,020,000				2/1/2036	2,585,000		
	2/1/2027	1,400,000				2/1/2037	2,770,000		
	2/1/2028	1,435,000				2/1/2038	2,870,000		

Electronic bids for the Bonds must be submitted through PARITY® Competitive Bidding System.

The Bonds maturing on and after February 1, 2028 are redeemable at the option of the Corporation on and after August 1, 2027 as described herein.

The Bonds are offered, subject to prior sale, when, as and if issued by the Corporation, subject to prior approval of legality by Steptoe & Johnson PLLC, Bond Counsel, Louisville, Kentucky. Delivery of the Bonds is expected on or about January 30, 2018.

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

\*Preliminary, subject to adjustment

**J.J.B. HILLIARD, W.L. LYONS, LLC**  
Louisville, Kentucky  
Fiscal Agent

**BOYLE COUNTY SCHOOL DISTRICT  
FINANCE CORPORATION**

Corporation Officers

Jennifer Newby - President  
Julie Jones - Vice President  
Mike LaFavers – Secretary  
David Morris – Treasurer  
Ruth Ann Elliott - Member  
Jesse Johnson - Member  
Steve Tamme - Member

**BOYLE COUNTY BOARD OF EDUCATION**

Board Members

Jennifer Newby - Chairperson  
Julie Jones - Vice Chairperson  
Ruth Ann Elliott - Member  
Jesse Johnson - Member  
Steve Tamme - Member

Mike LaFavers – Superintendent  
David Morris – Director of Finance

**BOND COUNSEL**

Steptoe & Johnson PLLC  
Louisville, Kentucky

**FISCAL AGENT**

J.J.B. Hilliard, W.L. Lyons, LLC  
Louisville, Kentucky

**PAYING AGENT AND REGISTRAR**

U.S. Bank, National Association  
Louisville, Kentucky

**BOOK-ENTRY-ONLY-SYSTEM**

## **REGARDING USE OF THIS OFFICIAL STATEMENT**

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the Boyle County School District Finance Corporation or the Boyle County Board of Education identified on the cover page hereof. No person has been authorized by the Boyle County School District Finance Corporation or the Boyle County Board of Education to give any information or to make any representation other than that contained in the Official Statement, and if given or made such other information or representation must not be relied upon as having been given or authorized by the Boyle County School District Finance Corporation or the Boyle County Board of Education or the Fiscal Agent. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Boyle County School District Finance Corporation or the Boyle County Board of Education since the date hereof.

Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency, except the Boyle County School District Finance Corporation or the Boyle County Board of Education, will pass upon the accuracy or adequacy of this Official Statement or approve the Bonds for sale.

(The Remainder of This Page Intentionally Left Blank)

---

THIS PAGE INTENTIONALLY  
LEFT BLANK

---

# TABLE OF CONTENTS

	<u>Page</u>
Introductory Statement.....	1
Book Entry and DTC .....	1
The Bonds .....	2
Boyle County School District Finance Corporation.....	3
Authority and Security .....	3
State Intercept .....	4
Kentucky School Facilities Construction Commission .....	4
Biennial Budget Ending June 30, 2018.....	4
The Project.....	4
Disposition of Bond Proceeds.....	5
Additional Parity Bonds .....	5
Miscellaneous Resolution and Lease Provisions.....	5
State Support of Education.....	6
Kentucky Department of Education Supervision .....	7
Revenue Sources Within the Boyle County School District .....	7
Tax Base Information.....	8
Tax Exemption; Not Bank Qualified.....	8
Continuing Disclosure.....	9
Potential Legislation.....	9
Absence of Material Litigation.....	10
Fiscal Agent .....	10
Underwriting .....	10
Rating.....	10
No Legal Opinion Expressed as to Certain Matters .....	10
Completeness of Official Statement .....	10
Approval of Official Statement .....	10
Appendix A: Tax Base and Operating Data	
Appendix B: Outstanding Bonds of the District	
Appendix C: Demographic and Economic Data	
Appendix D: Estimated Commission and District Debt Service Requirements on the Series of 2018 Bonds; and Estimated Total Annual Debt Service Requirements	
Appendix E: Audited Financial Statements for Fiscal Year Ended June 30, 2017	
Appendix F: Continuing Disclosure Agreement	

---

THIS PAGE INTENTIONALLY  
LEFT BLANK

---

**OFFICIAL STATEMENT RELATING TO**  
**\$32,270,000\***  
**BOYLE COUNTY (KENTUCKY)**  
**SCHOOL DISTRICT FINANCE CORPORATION**  
**SCHOOL BUILDING REVENUE BONDS, SERIES OF 2018**

**INTRODUCTORY STATEMENT**

This Official Statement, including the cover page, is furnished in connection with the offering of \$32,270,000\* in principal amount of School Building Revenue Bonds, Series of 2018 (the "Bonds") of the Boyle County School District Finance Corporation (the "Corporation"). The Bonds will be issued under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky including, among others, Sections 58.180, 162.120 through 162.300, and 162.385 of the Kentucky Revised Statutes (the "KRS"). The Bonds will be issued in accordance with a resolution (the "Resolution") adopted by the Corporation.

**BOOK ENTRY AND DTC**

The following information regarding DTC and Cede and Co. will be applicable to the Bonds as long as a book entry system is utilized. The Corporation does not assume any responsibility for the accuracy or completeness of the information set forth under this caption "Book Entry", and the Corporation is not required to supervise, and will not supervise, the operation of the book entry system described herein.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds (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 the Bonds, in the aggregate principal amount of such issue, 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 pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of bond certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

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

---

\*Preliminary, subject to adjustment

To facilitate subsequent transfers, all 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 effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 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 Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 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 detail information from the Corporation or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with 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, Paying Agent or Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Corporation or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to Corporation or 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 Corporation may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

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

## **THE BONDS**

The Bonds will be issued in the principal amount of \$32,270,000\* in fully registered form and in denominations of \$5,000 or any integral multiples thereof, will mature as to principal on February 1, 2019, and thereafter on each February 1 and will bear interest as set forth on the cover page of this Official Statement.

---

\*Preliminary, subject to adjustment



The Bonds maturing on or after February 1, 2028 are subject to redemption at the option of the Corporation prior to their stated maturities on any date falling on or after August 1, 2027, 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.

Interest accruing on the Bonds will be payable semiannually on February 1 and August 1 of each year (commencing August 1, 2018) from the later of the date of issuance, or the most recent interest payment date to which interest has been paid or duly provided for. The interest installment on each Bond will be paid to the person who is the Registered Owner thereof as of the close of business on the Record Date for such interest installment, which Record Date will be the 15th day (whether or not a business day) of the calendar month next preceding such interest payment date. Payment of interest will be made by check or draft mailed to the person who is the Registered Owner on the applicable Record Date at the address of such Registered Owner as it appears on the books of the Paying Agent and Bond Registrar. Principal will be paid when due upon delivery of the Bond for payment at the principal office of the Paying Agent and Bond Registrar.

See "BOOK ENTRY AND DTC" regarding payment of principal and interest to the Beneficial Owners while the Bonds are in the Book-Entry-Only System.

### **BOYLE COUNTY (KENTUCKY) SCHOOL DISTRICT FINANCE CORPORATION**

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

### **AUTHORITY AND SECURITY**

The Bonds are authorized pursuant to KRS 162.120 through 162.300, 162.385, and KRS 58.180 and are issued in accordance with a Resolution of the Corporation's Board of Directors. Said Bonds are revenue bonds and constitute a limited indebtedness of the Corporation payable from rental revenues derived by the Corporation from the Board under the Lease identified below. Said Bonds are being issued to finance construction of Boyle County Middle School (the "Project") and are secured by a statutory mortgage lien upon and a pledge of the revenues from the rental of the school building property to the Board under the Lease on a year to year basis; the first rental period ending June 30, 2018; 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 improve the building(s) in which the Project is located (the "Parity Bonds"). The statutory mortgage lien securing the Bonds is limited in its application to the exact site of the Project acquired from the proceeds of the Bonds real estate unoccupied by the Project is unencumbered. Should the Board default in its obligations under the Lease or fail to renew the Lease, the Registered Owners of Bonds have the right to have a receiver appointed to administer the Project under KRS 162.220; foreclosure and sale are not available as remedies.

The rental of the Project from the Corporation to the Board is to be effected under a certain Lease Agreement by and between the Corporation and the Board (the "Lease"), whereunder the Project is leased to the Board for the initial period ending June 30, 2018, with an option in the Board to renew the Lease each year at rentals sufficient to provide for the principal and interest requirements on the Bonds as they become due, plus the costs of insurance, maintenance, depreciation, and bond issuance and administration expenses; the Board being legally obligated only for the initial rental period and for one year at a time thereafter each time the Lease is renewed.

Under the Lease the Board has leased the school properties securing the Bonds in accordance with the provisions of KRS 162.140 for an initial period from January 30, 2018 through June 30, 2018, with the option in the Board to renew said 2016 Lease from year to year for one year at a time, at annual rentals, sufficient in each year to enable the

Corporation to pay, solely from the rentals due under the Lease, the principal and interest on all of the Bonds as same become due.

The Lease provides further that so long as the Board exercises its annual renewal options, its rentals will be payable according to the terms and provisions of the Lease until February 1, 2038, the final maturity date of the Bonds, and such annual rentals shall be deposited as received in the Bond Fund for the Bonds and used and applied for the payment of all maturing principal of and interest on the Bonds.

Although the Board is obligated to pay the Corporation annual rentals in the full amount of the principal and interest requirements for the Bonds for each year in which the Lease is renewed, the Board has entered into the Lease in reliance upon a certain Participation Agreement by and between the Board and the Kentucky School Facilities Construction Commission (the "Commission"). Under the terms of the Participation Agreement, the Commission has agreed to pay annually directly to the Paying Agent for the Bonds a stated Agreed Participation equal to approximately 40% of the annual debt service requirements for the Bonds herein identified until their retirement, subject to the constitutional restrictions limiting the commitment to the biennium; said annual amount is to be applied only to the principal and interest requirements of the Bonds so long as the Board renews the Lease. Under the Lease, the Board has pledged and assigned all of its rights under the Participation Agreement in and to the Agreed Participation to the Corporation in order to secure the Bonds and has agreed to pay that portion of the rentals in excess of said Agreed Participation for each year in which the Lease is renewed.

#### **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 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.

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

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

The Commission will enter into a Participation Agreement with the Board whereunder the Commission, will agree to pay 40% of the debt service on the Bonds until final maturity; provided, however, that the contractual commitment of the Commission to pay the annual Agreed Participation is limited to the biennial budget period of the Commonwealth, with the first such biennial budget period terminating on June 30, 2018.

The General Assembly of the Commonwealth adopted the State's Budget for the biennium ending June 30, 2018. Inter alia, the Budget provides \$121,610,900 in FY 2016-17 and \$134,544,300 in FY 2017-18 to pay debt service on existing and future bond issues; \$100,000,000 of the Commission's previous Offers of Assistance made during the last biennium; and authorizes \$91,000,000 in additional Offers of Assistance for the current biennium to be funded in the Budget for the biennium ending June 30, 2020.

#### **BIENNIAL BUDGET FOR PERIOD ENDING JUNE 30, 2018**

The Kentucky General Assembly, during its Regular Session, adopted a budget for the biennium ending June 30, 2018 which was approved and signed by the Governor. Such budget became effective beginning July 1, 2016.

#### **THE PROJECT**

The purpose of the Project is to finance major renovations to Boyle County Middle School. The Project includes construction approximating 122,000 square feet of a two-story facility. The structure consists of load bearing masonry walls and steel columns with exterior walls comprised of concrete masonry, brick and stone veneers. Floor

finishes varies throughout the facility to include resilient, terrazzo, wood flooring in gymnasium, ceramic tile and carpeting. Roof consists of a combination of standing seam metal and TPO membrane (form of thermoplastic membrane). School has standard classrooms, laboratories, administrative offices and support spaces, gymnasium and performing arts center. The Project also includes installation of a geothermal HVAC system with individual heat pumps, sprinkler system and applied fire proofing of steel in certain areas.

The estimated sources and uses of funds are as follows:

**Sources of Funds\***

Par Amount of Bonds:		
SFCC Bonds	\$13,334,270	
Local Bonds	<u>18,935,730</u>	
Total Par Amount of Bonds		\$32,270,000
Other SFCC Funds		40,528
Other Local Funds		<u>3,154,620</u>
<b>Total</b>		<b><u>\$35,465,148</u></b>

**Uses of Funds\***

Deposit to Project Fund		\$34,695,861
Total Underwriter’s Discount (2.0%)		645,400
Costs of Issuance & Surplus Funds		<u>123,887</u>
<b>Total</b>		<b><u>\$35,465,148</u></b>

\_\_\_\_\_  
\*Preliminary, subject to adjustment

**DISPOSITION OF BOND PROCEEDS**

The Bond proceeds will be applied as follows:

- (a) There shall be paid any and all expenses incident to the issuance, sale and delivery of the Bonds, including the fees of the Fiscal Agent, the rating fee and such other appropriate expenses as may be approved by the Corporation and Board.
- (b) There shall next be deposited to the District’s depository bank, Farmer’s National Bank, Danville, Kentucky (the “Depository), the remainder of the Bond proceeds (to be accounted for as a “construction” account on the District’s accounting system).

**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 Projects and secured by a statutory mortgage lien and pledge of revenues, but only if and to the extent the issuance of such additional parity bonds are in accordance with plans and specifications approved by the Board, Commissioner of Education, and filed in the office of the Secretary of the Corporation.

**MISCELLANEOUS RESOLUTION AND LEASE PROVISIONS**

In the Resolution the Corporation has reserved the right to make provision for discharge of the pledges and liens securing the Bonds by depositing in or for the credit of the Bond Fund moneys sufficient to pay all principal and interest requirements on the Bonds to a certain date of redemption or to the date of maturity, or by depositing in the Bond Fund obligations of the United States Government which, together with earnings thereon, will produce such amounts for payment of the Bonds.

The Resolution and the Lease contain tax covenants, representations and warranties to the effect that the Corporation and the Board are in compliance with, and will comply with, the requirements of the United States Internal Revenue Code of 1986, as amended (the "Code"), so that the Bonds will not become "arbitrage bonds" within the meaning of the Code.

## STATE SUPPORT OF EDUCATION

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

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

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

KRS 157.420 establishes a formula which results in the allocation of funds for capital expenditures in school districts at \$100 per ADA pupil which is included in the SEEK allotment (\$3,911) for the current biennium which is required to be segregated into a Capital Outlay Allotment Fund which may be used only for (1) direct payment of construction costs; (2) debt service on voted and funding bonds; (3) lease rental payments in support of bond issues; (4) reduction of deficits resulting from over expenditures for emergency capital construction; and (5) a reserve for each of the categories enumerated in 1 through 4 above.

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

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

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

KRS 157.620(1) also provides that in order to be eligible for participation from the Kentucky School Facilities Construction Commission for debt service on bond issues the district must levy a tax which will produce revenues equivalent to \$.05 per \$100 of the total assessed value of all property in the district (including tangible and intangible property and motor vehicles) in addition to the minimum \$.30 levy required by KRS 160.470(12). A district having a special voted tax which is equal to or higher than the required \$.05 tax, must commit and segregate for capital purposes at least an amount equal to the required \$.05 tax. Those districts which levy the additional \$.05 tax are also eligible for participation in the Kentucky Facilities Support ("KFS") program for which funds are appropriated separately from SEEK funds and are distributed to districts in accordance with a formula taking into account outstanding debt and funds available for payment from both local and state sources under KRS 157.440(1)(b).

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

## KENTUCKY DEPARTMENT OF EDUCATION SUPERVISION

Pursuant to the provisions of KRS 160.470, it is provided that a local school district budget failing to provide payments for rentals in connection with outstanding revenue bonds for school purposes shall be disapproved. State Department of Education approval of a bond issue and its associated financial, educational and construction plans, is required prior to its issuance and will have been received prior to the sale of this issue. State 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 a school district, requirements of prompt, detailed reports of receipts and expenditure and the annual approval of an operating budget as a prerequisite to such operation. All local boards who have entered into contracts for the issuance of bonds must arrange for insurance protection in an amount equal to the full insurable value of the buildings or to the continuous retention of such insurance. This State Department of Education supervision and control is believed to be a major contribution toward the maintenance of Kentucky's perfect record of no defaults in payment of its revenue bonds for school purposes.

**THE STATE DEPARTMENT OF EDUCATION HAS ADOPTED A POLICY WHICH REQUIRES THAT ANNUAL BUDGETS OF LOCAL SCHOOL BOARDS PROVIDE FOR RENTAL PAYMENTS FOR DEBT SERVICE IN ORDER FOR SUCH BUDGETS TO BE APPROVED BY SAID DEPARTMENT.**

### REVENUE SOURCES WITHIN THE BOYLE COUNTY SCHOOL DISTRICT

#### Capital Outlay Allotment

Kentucky's SEEK Capital Outlay Program provides for the annual payment to all districts for capital construction or acquisition. 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 the lease agreement.

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

The capital outlay allotment to the District for the most recent four year period can be found in **Appendix A**.

#### Utility Tax

The Board levies a utility gross receipts tax (for school purposes) on the gross receipts derived from the furnishing, within Boyle County, of telephone, telegraph, electric power, water and gas, subject to certain exemptions. Once levied, the tax remains in effect from year to year unless and until the Board requests its discontinuance. The tax is due and payable monthly. Please see **Appendix A** for utility receipts received by the Board.

#### General Property, Motor Vehicle and Aircraft Tax

The Board levies a tax at a rate per \$100 on real estate, personal property and motor vehicles. See **Appendix A** for the most recent five year period of rates assessed.

#### SEEK Program Fund

The SEEK Program Fund allocates biennial appropriations from the General Assembly to each Kentucky school district. The base level is determined for each fiscal year by dividing the total SEEK appropriation by the state-wide total of pupils in average daily attendance. Each district's share of the SEEK Program is subject to adjustment to reflect several factors. See "STATE SUPPORT OF EDUCATION" for more details.

See **Appendix A** for a recent history of the SEEK Program Fund appropriations to the District.

#### FSPK Program

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

See **Appendix A** for the District's funds from the FSPK Program for the last five years.

### **Recallable Nickel**

Pursuant to KRS 160.470 and KRS 132.017, on May 21, 2015, the Board adopted and levied a 5 cent real and tangible property increase for debt service and for new school facilities. No opposition to the tax occurred at a public hearing and no petition was filed for recall after passage. The increase generates an additional \$611,193 in local revenue based on 2017-18 assessments.

## **TAX BASE INFORMATION**

### **Homestead Exemption**

Section 170 of the Kentucky Constitution was amended by the voters of the Commonwealth of Kentucky at the General Election held 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. Following that election, the 1972 General Assembly amended KRS Chapter 132 to permit counties and school districts to adjust their local tax revenues through increases in taxes on non-exempt property by amounts equivalent to the revenues lost through application of this homestead exemption. In subsequent sessions of the General Assembly the "single-unit" qualification has been enlarged so as to provide for the 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; and that the \$6,500 exemption "shall be construed to mean \$6,500 in terms of the purchasing power of the dollar in 1972. Every two years thereafter, if the cost of living index of the U.S. Department of Labor has changed as much as one (1) percent, the maximum exemption shall be adjusted accordingly." The local general property tax rate on non-exempt property has been adjusted so as to recover tax revenues equivalent to the revenues lost through application of the homestead exemption. The amount of the individual exemption as of January 1, 2017 was \$37,600.

### **Limitation on Taxation**

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

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

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

Please see **Appendix A** for tax base data to include assessments and tax receipts.

## **TAX EXEMPTION; NOT BANK QUALIFIED**

Bond Counsel is of the opinion that the Bonds are NOT "qualified tax-exempt obligations" within the meaning of the Internal Revenue Code of 1986, as amended, and therefore advises as follows:

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

(B) The interest income from the Bonds is excludable from the gross income of the recipient thereof for Federal income tax purposes under existing law; provided, that the corporate entities noted below are advised of certain tax consequences as follows:

(1) In the computation of the corporate minimum tax, earnings and profits may include otherwise tax-exempt interest on the Bonds; this provision applies to corporations only.

(2) Property and casualty insurance companies may be denied certain loss reserve deductions to the extent of otherwise tax-exempt interest on the Bonds.

(C) As a result of designations and certifications by the Board and the Corporation, indicating the issuance of MORE than \$10,000,000 of qualified tax-exempt obligations during the calendar year ending December 31, 2018, the Bonds may NOT be treated by financial institutions as if they were acquired before August 8, 1986.

(D) The interest income from the Bonds is excludable from the gross income of the recipient thereof for Federal income tax purposes under existing law for individuals; however, said income must be included in the calculation of "modified adjusted gross income" in the determination of whether and to what extent Social Security benefits are subject to Federal income taxation.

### **CONTINUING DISCLOSURE**

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

Any or all of the items listed as a filing requirement in the written disclosure agreements may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which are available to the public on the MSRB's Internet website or filed with the SEC. Certain tables generally consistent with those contained in Appendix A, if not included in operating data filings on EMMA, are referenced in the audited financial statements filed on EMMA.

The Board and Corporation has complied in all material respects with its previous undertakings under the Rule except the Board did not separately file its operating data for fiscal year 2012 even though such operating data was included in the 2012 official statement filed with EMMA on December 14, 2012. In addition, the 2012 operating data was filed late with EMMA on November 7, 2017. The Board filed a failure to file notice for failure to file annual financial information and operating data on November 20, 2014. The Board and Corporation has undertaken written procedures to assure timely filings in the future.

Financial information regarding the Board may be obtained from Superintendent, Board of Education of the Boyle County School District, 352 N. Danville Bypass, Danville, Kentucky 40422, Telephone (859-236-6634).

### **POTENTIAL LEGISLATION**

No assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax exemption of such interest. In addition, current and future legislative proposals, if enacted into law, may cause interest on state or local government bonds (whether issued before, on the date of, or after enactment of such legislation) to be subject, directly or indirectly, to federal income taxation by, for example, changing the current exclusion or deduction rules to limit the amount of interest on such bonds that may currently be treated as tax exempt by certain individuals. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation.

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

## **ABSENCE OF MATERIAL LITIGATION**

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

## **FISCAL AGENT**

J.J.B. Hilliard, W.L. Lyons, LLC, Louisville, Kentucky, will act as Fiscal Agent to the Board and the Corporation in connection with the issuance of the Bonds and will receive a fee, payable from Bond proceeds, for their services as Fiscal Agent.

## **UNDERWRITING**

The Bonds were purchased at a competitive sale held on January 16, 2018, for underwriting to the public by \_\_\_\_\_ at a purchase price of \_\_\_\_\_.

The initial public offering prices 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 Bonds into investment trusts) and others at prices lower than the offering prices set forth on the cover page.

## **RATING**

Moody's Investors Service ("Moody's") has assigned an "A1" underlying rating and an "A1" enhanced rating to the Bonds. Any explanation of the significance of such rating may be obtained only from Moody's. The Board and Corporation furnished to Moody's certain information and materials about the Bonds and themselves. Generally, rating agencies base their ratings on such information and materials and on investigations, studies and assumptions by the rating agencies. There is no assurance that such rating will continue for any given period of time or that it may not be lowered or withdrawn entirely by Moody's. Any such downward change in or withdrawal of such rating could have an adverse effect on the market price of the Bonds.

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

The statements contained in the Official Statement under the headings Introductory Statement, The Bonds, Boyle County (Kentucky) School District Finance Corporation, Authority and Security, State Intercept, Kentucky School Facilities Construction Commission, Biennial Budget for Period Ending June 30, 2018, The Project, Disposition of Bond Proceeds, Additional Parity Bonds, Miscellaneous Resolution and Lease Provisions, State Support of Education, Kentucky Department of Education Supervision, Homestead Exemption and Limitation on Taxation under the general heading of Tax Base Information, Tax Exemption; NOT Bank Qualified, have been reviewed by Steptoe & Johnson PLLC, Bond Counsel, and Bond Counsel has no reason to believe that the statements under such headings are not substantially correct.

Bond Counsel has not undertaken to review the accuracy or completeness of statistical and geographical information contained in this Official Statement, expresses no opinion thereon, assumes no responsibility for same and has not undertaken to verify any information contained herein.

## **COMPLETENESS OF OFFICIAL STATEMENT**

This Official Statement does not, as of its date, contain any untrue statement of a material fact or omit to state a material fact which should be included herein for the purpose for which the Official Statement is to be used or which is necessary in order to make the statements contained herein, in the light of the circumstances under which they were made, not misleading in any material respect.

## **APPROVAL OF OFFICIAL STATEMENT**

The Corporation has approved and caused this "Official Statement" to be executed and delivered by its President. In making this "Official Statement" the Corporation relies upon information furnished to it by the Board and does not assume any responsibility as to the accuracy or completeness of any of the information in this Official Statement.



The financial information supplied by the Board and reported herein, is represented by the Board to be correct. Additional financial information for the District, to include audited financial reports, is available upon request to the District's Fiscal Agent, J.J.B. Hilliard, W.L. Lyons, LLC (502) 588-1124.

**BOYLE COUNTY BOARD OF EDUCATION**

By /s/ Ms. Jennifer Newby  
Chairperson

**BOYLE COUNTY SCHOOL DISTRICT FINANCE CORPORATION**

By /s/ Ms. Jennifer Newby  
President

**KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION**

By /s/ Ms. Chelsey Bizzle  
Executive Director

---

THIS PAGE INTENTIONALLY  
LEFT BLANK

---

**APPENDIX A**

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

---

**Tax Base and Operating Data**

---

THIS PAGE INTENTIONALLY  
LEFT BLANK

---

**TAX BASE INFORMATION**

***Property Subject to Taxation***

The following table summarizes the assessed valuation of all classes of property subject to taxation by the Board:

<u>Year</u>	<u>Real Estate</u>	<u>Tangible Personal</u>	<u>Franchise</u>	<u>Motor Vehicle</u>	<u>Total Assessed Value</u>
2017-18	\$937,637,100	\$102,752,496	\$64,329,291	\$117,667,608	\$1,222,386,495
2016-17	896,129,950	84,804,457	66,995,002	112,822,191	1,160,751,600
2015-16	880,738,000	82,144,947	63,162,506	104,845,978	1,130,891,431
2014-15	877,566,291	79,822,062	59,182,816	99,238,913	1,115,810,082
2013-14	875,940,987	78,010,041	58,349,355	101,293,440	1,113,593,823

---

Source: Boyle County School District

***History of Assessment Rates***

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

	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>
Real Estate	\$.704	\$.704	\$.714	\$.635	\$.635
Tangible	.704	.704	.714	.635	.635
Motor Vehicle	.539	.539	.539	.539	.539
Utilities (%)	3.0%	3.0%	3.0%	3.0%	3.0%

---

Source: Boyle County School District

***Tax Receipts***

The following presents real estate, tangible, personal and motor vehicle tax receipts versus amounts budgeted for collection in the District for the last five tax years:

<u>Fiscal Year</u>	<u>Taxes Collected</u>	<u>Taxes Levied</u>	<u>Percent Collected</u>
2016-17	\$8,081,100	\$7,457,681	108.4%
2015-16	7,588,770	7,588,770	98.8
2014-15	7,149,028	6,961,521	102.7
2013-14	6,207,050	6,309,884	98.4
2012-13	6,218,723	5,879,097	105.8

---

Source: Boyle County School District

Top Ten Taxpayers for Fiscal Year 2016-17

<u>Taxpayer</u>	<u>Property Assessments</u>	<u>Total Taxes Paid</u>
American Greetings Corporation	\$16,700,000	\$191,098.10
Stag IV Danville LLC	15,750,000	76,277.25
Absky Corporation	15,000,000	178,245.00
LSC Communications US LLC (Donnelley)	14,500,000	165,923.50
Wal-Mart Real Estate Business	7,500,000	89,122.50
Lowes Home Centers Inc.	7,250,000	84,428.71
CKASC Real Estate LLC	7,175,000	34,053.56
Pasan LLC	6,750,000	32,690.25
EROC LLC	6,500,000	75,694.71
Timberland Company	5,900,000	70,109.70

---

Source: Boyle County PVA

**OPERATING AND FINANCIAL DATA**

The District serves the public educational needs of Boyle County, Kentucky. School enrollment and average daily attendance are summarized below:

<u>Year</u>	<u>Enrollment</u>	<u>Average Daily Attendance</u>
2017-18 (est.)	2,605	2,510.8
2016-17	2,630	2,386.3
2015-16	2,634	2,397.4
2014-15	2,614	2,395.2
2013-14	2,586	2,395.7

---

Source: Boyle County School District

(THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK)

**Summary of Major Fund Balances**

The District maintains its books and records on the modified accrual basis method of accounting. This practice is the accounting method prescribed by the Kentucky Department of Education for local school districts. The following table summarizes on a modified accrual basis the activity of the major funds used by the District.

	<b>General Fund</b>			
	<b>Working</b>	<b>Actual</b>		
	<b>Budget</b>			
	<u><b>2017-18</b></u>	<u><b>2016-17</b></u>	<u><b>2015-16</b></u>	<u><b>2014-15</b></u>
Beginning Balance	\$ 7,501,691	\$ 5,511,457	\$ 6,270,508	\$ 3,878,851
Adjustments to Beginning Balance	(427,619)	309,907	(1,045,936)	571,435
Adjusted Beginning Balance <sup>(1)</sup>	\$ 7,074,072	\$ 5,821,364	\$ 5,224,572	\$ 4,450,286
<b>Revenues From Local Sources</b>				
General Property	5,664,242	5,664,242	5,590,466	5,606,960
Public Service Companies	278,000	712,866	185,405	432,311
Delinquent Property	40,400	55,693	60,662	107,767
Utilities Gross Receipts	925,000	922,785	1,015,751	1,160,119
Motor Vehicles	547,670	590,561	589,561	551,852
Omitted Property Tax	-	-	9,618	58,152
Earnings from Investments	40,000	41,433	41,883	38,474
Rental of School Facilities and Other Local Sources	47,000	45,465	51,327	343,978
<b>Revenues From State Sources</b>				
SEEK Program	10,770,263	10,974,379	10,688,934	10,326,249
Other	3,868,016	4,752,382	4,541,965	4,005,378
<b>Other Revenues</b>				
Federal Aid	-	-	-	-
Sale of Property, Reimbursements, etc.	-	31,681	138,174	90,150
<b>Clearing Accounts and Transfers</b>				
Capital Outlay Fund	-	-	-	-
Transfers and Clearing Accounts	2,191	710,897	3,933	14,237
Total of All Receipts	<u>\$ 22,182,782</u>	<u>\$ 24,502,384</u>	<u>\$ 22,917,679</u>	<u>\$ 22,735,627</u>
Total of All receipts Plus Beginning Balance	<u>\$ 29,256,854</u>	<u>\$ 30,323,748</u>	<u>\$ 28,142,251</u>	<u>\$ 27,185,913</u>
<b>Expenditures</b>				
Total Current Expenses	29,183,365	22,629,103	22,512,887	20,717,528
Advancements, Loans & Transfer, etc.	73,489	192,954	117,907	197,877
Total Expenditures	<u>\$ 29,256,854</u>	<u>\$ 22,822,057</u>	<u>\$ 22,630,794</u>	<u>\$ 20,915,405</u>
Ending Balance	<u>\$ -</u>	<u>\$ 7,501,691</u>	<u>\$ 5,511,457</u>	<u>\$ 6,270,508</u>

Source: Boyle County School District

(1) Changes in fund balances are a result of reclassification among certain accounts.

**Capital Outlay Fund**

	<b>FISCAL YEARS</b>			
	<b>Budgeted</b>	<b>Actual</b>		
	<u><b>2017-18</b></u>	<u><b>2016-17</b></u>	<u><b>2015-16</b></u>	<u><b>2014-15</b></u>
Beginning Balance	\$ 0	\$ 76,177	\$ 40,528	\$ 1,354
Adjustments to Beginning Balance	<u>40,528</u>	<u>0</u>	<u>8,600</u>	<u>0</u>
Adjusted Beginning Balance	\$ 40,528	\$ 76,177	\$ 49,128	\$ 1,354
<b>Receipts</b>				
Capital Outlay Allotment	\$240,000	\$239,737	\$240,413	\$240,801
Other	<u>0</u>	<u>598</u>	<u>625</u>	<u>427</u>
Total Receipts	<u>\$240,000</u>	<u>\$240,335</u>	<u>\$241,038</u>	<u>\$241,228</u>
Total Receipts Plus Beginning Balance	<u>\$280,528</u>	<u>\$316,512</u>	<u>\$290,166</u>	<u>\$242,582</u>
<b>Expenditures</b>				
Debt Service on Bonds:	\$ 0	\$ 0	\$ 0	\$ 0
Other Uses of Funds	<u>280,528</u>	<u>316,512</u>	<u>213,989</u>	<u>202,054</u>
Total Expenditures	<u>\$280,528</u>	<u>\$316,512</u>	<u>\$213,989</u>	<u>\$202,054</u>
Ending Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 76,177</u>	<u>\$ 40,528</u>

Source: Boyle County School District

***SEEK Allotment***

The State Department of Education has determined the funds that the SEEK funds provided the Board in the last four fiscal years, including the estimated 2017-18 allotment.

	<u><b>2013-14</b></u>	<u><b>2014-15</b></u>	<u><b>2015-16</b></u>	<u><b>2016-17</b></u>	<u><b>2017-18 (est.)</b></u>
SEEK Funds	\$9,383,035	\$10,326,249	\$10,688,934	\$10,974,379	\$10,770,263

Source: Boyle County School District

***FSPK Allotment***

The following represents the FSPK allotment provided to the Board for the last four years, including the estimated 2017-18 allotment.

	<u><b>2013-14</b></u>	<u><b>2014-15</b></u>	<u><b>2015-16</b></u>	<u><b>2016-17</b></u>	<u><b>2017-18 (est.)</b></u>
FSPK Funds	\$311,646	\$343,893	\$334,626	\$448,019	\$465,346

Source: Boyle County School District



**APPENDIX B**

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

---

**Outstanding Bonds of the District**

---

THIS PAGE INTENTIONALLY  
LEFT BLANK

---

**BoyleCounty School District Finance Corporation**  
**Outstanding Bonds as of January 1, 2018**

**Payable from Local Revenues**

<b><u>Bond Issue</u></b>	<b><u>Original Issue Amount</u></b>	<b><u>Bonds Retired</u></b>	<b><u>Bonds Outstanding</u></b>
May 8, 2007	\$ 405,823	\$ 377,617	\$ 28,206
September 1, 2010	4,394,540	1,947,236	2,447,304
March 9, 2010	1,980,266	48,307	1,931,959
June 29, 2011	499,027	49,369	449,658
December 27, 2012 (QZAB)	2,823,000	473,326	2,349,674
December 27, 2012	1,320,000	25,000	1,295,000
January 3, 2013	4,315,000	360,000	3,955,000
April 1, 2015	316,878	7,177	309,701
April 1, 2015 (Ref)	1,075,958	7,284	1,068,674
Subtotal	<u>\$ 17,130,492</u>	<u>\$ 3,295,316</u>	<u>\$ 13,835,176</u>

**Payable from Non-Local Revenues** <sup>(2)</sup>

May 8, 2007	\$ 1,084,177	\$ 917,383	\$ 166,794
September 1, 2010	1,000,460	497,764	502,696
March 9, 2010	784,734	221,693	563,041
June 29, 2011	1,595,973	395,631	1,200,342
April 1, 2015	538,122	12,823	525,299
April 1, 2015 (Ref)	819,042	67,716	751,326
Subtotal	<u>\$ 5,822,508</u>	<u>\$ 2,113,010</u>	<u>\$ 3,709,498</u>
Total	<u>\$ 22,953,000</u>	<u>\$ 5,408,326</u>	<u>\$ 17,544,674</u>

(1) Represents bond issues payable by the Kentucky School Facilities Construction Commission subject to biennial appropriations by the Kentucky General Assembly.

---

THIS PAGE INTENTIONALLY  
LEFT BLANK

---

**APPENDIX C**

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

---

**Demographic and Economic Data**

---

THIS PAGE INTENTIONALLY  
LEFT BLANK

---

## BOYLE COUNTY, KENTUCKY

Boyle County, with a land area of 181 square miles, had a 2016 estimated population of 30,018 persons. Danville, the county seat of Boyle County, had an estimated population of 16,802 in 2016. Danville is located 35 miles south of Lexington, Kentucky; 84 miles southeast of Louisville, Kentucky; 155 miles north of Knoxville, Tennessee; and 114 miles south of Cincinnati, Ohio.

### Transportation

Major “AAA” rated trucking highways serving Danville are U.S. Highways 127 and 150. Thirty-one common carrier trucking companies provide interstate and/or intrastate service to the city. The Norfolk Southern Corporation provides main line rail service to the city. The Danville-Boyle County Airport maintains two paved runways of 5,000 and 2,400 feet. The nearest scheduled commercial airline service is available at the Blue Grass Airport near Lexington, 38 miles north of Danville.

### Power and Fuel

Kentucky Utilities Company provides electric power to Danville and portions of Boyle County. The major portion of Boyle County is served by Inter-County Rural Electric Cooperative Corporation. Atmos Energy Corporation provides natural gas service to Danville.

### The Economic Framework

The total number of Boyle County residents employed in August 2017 averaged 11,801. In first quarter 2017, manufacturing firms in the county reported 1,969 employees; trade, transportation and utilities provided 2,844 jobs; 6,224 people were employed in service occupations; state and local government accounted for 1,847 employees; financial activities and information employed 607; and contract construction firms provided 327 jobs.

### Labor Supply

There is a current estimated labor supply of 12,492 persons available for industrial jobs in the labor market area. The largest manufacturing employers in Boyle County are as follows (as of October 2017):

<u>Firm</u>	<u>Product</u>	<u>Average Employment</u>
R.R. Donnelley & Sons Co.	Printing and binding catalogs and magazines	640
American Greetings	Distribution and paper products packaging center	551
Dana Corporation	Diesel and gas engine gaskets	328
Meggitt Aircraft Braking Systems Kentucky Building #1	Manufacture/distribution of brake discs/assemblies, replacement components for airline industry	205
National Office Furniture	Wood upholstered furniture	204
Berry Global Inc.	Polyethylene film & stretch wrap	200
Intelligrated Inc.	Conveyor equipment & systems	138
Hobart	Commercial kitchen equipment manufacturing	97
Timberland Co.	Distribution Center	76
LaFayette Engineering Inc.	Computer design/installation of controls for conveyor systems	64

---

Sources: Kentucky Cabinet for Economic Development, Division of Research and Planning.

**Boyle County  
Economic Statistics  
2013-2017**

<u>Year</u>	<u>Per Capita Income</u>	<u>Median Family Income</u>	<u>Average Weekly Wage</u>	<u>Unemployment Rate</u>	<u>Employment</u>	<u>Civilian Labor Force</u>
2017	(1)	\$52,600	\$737.00 <sup>(2)</sup>	5.5% <sup>(3)</sup>	11,801 <sup>(3)</sup>	12,492 <sup>(3)</sup>
2016	(1)	51,000	748.00	4.9	11,565	12,157
2015	\$34,660	50,900	738.00	5.6	11,259	11,922
2014	33,163	50,200	714.00	6.9	11,448	12,300
2013	31,963	51,200	697.00	8.9	11,688	12,826

Source: Kentucky Department of Economic Development

<sup>(1)</sup> Data not available

<sup>(2)</sup> Estimated as of 1<sup>st</sup> quarter 2017

<sup>(3)</sup> Preliminary as of August 2017

(The Remainder of This Page Intentionally Left Blank)



**APPENDIX D**

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

---

**Estimated Commission and District Debt Service Requirements on Series 2018 Bonds and  
Estimated Total District Debt Service Requirements**

---

THIS PAGE INTENTIONALLY  
LEFT BLANK

---

Boyle County  
School District Finance Corporation  
School Building Revenue Bonds, Series of 2018

**ESTIMATED URGENT NEED, COMMISSION AND DISTRICT DEBT SERVICE REQUIREMENTS ON SERIES 2018 BONDS**

Date	Urgent Need			Commission			District			Combined Debt Service			Fiscal Total
	Principal	Interest	Total P+I	Principal	Interest	Total P+I	Principal	Interest	Total P+I	Principal	Interest	Total P+I	
8/1/2018	-	\$185,706.50	\$185,706.50	-	\$11,056.36	\$11,056.36	-	\$302,648.83	\$302,648.83	-	\$499,411.69	\$499,411.69	
2/1/2019	\$492,551.00	184,680.50	677,231.50	\$29,325.00	10,995.27	40,320.27	\$358,124.00	300,976.73	659,100.73	\$880,000.00	\$496,652.50	1,376,652.50	
8/1/2019	-	180,986.36	180,986.36	-	10,775.34	10,775.34	-	298,290.80	298,290.80	-	\$490,052.50	490,052.50	
2/1/2020	500,965.00	180,986.36	681,951.36	29,826.00	10,775.34	40,601.34	359,209.00	298,290.80	657,499.80	\$890,000.00	\$490,052.50	1,380,052.50	1,870,105.00
8/1/2020	-	176,477.68	176,477.68	-	10,506.90	10,506.90	-	295,057.92	295,057.92	-	\$482,042.50	482,042.50	
2/1/2021	509,982.00	176,477.68	686,459.68	30,363.00	10,506.90	40,869.90	369,655.00	295,057.92	664,712.92	\$910,000.00	\$482,042.50	1,392,042.50	1,874,085.00
8/1/2021	-	171,760.35	171,760.35	-	10,226.05	10,226.05	-	291,638.61	291,638.61	-	\$473,625.01	473,625.01	
2/1/2022	519,417.00	171,760.35	691,177.35	30,924.00	10,226.05	41,150.05	379,659.00	291,638.61	671,297.61	\$930,000.00	\$473,625.01	1,403,625.01	1,877,250.02
8/1/2022	-	166,566.18	166,566.18	-	9,916.81	9,916.81	-	287,842.02	287,842.02	-	\$464,325.01	464,325.01	
2/1/2023	529,806.00	166,566.18	696,372.18	31,543.00	9,916.81	41,459.81	388,651.00	287,842.02	676,493.02	\$950,000.00	\$464,325.01	1,414,325.01	1,878,650.02
8/1/2023	-	160,870.76	160,870.76	-	9,577.72	9,577.72	-	283,664.02	283,664.02	-	\$454,112.50	454,112.50	
2/1/2024	541,196.00	160,870.76	702,066.76	32,221.00	9,577.72	41,798.72	396,583.00	283,664.02	680,247.02	\$970,000.00	\$454,112.50	1,424,112.50	1,878,225.00
8/1/2024	-	154,511.71	154,511.71	-	9,199.12	9,199.12	-	279,004.17	279,004.17	-	\$442,715.00	442,715.00	
2/1/2025	553,914.00	154,511.71	708,425.71	32,978.00	9,199.12	42,177.12	408,108.00	279,004.17	687,112.17	\$995,000.00	\$442,715.00	1,437,715.00	1,880,430.00
8/1/2025	-	147,587.78	147,587.78	-	8,786.90	8,786.90	-	273,902.82	273,902.82	-	\$430,277.50	430,277.50	
2/1/2026	567,762.00	147,587.78	715,349.78	33,803.00	8,786.90	42,589.90	418,435.00	273,902.82	692,337.82	\$1,020,000.00	\$430,277.50	1,450,277.50	1,880,555.00
8/1/2026	-	139,923.00	139,923.00	-	8,330.56	8,330.56	-	268,253.95	268,253.95	-	\$416,507.51	416,507.51	
2/1/2027	583,092.00	139,923.00	723,015.00	34,715.00	8,330.56	43,045.56	782,193.00	268,253.95	1,050,446.95	\$1,400,000.00	\$416,507.51	1,816,507.51	2,233,015.02
8/1/2027	-	131,613.94	131,613.94	-	7,835.87	7,835.87	-	257,107.70	257,107.70	-	\$396,557.51	396,557.51	
2/1/2028	599,710.00	131,613.94	731,323.94	35,705.00	7,835.87	43,540.87	799,585.00	257,107.70	1,056,692.70	\$1,435,000.00	\$396,557.51	1,831,557.51	2,228,115.02
8/1/2028	-	122,768.21	122,768.21	-	7,309.22	7,309.22	-	245,313.82	245,313.82	-	\$375,391.25	375,391.25	
2/1/2029	617,401.00	122,768.21	740,169.21	36,758.00	7,309.22	44,067.22	820,841.00	245,313.82	1,066,154.82	\$1,475,000.00	\$375,391.25	1,850,391.25	2,225,782.50
8/1/2029	-	113,198.50	113,198.50	-	6,739.47	6,739.47	-	232,590.78	232,590.78	-	\$352,528.75	352,528.75	
2/1/2030	636,541.00	113,198.50	749,739.50	37,898.00	6,739.47	44,637.47	840,561.00	232,590.78	1,073,151.78	\$1,515,000.00	\$352,528.75	1,867,528.75	2,220,057.50
8/1/2030	-	102,695.57	102,695.57	-	6,114.15	6,114.15	-	218,721.53	218,721.53	-	\$327,531.25	327,531.25	
2/1/2031	657,547.00	102,695.57	760,242.57	39,148.00	6,114.15	45,262.15	1,223,305.00	218,721.53	1,442,026.53	\$1,920,000.00	\$327,531.25	2,247,531.25	2,575,062.50
8/1/2031	-	91,681.66	91,681.66	-	5,458.42	5,458.42	-	198,231.16	198,231.16	-	\$295,371.24	295,371.24	
2/1/2032	679,575.00	91,681.66	771,256.66	40,460.00	5,458.42	45,918.42	1,359,965.00	198,231.16	1,558,196.16	\$2,080,000.00	\$295,371.24	2,375,371.24	2,670,742.48
8/1/2032	-	80,298.78	80,298.78	-	4,780.72	4,780.72	-	175,451.76	175,451.76	-	\$260,531.26	260,531.26	
2/1/2033	702,340.00	80,298.78	782,638.78	41,815.00	4,780.72	46,595.72	1,400,845.00	175,451.76	1,576,296.76	\$2,145,000.00	\$260,531.26	2,405,531.26	2,666,062.52
8/1/2033	-	68,359.00	68,359.00	-	4,069.86	4,069.86	-	151,637.39	151,637.39	-	\$224,066.25	224,066.25	
2/1/2034	726,220.00	68,359.00	794,579.00	43,237.00	4,069.86	47,306.86	1,455,543.00	151,637.39	1,607,180.39	\$2,225,000.00	\$224,066.25	2,449,066.25	2,673,132.50
8/1/2034	-	55,831.70	55,831.70	-	3,324.02	3,324.02	-	126,529.27	126,529.27	-	\$185,684.99	185,684.99	
2/1/2035	751,274.00	55,831.70	807,105.70	44,728.00	3,324.02	48,052.02	1,508,998.00	126,529.27	1,635,527.27	\$2,305,000.00	\$185,684.99	2,490,684.99	2,676,369.98
8/1/2035	-	42,684.41	42,684.41	-	2,541.28	2,541.28	-	100,121.81	100,121.81	-	\$145,347.50	145,347.50	
2/1/2036	777,569.00	42,684.41	820,253.41	46,294.00	2,541.28	48,835.28	1,761,137.00	100,121.81	1,861,258.81	\$2,585,000.00	\$145,347.50	2,730,347.50	2,875,695.00
8/1/2036	-	29,076.95	29,076.95	-	1,731.14	1,731.14	-	69,301.91	69,301.91	-	\$100,110.00	100,110.00	
2/1/2037	804,784.00	29,076.95	833,860.95	47,914.00	1,731.14	49,645.14	1,917,302.00	69,301.91	1,986,603.91	\$2,770,000.00	\$100,110.00	2,870,110.00	2,970,220.00
8/1/2037	-	14,792.03	14,792.03	-	880.67	880.67	-	35,269.80	35,269.80	-	\$50,942.50	50,942.50	
2/1/2038	833,354.00	14,792.03	848,146.03	49,615.00	880.67	50,495.67	1,987,031.00	35,269.80	2,022,300.80	\$2,870,000.00	\$50,942.50	2,920,942.50	2,971,885.00
<b>Total</b>	<b>\$12,585,000.00</b>	<b>\$4,673,756.14</b>	<b>\$17,258,756.14</b>	<b>\$749,270.00</b>	<b>\$278,260.07</b>	<b>\$1,027,530.07</b>	<b>\$18,935,730.00</b>	<b>\$8,779,488.04</b>	<b>\$27,715,218.04</b>	<b>\$32,270,000.00</b>	<b>\$13,731,504.25</b>	<b>\$46,001,504.25</b>	<b>\$46,001,504.25</b>

*Boyle County*  
*School District Finance Corporation*  
*School Building Revenue Bonds, Series of 2018*

**ESTIMATED DISTRICT TOTAL DEBT SERVICE REQUIREMENTS**

Series of 2018					
Fiscal Year Ending 6/30	Existing Debt Service	Principal	Interest	Total P+I	Total Debt Service
2019	\$1,094,822.00	\$358,124.00	\$603,625.56	\$961,749.56	\$2,056,571.56
2020	1,101,386.00	359,209.00	596,581.60	955,790.60	2,057,176.60
2021	1,095,632.00	369,655.00	590,115.84	959,770.84	2,055,402.84
2022	1,094,312.00	379,659.00	583,277.22	962,936.22	2,057,248.22
2023	1,091,043.00	388,651.00	575,684.04	964,335.04	2,055,378.04
2024	1,091,526.00	396,583.00	567,328.04	963,911.04	2,055,437.04
2025	1,091,453.00	408,108.00	558,008.34	966,116.34	2,057,569.34
2026	1,091,423.00	418,435.00	547,805.64	966,240.64	2,057,663.64
2027	739,213.00	782,193.00	536,507.90	1,318,700.90	2,057,913.90
2028	744,580.00	799,585.00	514,215.40	1,313,800.40	2,058,380.40
2029	744,431.00	820,841.00	490,627.64	1,311,468.64	2,055,899.64
2030	748,782.00	840,561.00	465,181.56	1,305,742.56	2,054,524.56
2031	397,405.00	1,223,305.00	437,443.06	1,660,748.06	2,058,153.06
2032	302,501.00	1,359,965.00	396,462.32	1,756,427.32	2,058,928.32
2033	303,291.00	1,400,845.00	350,903.52	1,751,748.52	2,055,039.52
2034	296,135.00	1,455,543.00	303,274.78	1,758,817.78	2,054,952.78
2035	293,334.00	1,508,998.00	253,058.54	1,762,056.54	2,055,390.54
2036	94,665.00	1,761,137.00	200,243.62	1,961,380.62	2,056,045.62
2037	-	1,917,302.00	138,603.82	2,055,905.82	2,055,905.82
2038	-	1,987,031.00	70,539.60	2,057,570.60	2,057,570.60
Total	\$13,415,934.00	\$18,935,730.00	\$8,779,488.04	\$27,715,218.04	\$41,131,152.04

**APPENDIX E**

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

---

**Audited Financial Statement for Fiscal Year Ended June 30, 2017**

---

THIS PAGE INTENTIONALLY  
LEFT BLANK

---

BOYLE COUNTY BOARD OF EDUCATION  
FINANCIAL STATEMENTS  
SUPPLEMENTARY INFORMATION  
And  
INDEPENDENT AUDITOR'S REPORTS

Year Ended June 30, 2017

Denise M. Keene  
Certified Public Accountant  
P.O. Box 1444  
Georgetown, Kentucky 40324  
502-857-2579

BOYLE COUNTY BOARD OF EDUCATION  
TABLE OF CONTENTS

	Pages
<b>Independent Auditor's Report</b>	4-6
<b>Management's Discussion and Analysis</b>	7-11
<b>Basic Financial Statements:</b>	
<b>District-wide Financial Statements:</b>	
Statement of Net Position	12
Statement of Activities	13
<b>Fund Financial Statements:</b>	
Balance Sheet – Governmental Funds	14
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the District-Wide Statement of Activities	17
Statement of Net Position – Proprietary Funds	18
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	19
Statement of Cash Flows – Proprietary Funds	20
Statement of Net Position – Fiduciary Funds	21
Statement of Changes in Fiduciary Net Position	22
<b>Notes to the Financial Statements</b>	23-48
<b>Supplementary Information:</b>	
<b>Budget Comparison:</b>	
Budgetary Comparison Schedule for the General Fund	50
Budgetary Comparison Schedule for Special Revenue	51



BOYLE COUNTY BOARD OF EDUCATION  
TABLE OF CONTENTS

	Pages
<b>Schedule of the District's Proportionate Share of the Net Pension Liability</b>	52
<b>Schedule of the District's Pension Contributions</b>	53
<b>Notes to Required Supplementary Information</b>	54
<b>Combining Statements – Nonmajor Funds:</b>	
Combining Balance Sheet	55
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	56
<b>Combining Statements – Agency Funds</b>	
Combining Statement of Net Position	57
Combining Statement of Receipts, Disbursements, and Due to Student Groups, Fund Balance	58
<b>Statement of Receipts, Disbursements, and Due to Student Groups     Boyle County High School</b>	59-60
<b>Schedule of Expenditures of Federal Awards</b>	61
<b>Notes to the Schedule of Expenditures of Federal Awards</b>	62
<b>Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <u>Government Auditing Standards</u></b>	63-64
<b>Independent Auditor's Report on Compliance for Each Major Program And on Internal Control Over Compliance Required by Uniform Guidance</b>	65-67
<b>Schedule of Findings and Questioned Costs</b>	68
<b>Schedule of Prior Year Audit Findings</b>	69
<b>Management Letter</b>	70-75

**DENISE M. KEENE  
CERTIFIED PUBLIC ACCOUNTANT  
P.O. BOX 1444  
GEORGETOWN, KENTUCKY 40324  
502-857-2579**

**INDEPENDENT AUDITOR'S REPORT**

State Committee For School District Audits  
Members of the Board of Education  
Boyle County Board of Education  
Danville, Kentucky

**Report on the Financial Statements**

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 Boyle County Board of Education as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; *Audits of States and Local Governments*, and *Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board as of June 30, 2017 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.

## **Emphasis of Matter**

As described in Note R to the financial statements, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, effective July 1, 2014. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 11, budgetary comparison information on pages 50 and 51, and the Schedules of Proportionate Share of the Net Position Liability, and Schedule of Contributions on pages 52 and 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The combining statements for nonmajor governmental funds and fiduciary funds, the statement of receipts, disbursements, and due to student groups-Boyle County High School are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The combining statements for nonmajor funds and fiduciary funds, the statement of receipts, disbursements, and due to student groups-Boyle County High School, and the schedule of expenditures of federal awards 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. Such 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 statements for nonmajor funds and fiduciary funds, the statement of receipts, disbursements, and due to student groups-Boyle County High School, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2017 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

*Denise M. Keene*

Denise M. Keene, CPA  
Georgetown, Kentucky  
October 25, 2017

**BOYLE COUNTY BOARD OF EDUCATION  
DANVILLE, KENTUCKY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2017**

As management of the Boyle County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2017. 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 cash balance, including activity funds, for the District was \$8,686,908. The ending cash balance, including activity funds, for the District was \$10,063,782.

The General Fund had \$23,759,808 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Excluding inter-fund transfer, there were \$22,629,104 in General Fund expenditures. This includes on-behalf payments of \$5,584,195.

Total taxes collected were \$9,106,900 including property, vehicles and utility taxes. The levied equivalent of \$.10 cents was allocated to the building funds, resulting in revenues of \$1,160,752. These funds are used for retirement of debt service on facilities and/or capital construction projects as set forth by the long range district facility plan.

The District purchased three new school buses during the year.

The District plans to open the new middle school in the 2019-2020 school year.

The District has scored in the top 10 among all Kentucky school districts every year that KPREP has been in existence (6 years).

The District ranked 4th in the state in 2015-16, and our score increased in 2016-17. All five schools have extremely strong scores. In Achievement, our elementary schools (combined) ranked 2nd in the state, the middle school ranked 4th, and the high school ranked 6th.

ACT composite increased from 21.6 to 22.4, compared to a state average of 19.8. In addition, 21% of our students scored a 28 or higher on the ACT.

## OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) district-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 District's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the District's net position changed during the most recent 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 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 pages 12 and 13 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is 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 proprietary funds are food service operations, day care, and adult community education. All other activities of the district are included in the governmental funds

The basic governmental fund financial statements can be found on pages 14-22 of 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 pages 23-48 of this report.

## DISTRICT-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 exceeded liabilities by \$9,786,513 as of June 30, 2017.

The largest portion of the District's net position reflects its investment in capital assets 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.

	Net Position (in thousands)					
	Governmental		Business-type		Total	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
Assets	\$32,400	\$33,081	\$594	\$542	\$32,994	\$33,623
Deferred Outflows of Resources	\$1,145	\$1,428	\$135	\$202	\$1,280	\$1,630
Liabilities	\$24,972	\$24,504	\$810	\$919	\$25,782	\$25,423
Deferred Inflows of Resources	\$291	\$218	\$56	\$42	\$347	\$260
Investment in capital assets (net of debt)	\$4,050	\$4,419	\$141	\$131	\$4,191	\$4,550
Restricted	2,171	1,559	(278)	(348)	1,893	1,211
Unrestricted	<u>2,061</u>	<u>3,809</u>			<u>2,061</u>	<u>3,809</u>
<b>Total Net Position</b>	<b>\$8,282</b>	<b>\$9,787</b>	<b>(\$137)</b>	<b>(\$217)</b>	<b>\$8,145</b>	<b>\$9,570</b>

### Budgetary Implications

In Kentucky the public school fiscal year is July 1 - June 30; other programs, i.e. some federal operate on a different fiscal year, but are reflected in the district overall budget. By law the budget must have a minimum 2 percent contingency. The district adopted a budget with \$3,729,706 in contingency, which is 17.67 percent.

### Comments on Budget Comparisons

The original budget was amended to reflect changes in the site based allocations and anticipated revenues. The changes made were based on more accurate data being available after the first couple of months of the fiscal year.

**Changes in Net Position (in thousands)**

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
<b>Revenues</b>	<u><b>2016</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2017</b></u>
Local Revenue Sources	\$8,817	\$9,394	\$486	\$481	\$9,303	\$9,875
State Revenue Sources	17,760	18,549	228	241	17,988	18,790
Federal Revenue Sources	1,155	1,446	902	940	2,057	2,386
Investments	<u>51</u>	<u>57</u>	<u>2</u>	<u>2</u>	<u>53</u>	<u>59</u>
<b>Total Revenues</b>	27,783	29,446	1,618	1,664	29,401	31,110
<b>Expenses</b>	<u><b>2016</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2017</b></u>
Instruction	14,511	14,428	0	0	14,511	14,428
Student Support Services	1,352	1,437	0	0	1,352	1,437
Instructional Support	2,489	3,393	0	0	2,489	3,393
District Administration	2,088	1,119	0	0	2,088	1,119
School Administration	1,109	1,236	0	0	1,109	1,236
Business Support	752	799	0	0	752	799
Plant Operations	548	1,519	0	0	548	1,519
Student Transportation	1,515	1,439	0	0	1,515	1,439
Other Instruction	8	8	0	0	8	8
Community Support	1,625	1,481	16	15	1,641	1,496
Food Service	0	0	1,726	1,662	1,726	1,662
Debt Service	<u>719</u>	<u>603</u>	<u>0</u>	<u>0</u>	<u>719</u>	<u>603</u>
<b>Total Expenses</b>	26,716	27,462	1,742	1,677	28,458	29,139
Sale of Assets	136	32	0	0	136	32
<b>Change in Net Position</b>	1,203	2,016	(124)	(13)	1,079	2,003
<b>Beginning Net Position</b>	7,079	8,282	(13)	(137)	7,066	8,145
<b>Prior Period Adjustment</b>		<u>(511)</u>		<u>(66)</u>		<u>(577)</u>
<b>Ending Net Position</b>	\$8,282	\$9,787	(\$137)	(\$216)	\$8,145	\$9,571

The government's overall financial position and results of operations increased as a result of the year's operations as reflected in the increase in net position for the year.

**INFRASTRUCTURE**

The District has not reported any infrastructure in the current financial statements.



**Analysis of balances and transactions of individual funds (in thousands)**

Fund	Beginning	Revenues	Expenses	Transfer	Ending
General Fund	\$6,557	\$23,792	\$22,629	\$518	\$8,238
Special Revenue	\$164	\$3,061	\$3,060	\$58	\$223
Capital Outlay	\$116	\$240	\$0	(\$316)	\$40
Building	\$659	\$1,615	\$0	(\$1,624)	\$650
Construction	\$55	\$0	\$623	\$100	(\$468)
Debt Service	\$441	\$769	\$1,803	\$1,264	\$671

**Capital Assets and Long-Term Debt Activity (in thousands)**

	Beginning	Additions	Deductions	Ending
<b>Governmental</b>				
Capital Assets	\$46,233	\$1,038	\$0	\$47,271
Accumulated Depreciation	\$22,730	\$1,372	\$0	\$24,102
<b>Business-Type</b>				
Capital Assets	\$803	\$84	\$0	\$887
Accumulated Depreciation	\$728	\$28	\$0	\$756
Bonds Payable	\$19,763	\$0	\$1,175	\$18,588
Capital Lease Payable	\$47	\$0	\$31	\$16
Sick Leave Payable	\$369	\$72	\$105	\$336
Judgments Payable	\$137	\$0	\$35	\$102

**CURRENT ISSUES**

The District is concerned about the future of pensions for employees.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Board's finances and to reflect the Board's accountability for the monies it receives. Questions about this report or additional financial information should be directed to the Superintendent, Mike LaFavers, or to the Finance Officer, David Morris, or by mail at 352 North Danville By-Pass, Danville, Kentucky 40422.

BOYLE COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
DISTRICT WIDE  
As of June 30, 2017

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and equivalents - Note C	\$9,395,015	\$381,362	\$9,776,377
Accounts receivable	516,392	253	516,645
Inventory		28,799	28,799
Land and construction in progress	1,545,716		1,545,716
Other capital assets, net of depreciation	<u>21,623,438</u>	<u>131,549</u>	<u>21,754,987</u>
Total capital assets	<u>23,169,154</u>	<u>131,549</u>	<u>23,300,703</u>
<b>TOTAL ASSETS</b>	<b>\$33,080,561</b>	<b>\$541,963</b>	<b>\$33,622,524</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Advanced Bond Refundings	\$337,949	\$	\$337,949
Pension-contributions after measurement date	417,067	72,314	489,381
Pension-change of assumptions, expectations	<u>673,045</u>	<u>130,015</u>	<u>803,060</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$1,428,061</b>	<b>\$202,329</b>	<b>\$1,630,390</b>
<b>LIABILITIES</b>			
Accounts payable	129,228		129,228
Accrued salaries & benefit payable	2,668		2,668
Unearned revenue	424,583		424,583
Interest payable	145,972		145,972
Long-term Liabilities			
Due within 1 year	1,240,002		1,240,002
Due in more than 1 year	17,801,779		17,801,779
Pension Liability	<u>4,759,721</u>	<u>919,459</u>	<u>5,679,180</u>
<b>TOTAL LIABILITIES</b>	<b>\$24,503,953</b>	<b>\$919,459</b>	<b>\$25,423,412</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension	\$218,156	\$41,644	\$259,800
<b>NET POSITION</b>			
Net investment in capital assets	\$4,419,289	\$131,549	\$4,550,838
Restricted			
Food Service		410,414	410,414
Other	272,282	(758,774)	(486,492)
SFCC	337,085		337,085
Future Construction	(113,999)		(113,999)
Debt Service	671,234		671,234
Site-Based Carryforward	56,376		56,376
Sick Leave Payable	335,561		335,561
Unrestricted	<u>3,808,685</u>		<u>3,808,685</u>
<b>TOTAL NET POSITION</b>	<b>\$9,786,513</b>	<b>(\$216,811)</b>	<b>\$9,569,702</b>

See accompanying notes

BOYLE COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
DISTRICT WIDE

For the year ended June 30, 2017

FUNCTIONS/PROGRAMS

**Governmental Activities**

	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Net (Expense) Revenue and Changes in Net Position Business-type Activities	Total
Instruction	\$14,427,907	\$34,097	\$2,104,754		(\$12,289,056)	\$	(\$12,289,056)
Support services:							
Student	1,436,894		28,132		(1,408,762)		(1,408,762)
Instruction staff	3,392,921		665,530		(2,727,391)		(2,727,391)
District administrative	1,119,112				(1,119,112)		(1,119,112)
School administrative	1,235,553				(1,235,553)		(1,235,553)
Business	798,996				(798,996)		(798,996)
Plant operation and maintenance	1,519,578		24,078		(1,519,578)		(1,519,578)
Student transportation	1,439,362				(1,415,284)		(1,415,284)
Other instruction	7,918				(7,918)		(7,918)
Community service activities	1,481,498		238,870		(1,242,628)		(1,242,628)
Interest on long-term debt	602,760	0	0	150,405	(452,355)		(452,355)
Total governmental activities	27,462,499	34,097	3,061,364	150,405	(24,216,633)		(24,216,633)

**Business-type Activities**

Food service	1,661,503	467,121	1,173,860			(20,522)	(20,522)
Adult education	15,552	14,000	7,093			5,541	5,541
Total business-type activities	1,677,055	481,121	1,180,953			(14,981)	(14,981)
Total school district	\$29,139,554	\$515,218	\$4,242,317	\$150,405	(\$24,216,633)	(\$14,981)	(\$24,231,614)

**General Revenues**

Property taxes	\$7,593,554						\$7,593,554
Motor Vehicle taxes	590,561						590,561
Utility taxes	922,785						922,785
State aid-formula grants	16,919,968						16,919,968
Federal funds	105,129						105,129
Investment earnings	56,924					1,859	58,783
Sale of assets	31,681						31,681
Miscellaneous	11,369						11,369
Total general & special	26,231,971					1,859	26,233,830
Change in net positions						(13,122)	2,002,216
Net position - beginning						(137,554)	8,144,827
Prior period adjustment-Note T						(66,135)	(577,341)
Net position - ending						(\$216,811)	\$9,569,702

See accompanying notes

BOYLE COUNTY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of June 30, 2017

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$8,084,098	\$416,597		\$1,362,126	\$9,862,821
Other receivables	<u>211,438</u>	<u>304,954</u>			<u>516,392</u>
<b>TOTAL ASSETS</b>	<b>\$8,295,536</b>	<b>\$721,551</b>		<b>\$1,362,126</b>	<b>\$10,379,213</b>
<b>LIABILITIES</b>					
Bank overdraft	\$	\$	\$467,806		\$467,806
Accounts payable	55,147	74,081			129,228
Accrued salaries & benefit payable	2,668				2,668
Unearned revenue		<u>424,583</u>			<u>424,583</u>
<b>TOTAL LIABILITIES</b>	<b>57,815</b>	<b>498,664</b>	<b>467,806</b>		<b>1,024,285</b>
<b>FUND BALANCES</b>					
Restricted					
Other		222,887			222,887
SFCC				337,085	337,085
Future Construction BG - 1			(467,806)	353,807	(113,999)
Debt Service				671,234	671,234
Committed					
Site-Based carryforward	56,376				56,376
Sick leave payable	335,561				335,561
Other	49,395				49,395
Unassigned	<u>7,796,389</u>				<u>7,796,389</u>
<b>TOTAL FUND BALANCES</b>	<b>8,237,721</b>	<b>222,887</b>	<b>(467,806)</b>	<b>1,362,126</b>	<b>9,354,928</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$8,295,536</b>	<b>\$721,551</b>	<b>\$0</b>	<b>\$1,362,126</b>	<b>\$10,379,213</b>

See accompanying notes

BOYLE COUNTY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO  
 THE STATEMENT OF NET POSITION  
 As of June 30, 2017

Amounts reported for governmental activities in the statement of net position  
 are different because:

<b>Total Fund Balance - Governmental Funds</b>		<b>\$9,354,928</b>
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position		23,169,154
Deferred outflow of resources		1,428,061
Deferred inflow of resources		(218,156)
Certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position		
	Bonds Payable	(18,588,000)
	Pension Liability	(4,759,721)
	Capital Lease Obligations	(15,893)
	KSBIT Payable	(102,327)
	Accrued Interest on Bonds	(145,972)
	Accumulated Sick Leave	<u>(335,561)</u>
<b>Total Net Position - Governmental Activities</b>		<b>\$9,786,513</b>

See accompanying notes

BOYLE COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the year ended June 30, 2017

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
From local sources					
Property taxes	\$6,432,802	\$		\$1,160,752	\$7,593,554
Motor vehicle taxes	590,561				590,561
Utility taxes	922,785				922,785
Earnings on investments	41,433		352	15,139	56,924
Other local revenues	45,466	241,942			287,408
Intergovernmental - State	15,726,761	1,478,638		1,343,612	18,549,011
Intergovernmental - Federal	<u>0</u>	<u>1,340,784</u>		<u>105,129</u>	<u>1,445,913</u>
Total revenues	23,759,808	3,061,364	352	2,624,632	29,446,156
<b>Expenditures</b>					
Instruction	11,236,554	2,103,557			13,340,111
Support services					
Student	1,083,659	28,132			1,111,791
Instruction staff	2,727,391	665,530			3,392,921
District administration	1,114,256				1,114,256
School administration	1,234,942				1,234,942
Business	798,855				798,855
Plant operation and maintenance	1,511,154				1,511,154
Student transportation	1,671,747	24,078			1,695,825
Other instructional	7,918				7,918
Community service activities	1,242,628	238,870			1,481,498
Facilities			623,234		623,234
Debt service				<u>1,802,984</u>	<u>1,802,984</u>
Total expenditures	22,629,104	3,060,167	623,234	1,802,984	28,115,489
Excess(deficit)of revenues over expenditures	1,130,704	1,197	(622,882)	821,648	1,330,667
<b>Other Financing Sources (Uses)</b>					
Sale of assets	31,681				31,681
Operating transfers in	710,897	60,346	99,858	1,263,933	2,135,034
Operating transfers out	<u>(192,954)</u>	<u>(2,176)</u>		<u>(1,939,904)</u>	<u>(2,135,034)</u>
Total other financing sources (uses)	549,624	58,170	99,858	(675,971)	31,681
Change in Fund Balance on Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds	1,680,328	59,367	(523,024)	145,677	1,362,348
Fund balance, July 1, 2016	<u>6,557,393</u>	<u>163,520</u>	<u>55,218</u>	<u>1,216,449</u>	<u>7,992,580</u>
Fund balance, June 30, 2017	\$8,237,721	\$222,887	(\$467,806)	\$1,362,126	\$9,354,928

See accompanying notes

BOYLE COUNTY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO  
 THE DISTRICT-WIDE STATEMENT OF ACTIVITIES  
 For The Year Ended June 30, 2017

Amounts reported for governmental activities in the statement of activities  
 are different because:

**Total net change in fund balances - governmental funds** **\$1,362,348**

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.

	Depreciation Expense	(1,372,165)	
	Capital Outlays	<u>1,037,877</u>	(334,288)
	Amortization of Advance Bond Refundings		(49,505)
	Change in Deferred Outflows of Resources - Pensions		332,797
	Change in Deferred Inflows of Resources - Pensions		72,718

Bond proceeds provide current financial resources to  
 governmental funds, but issuing debt increases long-term  
 liabilities in the statement of net position. Repayment of bond  
 principal is an expenditure in the governmental funds, but the  
 repayment reduces long-term liabilities in the statement of net  
 position.

	Bond Principal Payments	1,175,000	
	Capital Lease Payments		30,980

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.

	Change in Accrued Interest	8,737	
	Change in Pension Liability	(651,608)	
	KSBIT Judgment	35,012	
	Change in Sick Leave	<u>33,147</u>	

**Total Change in Net Position - Governmental Activities** **\$2,015,338**

See accompanying notes

BOYLE COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
As of June 30, 2017

	Business-Type Activities Enterprise Funds		
	Food Service	Adult Education	Total
<b>ASSETS</b>			
Cash and Equivalents	\$358,662	\$22,700	\$381,362
Account Receivable	253		253
Inventory	28,799		28,799
Capital Assets, net of depreciation	<u>131,549</u>	<u>          </u>	<u>131,549</u>
<b>TOTAL ASSETS</b>	519,263	22,700	541,963
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows from pension	202,329		202,329
<b>LIABILITIES</b>			
Pension liability- long term	<u>919,459</u>		<u>919,459</u>
<b>TOTAL LIABILITIES</b>	919,459		919,459
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows from pension	41,644		41,644
<b>NET POSITION</b>			
Net Investment in Capital Assets	131,549		131,549
Restricted - Other	(758,774)		(758,774)
Restricted Net Position	<u>387,714</u>	<u>22,700</u>	<u>410,414</u>
<b>TOTAL NET POSITION</b>	(\$239,511)	\$22,700	(\$216,811)

See accompanying notes



BOYLE COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
For The Year Ended June 30, 2017

	Business-Type Activities Enterprise Funds		
	Food Service	Adult Education	Total
<b>OPERATING REVENUES</b>			
Lunchroom sales	\$462,927	\$0	\$462,927
Other revenues	<u>4,194</u>	<u>14,000</u>	<u>18,194</u>
Total Operating Revenues	467,121	14,000	481,121
<b>OPERATING EXPENSES</b>			
Salaries and wages	830,699	15,291	845,990
Contract services	49,955	261	50,216
Materials and supplies	752,648		752,648
Depreciation	27,503		27,503
Miscellaneous	<u>698</u>		<u>698</u>
Total Operating Expenses	1,661,503	15,552	1,677,055
Operating income (loss)	(1,194,382)	(1,552)	(1,195,934)
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Federal grants	839,002		839,002
Commodities received	101,038		101,038
State grants	13,058		13,058
State on-behalf payments	220,762	7,093	227,855
Interest income	<u>1,859</u>	<u>0</u>	<u>1,859</u>
Non-operating revenues (expenses)	1,175,719	7,093	1,182,812
Net income (loss) before Capital Contributions	(18,663)	5,541	(13,122)
Increase (decrease) in Net Position	(18,663)	5,541	(13,122)
Net Position, July 1, 2016	(154,713)	17,159	(137,554)
Prior Period Adjustment - Note T	<u>(66,135)</u>		<u>(66,135)</u>
Net Position, June 30, 2017	(\$239,511)	\$22,700	(\$216,811)

See accompanying notes

BOYLE COUNTY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For The Year Ended June 30, 2017

Business-Type Activities  
Enterprise Funds

	<u>Food Service</u>	<u>Adult Education</u>	<u>Total</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$467,121	\$14,000	\$481,121
Cash paid to employees, including benefits	(581,859)	(8,198)	(590,057)
Cash paid to suppliers	<u>(693,620)</u>	<u>(261)</u>	<u>(693,881)</u>
Net cash provided by operating activities	(808,358)	5,541	(802,817)
<b>CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Cash received from government funding	926,802		926,802
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital asset purchases	(84,220)		(84,220)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Interest Income	1,859		1,859
Net increase (decrease) in cash	36,083	5,541	41,624
Cash and equivalents, July 1, 2016	<u>322,579</u>	<u>17,159</u>	<u>339,738</u>
Cash and equivalents, June 30, 2017	\$358,662	\$22,700	\$381,362
<b>Reconciliation of Operating income (loss) to Net Cash Provided by Operating Activities</b>			
Operating income (loss)	(\$1,194,382)	(\$1,552)	(\$1,195,934)
Adjustments to reconcile net income to cash provided by operating activities			
Depreciation	27,503		27,503
On-behalf payments	220,762	7,093	227,855
Commodities used	101,038		101,038
Decrease (Increase) in inventory	9,123		9,123
Increase (decrease) in pension	28,078		28,078
Increase (decrease) in accounts payable	<u>(480)</u>	_____	<u>(480)</u>
Net cash provided by operating activities and increase in cash and equivalents	(\$808,358)	\$5,541	(\$802,817)
<b>Schedule of Non-Cash Financing Activities</b>			
Donated commodities	\$101,038		\$101,038
On Behalf payments	\$220,762	\$7,093	\$227,855

See accompanying notes

BOYLE COUNTY SCHOOL DISTRICT  
 STATEMENT OF NET POSITION  
 FIDUCIARY FUNDS  
 As of June 30, 2017

	<u>Private Purpose Trust Funds</u>	<u>Agency Fund</u>
<b>ASSETS</b>		
Cash and equivalents	\$61,472	\$287,405
Accounts receivable	<u>                    </u>	<u>3,868</u>
<b>TOTAL ASSETS</b>	<b>\$61,472</b>	<b>\$291,273</b>
<b>LIABILITIES</b>		
Accounts payable		\$4,795
Due to student groups		<u>286,478</u>
<b>TOTAL LIABILITIES</b>		<b>\$291,273</b>
<b>NET POSITION HELD IN TRUST</b>	<b>\$61,472</b>	

See accompanying notes

BOYLE COUNTY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 For The Year Ended June 30, 2017

	Private Purpose <u>Trust Funds</u>
ADDITIONS:	
Contributions	\$25,005
Fundraising	<u>4,115</u>
TOTAL ADDITIONS	29,120
DEDUCTIONS:	
Benefits Paid	25,838
TOTAL DEDUCTIONS	25,838
Change in Net Position	3,282
NET POSITION, July 1, 2016	<u>58,190</u>
NET POSITION, June 30, 2017	\$61,472

See accompanying notes

BOYLE COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2017

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

REPORTING ENTITY

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

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

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

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

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

Basis of Presentation

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

The district-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 reconciliations with brief explanations to better identify the relationship between the district-wide statements and the statements for governmental funds.

BOYLE COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2017

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

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on 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 total net position. 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) The General Fund (Fund 1) is the primary operating fund of the District. It accounts for and reports all financial resources not accounted for and reported in another fund. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund (Fund 2) accounts for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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. This is a major fund of the District.

BOYLE COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2017

- (C) Capital Project Funds are used to account for and report financial resource that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.
1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund (Fund 310) receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan.
  2. The Facility Support Program of Kentucky (FSPK) Fund (Fund 320) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.
  3. The Construction Fund (Fund 360) includes Capital Projects Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction and/or renovations.

II. Debt Service Fund

The Debt Service Fund (Fund 400) is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds are used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years are reported in debt service funds.

III. Proprietary Funds (Enterprise Fund)

1. The School Food Service Fund (Fund 51) 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). This is a major fund of the District.
2. The Adult Education Fund (Fund 54) is used to account for adult education activities.

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

1. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with Uniform Program of Accounting for School Activity Funds.
2. The Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments.

BOYLE COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2017

V. Permanent Funds

Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs – that is, for the benefit of the government or its citizenry.

Basis of Accounting

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

Revenues – Exchanges and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, are 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.

Nonexchange 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 resources are required to be used or the fiscal year when used 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 they can be recognized.

Unearned Revenue – Deferred 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 deferred 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 of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities 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.



BOYLE COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2017

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, 2017, to finance operations were \$.704 per \$100 valuation for real property, \$.704 per \$100 valuation for business personal property. Motor vehicle tax rates were set at \$.539 per \$100 valuation.

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

Fund Balance Classification Policies and Procedures

The Board intends that accounting practices follow state and federal laws and regulations and generally accepted accounting policies.

Nonspendable Fund Balance

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

Restricted Fund Balance

Fund Balance will be reported as restricted when constraints placed on the use of resources are either; (a) externally imposed by creditors, grantors, contributors, or laws or regulations or other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

The Board will use restricted amounts before unrestricted amounts when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

Committed Fund Balance

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Education will be reported as committed fund balance.

Assigned Fund Balance

Amounts that have been assigned for a specific purpose by formal resolution of the Board of Education will be reported as assigned fund balance for a specific purpose.

Unassigned Fund Balance

Unassigned Fund Balance is the residual classification for the general fund.

When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classification could be used, the funds will first be spent from committed, then assigned, and then finally unassigned.

Interfund Balances

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

BOYLE COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2017

Capital Assets

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

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

<u>Description</u>	<u>Governmental Activities 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	12 years
Furniture and fixtures	20 years
Rolling stock	15 years
Other	10 years

Accumulated Unpaid Sick Leave Benefits

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

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

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

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

BOYLE COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2017

Budgetary Process

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 treasurer at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

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

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

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

The food service fund uses the specific identification method and the general fund uses the first-in, first-out method.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2017 are recorded as prepaid items using the consumption method. Prepaid assets are only recorded if material to the financial statements.

Pensions

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools and collections for services such as child care.

BOYLE COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2017

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the district-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 judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension 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.

Net Position

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

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.

Subsequent Events

The District has evaluated and considered the need to recognize or disclose subsequent events through October 25, 2017, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2017, have not been evaluated by the District.

Interfund Activity

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

BOYLE COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2017

Uses of Estimates

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

Encumbrances

Encumbrances are not liabilities and therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

**NOTE B – PROPERTY TAX CALENDAR**

Property taxes for fiscal year 2017 were levied on the assessed valuation of property located in the School District as of January 1, 2016 lien date. The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

Description	per KRS 134.015
Due date for payment of taxes	Upon receipt
Face value amount payment date	December 31
Delinquent date, 5% penalty	January 1 – January 31
Delinquent date, 10% penalty	February 1

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

**NOTE C – CASH AND CASH EQUIVALENTS**

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

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

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

BOYLE COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2017

**NOTE C – CASH AND CASH EQUIVALENTS (continued)**

Custodial credit risk – deposits. For deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned. The District maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2017, the District’s deposits are entirely insured and/or collateralized with securities held by the financial institutions on the District’s behalf and the FDIC insurance.

At year-end, the carrying amount of the District’s total cash and cash equivalents was \$10,063,782. Of the total cash balance, \$250,000 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks’ trust departments in the District’s name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Cash and cash equivalents at June 30, 2017 consisted of the following:

	Bank Balance	Book Balance
General Checking Account		
Fund 1 (General Fund)	\$	\$ 8,084,098
Fund 2 (Special Revenue Fund)		193,710
Fund 22 (District Activity Fund)		222,887
Fund 310 (Capital Outlay Fund)		40,528
Fund 320 (Building Fund)		650,364
Fund 360 (Construction Fund)		(467,806)
Fund 51 (Food Service)		358,662
Fund 54 (Adult Education)		<u>22,700</u>
Total General Checking Account	9,333,324	9,105,143
Agency Funds	305,631	287,405
Debt Service Funds	<u>671,234</u>	<u>671,234</u>
TOTALS	\$ 10,310,189	\$10,063,782
Breakdown per financial statements:		
Governmental Funds		\$ 9,395,015
Proprietary Funds		381,362
Agency Funds		<u>287,405</u>
TOTALS		\$10,063,782

**NOTE D – CAPITAL ASSETS**

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

Instruction	\$ 893,504
Support Services	
Student	325,103
District administration	4,856
School administration	611
Business	141
Plant operations & maintenance	8,424
Student transportation	<u>139,526</u>
Total Depreciation expense, governmental activities	\$ 1,372,165

BOYLE COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2017

**NOTE D – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

<b>Governmental Activities</b>	Beginning	Additions	Deletions	Ending
Land	1,009,950			1,009,950
Land Improvements	951,451	99,858		1,051,309
Buildings/Bldg Improvements	41,681,515			41,681,515
Technology Equipment	418,626	10,645		429,271
Vehicles	1,672,131	395,989		2,068,120
General Equipment	481,777	13,085		494,862
Construction Work In Process	<u>17,466</u>	<u>518,300</u>		<u>535,766</u>
Total Historical Cost	46,232,916	1,037,877		47,270,793
Accumulated Depreciation				
Land Improvements	275,273	52,072		327,345
Buildings/Bldg Improvements	20,848,920	1,115,739		21,964,659
Technology Equipment	359,519	10,299		369,818
Vehicles	985,852	138,741		1,124,593
General Equipment	<u>259,910</u>	<u>55,314</u>		<u>315,224</u>
Total Accumulated Depreciation	22,729,474	1,372,165		24,101,639
Capital Assets - Net	23,503,442	(334,288)		23,169,154
<b>Business-Type Activities</b>				
	Beginning	Additions	Deletions	Ending
Technology Equipment	23,622			23,622
General Equipment	<u>779,501</u>	<u>84,220</u>		<u>863,721</u>
Total Historical Cost	803,123	84,220		887,343
Accumulated Depreciation				
Technology Equipment	23,622			23,622
General Equipment	<u>704,669</u>	<u>27,503</u>		<u>732,172</u>
Total Accumulated Depreciation	728,291	27,503		755,794
Capital Assets - Net	74,832	56,717		131,549

BOYLE COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2017

**NOTE E – BONDED DEBT AND LEASE OBLIGATIONS**

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued aggregating the original amount of each issue, the issue date, and interest rates are summarized below:

Issue Date	Proceeds	Interest Rates
2004	\$515,000	3.00% -5.00%
2007	\$1,490,000	3.60% -4.00%
2008	\$1,095,000	2.50% - 3.25%
2010	\$2,765,000	4.50%
2010R	\$5,395,000	1.00% - 3.00%
2011	\$2,095,000	1.00% - 4.25%
2012	\$1,320,000	2.83%
2012QZAB	\$2,823,000	4.08%
2013R	\$4,315,000	1.91% - 2.00%
2016R	\$855,000	2.35%
2016	\$1,895,000	2.00% - 3.25%

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

There are a number of limitations and restrictions contained in the various bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions as of June 30, 2017.

The District entered into "participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the maturity, the minimum obligations of the District, including amounts to be paid by the Commission at June 30, 2017, for debt service (principal and interest) are as follows:



BOYLE COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2017

**NOTE E – BONDED DEBT AND LEASE OBLIGATIONS (continued)**

Year	Boyle County School		SFCC		Sinking Fund		U.S	Total
	Principal	Interest	Principal	Interest	Boyle	SFCC	Treasury	
2017-18	758,555	314,026	431,445	138,747	24,547	70,118	112,920	1,850,358
2018-19	773,070	297,205	411,930	127,232	24,547	70,118	112,920	1,817,022
2019-20	801,126	275,714	423,874	115,287	24,547	70,118	112,920	1,823,586
2020-21	817,926	253,160	437,074	102,086	24,547	70,118	112,920	1,817,831
2021-22	845,114	224,650	314,886	89,351	24,547	70,118	112,920	1,681,586
2022-23	861,100	205,396	323,900	80,182	24,547	70,118	112,920	1,678,163
2023-24	881,353	185,626	333,647	70,432	24,547	70,118	112,920	1,678,643
2024-25	901,908	164,997	303,092	60,180	24,547	70,118	112,920	1,637,762
2025-26	923,143	143,733	296,857	51,632	24,547	70,118	112,920	1,622,950
2026-27	586,801	127,865	258,199	43,225	24,547	70,118	112,920	1,223,675
2027-28	612,456	107,577	187,544	34,813	24,547	70,118	112,920	1,149,975
2028-29	635,380	84,503	194,620	27,736	24,547	70,118	112,920	1,149,824
2029-30	663,033	61,202	201,967	20,388	24,547	70,118	112,920	1,154,175
2030-31	336,157	36,701	153,843	12,502	24,547	70,118	112,920	746,788
2031-32	252,180	25,774	47,820	6,474	24,548	70,118	112,920	539,834
2032-33	260,674	18,070	49,326	4,967	24,548	70,118	112,920	540,623
2033-34	189,071	12,398	50,929	3,364	94,666	0	112,920	463,348
2034-35	192,415	6,254	52,585	1,709	94,666	0	112,920	460,549
2035-35	<u>2,823,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>94,666</u>	<u>0</u>	<u>112,920</u>	<u>3,030,586</u>
Totals	14,114,462	2,544,851	4,473,538	990,307	676,752	1,121,888	2,145,480	26,067,278

Long-term liability activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds	\$19,763,000		\$0	\$18,588,000	\$1,190,000
Capital Leases	\$46,873		\$0	\$15,893	\$15,893
Sick Leave	\$368,708	\$71,868	\$105,015	\$335,561	\$0
KSBIT Assessment	<u>\$137,339</u>		<u>\$35,012</u>	<u>\$102,327</u>	<u>\$34,109</u>
Totals	\$20,315,920	\$71,868	\$1,346,007	\$19,041,781	\$1,240,002

BOYLE COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2017

**NOTE F – NONCAPITAL LEASES**

Commitments under operating lease agreements for building provide the minimum future rental payments as of June 30, 2018 as follows:

Year Ending June 30, 2018	\$ 36,000
2019	36,000
2020	36,000
2021	36,000
2022	0
Later years	<u>0</u>
Total	\$ 144,000

**NOTE G – CAPITAL LEASE PAYABLE**

The District leases buses under capital leases with KISTA. The leases expire on various dates from June 2017 through June 2018.

<u>Classes of Property</u>	Book value as of
Buses	<u>June 30, 2017</u>
	\$ 82,391

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2017.

Year Ending	Capital Lease
<u>June 30,</u>	<u>Payable</u>
2018	16,489
2019	0
2020	0
2021	0
2022	0
Thereafter	<u>0</u>
Total minimum lease payments	\$ 16,489
Less amount representing interest	( <u>596</u> )
Present value of net minimum lease payments	\$ 15,893

**NOTE H – 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, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which includes Workers' Compensation insurance.

**NOTE I - CONTINGENCIES**

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

BOYLE COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2017

**NOTE J – ACCUMULATED UNPAID SICK LEAVE BENEFITS**

Upon retirement from the school system, an employee will receive from the district an amount equal to 30% of the value of accumulated sick leave. At June 30, 2017, this amount totaled \$335,561.

**NOTE K – INTERFUND RECEIVABLES AND PAYABLES**

Interfund balances at June 30, 2017, consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
None		

**NOTE L – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District purchases various commercial insurance policies.

The District purchased unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE M – DEFICIT OPERATING/FUND BALANCES**

Funds with a current year deficit of revenues over expenditures	
Fund 310	( 76,177)
Fund 320	( 7,967)
Fund 360	( 523,024)
Fund 51	( 18,663)

**NOTE N – 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. The District notifies the Department of Employee Insurance (DEI) when an employee is no longer employed. DEI sends the employee the COBRA requirements

BOYLE COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2017

**NOTE O – TRANSFER OF FUNDS**

The following transfers were made during the year.

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	1	2	KETS Matching	\$ 50,346
Operating	1	2	Community Ed	10,000
Operating	2	1	Indirect Cost	2,176
Operating	360	1	Land Purchase	708,721
Operating	1	360	Construction	99,858
Operating	1	400	Bond Payment	32,750
Debt Service	310	400	Bond Payment	316,512
Debt Service	320	400	Bond Payment	914,671

**NOTE P – ON-BEHALF PAYMENTS**

The financial statements include payments made by the Commonwealth of Kentucky for insurance, flexible spending, vocational and retirement benefits. The following amounts are included in each of the functions.

Health Insurance	\$ 2,769,453
Life Insurance	4,363
Administrative Fees	34,801
Health Reimbursement Account	124,687
Federal Reimbursement	( 71,569)
TRS	1,994,463
Technology On Behalf Payments	72,141
Debt Service On Behalf Payments	<u>655,856</u>
Total On-Behalf Payments	\$ 5,584,195
General Fund	\$ 4,700,484
Debt Service	655,856
Food Service	220,762
Adult Education	<u>7,093</u>
Total On-Behalf Payments	\$ 5,584,195

BOYLE COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2017

**NOTE Q – KSBIT JUDGMENT**

On June 4, 2014, the Franklin Circuit Court issued an order instructing the Rehabilitator to assess the former members of the Kentucky School Boards Insurance Trust Workers' Compensation Fund. The District was assessed \$52,259 for their liability portion. The District has elected to pay 25% down, and the balance in equal installments for 6 years.

The following is a schedule by years of the future payments under the agreement.

Year Ending <u>June 30,</u>	<u>Amount</u>
2018	34,109
2019	34,109
2020	<u>34,109</u>
Total	\$102,327

**NOTE R – GASB 68 AND GASB 71**

In March 2009, the Governmental Accounting Standards Board (GASB) approved Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement 68 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. In November 2013, the GASB approved Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which amends paragraph 13 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of the statement must be implemented by the District no later than the fiscal year beginning July 1, 2016.

**NOTE S – GENERAL INFORMATION ABOUT THE PENSION PLANS**

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

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

BOYLE COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2017

**NOTE S – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)**

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

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

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

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Members 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. TRS also provides disability benefits for vested members 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 members are required to contribute 12.855% of their salaries to the System.

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

**NOTE S – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)**

**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.

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 and three quarters 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 Pensions**

At June 30, 2017, the Kentucky School District did not report a liability for its proportionate share of the net pension liability because the State of Kentucky provides the pension support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

State's proportionate share of the net pension liability associated with the District	<u>\$ 121,213,583</u>
---	-----------------------

The net pension liability was measured as of June 30, 2016, 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, 2016, the District's proportion was 0.4109 percent.

BOYLE COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2017

**NOTE S – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)**

For the year ended June 30, 2017, the District recognized pension expense of \$1,994,463 and revenue of \$1,994,463 for support provided by the State.

*Actuarial assumptions* – The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.50%, net of pension plan investment expense, including inflation.
Projected salary increases	4.00 – 8.20%, including inflation
Inflation rate	3.50%
Municipal Bond Index Rate	3.82%
Single Equivalent Interest Rate	4.88%

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a setback of 1 year for females.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2015 – June 30, 2010 adopted by the Board on December 19, 2011. The results of the experience study for the period July 1, 2010 – June 30, 2015 will be reflected in the June 30, 2016 valuation and the June 30, 2017 GASB 67 report.

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.



BOYLE COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2017

**NOTE S – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)**

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	45.0%	6.4%
Non U.S. Equity	17.0%	6.5%
Fixed Income	24.0%	1.6%
High Yield Bonds	4.0%	3.1%
Real Estate	4.0%	5.8%
Alternatives	4.0%	6.8%
Cash	2.0%	1.5%
Total	<u>100.0%</u>	

*Discount rate* - The discount rate used to measure the total pension liability was 4.88%. 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 statutorily required rates, and the additional amounts appropriated for fiscal years 2017 and 2018. 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 until the 2040 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2039 and a municipal bond index rate of 3.01% was applied to all periods of projected benefit payments after 2039. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate payment streams was used to determine the total pension liability.

The following table presents the net pension liability of the System, calculated using the discount rate of 4.20%, as well as what the System’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.20%) or 1-percentage-point higher (5.20%) than the current rate:

(\$ thousands):

	1% Decrease (3.20%)	Current Discount Rate (4.20%)	1% Increase (5.20%)
System's net pension liability	\$148,704	\$121,214	\$98,653

BOYLE COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2017

**NOTE S – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)**

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

June 30, 2015 is the actuarial valuation date upon which the TPL is based. The TPL from this valuation was determined using a discount rate of 4.20%, which was based on a municipal bond index rate as of that date equal to 3.01%. The TPL used last year was determined using a discount rate equal to 4.88%, which as based on a municipal bond index rate of 3.82%. These two amounts are rolled forward to June 30, 2016 using standard roll forward techniques. The roll forward calculation adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year and then applies the assumed interest rate (SEIR) for the year. The difference between the two roll-forward amounts as of June 30, 2016 is the gain or loss due to changes in assumptions and other inputs.

In addition, we have determined an expected TPL as of June 30, 2016 based on the TPL roll-forward in the June 30, 2015 GASB 67 report. The difference between this amount and the roll-forward of the actual TPL based on the 4.88% interest rate is reflected as an experience gain or loss for the year.

**KENTUCKY RETIREMENT SYSTEM**

**County Employees Retirement System (CERS)**

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

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky 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% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions and by employers of members who contribute 17.06% of the member's salary. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

BOYLE COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2017

**NOTE S – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)**

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2016 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, 2016. At June 30, 2016, the District's proportion was .11535%.

For the year ended June 30, 2017, the District recognized pension expense of \$327,703. At June 30, 2017, the District reported deferred outflows of resources for District contributions subsequent to the measurement date of \$489,381, deferred outflows of resources from change of assumptions and expectations of \$803,060 and deferred inflows of resources related to pensions from the net difference between projected and actual earnings on pension plan investments in the amount of \$259,800.

District contributions subsequent to the measurement date of \$489,381 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to CERS will be recognized in pension expense as follows:

<u>Year</u>		Inflows	Outflows
2018	\$	86,600	\$ 298,297
2019		86,600	199,568
2020		86,600	194,378
2021		<u>0</u>	<u>110,817</u>
	\$	259,800	\$ <u>803,060</u>

Actuarial Methods and Assumptions: The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2016. The financial reporting actuarial valuation as of June 30, 2016, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Experience Study	July 1, 2008 – June 30, 2013
Remaining Amortization Period	27 years
Inflation	3.25%
Salary Increase	4.0%, average, including inflation
Investment Rate of Return	7.50%, net of pension plan investment expense, including inflation

BOYLE COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2017

**NOTE S – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)**

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. These ranges were 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 then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

BOYLE COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2017

**NOTE S – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)**

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Combined Equity	44.0%	5.40%
Combined Fixed Income	19.0%	1.50%
Real Return (Diversified Inflation Strategies)	10.0%	3.50%
Real Estate	5.0%	4.50%
Absolute Return (Diversified Hedge Funds)	10.0%	4.25 %
Private Equity	10.0%	8.50%
Cash Equivalent	<u>2.0%</u>	-0.25%
	<u>100.0%</u>	

Discount Rate: The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 27 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projected period.

The Schedule of Deferred Inflows and Outflows, and Pension Expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule does not include deferred outflows/inflows of resources for changes in the employer’s proportionate share of contributions or employer contributions made subsequent to the measurement date. The net pension liability as of June 30, 2017, is based on the June 30, 2016, actuarial valuation. 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.

BOYLE COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2017

**NOTE S – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)**

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50 %, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 %) or 1-percentage-point higher (8.50 %) than the current rate:

	1% Decrease <u>(6.50%)</u>	Current discount rate <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
District's proportionate share of the net pension liability	\$ 7,077,178	\$ 5,679,180	\$ 4,480,817

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

Payables to the pension plan: At June 30, 2017 the District had payables to CERS in the amount of \$0 for June's covered payroll with contributions required to be paid in July.

**NOTE T – PRIOR PERIOD ADJUSTMENT**

During the year an error was discovered between the detail fixed assets and the MUNIS general ledger. A correction was made to the general ledger to reconcile with the detail fixed assets.

	General	Proprietary
Fixed Assets Cost – Beginning	\$ 46,744,122	\$ 913,387
Prior Period Adjustment	( 511,206)	(110,264)
Correct Balance	\$ 46,232,916	\$ 803,123
Accumulated Depreciation – Beginning	\$ 22,729,474	\$ 772,420
Prior Period Adjustment	0	( 44,129)
Correct Balance	\$ 22,729,474	\$ 728,291

SUPPLEMENTARY INFORMATION

BOYLE COUNTY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND  
 For The Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	7,477,360	7,396,271	7,946,148	549,877
Other Local Sources	55,000	65,500	86,899	21,399
State Sources	<u>14,638,279</u>	<u>14,638,279</u>	<u>15,726,761</u>	<u>1,088,482</u>
<b>TOTAL REVENUES</b>	<b>22,170,639</b>	<b>22,100,050</b>	<b>23,759,808</b>	<b>1,659,758</b>
<b>EXPENDITURES</b>				
Instruction	10,768,128	10,855,128	11,236,554	(381,426)
Support Services				
Student	1,020,880	984,706	1,083,659	(98,953)
Instructional Staff	2,504,009	2,722,899	2,727,391	(4,492)
District Administration	2,444,243	1,686,724	1,114,256	572,468
School Administration	1,129,018	1,184,466	1,234,942	(50,476)
Business	744,618	744,348	798,855	(54,507)
Plant Operation and Maintenance	1,446,131	1,492,003	1,511,154	(19,151)
Student Transportation	1,717,439	1,737,912	1,671,747	66,165
Other Instructional	10,210	10,210	7,918	2,292
Community Services	1,438,666	1,249,548	1,242,628	6,920
Facilities		810,000		810,000
Contingency	<u>3,917,298</u>	<u>3,729,706</u>		<u>3,729,706</u>
<b>TOTAL EXPENDITURES</b>	<b>27,140,640</b>	<b>27,207,650</b>	<b>22,629,104</b>	<b>4,578,546</b>
Excess (Deficit) of Revenues Over Expenditures	(4,970,001)	(5,107,600)	1,130,704	6,238,304
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Assets			31,681	31,681
Operating Transfers In		2,071	710,897	708,826
Operating Transfers Out	<u>(232,750)</u>	<u>(236,829)</u>	<u>(192,954)</u>	<u>43,875</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(232,750)</b>	<b>(234,758)</b>	<b>549,624</b>	<b>784,382</b>
Excesss (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(5,202,751)	(5,342,358)	1,680,328	7,022,686
Fund Balance, July 1, 2016	<u>5,202,751</u>	<u>5,347,859</u>	<u>6,557,393</u>	<u>1,209,534</u>
Fund Balance, June 30, 2017	\$0	\$5,501	\$8,237,721	\$8,232,220



BOYLE COUNTY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE FOR SPECIAL REVENUE  
 For The Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
State Sources	\$711,153	\$2,997,621	\$1,478,638	(1,518,983)
Federal Sources	1,123,872	2,449,939	1,340,784	(1,109,155)
Local Sources	<u>8,000</u>	<u>19,573</u>	<u>241,942</u>	<u>222,369</u>
<b>TOTAL REVENUES</b>	<b>1,843,025</b>	<b>5,467,133</b>	<b>3,061,364</b>	<b>(2,405,769)</b>
<b>EXPENDITURES</b>				
Instruction	1,372,935	3,880,324	2,103,557	1,776,767
Support Services				
Student	6,000	17,006	28,132	(11,126)
Instructional Staff	454,833	1,166,766	665,530	501,236
Student Transportation	29,257	53,986	24,078	29,908
Community Service Operations	<u>30,000</u>	<u>464,798</u>	<u>238,870</u>	<u>225,928</u>
<b>TOTAL EXPENDITURES</b>	<b>1,893,025</b>	<b>5,582,880</b>	<b>3,060,167</b>	<b>2,522,713</b>
Excess (Deficit) of Revenues Over Expenditures	(50,000)	(115,747)	1,197	116,944
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers In	50,000	117,485	60,346	(57,139)
Operating Transfers Out	<u>0</u>	<u>(6,004)</u>	<u>(2,176)</u>	<u>3,828</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>50,000</b>	<b>111,481</b>	<b>58,170</b>	<b>(53,311)</b>
Excesss (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	0	(4,266)	59,367	63,633
Restricted Fund Balance, July 1, 2016	<u>0</u>	<u>163,520</u>	<u>163,520</u>	<u>0</u>
Restricted Fund Balance, June 30, 2017	\$0	159,254	222,887	63,633

BOYLE COUNTY SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 For The Year Ended June 30, 2017

	2017	2016	2015
District's proportion of the net pension liability (asset)			
TRS	\$0	\$0	\$0
CERS	<u>\$5,679,180</u>	<u>\$4,918,130</u>	<u>\$3,877,000</u>
Total	\$5,679,180	\$4,918,130	\$3,877,000
District's proportionate share of the net pension liability (asset)			
TRS	0	0	0
CERS	0.115350%	0.114390%	0.119503%
State's proportionate share of the net pension liability (asset) associated with the District			
TRS	\$121,213,583	\$96,513,321	\$76,313,459
District's covered employee payroll			
TRS	\$13,289,965	\$12,472,513	\$12,221,235
CERS	\$2,747,289	\$2,732,188	\$2,771,746
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll			
TRS	0	0	0
CERS	206.72%	180.01%	139.88%

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

BOYLE COUNTY SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT PENSION CONTRIBUTIONS  
 For The Year Ended June 30, 2017

	2017	2016	2015	2014
Contractually required contributions				
TRS	\$486,362	\$406,078	\$261,545	\$224,884
CERS	<u>\$327,703</u>	<u>\$341,522</u>	<u>\$519,429</u>	<u>\$461,748</u>
Total	\$814,065	\$747,600	\$780,974	\$686,632
Contributions in relation to the contractually required contribution				
TRS	\$486,362	\$406,078	\$261,545	\$224,884
CERS	<u>\$327,703</u>	<u>\$341,522</u>	<u>\$519,429</u>	<u>\$461,748</u>
Total	\$814,065	\$747,600	\$780,974	\$686,632
Contribution deficiency (excess)				
TRS	\$0	\$0	\$0	\$0
CERS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total	\$0	\$0	\$0	\$0
District's covered employee payroll				
TRS	\$13,289,965	\$12,472,513	\$12,221,235	\$11,628,199
CERS	<u>\$2,747,289</u>	<u>\$2,732,188</u>	<u>\$2,771,746</u>	<u>\$2,860,163</u>
Total	\$16,037,254	\$15,204,701	\$14,992,981	\$14,488,362
Contributions as a percentage of covered employee payroll				
TRS	3.66%	3.26%	15.49%	11.49%
CERS	11.93%	12.50%	16.47%	22.85%

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

BOYLE COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
For The Year Ended June 30, 2017

Changes of benefit terms

TRS - none

CERS

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

1. Tiered Structure for benefit accrual rates
2. New retirement eligibility requirements
3. Different rules for the computation of final average compensation

2014: A cash balance plan was introduced for member who participation date is on or after January 1, 2014.

Changes of assumptions

TRS - In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP - 2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the TRS Board adopted an interest smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions. Beginning with the 2014 valuation, the interest smoothing methodology is no longer used.

CERS

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2015

The assumed investment rate of return was decreased from 7.75% to 7.50%.

The assumed rate of inflation was reduced from 3.5% to 3.25%.

The assumed rate of wage inflation was reduced from 1.00% to 0.75%.

Payroll growth assumption was reduced from 4.50% to 4.00%.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).

For healthy retired members and beneficiaries, the mortality table used in the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females).

For disabled members, the RP-2000 Combined Disabled Mortality Table project with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

BOYLE COUNTY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 As of June 30, 2017

	SEEK Capital Outlay Fund	Building Fund	Debt Service Fund	Total
ASSETS AND RESOURCES				
Cash and equivalents	\$40,528	\$650,364	\$671,234	\$1,362,126
TOTAL ASSETS AND RESOURCES	\$40,528	\$650,364	\$671,234	\$1,362,126
FUND BALANCES				
Restricted - Future Const BG-1	40,528	313,279		353,807
Restricted - Debt Service			671,234	671,234
Restricted - SFCC Escrow Current		<u>337,085</u>	<u>          </u>	<u>337,085</u>
TOTAL FUND BALANCES	40,528	650,364	671,234	1,362,126
TOTAL LIABILITIES AND FUND BALANCES	\$40,528	\$650,364	\$671,234	\$1,362,126

BOYLE COUNTY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For The Year Ended June 30, 2017

	SEEK Capital Outlay Fund	Building Fund	Debt Service Fund	Total
<b>REVENUES</b>				
Property Taxes	\$	\$1,160,752	\$	\$1,160,752
Earnings on investments	598	6,654	7,887	15,139
Intergovernmental-Federal			105,129	105,129
Intergovernmental-State	<u>239,737</u>	<u>448,019</u>	<u>655,856</u>	<u>1,343,612</u>
<b>TOTAL REVENUES</b>	240,335	1,615,425	768,872	2,624,632
<b>EXPENDITURES</b>				
Debt Service			1,802,984	1,802,984
<b>TOTAL EXPENDITURES</b>	0	0	1,802,984	1,802,984
Excess (deficit) revenues over expenditures	240,335	1,615,425	(1,034,112)	821,648
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in			1,263,933	1,263,933
Operating transfers out	<u>(316,512)</u>	<u>(1,623,392)</u>	<u>          </u>	<u>(1,939,904)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	(316,512)	(1,623,392)	1,263,933	(675,971)
Excess (deficit) revenues and other financing sources over expenditures and other financing uses	(76,177)	(7,967)	229,821	145,677
Restricted Fund Balance, July 1, 2016	<u>116,705</u>	<u>658,331</u>	<u>441,413</u>	<u>1,216,449</u>
Restricted Fund Balance, June 30, 2017	\$40,528	\$650,364	\$671,234	\$1,362,126

BOYLE COUNTY SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET POSITION  
 AGENCY FUNDS  
 As of June 30, 2017

	Boyle County High School	Boyle County Middle School	Junction City Elementary School	Perryville Elementary School	Woodlawn Elementary School	Total
<b>ASSETS</b>						
Cash and equivalents	\$157,758	\$42,740	\$11,768	\$61,524	\$13,615	\$287,405
Accounts receivable	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,868</u>	<u>3,868</u>
<b>TOTAL ASSETS</b>	<b>\$157,758</b>	<b>\$42,740</b>	<b>\$11,768</b>	<b>\$61,524</b>	<b>\$17,483</b>	<b>\$291,273</b>
<b>LIABILITIES</b>						
Accounts payable	\$4,795	\$0	\$0	\$0	\$0	\$4,795
Due to student groups	<u>152,963</u>	<u>42,740</u>	<u>11,768</u>	<u>61,524</u>	<u>17,483</u>	<u>286,478</u>
<b>TOTAL LIABILITIES</b>	<b>\$157,758</b>	<b>\$42,740</b>	<b>\$11,768</b>	<b>\$61,524</b>	<b>\$17,483</b>	<b>\$291,273</b>

BOYLE COUNTY SCHOOL DISTRICT  
 COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS, FUND BALANCE  
 AGENCY FUNDS  
 For The Year Ended June 30, 2017

	Cash July 1, 2016	Receipts	Disbursements	Cash June 30, 2017	Accounts Receivable Ending	Accounts Payable Ending	Due To Student Groups June 30, 2017
Boyle County High School	\$160,216	\$546,178	\$548,636	\$157,758	\$0	\$4,795	\$152,963
Boyle County Middle School	\$64,363	\$276,183	\$297,806	\$42,740			\$42,740
Junction City Elementary School	\$13,115	\$21,947	\$23,294	\$11,768			\$11,768
Perryville Elementary School	\$59,729	\$76,225	\$74,430	\$61,524			\$61,524
Woodlawn Elementary	<u>\$54,976</u>	<u>\$66,800</u>	<u>\$108,161</u>	<u>\$13,615</u>	<u>3,868</u>	<u>0</u>	<u>\$17,483</u>
TOTAL ACTIVITY FUNDS	\$352,399	\$987,333	\$1,052,327	\$287,405	\$3,868	\$4,795	\$286,478



BOYLE COUNTY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS  
BOYLE COUNTY HIGH SCHOOL  
For The Year Ended June 30, 2017

	Cash				Cash	Accounts	Accounts	Due To
	Beginning	Receipts	Disbursements	Transfers	Ending	Receivable	Payable	Student Groups
	\$3,854	\$0	\$93	30	\$3,791	\$0	\$0	\$3,791
Administrative Exp.	92				92			92
ACT Test	7,000	9,000	7,000	(2,000)	7,000			7,000
Activity Fee	7,340	1,159	3,836	2,301	6,964			6,964
General	7,927	2,257	1,786	(1,500)	6,898			6,898
Vending	2,232	17,935	17,355	250	3,062			3,062
Guidance Office	8,875	16,846	26,885	5,000	3,836			3,836
Bass Fishing Team	1,805	8,210	7,307		2,708			2,708
Chromebooks	90	240			330			330
Improv Club	286	1,342	926	(149)	553			553
Youth Service Center	1,348	1,440	1,721	(21)	1,046			1,046
Elementary Girls Basket	0	1,320	620		700			700
Elementary Boys Basket	0	13,492	15,000	1,572	64			64
AP Government	1,390	16,189	17,632	1,483	1,430			1,430
Project Graduation	0	3,719	3,719		0			0
Winterguard	0	2,409	2,409		0			0
Archery	23,500	137,937	144,959	(840)	15,638		3,007	12,631
Athletics	1,859	1,821	1,945		1,735			1,735
Athletic Trainer	1,493	750			2,243			2,243
Baseball	3,859	2,790	1,919		4,730			4,730
Basketball-Boys	2,107	400	570		1,937			1,937
Basketball-Girls	88	14,374	13,878		584		584	0
Cheerleaders	2,665	6,000	4,128	(15)	4,522			4,522
Cross Country	183	3,470	2,970		683			683
Volleyball	960	2,031	721		2,270			2,270
Boys Golf	721	698	323		1,096			1,096
Girls Golf	927		927		0			0
Boys Soccer	0	4,295	4,255	(25)	15			15
Girls Soccer	541	3,526	4,092	25	0			0
Softball	313	10,149	10,232		230			230
Swim Team	134	1,883	1,951		66			66
Tennis	0	2,045	2,045		0			0
Track	2,114				2,114			2,114
A.D. Discretionary	816	1,034	1,218	(35)	597			597
Art Club	419	1,540	1,283		676			676
National Honor Society	2,217	5,675	3,358		4,534			4,534
DECA	47	200	93	(60)	94			94
STLP	1,412	140	762		790			790
F.C.A.	2,838	1,043	3,039		842			842
TSA	1,656	9,940	11,410	(181)	5			5
FCCLA	440	7,511	7,034		917			917
HOSA	115				115			115
Allied Health	130	195			325			325
Drama Club	251	1,487	1,638	(56)	44			44
Forensics	3,919	5,135	2,718	(1,588)	4,748			4,748
FCCLA Regional	0	735	315		420			420
Key Club	557	1,920	1,458	(110)	909			909
Pep Club	82	792	865		9			9
Book Club	160	161	85		236			236
Spanish Club	0	130	233	200	97			97
Outdoor Club	31				31			31
Change of Heart	109	15,245	15,381	27	0			0
Y Club	11,119	15,091	10,637	(5,700)	9,873			9,873
Rebel Zone	398	25	142	(10)	271			271
FMD Class Project								

BOYLE COUNTY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS  
BOYLE COUNTY HIGH SCHOOL  
For The Year Ended June 30, 2017

	Cash				Cash	Accounts	Accounts	Due To
	Beginning	Receipts	Disbursements	Transfers	Ending	Receivable	Payable	Student Groups
						Ending	Ending	Ending
Ag Mech	1,484	1,398	1,718	100	1,264		173	1,091
Inkspot	226				226			226
Academic Team	0	90	90		0			0
Horticulture	13,059	24,964	18,967	(89)	18,967		342	18,625
Language Arts	182	300	207	(10)	265			265
Foreign Language	1				1			1
Library	3,394	963	1,157	401	3,601			3,601
Math	11				11			11
Music	42	561	600		3			3
Science	240	2,334	1,427		1,147			1,147
Environmental Club	103	95	94	(66)	38			38
Class of 2017	2,357	13,562	13,839	(2,080)	0			0
Class of 2019	0	38		250	288			288
Class of 2018	932	11,662	8,540	468	4,522			4,522
Class of 2016	130	1,074	130		1,074			1,074
Mass Media	9,042	5,061	2,855		11,248		67	11,181
Chess Club	130	79			209			209
Gibson's Classroom	599		394		205			205
Thomason Teach	64				64			64
Wrestling	471				471			471
Aqua Culture	119	1,930	1,250		799			799
School Play	1,494	3,121	2,720		1,895			1,895
Rebel Textiles	4,044	3,891	4,988	1,542	4,489			4,489
Ping Pong	489	100			589			589
Quilting Club	30			(30)	0			0
PND Bank	6				6			6
Web Journalism	69		15		54			54
Yoga	50				50			50
Teacher Fund	751	2,627	3,021		357			357
Magic Club	125	32	50		107			107
Boyled Perfection	507	3,911	4,445	27	0			0
E Rebel Zone	4				4			4
FFA	5,447	47,897	49,505	(5)	3,834		622	3,212
International Studies	398			(398)	0			0
Fees	<u>3,797</u>	<u>64,762</u>	<u>69,751</u>	<u>1,292</u>	<u>100</u>			<u>100</u>
Total	\$160,216	\$546,178	\$548,636	\$0	\$157,758	\$0	\$4,795	\$152,963

BOYLE COUNTY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For The Year Ended June 30, 2017

Federal Grantor/Passed-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass Through Grantor's Number	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>			
Passed through Kentucky Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	7750002 16	\$112,868
National School Lunch Program	10.555	7750002 17	479,207
School Breakfast Program	10.553	7760005 16	60,981
School Breakfast Program	10.553	7760005 17	148,233
Summer Food Service Program for Children	10.559	7690024 16	3,557
Summer Food Service Program for Children	10.559	7740023 16	34,156
Commodities	10.555	not provided	<u>101,038</u>
Total Child Nutrition Cluster			940,040
TOTAL U.S. DEPARTMENT OF AGRICULTURE			940,040
<b><u>U.S. Department of Education</u></b>			
Passed through Kentucky Department of Education			
Improving America's School Act of 1994			
Title I, Part A			
Title I Grants to Local Educational Agencies	84.010	3100002 16	422,197
Title I, Part D			
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	not provided	13,150
Special Education Cluster (IDEA)			
Special Education-Grants to States (IDEA, Part B)	84.027	3810002 15	107,200
Special Education-Grants to States (IDEA, Part B)	84.027	3810002 16	539,378
Special Education-Grants to States (IDEA, Part B)	84.173	3800002 15	37,940
Special Education-Preschool Grants (IDEA, Preschool)	84.173	3800002 16	<u>64,578</u>
		subtotal	749,096
Career and Technical Education - Basic Grants To States	84.048	3710002 16	18,899
Career and Technical Education - Basic Grants To States	84.048	3710002 15	<u>944</u>
		subtotal	19,843
Improving Teacher Quality State Grants	84.367	3230002 15	59,601
Supporting Effective Instruction State Grant	84.367	3230002 16	<u>60,833</u>
		subtotal	120,434
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>1,324,720</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$2,264,760

The accompanying notes are an integral part of this schedule

BOYLE COUNTY SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended June 30, 2017

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Boyle County School District (the "District") under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 2 – Summary of 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 Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The District did not use the 10 percent de minimis indirect cost rate.

Note 3 – Food Distribution

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities disbursed, totaling \$101,038.

**DENISE M. KEENE  
CERTIFIED PUBLIC ACCOUNTANT  
P.O. BOX 1444  
GEORGETOWN, KENTUCKY 40324  
502-857-2579**

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

State Committee For School District Audits  
Members of the Board of Education  
Boyle County School District  
Danville, Kentucky

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, Audits of States and Local Governments, and Non-profit Organizations, and the audit requirement prescribed by the Kentucky Committee for School District Audits, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Boyle County Board of Education as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated October 25, 2017.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

I noted certain matters that I reported to management of the District in a separate letter dated October 25, 2017.

### **Purpose of this Report**

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

*Denise M. Keene*

Denise M. Keene, CPA  
Georgetown, Kentucky  
October 25, 2017

**DENISE M. KEENE  
CERTIFIED PUBLIC ACCOUNTANT  
P.O. BOX 1444  
GEORGETOWN, KENTUCKY 40324  
502-857-2579**

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

State Committee For School District Audits  
Members of the Board of Education  
Boyle County School District  
Danville, Kentucky

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

We have audited Boyle County School District's (the "District") compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) *Audits of States, Local Governments, and Non-Profit Organizations* and the audit requirements prescribed by the Kentucky Committee for School District Audits. Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the District's compliance.

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

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

### **Report on Internal Control Over Compliance**

Management of the Boyle County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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



Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*Denise M. Keene*

Denise M. Keene, CPA  
Georgetown, Kentucky  
October 25, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2017

Section I – Summary of Auditor’s Results

**Financial Statements**

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting

Material weakness(es) identified?                     yes  no  
Significant deficiency(s) identified                 yes  none reported  
Noncompliance material to financial statements noted?     yes  no

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?                     yes  no  
Significant deficiency(s) identified                 yes  none reported

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

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

Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027	Special Education Cluster (IDEA)

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

Auditee qualified as low-risk auditee?                     yes  no

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None Reported

BOYLE COUNTY SCHOOL DISTRICT  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
For The Year Ended June 30, 2017

**PRIOR YEAR – FINANCIAL STATEMENT FINDINGS**

There were no prior year findings

**PRIOR YEAR – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

2016-001 was corrected by adopting written policies and procedures

MANAGEMENT LETTER

**DENISE M. KEENE  
CERTIFIED PUBLIC ACCOUNTANT  
P.O. BOX 1444  
GEORGETOWN, KENTUCKY 40324  
502-857-2579**

Boyle County Board of Education  
Danville, Kentucky

We have audited the financial statements of the Boyle County School District for the year ended June 30, 2017 and have issued our report thereon dated October 25, 2017. As part of our audit, we made a study and evaluation of the District's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the District's financial statements. Our study and evaluation was more limited than would be necessary for expressing an opinion on the system of internal accounting control taken as a whole.

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

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

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

The following items from last year's management letter points were corrected during the current fiscal year as outlined in the District's response: 2016-001, 2016-002, 2016-003, 2016-004, 2016-005, 2016-006, 2016-008, 2016-009, 2016-013, 2016-015, 2016-016, 2016-018, 2016-020, 2016-021, 2016-22, 2016-023.

The following items from last year's management letter points were not corrected: 2016-010, 2016-011, 2016-014, 2016-017, and 2016-019.

*Denise M. Keene*

Denise M. Keene, CPA  
Georgetown, Kentucky  
October 25, 2017

## CURRENT YEAR MANAGEMENT POINTS

2017-001

According to KRS 65.944 (1)(b), KRS 65.946, KRS 156.160, KRS 160.160, and 702 KAR 3:300, all leases in excess of \$100,000 must be reviewed by KDE's Division of District Support and approved by the Commissioner of Education. The District entered into a lease agreement for administrative office space in excess of \$100,000 without the approval of the Commissioner of Education. I recommend the District seek approval of the lease.

Management's Response:

Management was made aware of the requirement and immediately started proceedings to get the contract approved by KDE.

## BOYLE COUNTY HIGH SCHOOL

2017-002

According to the Red Book, all checks shall contain the signatures of the principal or designee, and the school treasurer. There was one (1) check with only one signature. All checks should have two signatures on them prior to being distributed. **This is a repeat from last year. (2016-007)**

Management's Response:

I have reminded the school treasurer to ensure that all checks have two signatures prior to sending them out for payment.

2017-003

Teachers are not turning money into the School Treasurer timely. Testing disclosed money was being held by teachers and not turned in daily as required by the Red Book. I recommend the Principal remind all staff to turn in money daily. **This is a repeat finding from the past two years. (2016-010)**

Management's Response:

I reminded teachers that they are to turn in money to the bookkeeper daily and to note any checks they receive from students that appear to have been held by the student for a while.

2017-004

According to the Red Book, "Students third grade and above must sign the Multiple Receipt Form." Testing disclosed that some teachers were not having their students sign the Multiple Receipt Form. The Principal should remind teachers/sponsors who are receiving money to have the students sign the Multiple Receipt Form. **This is a repeat finding from past two years. (2016-011)**

Management's Response:

I reminded teachers to have students sign the multiple receipt form and for the bookkeeper to inform me if she notices anyone not observing this practice.

2017-005

Ticket Sale Forms are not being completed correctly. The forms are not being signed by the person in charge, or the ticket taker. The currency section is not being completed. The Red Book requires two people to work the gate, one to sell the tickets and another as the ticket taker. The District is not following Red Book procedures. The school treasurer should check the form for completion before accepting the form. **This is a repeat finding from the past two years. (2016-014)**

Management's Response:

Two people are working the gates. The school treasurer has worked with ticket takers and sellers to ensure they understand the forms.

2017-006

During the year, the school transferred money from school activity accounts six times to the SWEEP account to send the money to the District Activity Fund. This is not allowed. Once money is put into a school activity account it is restricted and must be spent at the school level for the students benefit.

Management's Response:

Funds will be put directly into the district activity fund.

2017-007

According to the Red Book, all fundraisers should complete a Fundraiser Approval Form before the fundraiser begins. The Red Book also requires the activity sponsor to complete the Fundraiser Worksheet within one week of the completion of the fundraiser. The two fundraisers tested during the year did not complete Fundraiser Approval Forms or Fundraiser Worksheets. I recommend fundraisers be monitored and required to complete both forms.

Management's Response:

Teachers and sponsors are reminded of this practice.

## BOYLE COUNTY MIDDLE SCHOOL

2017-008

Teachers are not turning money into the School Treasurer timely. Testing disclosed money was being held by teachers and not turned in daily as required by the Red Book. I recommend the Principal remind all staff to turn in money daily. **This is a repeat finding from the past two years. (2016-017)**

Management's Response:

All teachers are instructed to turn in money daily at the beginning of the year and reminded at other meetings throughout the year.

2017-009

Ticket Sale Forms are not being completed correctly. There were seven (7) forms that did not have the person in charge signature at the top of the form. There was not a second person as the ticket taker on three of the forms (all softball). The school play ticket sale form only had one worker. The school treasurer should check the form for completion before accepting the form. **This is a repeat finding from the past two years. (2016-019)**

Management's Response:

The school treasurer shall inspect all forms turned in to ensure the proper signatures are obtained. We have reviewed proper practices with school play director.

2017-010

According to the Red Book, "Fundraisers where items are sold, whether they are purchased or donated or both, require the use of the Fundraiser Worksheet, which is used to recap the profitability of a fundraiser sales cycle." The Fundraiser Worksheet was not completed for all fundraisers. There was one fundraiser that did not complete a Fundraiser Worksheet that only made 22% profit on their fundraiser. That does not seem reasonable compared to similar fundraisers. I recommend the Principal require Fundraiser Worksheets be turned in as required by the Red Book.

Management's Response:

The school treasurer will ensure fundraiser forms are completed at the end of the fundraising period.



## **JUNCTION CITY ELEMENTARY – NO COMMENTS**

### **PERRYVILLE ELEMENTARY**

2017-011

During the year, the school transferred money from the Yearbook account to the SWEEP account to send the money to the District Activity Fund. This is not allowed. Once money is put into a school activity account it is restricted and must be spent at the school level for the students benefit.

Management's Response:

From this moment we will deposit funds directly in the District Activity Account rather than sweeping from a school level account.

### **WOODLAWN ELEMENTARY**

2017-012

Teachers are not turning money into the School Treasurer timely. Testing disclosed money was being held by teachers and not turned in daily as required by the Red Book. I recommend the Principal remind all staff to turn in money daily.

Management's Response:

Principal's comment: In opening day meeting, I will address the issue of turning deposits in at the end of the day and noting on receipt forms when check dates do not match to note that the difference is that the teacher just received the check.

---

THIS PAGE INTENTIONALLY  
LEFT BLANK

---

**APPENDIX F**

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

---

**Continuing Disclosure Agreement**

---

THIS PAGE INTENTIONALLY  
LEFT BLANK

---

## CONTINUING DISCLOSURE UNDERTAKING AGREEMENT

This Continuing Disclosure Undertaking Agreement ("Agreement") made and entered into as of the 30<sup>th</sup> day of January, 2018 by and between the Board of Education of Boyle County, Kentucky ("Board"); the Boyle 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 \$32,270,000 of the Corporation's School Building Revenue Bonds, Series of 2018, dated January 30, 2018 ("Bonds"), which Bonds were offered for sale under the terms and conditions of a Final Official Statement ("FOS") prepared by J.J.B. Hilliard, W.L. Lyons LLC, Louisville, Kentucky ("Financial 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 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 Appendix A of 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

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

- (1) Principal/interest payment delinquency;
- (2) Nonpayment related default, if material;
- (3) Unscheduled draw on debt service reserve reflecting financial difficulties;
- (4) Unscheduled draw on credit enhancement reflecting financial difficulties;
- (5) Substitution of credit or liquidity provider, or its failure to perform;
- (6) Adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the securities, or other material events affecting the tax status of the security;
- (7) Modifications to rights of security holders, if material;
- (8) Bond call, if material;
- (9) Defeasance;
- (10) Tender offers;
- (11) Release, substitution or sale of property securing the repayment of the security, if material;
- (12) Rating change;
- (13) 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;
- (14) Bankruptcy, insolvency, receivership or similar event; and
- (15) Successor, additional or change in trustee, if material.

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 and Operating Data 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, operating data 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 March 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 Financial Advisor and approved by the authorized representatives of the Board and the Corporation is hereby incorporated in this Agreement as fully as if copied herein and the "annual financial information" required under Section 1 hereof shall in summary form update the specific information set forth in said FOS.

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

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

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

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

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

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

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

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

**8. DEFAULT**

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

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

**BOARD OF EDUCATION OF BOYLE COUNTY,  
KENTUCKY**

\_\_\_\_\_  
Chairperson

Attest:

\_\_\_\_\_  
Secretary

**BOYLE COUNTY SCHOOL  
DISTRICT FINANCE CORPORATION**

\_\_\_\_\_  
President

Attest:

\_\_\_\_\_  
Secretary



**OFFICIAL  
TERMS AND CONDITIONS OF BOND SALE**

**\$32,270,000\***

**Boyle County School District Finance Corporation  
School Building Revenue Bonds, Series of 2018  
Dated January 30, 2018**

**SALE: January 16, 2018 AT 10:30 A.M., E.S.T.**

As advertised in The Courier-Journal, published in Louisville, Kentucky, the Boyle County School District Finance Corporation ("Corporation") will until January 16, 2018, at the hour of 10:30 A.M., E.S.T., in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 229 West Main Street, Suite 102, Frankfort, Kentucky 40601-1879, receive competitive bids for the revenue bonds herein described. To be considered, bids must be submitted on an Official Bid Form and must be delivered to the Corporation at the address indicated on the date of sale no later than the hour indicated. Bids may be submitted manually or by facsimile or electronically via PARITY. Bids will be considered by the Corporation and may be accepted without further action by the Corporation's Board of Directors.

\*Subject to a Permitted Adjustment as described herein.

**BOYLE COUNTY SCHOOL  
DISTRICT FINANCE CORPORATION**

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

**STATUTORY AUTHORITY, PURPOSE OF ISSUE AND SECURITY**

These Bonds are authorized pursuant to KRS 162.120 through 162.300, 162.385, and KRS 58.180 and are issued in accordance with a Resolution of the Corporation's Board of Directors. Said Bonds are revenue bonds and constitute a limited indebtedness of the Corporation payable from rental revenues derived by the Corporation from the Board under the Lease identified below. Said Bonds are being issued to finance construction of Boyle Middle School and theater (the "Project") and are secured by a pledge of the revenues from the rental of the school building to the Board under the Lease on a year to year basis; the first rental period ending June 30, 2018.

The rental of the Project from the Corporation to the Board is to be effected under a certain Lease Agreement by and between the Corporation and the Board (the "Lease"), whereunder the Project is leased to the Board for the initial period ending June 30, 2018, with an option in the Board to renew the Lease each year at rentals sufficient to provide for the principal and interest requirements on the Bonds as they become due, plus the costs of insurance, maintenance, depreciation, and bond issuance and administration expenses; the Board being legally obligated only for the initial rental period and for one year at a time thereafter each time the Lease is renewed.

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

Although the Board is obligated to pay the Corporation annual rentals in the full amount of the principal and interest requirements for the Bonds for each year in which the Lease is renewed, the Board has entered into the Lease in reliance upon a certain Participation Agreement by and between the Board and the Kentucky School Facilities Construction Commission (the "Commission"). Under the terms of the Participation Agreement, the Commission has agreed to pay annually directly to the Paying Agent for the Bonds a stated Agreed Participation equal to approximately 40% of the annual debt service requirements for the Bonds

herein identified until their retirement, subject to the constitutional restrictions limiting the commitment to the biennium; said annual amount is to be applied only to the principal and interest requirements of the Bonds so long as the Board renews the Lease. Under the Lease, the Board has pledged and assigned all of its rights under the Participation Agreement in and to the Agreed Participation to the Corporation in order to secure the Bonds and has agreed to pay that portion of the rentals in excess of said Agreed Participation for each year in which the Lease is renewed.

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

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

Pursuant to the provisions of the Act, the Regulations of the Kentucky Board of Education and the Commission, the Commission has determined that the Board is eligible for participation from the Commission in meeting the costs of construction of the Projects and has entered into a Participation Agreement with the Board whereunder the Commission agrees to pay an annual Agreed Participation equal to approximately 40% of the annual debt service requirements for the Bonds herein identified each year until their retirement; provided, however, that the contractual commitment of the Commission to pay the annual Agreed Participation is limited to the biennial budget period of the Commonwealth, with the first such biennial period terminating on June 30, 2018; the right is reserved in the Commission to terminate its commitment to pay the Agreed Participation after the initial biennial period and every two years thereafter. The obligation of the Commission to make payments of the Agreed Participation shall be automatically renewed each two years for a period of two years unless the Commission shall give notice of its intention not to participate not less than sixty days prior to the end of the biennium; however, by the execution of the Participation Agreement, the Commission has expressed its present intention to continue to pay the Agreed Participation in each successive biennial budget period until the retirement of all of the Bonds, but such execution does not obligate the Commission to do so.

The General Assembly of the Commonwealth adopted the State's Budget for the biennium ending June 30, 2018. Inter alia, the Budget provides \$121,610,900 in FY 2016-17 and \$134,544,300 in FY 2017-18 to pay debt service on existing and future bond issues; \$100,000,000 of the Commission's previous Offers of Assistance made during the last biennium; and authorizes \$91,000,000 in additional Offers of Assistance for the current biennium to be funded in the Budget for the biennium ending June 30, 2020.

### **ADDITIONAL PARITY BONDS**

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

### **BOND MATURITIES, PRIOR REDEMPTION PROVISIONS AND PAYING AGENT**

All such Bonds shall be in denominations in multiples of \$5,000 within the same maturity, bear interest from January 30, 2018, payable on August 1, 2018, and semi-annually thereafter and shall mature as to principal on February 1 in each of the years as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2019	\$880,000	2029	\$1,475,000
2020	890,000	2030	1,515,000
2021	910,000	2031	1,920,000
2022	930,000	2032	2,080,000
2023	950,000	2033	2,145,000
2024	970,000	2034	2,225,000
2025	995,000	2035	2,305,000
2026	1,020,000	2036	2,585,000
2027	1,400,000	2037	2,770,000
2028	1,435,000	2038	2,870,000

\*Subject to a Permitted Adjustment of the amount of Bonds awarded as further described herein, applied in any or all maturities.

The Bonds maturing on or after February 1, 2028 are subject to redemption at the option of the Corporation prior to their stated maturity on any date falling on or after August 1, 2027, in any order of maturities (less than all of a single maturity to be selected by lot), in whole or in part, upon notice of such prior redemption being given by the Paying Agent in accordance with DTC requirements not less than thirty (30) days prior to the date of redemption, upon terms of the face amount, plus accrued interest, but without redemption premium.

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

The Bonds are to be issued in fully registered form (both principal and interest). U.S. Bank National Association, Louisville, Kentucky, has been designated as the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date to Cede & Co. Principal and interest will be payable through the Book-Entry-Only-System administered by The Depository Trust Company: Please see "BOOK-ENTRY-ONLY-SYSTEM" below. Interest on the Bonds will be paid at rates to be established upon the basis of competitive bidding as hereinafter set forth, such interest to be payable on August 1 and February 1 of each year, beginning August 1, 2018 (Record Date is the 15<sup>th</sup> day of month preceding interest due date).

### **BIDDING CONDITIONS AND RESTRICTIONS**

(A) Bids must be made on Official Bid Form, contained in Information for Bidders available from the undersigned or J.J.B. Hilliard, W.L. Lyons, LLC, Louisville, Kentucky, by visiting <http://pos.hilliard.com> submitted manually, by facsimile or electronically via PARITY®.

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

(D) The bid shall be not less than \$31,624,600 (98% of par) nor more than \$35,497,000 (110% of par) plus accrued interest. Interest rates shall be in multiples of 1/8 or 1/20 of 1% or both. Only one interest rate shall be permitted per Bond, and all Bonds of the same maturity shall bear the same rate. There is no limit on the number of different interest rates which may be specified by any bidder, however, no rate may exceed 5.0%.

(E) The maximum permissible net interest cost for the Bonds shall not exceed "The Bond Buyer's" Index of 20 Municipal Bonds as established on the Thursday immediately preceding the sale of said Bonds plus 1.50%.

(F) The determination of the best purchase bid for said Bonds shall be made on the basis of the lowest true interest cost (TIC) according to the schedule of principal amounts listed in the Official Bid Form submitted for exactly \$32,270,000 principal amount of Bonds offered for sale under the terms and conditions herein specified; provided, however, the Corporation reserves the right to increase the total principal amount of Bonds sold to such best bidder in the amount not exceeding \$3,225,000, or decrease the total principal amount of Bonds sold to such best bidder in an amount determined by the Corporation to be in the best interest of the Corporation, with such increase or decrease to be made in any maturity. In the event of any such adjustment, no rebidding or recalculation of a submitted bid will be required or permitted, and the Underwriter's Discount on the Bonds as submitted by the successful bidder shall be held constant. The Underwriter's Discount shall be defined as the difference between the purchase price of the Bonds submitted by the bidder and the price at which the Bonds will be issued to the public, calculated from information provided by the bidder, divided by the par amount of the Bonds bid.

(G) If three (3) or more bids for the Bonds are received as a result of this competitive sale, the successful purchaser will be required to certify on or before the issue date the reasonably expected initial offering price to the public as of the Sale Date for each Maturity of the Bonds which prices are the prices for each Maturity of the Bonds used by the successful purchaser in formulating its bid to purchase the Bonds.

If less than three (3) bids for the Bonds are received as a result of this competitive sale, the successful purchaser, by

submitting a bid pursuant to a published Notice of Sale, has agreed in writing that they will certify on or before the issue date (and provide reasonable supporting documentation for such Certification, such as a copy of the Pricing wire or equivalent communication) for each Maturity of the Bonds (i) the first price at which at least 10% of each Maturity of the Bonds was sold to the Public, or (ii) that they will neither offer nor sell any of the Bonds of each Maturity to any person at a price that is higher than the Initial Offering Price for such maturity during the Holding Period for such Maturity.

Bids will not be subject to cancellation or withdrawal by the bidder in the event that three bids are not received and the Issuer determines to apply the hold-the-offering-price rule.

For purposes of the above the following terms are defined as follows:

(a)*Holding Period* means, with respect to a Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the successful purchaser has sold at least 10% of such Maturity to the Public at prices that are no higher than the Initial Offering Price for such Maturity.

(b)*Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(c)*Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.

(d)*Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is January 16, 2018.

(e)*Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

(H) The successful bidder may elect to notify the Financial Advisor within twenty-four (24) hours of the award of the Bonds that certain serial maturities as awarded may be combined with immediately succeeding serial maturities as one or more Term Bonds; provided, however, (a) bids must be submitted to permit only a single interest rate for each term bond specified, and (b) Term Bonds will be subject to mandatory redemption by lot on February 1 in accordance with the maturity schedule setting the actual size of the issue.

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

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

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

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

(M) The Corporation reserves the right to reject any and all bids or to waive any informality in any bid. The Bonds are offered for sale subject to the principal and interest not being subject to Federal or Kentucky income taxation or Kentucky ad valorem taxation on the date of their delivery to the successful bidder, in accordance with the Final Approving Legal Opinion of

Stephoe & Johnson PLLC, Bond Counsel, Louisville, Kentucky, which Opinion will be qualified in accordance with the section hereof on TAX EXEMPTION.

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

### STATE SUPPORT OF EDUCATION

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

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

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

KRS 157.420 establishes a formula which results in the allocation of funds for capital expenditures in school districts at \$100 per ADA pupil which is included in the SEEK allotment (\$3,981) for the current biennium which is required to be segregated into a Capital Outlay Allotment Fund which may be used only for (1) direct payment of construction costs; (2) debt service on voted and funding bonds; (3) lease rental payments in support of bond issues; (4) reduction of deficits resulting from over expenditures for emergency capital construction; and (5) a reserve for each of the categories enumerated in 1 through 4 above.

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

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

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

KRS 157.620(1) also provides that in order to be eligible for participation from the Kentucky School Facilities Construction Commission for debt service on bond issues the district must levy a tax which will produce revenues equivalent to \$.05 per \$100 of the total assessed value of all property in the district (including tangible and intangible property and motor vehicles) in addition to the minimum \$.30 levy required by KRS 160.470(12). A district having a special voted tax which is equal to or higher than the required \$.05 tax, must commit and segregate for capital purposes at least an amount equal to the required \$.05 tax. Those districts which levy the additional \$.05 tax are also eligible for participation in the Kentucky Facilities Support ("KFS") program for which funds are appropriated separately from SEEK funds and are distributed to districts in accordance with a formula taking into account outstanding debt and funds available for payment from both local and state sources under KRS 157.440(1)(b).

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

### BIENNIAL BUDGET FOR PERIOD ENDING JUNE 30, 2018

The Kentucky General Assembly, during its Regular Session, adopted a budget for the biennium ending June 30, 2018 which was approved and signed by the Governor. Such budget was effective beginning July 1, 2016.

### **POTENTIAL LEGISLATION**

No assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax exemption of such interest. In addition, current and future legislative proposals, if enacted into law, may cause interest on state or local government bonds (whether issued before, on the date of, or after enactment of such legislation) to be subject, directly or indirectly, to federal income taxation by, for example, changing the current exclusion or deduction rules to limit the amount of interest on such bonds that may currently be treated as tax exempt by certain individuals. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation.

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

### **CONTINUING DISCLOSURE**

As a result of the principal amount of the Bonds being greater than \$1,000,000, the Corporation and the Board will be subject to the provisions of the Municipal Securities Disclosure Rules set forth in Securities and Exchange Commission Rule 15c2-12 (the "Rule") with respect to the Bonds. The Corporation and the Board will enter into a written agreement for the benefit of all parties who may become Registered or Beneficial Owners of the Bonds whereunder said Corporation and Board will agree to comply with the provisions of the Rule.

Financial information regarding the Board may be obtained from Superintendent, Boyle County School District Board of Education, 352 N. Danville By-Pass, Danville, Kentucky 40422, Telephone 859-236-6634.

### **TAX EXEMPTION; NOT BANK QUALIFIED**

Bond Counsel is of the opinion that the Bonds are NOT "qualified tax-exempt obligations" within the meaning of the Internal Revenue Code of 1986, as amended, and therefore advises as follows:

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

(B) The interest income from the Bonds is excludable from the gross income of the recipient thereof for Federal income tax purposes under existing law; provided, that the corporate entities noted below are advised of certain tax consequences as follows:

(1) In the computation of the corporate minimum tax, earnings and profits may include otherwise tax-exempt interest on the Bonds; this provision applies to corporations only.

(2) Property and casualty insurance companies may be denied certain loss reserve deductions to the extent of otherwise tax-exempt interest on the Bonds.

(C) As a result of certifications by the Board and the Corporation, indicating the issuance of MORE than \$10,000,000 of tax-exempt obligations during the calendar year ending December 31, 2018, the Bonds may NOT be treated by financial institutions as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code.

(D) The interest income from the Bonds is excludable from the gross income of the recipient thereof for Federal income tax purposes under existing law for individuals; however, said income must be included in the calculation of "modified adjusted gross income" in the determination of whether and to what extent Social Security benefits are subject to Federal income taxation.

### **BOOK-ENTRY-ONLY-SYSTEM**

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

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

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

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

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

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

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

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

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

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

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

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

**BOYLE COUNTY SCHOOL  
DISTRICT FINANCE CORPORATION**

**by /s/ Michael LaFavers  
Secretary**



**OFFICIAL BID FORM**

(Bond Purchase Agreement)

The Boyle County School District Finance Corporation (“Corporation” or “Issuer”), will until 10:30 A.M., E.S.T., on January 16, 2018, receive in the office of the Executive Director of the Kentucky School Facilities Construction Commission, Suite 102, 229 W. Main Street, Frankfort, Kentucky 40601, (telephone 502-564-5582; fax 888-979-6152) competitive bids for its \$32,270,000 School Building Revenue Bonds, Series of 2018, dated January 30, 2018; maturing February 1, 2019 through 2038 (“Bonds”).

We hereby bid for said \$32,270,000\* principal amount of Bonds, the total sum of \$\_\_\_\_\_ (not less than \$31,624,600 nor more than \$35,497,000) plus accrued interest from January 30, 2018 payable August 1, 2018 and semiannually thereafter at the following annual rates, (rates not greater than 5.0% in multiples of 1/8 or 1/20 of 1%; number of interest rates unlimited) and maturing as to principal on February 1 in the years as follows:

<u>Year</u>	<u>Amount*</u>	<u>Rate</u>	<u>Year</u>	<u>Amount*</u>	<u>Rate</u>
2019	\$880,000	_____ %	2029	\$1,475,000	_____ %
2020	890,000	_____ %	2030	1,515,000	_____ %
2021	910,000	_____ %	2031	1,920,000	_____ %
2022	930,000	_____ %	2032	2,080,000	_____ %
2023	950,000	_____ %	2033	2,145,000	_____ %
2024	970,000	_____ %	2034	2,225,000	_____ %
2025	995,000	_____ %	2035	2,305,000	_____ %
2026	1,020,000	_____ %	2036	2,585,000	_____ %
2027	1,400,000	_____ %	2037	2,770,000	_____ %
2028	1,435,000	_____ %	2038	2,870,000	_____ %

\* Subject to Permitted Adjustment

We understand this bid may be accepted for as much as \$35,495,000 of Bonds or as little as is determined to be in the best interest of the Corporation, with the variation in the price and such amount occurring in any maturity or all maturities, which will be determined at the time of acceptance of the best bid.

We further understand that by submitting a bid we agree as follows:

If three (3) or more bids for the Bonds are received as a result of this competitive sale, the successful purchaser will be required to certify on or before the issue date the reasonably expected initial offering price to the public as of the Sale Date for each Maturity of the Bonds which prices are the prices for each Maturity of the Bonds used by the successful purchaser in formulating its bid to purchase the Bonds.

If less than three (3) bids for the Bonds are received as a result of this competitive sale, the successful purchaser, by submitting a bid pursuant to a published Notice of Sale, has agreed in writing that they will certify on or before the issue date (and provide reasonable supporting documentation for such Certification, such as a copy of the Pricing wire or equivalent communication) for each Maturity of the Bonds (i) the first price at which at least 10% of each Maturity of the Bonds was sold to the Public, or (ii) that they will neither offer nor sell any of the Bonds of each Maturity to any person at a price that is higher than the Initial Offering Price for such maturity during the Holding Period for such Maturity.

Bids will not be subject to cancellation or withdrawal by the bidder in the event that three bids are not received and the Issuer determines to apply the hold-the-offering-price rule.

For purposes of the above the following terms are defined as follows:

(a)*Holding Period* means, with respect to a Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the successful purchaser has sold at least 10% of such Maturity to the Public at prices that are no higher than the Initial Offering Price for such Maturity.

(b)*Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(c)*Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for

purposes of this certificate generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.

(d)*Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is January 16, 2018.

(e)*Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

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

The successful bidder may elect to notify the Financial Advisor within twenty-four (24) hours of the award of the Bonds that certain serial maturities as awarded may be combined with immediately succeeding serial maturities as one or more Term Bonds; provided, however, (a) bids must be submitted to permit only a single interest rate for each Term Bond specified, and (b) Term Bonds will be subject to mandatory redemption on February 1 in accordance with the maturity schedule setting the actual size of the issue.

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

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

No certified or bank cashier's check will be required to accompany a bid, but the successful bidder shall be required to wire transfer an amount equal to 2% of the principal amount of Bonds awarded by the close of business on the date following the award. Said good faith amount will be applied (without interest) to the purchase price on delivery. Wire transfer procedures should be arranged through U.S. Bank National Association, Attn: Mr. Charles Lush (502-562-6436).

Bids must be submitted only on this form and must be fully executed.

If we are the successful bidder, we agree to accept and make payment for the Bonds in Federal Funds on or about January 30, 2018 and upon acceptance by the Issuer's Financial Advisor this Official Bid Form shall become the Bond Purchase Agreement.

Respectfully submitted,

\_\_\_\_\_  
Bidder

By \_\_\_\_\_  
Authorized Officer

\_\_\_\_\_  
Address

Total interest cost from January 30, 2018 to final maturity \$ \_\_\_\_\_  
 Plus discount or less any premium \$ \_\_\_\_\_  
 Net interest cost (Total interest cost plus discount or less any premium) \$ \_\_\_\_\_  
 True Interest Cost (i.e. TIC) \_\_\_\_\_%

The above computation of net interest cost and of average interest rate or cost is submitted for information only and is not a part of this Bid.

Accepted by J.J.B. Hilliard, W.L. Lyons, LLC, as Financial Advisor and Agent for the Boyle County School District Finance Corporation for \$ \_\_\_\_\_ amount of Bonds at a price of \$ \_\_\_\_\_ as follows:

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>
2019	_____,000	_____ %	2029	_____,000	_____ %
2020	_____,000	_____	2030	_____,000	_____
2021	_____,000	_____	2031	_____,000	_____
2022	_____,000	_____	2032	_____,000	_____
2023	_____,000	_____	2033	_____,000	_____
2024	_____,000	_____	2034	_____,000	_____
2025	_____,000	_____	2035	_____,000	_____
2026	_____,000	_____	2036	_____,000	_____
2027	_____,000	_____	2037	_____,000	_____
2028	_____,000	_____	2038	_____,000	_____

Dated: January 16, 2018

\_\_\_\_\_  
J.J.B. HILLIARD, W.L. LYONS, LLC  
as Agent for the Boyle County  
School District Finance Corporation